



## MIDDLEFIELD CANADIAN INCOME TRUSTS INVESTMENT COMPANY PCC Interim Management Statement

This statement has been prepared to provide additional information to shareholders as a body to meet the relevant requirements of the UK Listing Authority's Disclosure and Transparency Rules. It should not be relied upon by any party for any purpose other than as stated above. This statement covers the period 1 July 2010 to date.

Middlefield Canadian Income Trusts Investment Company PCC is a closed-ended investment company incorporated in Jersey on 24 May 2006. The Company has initially established one closed-ended Cell known as Middlefield Canadian Income Trusts – GBP PC (referred to as the “Fund” which term includes, where the context permits, the Company acting in respect of Middlefield Canadian Income Trusts - GBP PC). Admission to the official list of the UK Listing Authority and dealing in redeemable participating preference shares commenced on 6 July 2006.

### Investment Objective

The Fund's investment objective is to produce a high income return whilst also seeking to preserve shareholder capital.

To achieve its objectives, the Fund (i) entered into a Swap with a Canadian chartered bank in order to achieve efficient currency hedged economic exposure to the Canadian equity income market through its reference asset, CIT Trust, an actively managed portfolio of Canadian equity income securities and (ii) invests its assets in a Money Market and Bond Portfolio.

### Performance Summary

The net asset value of the Fund as at 28 October 2010 was 89.39 pence per share or £71.8 million. The total return of the Fund, which reflects changes in the net asset value as well as dividends paid, was 26.2% for the year to date period ended 28 October 2010. The key driver of Fund performance is the mark-to-market value of the Swap which, in turn, is affected by a combination of the performance of its reference asset, CIT Trust, and the mark-to-market value of the CCMD Value. The CCMD Value is the direct result of the Fund's decision to eliminate the impact of fluctuations in the spread between Sterling and Canadian interest rates on the Fund's revenues by locking in the spread from the outset. All else being equal, the CCMD Value will reduce to zero as the termination date of 28 June 2013 for the Swap is approached.

The asset class weightings for CIT Trust as at 31 October 2010 were:

<i>Asset Class</i>	<i>Portfolio Weighting</i>
<i>Oil and Gas</i>	<i>54%</i>
<i>Industrials</i>	<i>21%</i>
<i>Power and Pipeline</i>	<i>13%</i>
<i>Other</i>	<i>12%</i>

## Material Events

Over the next several months, virtually all income trusts will be converting to corporations as they become taxable entities in 2011 and the adviser believes a number of these companies will continue to pay out high levels of dividends. In fact, those that have already converted to corporations and continue to pay distributions are generating an average yield of 6.0% as at 30 September 2010, which is substantially higher than the average yield on the S&P/TSX Composite Index of 2.7%.

Due to the significant number of Canadian equities paying high levels of dividends, Standard & Poor's has indicated that they intend to replace the S&P/TSX Income Trust Index with a new S&P/TSX Equity Income Index before the end of 2010. The new index will be comprised of the highest yielding Canadian equities among the constituents of the broader S&P/TSX Composite Index. This is a very positive development since this new index is expected to become the new benchmark for all dividend, income and balanced fund mandates in Canada and given the relatively attractive yield it offers, it will likely act as a buying catalyst for new domestic and foreign institutional investment in the unique Canadian equity income sector. In addition, CIT Trust will be adopting new categorizations for its investee companies which more closely align with Global Industry Classification Standards (GICS).

As a result of the increasing investor preference for yield, the adviser believes companies offering high levels of sustainable income will continue to attract significant investor interest and achieve premium valuations. CIT continues to be biased towards high quality issuers with low debt, stable distributions and good prospects for growing their business.

The Board of Middlefield Canadian Income Trusts Investment Company PCC is not aware of any significant event or transaction, which has occurred between 1 July 2010 and the date of publication of this statement, which could have a material impact on the financial position of the Company.

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*Past performance is not a guide to future performance.  
This interim management statement is available at: [www.middlefield.co.uk](http://www.middlefield.co.uk).*