



2020 ANNUAL REPORT

**REAL ESTATE &
E-COMMERCE**
SPLIT CORP.

MIDDLEFIELD CORPORATE PROFILE

The Middlefield Group was established in 1979 and has approximately \$4 billion in assets under management. Middlefield is a Specialty Investment Manager which creates investment products designed to balance risk and return to meet the demanding requirements of Financial Advisors and their clients. These financial products include Exchange-Traded Funds, Mutual Funds, Private and Public Resource Funds, Venture Capital Assets, TSX Publicly Traded Funds and Real Estate Investment Funds and Partnerships.

Many of Middlefield's investment products are designed and managed by our own professionals while some involve strategic partnerships with other "best-in-class" firms that bring unique value to our product offerings. Our investment team comprises portfolio managers, analysts and traders. In 2014, we entered into an exclusive arrangement with SSR, LLC, based in Stamford, Connecticut. They provide specialized research into sectors of the economy such as Healthcare and Innovation Technology. SSR is an independent investment firm whose analysts have been highly ranked and are recognized as leaders in their respective fields. Their fundamental company level research is often non-consensus and provides guidance on overall portfolio construction and security selection.

Looking ahead, Middlefield remains committed to managing and developing new and unique investment products to assist Financial Advisors in helping clients achieve their investment objectives.

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A NOTE ON FORWARD LOOKING STATEMENTS

This document may contain forward looking statements, including statements regarding: the Fund, its strategies, goals and objectives; prospects; future performance or condition; possible future actions to be taken by the Fund; and the performance of investments, securities, issuers or industries in which the Fund may from time to time invest. Forward looking statements include statements that are predictive in nature, that depend upon or refer to future results, events, circumstances, expectations and performance, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and other similar wording. Forward looking statements are not historical facts, but reflect the Fund's current beliefs as of the date of this document regarding future results, events, circumstances, expectations or performance 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 results, events, circumstances, expectations or performance could differ materially from those expressed or implied in any forward looking statements contained in this document. Factors which could cause actual results, events, circumstances, expectations or performance to differ materially from those expressed or implied in forward looking statements include, but are not limited to: general economic, political, market and business factors and conditions; commodity price fluctuations; interest and foreign exchange rate fluctuations; global equity and capital markets; the financial condition of each issuer in which the Fund invests; the effects of competition in the industries or geographic areas in which the Fund may invest; statutory and regulatory developments; unexpected judicial or regulatory proceedings; and catastrophic events. Readers are cautioned that the foregoing list of factors is not exhaustive and to avoid placing undue reliance on forward looking statements due to the inherent uncertainty of such statements. The Fund does not undertake, and specifically disclaims, any obligation to update or revise any forward looking statements, whether as a result of new information, future developments, or otherwise.

MIDDLEFIELD® RAISES OVER \$300 MILLION IN 2020



(L to R) ROBERT MOFFAT, Investments Analyst, ANTHONY TAVELLA, Executive Director, International, CRAIG ROGERS, Managing Director, Corporate Development, NANCY THAM, Managing Director, Sales and Marketing, JEREMY BRASSEUR, Managing Director, Corporate Finance, DEAN ORRICO, President and Chief Investment Officer, ROB LAUZON, Managing Director and Deputy Chief Investment Officer, POLLY TSE, Chief Financial Officer, SHANE OBATA, Executive Director, Investments and Portfolio Manager, DENNIS da SILVA, Managing Director and Senior Portfolio Manager, Resource Group, VINCE GRECO, Managing Director, Trading and Portfolio Manager and MICHAEL BURY, Managing Director, Sales and Marketing and Portfolio Manager

MIDDLEFIELD
Global
Real Estate Class
FE/LL/DSC/Series F MID 600 | 649 | 650 | 601

REFINITIV LIPPER
FUND AWARDS
2020 WINNER
CANADA

The Middlefield Group was established in 1979 and has approximately \$4 billion in assets under management. Middlefield is a Specialty Investment Manager which creates investment products designed to balance risk and return to meet the demanding requirements of Financial Advisors and their clients. These financial products include Exchange-Traded Funds, Mutual Funds, Private and Public Resource Funds, Venture Capital Assets, TSX Publicly Traded Funds and Real Estate Investment Funds and Partnerships.

Initial Public Offering November 2020

Real Estate & E-Commerce Split Corp.
\$40,000,000
Real Estate & E-Commerce Split Corp.
managed by Middlefield Group

Price: \$15 per Class A RS
\$10 per Preferred Share RS,PRA

CIBC Capital Markets BMO Capital Markets Canaccord Genuity Corp. Industrial Alliance Securities Inc. Manulife Securities Incorporated Echelon Wealth Partners Inc. Scotiabank National Bank Financial Inc. Raymond James Ltd. Middlefield Capital Corporation Mackie Research Capital Corporation RBC Capital Markets TD Securities Inc. National Bank Financial Inc. Industrial Alliance Securities Inc. Richardson GMP

Initial Public Offering September 2020

Sustainable Innovation & Health Dividend Fund
\$92,000,000
Sustainable Innovation & Health Dividend Fund
managed by Middlefield Group

Price: \$10 per Unit SHLUN

CIBC Capital Markets BMO Capital Markets Industrial Alliance Securities Raymond James Ltd. Manulife Securities Incorporated Hampton Securities Limited Echelon Wealth Partners Inc. Scotiabank Canaccord Genuity Corp. National Bank Financial Inc. Richardson GMP Manulife Securities Incorporated Middlefield Capital Corporation Mackie Research Capital Corporation RBC Capital Markets TD Securities Inc.

Initial Public Offering March 2020

Sustainable Infrastructure Dividend Fund
\$80,000,000
Sustainable Infrastructure Dividend Fund
managed by Middlefield Group

Price: \$10 per Unit INEUN

CIBC Capital Markets BMO Capital Markets Industrial Alliance Securities Incorporated Echelon Wealth Partners Inc. Scotiabank Canaccord Genuity Corp. Raymond James Ltd. Middlefield Capital Corporation Mackie Research Capital Corporation RBC Capital Markets TD Securities Inc. National Bank Financial Inc. Stifel Nicolaus Canada Inc.

Re-Opening September 2020

E SPLIT CORP.
\$32,600,000
E Split Corp.
managed by Middlefield Group

Price: \$11.75 per Class A ENS
\$10 per Preferred Share ENS,PRA

CIBC Capital Markets BMO Capital Markets Canaccord Genuity Corp. Desjardins Securities Inc. Hampton Securities Mackie Research Capital Corporation National Bank Financial Inc. Raymond James Ltd. Richardson GMP Industrial Alliance Securities Inc. Manulife Securities Incorporated Middlefield Capital Corporation Scotiabank TD Securities Inc. RBC Capital Markets TD Securities Inc. National Bank Financial Inc. Industrial Alliance Securities Inc. Manulife Securities Incorporated Middlefield Capital Corporation

Re-Opening June 2020

E SPLIT CORP.
\$27,300,000
E Split Corp.
managed by Middlefield Group

Price: \$12 per Class A ENS
\$10 per Preferred Share ENS,PRA

CIBC Capital Markets BMO Capital Markets Canaccord Genuity Corp. Desjardins Securities Inc. Hampton Securities Mackie Research Capital Corporation National Bank Financial Inc. Raymond James Ltd. Manulife Securities Incorporated Middlefield Capital Corporation Scotiabank Stifel GMP Industrial Alliance Securities Inc. Manulife Securities Incorporated Middlefield Capital Corporation RBC Capital Markets TD Securities Inc.

Initial Public Offering September 2020

DISCOVERY
SHORT DURATION LP
\$18,000,000
Discovery 2020 Short Duration LP
managed by Middlefield Group

Price: \$25 per Class A Unit
\$25 per Class F Unit

CIBC Capital Markets BMO Capital Markets Richardson GMP Canaccord Genuity Corp. Echelon Wealth Partners Inc. National Bank Financial Inc. Industrial Alliance Securities Inc. Middlefield Capital Corporation Raymond James Ltd. Scotiabank TD Securities Inc. Manulife Securities Incorporated RBC Capital Markets TD Securities Inc.

Initial Public Offering April 2020

MIDDLEFIELD RESOURCE FUNDS
\$13,500,000
MRF 2020 Resource Limited Partnership
managed by Middlefield Group

Price: \$25 per Class A Unit
\$25 per Class F Unit

CIBC Capital Markets BMO Capital Markets Richardson GMP Canaccord Genuity Corp. Echelon Wealth Partners Inc. National Bank Financial Inc. Industrial Alliance Securities Inc. Middlefield Capital Corporation Raymond James Ltd. Scotiabank TD Securities Inc. Manulife Securities Incorporated RBC Capital Markets TD Securities Inc.



2020 REVIEW AND OUTLOOK

In a year beset by unprecedented health, economic and political challenges, global equities performed remarkably well in 2020. MSCI World, the S&P 500 and the TSX Composite generated total returns of 16.5%, 18.4% and 5.6%, respectively. While COVID-19 remains a major concern, we're encouraged by the ongoing rollout of approved vaccines and are looking forward to a recovery in economic activity in 2021 and beyond.

Joe Biden was elected President and the Democrats won a narrow control of the Senate, representing a significant shift in US politics. While Democrat control may increase the risk of tighter regulation and higher taxes, the actions of several independently minded senators on both sides of the aisle should reduce the risk of major policy and regulatory changes in 2021. We also note that given the current challenges experienced by consumers and businesses due to the pandemic, we believe President Biden will be primarily focused on lessening the severity and impact of COVID-19 and increasing economic activity and corresponding levels of employment. The Administration is currently pushing for a USD\$1.9 trillion plan which includes cheques to consumers, added unemployment benefits, money for states and municipalities and more funding for a national vaccination program. Biden is calling this the "first step in a two-step plan to build a bridge to the other side of the crises we face". The first step is referred to as the "rescue" package and the second step is being called the "recovery" package and will involve significant investments in infrastructure, including a particular focus on the clean energy sector.

In terms of risks, investors seem relatively complacent about the current elevated levels of equity market valuations. While investors have multiple reasons to be positive, a continued expansion of valuations increases the risk of an equity market correction. While it's difficult to predict the catalyst for such an event, any correction will provide an opportunity to add to our favourite names to drive further gains in 2021. With respect to interest rates, we do not expect central banks to tighten policy in the short-term. However, better-than-expected economic growth could lift longer-dated rates from relatively low levels, thereby undercutting equity multiples.

Healthcare stocks offer significant relative value against this backdrop. The S&P 500 Healthcare sector ended 2020 trading at a blended forward price to earnings multiple of 16.4x, well below the Index multiple of 22.6x. Valuations are particularly compelling since political risk has abated in recent months. We believe the probability of sweeping healthcare reform is very low since the Biden Administration's main priority will be to gain control of the pandemic by ensuring vaccinations ramp up in a timely fashion and leading biopharma companies such as Pfizer and AstraZeneca will continue to play an integral role in paving the path to normalcy. Given this, we think it unlikely the new Administration will spend its limited and valuable political capital on more controversial Democrat campaign proposals such as drug pricing reform or the establishment of a Public Option.

Middlefield Healthcare & Life Sciences ETF and Middlefield Health & Wellness ETF generated total returns of 10.7% and 9.0% in 2020, respectively. Both funds have exposure to dividend-paying biopharma companies with stable cash flows as well as innovative companies with attractive growth outlooks. We believe the Digital Health sector is supported by durable tailwinds and will be an area of focus for our strategies in 2021 and beyond. The pandemic has accelerated the convergence of healthcare and technology and we expect companies such as Teladoc and Dexcom, who can leverage this trend, to be very well positioned.

The pandemic accelerated secular growth trends and pulled forward demand for certain industries this year. Online advertising, streaming, e-commerce, gaming and cloud services were among the beneficiaries of stay-at-home orders. Middlefield's Digital Consumer Dividend Fund and Global Innovation Dividend Fund are exposed to these attractive themes and generated total returns of 33.6% and 46.5%, respectively. We are optimistic that key players in these areas will thrive as they continue to take market share from legacy incumbents. In the semiconductor industry, we expect Advanced Micro Devices (AMD) to continue growing in both personal computers and, more importantly, servers. We also still see significant potential in Alphabet with its Deep Mind subsidiary leading the way in Artificial Intelligence (AI), which has the potential to address challenges in both robotics and industrial systems. AI research will also prove critical for powering the ongoing development of Google's advertising ecosystem.

The Middlefield family of exchange-listed funds is currently comprised of 18 funds, 17 of which trade on the Toronto Stock Exchange and one of which is based in Jersey, Channel Islands and trades on the London Stock Exchange. The fund mandates differ by asset mix including both Canadian and International equity securities.

In contrast, the pandemic created an extremely challenging and unpredictable operating environment for property owners in 2020. Government mandated lockdowns, including forced store closures and work-from-home orders, have impacted the ability of many landlords to fill vacancies and collect rent in a timely fashion. These challenges were reflected in market performance, with the Canadian Real Estate sector generating a total return of -8.7% in 2020, making it the third worst performing sector in the Index. Looking ahead, we believe 2021 will be a much better year for REITs due to the availability of multiple highly effective vaccines, continued low interest rates as well as ongoing government stimulus.

Middlefield's Global Real Estate & E-Commerce Dividend Fund, which has a high concentration in Industrial REITs, generated a total return of 31.9% during the year. E-commerce sales grew by 32% in the U.S. and 28% globally, accelerating demand for modern warehousing space. Middlefield REIT IndexPlus ETF also outperformed the real estate benchmark in 2020, generating a total return of -3.4%. Outperformance was largely driven by the Fund's overweight positioning in industrial and data center REITs. Industrial REITs should continue to benefit from steady rent growth in 2021 and beyond as consumers and businesses adapt to new online methods of purchasing and delivering goods and services. Similarly, the use of cloud services has increased dramatically with companies such as Microsoft reporting millions of new users on its Teams platform, Netflix reaching new records in viewership and online gaming platforms growing exponentially. As a result, data center REITs, which provide the backbone infrastructure for budding cloud services, are well-positioned to benefit from these trends over the long-term. We believe industrial and data centers are must-own asset classes and our real estate portfolios maintain significant exposure to these sectors through positions in high-quality companies such as Granite REIT, WPT Industrial and Equinix.

Outlook

Though valuations remain at the higher end of their historical range and equity market corrections are possible in the coming months, we remain bullish on stocks in 2021 for a number of reasons.

First, the world continues to make progress in the fight against COVID-19. Pfizer, Moderna and AstraZeneca each reported initial efficacy data exceeding 90% for their vaccines while Johnson & Johnson reported 85% efficacy against severe symptoms and hospitalizations. The J&J result is especially impressive since its trials are more reflective of the newer, highly transmissible strains in the U.K., South Africa and Brazil. Multiple countries are now implementing mass inoculation strategies, beginning with their most vulnerable citizens, and production of approved vaccines is accelerating.

Second, monetary and fiscal policy remain highly accommodative. The U.S. Federal Reserve is not expected to increase rates until at least 2023 and we expect other major central banks to follow suit. Regarding fiscal stimulus, governments around the world continue to spend in support of both consumers and businesses that have been most negatively impacted by the pandemic.

Third, as the global economy recovers, so should corporate earnings. While secular winners remain well positioned, we could see the biggest contributions from cyclical sectors such as financials and industrials.



Dean Orrico
President, CEO and Chief Investment Officer
Middlefield Capital Corporation



Robert F. Lauzon
Managing Director and Deputy Chief Investment Officer
Middlefield Capital Corporation

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

FOR THE PERIOD ENDED DECEMBER 31, 2020

This annual management report of fund performance contains financial highlights and should be read in conjunction with the complete audited annual financial statements of the investment fund that follow this report.

Unitholders may contact us by calling 1-888-890-1868, by writing to us at Middlefield Group at one of the addresses on the back cover or by visiting our website at www.middlefield.com to request a copy of the investment fund's annual financial statements, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

Management's Discussion of Fund Performance

Investment Objectives and Strategies

The investment objectives of Real Estate & E-Commerce Split Corp. (the "Fund") for the Class A Shares are to provide holders with: (i) non-cumulative monthly cash distributions, and (ii) the opportunity for capital appreciation through exposure to the portfolio. The investment objectives of the Fund for the Preferred Shares are to: (i) provide holders with fixed cumulative preferential quarterly cash distributions, and (ii) return the original issue price of \$10.00 to holders upon maturity. The Fund invests in a diversified, actively managed portfolio of dividend-paying securities of issuers operating in the real estate or related sectors, including real estate investment trusts that are well-positioned to benefit from low interest rates, the rapid adoption of e-commerce, the growth of data infrastructure as well as attractive valuations in various areas of the real estate sector.

Risk

The Fund is exposed to several risks that may affect its performance. The overall risk of the Fund is as described in its prospectus dated October 28, 2020. Since commencement of operations on November 19, 2020, the overall risk level of the Fund may have been impacted as follows:

Market Risk

Market risk describes the Fund's exposure to volatility in the market value of its underlying securities. Equity markets continue to exhibit volatility due to macroeconomic uncertainties, ongoing global trade disputes, as well as the uncertain impact from the Coronavirus outbreak. The Fund seeks to mitigate risk through active management and portfolio diversification.

Results of Operations

Investment Performance

The Fund commenced operations on November 19, 2020 when it raised \$40 million in an initial public offering. As a result, there are no comparative figures for the prior period. Net assets of the Fund for Class A Shares were \$21.8 million as at December 31, 2020. On a per share basis, the net assets of the Fund for Class A Shares decreased from \$13.75 at commencement of operations to \$13.48 at December 31, 2020. The Fund

recorded a net loss on its investment portfolio of \$0.2 million or \$0.12 per Class A Share during the period.

Revenue and Expenses

Revenue for the period ended December 31, 2020 amounted to \$47,000 and was comprised primarily of realized gains on the Fund's portfolio investments. Expenses for the period totalled \$202,000, which contributed to the management expense ratio ("MER") of 18.25% for Class A shareholders. The MER is high as a result of the inclusion of issuance costs, borrowing costs, and distributions to Preferred shareholders as part of the expenses used to calculate the ratio in the period of the initial public offering. Excluding issuance costs, borrowing costs, and distributions to Preferred shareholders, the MER was 8.56% for the period.

Related Party Transactions

Pursuant to a management agreement, Middlefield Limited (the "Manager") receives a management fee. For further details, please see the "Management Fees" section of this report. Middlefield Capital Corporation ("MCC" or the "Advisor"), the advisor to the Fund and a company under common control with the Manager, receives advisory fees from the Manager out of the management fee. MCC also receives brokerage commissions from the Fund in connection with securities transactions. All brokerage commissions paid by the Fund to MCC were at or below market rates. In addition, MCC received an agency fee from the Fund in respect of units sold in 2020. For further details, please see the notes to the financial statements.

Management Fees

Management fees are calculated at 0.85% per annum of the net asset value of the Fund and are split between the Manager and the Advisor. The Manager receives fees for the general administration of the Fund, including maintaining the accounting records, executing securities trades, monitoring compliance with regulatory requirements, and negotiating contractual agreements, among other things. The Advisor receives fees from the Manager for providing investment advice in respect of the portfolio in accordance with the investment objectives and strategies of the Fund.

Trends

Government mandated lockdowns, including forced store closures and work-from-home orders, have impacted the ability of many landlords to fill vacancies and collect rent in a timely fashion. These challenges were reflected in market performance, with the Canadian Real Estate sector generating a total return of -8.7% in 2020, making it the third worst performing sector in the Index.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

FOR THE PERIOD ENDED DECEMBER 31, 2020

Financial Highlights

Net Assets are calculated in accordance with International Financial Reporting Standards (“IFRS”).

“Net Asset Value” is calculated in accordance with section 14.2 of National Instrument 81-106 “Investment Fund Continuous Disclosure” (“NI 81-106”) and is used for transactional pricing purposes.

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 partial period since commencement of operations. Ratios and Supplemental Data are derived from the Fund’s Net Asset Value.

The Fund’s Net Assets per Class A Share⁽¹⁾

	2020⁽³⁾
Net Assets, Beginning of Period	\$ 13.75
INCREASE (DECREASE) FROM OPERATIONS:	
Total Revenue	0.15
Total Expenses	(0.09)
Realized Gain for the period	0.07
Unrealized Loss for the Period	(0.19)
Transaction Costs	(0.04)
Preferred Share Distributions	(0.06)
TOTAL DECREASE FROM OPERATIONS⁽²⁾	(0.17)
DISTRIBUTIONS:	
From Net Investment Income	0.06
From Capital Gains	0.03
Return of Capital	0.01
TOTAL DISTRIBUTIONS	0.10
Net Assets, End of Period	\$ 13.48

⁽¹⁾ This information is derived from the Fund’s audited annual financial statements.

⁽²⁾ Net Assets per Class A Share are based on the actual number of Class A shares outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of Class A shares outstanding over the financial period. This schedule is not a reconciliation of Net Asset Value since it does not reflect shareholder transactions as shown on the Statement of Changes in Net Assets Attributable to Holders of Redeemable Class A Shares and accordingly columns may not add.

⁽³⁾ For the period November 19, 2020 (date of commencement of operations) to December 31, 2020.

*Initial issue price, net of agents’ fees and initial issue costs.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

FOR THE PERIOD ENDED DECEMBER 31, 2020

Ratios and Supplemental Data

	2020⁽⁶⁾
Total Assets (000s) ⁽¹⁾	\$ 38,428
Total Net Asset Value (000s) – including Preferred Shares ⁽¹⁾	\$ 38,001
Number of Class A Shares Outstanding ⁽¹⁾	1,613,887
Management Expense Ratio (“MER”) – Class A Shares ⁽²⁾	18.25%
MER (excluding Preferred Share distributions, interest expense and issuance costs) – Class A Shares ⁽²⁾	8.56%
Trading Expense Ratio ⁽³⁾	2.61%
Portfolio Turnover Rate ⁽⁴⁾	20.31%
Net Asset Value per Unit ⁽⁵⁾	\$ 23.54
Net Asset Value per Preferred Share	\$ 10.06
Net Asset Value per Class A Share	\$ 13.48

(1) This information is provided as at December 31 of the year shown.

(2) The MER for Class A Shares is based on total expenses (including distributions on Preferred Shares, but excluding distributions on Class A Shares, commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average Net Asset Value of the Fund for Class A Shares during the period. The MER for Class A Shares excluding Preferred Share distributions, interest expense and issuance costs has been presented separately as it expresses only the ongoing management and administrative expenses of the Fund as a percentage of average Net Asset Value of the Fund for Class A Shares. Issuance costs are one-time costs incurred at inception, and the inclusion of Preferred Share distributions and interest expense does not consider the additional revenues that have been generated from the investment of the leverage in income-generating assets.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average Net Asset Value during the period.

(4) The Fund’s portfolio turnover rate indicates how actively the Fund’s portfolio investments are managed. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher the Fund’s portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(5) A Unit includes one Class A Share and one Preferred Share. Net Asset Value per Unit is determined by the Net Asset Value of the Fund, for which the Preferred Shares are not treated as liabilities.

(6) For the period November 19, 2020 (date of commencement of operations) to December 31, 2020.

Past Performance

The Fund has not presented its historical performance because it commenced operations on November 19, 2020 and accordingly has been in existence for less than one year.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

FOR THE PERIOD ENDED DECEMBER 31, 2020

Summary of Investment Portfolio

AS AT DECEMBER 31, 2020

Top Twenty-Five Holdings *

DESCRIPTION	% OF NET ASSET VALUE
1 CT Real Estate Investment Trust	8.2
2 RioCan Real Estate Investment Trust	7.9
3 Granite Real Estate Investment Trust	7.8
4 SmartCentres Real Estate Investment Trust	7.6
5 Brookfield Property Partners LP	7.1
6 Dream Industrial Real Estate Investment Trust	7.0
7 WPT Industrial Real Estate Investment Trust	7.0
8 Crombie Real Estate Investment Trust	6.6
9 Canadian Apartment Properties Real Estate Investment Trust	5.8
10 Summit Industrial Income Real Estate Investment Trust	5.7
11 Killam Apartment Real Estate Investment Trust	5.6
12 Equinix Inc.	5.3
13 Cyrusone Inc.	4.9
14 Americold Realty Trust	4.0
15 Prologis Inc.	3.7

"Top Twenty-Five Holdings" excludes any temporary cash investments."

* The Fund has only 15 holdings.

ASSET CLASS	% OF NET ASSET VALUE
Real Estate	94.2
Cash and Short-Term Investments	6.5
Other Net Liabilities	(0.7)
	100.0

TOTAL NET ASSET VALUE ⁽¹⁾	\$ 38,001,035
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TOTAL ASSETS	\$ 38,428,444
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⁽¹⁾ Net Asset Value of the Fund includes the value of the Preferred Shares.

The Summary of Investment Portfolio may change over time due to ongoing portfolio transactions.

Please visit www.middlefield.com for the most recent quarter-end Summary of Investment Portfolio.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Real Estate & E-Commerce Split Corp. (the "Fund") have been prepared by Middlefield Limited (the "Manager"), the manager of Fund and approved by the Board of Directors. The Manager is responsible for the information and representations contained in these financial statements and other financial information contained in this report.

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to the Fund are described in the notes to the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REAL ESTATE & E-COMMERCE SPLIT CORP. (THE "FUND")

OPINION

We have audited the financial statements of the Fund, which comprise the statement of financial position as at December 31, 2020, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable class A shares and cash flows for the period from November 19, 2020 to December 31, 2020, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements"). In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2020, and its financial performance and its cash flows for the period from November 19, 2020 to December 31, 2020 in accordance with International Financial Reporting Standards ("IFRS").

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises:

- Management Report of Fund Performance
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We obtained the Management Report of Fund Performance prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard. The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Deloitte LLP is the external auditor of the Fund. They have audited the financial statements of the Fund in accordance with Canadian generally accepted auditing standards to enable them to express to shareholders their opinion on the financial statements.



Francisco Z. Ramirez
President
Middlefield Limited



Catherine E. Rebuldeia
Chief Financial Officer
Middlefield Limited

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Erez Seiler.



Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
March 26, 2021

FINANCIAL STATEMENTS

Statement of Financial Position

AS AT DECEMBER 31, 2020
(In Canadian Dollars)

ASSETS

Current Assets

Investments at Fair Value through Profit or Loss	\$	35,783,165
Cash		2,461,864
Income and Interest Receivable		137,881
Account Receivables		45,534
Total Assets		38,428,444

LIABILITIES

Current Liabilities

Accounts Payable and Accrued Liabilities		266,020
Distributions Payable to Redeemable Shareholders (Note 10)		260,401
Preferred Shares (Note 9)		16,138,870
Total Liabilities (Excluding Net Assets Attributable to Holders of Redeemable Class A Shares)		16,665,291
Net Assets Attributable to Holders of Redeemable Class A Shares	\$	21,763,153

Redeemable Shares Outstanding (Note 9)		
Preferred Shares		1,613,887
Class A Shares		1,613,887
Net assets Attributable to Holders of Redeemable Shares per Share		
Preferred Shares	\$	10.06
Class A Shares	\$	13.48

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

Approved by the Board of Directors:



Director: Dean Orrico



Director: Craig Rogers

FINANCIAL STATEMENTS

Statement of Comprehensive Income

FOR THE PERIOD NOVEMBER 19, 2020 (DATE OF COMMENCEMENT OF OPERATIONS) TO
DECEMBER 31, 2020

(In Canadian Dollars)

REVENUE (LOSS)

Income from Investments	\$	240,819
Interest Income for Distribution Purposes		2,002
Foreign Exchange Gain on Cash		9,070
Other Changes in Fair Value of Financial Assets and Financial Liabilities at Fair Value through Profit or Loss		
Net Realized Gain from Investment Transactions		102,342
Net Unrealized Loss on Investments		(302,545)
Net Unrealized Loss on Foreign Currency Transactions		(4,223)
Total Revenue		47,465

OPERATING EXPENSES (Note 7)

Audit Fees		43,610
Custodial Fees		367
Fund Administration Costs		35,579
Management Fee		29,148
Transaction Costs (Note 11)		67,619
Securityholder Reporting Costs		25,272
Total Operating Expenses		201,595
Net Investment Loss before Distributions on Preferred Shares		(154,130)
Distribution on Preferred Shares (Note 10)		99,012
Finance Costs		1,521
Net Investment Loss before Tax		(254,663)
Withholding Taxes		5,560
Decrease in Net Assets Attributable to Holders of Redeemable Class A Shares	\$	(260,223)
Decrease in Net Assets Attributable to Holders of Redeemable Class A Shares per Share (Note 9)	\$	(0.16)

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

FINANCIAL STATEMENTS

Statement of Changes in Net Assets Attributable to Holders of Redeemable Class A Shares

FOR THE PERIOD NOVEMBER 19, 2020 (DATE OF COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2020

(In Canadian Dollars)

Net Assets Attributable to Holders of Redeemable Class A Shares at Beginning of Period	\$	-
OPERATIONS:		
Decrease in Net Assets Attributable to Holders of Redeemable Class A Shares		(260,223)
DISTRIBUTIONS TO HOLDERS OF REDEEMABLE SHARES:		
Distributions to Redeemable Class A Shareholders (Note 10)		(161,389)
REDEEMABLE CLASS A SHARE TRANSACTIONS:		
Proceeds from Issue of Redeemable Class A Shares (Note 9)		24,208,305
Payment of Agents' Fees		(1,573,540)
Payment of Issue Costs		(450,000)
Net Increase from Redeemable Class A Share Transactions		22,184,765
Net Assets Attributable to Holders of Redeemable Class A Shares at End of Period	\$	21,763,153

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

FINANCIAL STATEMENTS

Statement of Cash Flows

FOR THE PERIOD NOVEMBER 19, 2020 (DATE OF COMMENCEMENT OF OPERATIONS) TO
DECEMBER 31, 2020
(In Canadian Dollars)

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

Decrease in Net Assets Attributable to Holders of Redeemable Class A Shares	\$	(260,223)
Adjustments:		
Purchases of Investments		(37,075,266)
Proceeds from Sale of Investments		1,091,898
Foreign Exchange Gain		(4,847)
Net Realized Gain from Investment Transactions		(102,342)
Net Unrealized Loss on Investments		302,545
		<hr/>
		(36,048,235)
Increase in Distributions Payable to Preferred Shareholders		99,012
Net Change in Non-Cash Working Capital		82,605
Net Cash used in Operating Activities		<hr/>
		(35,866,618)

CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES

Proceeds from Issue of Redeemable Class A Shares		24,208,305
Proceeds from Issue of Redeemable Preferred Shares		16,138,870
Payment of Agents' Fees		(1,573,540)
Payment of Issue Costs		(450,000)
Net Cash from Financing Activities		<hr/>
		38,323,635
Net Increase in Cash		2,457,017
Foreign Exchange Gain		4,847
Cash at Beginning of Period		-
Cash at End of Period	\$	<hr/>
		2,461,864

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

FINANCIAL STATEMENTS

Schedule of Investment Portfolio

AS AT DECEMBER 31, 2020

(In Canadian Dollars)

Description	No. of Securities	Cost	Fair Value
Americold Realty Trust	32,000	\$ 1,427,966	\$ 1,521,868
Brookfield Property Partners LP	145,000	3,071,915	2,669,450
Canadian Apartment Properties Real Estate Investment Trust	43,000	2,188,518	2,149,570
Crombie Real Estate Investment Trust	175,000	2,600,443	2,511,250
CT Real Estate Investment Trust	200,000	2,958,578	3,134,001
Cyrusone Inc.	20,000	1,831,558	1,863,860
Dream Industrial Real Estate Investment Trust	203,995	2,613,078	2,682,534
Equinix Inc.	2,200	2,078,736	2,001,702
Granite Real Estate Investment Trust	38,000	2,845,565	2,960,200
Killam Apartment Real Estate Investment Trust	125,000	2,205,231	2,138,750
Prologis Inc.	11,000	1,425,305	1,396,634
RioCan Real Estate Investment Trust	180,000	3,157,418	3,015,000
SmartCentres Real Estate Investment Trust	125,000	3,073,614	2,885,000
Summit Industrial Income Real Estate Investment Trust	160,000	2,113,804	2,184,000
WPT Industrial Real Estate Investment Trust	145,000	2,558,620	2,669,346
REAL ESTATE: 93.6%		36,150,349	35,783,165
TRANSACTION COSTS (Note 11)		(64,639)	-
TOTAL INVESTMENTS: 93.6%		36,085,710	35,783,165
CASH: 6.4%		2,461,864	2,461,864
Total Investment Portfolio, Including Cash		\$ 38,547,574	\$ 38,245,029

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. Real Estate & E-Commerce Split Corp.

Real Estate & E-Split Corp. (the “Fund”) is a mutual fund corporation established under the laws of the Province of Ontario on October 7, 2020. Middlefield Limited, a company incorporated in Alberta, is the manager of the Fund (the “Manager”). Middlefield Capital Corporation (“MCC” or the “Advisor”), a company under common control with the Manager, is the advisor to the Fund. The Fund was listed on the Toronto Stock Exchange and effectively commenced operations on November 19, 2020, when it first issued shares through an initial public offering. The address of the Fund’s registered office is 1 First Canadian Place, 100 King St. West, 58th Floor, Toronto, Ontario. These financial statements, expressed in Canadian Dollars, were authorized for issuance by the board of directors of the Fund on March 26, 2021.

2. Investment Objectives and Strategy

The investment objectives of the Fund for the Class A Shares are to provide holders with: (i) non-cumulative monthly cash distributions; and (ii) the opportunity for capital appreciation through exposure to the portfolio. The investment objectives of the Fund for the Preferred Shares are to: (i) provide holders with fixed cumulative preferential quarterly cash distributions; and (ii) return the original issue price of \$10.00 to holders upon maturity. The Fund invests in a diversified, actively managed portfolio of dividend-paying securities of issuers operating in the real estate or related sectors, including real estate investment trusts that are well-positioned to benefit from low interest rates, the rapid adoption of e-commerce, the growth of data infrastructure as well as attractive valuations in various areas of the real estate.

3. Basis of Presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board (“IASB”) and as required by Canadian securities legislation and the Canadian Accounting Standards Board.

4. Summary of Significant Accounting Policies

A. Basis of Accounting

IFRS 9 Financial Instruments (“IFRS 9”)

The Fund classifies and measures financial instruments in accordance with IFRS 9 which requires assets to be carried at amortized cost or fair value, with changes in fair value recognized in profit and loss or other comprehensive income, based on the entity’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets. The Fund’s financial assets and liabilities are classified at fair value through profit or loss (“FVTPL”) and amortized cost.

Classification, Measurement, Impairment and Hedge Accounting

The Fund classifies its investments in debt and equity securities based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. These financial assets are managed and their performance is evaluated on a fair value basis. The Fund also manages these financial assets with the objective of realizing cash flows through sales. Further, an option to irrevocably designate any equity securities at fair value through other comprehensive income (“FVOCI”) has not been taken. Consequently, these financial assets are mandatorily measured at FVTPL.

Financial assets or financial liabilities held for trading are those acquired principally for the purpose of selling or repurchasing in the near future or on initial recognition they are a part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short term profit taking. All derivatives and short positions are included in this category and mandatorily measured at FVTPL. The financial assets and liabilities measured at amortized cost include cash collateral posted on derivative positions, accrued income, due to and from brokers and other short term receivables and payables.

IFRS 9 uses the credit loss model (“ECL”), as the new impairment model for financial assets carried at amortized cost. The Fund’s financial assets measured at amortized cost consist of trade receivables with no financing component and which have maturities of less than 12 months, as such, it has chosen to apply the simplified ECL approach, whereby any loss allowance is recognized based on the lifetime of ECLs. Given the short-term nature and high credit quality of the trade receivables, there are no expected credit losses associated with them and they are not considered impaired at the reporting dates.

The Fund does not apply general hedge accounting to any of its derivatives positions.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

4. Summary of Significant Accounting Policies (continued)

B. Financial Instruments

The Fund's financial instruments may include: short-term investments, fixed income, equities, structured products, derivatives (collectively referred to as "investments"), cash, accounts receivable – portfolio securities sold, income and interest receivable, accounts receivable, subscriptions receivable, prepaid interest, prepaid expenses, loan payable, accounts payable – portfolio securities purchased, accounts payable and accrued liabilities, redemptions payable and distributions payable. The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Regular way purchases and sales of financial assets are recognized at their trade date. The Fund's investments and derivative assets and liabilities are measured at fair value. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. The Fund's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its net asset value ("NAV") for transactions with securityholders.

The Fund only offsets financial assets and financial liabilities if the Fund has a legally enforceable right to offset recognized amounts and either intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

C. Fair Value Measurement

The Fund's own credit risk and the credit risk of the counterparty are taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. Investments and futures contracts are valued at fair value using the policies described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity specific inputs.

D. Classification of Redeemable Shares by the Fund

As required under International Accounting Standard ("IAS") 32, Financial Instruments: Presentation, shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset must be classified as financial liabilities. Under IFRS, the Fund's Preferred Shares remain as liabilities as they are not the most subordinate class of shares. The Fund's Class A Shares do not meet the criteria in IAS 32 for classification as equity. The Class A Shares contain multiple redemption features and, therefore, have been reclassified as financial liabilities.

E. Derivative Transactions

The Fund may use derivatives, such as forward currency contracts to hedge against losses caused by changes in exchange rates. The value of forward currency contracts is the gain or loss that would be realized, if on the valuation date, the positions were to be closed out. The change in value of forward currency contracts is included in the Statement of Comprehensive Income – Net Unrealized Gain (Loss) on Investments. Realized gains and losses from derivative instruments that are specific economic hedges are accounted for in the same manner as the underlying investments being hedged and are included in the Statement of Comprehensive Income – Net Realized Gain (Loss) from Investment Transactions.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

4. Summary of Significant Accounting Policies (continued)

F. Investment Transactions and Income Recognition

Investment transactions are accounted for as of the trade date and any realized gains or losses from such transactions are calculated on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds. The change in the difference between fair value and average cost of the investments is recorded as unrealized gain (loss) on investments. Income from investments is recognized on the ex-dividend or ex-distribution date. Interest income for distribution purposes shown on the Statement of Comprehensive Income represents the interest from bank deposits received by the Fund and, if the Fund holds fixed income investments, coupon interest accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis. The interest income for distribution purposes is the tax basis of calculating the interest received and which is subject to tax. Income distributions received are treated consistently with dividends and interest and recorded in income in the Statement of Comprehensive Income.

G. Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Class A Shares per Share

Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Class A Shares per Share in the Statement of Comprehensive Income represents the increase (decrease) in net assets divided by the average shares outstanding during the period.

H. Taxation

The Fund qualifies as a mutual fund corporation and a financial intermediary corporation under the provisions of the *Income Tax Act* (Canada) (the "Act") and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. Also, the Fund is generally subject to tax of 38 1/3% under Part IV of the Act on taxable dividends received from Canadian corporations in the period. This tax is fully refundable upon payment of sufficient dividends.

The Fund may incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown separately in the Statement of Comprehensive Income.

Distributions received from investment trust units that are treated as a return of capital for tax purposes are used to reduce the average cost of the underlying investments on the Schedule of Investment Portfolio.

I. Foreign Currency Translation

Foreign currency amounts are translated into Canadian dollars as follows: fair value of investments, forward currency contracts and other assets and liabilities, at the closing rate of exchange on each business day; income and expenses, and purchases, sales and settlements of investments, at the rate of exchange prevailing on the respective dates of such transactions.

J. Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

Determination of Functional Currency

'Functional currency' is the currency of the primary economic environment in which the Fund operates. If indicators of the primary economic environment are mixed, then management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The majority of the Fund's transactions are denominated in Canadian dollars. Investor subscriptions and redemptions are also received and paid in Canadian dollars. Accordingly, management has determined that the functional currency of the Fund is Canadian dollars.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

4. Summary of Significant Accounting Policies (continued)

J. Critical Accounting Estimates and Judgments (continued)

Fair Value Measurement of Derivatives and Securities Not Quoted in an Active Market

The Fund may hold financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them. The models used for private equity securities are based mainly on earnings multiples adjusted for a lack of marketability as appropriate.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 5 for further information about the fair value measurement of the Fund's financial instruments.

K. Securities Lending

The Fund may enter into securities lending transactions. These transactions involve the temporary exchange of securities as collateral with a commitment to deliver the same securities on a future date. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on securities held as collateral. Income earned from these transactions is recognized on an accrual basis and is included in the Statement of Comprehensive Income.

5. Fair Value Disclosure

The Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The fair value of the Fund's financial instruments is classified into levels using the following fair value hierarchy:

Level 1	Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.
Level 2	Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
Level 3	Inputs that are unobservable and where there is little, if any, market activity. Inputs into the determination of fair value require significant management judgment or estimation.

The Fund's investments at fair value as at December 31, 2020 trade in active markets and are therefore classified as Level 1.

All fair value measurements are recurring. The carrying values of cash, income and interest receivable, subscriptions receivable, accounts receivable, prepaid interest, accounts receivable – portfolio securities sold, loan payable, distributions payable, and accounts payable and accrued liabilities, approximate their fair values due to their short-term nature. Fair values of Fund's investments in common shares are classified as Level 1 when the related security is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

No transfers between levels have occurred during the period ended December 31, 2020.

6. Financial Risk Management

In the normal course of business, the Fund is exposed to a variety of financial risks: price risk, interest rate risk, liquidity risk, foreign exchange rate risk, credit risk and concentration risk. The Fund's primary risk management objective is to protect earnings and cash flow and, ultimately, securityholder value. Risk management strategies, as discussed below, are designed and implemented to ensure the Fund's risks and related exposures are consistent with its objectives and risk tolerance.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

6. Financial Risk Management (continued)

Most of the Fund's risks are derived from its investments. The value of the investments within the Fund's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, commodity prices, the market and company news related to specific securities held by the Fund. The investments are made in accordance with the Fund's risk management policies. The policies establish investment objectives, strategies, criteria and restrictions. The objectives of these policies are to identify and mitigate investment risk through a disciplined investment process and the appropriate structuring of each transaction.

A. Price Risk

Price risk is the risk that changes in the prices of the Fund's investments will affect the Fund's income or the value of its financial instruments. The Fund's price risk is driven primarily by volatility in commodity and equity prices. Rising commodity and equity prices may increase the price of an investment while declining commodity and equity prices may have the opposite effect. The Fund mitigates price risk by making investing decisions based upon various factors, including comprehensive fundamental analysis prepared by industry experts to forecast future commodity and equity price movements. The Fund's market positions are monitored on a daily basis by the portfolio manager and regular financial reviews of publicly available information related to the Fund's investments are performed to ensure that any risks are within established levels of risk tolerance. The Fund is exposed to price risk through the following financial instrument:

	2020
Investments at FVTPL	\$ 35,783,165

Based on the above exposure at December 31, 2020, a 10% increase or decrease in the prices of the Fund's investments would result in a \$3,578,317 increase or decrease in net assets of the Fund, with all other factors held constant.

B. Interest Rate Risk

Interest rate risk describes the Fund's exposure to changes in the general level of interest rates. Interest rate risk arises when the Fund invests in interest-bearing financial assets such as cash and utilizes financial liabilities such as loan payable. In respect of cash balances and loan payable, the Fund's interest income and expense are positively correlated to interest rates in that rising interest rates increase both interest income and expense while the reverse is true in a declining interest rate environment. The Fund has not hedged its exposure to interest rate movements. The Fund seeks to mitigate this risk through active management, which involves analysis of economic indicators to forecast Canadian and global interest rates. The Fund is exposed to interest rate risk through the following financial instrument:

	2020
Cash	\$ 2,461,864

Based on the above exposure at December 31, 2020, a 1% per annum increase or decrease in interest rates would result in a \$24,619 increase or decrease in net assets of the Fund, with all other factors held constant.

C. Liquidity Risk

Liquidity risk is defined as the risk that the Fund may not be able to settle or meet its obligations when due. The Fund is exposed to liquidity risk through its annual and monthly retractions of Class A Shares and Preferred Shares. The Fund receives 20 business days notice prior to the retraction date and has up until the last business day of the month after the retraction date to settle the retraction. This enables the Manager to sell securities held by the Fund to generate cash to settle the retraction, if necessary. The Fund's obligations are due within one year. The Fund retains sufficient cash to maintain liquidity and comply with liquidity requirements as outlined by securities legislation and its investment policies.

The Fund may invest in securities that are not traded on public stock exchange or that may be illiquid. As a result, the Fund may not be able to dispose of these investments in a timely manner. The Fund mitigates this risk through active management, which includes detailed analysis of such entities to ensure they are financially sound and would be attractive to potential investors if a sale is necessary. The Fund's investment policies and securities legislation limit the amount invested in illiquid securities and these limits are monitored. At December 31, 2020, the Fund did not hold any illiquid securities.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

6. Financial Risk Management (continued)

C. Liquidity Risk

The tables below present the Fund's financial liabilities based on the remaining period to the contractual maturity date. The amounts in the tables reflect the contractual undiscounted cash flows.

As at December 31, 2020

Financial Liabilities	Less than 1 Month	1 to 3 Months	3 Months to 1 Year	Total
Distributions Payable to Redeemable Shareholders	\$ 260,401	\$ -	\$ -	\$ 260,401
Accounts Payable and Accrued Liabilities	266,020	-	-	266,020
Total	\$ 526,421	\$ -	\$ -	\$ 526,421

D. Foreign Exchange Rate Risk

Foreign exchange rate risk describes the impact on the underlying value of financial instruments due to foreign exchange rate movements. The Canadian dollar is the Fund's functional and reporting currency. Foreign investments, commodities, cash, receivables and payables denominated in foreign currencies are affected by changes in the value of the Canadian dollar compared to foreign currencies. As a result, financial assets may depreciate/appreciate in the short-term due to the strengthening/weakening of the Canadian dollar against other currencies, and the reverse would be true for financial liabilities. The Fund's exposure to foreign exchange rate risk relates primarily to its investment in securities, which are denominated in U.S. dollars. The Fund has not hedged its exposure to currency fluctuations; however, it closely monitors relevant foreign exchange currency movements.

As at December 31, 2020

Currency	Investments at FVTPL	Cash	Income and Interest Receivable	Total Exposure
U.S. Dollar	\$ 9,453,411	\$ 322,754	\$ 30,016	\$ 9,806,181

E. Credit Risk

Credit risk represents the financial loss that the Fund would experience if a counterparty to a financial instrument failed to meet its obligations to the Fund. The Fund is exposed to credit risk on its debt instruments, derivative assets, cash and cash equivalents and other short term trade receivables. The Fund measures credit risk and lifetime ECLs related to the trade receivables using historical analysis and forward looking information in determining the ECL. The carrying amounts of financial assets represent the maximum credit exposure. All transactions executed by the Fund in listed securities are settled upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase only once the broker has received the securities. The trade will fail if either party fails to meet its obligations. There is no significant credit risk related to the Fund's receivables.

The Fund has established various internal controls to help mitigate credit risk, including prior approval of all investments by the Advisor whose mandate includes conducting financial and other assessments of these investments on a regular basis. The Fund has also implemented policies which ensure that investments can only be made with counterparties that have a minimum acceptable credit rating.

F. Concentration Risk

The Fund is exposed to the possible risk inherent in the concentration of the investment portfolio in a small number of industries or investment sectors. The Manager moderates this risk through careful selection of securities in several investment sectors. At December 31, 2020, the percentages of the Fund's net assets invested in each investment sector were as follows:

Sector	As a % of Net Assets 2020
Real Estate	94.2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

7. Management Fee and Operating Expenses

The Manager provides investment and administrative services to the Fund. In consideration for such services, the Manager receives a management fee equal to 0.85% per annum of the NAV, calculated and paid monthly in arrears based on the average NAV of the preceding month. The Net Asset Value of the Fund is generally determined by taking the total assets of the Fund and deducting the Fund's liabilities. For the purposes of calculating the management fee, the Preferred Shares are not considered a liability of the Fund. The Manager is reimbursed for reasonable costs related to maintaining the Fund and preparation and distribution of financial statements and other documents to securityholders. The Fund is responsible for the payment of all expenses relating to the operation of the Fund and the carrying on of its business.

8. Capital Management

The Fund's capital is its net assets attributable to holders of redeemable Class A Shares. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for securityholders, maximize securityholder value and maintain financial strength. The Fund manages and adjusts its capital in response to general economic conditions, the risk characteristics of the underlying assets and working capital requirements. Generally speaking, the Fund will reduce leverage when investments are likely to decrease in value and will increase leverage when investment appreciation is anticipated. In order to maintain or adjust its capital structure, the Fund may borrow or repay debt under its credit facility or undertake other activities deemed appropriate under the specific circumstances. The Fund is not subject to externally imposed capital requirements.

9. Redeemable Shares

Units

A unit means a notional unit consisting of one Preferred Share and one Class A Share. Net Asset Value per unit is determined by (i) the aggregate value of the assets of the Fund, less (ii) the aggregate value of the liabilities of the Fund (the Preferred shares will not be treated as liabilities), including any distributions declared and not paid that are payable to shareholders.

Redeemable Class A Shares

Authorized

The Fund is authorized to issue an unlimited number of Class A Shares. The Fund pays non-cumulative monthly distributions to the holders of Class A Shares. No distributions will be paid on Class A Shares if (i) distributions payable on Preferred Shares are in arrears, or (ii) in respect of a cash distribution by the Fund, the Net Asset Value per unit would be less than \$15 after the payment of such distributions.

The Class A Shares rank subsequent to the Preferred Shares with respect to the payment of distributions and the repayment of capital out of the portfolio on the dissolution, liquidation or winding up of the Fund.

All Class A Shares outstanding on December 31, 2025 are scheduled to be redeemed by the Fund on that date, subject to extension for successive terms of up to five years as determined by the Board of Directors. The redemption price payable by the Fund for a Class A Share on that date will be equal to the greater of (i) the Net Asset Value per unit on that date minus the sum of \$10.00 and any accrued and unpaid distributions on a Preferred Share, and (ii) nil.

Class A Shares may be retracted at the option of the shareholders by tendering Class A Shares of the Fund at least 20 business days prior to the second last business day of a month ("Retraction Date"). Holders of Class A Shares whose Class A Shares are tendered for retraction will be entitled to receive a retraction price per Class A Share equal to 96% of the difference between (i) the Net Asset Value per unit determined as of the Retraction Date, and (ii) the cost to the Fund of the purchase of a Preferred Share for cancellation. The cost of the purchase of a Preferred Share will include the purchase price of the Preferred Share, commission and other costs, if any, related to the liquidation of any portion of the portfolio required to fund such purchase. If the Net Asset Value per unit is less than \$10, plus any accrued and unpaid distributions on a Preferred Share, the retraction price of a Class A Share will be nil.

A holder of a Class A Share may concurrently retract an equal number of Class A and Preferred Shares on the second last business day of November of each year, commencing in 2022 (the "Annual Retraction Date"), at a retraction price per unit equal to the Net Asset Value per unit on that date, less any costs associated with the retraction, including commissions and any other such costs related to the liquidation of any portion of the portfolio required to fund such retraction. The Class A Shares and the Preferred Shares must both be surrendered for retraction at least 20 business days prior to the Annual Retraction Date.

The Fund's Class A Shares are classified as financial liabilities on the Statement of Financial Position.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

9. Redeemable Shares (continued)

Commencing February 28, 2021, the shareholders of the Fund can acquire additional Class A shares by participating in the Distribution Reinvestment Plan (the "Plan"). The Plan enables shareholders to reinvest their monthly distributions in additional shares of the Fund thereby achieving the benefit of compounding returns. The Plan also allows participants to purchase additional Class A shares for cash.

On November 19, 2020, the Fund issued 1,613,887 Class A Shares at \$15 per share for proceeds, net of agents' fees and issue costs, of \$22.2 million.

The average number of Class A Shares outstanding during the period ended December 31, 2020 was 1,613,887. This number was used to calculate the Net Assets Attributable to Holders of Redeemable Class A Shares per share.

Redeemable Preferred Shares

Authorized

The Fund is authorized to issue an unlimited number of Preferred Shares. Holders of Preferred Shares are entitled to receive fixed, cumulative preferential quarterly cash distributions of \$0.13125 per share. The Preferred Shares rank in priority to the Class A Shares with respect to the payment of distributions and the repayment of capital out of the portfolio on the dissolution, liquidation or winding up of the Fund.

All Preferred Shares outstanding on December 31, 2025 are scheduled to be redeemed by the Fund on that date, subject to extension for successive terms of up to five years as determined by the Board of Directors. The redemption price payable by the Fund for a Preferred Share on that date will be equal to the lesser of (i) \$10.00 plus any accrued and unpaid distributions thereon, and (ii) the Net Asset Value of the Fund on that date divided by the number of Preferred Shares then outstanding.

Preferred Shares may be retracted at the option of the shareholders by tendering Preferred Shares of the Fund at least 20 business days prior to the second last business day of a month ("Retraction Date"). Shareholders whose Preferred Shares are retracted will be entitled to receive a retraction price per share equal to 96% of the lesser of (i) the Net Asset Value per unit determined as of the relevant Retraction Date, less the cost to the Fund of the purchase of a Class A Share for cancellation, and (ii) \$10. The cost of the purchase of a Class A Share will include the purchase price of the Class A Share, commission and other costs, if any, related to the liquidation of any portion of the portfolio required to fund such purchase.

A holder of a Preferred Share may concurrently retract an equal number of Class A and Preferred Shares on the Annual Retraction Date at a retraction price per unit equal to the Net Asset Value per unit on that date, less any costs associated with the retraction, including commissions and any other such costs related to the liquidation of any portion of the portfolio required to fund such retraction. The Preferred Shares and Class A Shares must both be surrendered for retraction at least 20 business days prior to the Annual Retraction Date.

On November 19, 2020, the Fund issued 1,613,887 Preferred Shares at \$10.00 per share for proceeds of \$16.1 million.

10. Distributions

Distributions are to be declared by the Manager on a quarterly basis on the Preferred Shares and on a monthly basis on the Class A Shares. At the discretion of the Class A Shareholders, monthly distributions may be reinvested in additional shares of the Fund under the Distribution Reinvestment Plan. For the period ended December 31, 2020, distributions amounted to \$0.10 per Class A Share and \$0.06 per Preferred Share.

11. Transaction Costs

Brokerage commissions and other transaction costs paid in connection with securities transactions during the period ended December 31, 2020 amounted to \$67,619. Included in this amount is \$28,886 in brokerage commissions that were paid to MCC. All brokerage commissions paid by the Fund to MCC were at or below market rates. Brokerage commissions and other transaction costs are expensed and recorded in the Statement of Comprehensive Income. Agency fees paid to MCC amounted to \$8,775 in 2020.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

12. Securities Lending

The Fund has entered into a securities lending program with its custodian, RBC Investor Services Trust, in order to earn additional revenue. The aggregate market value of all securities loaned by the Fund will not exceed 50% of the fair value of the assets of the Fund. The Fund will receive collateral of at least 105% of the fair value of the securities on loan. Collateral held is generally comprised of cash and securities of, or guaranteed by, the Government of Canada or a province thereof, or the United States government or its agencies. Securities lending income reported in the Statement of Comprehensive Income is net of a securities lending charge which the Fund's custodian, RBC Investor Services Trust, is entitled to receive.

For the period ended December 31, 2020, the Fund did not earn any securities lending income.

As at December 31, 2020, the Fund had no outstanding securities loaned and hence no collateral held.

13. Loss Carryforwards

At December 31, 2020, the Fund did not have any capital losses or non-capital losses available for carry forward for tax purposes.

14. Comparative Financial Statements

The Fund commenced operations on November 19, 2020. Accordingly, there are no comparative financial statements for the period ended December 31, 2019.

15. The outbreak of the novel coronavirus (COVID-19) has led to governments around the world enacting emergency measures that resulted in business disruptions, volatility in markets and a global economic slowdown. The Manager uses judgment in assessing the impact from such events on assumptions and estimates applied in reporting the assets and liabilities in the Fund's financial statements at December 31, 2020. The duration and full extent of impact of the COVID-19 pandemic are unknown at the reporting date and it is therefore not possible to reliably estimate the entire impact on the financial results and position of the Fund in future periods.

DISTRIBUTIONS (PER SHARE)

DISTRIBUTIONS (PER SHARE) – CLASS A

2020

31-Dec \$ 0.10

DISTRIBUTIONS (PER SHARE) – PREFERRED SHARE

2020

31-Dec \$ 0.06135

Distribution Reinvestment Plan - Class A:

For information regarding the Distribution Reinvestment Plan, please contact our Investor Relations department, our Transfer Agent or visit our website at www.middlefield.com.

You may voluntarily terminate your participation in the Plan and elect to receive cash instead of Plan units, by delivering to the Plan Agent (or, if you are beneficial owners of units, by having your broker or other nominee deliver to the Plan Agent (through CDS & Co., if applicable) on your behalf) a written notice of termination signed by you or your broker or other nominee, as applicable.

EXCHANGE - TRADED FUNDS (ETFs)	TSX Stock Symbol
• Middlefield American Core Dividend ETF	ACZ
• Middlefield Healthcare & Life Sciences ETF	LS
• Middlefield Health & Wellness ETF	HWF
• Middlefield REIT INDEXPLUS ETF	IDR

TSX-LISTED FUNDS

• Digital Consumer Dividend Fund	MDC.UN
• E Split Corp.	ENS ENS.PR.A
• Global Dividend Growers Income Fund	GDG.UN
• Global Innovation Dividend Fund	BL.UN
• Global Real Estate & E-Commerce Dividend Fund	GEC.UN
• International Clean Power Dividend Fund (commenced March 18, 2021)	CLP.UN
• MBN Corporation	MBN
• Middlefield Can-Global REIT Income Fund	RCO.UN
• Middlefield Global Real Asset Fund	RA.UN
• MINT Income Fund	MID.UN
• Real Estate & E-Commerce Split Corp. (commenced November 19, 2020)	RS RS.PR.A
• Sustainable Infrastructure Dividend Fund	INF.UN
• Sustainable Innovation & Health Dividend Fund (commenced August 14, 2020)	SIH.UN

MIDDLEFIELD MUTUAL FUNDS TRUST FUNDS

	Fund Code
Series A Units	FE/LL/DSC
• ACTIVE Resources Income Fund (formerly ACTIVEnergy Income Fund)	MID 235/237/240
• Global Healthcare Dividend Fund	MID 325/327/330
• INDEXPLUS Income Fund	MID 435/437/440
• Middlefield Global Infrastructure Fund	MID 510/519/520

Series F Units

• ACTIVE Resources Income Fund (formerly ACTIVEnergy Income Fund)	MID 236
• Global Healthcare Dividend Fund	MID 326
• INDEXPLUS Income Fund	MID 436
• Middlefield Global Infrastructure Fund	MID 501

MIDDLEFIELD MUTUAL FUNDS CORPORATE CLASS FUNDS

	Fund Code
Series A Shares	FE/LL/DSC
• Middlefield Canadian Dividend Growers Class	MID 148/449/450
• Middlefield Global Agriculture Class	MID 161/163/166
• Middlefield Global Dividend Growers Class	MID 181/183/186
• Middlefield Global Real Estate Class	MID 600/649/650
• Middlefield Global Sustainable Energy Class (formerly Middlefield Global Energy Class)	MID 125/127/130
• Middlefield High Interest Income Class (formerly Middlefield Short-Term Income Class)	MID 400/424/425
• Middlefield Income Plus Class	MID 800/849/850
• Middlefield U.S. Dividend Growers Class	MID 710/719/720

Series F Shares

• Middlefield Canadian Dividend Growers Class	MID 149
• Middlefield Global Agriculture Class	MID 162
• Middlefield Global Dividend Growers Class	MID 182
• Middlefield Global Real Estate Class	MID 601
• Middlefield Global Sustainable Energy Class (formerly Middlefield Global Energy Class)	MID 126
• Middlefield Income Plus Class	MID 801
• Middlefield U.S. Dividend Growers Class	MID 701

RESOURCE FUNDS

• Discovery 2020 Short Duration LP (commenced September 25, 2020)
• MRF 2021 Resource Limited Partnership (commenced February 18, 2021)

INTERNATIONAL FUNDS

• Middlefield Canadian Income PCC	London UK Stock Exchange (LSE) Symbol:MCT
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President and
Chief Executive Officer
Middlefield Capital Corporation

Jeremy T. Brasseur
President and
Chief Executive Officer
Middlefield Group Limited

Robert F. Lauzon, CFA
Managing Director and
Deputy Chief Investment Officer
Middlefield Capital Corporation

Dennis da Silva
Managing Director
Resource Group
Middlefield Capital Corporation

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Former Vice-Chairman
RBC Dominion Securities Limited

H. Roger Garland, CPA, CA
Former Vice-Chairman
Four Seasons Hotels Inc.

Bernard I. Ghert (Chairman)
Former Chairman
Mount Sinai Hospital

Edward V. Jackson
Former Managing Director
RBC Capital Markets

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Middlefield Capital Corporation
Groppe, Long & Littell
SSR, LLC

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Canadian Imperial Bank of Commerce
Royal Bank of Canada
The Bank of Nova Scotia
The Toronto-Dominion Bank

Custodian

RBC Investor Treasury Services

Affiliates

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Middlefield Financial Services Limited
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Middlefield Limited
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