

Portfolio Managers' Commentary

Equity markets finished the year on a positive note with the TSX Composite and the Fund's benchmark each returning 5.7% (in British Pounds) and the Fund's NAV appreciating 5.8% in December, bringing its full-year total return to -1.4%. The Santa Claus rally was fueled by bond yields continuing their descent from October highs with 10-year yields finishing the year at 3.11% in Canada and 3.54% in the U.K.

Our outlook for the economy in 2024 is for a soft landing. We expect inflation to continue trending lower and for the rate of unemployment to increase slightly from historical lows. Against this backdrop, the Bank of Canada is expected to begin easing monetary policy in the first half of the year with the futures market currently projecting approximately five rate cuts in 2024. Company earnings should also exhibit growth in 2024 after being relatively flat in 2023. Consensus expectations for the TSX Composite are for EPS growth of 7% in 2024 and 9.8% into 2025.

Assuming interest rates remain at current levels or lower, we believe dividend-paying equities are extremely well positioned. Throughout 2023, dividend stocks faced increased competition from cash alternatives and money market funds. Now, with bond yields having fallen more than 1% in two months and central banks expected to cut interest rates in the first half of 2024, dividend paying equities have become more attractive on a relative basis. For example, Canadian REITs have an average dividend yield of 5.3% which exceeds the yield of Canadian 5-year government bonds by more than 200 basis points. As a result, we expect a good portion of the capital that flowed into cash alternatives to make its way back into equities generally and dividend payers specifically in 2024.

In addition to their attractive dividend yields, Canadian REITs remain deeply discounted relative to their intrinsic values and possess significant capital appreciation potential. On average, the Canadian real estate sector trades at just 13x 2024 AFFO, a 7.2% implied cap rate and 24% below net asset value. We remain very constructive on industrial, multi-family, retail and senior living where we expect healthy growth in rental revenue serving to somewhat offset higher borrowing costs. Moreover, balance sheets remain in good shape with year-over-year average declines in leverage ratios and increases in liquidity ratios. Whether interest rates remain at current levels or decline further, REITs are well positioned to outperform over the next 12 months.

The Fund made several changes to its portfolio in December to reflect our soft landing outlook. The Fund increased its exposure to Canadian financials by adding to positions in Bank of Montreal and National Bank while also initiating a position in Power Corp. Canadian banks have underperformed the TSX over the past two years due to credit cycle concerns which stem from higher interest rates. Considering the recent decline in mortgage rates, policy changes to boost housing supply, and continued demand tailwinds from immigration, we expect a stabilization in Canadian house prices in 2024. As a result, investors have become less concerned about the credit cycle and the broader economy, causing banks to re-rate higher. Power Corp is a management and holding company focused on financial services in North America, Asia and Europe. Its core exposures include insurance, wealth management, asset management and a portfolio of alternative investment platforms. The company has a compelling valuation, a current dividend yield of approximately 5.5% and a strong track record of dividend growth throughout its 100-year history.

Click [here](#) for the December Market Commentary on Middlefield Canadian Income PCC's Website.

The percentage of portfolio assets which may be invested in securities listed on a recognized stock exchange outside of Canada is limited to 40%. Investment outside Canada and the United States is limited to 10%.

Nothing herein is to be construed as a solicitation or an offer to buy or sell any financial products. This factsheet is based in part on information obtained from sources believed to be reliable but not guaranteed as accurate. The Fund may utilize gearing, which will exaggerate market movements both down and up. If markets fall, gearing can magnify the negative impact of performance. Exchange rate changes may cause the value of underlying investments to go down as well as up. Where investments are made in smaller companies and non-investment grade bonds, their potential volatility may increase the risk to the value of, and the income from, the investment. The Fund's share price may either be below (at a discount to) or above (at a premium to) the NAV.

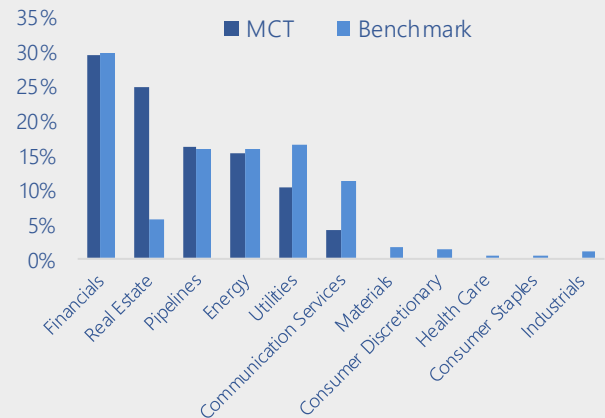
Portfolio Summary

Top 10 Holdings

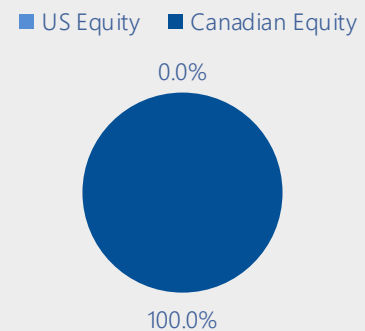
Name	Sector	% of Equities
Bank of Montreal	Financials	5.8%
Royal Bank of Canada	Financials	4.9%
AltaGas	Utilities	4.8%
Canadian Natural Resources	Energy	4.6%
TD Bank	Financials	4.5%
Manulife Financial	Financials	4.4%
Enbridge	Pipelines	4.2%
BCE Inc.	Comm. Svcs.	4.2%
Pembina Pipeline	Pipelines	4.1%
Suncor Energy	Energy	3.4%

Cumulative Weighting **44.9%**

Sector Allocation



Geographic Mix



This fact sheet is issued and approved by Middlefield International Limited which is regulated by the FCA. Middlefield Canadian Income PCC is regulated by the Jersey Financial Services Commission.

For further information about the Fund, please contact us at the below address or visit our website at www.middlefield.co.uk

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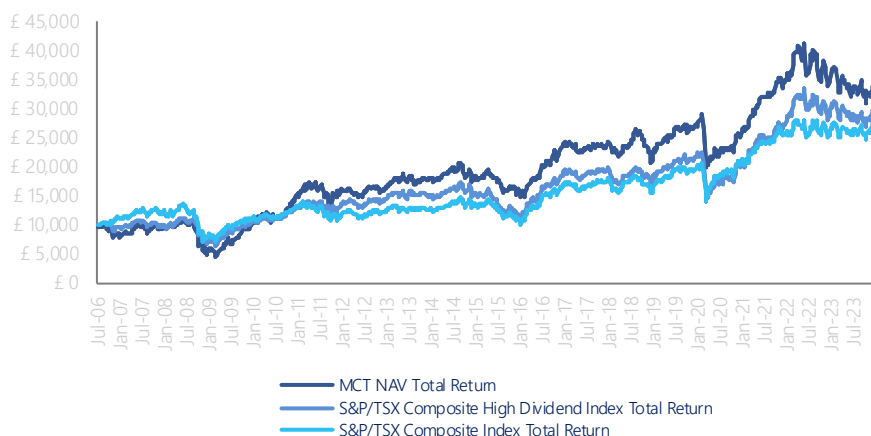
Investment Objective

The Fund seeks to provide Shareholders with a high level of dividends as well as capital growth over the longer term. The Fund intends to pay dividends on a quarterly basis each year.

Investment Policy

The Fund will seek to achieve its investment objective by investing predominantly in the securities of companies and REITs domiciled in Canada as well as the U.S. that the Investment Manager believes will provide an attractive level of distributions together with the prospect for capital growth. It is expected that the Fund's portfolio will generally comprise between 40 and 70 investments. The Fund may also hold cash or cash equivalents and may utilise derivative instruments for the purposes of efficient portfolio management. The Fund will at all times invest and manage its assets in a manner which is consistent with the objective of spreading investment risk.

Performance Since Inception



Fund Performance

Recent Performance	1 Mth	3 Mth	6 Mth	YTD	1 Year
Share Price	5.0%	-0.5%	0.2%	-10.7%	-10.7%
NAV	5.8%	3.2%	1.9%	-1.4%	-1.4%
Benchmark	5.7%	5.3%	3.5%	3.9%	3.9%
S&P/TSX Composite Index	5.7%	6.0%	5.5%	8.6%	8.6%

Long-Term Performance	3 Year annualised	5 year annualised	7 year annualised	10 year annualised	Since inception annualised
Share Price	8.1%	8.8%	5.0%	5.0%	6.1%
NAV	10.0%	9.4%	4.8%	5.9%	6.8%
Benchmark	14.9%	12.0%	7.1%	7.1%	6.6%
S&P/TSX Composite Index	10.9%	12.0%	7.7%	8.1%	6.3%

Sources: Middlefield, Bloomberg. As at 29 December, 2023

Past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. All price information is indicative only. Total returns including the reinvestment of dividends for all returns. Fund returns are net of fees. Composite of monthly total returns for the S&P/TSX Income Trust Index from inception to 31 December 2010 and the S&P/TSX Composite High Dividend Index (formerly named the S&P/TSX Equity Income Index) thereafter. Currency adjusted to reflect CAD\$ returns from inception of MCI to Oct 2011 and GBP returns thereafter since MCI was CAD\$ hedged from inception to Oct 2011.

¹Borrowings as a percentage of total assets – the Fund has the power to borrow up to 25% of total assets

²Borrowings as a percentage of net assets – the AIC standard measure of gearing

Company Overview

Middlefield Canadian Income PCC (the "Company") is a Jersey incorporated, protected cell company. The Company's initial cell is Middlefield Canadian Income – GBP PC (the "Fund") whose shares are traded on the London Stock Exchange's main market. The Fund has been designed to invest in a broadly diversified, actively managed portfolio of Canadian and U.S. listed equity income securities.

IA Sector	North America
Year End	31-Dec
Inception	06-Jul-06
LSE Symbol	MCT
ISIN	GB00B15PV034
Benchmark	S&P/TSX Composite High Dividend Index
Dividend Payable	Quarterly (Jan, Apr, Jul, Oct)
Management Fee	0.70% p.a.
Net Assets	£129,463,639
Voting Shares	106,487,250
Share Price	101.10p
Net Asset Value	121.58p
Premium/Discount	-16.8%
Dividend p.a.	5.20p
Current Yield	5.1%
Gearing (Gross) ¹	11.5%
Gearing (Net) ²	13.5%

Portfolio Managers



Dean Orrico
President & CEO

Mr Orrico has over 25 years experience in the financial services sector and is currently responsible for overseeing the creation and management of Middlefield's investment funds including mutual funds, ETFs, closed-end funds and flow through funds. He graduated with a Bachelor of Commerce degree from the Rotman School of Management (University of Toronto) and holds an MBA from the Schulich School of Business (York University). Mr Orrico is a registered Portfolio Manager with expertise in both equity and fixed income securities and has spent many years meeting with international companies and investors.



Rob Lauzon
CIO

Mr Lauzon is Middlefield's Chief Investment Officer and has been with the firm since 2002, bringing his acumen to numerous successful Middlefield products. He holds the Chartered Financial Analyst designation as well as an Honours Bachelor of Business Administration (Wilfrid Laurier University) and an MBA from the Rotman School of Management (University of Toronto).

Available Platforms to Invest

