



SEMI-ANNUAL  
REPORT

2017

CANADIAN UTILITIES & TELECOM INCOME FUND

  
strathbridge  
ASSET MANAGEMENT

## Canadian Utilities & Telecom Income Fund

### Letter to Unitholders

We are pleased to present the 2017 semi-annual report containing the management report of fund performance and the unaudited financial statements for Canadian Utilities & Telecom Income Fund (the “Fund”).

Stock markets around the world advanced in the first half of 2017 as investors believed the inauguration of Donald Trump would usher in a new era of pro-growth policies, deregulation and tax reform. The Federal Reserve Open Market Committee raised interest rates twice so far in 2017, to a range of 1.00 - 1.25 percent, and discussed plans to scale back its US\$4.5 trillion balance sheet. Curiously, long-term interest rates remain subdued, with US 10 Year yield's declining from 2.4 percent to 2.3 percent in the first 6 months of the year. After rising over 45 percent in 2016, oil prices have come under renewed pressure declining from US\$53.72 to start the year to a low of US\$42.05 on June 21. The broader commodity complex has also suffered in 2017, down 5.3 percent, making it the worst performing asset class year-to-date. Weakness in these areas have contributed to the resource-weighted Toronto Stock Exchange underperforming most markets during this period with a total return of 0.7 percent. Global equities, and more specifically emerging market equities, have decoupled from the commodity trade and are leading the global equity rally so far in 2017. The MSCI Emerging Market Index is up 18.5 percent year-to-date with the MSCI EAFE Index not far behind, up 14.2 percent. The S&P 500 Index returned 9.3 percent with the Technology sector outperforming substantially up 17.2 percent. With most assets classes producing positive returns year-to-date, investor sentiment remains positive and volatility remains extremely low with the VIX (“CBOE Volatility Index”) trading near historical lows at 11.3 percent. Given the uncertainty surrounding the global political landscape with tensions in Syria and North Korea escalating, the ability of President Trump to implement his desired policies, and the Federal Reserve moving from an extended period of easy monetary policy to one that is less accommodating, this period of low volatility is viewed as one that can change at any moment.

During the six months ended June 30, 2017, the Fund paid cash distributions of \$0.37 per unit. The net asset value per unit increased from \$10.58 at December 31, 2016 to \$10.76 at June 30, 2017. The total return of the Fund, including the reinvestment of distributions, was 5.3 percent for the period. The net realized gain on options attributable to Strathbridge Selective Overwriting strategy (see “The Fund”) amounted to \$0.02 per unit compared to a net realized gain on options of \$0.06 per unit a year ago, partially attributable to the low level of volatility realized during the period. For a more detailed review of the operations of the Fund, please see the Results of Operations and the Portfolio Manager Report Sections.

We thank all unitholders for their continued support and encourage unitholders to review the detailed information contained within the semi-annual report.



John P. Mulvihill  
Chairman & CEO  
Strathbridge Asset Management Inc.

### The Fund

The Fund is a closed-end investment trust designed to maximize total returns for unitholders including both long-term appreciation in net asset value (“NAV”) per unit and to pay unitholders monthly distributions in an amount targeted to be 7.0 percent per annum on the NAV of the Fund. The units are listed on the Toronto Stock Exchange (“TSX”) under the ticker symbol UTE.UN.

To accomplish its objectives, the Fund invests at least 75 percent of the value of the Fund in securities of Utilities and Telecommunications issuers listed on the TSX which have a minimum market capitalization of \$1 billion and a current minimum distribution yield of 2.0 percent per annum at the time of investment. In addition, up to 25 percent of the value of the Fund may be invested in securities of North American issuers in the Utilities and Telecommunications sectors which have a minimum market capitalization of \$250 million and a minimum distribution yield of 2.0 percent per annum at the time of investment. The Fund may also invest in public investment funds including exchange-traded funds and other Strathbridge Funds (provided that no more than 15 percent of the net asset value of the Fund may be invested in securities of other Strathbridge Funds) that provide exposure to such securities.

The Fund employs a proprietary investment strategy, Strathbridge Selective Overwriting (“SSO”), to enhance the income generated by the portfolio and to reduce volatility. The Fund may, from time to time, selectively write covered call options in respect of up to a maximum of 25 percent of the securities in the portfolio. In addition, the Fund may write cash covered put options in respect of securities in which it is permitted to invest.

The SSO strategy is a quantitative, technical based methodology that identifies appropriate times to write and/or close out option positions compared to writing continuously and rolling options every thirty days. This proprietary process has been developed over many years through various market cycles. The Manager believes the primary benefit to investors is to maximize the total return of the particular portfolio while reducing the level of volatility of the portfolio, thereby increasing the risk-adjusted return.

## Canadian Utilities & Telecom Income Fund

### Management Report of Fund Performance

#### Management Report of Fund Performance

This semi-annual management report of fund performance contains the financial highlights for the six months ended June 30, 2017 of Canadian Utilities & Telecom Income Fund (the "Fund"). The unaudited semi-annual financial statements of the Fund are attached.

Copies of the Fund's proxy voting policies and procedures, proxy voting disclosure record and quarterly portfolio disclosure may be obtained by calling 1-800-725-7172 toll free, by writing to the Fund at Investor Relations, 121 King Street West, Suite 2600, P.O. Box 113, Toronto, Ontario, M5H 3T9, by email at [info@strathbridge.com](mailto:info@strathbridge.com), or by visiting our website at [www.strathbridge.com](http://www.strathbridge.com). You can also request semi-annual or annual reports at no cost by using one of the above methods.

#### Results of Operations

##### Distributions

For the six months ended June 30, 2017, cash distributions of \$0.37 per unit were paid to unitholders unchanged from a year ago.

Since the inception of the Fund in December 2010, the Fund has paid total cash distributions of \$5.53 per unit.

##### Revenue and Expenses

For the six months ended June 30, 2017, the Fund's total revenue was \$0.23 per unit, down \$0.01 per unit from the prior year. Overall expenses decreased \$0.03 million or 5.2 percent from the prior period. However, total expenses per unit increased by \$0.01 per unit to \$0.16 per unit mainly due to a decreased average number of units outstanding during the period. The Fund had a net realized and unrealized gain of \$0.49 per unit in the first half of 2017 as compared to a net realized and unrealized gain of \$0.79 per unit a year earlier.

##### Net Asset Value

The net asset value per unit of the Fund increased 1.7 percent from \$10.58 at December 31, 2016 to \$10.76 at June 30, 2017. The total net asset value of the Fund decreased by \$14.29 million, from \$33.88 million at December 31, 2016 to \$19.59 million at June 30, 2017, reflecting unit redemptions of \$14.88 million and cash distributions of \$1.19 million, partially offset by an increase in net assets attributable to equity holders of \$1.78 million.

#### Recent Developments

There were no recent developments pertaining to the Fund during the six months ended June 30, 2017.

## Management Report of Fund Performance

### Related Party Transactions

Strathbridge Asset Management Inc. (“Strathbridge”), as the Investment Manager of the Fund, manages the investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an Investment Management Agreement made between the Fund and Strathbridge dated November 26, 2010.

Strathbridge is the Manager of the Fund pursuant to a Trust Agreement made between the Fund and Strathbridge dated November 26, 2010. As such, Strathbridge is responsible for providing or arranging for required administrative services to the Fund.

Strathbridge is paid the fees described under the Management Fees section of this report.

During the period, no recommendations or approvals were required to be sought from the Independent Review Committee (“IRC”) concerning related party transactions.

### Independent Review Committee

National Instrument 81-107 - Independent Review Committee for Investment Funds (“NI 81-107”) requires all publicly offered investment funds to establish an IRC to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of these matters and providing assistance to the IRC in carrying out its functions. The Chief Compliance Officer, designated by the Manager, is in charge of facilitating the fulfillment of these obligations.

The IRC will prepare, for each financial year, a report to securityholders that describes the IRC and its activities during such financial year and includes, if known, a description of each instance when the Manager acted in a conflict of interest matter for which the IRC did not give a positive recommendation or for which a condition, imposed by the IRC, was not met in its recommendation or approval. Members of the IRC are Robert W. Korthals, Michael M. Koerner and Robert G. Bertram.

# Canadian Utilities & Telecom Income Fund

## Management Report of Fund Performance

### Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years.

Information for the period ended June 30, 2017 is derived from the Fund's unaudited semi-annual financial statements.

The information for the years ended December 31 is derived from the Fund's audited annual financial statements.

	Six months ended June 30, 2017
<b>NET ASSETS PER UNIT</b>	
<b>Net Assets, beginning of period<sup>(1)</sup></b>	<b>\$ 10.58</b>
INCREASE (DECREASE) FROM OPERATIONS	
Total revenue	0.23
Total expenses	(0.16)
Realized gain (loss) for the period	0.39
Unrealized gain (loss) for the period	0.10
<b>Total Increase (Decrease) from Operations<sup>(2)</sup></b>	<b>0.56</b>
DISTRIBUTIONS	
From net investment income	(0.20)
From capital gains	-
Non-taxable distributions	(0.17)
<b>Total Distributions<sup>(3)</sup></b>	<b>(0.37)</b>
<b>Net Assets, end of period<sup>(1)</sup></b>	<b>\$ 10.76</b>

(1) All per unit figures presented in 2017, 2016, 2015, 2014 and 2013 are referenced to net assets determined in accordance with IFRS which are derived from the Fund's unaudited financial statements for the six months ended June 30, 2017 and the annual audited financial statements for the years ended December 31, 2016, 2015 and 2014. Net assets per unit for the year ended December 31, 2012 were derived from the Fund's audited annual financial statements that were prepared in accordance with Canadian generally accepted accounting principles. Net assets per unit is the difference between the aggregate value of the assets (including the valuation of securities at closing prices for the years beginning on or after January 1, 2013 and for 2012 at bid prices) and the aggregate value of the liabilities divided by the number of units then outstanding.

	Six months ended June 30, 2017
<b>RATIOS/SUPPLEMENTAL DATA</b>	
Net Asset Value (\$millions)	<b>\$ 19.59</b>
Number of units outstanding	<b>1,819,867</b>
Management expense ratio <sup>(1)</sup>	<b>2.45%<sup>(4)</sup></b>
Portfolio turnover rate <sup>(2)</sup>	<b>124.17%</b>
Trading expense ratio <sup>(3)</sup>	<b>0.51%<sup>(4)</sup></b>
Net Asset Value per unit <sup>(5)</sup>	<b>\$ 10.76</b>
Closing market price	<b>\$ 10.66</b>

(1) The management expense ratio ("MER") is the sum of all fees and expenses for the stated period, including harmonized sales tax and withholding taxes but excluding transaction fees, divided by the average net asset value. Generally, the MER increases when the Fund becomes smaller in size due to redemptions. The MER for 2017, 2016, 2015, 2014 and 2013 includes withholding taxes. The MER for 2017, 2016, 2015, 2014 and 2013, excluding withholding taxes, is 2.40%, 2.17%, 2.27%, 2.13% and 2.08% respectively. The MER for 2015 and 2014 includes the special resolution expense/(recovery). The MER for 2015 and 2014 excluding the special resolution expense/(recovery) is 2.37% and 2.13% respectively.

(2) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by the average value of the portfolio securities. The Fund employs an option overlay strategy which can result in higher portfolio turnover by virtue of option exercises, when compared to a conventional equity mutual fund.

Management Report of Fund Performance

As a result of the adoption of International Financial Reporting Standards (“IFRS”), for June 30, 2017, December 31, 2016, 2015, 2014 and 2013, the net assets per unit presented in the financial statements and the net asset value per unit calculated weekly are both valued at closing prices. For the year ended December 31, 2012, the net assets per unit presented in the financial statements differs from the net asset value per unit calculated daily, primarily as a result of investments being valued at bid prices for financial statements purposes and at closing prices for daily net asset value purposes.

		Years Ended December 31							
		2016	2015	2014	2013	2012			
\$	10.27	\$	12.62	\$	11.77	\$	12.15	\$	12.40
	0.48		0.48		0.52		0.53		0.48
	(0.30)		(0.33)		(0.32)		(0.31)		(0.28)
	0.69		(0.64)		1.45		0.50		1.00
	0.21		(1.06)		0.31		(0.27)		(0.71)
	1.08		(1.55)		1.96		0.45		0.49
	(0.45)		–		(0.50)		(0.25)		(0.46)
	–		–		(0.51)		–		(0.26)
	(0.30)		(0.80)		(0.06)		(0.60)		(0.13)
	(0.75)		(0.80)		(1.07)		(0.85)		(0.85)
\$	10.58	\$	10.27	\$	12.62	\$	11.77	\$	12.13

(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gain (loss), less expenses and is calculated based on the weighted average number of units outstanding during the period. The schedule is not intended to total to the ending net assets as calculations are based on the weighted average number of units outstanding during the period.

(3) Distributions to unitholders are based on the number of units outstanding on the record date for each distribution.

		Years Ended December 31							
		2016	2015	2014	2013	2012			
\$	33.88	\$	36.04	\$	45.31	\$	45.00	\$	52.02
	3,202,175		3,509,502		3,590,002		3,823,500		4,281,300
	2.21%		2.35%		2.19%		2.14%		2.01%
	318.49%		315.92%		322.56%		228.39%		169.22%
	0.63%		0.58%		0.43%		0.44%		0.30%
\$	10.58	\$	10.27	\$	12.62	\$	11.77	\$	12.15
\$	10.26	\$	9.86	\$	12.92	\$	11.67	\$	11.75

(3) Trading expense ratio represents total commissions expressed as a percentage of the daily average net asset value during the period.

(4) Annualized.

(5) Net asset value per unit is the difference between the aggregate value of the assets including the valuation of securities at closing prices and the aggregate value of the liabilities, divided by the number of units then outstanding.

# Canadian Utilities & Telecom Income Fund

## Management Report of Fund Performance

### Management Fees

Strathbridge, as the Investment Manager of the Fund, is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 1.00 percent of the net asset value of the Fund at each month end. Services received under the Investment Management Agreement include the making of all investment decisions and writing of covered call options in accordance with the investment objectives, strategy and criteria of the Fund. Strathbridge also makes all decisions as to the purchase and sale of securities in the Fund's portfolio and as to the execution of all portfolio and other transactions.

Strathbridge, as the Manager of the Fund, is entitled to fees under the Trust Agreement calculated monthly as 1/12 of 0.10 percent of the net asset value of the Fund at each month end. Services received under the Trust Agreement include providing or arranging for required administrative services to the Fund.

### Past Performance

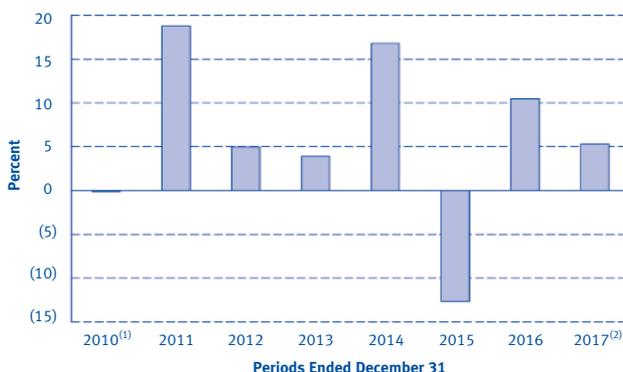
The following chart sets out the Fund's year-by-year past performance. It is important to note that the:

- (1) information shown assumes that all distributions made by the Fund during these periods were reinvested in units of the Fund,
- (2) information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and
- (3) past performance of the Fund does not necessarily indicate how it will perform in the future.

### Year-By-Year Returns

The following bar chart illustrates how the Fund's total return varied from year to year for each of the past seven years and for the six months ended June 30, 2017. The chart also shows, in percentage terms, how much an investment made on January 1 in each year or the date of inception on December 17, 2010 would have increased or decreased by the end of the fiscal year or June 30, 2017 for the six months ended.

### Total Return



<sup>(1)</sup> For the period from December 17, 2010, the inception of the Fund, to December 31, 2010.

<sup>(2)</sup> For the six months ended June 30, 2017.

## Portfolio Manager Report

Stock markets around the world advanced in the first half of 2017 as investors believed the inauguration of Donald Trump would usher in a new era of pro-growth policies, deregulation, health care and tax reform. The Federal Reserve Open Market Committee raised interest rates twice so far in 2017, to a range of 1.00 - 1.25 percent, and discussed plans to scale back its US\$4.5 trillion balance sheet. Curiously, long-term interest rates remain subdued, with US 10 Year yield's declining from 2.4 percent to 2.3 percent in the first 6 months of the year. After rising over 45 percent in 2016, oil prices have come under renewed pressure declining from US\$53.72 to start the year to a low of US\$42.05 on June 21. The broader commodity complex has also suffered in 2017, down 5.3 percent, making it the worst performing asset class year-to-date. Weakness in these areas have contributed to the resource-weighted Toronto Stock Exchange underperforming most markets during this period with a total return of 0.7 percent. Global equities, and more specifically emerging market equities, have decoupled from the commodity trade and are leading the global equity rally so far in 2017. The MSCI Emerging Market Index is up 18.5 percent year-to-date with the MSCI EAFE Index not far behind, up 14.2 percent. The S&P 500 Index returned 9.3 percent with the Technology sector outperforming substantially up 17.2 percent. With most assets classes producing positive returns year-to-date, investor sentiment remains positive and volatility remains extremely low with the VIX ("CBOE Volatility Index") trading near historical lows at 11.3 percent. Given the uncertainty surrounding the global political landscape with tensions in Syria and North Korea escalating, the ability of President Trump to implement his desired policies, and the Federal Reserve moving from an extended period of easy monetary policy to one that is less accommodating, this period of low volatility is viewed as one that can change at any moment.

The net asset value ("NAV") per unit of the Fund was \$10.76 at June 30, 2017 compared to \$10.58 at December 31, 2016. Unitholders received cash distributions of \$0.373870 per unit during the period. The Fund's units listed on the Toronto Stock Exchange as UTE.UN, closed on June 30, 2017 at \$10.66 per unit, which represents a 0.9 percent discount to the NAV per unit.

The total return of the Fund, including reinvestment of distributions, for the six months ended June 30, 2017 was 5.3 percent. In comparison, the S&P/TSX Capped Utilities Index, the S&P/TSX Capped Telecommunication Services Index and the S&P/TSX Composite Oil & Gas Storage & Transportation GICS Index returned 10.0 percent, 10.5 percent and negative 2.0 percent, respectively. The best performing stock within the portfolio was Veresen Inc. ("Veresen") while held in the portfolio which rose 44.5 percent on a takeover offer from Pembina Pipeline Corp. The Fund exited the position in Veresen in May after the acquisition was announced as a competing takeover bid for the Company was not expected. At the other end of the spectrum, AltaGas Ltd. ("AltaGas") was the laggard, down 10.0 percent while held in the Fund and currently sitting near 52 week lows. The decline in the price of AltaGas has raised the dividend yield to over 7 percent causing some analysts to question if this payout is sustainable.

While volatility levels have remained subdued overall, it spiked for a brief period in the middle of April and May before drifting back towards historically low levels. The covered call writing activity was opportunistic over the period and took advantage of signals generated by the Strathbridge Selective Overwriting ("SSO") strategy. The Fund's equity investments were written more during the first quarter of the year but on average was written on 2.2 percent of the portfolio. The net realized gain on options attributable to the SSO strategy was \$0.02 per unit for the first six months of 2017. The Fund maintained a lower cash position on average during the first quarter but slightly increased its cash position towards the end of the second quarter, in order to finance the annual retraction, closing the period with a cash position of 14.2 percent.

Stocks within the portfolio continued to raise their dividends during the period as evidenced by a few notable examples: ATCO Ltd., Emera Incorporated and Brookfield Infrastructure Partners L.P. which increased their dividends by 15.0 percent, 14.5 percent and 12.5 percent, respectively, over the last year.

# Canadian Utilities & Telecom Income Fund

## Management Report of Fund Performance

### Summary of Investment Portfolio

The composition of the portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly portfolio summary, which includes the percentage of net asset value for each holding, and a monthly portfolio list are available on our website at [www.strathbridge.com](http://www.strathbridge.com).

### Asset Mix

June 30, 2017

	% of Net Asset Value
Utilities	129.0 %
Telecommunication Services	32.4 %
Cash	14.2 %
Other Assets (Liabilities)	(75.6)%
	100.0 %

### Portfolio Holdings

June 30, 2017

	% of Net Asset Value
Cash	14.2%
Canadian Utilities Limited	11.3%
TransAlta Corporation	9.6%
Emera Incorporated	9.1%
Pembina Pipeline Corporation	8.8%
Brookfield Renewable Energy Partners L.P.	8.8%
Algonquin Power & Utilities Corp.	8.8%
Shaw Communications Inc. - Class B	8.7%
Fortis Inc.	8.1%
Brookfield Infrastructure Partners L.P.	7.7%
Rogers Communications, Inc.	7.7%
Pattern Energy Group Inc.	7.6%
Keyera Corp.	7.4%
Parkland Fuel Corporation	7.0%
ATCO Ltd.	5.8%
TransCanada Corporation	5.7%
Boralex Inc.	5.6%
Gibson Energy Inc.	5.5%
Cogeco Communications Inc.	5.5%
TransAlta Renewables Inc.	5.3%
TELUS Corporation	5.3%
BCE Inc.	5.2%
Valener Inc.	3.5%
Exelon Corporation	3.4%

### Forward-Looking Statements

This report may contain forward-looking statements about the Fund. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also forward-looking. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to any divergence between what is anticipated and what actually occurs, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technology change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

The above-mentioned list of important factors is not exhaustive. You should consider these and other factors carefully before making any investment decisions and you should avoid placing undue reliance on forward-looking statements. While the Fund currently anticipates that subsequent events and developments may cause the Fund's views to change, the Fund does not undertake to update any forward-looking statements.

## Management's Responsibility for Financial Reporting

The accompanying condensed financial statements of Canadian Utilities & Telecom Income Fund (the "Fund") and all the information in this semi-annual report are the responsibility of the management of Strathbridge Asset Management Inc. (the "Manager") and have been approved by the Fund's Board of Advisors (the "Board").

The condensed financial statements have been prepared by management in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this semi-annual report is consistent with the condensed financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 of the annual financial statements for the year ended December 31, 2016.

The Manager is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board meets periodically with management and the independent auditor to discuss internal controls, the financial reporting process, various auditing and financial reporting matters, and to review the annual report, the financial statements and the independent auditor's report. Deloitte LLP, The Fund's independent auditor, has full and unrestricted access to the Board.



John P. Mulvihill  
Director  
Strathbridge Asset Management Inc.



John D. Germain  
Director  
Strathbridge Asset Management Inc.

August 8, 2017

### Notice to Unitholders

The accompanying unaudited Condensed Financial Statements for the six months ended June 30, 2017 have been prepared by management and have not been reviewed by the independent auditor of the Fund.

## Condensed Financial Statements

## Statements of Financial Position

As at June 30, 2017 (Unaudited) and December 31, 2016 (Audited)

	Note	June 30, 2017	Dec. 31, 2016
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	2	\$ 31,615,714	\$ 31,682,116
Short-term investments		–	2,097,391
Derivative assets	2	11,450	–
Dividends receivable		159,605	143,734
Cash		2,774,620	902,207
<b>TOTAL ASSETS</b>		<b>34,561,389</b>	<b>34,825,448</b>
<b>LIABILITIES</b>			
Redemptions payable		14,877,643	–
Accrued liabilities		65,262	68,659
Accrued management fees	5	31,545	30,239
Due to brokers - investments		–	840,873
Derivative liabilities	2	–	2,209
<b>TOTAL LIABILITIES</b>		<b>14,974,450</b>	<b>941,980</b>
<b>NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS</b>		<b>\$ 19,586,939</b>	<b>\$ 33,883,468</b>
<b>NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS PER UNIT</b>		<b>\$ 10.7628</b>	<b>\$ 10.5814</b>

The notes are an integral part of the Condensed Financial Statements.

## Canadian Utilities & Telecom Income Fund

### Condensed Financial Statements

#### Statements of Comprehensive Income

Six months ended June 30 (Unaudited)

	Note	2017	2016
<b>INCOME</b>			
Dividend income		\$ 730,743	\$ 851,597
Interest income		2,656	1,590
Net realized gain/(loss) on investments at fair value through profit or loss	3	1,212,404	(6,109)
Net realized gain on options at fair value through profit or loss	3	53,072	227,818
Net realized gain/(loss) on forward exchange contracts at fair value through profit or loss	3	(24,289)	360,154
Net change in unrealized gain/loss on investments at fair value through profit or loss	3	311,173	2,193,141
<b>TOTAL INCOME, NET</b>		<b>2,285,759</b>	<b>3,628,191</b>
<b>EXPENSES</b>			
Management fees	5	188,886	202,376
Service fees		67,877	69,731
Administrative and other expenses		73,657	46,274
Transaction fees	6	87,465	124,928
Custodian fees		23,043	24,229
Audit fees		14,406	15,119
Advisory board fees	5	10,200	10,200
Independent review committee fees	5	3,750	3,410
Legal fees		2,829	2,247
Unitholder reporting costs		8,350	7,165
Harmonized sales tax		17,969	19,016
Withholding taxes		9,016	10,500
<b>TOTAL EXPENSES</b>		<b>507,448</b>	<b>535,195</b>
<b>INCREASE IN NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS</b>	7	<b>\$ 1,778,311</b>	<b>\$ 3,092,996</b>
<b>INCREASE IN NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS PER UNIT</b>	7	<b>\$ 0.5567</b>	<b>\$ 0.8813</b>

The notes are an integral part of the Condensed Financial Statements.

## Condensed Financial Statements

## Statements of Changes in Equity

Six months ended June 30, 2017 (Unaudited)

	Unit Capital	Deficit	Total
BALANCE AT JANUARY 1, 2016	\$ 39,541,656	\$ (3,498,614)	\$ 36,043,042
Increase in Net Assets Attributable to Equity Holders	–	3,655,188	3,655,188
<b>Distributions</b>			
From net investment income	–	(1,493,716)	(1,493,716)
Non-taxable distributions	–	(1,006,094)	(1,006,094)
Value for units redeemed	(3,462,662)	147,710	(3,314,952)
BALANCE AT DECEMBER 31, 2016	\$ 36,078,994	\$ (2,195,526)	\$ 33,883,468
Increase in Net Assets Attributable to Equity Holders	–	1,778,311	1,778,311
<b>Distributions</b>			
From net investment income	–	(634,948)	(634,948)
Non-taxable distributions	–	(562,249)	(562,249)
Value for units redeemed	(15,574,502)	696,859	(14,877,643)
BALANCE AT JUNE 30, 2017	\$ 20,504,492	\$ (917,553)	\$ 19,586,939

The notes are an integral part of the Condensed Financial Statements.

## Statements of Cash Flows

Six months ended June 30 (Unaudited)

	2017	2016
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$ 2,999,598	\$ 1,915,669
<b>Cash Flows Provided by (Used In) Operating Activities</b>		
Increase in Net Assets Attributable to Equity Holders	1,778,311	3,092,996
<b>Adjustments to Reconcile Net Cash Provided by (Used In) Operating Activities</b>		
Net realized (gain)/loss on investments at fair value through profit or loss	(1,212,404)	6,109
Net realized gain on options at fair value through profit or loss	(53,072)	(227,818)
Net realized (gain)/loss on forward exchange contracts at fair value through profit or loss	24,289	(360,154)
Net change in unrealized gain/loss on investments at fair value through profit or loss	(311,173)	(2,193,141)
Net change in unrealized gain/loss on foreign cash	(1,011)	(38,847)
(Increase)/decrease in dividends receivable	(15,871)	37,086
Decrease in accrued liabilities, accrued management fees and due to brokers - investments	(842,964)	(11,370)
Purchase of investment securities	(40,521,609)	(56,924,412)
Proceeds from disposition of investment securities	42,127,723	57,557,419
	(806,092)	(2,155,128)
<b>Cash Flows Used in Financing Activities</b>		
Unit distributions	(1,197,197)	(1,287,531)
<b>Net Decrease in Cash during the Period</b>	<b>(224,978)</b>	<b>(349,663)</b>
CASH, END OF PERIOD	\$ 2,774,620	\$ 1,566,006
Dividends received, net of withholding taxes	\$ 737,598	\$ 804,011
Interest received	\$ 2,656	\$ 1,590

The notes are an integral part of the Condensed Financial Statements.

## Canadian Utilities & Telecom Income Fund

### Schedule of Investments

As at June 30, 2017 (Unaudited)

	Number of Shares	Average Cost	Fair Value	% of Net Assets Attributable to Equity Holders
<b>INVESTMENTS</b>				
<b>Canadian Common Shares</b>				
<b>Telecommunication Services</b>				
BCE Inc.	17,600	\$ 1,069,288	\$ 1,027,840	
Cogeco Communications Inc.	13,600	1,064,423	1,077,256	
Rogers Communications, Inc.	24,500	1,333,225	1,500,625	
Shaw Communications Inc. - Class B	60,000	1,640,422	1,697,400	
TELUUS Corporation	23,100	1,004,563	1,034,187	
<b>Total Telecommunication Services</b>		<b>6,111,921</b>	<b>6,337,308</b>	<b>32.4 %</b>
<b>Utilities</b>				
Algonquin Power & Utilities Corp.	126,200	1,490,294	1,722,630	
ATCO Ltd.	22,500	1,063,259	1,140,975	
Borex Inc.	50,100	1,037,805	1,100,196	
Brookfield Infrastructure Partners L.P.	28,600	1,331,258	1,516,944	
Brookfield Renewable Energy Partners L.P.	41,700	1,676,310	1,724,295	
Canadian Utilities Limited	52,900	2,041,918	2,204,343	
Emera Incorporated	36,900	1,749,057	1,778,949	
Fortis Inc.	35,000	1,461,176	1,595,300	
Gibson Energy Inc	64,400	1,202,993	1,079,344	
Keyera Corp.	35,300	1,439,761	1,440,946	
Parkland Fuel Corporation	46,000	1,210,078	1,366,660	
Pembina Pipeline Corporation	40,200	1,640,933	1,726,590	
TransAlta Corporation	226,500	1,714,635	1,877,685	
TransAlta Renewables Inc.	66,600	959,082	1,042,956	
TransCanada Corporation	18,200	1,159,971	1,125,124	
Valener Inc.	30,300	686,253	676,296	
<b>Total Utilities</b>		<b>21,864,783</b>	<b>23,119,233</b>	<b>118.0 %</b>
<b>Total Canadian Common Shares</b>		<b>\$ 27,976,704</b>	<b>\$ 29,456,541</b>	<b>150.4 %</b>
<b>United States Common Shares</b>				
<b>Utilities</b>				
Exelon Corporation	14,200	\$ 692,851	\$ 665,187	
Pattern Energy Group Inc.	48,100	1,333,896	1,493,986	
<b>Total Utilities</b>		<b>2,026,747</b>	<b>2,159,173</b>	<b>11.0 %</b>
<b>Total United States Common Shares</b>		<b>\$ 2,026,747</b>	<b>\$ 2,159,173</b>	<b>11.0 %</b>
<b>Forward Exchange Contracts</b>				
Sold USD \$200,000, Bought CAD \$264,980 @ 0.75477 - July 19, 2017			\$ 5,340	
Sold USD \$100,000, Bought CAD \$132,052 @ 0.75728 - August 16, 2017			2,288	
Sold USD \$335,000, Bought CAD \$438,525 @ 0.76392 - August 16, 2017			3,822	
<b>Total Forward Exchange Contracts</b>			<b>\$ 11,450</b>	<b>0.1 %</b>
Adjustment for transaction fees		(27,793)		
<b>TOTAL INVESTMENTS</b>		<b>\$ 29,975,658</b>	<b>\$ 31,627,164</b>	<b>161.5 %</b>
<b>OTHER NET LIABILITIES</b>			<b>(12,040,225)</b>	<b>(61.5)%</b>
<b>NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS</b>			<b>\$ 19,586,939</b>	<b>100.0 %</b>

## Notes to Condensed Financial Statements

June 30, 2017 (Unaudited)

## 1. Basis of Presentation

The condensed semi-annual financial statements for Canadian Utilities & Telecom Fund (the "Fund") have been prepared in compliance with International Financial Reporting Standards ("IFRS"), specifically the International Accounting Standard ("IAS") 34 Interim Financial Reporting. However, not all disclosures required by IFRS for annual financial statements have been presented and, accordingly, these condensed semi-annual financial statements should be read in conjunction with the most recently prepared annual financial statements for the year ended December 31, 2016.

These condensed semi-annual financial statements follow the same accounting policies and method of application as the most recent audited financial statements for the year ended December 31, 2016.

These condensed financial statements were approved by the Board of Advisors on August 8, 2017.

## 2. Risks Associated with Financial Instruments

The various types of risks associated with its investment strategies, financial instruments and markets in which the Fund invests remain unchanged from the prior year and are described in Note 6 of the audited financial statements for the year ended December 31, 2016.

## Credit Risk

During the periods ended June 30, 2017 and December 31, 2016, the counterparties to the Fund's derivative financial instruments had a credit rating of A-1 or higher from Standard & Poor's Ratings Services.

## Liquidity Risk

The amounts in the table are the contractual undiscounted cash flows:

	As at June 30, 2017		
	Financial Liabilities		
	On Demand	< 3 months	Total
Redemptions payable	\$ -	\$ 14,877,643	\$ 14,877,643
Accrued liabilities	-	65,262	65,262
Accrued management fees	-	31,545	31,545
	\$ -	\$ 14,974,450	\$ 14,974,450
	As at December 31, 2016		
	Financial Liabilities		
	On Demand	< 3 months	Total
Due to brokers - investments	\$ -	\$ 840,873	\$ 840,873
Accrued liabilities	-	68,659	68,659
Accrued management fees	-	30,239	30,239
Derivative liabilities	-	2,209	2,209
	\$ -	\$ 941,980	\$ 941,980

## Canadian Utilities & Telecom Income Fund

### Notes to Condensed Financial Statements

June 30, 2017 (Unaudited)

#### Market Risk

##### (a) Currency Risk

The table below indicates the foreign currencies to which the Fund had significant exposure to as at June 30, 2017 and December 31, 2016 in Canadian dollar terms, and the notional amounts of forward exchange contracts. The table also illustrates the potential impact on the net assets attributable to equity holders if the Canadian dollar had strengthened or weakened by 5 percent in relation to each of the other currencies, with all other variables held constant.

	As at June 30, 2017 U.S. Currency Exposure					
				Impact on Net Assets Attributable to Equity Holders		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$ (733,240)	\$ 2,159,173	\$ 1,425,933	\$ (36,662)	\$ 107,959	\$ 71,297
% of Net Assets Attributable to Equity Holders	(4)%	11%	7%	0%	1%	1%

	As at December 31, 2016 U.S. Currency Exposure					
				Impact on Net Assets Attributable to Equity Holders		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$(819,321)	\$ 1,752,749	\$ 933,428	\$ (40,966)	\$ 87,637	\$ 46,671
% of Net Assets Attributable to Equity Holders	(2)%	5%	3%	0%	0%	0%

##### (b) Price Risk

Approximately 161 percent (December 31, 2016 - 94 percent) of the Fund's net assets attributable to equity holders held at June 30, 2017 were publicly traded equities. If equity prices on the exchange increased or decreased by 5 percent as at June 30, 2017, the net assets attributable to equity holders would have increased or decreased by \$1.6 million (December 31, 2016 - \$1.6 million) respectively or 8.1 percent (December 31, 2016 - 4.7 percent) of the net assets attributable to equity holders all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

#### Concentration Risk

Concentration risk arises as a result of the concentration of exposures with the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Fund's concentration risk:

	June 30, 2017	Dec. 31, 2016
Utilities	80.0%	89.4%
Telecommunication Services	20.0%	10.6%
	100.0%	100.0%

## Notes to Condensed Financial Statements

June 30, 2017 (Unaudited)

## Fair Value Measurement

The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at June 30, 2017 and December 31, 2016.

	As at June 30, 2017			
	Level 1	Level 2	Level 3	Total
Canadian Common Shares	\$ 29,456,541	\$ -	\$ -	\$ 29,456,541
United States Common Shares	2,159,173	-	-	2,159,173
Forward Exchange Contracts	-	11,450	-	11,450
	\$ 31,615,714	\$ 11,450	\$ -	\$ 31,627,164

	As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Short-Term Investments	\$ -	\$ 2,097,391	\$ -	\$ 2,097,391
Canadian Common Shares	29,929,367	-	-	29,929,367
United States Common Shares	1,752,749	-	-	1,752,749
Forward Exchange Contracts	-	(2,209)	-	(2,209)
	\$ 31,682,116	\$ 2,095,182	\$ -	\$ 33,777,298

There were no transfers between Level 1 and Level 2 and the Fund did not hold any financial instruments within Level 3 of the fair value hierarchy during the six months ended June 30, 2017 and during the year ended December 31, 2016.

## 3. Financial Instruments by Category

The following tables present the carrying amounts of the Fund's financial instruments by category as at June 30, 2017 and December 31, 2016.

	As at June 30, 2017			Total
	Financial Instruments at Designated at Inception	Financial Instruments at FVTPL Held for Trading	Financial Instruments at Amortized Cost	
<b>Assets</b>				
Non-derivative financial assets	\$ 31,615,714	\$ -	\$ -	\$ 31,615,714
Derivative assets	-	11,450	-	11,450
Dividends receivable	-	-	159,605	159,605
Cash	-	-	2,774,620	2,774,620
	\$ 31,615,714	\$ 11,450	\$ 2,934,225	\$ 34,561,389
<b>Liabilities</b>				
Redemption payable	\$ -	\$ -	\$ 14,877,643	\$ 14,877,643
Accrued liabilities	-	-	65,262	65,262
Accrued management fees	-	-	31,545	31,545
	\$ -	\$ -	\$ 14,974,450	\$ 14,974,450

	As at December 31, 2016			Total
	Financial Instruments at Designated at Inception	Financial Instruments at FVTPL Held for Trading	Financial Instruments at Amortized Cost	
<b>Assets</b>				
Non-derivative financial assets	\$ 31,682,116	\$ -	\$ -	\$ 31,682,116
Short-term investments	-	-	2,097,391	2,097,391
Dividends receivable	-	-	143,734	143,734
Cash	-	-	902,207	902,207
	\$ 31,682,116	\$ -	\$ 3,143,332	\$ 34,825,448
<b>Liabilities</b>				
Due to brokers - investments	\$ -	\$ -	\$ 840,873	\$ 840,873
Accrued liabilities	-	-	68,659	68,659
Accrued management fees	-	-	30,239	30,239
Derivative liabilities	-	2,209	-	2,209
	\$ -	\$ 2,209	\$ 939,771	\$ 941,980

## Canadian Utilities & Telecom Income Fund

### Notes to Condensed Financial Statements

June 30, 2017 (Unaudited)

The following table presents the net gain on financial instruments at FVTPL by category for the six months ended June 30, 2017 and 2016.

	June 30, 2017	June 30, 2016
<b>Net Realized Gain/(Loss) on Financial Instruments at FVTPL</b>		
Designated at Inception	\$ 1,212,404	\$ (6,109)
Held for Trading	28,783	587,972
	1,241,187	581,863
<b>Net Change in Unrealized Gain/Loss on Financial Instruments at FVTPL</b>		
Designated at Inception	297,514	2,102,876
Held for Trading	13,659	90,265
	311,173	2,193,141
<b>Net Gain on Financial Instruments at FVTPL</b>	<b>\$ 1,552,360</b>	<b>\$ 2,775,004</b>

#### 4. Units

For the six months ended June 30, 2017, cash distributions paid to unitholders were \$1,197,197 (June 30, 2016 - \$1,287,531) representing a payment of \$0.37 (June 30, 2016 - \$0.37) per unit.

During the six months ended June 30, 2017, 1,382,308 (June 30, 2016 - 307,327) units were redeemed with a total retraction value of \$14,877,643 (June 30, 2016 - \$3,314,952).

During the six months ended June 30, 2017 and year ended December 31, 2016, unit transactions are as follows:

	June 30, 2017	Dec. 31, 2016
Units outstanding, beginning of year	3,202,175	3,509,502
Units redeemed	(1,382,308)	(307,327)
Units outstanding, end of period	1,819,867	3,202,175

#### 5. Related Party Transactions

##### (a) Management Fees

Total management fees for the six months ended June 30, 2017 were \$188,886 (June 30, 2016 - \$202,376).

##### (b) Advisory Board Fees

Total advisory board fees paid to the external members of the Board of Advisors for the six months ended June 30, 2017 were \$10,200 (June 30, 2016 - \$10,200).

##### (c) Independent Review Committee Fees

Total remuneration paid to the external members of the Independent Review Committee for the six months ended June 30, 2017 were \$3,750 (June 30, 2016 - \$3,410).

## Notes to Condensed Financial Statements

June 30, 2017 (Unaudited)

## 6. Brokerage Commissions and Soft Dollars

The ascertainable soft dollar value received as a percentage of total transaction fees paid during the six months ended June 30, 2017 and 2016 is disclosed below:

	June 30, 2017	June 30, 2016
Soft Dollars	\$ 58,076	\$ 79,587
Percentage of Total Transaction Fees	66.4%	63.7%

## 7. Increase/(Decrease) in Net Assets Attributable to Equity Holders per Unit

The increase in net assets attributable to equity holders per unit for the six months ended June 30, 2017 and 2016 is calculated as follows:

	June 30, 2017	June 30, 2016
Increase in Net Assets Attributable to Equity Holders	\$ 1,778,311	\$ 3,092,996
Weighted Average Number of Units Outstanding during the Period	3,194,538	3,509,502
Increase in Net Assets Attributable to Equity Holders per Unit	\$ 0.5567	\$ 0.8813

## 8. Future Accounting Policy Changes

In July 2014, the International Accounting Standards Board ("IASB") finalized the reform of financial instruments accounting and issued IFRS 9: Financial Instruments ("IFRS 9") (as revised in 2014), which contains the requirements for: a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 Financial Instruments: Recognition and Measurement in its entirety upon its effective date. The new standard, which becomes effective for annual periods beginning on or after January 1, 2018, is not expected to have a significant impact on the Fund.

In January 2016, a Disclosure Initiative was issued by the IASB, which amends IAS 7 Statements of Cash Flows. The amendments are designed to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flow changes. These amendments are effective for the annual periods beginning on or after January 1, 2017. Based on the Manager's evaluation, the amendments are not expected to have a significant impact on the December 31, 2017 financial statements.

## Canadian Utilities & Telecom Income Fund

### Investment Funds Managed by Strathbridge Asset Management Inc.

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#### UNIT TRUSTS

Canadian Utilities & Telecom Income Fund (UTE.UN)

Core Canadian Dividend Trust (CDD.UN)

Low Volatility U.S. Equity Income Fund (LVU.UN)

NDX Growth & Income Fund (NGI.UN)

U.S. Financials Income Fund (USF.UN)

Top 10 Canadian Financial Trust (TCT.UN)

#### SPLIT SHARES

Premium Income Corporation (PIC.PR.A/PIC.A)

S Split Corp. (SBN.PR.A/SBN)

Top 10 Split Trust (TXT.PR.A/TXT.UN)

World Financial Split Corp. (WFS.PR.A/WFS)

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