



## FIRST QUARTER REPORT 2005

For the period ended March 31, 2005

*Press Release*

### **MINT announces First Quarter Results**

Middlefield Group is pleased to present the unaudited financial results for MINT *Income Fund* (the “Fund”) for the period ended March 31, 2005, the details of which are attached.

On February 24, 2005, MINT made a proposal to SAGE Income Fund (“SAGE”) to merge the two funds. The merger was approved by unitholders and on April 18, 2005 the two funds were combined, with MINT as the continuing entity. The primary benefits to MINT unitholders will be a reduction in Fund operating costs on a per unit basis and an opportunity to participate in a larger fund with greater liquidity.

During the first quarter of 2005, MINT declared monthly distributions totalling \$0.21 per unit. **On April 19, 2005, MINT announced that a distribution of \$0.10 per unit would be payable on May 13, 2005 to the Fund’s unitholders of record on April 30, 2005. This represents a significant increase over the distributions paid previously and reflects the anticipated benefits of the merger.**

As at March 31, 2005, the asset class weightings for MINT’s portfolio were:

<b>Asset Class</b>	<b>Portfolio Weighting</b>
Business Trusts	39.9%
Oil and Gas Royalty Trusts	22.0%
Real Estate Investment Trusts	21.9%
Power and Pipeline Trusts	13.6%
Cash	2.6%

The Fund invests in a diversified portfolio of income trusts and may also invest in high-yield debt, convertible debt and various debt-like securities with returns linked to movements in equity prices, commodity prices or currencies. MINT invests selectively in the income trust sector with a bias toward economically sensitive trusts with lower capital expenditure requirements, stable cash flows and dominant market positions. Business trusts, represented by 115 issuers across a broad range of industries, comprise the largest weighting within MINT’s portfolio, supplemented by REITs and oil and gas royalty trusts. This strategy provides unitholders with a balance of high, stable, tax-efficient income and potential for capital appreciation.

**MINT trades on the Toronto Stock Exchange under the symbol “MID.UN”.**

*For further information, please contact Nancy Tham, Senior Vice President, at (416) 847-5349 or visit our website at [www.middlefield.com](http://www.middlefield.com).*

May 30, 2005

*This press release contains forward-looking information. Actual future results may differ materially. The risks, uncertainties and other factors that could influence actual results are described in the MINT annual report and other documents filed with regulatory authorities.*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS MARCH 31, 2005 AND 2004 (UNAUDITED)**

*The following discussion and analysis should be read in conjunction with the attached unaudited interim financial statements. Readers should also refer to Management's Discussion and Analysis in the Fund's 2004 Annual Report. Management is responsible for the existence of appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable.*

### **SECTOR ANALYSIS**

The business trust sector continues to expand, offering both attractive returns and broad industry diversification. In the first quarter, MINT added to existing positions in Hardwoods Distribution Income Fund and KCP Income Fund. Hardwoods Distribution has been in business for 45 years and is the largest distributor of hardwood lumber and sheet goods in North America. KCP Income Fund is North America's largest producer of private label household bleach and is fast becoming a major player in the household cleaning and laundry products category, as well as diversified consumer products with the recent acquisition of CCL Industries Inc.'s Custom division.

With respect to oil and gas royalty trusts, commodity prices increased significantly from the beginning of the year through to late March, only to modestly retrench during April. During the first quarter, the Fund established a position in Ketch Resources Trust. Ketch reorganized into a royalty trust during the first quarter and possesses high quality assets and a strong management team. In addition, Ketch's management have a substantial ownership interest in the trust, aligning their interests with that of unitholders.

Moderately rising bond yields and valuations precipitated a decline in REIT prices in the latter half of the quarter. Year-to-date, five REITs in the Fund's portfolio, Canadian, Calloway, H&R, IPC and Summit, have increased or announced increases in their respective monthly distribution rates.

The Fund continued to maintain an underweight position in power and pipeline trusts in light of the Advisor's expectation of continued growth in the North American economy and increasing interest rates over the next 12 months.

### **DISTRIBUTIONS TO UNITHOLDERS**

During the first quarter of 2005, MINT declared monthly distributions totaling \$0.21 per unit. This represents an increase of \$0.01 per unit or 5% over the \$0.20 per unit distribution paid to unitholders in the first quarter of 2004. On April 19, 2005, MINT announced that a distribution of \$0.10 per unit would be payable on May 13, 2005 to MINT unitholders of record on April 30, 2005. This represents a 43% increase over the distributions paid previously and reflects the anticipated benefits of the merger with SAGE.

### **FINANCIAL PERFORMANCE**

The net asset value per unit increased by 1.7% during the quarter from \$11.86 at December 31, 2004 to \$12.06 at March 31, 2005 reflecting a 3.5% total return. Net investment income was \$0.23 per unit in the first quarter of 2005 compared to \$0.19 per unit during the first quarter of 2004. The ratio of management fees and other operating expenses (excluding interest expense and bank charges) to average net asset value ("MER") was 1.61% for the three months ended March 31, 2005, compared to 1.95% in the first quarter of 2004.

### **OUTLOOK**

We anticipate that the income trust sector will continue to generate competitive returns comprised primarily of cash distributions. We base this outlook upon our expectation of continuing low inflation and low but modestly increasing interest rates over the next 12 to 18 months. The decision by the governments of Ontario and Alberta to join Quebec in granting limited liability protection to income trust investors should support valuations in 2005 as institutional interest, particularly from pension funds, is expected to increase. Likewise, the announced intention of Standard & Poor's to add income trusts to the S&P/TSX Composite Index is expected to result in substantial incremental demand for income trusts from institutional investors.

**FINANCIAL HIGHLIGHTS  
FOR THE THREE MONTHS ENDED MARCH 31**

Unaudited	2005	2004
<b>DATA PER UNIT</b>		
Net Asset Value at Beginning of Period	\$ 11.86	\$ 9.79
<b>INCOME FROM INVESTMENT OPERATIONS:</b>		
Net Investment Income	0.23	0.19
Net Realized and Unrealized Gain on Investments	0.18	0.74
	<b>0.41</b>	0.93
<b>DISTRIBUTIONS TO UNITHOLDERS</b>		
	<b>0.21</b>	0.20
Net Asset Value at End of Period	\$ 12.06	\$ 10.52
Market Price at End of Period	\$ 11.08	\$ 10.31
<b>RATIOS/SUPPLEMENTAL DATA</b>		
Total Assets at End of Period	\$ 53,126,035	\$ 65,729,302
Total Net Assets at End of Period	\$ 36,198,889	\$ 48,844,141
Weighted Average Net Assets	\$ 47,227,118	\$ 47,506,968
Market Capitalization at End of Period	\$ 33,256,232	\$ 47,854,102
Management Expense Ratio <sup>1</sup>	1.61%	1.95%
Total Rate of Return for the Period <sup>2</sup>	3.53%	9.72%

<sup>1</sup> The management expense ratio which is the ratio of expenses to average net assets is based on annualized expenses for the stated period, excluding interest expense and bank charges.

<sup>2</sup> Total rate of return represents the historical total return of an investment for the period, assuming reinvestment of all distributions.

<b>STATEMENTS OF NET ASSETS AS AT MARCH 31, 2005 AND DECEMBER 31, 2004</b>	<b>March 31 2005 Unaudited</b>	December 31 2004 Audited
<b>ASSETS:</b>		
Investments at Fair Value	\$ 49,471,050	\$ 67,162,950
Accounts Receivable	2,008,607	7,954
Cash	1,292,290	1,298,073
Income and Interest Receivable	354,088	437,651
	<b>53,126,035</b>	68,906,628
<b>LIABILITIES:</b>		
Loan Payable	15,977,024	15,957,337
Accounts Payable and Accrued Liabilities	739,004	123,904
Unitholder Distributions Payable	211,118	310,026
	<b>16,927,146</b>	16,391,267
Net Assets	\$ 36,198,889	\$ 52,515,361
Units Issued and Outstanding	3,001,465	4,428,449
Net Asset Value per Unit	\$ 12.06	\$ 11.86

The accompanying notes to financial statements are an integral part of these financial statements.

**STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED MARCH 31**

Unaudited	2005	2004
<b>INVESTMENT INCOME:</b>		
Income from Investments	\$ 1,200,960	\$ 1,332,596
Interest	17,142	5,427
	<b>1,218,102</b>	<b>1,338,023</b>
<b>EXPENSES:</b>		
Interest and Bank Charges	133,469	113,366
Management Fee	114,250	128,521
Service Fee to Investment Dealers	26,765	-
General and Administrative	46,884	215,072
	<b>321,368</b>	<b>456,959</b>
Net Investment Income	<b>896,734</b>	<b>881,064</b>
<b>NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:</b>		
Net Realized Gain from Investment Transactions	6,551,113	547,769
Change in Net Unrealized Gain (Loss) on Investments	(5,510,400)	2,890,102
Net Gain on Investments	<b>1,040,713</b>	<b>3,437,871</b>
Net Increase in Net Assets Resulting from Operations	<b>\$ 1,937,447</b>	<b>\$ 4,318,935</b>
Net Earnings per Unit	<b>\$ 0.50</b>	<b>\$ 0.93</b>

**STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE THREE MONTHS ENDED MARCH 31**

Unaudited	2005	2004
Net Assets at Beginning of Period	\$ 52,515,361	\$ 45,504,919
<b>OPERATIONS:</b>		
Net Increase in Net Assets Resulting from Operations	1,937,447	4,318,935
<b>DISTRIBUTIONS TO UNITHOLDERS</b>		
	(734,364)	(928,304)
<b>UNITHOLDER TRANSACTIONS:</b>		
Issue (Purchase) of Trust Units, Net	(17,519,555)	(51,409)
Net Increase (Decrease) in Net Assets	<b>(16,316,472)</b>	<b>3,339,222</b>
Net Assets at End of Period	<b>\$ 36,198,889</b>	<b>\$ 48,844,141</b>
Distributions per Unit	<b>\$ 0.21</b>	<b>\$ 0.20</b>

The accompanying notes to financial statements are an integral part of these financial statements.

**STATEMENT OF INVESTMENT PORTFOLIO**  
**AS AT MARCH 31, 2005**

Unaudited

Description	No. of Units	Cost	Fair Value
Bell Nordiq Income Fund	80,000	\$ 854,918	\$ 1,272,000
BFI Canada Income Fund	40,000	438,354	975,600
CCS Income Trust	50,000	434,500	1,390,500
Connors Bros. Income Fund	85,000	1,473,842	1,542,750
Davis + Henderson Income Fund	70,000	772,006	1,540,000
Hardwoods Distribution Income Fund	70,000	822,747	910,000
KCP Income Fund	75,000	754,176	832,500
Livingston International Income Fund	65,000	752,938	1,368,250
Newalta Income Fund	50,000	643,750	1,137,500
Noranda Income Fund	95,000	938,362	1,123,850
Parkland Income Fund	50,000	984,958	1,074,500
PBB Global Logistics Income Fund	60,000	731,869	998,400
Student Transportation of America Ltd.	50,000	518,900	612,500
Superior Plus Income Fund	40,000	618,641	1,194,800
The Consumers' Waterheater Income Fund	90,000	901,662	1,336,500
Transforce Income Fund	5,000	88,000	81,250
Tree Island Wire Income Fund	75,000	1,137,140	1,113,750
UE Waterheater Income Fund	64,000	654,469	864,000
Westshore Terminals Income Fund	50,000	252,500	615,000
Yellow Pages Income Fund	20,000	227,721	266,400
<b>BUSINESS TRUSTS: 39.9%</b>		14,001,453	20,250,050
Acclaim Energy Trust	85,000	1,137,224	1,292,850
ARC Energy Trust	65,000	849,428	1,179,750
Bonavista Energy Trust	40,000	722,192	1,205,200
Canadian Oil Sands Trust	15,000	636,243	1,233,750
Enerplus Resources Fund	20,000	568,513	877,600
Focus Energy Trust	60,000	612,540	1,248,000
Ketch Resources Trust	40,000	601,400	528,000
NAL Oil & Gas Trust	70,000	660,406	966,000
StarPoint Energy Trust	75,000	1,381,899	1,520,250
Vermilion Energy Trust	50,000	612,603	1,136,500
<b>OIL AND GAS ROYALTY TRUSTS: 22.0%</b>		7,782,448	11,187,900
Borealis Retail Real Estate Investment Trust	95,000	953,365	1,273,000
Calloway Real Estate Investment Trust	70,000	842,210	1,235,500
Canadian Real Estate Investment Trust	70,000	840,000	1,242,500
Chartwell Seniors Housing Real Estate Investment Trust	60,000	676,671	859,200
Cominar Real Estate Investment Trust	50,000	616,669	873,500
H&R Real Estate Investment Trust	52,000	611,928	946,400
IPC US Income Commercial Real Estate Investment Trust	95,000	956,240	1,007,000
O&Y Real Estate Investment Trust	65,000	874,250	1,019,850
Retirement Residences Real Estate Investment Trust	50,000	626,538	477,500
RioCan Real Estate Investment Trust	60,000	636,164	1,089,000
Summit Real Estate Investment Trust	60,000	715,627	1,108,800
<b>REAL ESTATE INVESTMENT TRUSTS: 21.9%</b>		8,349,662	11,132,250
AltaGas Income Trust	40,000	790,000	972,000
Boralex Power Income Fund	75,000	781,702	786,000
Calpine Power Income Fund	70,000	692,734	755,300
Enbridge Income Fund	60,000	697,200	762,600
Keyera Facilities Income Fund	45,000	507,572	672,750
Macquarie Power Income Fund	44,000	440,000	479,600
Northland Power Income Fund	70,000	700,000	933,100
Pembina Pipeline Income Fund	50,000	525,167	659,000
Taylor NGL Limited Partnership	4,500	41,625	40,500
TransCanada Power L.P.	25,000	824,092	840,000
<b>POWER AND PIPELINE TRUSTS: 13.6%</b>		6,000,092	6,900,850
<b>CASH: 2.6%</b>		1,292,290	1,292,290
Total Investment Portfolio, including Cash		\$ 37,425,945	\$ 50,763,340

The accompanying notes to financial statements are an integral part of this financial statement.

**STATEMENTS OF NET REALIZED GAIN FROM INVESTMENT TRANSACTIONS  
FOR THE THREE MONTHS ENDED MARCH 31**

Unaudited	2005	2004
Proceeds from Sale of Investments	\$ 28,159,726	\$ 6,456,454
Less: Cost of Investments Sold:		
Owned at Beginning of Period	48,315,155	46,979,186
Purchased During Period	9,427,113	6,639,693
Owned at End of Period	(36,133,655)	(47,710,194)
	<b>21,608,613</b>	5,908,685
Net Realized Gain from Investment Transactions	<b>\$ 6,551,113</b>	\$ 547,769

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005 AND 2004 (UNAUDITED)**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The interim financial statements of MINT *Income Fund* (the “Fund”) have been prepared in accordance with Canadian generally accepted accounting principles. They follow the same accounting policies and methods of application as the Fund’s financial statements for the year ended December 31, 2004. The Fund’s interim financial statements do not include all disclosures as required by GAAP for annual financial statements and accordingly, should be read in conjunction with the financial statements for the year ended December 31, 2004 as set out on pages 61 to 63 and 78 to 82 of the Middlefield Income Funds 2004 Annual Report.

**2. DISTRIBUTIONS**

For the three months ended March 31, 2005, distributions amounted to \$0.21 per unit (2004 - \$0.20). Distributions of the Fund, at the discretion of the unitholder, are reinvested in additional units of the Fund, under the Distribution Reinvestment Plan without sales charge. For the three months ended March 31, 2005, 2,280 units (2004 – 2,450) were issued under the Plan.

**DISTRIBUTION REINVESTMENT PLAN**

The Fund’s Distribution Reinvestment Plan allows unitholders to automatically reinvest monthly distributions in additional units of the Fund. This feature provides unitholders with an excellent opportunity to benefit from compounding by investing distributions at a high reinvestment rate. Please contact your investment advisor to enroll in the Plan or contact Angela Wannappa at (888) 890-1868.

## **FUND PROFILE**

*The primary objectives of MINT are to produce a high level of sustainable income and to minimize the risk of investing in high yield securities on a cost effective basis. MINT is comprised of the following asset classes: business trusts, oil and gas royalty trusts, real estate investment trusts and power and pipeline trusts. MINT is fully RRSP eligible. MINT trades on the Toronto Stock Exchange under the symbol "MID.UN".*

## **DIRECTORS AND OFFICERS OF THE MANAGER**

W. Garth Jestley, Chairman and Director  
Dean C. Orrico, President and Director  
Sylvia V. Stinson, Executive Vice President and Director  
Nancy Tham, Vice President  
Angela V. Wannappa, Senior Vice President and Secretary-Treasurer

## **THE ADVISOR**

### **Middlefield Capital Corporation**

Darren N. Cabral, Executive Director  
Richard L. Faiella, Managing Director  
W. Garth Jestley, President and C.E.O.  
Robert F. Lauzon, Executive Director  
Dean C. Orrico, Managing Director  
Scott A. Roberts, Director

## **HEAD OFFICE**

Middlefield Group  
One First Canadian Place  
58th Floor  
P.O. Box 192  
Toronto, Canada M5X 1A6

Telephone (416) 362-0714  
Fax (416) 362-7925

Email [invest@middlefield.com](mailto:invest@middlefield.com)  
Web Site [www.middlefield.com](http://www.middlefield.com)

