



AUDITED FINANCIAL STATEMENTS
BLUMONT CANADIAN FUND | BLUMONT NORTH AMERICAN FUND

DECEMBER 2008



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MANAGEMENT'S STATEMENT ON FINANCIAL REPORTING

BluMont Capital Corporation (the "Manager") is responsible for the accompanying financial statements and all information in this report. The financial statements have been approved by the Board of Directors of the Manager. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's judgment and best estimates.

Management has established systems of internal control that provide assurance that assets are safeguarded from loss or unauthorized use and produce reliable accounting records for the preparation of financial information. The systems of internal controls meet management's responsibilities for the integrity of the financial statements.

The Board of Directors of the Manager meets with management and the auditors to discuss the Funds' financial reporting and internal control. The Board of Directors reviews the results of the audits by the auditors and their audit report. The external auditors have unrestricted access to the Board of Directors.

The Manager recognizes its responsibility to conduct the Funds' affairs in the best interest of its unitholders.

Respectfully,

"Paul J. Perrow"

President and Chief Executive Officer
BluMont Capital Corporation
March 27, 2009

AUDITORS' REPORT

TO THE UNITHOLDERS OF BLUMONT CANADIAN FUND AND BLUMONT NORTH AMERICAN FUND
(COLLECTIVELY THE "FUNDS")

We have audited the statements of investments and other net assets of each of the Funds as at December 31, 2008, the statements of net assets as at December 31, 2008 and 2007 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Trustee and the Manager of the Funds. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of each of the Funds as at December 31, 2008 and 2007 and the results of each of their operations and the changes in each of their net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants
Toronto, Canada
March 27, 2009

STATEMENT OF NET ASSETS
As at December 31,

BLUMONT CANADIAN FUND

	2008	2007
ASSETS		
Long positions at fair value*		
Canadian equities	\$ 5,672,810	\$ 15,615,403
U.S. equities	671,868	822,451
Global equities	<u>129,070</u>	<u>-</u>
	6,473,748	16,437,854
Cash and short-term investments	6,744,743	4,056,043
Accrued investment income	24,621	13,275
Subscriptions receivable	<u>-</u>	<u>12,019</u>
Total Assets	<u>13,243,112</u>	<u>20,519,191</u>
LIABILITIES		
Short positions at fair value**		
Canadian equities	439,190	-
U.S. equities	<u>264,826</u>	<u>-</u>
	704,016	-
Accounts payable:		
Fees and operating expenses	31,019	101,075
Dividends payable	826	-
Redemptions payable	<u>205</u>	<u>1,558</u>
Total Liabilities	<u>736,066</u>	<u>102,633</u>
NET ASSETS REPRESENTING UNITHOLDERS' EQUITY	<u>\$ 12,507,046</u>	<u>\$ 20,416,558</u>
NUMBER OF UNITS OUTSTANDING (Note 4)	<u>809,284</u>	<u>873,091</u>
NET ASSET VALUE PER UNIT	<u>\$ 15.45</u>	<u>\$ 23.38</u>
*Long positions, at cost	<u>\$ 9,227,792</u>	<u>\$ 12,342,226</u>
**Proceeds on short positions	<u>\$ (752,067)</u>	<u>\$ -</u>

Approved by the Board of Directors of BluMont Capital Corporation

“Veronika Hirsch”

Veronika Hirsch
Director

“Stephen Johnson”

Stephen Johnson
Director

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

STATEMENT OF OPERATIONS

Year ended December 31,

BLUMONT CANADIAN FUND

	2008	2007
INVESTMENT INCOME		
Dividends	\$ 185,732	\$ 221,870
Less: Foreign withholding taxes	<u>2,369</u>	<u>1,327</u>
	183,363	220,543
Interest	<u>139,775</u>	<u>6,053</u>
	<u>323,138</u>	<u>226,596</u>
EXPENSES (Notes 6 and 7)		
Management fees	370,945	423,459
Dividends paid on investments sold short	7,862	-
Operating expenses	198,731	231,606
Audit fees	25,528	26,653
Legal fees	8,978	37,975
Custodian and Trustees' fees	5,516	12,426
Interest expense	<u>2,351</u>	<u>178</u>
	619,911	732,297
Less: Expenses absorbed by the Manager	<u>123,701</u>	<u>4,187</u>
	<u>496,210</u>	<u>728,110</u>
NET INVESTMENT LOSS	<u>(173,072)</u>	<u>(501,514)</u>
NET REALIZED GAIN ON INVESTMENT TRANSACTIONS	2,721	2,685,367
TRANSACTION COSTS (Note 2(III))	(58,313)	(49,468)
NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS	(6,801,621)	200,957
EXCHANGE GAIN ON FOREIGN CURRENCIES AND OTHER NET ASSETS	<u>226,775</u>	<u>1,122</u>
NET GAIN (LOSS) ON INVESTMENTS AND TRANSACTION COSTS	<u>(6,630,438)</u>	<u>2,837,978</u>
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	<u>\$ (6,803,510)</u>	<u>\$ 2,336,464</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT	<u>\$ (7.94)</u>	<u>\$ 2.77</u>

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

STATEMENT OF CHANGES IN NET ASSETS
Year ended December 31,

BLUMONT CANADIAN FUND

	2008	2007
Net Assets, Beginning of Period	\$ 20,416,558	\$ 20,449,479
Change in Accounting Policy <i>(Note 2(III))</i>	<u>-</u>	<u>(45,114)</u>
	<u>20,416,558</u>	<u>20,404,365</u>
 Net Increase (Decrease) in Net Assets from Operations	 <u>(6,803,510)</u>	 <u>2,336,464</u>
 From Capital Unit Transactions: <i>(Note 4)</i>		
Proceeds from issue of units	1,285,655	1,689,754
Consideration paid for redemptions of units	(2,391,657)	(4,011,990)
Reinvestment of distributions	<u>-</u>	<u>723,272</u>
	<u>(1,106,002)</u>	<u>(1,598,964)</u>
 From Distributions to Unitholders:		
From realized gains	<u>-</u>	<u>(725,307)</u>
 Net Assets, End of Period	 <u>\$ 12,507,046</u>	 <u>\$ 20,416,558</u>

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

BLUMONT CANADIAN FUND
STATEMENT OF INVESTMENTS AND OTHER NET ASSETS
As at December 31, 2008

	Number of Shares	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Asst Value
LONG POSITIONS				
Canadian Equities				
Energy				
Breaker Energy Limited 'A'	29,000	\$ 327,630	\$ 147,900	
Calfrac Well Services Limited	6,000	176,906	52,200	
EnCana Corporation	3,000	264,539	170,250	
Gastem Inc.	20,000	48,588	10,000	
Nexen Inc.	14,000	377,072	298,480	
Orleans Energy Limited	66,800	268,603	123,580	
Phoenix Technology Income Fund	21,400	299,279	189,604	
SouthGobi Energy Resources Ltd.	7,000	104,979	42,000	
Talisman Energy Inc.	16,000	295,748	194,240	
TransCanada Corporation	11,000	425,357	363,880	
TriStar Oil & Gas Limited	15,000	220,469	169,500	
Vermilion Energy Trust	2,000	51,326	50,060	
		2,860,496	1,811,694	14.5
Basic Materials				
Andina Minerals Inc.	18,000	76,348	19,080	
Chariot Resources Limited	40,500	40,465	3,848	
Detour Gold Corporation	40,000	175,000	339,200	
Equinox Minerals Limited	20,000	35,481	26,600	
First Majestic Silver Corporation	28,000	140,700	57,960	
Labrador Iron Ore Royalty Trust	4,800	211,828	102,143	
Potash Corporation of Saskatchewan Inc.	1,800	251,090	161,172	
		930,912	710,003	5.7
Industrials				
Aecon Group Inc.	14,000	247,188	153,580	
Bombardier Inc. 'B'	25,000	158,483	110,500	
Intermap Technologies Corporation	25,000	200,625	45,250	
Russel Metals Inc.	11,000	310,552	208,670	
Westshore Terminals Income Fund	21,500	322,059	205,110	
Zongshen Pem Power Systems Inc.	10,600	37,683	4,452	
		1,276,590	727,562	5.8
Consumer Discretionary				
Canadian Tire Corporation 'A'	5,700	316,884	246,012	
Cogeco Cable Inc.	3,800	163,275	130,948	
		480,159	376,960	3.0

	Number of Shares	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Asst Value
Consumer Staples				
George Weston Limited	2,000	\$ 97,591	\$ 119,280	
Metro Inc. 'A'	14,500	425,484	535,775	
Shoppers Drug Mart Corporation	3,000	145,023	144,090	
Viterra Inc.	20,000	230,774	189,600	
		898,872	988,745	7.9
Financials				
Bank of Nova Scotia	6,000	273,601	198,900	
CI Financial Income Fund	12,600	277,849	182,448	
DundeeWealth Inc.	11,000	178,811	64,680	
Sprott Inc.	10,800	37,612	46,440	
TMX Group Inc.	3,400	85,102	85,578	
		852,975	578,046	4.6
Index Equivalents				
iShares CDN S&P/TSX 60 Index Fund	16,000	239,808	217,440	1.7
Information Technology				
Research In Motion Limited	3,500	370,719	173,110	1.4
Telecommunication Services				
BCE Inc.	3,000	70,860	75,150	
Peer 1 Network Enterprises Corporation	15,000	23,400	14,100	
		94,260	89,250	0.7
Total Canadian Equities - Long		8,004,791	5,672,810	45.3
U.S. Equities				
Energy				
Forest Oil Corporation	5,000	323,696	100,061	
Gran Tierra Energy Inc.	47,639	166,737	155,780	
		490,433	255,841	2.1
Basic Materials				
Freeport-McMoRan Copper & Gold Inc.	5,000	278,735	148,812	1.2
Index Equivalents				
DIAMONDS Trust, Series I	2,500	276,091	267,215	2.1
Total U.S. Equities - Long		1,045,259	671,868	5.4

	Number of Shares	Long: Avg Cost	Short: Proceeds	Fair Value	% of Total Net Asst Value
Global Equities					
Australia					
Centamin Egypt Limited	122,000	\$	154,279	\$	87,840
Paladin Resources Limited	19,000		39,625		41,230
			193,904		129,070
Total Global Equity - Long			193,904		129,070
Total Long Positions Including Transaction Costs			9,243,954		6,473,748
Transaction costs			(16,162)		-
Total Long Positions Before Transaction Costs			9,227,792		6,473,748
SHORT POSITIONS					
Canadian Equities					
Energy					
iShares Canadian S&P/TSX Capped Energy Index Fund	(10,000)		(241,547)		(136,000)
					(1.1)
Basic Materials					
IAMGOLD Corporation	(4,000)		(25,936)		(30,400)
Inmet Mining Corporation	(4,000)		(52,400)		(78,320)
iShares CDN S&P/TSX Capped Materials Index Fund	(13,000)		(125,052)		(175,630)
			(203,388)		(284,350)
					(2.2)
Financials					
Brookfield Properties Corporation	(2,000)		(40,005)		(18,840)
Total Canadian Equities - Short			(484,940)		(439,190)
					(3.5)
U.S. Equities					
Industrials					
SPDR S&P Homebuilders ETF	(7,000)		(108,620)		(102,718)
					(0.8)
Financials					
American Express Company	(2,000)		(47,485)		(45,289)
Capital One Financial Corporation	(3,000)		(109,815)		(116,819)
			(157,300)		(162,108)
					(1.3)
Total U.S. Equities - Short			(265,920)		(264,826)
					(2.1)
Total Short Positions Including Transaction Costs			(750,860)		(704,016)
Transaction costs			(1,207)		-
Total Short Positions Before Transaction Costs			(752,067)		(704,016)
					(5.6)
TOTAL INVESTMENT PORTFOLIO		\$	8,475,725		5,769,732
					46.1
Other Assets Net of Liabilities ¹					6,737,314
					53.9
TOTAL NET ASSETS REPRESENTING UNITHOLDERS' EQUITY		\$			12,507,046
					100.0

¹This amount is comprised of cash and short-term investments plus accrued investment income less accounts payable.

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

BLUMONT CANADIAN FUND
DISCUSSION OF FINANCIAL RISK MANAGEMENT (Note 3)
December 31, 2008

A. FINANCIAL RISK MANAGEMENT

The investment objective of BluMont Canadian Fund (the “Fund”) is to achieve superior capital appreciation over both short and long term horizons primarily by investing in Canadian equity securities. The Fund may invest in companies of any capitalization size.

The Fund may invest in bonds and other debt instruments from time to time, if determined to be appropriate by BluMont Capital Corporation (the “Manager”). The Fund will not specialize in any one industry other than to concentrate investments in those industries that the Manager believes offer the best opportunities for exceptional returns at each stage of the economic and market cycle. At the discretion of the portfolio advisor, the Fund may also invest in options, including put options (i.e. the option to sell) or call options (i.e. the option to purchase) either in respect of a specific security or in respect of a stock exchange index as a means to reduce volatility. The Fund also has the ability to take short positions, in total not exceeding 20% of the net asset value of the Fund. The Fund’s overall risk management program seeks to minimize the potentially adverse effect of risk on the Fund’s financial performance in a manner consistent with the Fund’s investment objective. The Manager manages the potential effects of these financial risks on the Fund’s performance by employing and overseeing professional and experienced portfolio advisors that monitor the Fund’s investments and market events on a daily basis.

A general discussion of financial risk management for the Fund appears as Note 3: FINANCIAL RISK MANAGEMENT on page 23.

B. CREDIT RISK

As at December 31, 2008, the Fund had no investments in debt instruments and/or derivatives, and therefore was not subject to related credit risk.

C. INTEREST RATE RISK

As at December 31, 2008, the Fund did not hold any interest-bearing securities, and therefore was not subject to interest rate risk.

D. OTHER PRICE RISK

The Statement of Investments and Other Net Assets classifies securities by market segment.

The impact on net assets of the Fund due to a 1 percent change in benchmark, using historical correlation between the Fund’s return as compared to the return of the Fund’s benchmark, as at December 31, 2008, with all other variables held constant, is included in the following table. Regression analysis has been utilized to estimate the historical correlation. The analysis uses 136 data points based on the monthly net returns of the Fund.

Benchmark	Impact on NAV
S&P/TSX Total Return Index	\$110,000

The historical correlation may not be representative of the future correlation, and accordingly the impact on net assets could be materially different.

E. CURRENCY RISK

Currencies to which the Fund had exposure as at December 31, 2008, are as follows:

Currencies	Financial Instruments	Percentage of NAV
United States Dollar	\$1,623,622	12.98%

The amounts in the above table are based on the fair value of the Fund's financial instruments (including cash and cash equivalents). Other financial assets (including accrued investment income and receivables) and financial liabilities (including accounts payable) that are denominated in foreign currencies do not expose the Fund to significant currency risk.

As at December 31, 2008, if the Canadian dollar had strengthened or weakened by 1 percent in relation to all currencies, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$16,000.

In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

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

STATEMENT OF NET ASSETS
As at December 31,

BLUMONT NORTH AMERICAN FUND

	2008	2007
ASSETS		
Long positions at fair value*		
Canadian equities	\$ 856,518	\$ 3,890,663
U.S. equities	<u>1,983,417</u>	<u>1,841,200</u>
	2,839,935	5,731,863
Cash and short-term investments	1,640,609	1,549,095
Accrued investment income	<u>3,858</u>	<u>2,843</u>
Total Assets	<u>4,484,402</u>	<u>7,283,801</u>
LIABILITIES		
Short positions at fair value**		
Canadian equities	206,180	-
U.S. equities	<u>532,681</u>	<u>-</u>
	738,861	-
Accounts payable:		
Fees and operating expenses	8,559	31,964
Dividends payable	1,819	-
Payable for investment purchases	18,700	101,389
Redemptions payable	<u>890</u>	<u>2,500</u>
Total Liabilities	<u>768,829</u>	<u>135,853</u>
NET ASSETS REPRESENTING UNITHOLDERS' EQUITY	<u>\$ 3,715,573</u>	<u>\$ 7,147,948</u>
NUMBER OF UNITS OUTSTANDING (Note 4)	<u>222,744</u>	<u>295,997</u>
NET ASSET VALUE PER UNIT	<u>\$ 16.68</u>	<u>\$ 24.15</u>
*Long Positions, at cost	<u>\$ 3,089,006</u>	<u>\$ 4,755,288</u>
**Proceeds on short positions	<u>\$ (894,903)</u>	<u>\$ -</u>

Approved by the Board of Directors of BluMont Capital Corporation

"Veronika Hirsch"

Veronika Hirsch
Director

"Stephen Johnson"

Stephen Johnson
Director

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

STATEMENT OF OPERATIONS

Year ended December 31,

BLUMONT NORTH AMERICAN FUND

	2008	2007
INVESTMENT INCOME		
Dividends	\$ 142,678	\$ 71,910
Less: Foreign withholding taxes	<u>18,789</u>	<u>676</u>
	123,889	71,234
Interest	<u>29,959</u>	<u>94,550</u>
	<u>153,848</u>	<u>165,784</u>
EXPENSES (Notes 6 and 7)		
Management fees	110,092	147,156
Dividends paid on investments sold short	5,641	-
Operating expenses	117,161	154,970
Audit fees	22,719	27,654
Legal fees	7,874	65,428
Custodian and Trustees' fees	4,965	9,057
Interest expense	<u>-</u>	<u>292</u>
	268,452	404,557
Less: Expenses absorbed by the Manager	<u>107,420</u>	<u>140,683</u>
	<u>161,032</u>	<u>263,874</u>
NET INVESTMENT LOSS	<u>(7,184)</u>	<u>(98,090)</u>
NET REALIZED GAIN (LOSS) ON INVESTMENT TRANSACTIONS	(1,058,058)	1,202,935
TRANSACTION COSTS (Note 2(III))	(46,705)	(20,904)
NET CHANGE IN UNREALIZED DEPRECIATION OF INVESTMENTS	(1,069,604)	(579,337)
EXCHANGE GAIN (LOSS) ON FOREIGN CURRENCIES AND OTHER NET ASSETS	<u>185,960</u>	<u>(26,748)</u>
NET GAIN (LOSS) ON INVESTMENTS AND TRANSACTION COSTS	<u>(1,988,407)</u>	<u>575,946</u>
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ <u>(1,995,591)</u>	\$ <u>477,856</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT	\$ <u>(7.38)</u>	\$ <u>1.58</u>

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

STATEMENT OF CHANGES IN NET ASSETS
Year ended December 31,

BLUMONT NORTH AMERICAN FUND

	2008	2007
Net Assets, Beginning of Period	\$ 7,147,948	\$ 8,661,397
Change in Accounting Policy <i>(Note 2(III))</i>	-	(13,619)
	<u>7,147,948</u>	<u>8,647,778</u>
Net Increase (Decrease) in Net Assets from Operations	<u>(1,995,591)</u>	<u>477,856</u>
From Capital Unit Transactions: <i>(Note 4)</i>		
Proceeds from issue of units	167,943	283,663
Consideration paid for redemptions of units	(1,604,727)	(2,261,024)
Reinvestment of distributions	-	536,959
	<u>(1,436,784)</u>	<u>(1,440,402)</u>
From Distributions to Unitholders:		
From realized gains	-	(537,284)
Net Assets, End of Period	<u>\$ 3,715,573</u>	<u>\$ 7,147,948</u>

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

BLUMONT NORTH AMERICAN FUND
STATEMENT OF INVESTMENTS AND OTHER NET ASSETS
As at December 31, 2008

	Number of Shares	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Asset Value
LONG POSITIONS				
Canadian Equities				
Energy				
Canadian Natural Resources Limited	900	\$ 45,804	\$ 43,801	
Cathedral Energy Services Limited	3,500	20,650	22,365	
		66,454	66,166	1.8
Basic Materials				
Consolidated Thompson Iron Mines Limited	10,000	20,100	9,400	
Dundee Precious Metals Inc.	25,000	48,800	36,250	
Dundee Precious Metals Inc. Warrants	12,500	7,450	6,875	
HudBay Minerals Inc.	15,000	47,160	45,900	
		123,510	98,425	2.6
Consumer Staples				
Metro Inc. 'A'	3,000	86,560	110,850	3.0
Consumer Discretionary				
Quebecor Inc. 'B'	13,900	401,847	270,077	
Uni-Select Inc.	10,000	216,519	216,200	
		618,366	486,277	13.1
Utilities				
Borex Power Income Fund	30,000	100,598	94,800	2.6
Total Canadian Equities - Long		995,488	856,518	23.1
U.S. Equities				
Industrials				
Norfolk Southern Corporation	700	43,189	40,191	
Quanta Services Inc.	2,500	48,250	60,299	
		91,439	100,490	2.7
Consumer Staples				
McCormick & Company Inc. Non Voting Shares	3,000	111,974	116,197	3.1

	Number of Shares	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Asset Value
Consumer Discretionary				
Core-Mark Holding Company Inc.	4,000	\$ 113,172	\$ 104,570	
Heelys Inc.	75,000	324,954	209,323	
Penn National Gaming Inc.	2,000	49,942	51,846	
Service Corporation International Inc.	25,000	204,126	150,823	
Stewart Enterprises Inc. 'A'	25,000	134,839	91,408	
The Warnaco Group Inc.	3,500	81,498	83,736	
		908,531	691,706	18.6
Health Care				
Biogen Idec Inc.	1,000	52,223	57,928	
Emergency Medical Services Corporation 'A'	3,000	77,050	133,857	
Masimo Corporation	4,500	151,965	161,463	
Home Diagnostics Inc.	33,800	244,951	201,441	
Humana Inc.	5,000	188,392	227,056	
Phase Forward Inc.	2,000	23,525	30,006	
		738,106	811,751	21.8
Financials				
Apollo Investment Corporation	3,000	39,891	34,004	
Boston Private Financial Holdings Inc.	3,000	26,969	24,973	
Everest Re Group Limited	1,000	81,021	92,651	
PrivateBancorp Inc.	1,500	51,078	59,378	
Signature Bank	1,500	49,628	52,267	
		248,587	263,273	7.1
Total U.S. Equities - Long		2,098,637	1,983,417	53.3
Total Long Positions Including Transaction Costs		3,094,125	2,839,935	76.4
Transaction costs		(5,119)	-	-
Total Long Positions Before Transaction Costs		3,089,006	2,839,935	76.4
SHORT POSITIONS				
Canadian Equities				
Energy				
Paramount Resources Limited	(2,000)	(26,012)	(13,760)	
Trican Well Service Limited	(2,500)	(26,415)	(19,900)	
		(52,427)	(33,660)	(0.9)
Basic Materials				
Teck Cominco Limited 'B'	(3,000)	(17,250)	(18,090)	(0.5)
Industrials				
Canadian National Railway Company	(1,000)	(49,199)	(44,840)	(1.2)

	Number of Shares	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Asset Value
Consumer Staples				
The North West Company Fund	(2,000)	\$ (35,018)	\$ (33,940)	(0.9)
Health Care				
SXC Health Solutions Corporation	(1,000)	(20,270)	(22,750)	(0.6)
Financials				
Home Capital Group Inc.	(2,000)	(50,354)	(39,700)	(1.1)
Information Technology				
Nortel Networks Corporation	(40,000)	(21,950)	(13,200)	(0.4)
Total Canadian Equities - Short		(246,468)	(206,180)	(5.6)
U.S. Equities				
Basic Materials				
Louisiana-Pacific Corporation	(12,000)	(73,323)	(22,815)	(0.6)
Industrials				
Granite Construction Inc.	(500)	(18,409)	(26,770)	(0.7)
Consumer Discretionary				
Lamar Advertising Company	(4,000)	(50,860)	(61,621)	
Revlon, Inc. "A"	(6,000)	(82,065)	(48,775)	
The Pantry Inc.	(2,000)	(42,179)	(52,285)	
Tractor Supply Company	(3,000)	(131,591)	(132,139)	
		(306,695)	(294,820)	(7.9)
Health Care				
Community Health Systems Inc.	(1,000)	(33,891)	(17,770)	
Psychiatric Solutions Inc.	(2,000)	(75,822)	(67,983)	
		(109,713)	(85,753)	(2.3)
Information Technology				
Salesforce.com Inc.	(1,000)	(63,995)	(39,013)	(1.1)
Utilities				
Nicor Inc.	(1,500)	(75,025)	(63,510)	(1.7)
Total U.S. Equities - Short		(647,160)	(532,681)	(14.3)

	Number of Shares	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Asset Value
Total Short Positions Including Transaction Costs		\$ (893,628)	\$ (738,861)	(19.9)
Transaction costs		(1,275)	-	-
Total Short Positions Including Transaction Costs		(894,903)	(738,861)	(19.9)
TOTAL INVESTMENT PORTFOLIO		\$ 2,194,103	2,101,074	56.5
Other Assets Net of Liabilities ¹			1,614,499	43.5
TOTAL NET ASSETS REPRESENTING UNITHOLDERS' EQUITY			\$ 3,715,573	100.0

¹This amount is comprised of cash and short-term investments plus accrued investment income less accounts payable.

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

BLUMONT NORTH AMERICAN FUND
DISCUSSION OF FINANCIAL RISK MANAGEMENT (Note 3)
December 31, 2008

A. FINANCIAL RISK MANAGEMENT

The investment objective of BluMont North American Fund (the “Fund”) is to achieve superior capital appreciation over both short and long-term horizons primarily by investing in North American equity securities.

The Fund will seek to achieve its objective primarily by investing in equity securities of North American companies, which BluMont Capital Corporation (the “Manager”) believes to have the potential for exceptional returns, encompassing mainly mid to smaller capitalized companies. The Fund may invest in bonds and other debt instruments from time to time, if determined to be appropriate by the Manager. The Fund will not specialize in any one industry other than to concentrate investments in those industries that the Manager believes offer the best opportunities for exceptional returns at each stage of the economic and market cycle. The Fund will allocate investments between Canada and the U.S. based on available opportunities. At the discretion of the portfolio advisor, the Fund may also invest in options, including put options (i.e., the option to sell) or call options (i.e., the option to purchase) either in respect of a specific security or in respect of a stock exchange index as a means to reduce volatility. The Fund also has the ability to take short positions, in total not exceeding 20% of the net asset value of the Fund. The Fund’s overall risk management program seeks to minimize the potentially adverse effect of risk on the Fund’s financial performance in a manner consistent with the Fund’s investment objective. The Manager manages the potential effects of these financial risks on the Fund’s performance by employing and overseeing professional and experienced portfolio advisors that monitor the Fund’s investments and market events on a daily basis.

A general discussion of financial risk management for the Fund appears as Note 3: FINANCIAL RISK MANAGEMENT on page 23.

B. CREDIT RISK

As at December 31, 2008, the Fund had no investments in debt instruments and/or derivatives, and therefore was not subject to related credit risk.

C. INTEREST RATE RISK

As at December 31, 2008, the Fund did not hold any interest-bearing securities, and therefore was not subject to interest rate risk.

D. OTHER PRICE RISK

The Statement of Investments and Other Net Assets classifies securities by market segment.

The impact on net assets of the Fund due to a 1 percent change in benchmark, using historical correlation between the Fund’s return as compared to the return of the Fund’s benchmark, as at December 31, 2008, with all other variables held constant, is included in the following table. Regression analysis has been utilized to estimate the historical correlation. The analysis uses 14 data points based on the monthly net returns of the Fund.

Benchmark	Impact on NAV
S&P/TSX Small Cap Index / S&P MidCap 400*	\$26,000

*The blended benchmark index is represented by 50% S&P/TSX Small Cap Index and 50% S&P MidCap 400 effective on November 12, 2007.

The historical correlation may not be representative of the future correlation, and accordingly the impact on net assets could be materially different.

E. CURRENCY RISK

Currencies to which the Fund had exposure as at December 31, 2008, are as follows:

Currencies	Financial Instruments	Percentage of NAV
United States Dollar	\$2,425,569	65.28%

The amounts in the above table are based on the market value of the Fund's financial instruments (including cash and cash equivalents). Other financial assets (including accrued investment income) and financial liabilities (including payable for investment purchases) that are denominated in foreign currencies do not expose the Fund to significant currency risk.

As at December 31, 2008, if the Canadian dollar had strengthened or weakened by 1 percent in relation to all currencies, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$24,000.

In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. THE FUNDS

BluMont Canadian Fund ("Canadian Fund") and BluMont North American Fund ("North American Fund"), individually a "Fund" and collectively the "Funds", are unincorporated open-ended mutual fund trusts created under the laws of the Province of Ontario pursuant to declarations of trust dated November 8, 2007, as amended from time to time (the "Declarations of Trust").

BluMont Canadian Fund, formerly known as Halcyon Hirsch Opportunistic Canadian Fund, was created on August 25, 1997. BluMont North American Fund, formerly known as Halcyon Hirsch Opportunistic Tactical Allocation Fund, was created on May 5, 1998.

On November 7, 2007, Halcyon Canadian Demographic Fund was merged into Halcyon Hirsch Opportunistic Canadian Fund. On November 8, 2007, Halcyon Fund Management Inc. resigned as trustee of the Funds and BluMont Capital Corporation ("BluMont Capital") was appointed as the manager (the "Manager") and trustee (the "Trustee").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

A summary of the significant accounting policies is summarized below.

(I) Adoption of New Accounting Policies – Section 1535, Capital Disclosures, Section 3862, Financial Instruments – Disclosure and Section 3863, Financial Instruments – Presentation

On January 1, 2008, the Funds adopted Canadian Institute of Chartered Accountants' (CICA) Handbook Section 3862, "Financial Instruments – Disclosure" and Section 3863, "Financial Instruments – Presentation". These new sections replace Section 3861, "Financial Instruments – Disclosure and Presentation" and establish standards regarding the comprehensive disclosure and presentation of risks associated with financial instruments and how those risks are managed. Please refer to Note 3 and each Fund's Discussion of Financial Risk Management.

Adoption of the new standards did not impact the daily price of the Funds' securities for subscription and redemption purposes, nor for the calculation of Net Assets.

The Funds also adopted Canadian Institute of Chartered Accountants' (CICA) Handbook Section 1535, "Capital Disclosures" which establishes standards for disclosing information about an entity's capital and how it is managed. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Please refer to Note 4 for a discussion of the Funds' capital and how it is managed.

(II) Valuation of Investments

Investments are recorded in the accounts at their fair value, determined as follows:

The Canadian Institute of Chartered Accountants' (CICA) Handbook Section 3855, "Financial Instruments – Recognition and Measurement" ("Section 3855"), which applies to the fiscal years beginning on or after October 1, 2006, requires that the fair value of financial instruments, which are actively traded, be measured based on the bid price for long positions and ask price for short positions. Prior to that, fair value for GAAP was based on the last traded price for the day, when available.

For financial reporting purposes, effective January 1, 2007, each Fund adopted the amended valuation policy for actively traded securities held by that Fund retroactively without restatement of prior periods. Accordingly, the January 1, 2007 opening net asset value adjustment is disclosed in the Statements of Changes in Net Assets. In addition, a reconciliation as at December 31 between each Fund's net asset value for financial reporting ("GAAP NAV") and each Fund's net asset value for purposes other than financial reporting, such as purchases and redemptions, ("Trading NAV") has been provided in Note 8.

Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by each Fund be charged to net income in the period. Accordingly, these costs must be expensed and are included in "Transaction Costs" in the Statements of Operations. Until December 31, 2006, each Fund's policy has been to add these expenses to the cost of securities purchased or deduct them from the proceeds of sale. Effective January 1, 2007, each Fund adopted the new accounting policy retroactively, without restatement of prior periods.

Securities listed upon a recognized public stock exchange are valued at their bid/ask prices on the financial statement date. Securities with no bid/ask prices are valued at their closing sale prices. Securities not listed upon a recognized public stock exchange are valued using valuation techniques, on such basis and in such manner established by the Manager.

Short-term investments are recorded at fair market value.

The difference between market value and the average cost is shown as the net change in unrealized appreciation (depreciation) of investments.

(III) Investment Transactions and Income Recognition

Investment transactions are accounted for as of the trade date. Income and expenses are recorded on an accrual basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded daily as it is earned. Realized gains and losses from security transactions are calculated using the average cost basis.

(IV) Valuation of Fund Units

The Funds' units are issued and redeemed at the net asset value per unit, which is determined as of the close of Valuation Day. A "Valuation Day" is any day that the Toronto Stock Exchange is open for business or such other trading day or days as the Manager may determine.

The net asset value per unit of each Fund is determined by dividing the total market value of each Fund's net assets by the number of units outstanding.

For each Fund unit sold, the Fund receives an amount equal to the net asset value per unit on the date of sale, which is included in unitholders' equity. Units are

redeemable at the option of the unitholders at their net asset value on any Valuation Day. For each unit redeemed, the number of issued and outstanding units is reduced and the equity in the Fund is reduced by the related net asset value on the date of redemption.

(V) Foreign Currency Translation

Assets, including fair value of investments and liabilities denominated in foreign currencies, are converted to Canadian dollars at the rates of exchange established on each Valuation Day.

Purchases and sales of investments, dividends and interest income denominated in foreign currencies are converted into Canadian dollars at the rates of exchange prevailing on the respective dates of such transactions.

Realized exchange gains (losses) on investments are included in “Net Realized Gain (Loss) on Investment Transactions” in the Statements of Operations.

Unrealized exchange gains (losses) on investments are included in “Net Change in Unrealized Appreciation (Depreciation) of Investments” in the Statements of Operations.

Realized and unrealized exchange gains (losses) on assets (other than investments), liabilities and investment income denominated in foreign currencies are included in “Exchange Gain (Loss) on Foreign Currencies and Other Net Assets” in the Statements of Operations.

(VI) Use of Estimates

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of certain assets and liabilities and disclosure of contingent liabilities, at the date of the financial statements, and the reported amounts of certain revenue and expenses during the period. Actual results could differ from these estimates.

(VII) Increase (Decrease) in Net Assets from Operations Per Unit

Increase (Decrease) in Net Assets from Operations per Unit amount is determined by dividing the Net Increase (Decrease) in Net Assets from Operations by the average number of units outstanding during the year.

3. FINANCIAL RISK MANAGEMENT

In the normal course of business, each Fund is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk) that could result in a reduction in the value of the Funds’ net assets. The value of investments within a Fund’s portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions and market and company news related to specific securities within each Fund. The level of risk depends on each Fund’s investment objectives and the type of securities it invests in. Please refer to Discussion of Financial Risk Management (an addendum to Note 3 on pages 10 and 19 of this report) for each Fund’s specific risk disclosure.

(I) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with a fund.

Where a fund invests in debt instruments and derivatives, this represents the main concentration of credit risk. The market value of debt instruments and derivatives includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit risk exposure of the fund.

All transactions executed by a Fund in listed securities are settled/paid for 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 once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

(II) Liquidity Risk

Liquidity risk is defined as the risk that a fund may not be able to settle or meet its obligation on time or at a reasonable price.

Each Fund is exposed to daily cash redemptions of redeemable units. The units of each Fund are issued and redeemed daily at the Fund's Trading NAV per unit at the option of the unitholder.

Liquidity risk is managed by investing the majority of each Fund's assets in investments that are traded in an active market and can be readily disposed. In accordance with securities regulations, each Fund must maintain at least 90% of assets in liquid investments (i.e. investments that are traded in an active market and can be readily disposed of). In addition, each Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions.

Each Fund may, from time to time, invest in securities that are not traded in an active market and may be illiquid. Such investments are identified as private and restricted securities in each Fund's Statement of Investments and Other Net Assets.

The Funds may employ the use of derivatives to moderate certain risk exposures. There is no guarantee that a market will exist for some derivatives and it is possible that the exchanges may impose limits on trading of derivatives.

(III) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

Interest rate risk arises when a Fund invests in interest-bearing financial instruments. A Fund is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents, invested at short-term market interest rates.

(IV) Other Price Risk

Other price risk is the risk that the market value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

All investments represent a risk of loss of capital. The Manager of each Fund moderates this risk through a careful selection and diversification of securities and other financial instruments within the limits of the Fund's investment objectives and strategy. The maximum risk resulting from financial instruments is determined by the market value of the financial instruments, unless the Fund holds short positions in financial instruments, as further described below. Each

Fund's overall market positions are monitored on a daily basis by the Manager. Financial instruments held by each Fund are susceptible to market price risk arising from uncertainties about future prices of the instruments.

Each Fund has received approval from the Canadian securities regulators to begin short selling securities on a limited and controlled basis, effective December 1, 2007.

The aggregate market value of all securities sold short by each Fund will not exceed 20% of its respective total net assets on a daily marked-to-market basis. No proceeds from short sales will be used by the Funds to purchase long positions other than cash cover.

There are risks associated with short selling, namely that the securities will rise in value or not decline enough to cover a Fund's costs, or that market conditions will cause difficulties in the sale or repurchase of the securities.

(V) Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Funds. Each Fund may enter into foreign exchange contracts for hedging purposes to reduce its foreign currency exposure, or to establish exposure to foreign currencies.

4. UNIT TRANSACTIONS

Units issued and outstanding represent the capital of each Fund. Each of the Funds is authorized to issue an unlimited number of units. Units of the Funds are issued and redeemed at the then current Trading NAV per unit at the option of the unitholder. Unitholders are entitled to distributions when declared. Distributions on units of a Fund are reinvested in additional units of that Fund or at the option of the unitholder, paid in cash. The characterization of the distributions is based on management's estimate of the actual income for the year. The Funds have no restrictions or specific capital requirements on the subscription and redemption of units, other than minimum subscription requirements. The Statements of Changes in Net Assets identify changes in each Fund's capital during the period. The Manager manages the capital of the Funds in accordance with the Funds' investment objectives, including managing their liquidity in order to be able to meet redemptions as discussed in Note 3.

The number of units issued and redeemed at net asset value is summarized as follows:

	Canadian Fund	
	2008	2007
Balance at beginning of year	873,091	944,370
Units issued for cash	59,197	70,417
Units issued on reinvestment of distributions	-	32,280
Units redeemed	(123,004)	(173,976)
Units issued and outstanding at end of year	809,284	873,091

	North American Fund	
	2008	2007
Balance at beginning of year	295,997	350,973
Units issued for cash	7,610	11,053
Units issued on reinvestment of distributions	-	22,813
Units redeemed	<u>(80,863)</u>	<u>(88,842)</u>
Units issued and outstanding at end of year	<u>222,744</u>	<u>295,997</u>

5. INCOME TAXES

As at December 31, 2008, the Canadian Fund and the North American Fund qualified as mutual fund trusts. The Funds are subject to tax under the Income Tax Act (Canada) (the "Act") on all of its taxable income for the year (including net taxable capital gains) and are permitted a deduction in computing taxable income for all amounts which are paid or payable in the year to their unitholders. It is the policy of each Fund, to the extent practicable, to distribute to the unitholders all income of the Fund for the year so that it generally will not pay any Canadian federal income tax under Part 1 of the Act. Accordingly no provision for income taxes has been made in these financial statements.

As of December 31, 2008, the Funds had no unused capital or non-capital losses.

6. RELATED PARTY TRANSACTIONS

Under the terms of agreements between the Funds and the Manager, and in return for investment management and administrative services, the Manager receives monthly management fees from each Fund, calculated daily and payable monthly.

For the year ended December 31, 2008, the management fee rate paid to the Manager by the Canadian Fund was 2.15% per year. Beginning January 29, 2009, the management fee rate has been reduced to 1.80%. In addition, the Canadian Fund pays the Manager performance fees equal to 20% of the amount by which the Fund outperforms the S&P/TSX Total Return Index.

For the year ended December 31, 2008, the management fee rate paid to the Manager by the North American Fund was 1.90% per year. Beginning January 29, 2009, the management fee rate has been reduced to 1.85%. In addition, the North American Fund pays the Manager performance fees equal to 20% of the amount by which the Fund outperforms its benchmark. As of November 12, 2007, this benchmark was revised from a weighting of 45% of the S&P/TSX Total Return Index, 45% of the Scotia Capital Markets Universe Bond Index and 10% of the S&P's 500 Total Return Index, to a weighting of 50% of the S&P/TSX Small Cap Index and 50% of the S&P MidCap 400.

Performance fees will be payable in all circumstances where the performance of a Fund exceeds that of its applicable benchmark, even in circumstances where the overall performance of the Fund has declined. Performance fees will be calculated and accrued daily such that, to the extent possible, the unit price each day will reflect any performance fees payable as at the end of such day. Effective January 1, 2009, performance fees for the Funds will be calculated and accrued each Valuation Day, but will only be payable following the end of the fiscal year of the Funds based on the actual annual performance of the Funds.

If the performance of a Fund for the period being measured is less than the performance of its benchmark for such period (a "Return Deficiency"), then no performance fees will be

payable until the performance of the Fund thereafter relative to its benchmark has exceeded the amount of the Return Deficiency.

For the years ended December 31, 2008 and 2007, no performance fees were incurred by either Fund.

The Manager may, on its own accord, pay for certain operating expenses of each of the Funds in order to maintain each Fund's management expense ratio at a competitive level. These absorptions may be terminated at any time by the Manager, and at the Manager's direction may be continued indefinitely. The absorbed amounts are shown in the Statements of Operations.

7. FEES AND OPERATING EXPENSES

Each Fund is responsible, on a separate basis, for the payment of all fees and expenses including, but not limited to, brokerage commissions on portfolio transactions, all regulatory filing fees, registrar and transfer agent fees, audit, accounting, administration, record keeping and legal fees and expenses, custody and safekeeping charges, all taxes, and all other fees relating to the purchase and sale of the assets of the respective Fund. There were no soft dollar commissions for the Funds during the period.

The total brokerage commissions paid by the Funds with respect to security transactions for the periods ended December 31 were:

	<u>2008</u>	<u>2007</u>
Canadian Fund	\$ 58,313	\$ 49,468
North American Fund	\$ 46,705	\$ 20,904

8. RECONCILIATION OF TRADING NAV TO GAAP NAV

As at December 31, 2008

	Net Asset Value (\$)			Net Asset Value per Unit (\$)		
	Trading NAV	Sec. 3855 Adjustment	GAAP NAV	Trading NAV	Sec. 3855 Adjustment	GAAP NAV
Canadian Fund	\$12,546,318	\$(39,272)	\$12,507,046	\$15.50	\$(0.05)	\$15.45
North American Fund	\$3,741,696	\$(26,123)	\$3,715,573	\$16.80	\$(0.12)	\$16.68

As at December 31, 2007

	Net Asset Value (\$)			Net Asset Value per Unit (\$)		
	Trading NAV	Sec. 3855 Adjustment	GAAP NAV	Trading NAV	Sec. 3855 Adjustment	GAAP NAV
Canadian Fund	\$20,457,772	\$(41,214)	\$20,416,558	\$23.43	\$(0.05)	\$23.38
North American Fund	\$7,167,877	\$(19,929)	\$7,147,948	\$24.22	\$(0.07)	\$24.15

9. FUTURE ACCOUNTING CHANGE

In January 2006, the CICA Accounting Standards Board (“AcSB”) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards will replace Canadian GAAP in 2011 for profit oriented Canadian publicly accountable enterprises. The Manager is currently evaluating the impacts of this change and developing its plan for the Funds.

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year’s financial statements presentation.

FUND INFORMATION

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