

SEMI-ANNUAL REPORT 2011

# Canadian Utilities & Telecom Income Fund



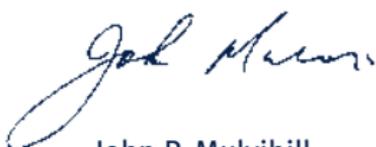
## Canadian Utilities & Telecom Income Fund

### Letter to Unitholders

We are pleased to present the 2011 semi-annual report containing the management report of fund performance and the unaudited financial statements for Canadian Utilities & Telecom Income Fund.

During the six months ended June 30, 2011, the Fund paid distributions of \$0.43 per unit while the net asset value per unit increased from \$11.23 per unit at December 31, 2010 to \$11.59 per unit at June 30, 2011. This resulted in a total return for the six month period of 7.1 percent. 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 more detailed information contained within the semi-annual report.



John P. Mulvihill  
Chairman & President,  
Mulvihill Capital Management Inc.

## Canadian Utilities & Telecom Income Fund

### 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 in a portfolio principally consisting of equity securities of large capitalization (over \$1 billion) Utilities and, to a lesser degree, Telecommunication Services issuers listed on the TSX. Issuers selected for inclusion in the portfolio must have a minimum distribution yield in excess of 2 percent per annum. To generate additional returns above the dividend income earned on the Fund’s investment portfolio, the Fund may, from time to time, write covered call options in respect of up to a maximum of 25 percent of the securities in the portfolio. The Fund may also write cash covered put options in respect of securities in which it is permitted to invest.

# 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, 2011 of Canadian Utilities & Telecom Income Fund (the “Fund”). The June 30, 2011 unaudited semi-annual financial statements of the Fund are attached.

Copies of the Fund’s proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure may be obtained by calling 1-800-725-7172 toll-free, or by writing to the Fund at Investor Relations, 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9, or by visiting our website at [www.mulvihill.com](http://www.mulvihill.com). You can also get a copy of the annual and semi-annual financial statements at your request and at no cost by using one of these methods.

### Results of Operations

#### Distributions

For the six months ended June 30, 2011, cash distributions of \$0.43 per unit were paid to unitholders, which included an initial distribution of \$0.10 covering the period from the closing of the initial public offering on December 17, 2010 to January 31, 2011.

#### Revenue and Expenses

For the six months ended June 30, 2011, the Fund’s total revenue was \$0.29 per unit while total expenses per unit equaled \$0.14 per unit. The Fund had a net realized and unrealized gain of \$0.62 per unit during the same period.

#### Net Asset Value

The net asset value per unit of the Fund increased 3.2 percent from \$11.23 per unit at December 31, 2010 to \$11.59 per unit at June 30, 2011. The total net asset value of the Fund gained \$3.6 million from \$55.0 million at December 31, 2010 to \$58.6 million at June 30, 2011, primarily reflecting a general advance in the price of the portfolio securities.

During the six months ended June 30, 2011, the total return of the Fund was 7.1 percent reflecting the increase in the value of the securities in the portfolio. The S&P/TSX Utilities Index (the “Utilities Index”) total return during the same period was 1.9 percent while the S&P/TSX Telecom Services Index (the “Telecommunications

## Management Report of Fund Performance

Index”) was 13.2 percent. As a result of the Fund being limited to a specific universe of stocks and utilizing a covered call writing strategy to generate income, comparisons with market indices may not be appropriate. The Utilities and the Telecommunications Indices are calculated without the deduction of management fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

## Recent Developments

On January 7, 2011, the Fund announced the completion of the issuance of an additional 160,000 units pursuant to the exercise of the over-allotment granted to the Fund’s agents in the December 17, 2010 initial public offering, bringing the total gross proceeds to \$60.7 million.

## Future Accounting Policy Changes

The Manager has developed a changeover plan to meet the timetable published by the Canadian Institute of Chartered Accountants (“CICA”) for changeover to International Financial Reporting Standards (“IFRS”).

The changeover plan was prepared to address the requirements and includes disclosures of the qualitative and quantitative impact, if any, of the changeover to IFRS in the 2011 financial statements and the preparation of the 2012 financial statements in accordance with IFRS with comparatives. However, the Canadian Accounting Standards Board approved a two year deferral from IFRS adoption for investment companies applying Accounting Guideline 18 - Investment Companies (“AcG-18”). As a result, the Fund will adopt IFRS for its fiscal period beginning January 1, 2013 and will issue its initial financial statements in accordance with IFRS, with comparative information, for the semi-annual period ending June 30, 2013.

As at June 30, 2011, some anticipated changes to financial reporting include:

- Compliance with the full body of IFRS without industry specific exemptions. Unlike Canadian Generally Accepted Accounting Principles (“Canadian GAAP”) where investment fund accounting was based upon guidance in AcG-18;
- Implementation of cash flow statements;
- Presentation of comparative information; and,

## Canadian Utilities & Telecom Income Fund

### Management Report of Fund Performance

- Additional financial statement note disclosures on the recognition and classification of financial instruments.

Based on the Manager's current understanding and analysis of IFRS to the current accounting policies under Canadian GAAP, the Manager does not anticipate the transition to IFRS will have a material impact on the Fund's net assets per unit, systems and processes, and it is expected that it will mainly result in additional note disclosure in the financial statements.

### Related Party Transactions

MCM, as the Investment Manager of the Fund, manages the Fund's investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an Investment Management Agreement between the Manager, as manager and on behalf of the Fund, and MCM, as investment manager, dated November 26, 2010.

MCM, as the Manager of the Fund, pursuant to a Trust Agreement made between MCM and RBC Dexia Investor Services Trust ("the Trustee") dated November 26, 2010, is responsible for providing or arranging for required administrative services. MCM is paid the fees described under the Management Fees section of this report.

## Management Report of Fund Performance

### 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 independent review committee (“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. Members of the IRC are Robert W. Korthals, Michael M. Koerner and Robert G. Bertram.

We confirm the Fund did not rely on any approvals or recommendations of the IRC concerning related party transactions during the period.

# 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 from its inception on December 17, 2010.

The information for the period ended December 31, 2010 is derived from the Fund's audited annual financial statements.

Information for the period ended June 30, 2011 is derived from the Fund's unaudited semi-annual financial statements.

---

#### NET ASSETS PER UNIT

##### Net Assets, beginning of period (based on bid prices)<sup>(1)</sup>

##### INCREASE (DECREASE) FROM OPERATIONS

Total revenue

Total expenses

Realized gain (loss) for the period

Unrealized gain (loss) for the period

##### Total Increase (Decrease) from Operations<sup>(2)</sup>

##### DISTRIBUTIONS

Non-taxable distributions

##### Total Distributions<sup>(3)</sup>

##### Net Assets, end of period (based on bid prices)<sup>(1)</sup>

---

- (1) Net assets per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities on that date and including the valuation of securities at bid prices divided by the number of units then outstanding.
- (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

---

#### RATIOS/SUPPLEMENTAL DATA

Net Asset Value (\$millions)

Number of units outstanding

Management expense ratio<sup>(1)</sup>

Portfolio turnover rate<sup>(2)</sup>

Trading expense ratio<sup>(3)</sup>

Net Asset Value per unit<sup>(5)</sup>

Closing market price

---

- (1) The management expense ratio is the sum of all fees and expenses, including federal and provincial sales taxes and excluding transaction fees charged to the Fund divided by the average net asset value.
- (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.

## Canadian Utilities & Telecom Income Fund

### Management Report of Fund Performance

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.

<b>Six months ended June 30, 2011</b>	<b>Period Ended Dec. 31, 2010<sup>(4)</sup></b>
<b>\$ 11.23</b>	<b>\$ 11.25<sup>(5)</sup></b>
<b>0.29</b>	0.01
<b>(0.14)</b>	(0.01)
<b>(0.17)</b>	–
<b>0.79</b>	(0.01)
<hr/> <b>0.77</b>	<hr/> <b>(0.01)</b>
<b>(0.43)</b>	–
<hr/> <b>(0.43)</b>	<hr/> –
<b>\$ 11.57</b>	<b>\$ 11.23</b>

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.  
 (4) For the period from inception on December 17, 2010 to December 31, 2010.  
 (5) Initial issue price, net of agent fees and initial issue costs.

<b>\$ 58.63</b>	<b>\$ 55.04</b>
<b>5,060,000</b>	4,900,000
<b>2.03%<sup>(4)</sup></b>	2.46% <sup>(4)</sup>
<b>107.16%</b>	0.31%
<b>0.45%<sup>(4)</sup></b>	0.30% <sup>(4)</sup>
<b>\$ 11.59</b>	<b>\$ 11.23</b>
<b>\$ 11.09</b>	<b>\$ 11.94</b>

- (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 of the Fund and the aggregate value of the liabilities and including the valuation of securities at closing prices divided by the number of units then outstanding.

# Canadian Utilities & Telecom Income Fund

## Management Report of Fund Performance

### Management Fees

Mulvihill Capital Management Inc. (“MCM”), as the Investment Manager, 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. MCM also makes all decisions as to the purchase and sale of securities in the Fund’s portfolio and the execution of all portfolio and other transactions.

MCM, as the Manager of the Fund, is also 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 required administrative services to the Fund.

### Past Performance

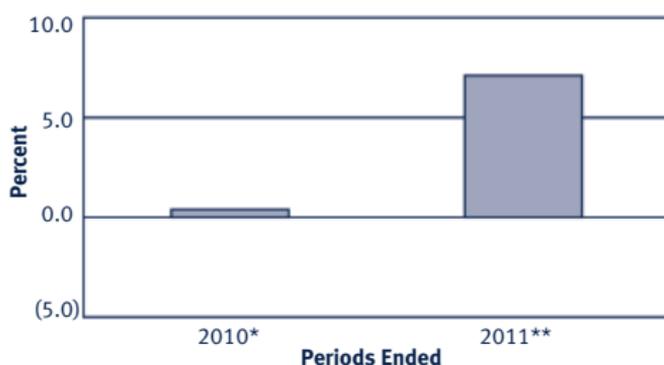
The following chart sets out the Fund’s year-by-year past performance. It is important to note that:

- (1) the information shown assumes that all distributions made by the Fund during these periods were reinvested in the Fund,
- (2) the information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and
- (3) the 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 for the period since inception and for the six month period ended June 30, 2011. The chart also shows, in percentage terms, how much an investment made on January 1, 2011 or the date of inception in 2010 would have increased or decreased by the end of the fiscal year or June 30, 2011 for the six months ended.

### Total Return



\*For the period from December 17, 2010, the inception of the Fund, to December 31, 2010.

\*\*For the six months ended June 30, 2011.

## Management Report of Fund Performance

### Portfolio Manager Report

After posting strong first quarter gains, most Global financial markets weakened during the second quarter due to continued debt concerns regarding European Union countries such as Greece, Portugal, Ireland, Italy and Spain. The S&P/TSX Composite Index was no exception and gave back almost all of its first quarter gains ending the first half of 2011 up only 0.2 percent. Although a number of geopolitical concerns occurred during the period such as the horrific earthquake and tsunami in Japan, as well as increased hostilities and violence in Egypt, Libya and Syria, volatility levels as measured by the S&P/TSX 60 VIX Index remained in a fairly defined range and ended the period at the lower end of the range. The Canadian economy has proved to be more robust than the economies of many of the developed world throughout the recent recession and should continue to do so, given Canada's strong fiscal position. Employment levels in Canada have returned to pre-recession levels although the rate of growth is still below normal levels. After raising the benchmark overnight rate by three successive rate increases of 0.25 percent in 2010, the Bank of Canada remained on hold during the first half of 2011 due to slower than expected growth and a strong Canadian dollar which increased by 3.4 percent relative to the U.S. dollar.

The total return for the S&P/TSX Utilities Index for the period was 1.9 percent, while the S&P/TSX Telecom Services Index was 13.2 percent. Both sectors outperformed the broader market as the S&P/TSX Composite Index had a total return of 0.2 percent for the period. Many of the stocks within the portfolio universe posted strong returns led by Keyera Corp. which increased 27.4 percent during the period due to strong Natural Gas Liquid margins and high fractionation spreads. At the other end of the spectrum, Fortis Inc. lagged the group down 3.2 percent during the period on concerns regarding the expropriation of its Belize Electricity Limited business by the government of Belize as well as its announced acquisition of Central Vermont Public Service utility on May 30, 2011.

The return of the Fund, including reinvestment of distributions, for the six month period ended June 30, 2011 was 7.1 percent which benefitted from overweight positions in Keyera Corp., AltaGas Ltd. and TELUS Corporation. Due to the low level of volatility in the Canadian Utilities and Telecommunication Services companies for the majority of the period, the covered call writing activity was limited to select holdings only as the lower volatility did not compensate the Fund enough to justify this activity. The Fund ended June 30, 2011 with none of the portfolio subject to covered calls. The Fund maintained its invested position during the majority of the period and ended with a cash position of 2 percent

## Canadian Utilities & Telecom Income Fund

### Management Report of Fund Performance

compared to 75 percent at the end of 2010, which was high as the Fund closed its initial public offering on December 17, 2010 and the trading liquidity was low at year-end.

Stocks within the Canadian Utilities and Telecommunication Services universe are characterized by their predictable cash flows. They are generally regarded as defensive investments and they have high and growing dividends. A few notable examples of companies within the portfolio that announced dividend increases during the period are: Rogers Communications Inc. which increased its dividend by 10.9 percent on February 16, 2011; Keyera Corp. which increased its dividend by 6.6 percent on February 17, 2011; and TransCanada Corp. which increased its dividend by 5.0 percent on February 15, 2011.

The Manager remains positive on both the Utilities and Telecommunication Services sectors due to their ability to generate strong free cash flows supported by the long-term fixed price contracts they have with their customers as well as their track record of paying high and growing dividends over time. In the context of the current low interest rate environment, the valuation of companies in the portfolio remain at attractive levels when measured by price to earnings ratios and current dividend yields and this should continue to act as major share support for the share prices.

### Summary of Investment Portfolio

The composition of the portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update is available on our website at [www.mulvihill.com](http://www.mulvihill.com).

#### Asset Mix

June 30, 2011

	% of Net Asset Value
Utilities	65%
Telecommunication Services	31%
Cash	3%
Other Assets (Liabilities)	1%
	100%

# Canadian Utilities & Telecom Income Fund

## Portfolio Holdings

June 30, 2011

	% of Net Asset Value
Pembina Pipeline Corporation	7%
TransCanada Corp.	7%
Keyera Corp.	6%
Manitoba Telecom Services Inc.	6%
TELUS Corporation	6%
Rogers Communications Inc. - Class B	6%
TransAlta Corporation	6%
Enbridge Inc.	6%
AltaGas Ltd.	6%
BCE Inc.	6%
Bell Aliant Inc.	5%
Inter Pipeline Fund L.P.	5%
Provident Energy Ltd.	5%
Veresen Inc.	5%
Canadian Utilities Ltd.	5%
Brookfield Renewable Power Fund	4%
Cash	3%
Algonquin Power & Utilities Corp.	3%
NiSource Inc.	1%
AT&T Inc.	1%

## 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.

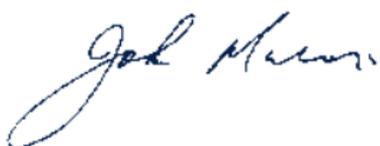
### Management's Responsibility for Financial Reporting

The accompanying 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 Mulvihill Capital Management Inc. (the "Manager"), and have been approved by the Fund's Board of Advisors (the "Board").

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles 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 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 period ended December 31, 2010.

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 issues, and to review the annual report, the financial statements and the independent auditor's report. Deloitte & Touche LLP, The Fund's independent auditor, has full and unrestricted access to the Board.



John P. Mulvihill  
Director  
Mulvihill Capital Management Inc.



John D. Germain  
Director  
Mulvihill Capital Management Inc.

August 5, 2011

### Notice to Unitholders

The Fund's independent auditor has not performed a review of these Semi-Annual Financial Statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

# Canadian Utilities & Telecom Income Fund

## Financial Statements

### Statements of Net Assets

As at June 30, 2011 (Unaudited) and December 31, 2010 (Audited)

	2011	2010
<b>ASSETS</b>		
Investments at fair value (cost - \$52,507,123; 2010 - \$13,623,781)	<b>\$ 56,427,643</b>	\$ 13,557,089
Short-term investments at fair value (cost - nil; 2010 - \$42,009,750)	-	42,009,750
Cash	<b>1,786,511</b>	79,431
Interest receivable	-	10,626
Dividends receivable	<b>382,501</b>	29,728
Due from brokers - investments	<b>1,822,224</b>	-
<b>TOTAL ASSETS</b>	<b>60,418,879</b>	<b>55,686,624</b>
<b>LIABILITIES</b>		
Due to brokers - investments	<b>1,288,116</b>	-
Distributions payable	<b>346,509</b>	-
Issue expenses payable	<b>83,968</b>	600,000
Accrued liabilities	<b>83,068</b>	30,772
Accrued management fees	<b>52,177</b>	24,909
<b>TOTAL LIABILITIES</b>	<b>1,853,838</b>	<b>655,681</b>
<b>NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY</b>	<b>\$ 58,565,041</b>	<b>\$ 55,030,943</b>
<b>Number of Units Outstanding</b>	<b>5,060,000</b>	<b>4,900,000</b>
<b>Net Assets per Unit (Note 2)</b>	<b>\$ 11.5741</b>	<b>\$ 11.2308</b>

### Statement of Financial Operations

Six months ended June 30 (Unaudited)

	2011
<b>REVENUE</b>	
Dividends	\$ 1,409,334
Interest and other income	89,880
Withholding taxes	(21,934)
<b>TOTAL REVENUE</b>	<b>1,477,280</b>
<b>EXPENSES</b>	
Management fees	314,777
Service fees	113,053
Administrative and other expenses	45,751
Transaction fees (Note 3)	128,734
Custodian fees	27,326
Audit fees	13,297
Advisory board fees	11,390
Independent review committee fees	3,851
Unitholder reporting costs	11,874
Federal and provincial sales taxes	37,015
<b>TOTAL EXPENSES</b>	<b>707,068</b>
<b>Net Investment Income</b>	<b>770,212</b>
Net loss on sale of investments	(1,010,571)
Net gain on sales of derivatives	155,180
<b>Net Loss on Sales of Investments</b>	<b>(855,391)</b>
Net change in unrealized appreciation/ depreciation of investments	3,981,190
<b>Net Gain on Investments</b>	<b>3,125,799</b>
<b>NET INCREASE IN NET ASSETS FROM OPERATIONS</b>	<b>\$ 3,896,011</b>
<b>NET INCREASE IN NET ASSETS FROM OPERATIONS PER UNIT (based on the weighted average number of units outstanding during the period of 5,054,696)</b>	<b>\$ 0.7708</b>

# Canadian Utilities & Telecom Income Fund

## Financial Statements

### Statement of Changes in Net Assets

Six months ended June 30 (Unaudited)

	2011
NET ASSETS, BEGINNING OF PERIOD	\$ 55,030,943
Net Increase in Net Assets from Operations	3,896,011
Unit Transactions	
Proceeds from units issued, net of issue costs	1,819,200
Distributions to Unitholders	
Non-taxable distributions	(2,181,113)
Changes in Net Assets during the Period	3,534,098
NET ASSETS, END OF PERIOD	\$ 58,565,041

### Statement of Net Loss on Sale of Investments

Six months ended June 30 (Unaudited)

	2011
Proceeds from Sale of Investments	\$ 56,704,475
Cost of Investments Sold	
Cost of investments, beginning of period	13,623,781
Cost of investments purchased	96,443,208
	110,066,989
Cost of Investments, End of Period	(52,507,123)
	57,559,866
NET LOSS ON SALE OF INVESTMENTS	\$ (855,391)

# Canadian Utilities & Telecom Income Fund

## Financial Statements

### Statement of Investments

As at June 30, 2011

	Number of Shares	Average Cost	Fair Value	% of Portfolio
<b>INVESTMENTS</b>				
<b>Canadian Common Shares</b>				
<b>Telecommunication Services</b>				
BCE Inc.	88,000	\$ 3,363,674	\$ 3,328,160	
Bell Aliant Inc.	111,000	3,042,638	3,185,700	
Manitoba Telecom Services Inc.	114,000	3,511,462	3,718,680	
Rogers Communications Inc. - Class B	92,500	3,297,439	3,525,175	
TELUS Corporation	70,000	3,226,927	3,715,600	
<b>Total Telecommunication Services</b>		<b>16,442,140</b>	<b>17,473,315</b>	<b>31.0%</b>
<b>Utilities</b>				
Algonquin Power & Utilities Corp.	270,000	1,463,062	1,541,700	
AltaGas Ltd.	133,000	2,948,733	3,423,420	
Brookfield Renewable Power Fund	108,000	2,551,791	2,484,000	
Canadian Utilities Ltd.	48,144	2,628,225	2,697,027	
Enbridge Inc.	110,600	3,085,892	3,461,780	
Inter Pipeline Fund L.P.	195,000	3,072,850	3,088,800	
Keyera Corp.	87,900	3,112,954	3,840,351	
Pembina Pipeline Corporation	159,000	3,482,531	4,030,650	
Provident Energy Ltd.	338,000	2,781,604	2,906,800	
TransAlta Corporation	170,000	3,613,188	3,496,900	
TransCanada Corp.	92,500	3,566,616	3,905,350	
Veresen Inc.	206,000	2,618,640	2,859,280	
<b>Total Utilities</b>		<b>34,926,086</b>	<b>37,736,058</b>	<b>66.9%</b>
<b>Total Canadian Common Shares</b>		<b>\$ 51,368,226</b>	<b>\$ 55,209,373</b>	<b>97.9%</b>
<b>United States Common Shares</b>				
<b>Telecommunication Services</b>				
AT&T Inc.	19,000	\$ 564,951	\$ 575,596	1.0%
<b>Utilities</b>				
NiSource Inc.	33,000	620,228	644,929	1.1%
<b>Total United States Common Shares</b>		<b>\$ 1,185,179</b>	<b>\$ 1,220,525</b>	<b>2.1%</b>
<b>Forward Exchange Contracts</b>				
Sold USD \$1,200,000, Bought CAD \$1,167,960 @ 1.02743 - July 13, 2011			\$ 9,443	
Sold USD \$1,400,000, Bought CAD \$1,334,620 @ 1.04899 - July 27, 2011			(17,441)	
Sold USD \$1,000,000, Bought CAD \$972,250 @ 1.02854 - August 24, 2011			5,743	
<b>Total Forward Exchange Contracts</b>			<b>\$ (2,255)</b>	<b>0.0%</b>
Adjustment for transaction fees		(46,282)		
<b>TOTAL INVESTMENTS</b>		<b>\$ 52,507,123</b>	<b>\$ 56,427,643</b>	<b>100.0%</b>

# Canadian Utilities & Telecom Income Fund

## Notes to Financial Statements

June 30, 2011

### 1. Basis of Presentation

---

The semi-annual financial statements for the Fund have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). However, not all disclosures required by GAAP for annual financial statements have been presented and, accordingly, these semi-annual financial statements should be read in conjunction with the most recently prepared annual financial statements for the period ended December 31, 2010.

These semi-annual financial statements follow the same accounting policies and method of application as the most recent audited financial statements for the period ended December 31, 2010.

### 2. Net Asset Value

---

The net asset value of the Fund is calculated using the fair value of investments at the close or last trade price. The net assets per unit is calculated using the fair value of investments at the closing bid price. The net assets per unit for financial reporting purposes and net asset value per unit for pricing purposes will not be the same due to the use of different valuation techniques.

The difference between the net asset value per unit for pricing purposes and the net assets per unit reflected in the financial statements is as follows:

	June 30, 2011	Dec. 31, 2010
Net Asset Value (for pricing purposes)	\$ 11.5861	\$ 11.2331
Difference	(0.0120)	(0.0023)
Net Assets (for financial statement purposes)	\$ 11.5741	\$ 11.2308

### 3. Transaction Fees

---

Total transaction fees paid during the six month period ended June 30, 2011 in connection with portfolio transactions were \$128,734. Of this amount \$38,277 was directed to cover payment of research services provided to the Investment Manager.

### 4. Financial Instruments and Risk Management

---

The various types of risks associated with financial instruments and the related risk management practices employed by the Fund remain unchanged from the prior period and are described in Note 11 of the annual financial statements for the period ended December 31, 2010.

The following is a summary of the inputs used as of June 30, 2011 in valuing the Fund’s investments and derivatives carried at fair value:

## Canadian Utilities & Telecom Income Fund

### Notes to Financial Statements

June 30, 2011

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Canadian Common Shares	\$ 55,209,373	\$ -	\$ -	\$ 55,209,373
United States				
Common Shares	1,220,525	-	-	1,220,525
Forward Exchange Contracts	-	(2,255)	-	(2,255)
<b>Total Investments</b>	<b>\$ 56,429,898</b>	<b>\$ (2,255)</b>	<b>\$ -</b>	<b>\$ 56,427,643</b>

The following is a summary of the inputs used as of December 31, 2010 in valuing the Fund's investments carried at fair value:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Short-Term Investments	\$ -	\$ 42,020,376	\$ -	\$ 42,020,376
Canadian Common Shares	13,557,089	-	-	\$ 13,557,089
<b>Total Investments</b>	<b>\$ 13,557,089</b>	<b>\$ 42,020,376</b>	<b>\$ -</b>	<b>\$ 55,577,465</b>

There were no transfers between Level 1 and Level 2 during the six months ended June 30, 2011 and during the period ended December 31, 2010.

#### Other Price Risk

Approximately 96 percent (December 31, 2010 - 23 percent) of the Fund's net assets held at June 30, 2011 were publicly traded equities. If equity prices on the exchange increased or decreased by 10 percent as at June 30, 2011, the net assets of the Fund would have increased or decreased by approximately \$5.6M (December 31, 2010 - \$1.2M) respectively or 9.6 percent (December 31, 2010 - 2.3 percent) of the net assets, all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

#### Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The portfolio includes securities denominated in foreign currencies. The net asset value of the Fund and the value of the dividends and option premiums received by the Fund will be affected by fluctuations in the value of the foreign currencies relative to the Canadian dollar. The Fund uses foreign exchange contracts to actively hedge the majority of its foreign currency exposure.

Approximately 6 percent (December 31, 2010 - nil) of the Fund's net assets held at June 30, 2011 were held in securities denominated in U.S. currency. Currency risk is mitigated by the Fund through the use of forward contracts. At June 30, 2011, the Fund had minimal currency risk as a result of its investment in forward currency contracts. If the Canadian dollar strengthened or

## Canadian Utilities & Telecom Income Fund

### Notes to Financial Statements

June 30, 2011

weakened by 1 percent in relation to the U.S. currency, the net assets of the Fund would have increased or decreased by approximately \$1,000 respectively or 0.0 percent of the net assets with all other factors remaining constant.

#### Credit Risk

The following are the credit ratings for the counterparties to derivative financial instruments that the Fund dealt with during current period and prior period based on Standard & Poor's credit ratings as of June 30, 2011 and December 31, 2010:

Dealer	Long-Term Local Currency Rating	Short-Term Local Currency Rating
<b>Canadian Dollar</b>		
Bank of Montreal	A+	A-1
Canadian Imperial Bank of Commerce	A+	A-1
Citigroup Inc.	A	A-1
National Bank of Canada	A	A-1
Royal Bank of Canada	AA-	A-1+
The Toronto-Dominion Bank	AA-	A-1+

The Fund held no short-term investments as of June 30, 2011.

The following are the credit ratings for short-term investments held by the Fund based on Standard & Poor's credit ratings as of December 31, 2010:

Type of Short-Term Investment	Rating	% of Short-Term Investments
Government of Canada Treasury Bills	AAA	59%
Term Deposit	A-1+	41%
<b>Total</b>		<b>100%</b>

The carrying amount of these investments represents their maximum credit risk exposure, as they will be settled in the short-term.

#### 5. Future Accounting Policy Changes

The Fund was required to adopt International Reporting Standards ("IFRS") for the year beginning on January 1, 2011. However, the Canadian Accounting Standards Board approved a two year deferral from IFRS adoption for investment companies applying Accounting Guideline 18 - Investment Companies. As a result, the Fund will adopt IFRS for the year beginning on January 1, 2013 and will issue its initial financial statements in accordance with IFRS, with comparative information, for the semi-annual period ending June 30, 2013.

## Canadian Utilities & Telecom Income Fund

### Investment Funds Managed by Mulvihill Capital Management Inc.

---

#### UNIT TRUSTS

Canadian Utilities & Telecom Income Fund  
Core Canadian Dividend Trust  
Gold Participation and Income Fund  
Premier Canadian Income Fund  
Top 10 Canadian Financial Trust

#### SPLIT SHARES

Premium Income Corporation  
S Split Corp.  
Top 10 Split Trust  
World Financial Split Corp.

#### PRINCIPAL PROTECTED FUNDS

Government Strip Bond Trust

#### Head Office

---

Mulvihill Capital Management Inc.  
121 King St. W., Suite 2600  
Toronto, Ontario  
M5H 3T9

Tel: 416 681-3966  
1 800 725-7172  
Fax: 416 681-3901  
e-mail: [info@mulvihill.com](mailto:info@mulvihill.com)

Visit our website at [www.mulvihill.com](http://www.mulvihill.com) for additional information on all Mulvihill Investment Funds.

Mulvihill Capital Management Inc.

Investor Relations

121 King St. W., Suite 2600

Toronto, Ontario

M5H 3T9

Tel: 416 681-3966

1 800 725-7172

Fax: 416 681-3901

e-mail: [info@mulvihill.com](mailto:info@mulvihill.com)

Q



[www.mulvihill.com](http://www.mulvihill.com)