

2024 SEMI-ANNUAL REPORT

**MIDDLEFIELD  
HEALTHCARE  
DIVIDEND FUND**



 **MIDDLEFIELD  
MUTUAL FUNDS**



## MIDDLEFIELD CORPORATE PROFILE

The Middlefield Group was established in 1979 and 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, Split Share Corporations, Venture Capital Assets, TSX Publicly Traded Funds and Real Estate Investment Funds and Partnerships.

Middlefield's investment team comprises portfolio managers, analysts and traders. While all of our investment products are designed and managed by Middlefield professionals, some involve strategic partnerships with other "best-in-class" firms that bring unique value to our product offerings. 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.



## 2024 MID-YEAR REVIEW AND OUTLOOK

The S&P 500 generated a total return of 15.3% in the first half of 2024, reaching 33 new all-time highs along the way. The year-to-date return breaks down into 7.1% from improved earnings expectations, 7.4% from expansion in the forward P/E multiple to 21x, and 0.8% from dividends. Sectors linked to the AI thematic led to the upside with Information Technology and Communication Services returning 28% and 27%, respectively. Index heavyweights Microsoft, Nvidia, Apple, Google, Amazon, and Meta contributed to 62% of the index's total return.

YTD S&P 500 Return Attribution			
Sector	Weight at Start of 2024 (%)	YTD Return (%)	Contribution of S&P 500 Return (basis points)
Info Tech	29	28	815
Comm. Services	9	27	229
Financials	13	10	132
Health Care	13	8	98
Industrials	9	8	68
Cons. Discretionary	11	6	61
Cons. Staples	6	9	55
Energy	4	11	42
Utilities	2	9	22
Materials	2	4	10
Real Estate	2	-2	-5
S&P 500	100	15	1529

Source: FactSet, Goldman Sachs Global Investment Research

The TSX Composite Index generated a total return of 6.1% in H1, lagging the U.S. market by nearly 10%. Half of the performance gap occurred in June when the TSX returned -1.4% compared to 3.6% for the S&P 500. Canada's three largest sectors - Energy, Materials and Financials - all had negative returns in June which explains most of the underperformance. With the Bank of Canada (BoC) entering an easing cycle on June 5<sup>th</sup>, we expect relative performance of Canadian equities to rebound. Historically, the TSX has averaged double-digit gains 12 months after the first BoC rate cut. We believe core defensive yield sectors including utilities and real estate are particularly well-positioned to outperform in the second half.

A common theme that emerged during the second quarter was normalization. Growth expectations, inflation and employment stats have all been easing from abnormally high levels recently. We view this trend positively as long as the pace of easing remains gradual and these key economic data return to more normalized levels. We do not forecast a recession in the U.S. or Canada over the next twelve months and believe the evolving macro landscape is conducive to continued strong performance from North American equity markets.

**Middlefield Real Estate Dividend Class** outperformed its benchmark in H1, outperforming the S&P/TSX Capped REIT Total Return by 3.8%. Canadian REITs returned 0.6% in June, outperforming the TSX Composite by 2%. The BoC's decision to cut rates on June 5<sup>th</sup> is showing early signs of improving sentiment for the sector. There are four BoC meetings remaining in 2024 and the Overnight Index Swaps market is currently pricing nearly two more full cuts from the BoC before year-end.

Canada's population has increased 8% since pre-pandemic levels. Supply of real estate has not kept pace with the surge in demand, causing Canada's per capita housing stock and shopping centre space to fall by 2% and 6%, respectively. As a result, vacancy rates have fallen to historic lows within these asset classes and rents have gone up. Apartment rents have risen close to 10% year-over-year while retail property leasing spreads are also in the high single-digits. The operating environment is as attractive as it has ever been for these asset classes and when investor focus finally shifts from interest rates to fundamentals, we expect a swift re-rating in REIT unit prices.

**Middlefield Innovation Dividend Class** generated a total return of 30.9% in H1 2024, exceeding the NASDAQ Technology Dividend TR Index return by 7.4%. The outperformance was primarily influenced by the fund's overweighting in growth-oriented technology securities. The first half of 2024 witnessed a clear divergence in the tech landscape: Artificial Intelligence (AI) stocks skyrocketed 33.3%, while non-profitable tech stocks suffered an 18.7% decline. This trend underscored the growing dominance of AI, a theme we anticipate will continue to shape the market. Our investment approach aligns with this shifting paradigm. We remain steadfast in our conviction that AI-focused semiconductor companies are poised for sustained growth, given their pivotal role in fueling the AI revolution.

The Middlefield Family of mutual funds, which are listed at the end of this report, currently includes nine different funds within the multi-class structure and three mutual fund trusts. The multi-class structure of Middlefield Mutual Funds enables investors to benefit from superior tax efficiencies unavailable to other forms of investment funds. In addition, almost all classes are offered in F-Series.

**The Middlefield Global Infrastructure Fund** returned 6.1% in the first six months of 2024. Infrastructure presents a compelling long-term investment opportunity due to its defensive characteristics, while offering high dividend yields and inflation protection. Several key themes are driving growth in the sector, including accelerating data center demand, energy security, and the upgrading of existing infrastructure. The current macro environment is supportive of global infrastructure spending due to a constructive earnings outlook, improving CapEx cycle, increased fiscal focus on infrastructure, and a falling interest rate environment. Historically, infrastructure assets have performed well in periods of “Above Trend and Falling” rate environments. The Bank of Canada’s recent 25 bp rate cut marks the start of an easing monetary policy, which will be a significant tailwind for the sector.

**Middlefield ActivEnergy Dividend Class (previously Middlefield Global Energy Transition Class)** seeks to maximize long-term total return through investment in dividend-paying securities of companies in the energy production, services, and infrastructure industries. The Fund return generated a total return of 13.4% in the first six months of 2024. Oil hit a 4-month low after the June 2 OPEC meeting where the cartel agreed to gradually phase out voluntary cuts of 2.2 million bpd over the course of 12 months. What was perhaps overlooked in the announcement is that OPEC’s decision to return barrels to the market is closely tied to supply/demand conditions.

The latest round of monthly reports from the IEA, OPEC and EIA support firm global oil demand. With summer travel season kicking into high-gear and supply still being managed by OPEC+, oil prices rose 6.3% in June and finished above US\$80/bbl. In Canada, the Trans Mountain expansion continues to ramp up smoothly. In mid-June, the company stated that the pipeline was operating at 80% of capacity, or in line with contracted volumes.

**Middlefield Healthcare Dividend Fund** generated a total return of 12.9% in H1 2024, exceeding its benchmark. Healthcare had a strong first half of 2024 with the MSCI World Healthcare Index returning 8.2%. Like the broader market, the sector’s performance was driven by a concentrated group of companies, many of which contributed to the outperformance of our healthcare funds in H1. On the topic of R&D, we are witnessing a sea change in how companies are approaching early-stage clinical research. AI has the potential to revolutionize R&D efforts by improving drug discovery timeline and accuracy. Machine learning algorithms can predict how potential drug candidates will interact with targets in the body before they are tested in the clinic. These capabilities will allow researchers to pursue only the most promising drug candidates in the clinic and avoid much of the trial-and-error that goes into research today.

### Outlook

Although the Federal Reserve has maintained its hawkish stance in recent press conferences, the normalization of economic data we are witnessing supports an easing cycle in the U.S. as well. As of early July, Fed Funds Futures are implying an 80% chance that the Fed will cut rates at its September meeting. With the Fed now having less to worry about on both sides of its dual mandate, we agree that a rate cut in September would be an appropriate course of action. Given the impressive run the market has been on so far this year, we would not be surprised to see a short-term pullback in major indices during the second half of Q3. Given our positive outlook on the macro landscape, and the projected earnings growth over the next two years, we view any near-term market pullback as a healthy correction within a broader secular bull market and would be buyers of high-quality stocks on weakness.



**Dean Orrico**  
President and CEO  
Middlefield Capital Corporation



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

# INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

FOR THE SIX MONTHS ENDED JUNE 30, 2024

This interim management report of fund performance contains financial highlights but does not contain the annual financial statements of the investment fund. This report should be read in conjunction with the complete interim financial report of the investment fund that follows this report. The interim financial report has not been reviewed by the investment fund's external auditors.

Securityholders 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](http://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

Middlefield Healthcare Dividend Fund is a mutual fund trust. The Fund is authorized to issue series of units designated as Series A and F. The investment objectives of the Fund are to provide holders of units with: (i) stable cash distributions; and (ii) long-term total return through distributions and capital appreciation of the Fund's investment portfolio. The Fund's investment strategy focuses on investing in dividend paying securities of global issuers that derive a significant portion of their revenue or earnings from products or services related to healthcare.

### Results of Operations

#### Investment Performance

The net assets of the Fund increased from \$92.8 million at December 31, 2023 to \$102.5 million at June 30, 2024. Net assets on a per unit basis for Series A increased from \$15.29 at December 31, 2023 to \$16.92 at June 30, 2024. Net assets on a per unit basis for Series F increased from \$16.68 at December 31, 2023 to \$18.58 at June 30, 2024. The Fund recorded a \$11.5 million net gain on its investment portfolio during the six-month period ended June 30, 2024.

#### Revenue and Expenses

Revenue for the six months ended June 30, 2024, amounted to \$12.7 million, up from revenue of \$0.4 million in 2023. The increase was primarily due to the net gain on the Fund's investments. Operating expenses for the period ended June 30, 2024 amounted to \$1.1 million, up from \$1.0 million in 2023. The management expense ratio ("MER") in 2024 was 2.50% for Series A and 1.40% for Series F. Distributions for the period ended June 30, 2024 amounted to \$0.24 per unit for both Series A and Series F.

### Trends

Healthcare had a strong first half of 2024 with the MSCI World Healthcare Index returning 8.2%. We are witnessing a sea change in how companies are approaching early-stage clinical research. AI has the potential to revolutionize R&D efforts by improving drug discovery timeline and accuracy. Machine learning algorithms can predict how potential drug candidates will interact with targets in the body before they are tested in the clinic. These capabilities will allow researchers to pursue only the most promising drug candidates in the clinic and avoid much of the trial-and-error that goes into research today.

### 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. For further details please see the notes to the financial statements.

### Management Fees

Management fees are calculated at 2.0% per annum for the Series A units and 1.0% per annum for the Series F units, of the net asset value of each Series and are split between the Manager, the Advisor and investment dealers who receive trailing commissions. 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. During the period ended June 30, 2024, approximately 37.5% of total management fees were used to pay for trailing commissions.

### Financial Highlights

Net Assets Attributable to Holders of Redeemable Units 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 indicated periods. Ratios and Supplemental Data are derived from the Fund's Net Asset Value.

# INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

FOR THE SIX MONTHS ENDED JUNE 30, 2024

The Fund's Net Assets Per Unit <sup>(1)</sup> - Series A

	June 30 2024 <sup>(4)</sup>	December 31 2023	December 31 2022	December 31 2021	December 31 2020	December 31 2019
Net Assets Attributable to Holders of Redeemable Units, Beginning of Period	\$ 15.29	\$ 15.84	\$ 16.20	\$ 14.23	\$ 13.73	\$ 12.71
<b>INCREASE (DECREASE) FROM OPERATIONS:</b>						
Total Revenue	0.18	0.27	0.21	0.19	0.17	0.21
Total Expenses (excluding distributions)	(0.20)	(0.39)	(0.40)	(0.38)	(0.37)	(0.34)
Realized Gains (Losses) for the Period	0.16	0.56	0.74	0.70	1.43	0.33
Unrealized Gains (Losses) for the Period	1.74	(0.51)	(0.42)	1.93	(0.26)	1.25
Transaction Costs on Purchase and Sale of Investments	(0.01)	(0.01)	(0.01)	-	(0.02)	(0.01)
<b>TOTAL INCREASE (DECREASE) FROM OPERATIONS <sup>(2)</sup></b>	<b>1.87</b>	<b>(0.07)</b>	<b>0.12</b>	<b>2.45</b>	<b>0.98</b>	<b>1.46</b>
<b>DISTRIBUTIONS:</b>						
From Capital Gains	0.16	0.48	0.48	0.48	0.48	0.33
Return of Capital	0.08	-	-	-	-	0.11
<b>TOTAL DISTRIBUTIONS <sup>(3)</sup></b>	<b>0.24</b>	<b>0.48</b>	<b>0.48</b>	<b>0.48</b>	<b>0.48</b>	<b>0.44</b>
Net Assets Attributable to Holders of Redeemable Units, End of Period	\$ 16.92	\$ 15.29	\$ 15.84	\$ 16.20	\$ 14.23	\$ 13.73

The Fund's Net Assets Per Unit <sup>(1)</sup> - Series F

	June 30 2024 <sup>(4)</sup>	December 31 2023	December 31 2022	December 31 2021	December 31 2020	December 31 2019
Net Assets Attributable to Holders of Redeemable Units, Beginning of Period	\$ 16.68	\$ 17.05	\$ 17.21	\$ 14.92	\$ 14.22	\$ 13.00
<b>INCREASE (DECREASE) FROM OPERATIONS:</b>						
Total Revenue	0.21	0.30	0.23	0.20	0.18	0.21
Total Expenses (excluding distributions)	(0.13)	(0.24)	(0.25)	(0.23)	(0.22)	(0.20)
Realized Gains (Losses) for the Period	0.17	0.61	0.78	0.75	1.48	0.35
Unrealized Gains (Losses) for the Period	1.89	(0.54)	(0.43)	2.06	(0.33)	1.31
Transaction Costs on Purchase and Sale of Investments	-	(0.01)	-	-	(0.01)	-
<b>TOTAL INCREASE (DECREASE) FROM OPERATIONS <sup>(2)</sup></b>	<b>2.14</b>	<b>0.11</b>	<b>0.32</b>	<b>2.77</b>	<b>1.18</b>	<b>1.66</b>
<b>DISTRIBUTIONS:</b>						
From Net Investment Income	0.07	0.05	-	-	-	0.02
From Capital Gains	0.17	0.43	0.48	0.48	0.48	0.42
<b>TOTAL DISTRIBUTIONS <sup>(3)</sup></b>	<b>0.24</b>	<b>0.48</b>	<b>0.48</b>	<b>0.48</b>	<b>0.48</b>	<b>0.44</b>
Net Assets Attributable to Holders of Redeemable Units, End of Period	\$ 18.58	\$ 16.68	\$ 17.05	\$ 17.21	\$ 14.92	\$ 14.22

(1) This information is derived from the Fund's audited annual financial statements and unaudited interim financial report.

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

(3) Distributions were paid in cash/reinvested in additional units of the Fund, or both.

(4) For the six-month period ended June 30, 2024.

# INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

FOR THE SIX MONTHS ENDED JUNE 30, 2024

Ratios and Supplemental Data – Series A	June 30 2024 <sup>(4)</sup>	December 31 2023	December 31 2022	December 31 2021	December 31 2020	December 31 2019
Total Net Asset Value (000s)	\$ 60,842	\$ 56,868	\$ 58,766	\$ 61,559	\$ 55,638	\$ 56,998
Number of Units Outstanding	3,595,948	3,718,846	3,709,165	3,798,979	3,909,401	4,151,660
Management Expense Ratio (“MER”) <sup>(1)</sup>	2.50%	2.54%	2.66%	2.56%	2.62%	2.62%
Trading Expense Ratio <sup>(2)</sup>	0.08%	0.07%	0.04%	0.01%	0.10%	0.04%
Portfolio Turnover Rate <sup>(3)</sup>	17.64%	30.65%	22.19%	13.11%	42.96%	26.72%
Net Asset Value per Unit	\$ 16.92	\$ 15.29	\$ 15.84	\$ 16.20	\$ 14.23	\$ 13.73

Ratios and Supplemental Data – Series A	June 30 2024 <sup>(4)</sup>	December 31 2023	December 31 2022	December 31 2021	December 31 2020	December 31 2019
Total Net Asset Value (000s)	\$ 41,643	\$ 35,911	\$ 35,741	\$ 32,814	\$ 27,086	\$ 24,672
Number of Units Outstanding	2,241,090	2,152,805	2,095,990	1,906,887	1,815,020	1,735,216
Management Expense Ratio (“MER”) <sup>(1)</sup>	1.40%	1.42%	1.52%	1.46%	1.52%	1.50%
Trading Expense Ratio <sup>(2)</sup>	0.08%	0.07%	0.04%	0.01%	0.10%	0.04%
Portfolio Turnover Rate <sup>(3)</sup>	17.64%	30.65%	22.19%	13.11%	42.96%	26.72%
Net Asset Value per Unit	\$ 18.58	\$ 16.68	\$ 17.05	\$ 17.21	\$ 14.92	\$ 14.22

<sup>(1)</sup> The MER is based on total expenses (excluding distributions, commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average Net Asset Value during the period.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> As at June 30, 2024 or for the six-month period ended June 30, 2024, as applicable.

# INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

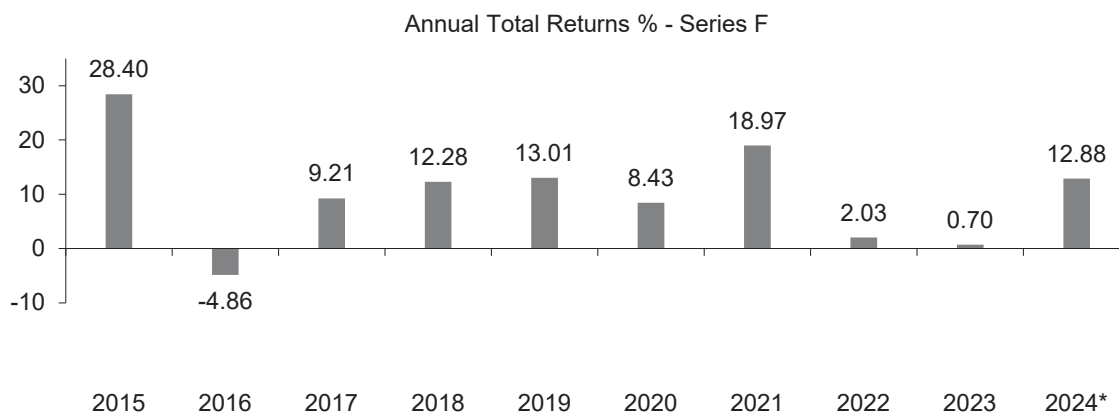
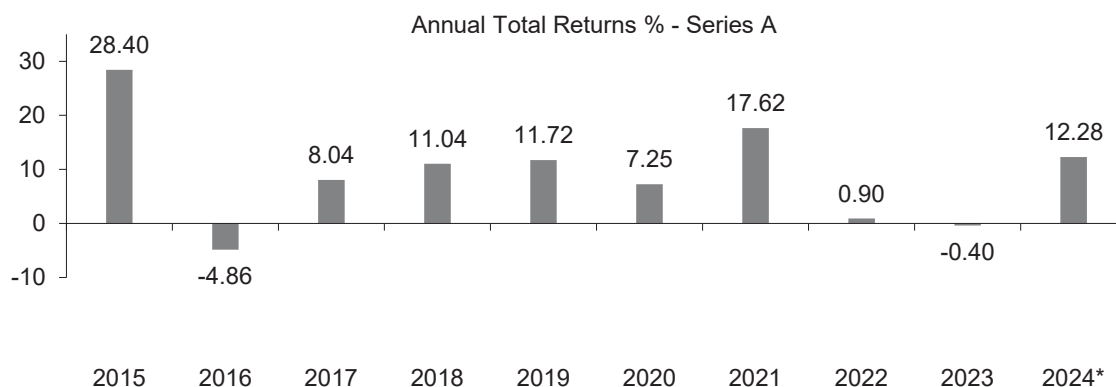
FOR THE SIX MONTHS ENDED JUNE 30, 2024

## Past Performance

The performance information shown, which is based on Net Asset Value, assumes that all distributions paid by the Fund in the years shown were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

## Year-By-Year Returns

The bar charts show how the Fund's performance has varied from year to year for each of the years shown. The return for 2014 is not presented since it relates to a partial period. The charts indicate, in percentage terms, how much an investment made the first day of each financial period would have grown or decreased by the last day of the financial period.



\*For the six-month period ended June 30, 2024.

# INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

FOR THE SIX MONTHS ENDED JUNE 30, 2024

## Summary of Investment Portfolio

AS AT JUNE 30, 2024

Top Twenty-Five Holdings

DESCRIPTION		% OF NET ASSET VALUE
1	Eli Lilly & Co.	7.9
2	AstraZeneca PLC	5.6
3	Merck & Co., Inc.	5.3
4	UnitedHealth Group Inc.	5.1
5	AbbVie Inc.	5.0
6	Chartwell Retirement Residences	4.5
7	Boston Scientific Corp.	4.4
8	Johnson & Johnson	3.9
9	Thermo Fisher Scientific Inc.	3.9
10	Stryker Corp.	3.9
11	Novo Nordisk A/S	3.9
12	McKesson Corp.	3.1
13	Intuitive Surgical Inc.	3.0
14	Elevance Health Inc.	2.9
15	Sanofi SA	2.7
16	Vertex Pharmaceuticals Inc.	2.5
17	Amgen Inc.	2.5
18	Danaher Corp.	2.5
19	Gilead Sciences Inc.	2.4
20	Abbott Laboratories	2.4
21	DexCom Inc.	2.3
22	Novartis AG	2.0
23	Medtronic PLC	2.0
24	GSK PLC	1.8
25	Becton Dickinson & Co.	1.7

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

ASSET CLASS	% OF NET ASSET VALUE
Healthcare	90.6
Real Estate	7.7
Cash and Short-Term Investments	1.5
Other Assets (Liabilities)	0.2
	100.0

TOTAL NET ASSET VALUE \$ 102,485,281

The Summary of Investment Portfolio may change over time due to ongoing portfolio transactions. Please visit [www.middlefield.com](http://www.middlefield.com) for the most recent quarter-end Summary of Investment Portfolio.



## INTERIM FINANCIAL REPORT

### NOTICE

The accompanying unaudited financial statements of Middlefield Healthcare Dividend Fund for the period ended June 30, 2024 have been prepared by management and have not been reviewed by the external auditors of the Fund.



Jeremy Brasseur  
Director  
Middlefield Limited



Craig Rogers  
Director  
Middlefield Limited

August 23, 2024

# INTERIM FINANCIAL REPORT

## UNAUDITED

### Statements of Financial Position

AS AT (In Canadian Dollars)	June 30, 2024	December 31, 2023
<b>ASSETS</b>		
<b>Current Assets</b>		
Investments at Fair Value Through Profit or Loss	\$ 100,793,284	\$ 91,267,730
Cash	1,532,018	1,515,232
Subscriptions Receivable	512,072	19,619
Income and Interest Receivable	112,904	152,421
Prepaid Expenses	33,665	17,050
<b>Total Assets</b>	<b>102,983,943</b>	<b>92,972,052</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Redemptions Payable	386,819	42,991
Accounts Payable and Accrued Liabilities	56,464	75,892
Management Fee Payable (Note 7)	55,379	74,961
<b>Total Liabilities (Excluding Net Assets Attributable to Holders of Redeemable Units)</b>	<b>498,662</b>	<b>193,844</b>
<b>Net Assets Attributable to Holders of Redeemable Units</b>	<b>\$ 102,485,281</b>	<b>\$ 92,778,208</b>
<b>Net Assets Attributable to Holders of Redeemable Units – Series A</b>	<b>\$ 60,842,281</b>	<b>\$ 56,867,675</b>
<b>Net Assets Attributable to Holders of Redeemable Units – Series F</b>	<b>\$ 41,643,000</b>	<b>\$ 35,910,533</b>
<b>Mutual Fund Units Issued and Outstanding – Series A (Note 6)</b>	<b>3,595,948</b>	<b>3,718,846</b>
<b>Mutual Fund Units Issued and Outstanding – Series F (Note 6)</b>	<b>2,241,090</b>	<b>2,152,805</b>
<b>Net Assets Attributable to Holders of Redeemable Units per Unit – Series A</b>	<b>\$ 16.92</b>	<b>\$ 15.29</b>
<b>Net Assets Attributable to Holders of Redeemable Units per Unit – Series F</b>	<b>\$ 18.58</b>	<b>\$ 16.68</b>

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

Approved by the Board of Directors of Middlefield Limited, as Manager:



Director: Jeremy Brasseur



Director: Craig Rogers

# INTERIM FINANCIAL REPORT

UNAUDITED

## Statements of Comprehensive Income

FOR THE SIX MONTHS ENDED JUNE 30

(In Canadian Dollars)

	2024	2023
<b>REVENUE (LOSS)</b>		
Income from Investments	\$ 1,215,809	\$ 949,973
Interest Income for Distribution Purposes	29,701	70,171
Foreign Exchange Gain (Loss) on Cash	6,708	(14,830)
<b>Other Changes in Fair Value of Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss</b>		
Net Realized Gain (Loss) from Investment Transactions excluding Derivatives	1,602,781	2,698,843
Net Realized Gain (Loss) from Derivatives Transactions	(646,755)	586,142
Change in Net Unrealized Gain (Loss) on Investments	10,512,264	(3,787,614)
Change in Net Unrealized Gain (Loss) on Derivatives	-	(79,280)
Change in Net Unrealized Gain (Loss) on Foreign Currency Transactions	6,219	6,210
<b>Total Revenue (Loss)</b>	<b>12,726,727</b>	<b>429,615</b>
<b>OPERATING EXPENSES (Note 7)</b>		
Advisory Fee	-	17,647
Audit Fees	12,250	15,500
Custodial Fees	5,342	5,056
Fund Administration Costs	80,477	73,569
Independent Review Committee Fees and Expenses	15,413	8,033
Legal Fees	7,479	9,035
Management Fee (Note 7)	874,549	847,833
Transaction Costs (Note 7)	39,968	27,990
Unitholder Reporting Costs	29,041	30,959
<b>Total Operating Expenses</b>	<b>1,064,519</b>	<b>1,035,622</b>
Profit (Loss) before Tax	11,662,208	(606,007)
Withholding Taxes	141,202	131,571
<b>Profit (Loss) after Tax</b>	<b>\$ 11,521,006</b>	<b>\$ (737,578)</b>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units – Series A	\$ 6,911,183	\$ (601,730)
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units – Series F</b>	<b>\$ 4,609,823</b>	<b>\$ (135,848)</b>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit – Series A (Note 6)	\$ 1.87	\$ (0.16)
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit – Series F (Note 6)</b>	<b>\$ 2.14</b>	<b>\$ (0.06)</b>

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

# INTERIM FINANCIAL REPORT

## UNAUDITED

### Statement of Changes in Net Assets Attributable to Holders of Redeemable Units

FOR THE SIX MONTHS ENDED JUNE 30, 2024

(In Canadian Dollars)

	Series A	Series F	Total
Net Assets Attributable to Holders of Redeemable Units at Beginning of Period	\$ 56,867,675	\$ 35,910,533	\$ 92,778,208
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	6,911,183	4,609,823	11,521,006
<b>DISTRIBUTIONS TO UNITHOLDERS:</b>			
From Net Investment Income	-	(161,794)	(161,794)
From Capital Gains	(593,738)	(357,205)	(950,943)
Return of Capital	(288,562)	-	(288,562)
	(882,300)	(518,999)	(1,401,299)
<b>REDEEMABLE UNIT TRANSACTIONS:</b>			
Proceeds from Issue of Units	1,876,710	4,044,740	5,921,450
Reinvested Distributions	750,861	344,892	1,095,753
Payment on Redemption of Units	(4,681,848)	(2,747,989)	(7,429,837)
	(2,054,277)	1,641,643	(412,634)
Net Assets Attributable to Holders of Redeemable Units at End of Period	\$ 60,842,281	\$ 41,643,000	\$ 102,485,281

### Statement of Changes in Net Assets Attributable to Holders of Redeemable Units

FOR THE SIX MONTHS ENDED JUNE 30, 2023

(In Canadian Dollars)

	Series A	Series F	Total
Net Assets Attributable to Holders of Redeemable Units at Beginning of Period	\$ 58,766,013	\$ 35,741,232	\$ 94,507,245
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	(601,730)	(135,848)	(737,578)
<b>DISTRIBUTIONS TO UNITHOLDERS:</b>			
From Net Investment Income	-	(79,961)	(79,961)
From Capital Gains	(901,212)	(434,518)	(1,335,730)
	(901,212)	(514,479)	(1,415,691)
<b>REDEEMABLE UNIT TRANSACTIONS:</b>			
Proceeds from Issue of Units	4,244,177	2,249,409	6,493,586
Reinvested Distributions	786,107	347,607	1,133,714
Payment on Redemption of Units	(3,695,969)	(1,505,185)	(5,201,154)
	1,334,315	1,091,831	2,426,146
Net Assets Attributable to Holders of Redeemable Units at End of Period	\$ 58,597,386	\$ 36,182,736	\$ 94,780,122

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

# INTERIM FINANCIAL REPORT

UNAUDITED

## Statements of Cash Flows

FOR THE SIX MONTHS ENDED JUNE 30

(In Canadian Dollars)

	2024	2023
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	\$ 11,521,006	\$ (737,578)
Adjustments:		
Proceeds from Sale of Investments	47,970,035	41,967,959
Purchases of Investments	(46,027,300)	(47,765,157)
Foreign Exchange (Gain) Loss on Cash	(12,927)	8,620
Net Realized (Gain) Loss from Investment Transactions	(956,026)	(3,284,985)
Change in Net Unrealized (Gain) Loss on Investments	(10,512,264)	3,787,614
Change in Net Unrealized (Gain) Loss on Derivatives	-	79,280
	<b>1,982,524</b>	<b>(5,944,247)</b>
Net Change in Non-Cash Working Capital	<b>(16,108)</b>	<b>(63,952)</b>
Net Cash from (used in) Operating Activities	<b>1,966,416</b>	<b>(6,008,199)</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
Proceeds from Issue of Units	5,428,997	6,492,967
Payment on Redemption of Units	(7,086,009)	(5,153,474)
Distributions Paid	(305,545)	(281,977)
Net Cash from (used in) Financing Activities	<b>(1,962,557)</b>	<b>1,057,516</b>
Net Increase (Decrease) in Cash	<b>3,859</b>	<b>(4,950,683)</b>
Foreign Exchange Gain (Loss) on Cash	<b>12,927</b>	<b>(8,620)</b>
Cash at Beginning of Period	<b>1,515,232</b>	<b>6,950,623</b>
Cash at End of Period	<b>\$ 1,532,018</b>	<b>\$ 1,991,320</b>

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

# INTERIM FINANCIAL REPORT

## UNAUDITED

### Schedule of Investment Portfolio

AS AT JUNE 30, 2024  
(In Canadian Dollars)

Description	No. of Securities	Average Cost	Fair Value
Abbott Laboratories	17,000	\$ 2,077,928	\$ 2,417,140
AbbVie Inc.	22,000	3,350,384	5,163,367
Amgen Inc.	6,000	1,492,937	2,565,236
AstraZeneca PLC	27,000	3,422,527	5,770,536
Becton Dickinson & Co.	5,500	1,819,383	1,758,877
Boston Scientific Corp.	43,000	2,454,660	4,531,178
Danaher Corp.	7,500	1,295,111	2,564,107
DexCom Inc.	15,000	1,652,433	2,327,144
DRI Healthcare Trust	110,000	1,393,210	1,732,500
Elevance Health Inc.	4,000	2,834,202	2,965,805
Eli Lilly & Co.	6,600	1,759,057	8,176,554
Exact Sciences Corp.	16,000	999,571	925,001
Gilead Sciences Inc.	26,000	2,318,057	2,440,935
GSK PLC	69,000	1,757,167	1,825,463
Intuitive Surgical Inc.	5,000	993,565	3,043,541
Johnson & Johnson	20,212	3,256,906	4,042,345
Legend Biotech Corp.	7,000	410,097	424,228
McKesson Corp.	4,000	903,221	3,196,672
Medtronic PLC	19,000	2,138,680	2,046,346
Merck & Co., Inc.	32,000	2,790,041	5,420,834
Natera Inc.	7,500	834,538	1,111,335
Novartis AG	14,000	1,869,207	2,050,190
Novo Nordisk A/S	20,000	2,208,623	3,955,069
Pfizer Inc.	28,000	1,056,212	1,072,016
Regeneron Pharmaceuticals Inc.	1,000	1,316,810	1,438,171
Sanofi SA	21,000	2,314,401	2,769,901
Stryker Corp.	8,500	2,268,320	3,957,424
Thermo Fisher Scientific Inc.	5,300	1,479,196	4,010,482
UnitedHealth Group Inc.	7,500	2,162,864	5,226,324
Vertex Pharmaceuticals Inc.	4,000	673,084	2,565,482
Zoetis Inc.	6,000	822,051	1,423,297
<b>HEALTH CARE: 90.8%</b>		<b>56,124,443</b>	<b>92,917,500</b>
Chartwell Retirement Residences	360,000	3,237,459	4,626,000
Sienna Senior Living Inc.	105,000	1,450,365	1,496,250
Ventas Inc.	25,000	1,534,859	1,753,534
<b>REAL ESTATE: 7.7%</b>		<b>6,222,683</b>	<b>7,875,784</b>
TRANSACTION COSTS (NOTE 8)		(85,554)	-
<b>TOTAL INVESTMENTS: 98.5%</b>		<b>62,261,572</b>	<b>100,793,284</b>
CASH: 1.5%		1,532,018	1,532,018
Total Investment Portfolio, including Cash		\$ 63,793,590	\$ 102,325,302

# NOTES TO FINANCIAL STATEMENTS

June 30, 2024 | UNAUDITED

## 1. Middlefield Healthcare Dividend Fund

Middlefield Healthcare Dividend Fund (the “Fund”) is an unincorporated open-ended investment trust established by Middlefield Limited, a corporation existing under the laws of the Province of Alberta, pursuant to a supplemental declaration of trust dated December 22, 2016. From September 24, 2014 until December 20, 2016, the Fund operated as a closed-end investment trust established under the laws of the Province of Alberta. The Fund was listed on the Toronto Stock Exchange and effectively commenced operations on October 23, 2014, when it first issued units through an initial public offering. As part of the process of converting to an open-ended unit trust, the Fund was delisted from the Toronto Stock Exchange on December 19, 2016. The Fund is authorized to issue series of units designated as Series A and Series F. Each series has a different management fee rate. Middlefield Limited, a company incorporated in Alberta, is both the manager and trustee of the Fund (the “Manager”) and Middlefield Capital Corporation (“MCC”), a company under common control with the Manager, is the advisor to the Fund (the “Advisor”). The address of the Fund’s registered office is The Well, 8 Spadina Ave., Suite 3100, Toronto, Ontario. These financial statements, expressed in Canadian Dollars, were authorized for issuance by the board of directors of the Manager on August 23, 2024.

## 2. Basis of Presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and in accordance with International Financial Reporting Standards 34 Interim Financial Reporting (“IAS 34”) as published by the International Accounting Standards Board (“IASB”) and as required by Canadian securities legislation and the Canadian Accounting Standards Board.

## 3. Summary of Material 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 expected 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. Due to the high quality and short-term nature 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

June 30, 2024 | UNAUDITED

## 3. Summary of Material 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 expenses, management fee 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. The Fund's Net Assets Attributable to Holders of Redeemable Units 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 unitholders.

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. Redeemable Units and Net Assets Attributable to Holders of Redeemable Units

The Fund has two series of redeemable units in issue: Series A and Series F. Both rank pari passu in all material respects and have the same terms and conditions other than the management fee rate, which is 2.0% for Series A and 1.0% for Series F.

Redeemable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's NAV attributable to the unit class. The redeemable units are classified as financial liabilities and are measured at the redemption amounts.

Redeemable units are issued and redeemed based on the Fund's NAV per unit, calculated by dividing the net assets of the Fund, calculated in accordance with the Fund's Simplified Prospectus, by the number of redeemable units in issue. The Fund's Simplified Prospectus requires that investment positions are valued on the basis of the last traded market price for the purpose of determining the trading NAV per unit for subscriptions and redemptions.

The financial assets and liabilities at fair value through profit or loss in the Statements of Financial Position are based on closing prices in accordance with IFRS.

Distributions are declared at the discretion of the Trustee, and are distributed by the Fund. The Trustee has changed its distribution policy of declaring distributions from quarterly to monthly beginning with a monthly distribution effective April 29, 2019. The Trustee intends to distribute any excess income and capital gains annually in December such that the Fund will not have any liability for taxes (other than those that are immediately refundable). Distribution payments may be adjusted without notice at any time as market conditions change. If the Fund does not earn enough income and capital gains to meet the distributions, it may return capital to make up the difference. Distributions to holders of redeemable units are recognized in the Statements of Changes in Net Assets Attributable to Holders of Redeemable Units.

Net assets are calculated for each series of units of the Fund. The net assets of a particular series of units are computed by calculating the value of the series' proportionate share of the assets and liabilities of the Fund common to all series. Management fees directly attributable to a series are charged to that series. Other expenses, investment income and realized and unrealized gains and losses on investments are allocated proportionately to each series based upon the relative net assets of each series.

### D. 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 is 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.

# NOTES TO FINANCIAL STATEMENTS

June 30, 2024 | UNAUDITED

## 3. Summary of Material Accounting Policies (continued)

### D. Fair Value Measurement (continued)

Futures contracts are marked to market each valuation day according to the gain or loss that would have been realized if the contracts had been closed out. Gains or losses arising from futures contracts are recorded as unrealized gain (loss) on futures contracts and shown as an asset (liability) on the Statements of Financial Position until the contracts are closed out or expire, at which time the gains (losses) are realized. 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 Statements of Comprehensive Income. 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 Statements of Comprehensive Income.

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.

### E. 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 an 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 Statements of Comprehensive Income represents the interest received on bank deposits 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 Statements of Comprehensive Income.

### F. Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit

Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per unit in the Statements of Comprehensive Income represents the increase (decrease) in Net Assets Attributable to Holders of Redeemable Units for each series divided by the average units outstanding for each series during the period.

### G. Income Taxes

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and accordingly, is subject to tax on its income, including net realized capital gains in the taxation year, which is not paid or payable to its unitholders as at the end of the taxation year. It is the intention of the Fund to distribute all of its net income and sufficient net realized capital gains so that the Fund will not be subject to income taxes other than foreign withholding taxes, if applicable. Accordingly, no provision for income taxes is required.

The Fund currently incurs 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 Statements of Comprehensive Income.

Distributions received from investments in 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.

### H. 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.

# NOTES TO FINANCIAL STATEMENTS

June 30, 2024 | UNAUDITED

## 3. Summary of Material Accounting Policies (continued)

### I. 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 investments and 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.

#### 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 4 for further information about the fair value measurement of the Fund's financial instruments.

## 4. 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 values of the Fund's financial instruments are 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 judgement or estimation.

The Fund's investments at fair value as at June 30, 2024 and December 31, 2023 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, prepaid expenses, subscriptions receivable, redemptions payable, accounts payable and accrued liabilities, management fee payable and the Fund's obligation for Net Assets Attributable to Holders of Redeemable Units approximate their fair values due to their short-term nature.

Fair values 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.

The Fund's policy is to recognize transfers in and out of the fair value hierarchy levels as at the end of the reporting period for transfers between Levels 1 and 2 and as at the date of the transfer for transfers in and out of Level 3. No transfers between levels have occurred during the period ended June 30, 2024 or the year ended December 31, 2023.

# NOTES TO FINANCIAL STATEMENTS

June 30, 2024 | UNAUDITED

## 5. Financial Risk Management

In the normal course of business the Fund is exposed to a variety of financial risks: price 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, unitholder 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.

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:

	June 30, 2024	December 31, 2023
Investments at FVTPL	\$ 100,793,284	\$ 91,267,730

Based on the above exposure at June 30, 2024, a 10% increase or decrease in the prices of the Fund's investments would result in a \$10,079,328 (December 31, 2023 - \$9,126,773) increase or decrease in net assets of the Fund, with all other factors held constant.

### B. 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 daily cash redemptions of its units. The units of the Fund are issued and redeemed on demand at the NAV per unit. All other obligations of the Fund are due within one year. Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and can be readily sold. 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 a 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 involves detailed analysis of such private 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. The Fund did not hold any illiquid securities as at June 30, 2024 or December 31, 2023.

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 June 30, 2024

Financial Liabilities	Less than 1 Month	1 to 3 Months	3 Months to 1 Year	Total
Redemptions Payable	\$ 386,819	\$ -	\$ -	\$ 386,819
Accounts Payable and Accrued Liabilities	56,464			56,464
Management Fee Payable	55,379	-	-	55,379
Net Assets Attributable to Holders of Redeemable Units	102,485,281	-	-	102,485,281
<b>Total</b>	<b>\$ 102,983,943</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 102,983,943</b>

# NOTES TO FINANCIAL STATEMENTS

June 30, 2024 | UNAUDITED

## 5. Financial Risk Management (continued)

### B. Liquidity Risk (continued)

As at December 31, 2023

Financial Liabilities	Less than 1 Month	1 to 3 Months	3 Months to 1 Year	Total
Management Fee Payable	\$ 74,961	\$ -	\$ -	\$ 74,961
Accounts Payable and Accrued Liabilities	75,892	-	-	75,892
Redemptions Payable	42,991	-	-	42,991
Net Assets Attributable to Holders of Redeemable Units	92,778,208	-	-	92,778,208
<b>Total</b>	<b>\$ 92,972,052</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 92,972,052</b>

### C. 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 various foreign currencies. The Fund has not hedged its exposure to currency fluctuations; however, it closely monitors relevant foreign exchange currency movements. The Fund is exposed to foreign exchange rate risk through the following financial instruments:

As at June 30, 2024

Currency	Investments at FVTPL	Cash	Income and Interest Receivable	Total Exposure
U.S. Dollar	\$ 76,567,376	\$ 1,049,586	\$ 71,565	\$ 77,688,527
U.K. Pound Sterling	7,595,999	-	14,789	7,610,788
Danish Krone	3,955,069	-	-	3,955,069
European Euro	2,769,901	-	-	2,769,901
Swiss Franc	2,050,190	-	-	2,050,190
<b>Total</b>	<b>\$ 92,938,535</b>	<b>\$ 1,049,586</b>	<b>\$ 86,354</b>	<b>\$ 94,074,475</b>

As at December 31, 2023

Currency	Investments at FVTPL	Cash	Income and Interest Receivable	Total Exposure
U.S. Dollar	\$ 68,629,101	\$ 241,199	\$ 101,852	\$ 68,972,152
U.K. Pound Sterling	6,662,950	-	9,884	6,672,834
European Euro	2,745,634	-	-	2,745,634
Danish Krone	2,728,120	-	-	2,728,120
Swiss Franc	3,393,724	-	-	3,393,724
<b>Total</b>	<b>\$ 84,159,529</b>	<b>\$ 241,199</b>	<b>\$ 111,736</b>	<b>\$ 84,512,464</b>

Based on the above exposure at June 30, 2024, a 10% increase or decrease in the Canadian dollar against the respective foreign currencies would result in a \$9,407,448 (2023 – \$8,451,246) decrease or increase in net assets of the Fund, with all other factors held constant.

# NOTES TO FINANCIAL STATEMENTS

June 30, 2024 | UNAUDITED

## 5. Financial Risk Management (continued)

### D. 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 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.

### E. 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 June 30, 2024 and December 31, 2023, the percentages of the Fund's net assets invested in each investment sector were as follows:

Sector	As a % of Net Assets	
	June 30, 2024	December 31, 2023
Healthcare	90.6	89.8
Real Estate	7.7	8.6
Total	98.3	98.4

## 6. Unitholders' Equity

The capital of the Fund is divided into Series A and Series F with each series having an unlimited number of securities. Changes in issued mutual fund units of the Fund are summarized as follows:

	Number of Units – Series A	
	June 30, 2024	December 31, 2023
Units Outstanding at Beginning of Period	3,718,846	3,709,165
Units Issued	113,296	377,535
Reinvested Distributions	45,583	101,914
Total	158,879	479,449
Units Redeemed	(281,777)	(469,768)
Net Increase (Decrease)	(122,898)	9,681
Units Outstanding at End of Period	3,595,948	3,718,846

	Number of Units – Series F	
	June 30, 2024	December 31, 2023
Units Outstanding at Beginning of Period	2,152,805	2,095,990
Units Issued	221,904	239,510
Reinvested Distributions	19,114	41,329
Total	241,018	280,839
Units Redeemed	(152,733)	(224,024)
Net Increase (Decrease)	88,285	56,815
Units Outstanding at End of Period	2,241,090	2,152,805

The average number of Series A and Series F units outstanding during the period ended June 30, 2024 were 3,688,941 and 2,158,461 (June 30, 2023 – 3,755,292 and 2,140,173), respectively. These numbers were used to calculate the respective Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per unit.

# NOTES TO FINANCIAL STATEMENTS

June 30, 2024 | UNAUDITED

## 7. Related Party Transactions

### A. Management Fee

The Manager provides investment and administrative services to the Fund. In consideration for such services the Manager receives a monthly fee in arrears based on each series of units as a percentage of the average daily NAV of the series. The management fee for Series A is 2.0% per annum and for Series F is 1.0% per annum. For the period ended June 30, 2024, management fees before the absorption of expenses amounted to \$0.8 million (June 30, 2023 - \$0.8 million).

### B. Transaction Costs

Brokerage commissions and other transaction costs paid in connection with securities transactions during the period ended June 30, 2024 amounted to \$39,968 (June 30, 2023 – \$27,990). Included in this amount is \$1,981 (June 30, 2023 – \$5,361) 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 Statements of Comprehensive Income.

### C. Other expenses

The Fund is responsible for the payment of all expenses relating to the operation of the Fund and the carrying on of its business, including among other things, audit, legal fees and expenses, custodian and transfer agency fees and costs relating to securityholder reporting. Certain services in the normal course of business may be provided by the Manager or an affiliate of the Manager in accordance with National Instrument 81-107 *Independent Review Committee for Investment Funds*. Examples of these services include accounting review and administrative services, the preparation and filing of tax returns, the preparation and filing of financial statements and related reports and maintaining and updating the Fund's website. In aggregate, these fees amounted approximately \$37,713 (June 30, 2023 - \$16,700) throughout the period. Included in this amount is \$16,487 payable as at June 30, 2024 (December 31, 2023 - \$13,008). In addition, the Fund would be responsible for reimbursing the Manager for any reasonable out of pocket expenses incurred on the Fund's behalf. Common expenses incurred by the Fund are allocated among the series on a pro-rata basis among all units of all series.

## 8. Capital Management

The Fund's capital is its Net Assets Attributable to Holders of Redeemable Units representing unitholders' equity. 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 unitholders, maximize unitholder value and maintain financial strength.

The Fund is not subject to any externally imposed capital requirements. The Fund's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2023.

## 9. Loss Carryforwards

At December 31, 2023 the Fund had no non-capital losses (December 31, 2022 - \$nil) and no capital losses (December 31, 2022 - \$nil) available for carryforward tax purposes.

## 10. Distributions to Unitholders

The Fund pays distributions to unitholders in accordance with its investment objectives. Distributions of the Fund, unless otherwise specified by the unitholder, are automatically reinvested in additional units of the Fund at the NAV without sales charge. Distributions per Series A unit and Series F unit of \$0.24 (June 30, 2023 - \$0.24) were paid to unitholders of the Fund during the period ended June 30, 2024.

Distributions to Unitholders – Series A	June 30, 2024	June 30, 2023
From Capital Gains		
Total	\$ 593,738	\$ 901,212
Per Unit	0.16	0.24
Return of Capital		
Total	288,562	-
Per Unit	0.08	-

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024 | UNAUDITED

### 10. Distributions to Unitholders (continued)

Distributions to Unitholders – Series F	June 30, 2024	June 30, 2023
From Net Investment Income		
Total	\$ 161,794	\$ 79,961
Per Unit	0.07	0.04
From Capital Gains		
Total	357,205	434,518
Per Unit	0.17	0.20

**Dean Orrico**

President and Chief Executive Officer

**Jeremy T. Brasseur**

Executive Chairman

**Robert F. Lauzon, CFA**

Chief Investment Officer

**Independent Review  
Committee****H. Roger Garland, CPA, CA**Former Vice-Chairman  
Four Seasons Hotels Inc.**Christine Helsdon Tekker,  
MBA, LLM, ICD.D**Senior Vice President, Lending  
Infrastructure Ontario**Edward V. Jackson  
(Chairman)**Former Managing Director  
RBC Capital Markets**Advisors**Middlefield Capital Corporation  
SSR Health LLC  
Paul Sagawa LLC**Middlefield Group****Stephen Erlichman**Chair, ESG  
(Environmental, Social, Governance)**Craig Rogers, CPA, CGA, CFA**

Chief Operating Officer

**Wendy Teo, CPA, CA, CPA (IL)**

Chief Financial Officer &amp; Vice President

**Mark Aboud**

Chief Experience Officer

**Dennis da Silva**

Senior Portfolio Manager

**Nancy Tham**

Managing Director, Sales

**Shane Obata**

Portfolio Manager

**Robert Moffat**

Portfolio Manager

**Anthony Tavella, MBA, MFin**

Executive Director, International and Marketing

**Stacy J. Crestohl**

Director, Operations

**Rose Espinoza**

Director, International

**Catherine Rebuldela, CPA, CGA**

Director, Operations

**Victor Xu, CFA**

Director, Corporate Development

**Shiranee Gomez**

Senior Vice-President

**Victor Ngai**

Senior Vice-President

**Nicole S. Brasseur**

President, Human Resources

**Sarah Roberts, CPA, CMA**

Vice-President

**Jimmy Xu**

Vice-President, Information Technology

**Rachel Zhang**

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**Sylvia Casillano, CPA, CGA**

Assistant Vice-President

**Maggie Vanadero – Chu**

Assistant Fund Admin

**Morgan Byrne**

Director, Sales

**Scott Hu**

Associate, Information Technology

**AJ Mamatalieva**

Business Development Manager, Sales

**Mazhar Ahsan Abdulwahab**

Investment Analyst

**Celynn Kuros**

Business Development Associate, Sales

**Curtis Blakely**

Business Development Associate

**Juanita Lam**

Brand Designer

**Joshua Wiggins**

Brand Strategist

**Auditor**Deloitte LLP, Chartered Professional Accountants  
RSM Canada LLP**Legal Counsel**DLA Piper (Canada) LLP  
Fasken Martineau DuMoulin LLP  
McCarthy Tétrault**Bankers**Bank of Montreal  
Canadian Imperial Bank of Commerce  
Royal Bank of Canada  
The Bank of Nova Scotia  
The Toronto-Dominion Bank**Custodian**

RBC Investor Treasury Services

**Transfer Agents**RBC Investor Service Trust  
TSX Trust Company**Affiliates**Middlefield Group Limited  
Middlefield Capital Corporation  
Middlefield Financial Services Limited  
MFL Management Limited  
MF Properties Limited  
Middlefield International Limited  
Middlefield Limited  
Middlefield Realty Services Limited  
Middlefield Resource Corporation

# MIDDLEFIELD FUNDS FAMILY |

EXCHANGE - TRADED FUNDS (ETFs)	TSX Stock Symbol
• Middlefield Healthcare Dividend ETF	MHCD
• Middlefield Innovation Dividend ETF	MINN
• Middlefield Sustainable Global Dividend ETF	MDIV
• Middlefield Sustainable Infrastructure Dividend ETF	MINF
• Middlefield Real Estate Dividend ETF	MREL
• Middlefield U.S. Equity Dividend ETF	MUSA
<b>TSX-LISTED FUNDS</b>	
• E Split Corp.	ENS   ENS.PR.A
• Middlefield Global Real Asset Fund	RA.UN
• MINT Income Fund	MID.UN
• Real Estate Split Corp.	RS   RS.PR.A
• Sustainable Innovation & Health Dividend Fund	SIH.UN
• Infrastructure Dividend Split Corp. (commenced May 8, 2024)	IS   IS.PR.A
<b>MIDDLEFIELD MUTUAL FUNDS TRUST FUNDS</b>	
<b>Series A Units</b>	<b>Fund Code FE/LL/DSC</b>
• Middlefield Healthcare Dividend Fund	MID 325/327/330
• INDEXPLUS Income Fund	MID 435/437/440
• Middlefield Global Infrastructure Fund	MID 510/519/520
<b>Series F Units</b>	
• Middlefield Healthcare Dividend Fund	MID 326
• INDEXPLUS Income Fund	MID 436
• Middlefield Global Infrastructure Fund	MID 501
<b>MIDDLEFIELD MUTUAL FUNDS CORPORATE CLASS FUNDS</b>	
<b>Series A Shares</b>	<b>Fund Code FE/LL/DSC</b>
• 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 Real Estate Dividend Class	MID 600/649/650
• Middlefield ActivEnergy Dividend Class (formerly, Middlefield Global Energy Transition Class)	MID 265
• Middlefield Innovation Dividend Class	MID 925
• Middlefield High Interest Income Class	MID 400/424/425
• Middlefield Income Plus Class	MID 800/849/850
• Middlefield U.S. Equity Dividend Class	MID 710/719/720
<b>Series F Shares</b>	
• Middlefield Canadian Dividend Growers Class	MID 149
• Middlefield Global Agriculture Class	MID 162
• Middlefield Global Dividend Growers Class	MID 182
• Middlefield Real Estate Dividend Class	MID 601
• Middlefield ActivEnergy Dividend Class (formerly, Middlefield Global Energy Transition Class)	MID 266
• Middlefield Innovation Dividend Class	MID 926
• Middlefield Income Plus Class	MID 801
• Middlefield U.S. Equity Dividend Class	MID 701
<b>RESOURCE FUNDS</b>	
• Discovery 2023 Short Duration LP	
• MRF 2023 Resource Limited Partnership	
• MRF 2024 Resource Limited Partnership (commenced February 22, 2024)	
<b>INTERNATIONAL FUNDS</b>	
• Middlefield Canadian Income PCC	London UK Stock Exchange (LSE) Symbol:MCT



# MIDDLEFIELD

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