MIDDLEFIELD
INVESTMENTS THAT WORK FOR YOU

MARKET COMMENTARY

APRIL 2024

The purpose of these monthly commentaries is to provide investment advisors and their clients with insights into the current thinking of Middlefield's investment professionals regarding the overall market and the major sectors underpinning Middlefield's various fund strategies.

MACRO UPDATE

Dean Orrico
President & CEO

Robert Lauzon
Managing Director & CIO

The S&P 500 Index generated a total return of 3.2% in March and 10.6% during the first quarter. It marks the fifth consecutive month of positive returns for the Index and the best five-month rally in four years. Volatility has been depressed over this period with the Index in the midst of its longest stretch without a 2% pullback in more than six years.

Historical trends suggest the rally may not be over – April is the second strongest month for the Index going back to 1950, with an average gain of 1.53% and only two negative Aprils over the past 15 years. Looking further out, when the Index has generated a 10% or better return in Q1, it has gone on to generate a positive return 92% of the time over the remainder of the year.

Strong Q1 Returns Signal Further Gains Ahead

Year	Q1	Final 9 Months of Year
2024	10%	?
2019	13%	14%
2013	10%	18%
2012	12%	1%
1998	14%	12%
1991	14%	11%
1987	21%	-15%
1986	13%	1%
1976	14%	5%
1975	22%	8%
1967	12%	7%
1961	12%	10%
1943	19%	1%
1936	11%	15%

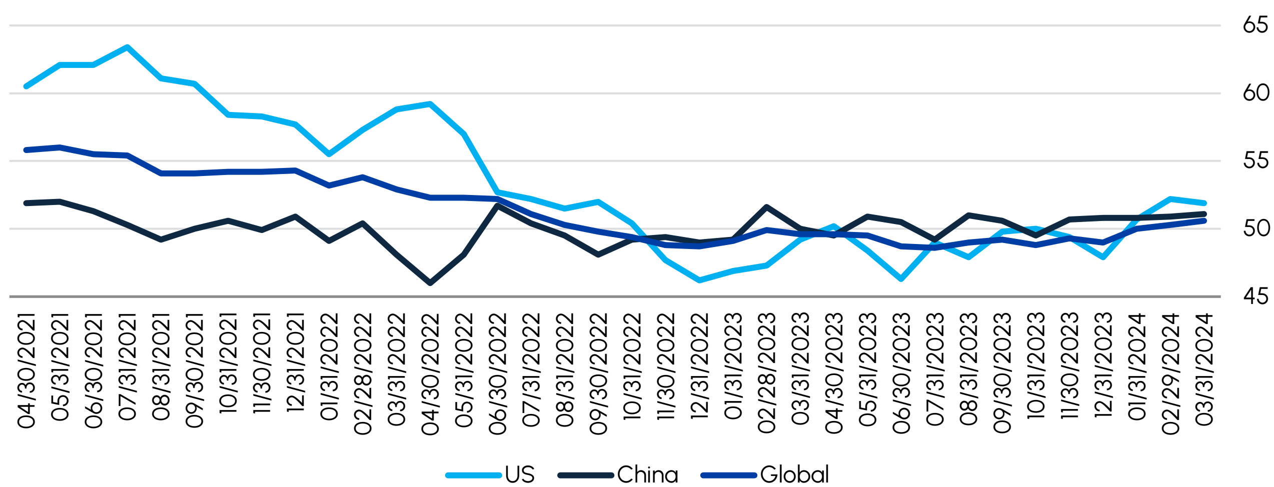
Source: Carson Investment Research, FactSet.

We continue to see encouraging signs that the market rally is broadening beyond large-cap tech stocks. Cyclical and value sectors led the market higher in March after lagging in the previous two months. This trend supported a 4.1% monthly return in the TSX Composite Index and vaulted it to a new record high. Surging prices of key commodities, including oil, copper and gold, have provided a boost to Canada's resource industries with the TSX materials and energy sectors returning 15.4% and 7.3% in March, respectively. Middlefield has exposure to these sectors across several of our diversified equity-income mandates.

The underlying strength in commodity prices can be partially attributed to an increasingly positive economic backdrop. The latest jobs data revealed that U.S. job vacancies have stabilized and are no longer declining. Purchasing manager indexes in both the U.S. and China are back above 50 – the level that differentiates between expansion and contraction. The Atlanta Fed Q1 GDPNow model estimate rose to 2.8% on April 1st, up from 2.0% just two weeks prior. These data points all support robust consumer spending and manufacturing activity which traditionally leads to higher demand for commodity inputs. U.S. crude futures have surged to $85 a barrel for the first time since October, bringing its year-to-date advance to 19%.

The potential downside from all the positive economic data is that rates may have to stay higher than initially expected. February's wholesale prices rose faster than anticipated, driven by rising food and energy prices. Despite the Fed's March 20 meeting and ensuing press conference being widely interpreted as dovish, Chair Powell reiterated his stance that the Fed remains "prepared to maintain the current target range for the federal funds rate for longer if appropriate." 10-year bond yields have risen as a result and finished the quarter at their highest level since November. Even so, the market has shrugged off rising yields and managed to hit new highs. We believe this is likely attributable to an improved earnings outlook that comes with a robust economy. This coincides with the recent strength in more cyclical pockets of the market which is a positive development for Middlefield's diversified strategies.

Global Manufacturing PMIs Expanding



Source: S&P Global, Bloomberg.

REAL ESTATE

Middlefield Fund Tickers & Codes: MREL / MID 600 / RS / RS.PR.A / RA.UN

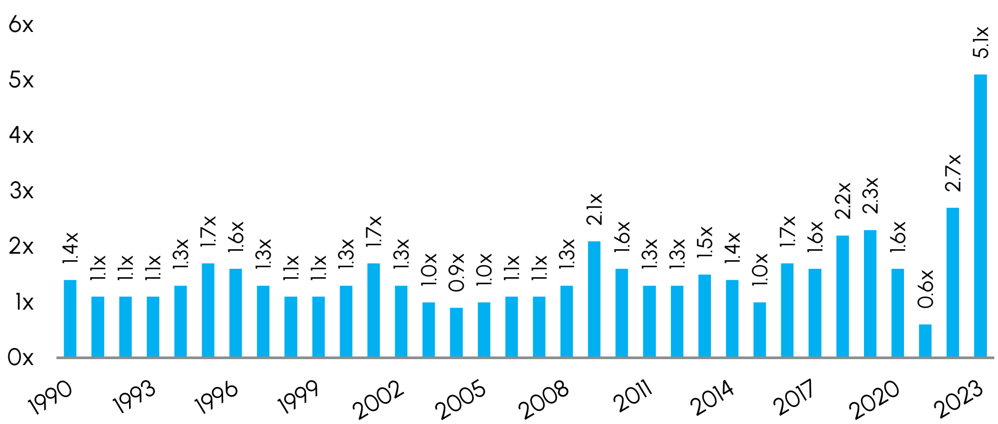
Dean Orrico

President & CEO

Canadian REITs performed well in March, generating a total return of 2.3%. While the sector remains sensitive to movements in interest rates, investors are shifting their focus towards fundamentals which are on very solid footing. Our core holdings reported Q4 2023 results that were at or above estimates and the outlook for 2024 was very positive. Canadian 10-year bond yields increased 17 basis points during the month, making the sectors monthly return particularly impressive.

The Canadian Federal government made several announcements in March aimed at addressing the growing housing affordability crisis in Canada. First, it announced plans to limit the number of temporary residents for the first time in the country's history. The measure will begin in the fall of 2024 and apply to international students, foreign workers and asylum claimants. Next, the government pre-announced a national "renter bill of rights" to be released with the budget in April,

Canada's Ratio of Net Migration to Housing Starts Has Exploded



Sources: CMHC, Statcan, Scotiabank GBM.

requiring apartment operators to disclose the previous rent history on apartment listings. The announcements, which are attempts to slow rental housing demand and curb rent increases, have caused Canadian apartment REITs to come under pressure in recent weeks.

In our opinion, the regulations are unlikely to move the needle in an extremely undersupplied rental market that will take years, or even decades, to rebalance. Canada has experienced massive population growth in recent years, with over one million people entering the country in 2023 alone. The ratio of net migration to housing starts has risen to a record high of 5.1x, well above the historical average of 1.5x going back to 1990. Further, most tenants in rent-controlled regions, such as Ontario and B.C., are paying rents that are substantially below market prices. We expect apartment REITs to generate high-single digit same property NOI growth for years to come due to the embedded rent growth that will materialize when tenants ultimately move out and new leases are marked to market prices. The recent sell-off in Canadian apartment REITs has presented a rare buying opportunity in some of our favourite names.

We also recently met with CAPREIT, one of the larger weights in our portfolio and the biggest multi-family REIT in Canada. CAPREIT is actively divesting of lower quality/older assets and reallocating proceeds into newer, purpose-built multi-family assets in Canada. This strategy results in lower capex and an immediate uplift in rents since newer assets are not subject to rent control in the province of Ontario. We believe there's significant capital appreciation potential in CAPREIT's trading price as interest rates gradually decline and they continue to dispose of non-core assets, including their significant land holdings.

HEALTHCARE

Middlefield Fund Tickers & Codes: MHCD / MID 625 / SIH.UN

Robert Moffat

Portfolio Manager

The S&P 500 healthcare sector returned 2.4% in March, resulting in a total return of 8.9% in Q1. MedTech and growth-oriented biopharma stocks (such as Eli Lilly) have led to the upside this year while managed care has been a notable laggard with a total return of -3.4%. Our funds have been underweight managed care which has been additive to performance this year.

As we wrote about last month, we have been increasing our exposure to biotech stocks recently. One of the positions we added to was Fusion Pharmaceuticals – a clinical stage radiopharmaceutical company developing next-generation targeted therapies to treat cancer. On March 19th, the company announced an agreement to be acquired by AstraZeneca in a transaction valued at $2.4 billion, a 126% premium to the stock's previous closing price. The transaction highlights the importance of identifying innovative companies that are developing next-generation products and supports our case for active management within healthcare. We own several other innovative biotech companies in our portfolios that are developing promising new products like Fusion whose valuations will be supported by further M&A within the biotech sphere.

Dexcom's stock price rose 23% this month, driven by an unexpected positive decision from the FDA. Stelo, a continuous glucose monitoring (CGM) device that is less complex than the company's flagship G series, was approved for over-the-counter use in the U.S. Initial expectations were for the device to require a physician prescription, making the decision a welcome surprise that meaningfully expands the addressable market for Stelo. The updated label puts the company on track to exceed preliminary guidance in 2024 and builds upon its track record of beating expectations. Dexcom is a longstanding core holding in our healthcare strategies.

SUSTAINABLE INFRASTRUCTURE

Middlefield Fund Tickers & Codes: MINF / MID 265 / MID 510 / ENS / ENS.PR.A / CLP.UN

Robert Lauzon
Managing Director & CIO

Energy and power consumption have been topical in recent months due to the proliferation of AI across various sectors. Projected power needs have been revised significantly higher for the upcoming decade due to increased demand from data centers. According to BCG, data center electricity consumption (~130TWh) was 2.5% of the U.S power demand in 2022 and is expected to triple to 7.5% (~390TWh) by 2030.

AI usage is contributing to higher demand for base load growth while supply remains constrained due to permitting delays and unconstructive regulatory policies. Big Tech companies are committed to matching as much power consumption through clean sources of energy as possible. In turn, renewable sources of energy, such as solar, wind, hydro, and nuclear, are expected to contribute and fill that reliability gap. Similarly, the coal-to-gas transition will continue to play a critical role in improving power reliability and achieving a net-zero future.

Capital Power (CPX) is well positioned to bridge the supply-demand imbalance with its plan of building over 380MW of new renewables and storage projects to complement its natural gas-fired power platform. We support management's core strategy of acquiring mispriced North American gas assets at attractive multiples which also addresses the broader theme of improving power reliability. CPX recently acquired 3 natural gas-fired thermal facilities, adding 1.7GW (net) combined capacity in core markets. 2023 was a record year for capacity increases and emission reductions, driving annual adjusted EBITDA up +8% Y/Y to $1,455M, reaching its midpoint of guidance. We continue to like the name as it offers deep value through its attractive yield, low payout ratio, and strong exposure to decarbonization themes in North America.

Enbridge's Investor Conference in New York City provided an opportunity to spend valuable time with senior management discussing the strategic and synergistic nature of the company's portfolio, confirming why Enbridge ranks as a top idea for income and growth. There is a growing realization of the need for all forms of energy to meet growing global energy demand – these fundamentals underpin the Enbridge investment opportunity. A comment that resonated during the discussions was if management had a white board and was asked to build out an ideal map of owned North American Energy Infrastructure connecting the basins, population, and export egress, they would assemble essentially what they control today. We know how difficult that would be to execute current given regulatory headwinds and costs. Management reiterated their confidence in achieving 5% EBITDA growth per year beyond 2026. With higher targeted EBITDA growth during 2024-2026 driven by the closings of their U.S. gas utility acquisitions. Onshoring and strong population growth underpin the long-term need for natural gas, which is the most cost-effective energy source. Management is laser focused on preserving financial strength and flexibility, which is supported by Enbridge's diversified low-risk energy infrastructure / utility business model. The company continues to target dividend growth of 3% (29 consecutive years of increases) and total annual shareholder returns of 10-12%. We expect share price appreciation throughout 2024 and into 2025 as central banks ease monetary policy and stock market breadth expands into Energy, Infrastructure and Utility sectors.

TECHNOLOGY & COMMUNICATIONS

Middlefield Fund Tickers & Codes: MINN / MID 925 / SIH.UN

Shane Obata

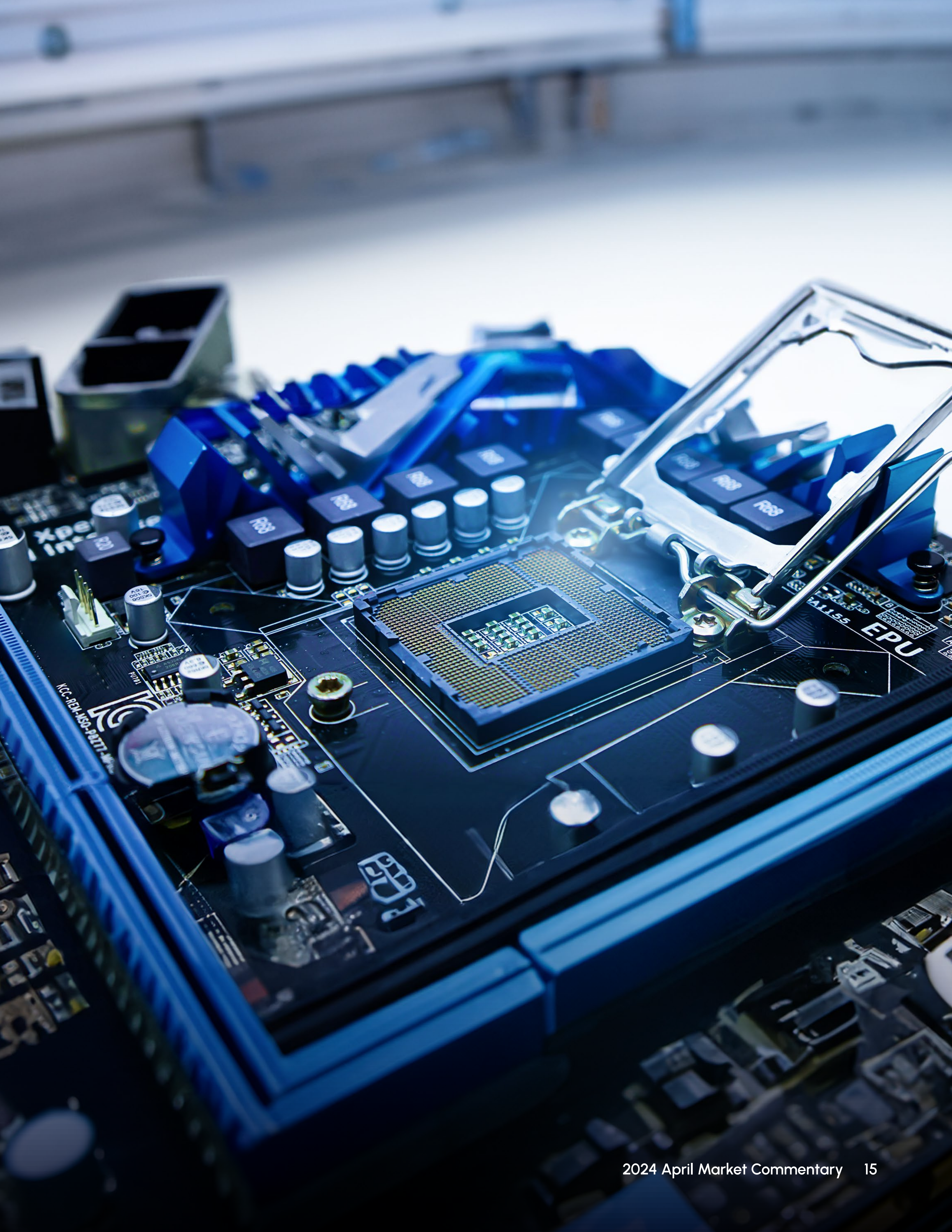
Portfolio Manager

Tech returns varied significantly in Q1'24, with Nvidia (NVDA) leading the Magnificent Seven at +82% and Tesla trailing at -29%. As we noted in our recent webinar, this is an ideal environment for our actively managed strategies and we have been able to take advantage of the upside thus far.

As we transition into the second quarter of 2024, the anticipation surrounding the growth potential of early leaders in artificial intelligence (AI) remains high. Companies such as Nvidia, Microsoft, and other prominent cloud service providers are expected to continue their trajectory of solid growth, driven by their pioneering roles in AI development and deployment. This period also heralds the broadening of the AI theme across various sectors, enhancing the sustainability and durability of growth within the tech industry.

A focal point of our recent analysis has been on Taiwan Semiconductor Manufacturing Company (TSMC) and Micron Technology Inc., both of which are poised for significant contributions to the AI space. TSMC, recognized as the world's largest contract chipmaker, has been instrumental in manufacturing critical components for industry giants like Nvidia and Advanced Micro Devices. While TSMC's operations are notably diversified, projections indicate a potential growth of nearly 30% in its AI business alone for 2024. This expected growth is a testament to TSMC's unparalleled technological prowess and its esteemed position as the most advanced foundry globally, reflecting the robust momentum within the underlying industry.

Micron, a leading entity in the memory sector, is positioned to capitalize on the increasing demand for "High-Bandwidth Memory" (HBM), which is indispensable for advanced AI applications. The recent fiscal quarter saw Micron uplifting its guidance, buoyed by the surging demand for its HBM solutions. As articulated by Micron's CEO, the company anticipates generating "several hundred million" dollars in revenue from HBM products in fiscal 2024, with most of its production already earmarked for 2025. This outlook underscores Micron's strategic advantage in addressing the critical needs of the AI industry, further solidifying its role in facilitating the advancement of cutting-edge AI technologies.


EPU

RESOURCES

Middlefield Fund Tickers & Codes: MID 800 / MID 161 / MID 265 / MRF FT LP / Discovery FT LP

Dennis da Silva

Senior Portfolio Manager

Gold's strong March rally culminated in the yellow metal closing at a record closing price, marking its greatest monthly gain since November 2022. The price performance was welcome after suffering mild setbacks during January and February in response to traders adjusting inflation expectations higher, and rate cut projections lower. Even as gold hits new highs, gold producer ETFs trade at roughly half of what they fetched back in 2011. Fortunately, there are signs this is starting to turn as cost pressures ease. Gold equities were able to outperform the spot price this month, showcasing their operating leverage, with the S&P/TSX Global Gold Index up an impressive 18.6% in March, outperforming gold's solid 9.3% gain.

Despite the spot uranium price pulling back from recent February highs, we see continued strength in the sector with mid-term and long-term pricing showing consistent upward momentum. We believe the recent check back in spot prices represents a healthy pause in the ongoing uranium bull market. During a recent conference call, Cameco reminded investors that fundamentals are better than they've ever been and that the contracting cycle is still in the early innings. The recent spot price run was not due to a surge in demand, but rather a retreat of supply. Most encouraging is that the long-term contract price of $75/lb is at a level not seen since 2008, indicating strong future demand for uranium.

The price of copper closed 4.6% higher in the March, ending months of it attempting to breach the critical $US4.00/lb mark. Supply obstacles are an emerging tailwind for the price of the commodity. New large copper discoveries are becoming more difficult to identify, are facing increasing permitting challenges, and grades are declining at many of the large, existing copper projects that have already been mined for decades. Latin America, which accounts for one-third of global production, has been subject to significant production curtailments over the last few years due to political and social opposition. First Quantum was recently forced to shut the Cobre Panama mine after spending more than US$10bn on the project.

Oil prices moved firmly above US$80/bbl during March, prompting some analysts to call for US$100/bbl or greater by the end of summer. The latest update from the International Energy Agency forecasts a global supply deficit throughout 2024 instead of the surplus previously expected; assuming OPEC+ continues their output cuts during the second half of the year. Adding to upside risk in oil prices has been the ongoing Ukrainian attacks on Russian oil refineries as Kyiv targets a key funding source for the Kremlin. It is estimated that Ukraine has the capability to damage approximately 60% of Russia's export facilities in western Russia. The longer the U.S. delays aid, the more likely Ukraine is to strike a more material blow against Russia's revenue machine. TSX E&P companies were up an impressive 8.8% in March, besting the 7.4% rise in WTI crude futures.

ESG

Environmental, Social and Governance

Middlefield Fund Tickers & Codes: MDIV / MINF / CLP.UN / SIH.UN / MID 265

Stephen Erlichman

Chair, ESG (Environmental, Social and Governance)

Effective January 1 of this year, a federal statute entitled Fighting Against Forced Labour and Child Labour in Supply Chains Act (the "Act") came into force. The legislation indicates that its purpose is to implement Canada's international commitment to contribute to the fight against forced labour and child labour (i.e., a social (S) issue within ESG) by imposing reporting requirements on certain public and private companies that produce goods in Canada or elsewhere or import goods produced outside Canada, as well as on certain government institutions. Canada, therefore, has joined several other jurisdictions such as Australia and the United Kingdom which already have similar versions of supply chain legislation.

From the perspective of asset managers, being able to see the reports that are required to be filed by Canadian public companies (and also are required to be published on a prominent place on the companies' websites) will provide insights into some of the supply chain risks of investing in those companies. For example, in 2013 the Rana Plaza garment factory building in Bangladesh collapsed, resulting in the death of over 1,000 workers and injury to over 2,500 workers, many of whom were child labourers. It was reported that over 25 brand name retailers had garments produced at Rana Plaza. The collapse and the resulting death of child labourers made asset managers realize that supply chains problems at portfolio companies can result in the risk of reputational damage and possibly also stock price declines at portfolio companies.

The Act requires companies listed on a stock exchange in Canada that produce goods in Canada or elsewhere or import goods produced outside Canada to file an annual report by May 31. The report must describe the steps the company has taken during its previous fiscal year to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or elsewhere by the company or of goods imported into Canada by the company. The report also must include various supplementary information, such as the company's policies and its due diligence in relation to forced and child labour and any measures taken by the company to remediate any forced or child labour.

The report must be approved by the public company's board of directors. The report also must be signed by one or more directors, and the signatory must attest that based on their knowledge and having exercised reasonable diligence the information in the report is true, accurate and complete in all material respects. Failure to file an annual report or knowingly making false or misleading statements in a report can result in a company being guilty of an offence and liable to a fine of up to $250,000. Any director or officer of a company who authorized, acquiesced in or participated in a company's commission of an offence also can be liable to a fine of up to $250,000 whether or not the company has been prosecuted or convicted.

The federal government has indicated that it intends to pass additional legislation later this year that expands upon the disclosure requirements of the Act, by requiring companies to carry out mandatory due diligence in regard to human rights issues in supply chains. It is possible that the new legislation might provide more information that asset managers could use to integrate ESG factors into investment and voting decision-making.

Exchange-Traded Funds (ETFs)

Fund Name	Ticker	Strategy
Middlefield Healthcare Dividend ETF	MHCD	Healthcare
Middlefield Innovation Dividend ETF	MINN	Innovation
Middlefield Real Estate Dividend ETF	MREL	Real Estate
Middlefield Sustainable Global Dividend ETF	MDIV	Sustainable Global
Middlefield Sustainable Infrastructure Dividend ETF	MINF	Sustainable Infrastructure
Middlefield U.S. Equity Dividend ETF	MUSA	U.S. Dividend

Mutual Funds (FE | F Series)

Fund Name	Fund Codes	Strategy
Canadian Dividend Growers Class	MID 148 | 149	Canadian Dividend
Global Agriculture Class	MID 161 | 162	Global Agriculture
Global Dividend Growers Class	MID 181 | 182	Global Dividend
Global Energy Transition Class	MID 265 | 266	Energy
Healthcare Dividend Fund	MID 325 | 326	Healthcare
Global Infrastructure Fund	MID 510 | 501	Global Infrastructure
Real Estate Dividend Class	MID 600 | 601	Real Estate
Income Plus Class	MID 800 | 801	Equity Balanced
INDEXPLUS Income Fund	MID 435 | 436	Canadian Dividend
Innovation Dividend Class	MID 925 | 926	Innovation
U.S. Equity Dividend Class	MID 710 | 701	U.S. Dividend

TSX-Listed Closed End Funds

Fund Name	Ticker	Strategy
Global Real Asset Fund	RA.UN	Real Assets
International Clean Power Dividend Fund	CLP.UN	Sustainable Power
MINT Income Fund	MID.UN	Equity Income
Sustainable Innovation & Health Dividend Fund	SIH.UN	Innovation & Healthcare
Sustainable Real Estate Dividend Fund	MSRE.UN	Sustainable Real Estate

TSX-Listed Split Share Corps. (Class A | Preferred)

Fund Name	Ticker	Strategy
E Split Corp. (Class A Shares)	ENS	Energy Infrastructure
E Split Corp. (Preferred Shares)	ENS.PR.A	Energy Infrastructure
Real Estate Split Corp. (Class A Shares)	RS	Real Estate
Real Estate Split Corp. (Preferred Shares)	RS.PR.A	Energy Infrastructure

LSE-Listed Investment Fund

Fund Name	Ticker	Strategy
Middlefield Canadian Income Trust	MCT	Canadian Equity Income

Sustainable Focus

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