



INTERIM FINANCIAL STATEMENTS
BLUMONT CANADIAN FUND

JUNE 2010



CONTENTS

Management's Statement on Financial Reporting	2
Statement of Net Assets	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Investments and Other Net Assets	6
Notes to the Financial Statements	9
Fund Information	19

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 Fund's 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 Fund's affairs in the best interest of its unitholders.

Respectfully,

"James Wanstall"

Chief Executive Officer
BluMont Capital Corporation
August 27, 2010

NOTICE TO UNITHOLDERS

The auditors of the Fund have not reviewed these financial statements.

The Manager of the Fund appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice.

STATEMENT OF NET ASSETS
As at June 30, 2010 and December 31, 2009
Unaudited

BLUMONT CANADIAN FUND

	2010	2009
ASSETS		
Long positions at fair value*		
Canadian equities	\$ 12,794,602	\$ 15,010,344
U.S. equities	41,483	640,785
Global equities	<u>199,570</u>	<u>98,400</u>
	13,035,655	15,749,529
Cash and broker deposits	1,987,157	1,518,944
Accrued investment income	32,168	20,235
Receivable from investment sales	<u>445,422</u>	<u>-</u>
Total Assets	<u>15,500,402</u>	<u>17,288,708</u>
LIABILITIES		
Short positions at fair value**		
Canadian equities	<u>109,426</u>	<u>-</u>
	109,426	-
Accounts payable:		
Fees and operating expenses	35,356	39,186
Payable for investment purchases	92,945	91,121
Redemptions payable	<u>46,445</u>	<u>21,075</u>
Total Liabilities	<u>284,172</u>	<u>151,382</u>
NET ASSETS REPRESENTING UNITHOLDERS' EQUITY	<u>\$ 15,216,230</u>	<u>\$ 17,137,326</u>
NUMBER OF UNITS OUTSTANDING (Note 4)	<u>843,493</u>	<u>942,323</u>
NET ASSETS PER UNIT	<u>\$ 18.04</u>	<u>\$ 18.19</u>
*Long positions, at cost	<u>\$ 11,693,817</u>	<u>\$ 13,718,107</u>
**Proceeds on short positions	<u>\$ (108,190)</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
For the six months ended June 30,
Unaudited

BLUMONT CANADIAN FUND

	2010	2009
INVESTMENT INCOME		
Dividends	\$ 120,819	\$ 80,938
Less: Foreign withholding taxes	<u>40</u>	<u>579</u>
	120,779	80,359
Interest	<u>76</u>	<u>10,901</u>
	<u>120,855</u>	<u>91,260</u>
EXPENSES (Notes 6 and 7)		
Management fees	156,582	117,637
General operating expenses	138,836	91,711
Dividends paid on investments sold short	725	9,382
Audit fees	11,425	15,464
Legal fees	14,258	10,202
Security holders' reporting costs	6,198	13,610
Custodian and Trustees' fees	450	383
Interest expense	<u>-</u>	<u>22</u>
	328,474	285,411
Less: Expenses absorbed by the Manager	<u>95,059</u>	<u>101,715</u>
	<u>233,415</u>	<u>156,696</u>
NET INVESTMENT LOSS	<u>(112,560)</u>	<u>(79,372)</u>
NET REALIZED (LOSS) GAIN ON INVESTMENT TRANSACTIONS	773,179	(1,243,637)
TRANSACTION COSTS (Note 2(I) and 7)	(33,179)	(21,267)
NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS	(690,820)	1,851,448
EXCHANGE GAIN ON FOREIGN CURRENCIES AND OTHER NET ASSETS	<u>9,286</u>	<u>28,367</u>
NET GAIN ON INVESTMENTS AND TRANSACTION COSTS	<u>58,466</u>	<u>614,911</u>
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	<u>\$ (54,094)</u>	<u>\$ 535,539</u>
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT (Note 2(VI))	<u>\$ (0.06)</u>	<u>\$ 0.66</u>

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

STATEMENT OF CHANGES IN NET ASSETS
For the six months ended June 30,
Unaudited

BLUMONT CANADIAN FUND

	2010	2009
Net Assets, Beginning of Period	\$ <u>17,137,326</u>	\$ <u>12,507,046</u>
Net Increase (Decrease) in Net Assets from Operations	<u>(54,094)</u>	<u>535,539</u>
From Capital Unit Transactions: (Note 4)		
Proceeds from issue of units	814,105	742,216
Consideration paid for redemptions of units	<u>(2,681,107)</u>	<u>(946,281)</u>
	<u>(1,867,002)</u>	<u>(204,065)</u>
Net Assets, End of Period	\$ <u>15,216,230</u>	\$ <u>12,838,520</u>

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

BLUMONT CANADIAN FUND
STATEMENT OF INVESTMENTS AND OTHER NET ASSETS
As at June 30, 2010
Unaudited

	Number of Shares		Average Cost		Fair Value	% of Total Net Assets
LONG POSITIONS						
Canadian Equities						
Energy						
Angle Energy Inc.	23,200	\$	190,120	\$	165,416	
Arcan Resources Limited	79,000		197,500		340,490	
Baytex Energy Trust	8,000		205,352		254,400	
Bellatrix Exploration Limited	41,000		139,721		125,870	
Celtic Exploration Limited	11,400		133,459		124,260	
Daylight Energy Limited	26,000		291,725		231,400	
Delphi Energy Corporation	60,000		172,815		156,600	
Ithaca Energy Inc.	20,100		59,007		38,994	
Legacy Oil + Gas Inc.	20,000		200,646		228,400	
NAL Oil & Gas Trust Units	11,000		148,410		116,160	
Nexen Inc.	10,000		265,453		209,200	
Pacific Rubiales Energy Corporation	15,000		157,915		357,900	
Pan-Ocean Energy Corporation	1,300		-		-	
Paramount Resources Limited	14,600		224,230		269,078	
Petrominerales Limited	5,000		137,568		124,250	
Phoenix Technology Income Fund	9,800		90,125		82,222	
ProspEx Resources Limited	28,000		51,040		41,720	
Rainy River Resources Limited	41,000		200,916		264,860	
Sea Dragon Energy Inc.	400,000		165,500		114,000	
Second Wave Petroleum Inc.	20,200		58,277		57,772	
SouthGobi Resources Limited	10,500		178,149		130,410	
Surge Energy Inc.	28,000		201,600		154,000	
			3,469,528		3,587,402	23.6
Basic Materials						
Agrium Inc.	4,000		271,616		207,960	
Bioexx Specialty Proteins Limited	35,000		62,018		54,950	
Clifton Star Resources Inc.	21,000		126,845		81,900	
Colossus Minerals Inc.	18,900		124,635		136,836	
Detour Gold Corporation	34,000		161,257		803,420	
Dundee Precious Metals Inc. Warrants	150,000		197,700		336,000	
East Asia Minerals Corporation	15,100		114,120		94,073	
First Point Minerals Corporation	96,000		48,480		48,960	
International Tower Hill Mines Limited	29,900		126,243		211,094	
Labrador Iron Ore Royalty Trust	8,200		350,661		350,140	
Leisure Canada Inc.	200,000		48,000		31,000	
Osisko Mining Corporation	29,000		201,559		332,340	
Potash Corporation of Saskatchewan Inc.	3,200		392,939		293,376	
Potash One Inc.	29,500		81,691		64,605	

	Number of Shares		Average Cost		Fair Value	% of Total Net Assets
Basic Materials cont'd						
Premier Gold Mines Limited	10,000	\$	25,500	\$	50,000	
Red Back Mining Inc.	6,900		110,175		185,610	
Romarco Minerals Inc.	92,000		116,802		162,840	
Volta Resources Inc.	58,900		84,406		74,214	
			2,644,647		3,519,318	23.1
Industrials						
Rocky Mountain Dealership Inc.	40,000		244,305		325,600	2.1
Consumer Discretionary						
Air Canada 'A'	64,000		160,580		106,880	
Canadian Tire Corporation 'A'	2,100		118,984		111,615	
Groupe Aeroplan Inc.	11,000		122,047		97,460	
Imax Corporation	11,400		187,376		175,446	
Linamar Corporation	3,300		72,946		59,334	
Magna International Inc. 'A'	4,500		324,679		315,585	
			986,612		866,320	5.7
Consumer Staples						
Metro Inc. 'A'	10,000		293,438		418,100	
Shoppers Drug Mart Corporation	4,000		147,037		131,640	
			440,475		549,740	3.6
Health Care						
IMRIS Inc.	55,000		312,120		269,500	
Paladin Labs Inc.	17,800		317,159		415,630	
			629,279		685,130	4.5
Financials						
CI Financial Corporation	12,800		274,423		227,840	
Canadian Imperial Bank of Commerce	8,000		598,900		529,120	
Canadian Western Bank	16,500		370,839		389,895	
Gluskin Sheff + Associates Inc.	12,000		181,839		204,000	
iShares S&P/TSX Capped Financials Index Fund	14,000		335,965		293,020	
			1,761,966		1,643,875	10.8
Information Technology						
Redknee Solutions Inc.	188,000		195,257		235,000	
SXC Health Solutions Corporation	1,500		35,310		116,550	
The Descartes Systems Group Inc.	35,000		196,491		199,150	
			427,058		550,700	3.6

	Number of Shares		Average Cost		Fair Value	% of Total Net Assets
Telecommunication Services						
BCE Inc.	21,000	\$	540,702	\$	652,260	
Rogers Communications Inc. 'B'	4,100		147,205		142,557	
			687,907		794,817	5.2
Utilities						
Fortis Inc.	10,000		251,910		271,700	1.8
Total Canadian Equities - Long			11,543,687		12,794,602	84.1
U.S. Equities						
Information Technology						
Seagate Technology	3,000		59,102		41,483	0.3
Total U.S. Equities - Long			59,102		41,483	0.3
Global Equities						
Australia						
Andean Resources Limited	7,000		16,603		21,070	
Centamin Egypt Limited	70,000		93,004		178,500	
Total Global Equity - Long			109,607		199,570	1.2
Total Long Positions Including Transaction Costs			11,712,396		13,035,655	85.7
Transaction costs			(18,579)		-	-
Total Long Positions Before Transaction Costs			11,693,817		13,035,655	85.7
SHORT POSITIONS						
Canadian Equities						
Index Equivalents						
iShares S&P/TSX Completion Index Fund	(4,500)		(83,600)		(85,500)	(0.5)
Energy						
iShares S&P/TSX Capped Energy Fund	(1,400)		(24,474)		(23,926)	(0.2)
Total Short Positions Including Transaction Costs			(108,074)		(109,426)	(0.7)
Transaction costs			(116)		-	-
Total Short Positions Before Transaction Costs			(108,190)		(109,426)	(0.7)
TOTAL INVESTMENT PORTFOLIO		\$	11,585,627		12,926,229	85.0
Other Assets Net of Liabilities ¹					2,290,001	15.1
TOTAL NET ASSETS REPRESENTING UNITHOLDERS' EQUITY		\$			15,216,230	100.0

¹This amount is comprised of cash and broker deposits plus accrued investment income plus receivable from investment sales less accounts payable.

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

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

UNAUDITED

1. THE FUND

(I) The Fund

BluMont Canadian Fund (the "Fund") is an unincorporated open-ended mutual fund trust created under the laws of the Province of Ontario pursuant to a declaration of trust dated November 8, 2007, as amended from time to time (the "Declaration of Trust").

BluMont Capital Corporation ("BluMont Capital") is the manager (the "Manager") and trustee (the "Trustee") of the Fund.

(II) Fund Merger

Effective October 28, 2009, BluMont North American Fund ("North American Fund") was merged with the Fund. The Manager afforded unitholders of the North American Fund the ability to participate in the wind-up of the North American Fund by way of an in-kind transfer of their investment to the Fund. The termination of the North American Fund did not occur on a tax-deferred basis.

Details relating to the merger are as follows:

Net assets acquired by the Fund	\$3,683,358
Units issued by the Fund	220,756

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) Valuation of Investments

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

The fair value of financial instruments which are actively traded, are measured based on the bid price for long positions and ask price for short positions. Prior to January 1, 2007, fair value for GAAP was based on the last traded price for the day, when available.

A reconciliation as at June 30 between the Fund's net assets per unit for financial reporting ("Net Assets") and the Fund's net asset value for purposes other than financial reporting, such as subscriptions and redemptions, ("Net Asset Value") has been provided in Note 8. The Fund continues to use the last traded price for investments and securities sold short for Net Asset Value valuations.

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are charged to net increase (decrease) in net assets from operations in the period. Accordingly, these costs are expensed and are included in "Transaction Costs" in the Statement of Operations.

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 including notes and money market instruments are carried at fair value.

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

When the Fund sells a security short, it will borrow that security from a broker to complete the sale. The Fund will incur a loss as a result of a short sale if the price of the borrowed security increases between the date of the short sale and the date on which the Fund closes out its short position by buying that security. The Fund will realize a gain if that security declines in price between those dates.

The maximum gain that the Fund can realize on a short position is the proceeds received, while the loss that could be realized is unlimited.

There can be no assurance that the Fund will be able to close out a short position at an acceptable time or price. Until the Fund replaces a borrowed security it will maintain a margin account with a broker containing cash and liquid securities.

Short positions are valued based on the cost that would be incurred to close out the position at the last ask price as of every Valuation Day (as defined below).

(II) 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 and expense is recorded on the ex-dividend date. Interest income and expense is recorded daily as it is earned or accrued. Realized gains and losses from security transactions are calculated using the average cost basis.

(III) Valuation of Fund Units

The Fund's 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 the Fund is determined by dividing the total market value of the Fund's Net Asset Value 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.

(IV) 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 and expense 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 Statement of Operations.

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

(V) 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.

(VI) 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 weighted average number of units outstanding during the period.

3. FINANCIAL INSTRUMENTS RISK MANAGEMENT

In accordance with CICA Handbook Section 3862, “Financial Instruments – Disclosure” and Section 3863, “Financial Instruments – Presentation”, the Fund provides comprehensive disclosure and presentation of risks associated with financial instruments and how those risks are managed.

In the normal course of business, the 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 Fund’s Net Asset Value. The value of investments within the 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 the Fund.

The investment objective of 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 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 investment advisors that monitor the Fund’s investments and market events on a daily basis.

(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 the 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 the 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.

As at June 30, 2010, and December 31, 2009, the Fund had no investments in debt instruments and/or derivatives, and therefore was not subject to related credit risk.

(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.

The Fund is exposed to daily cash redemptions of redeemable units. The units of the Fund are issued and redeemed daily at the Fund's Net Asset Value per unit at the option of the unitholder.

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 disposed. In accordance with securities regulations, the 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, the 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 Asset Value for the purpose of funding redemptions.

The 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 the Fund's Statement of Investments and Other Net Assets.

The Fund 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.

The following table outlines cash flows associated with the maturities of the Fund's financial assets and liabilities as of:

June 30, 2010

	Less than 1 year (\$)	1 - 3 years (\$)	3 - 5 years (\$)	No maturity date (\$)
Financial Assets				
Equities - long	-	-	-	13,035,655
Other receivables	477,590	-	-	-
Cash and broker deposits	1,987,157	-	-	-
Total	2,464,747	-	-	13,035,655
Liabilities				
Equities - short	-	-	-	(109,426)
Other liabilities	(174,746)	-	-	-
Total	(174,746)	-	-	(109,426)

December 31, 2009

	Less than 1 year (\$)	1 - 3 years (\$)	3 - 5 years (\$)	No maturity date (\$)
Financial Assets				
Equities - long	-	-	-	15,749,529
Other receivables	20,235	-	-	-
Cash and broker deposits	1,518,944	-	-	-
Total	1,539,179	-	-	15,749,529
Liabilities				
Other liabilities	(151,382)	-	-	-
Total	(151,382)	-	-	-

(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 the Fund invests in interest-bearing financial instruments. The 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.

As at June 30, 2010, and December 31, 2009, the Fund did not hold any interest-bearing securities, and therefore was not subject to interest rate risk.

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

The Fund has the ability to take short positions. There are risks associated with short selling, namely that the securities will rise in value or not decline enough to

cover the Fund's costs, or that market conditions will cause difficulties in the sale or repurchase of the securities.

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

The impact on Net Assets of the Fund due to a 5 percent change in benchmark, using historical correlation between the Fund's return as compared to the return of the Fund's benchmark, as at June 30, 2010, and December 31, 2009, 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 154 data points (December 31, 2009 – 148 data points) based on the monthly net returns of the Fund.

Benchmark	Impact on Net Assets	
	June 30, 2010	December 31, 2009
S&P/TSX Total Return Index	\$635,000	\$710,000

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

(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 Fund. The Fund may enter into foreign exchange contracts for hedging purposes to reduce its foreign currency exposure, or to establish exposure to foreign currencies.

Currencies to which the Fund had exposure as at June 30, 2010, and December 31, 2009, are as follows:

Currency	June 30, 2010		December 31, 2009	
	Financial Instruments (\$)	Percentage of Net Assets (%)	Financial Instruments (\$)	Percentage of Net Assets (%)
United States Dollar (long)	502,116	3.30	1,048,444	6.12

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 and financial liabilities that are denominated in foreign currencies do not expose the Fund to significant currency risk.

As at June 30, 2010, if the Canadian dollar had strengthened or weakened by 5 percent in relation to all currencies represented in the portfolio, with all other variables held constant, Net Assets would have increased or decreased, respectively, by approximately \$25,000 (2009 - \$52,000).

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

(VI) **Fair Value Estimation**

The amendments to CICA 3862, “Financial Instruments – Disclosures” require the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes ‘observable’ requires significant judgment by the Manager. The Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses the Fund’s financial assets and liabilities within the fair value hierarchy measured at fair value at June 30, 2010 and December 31, 2009.

June 30, 2010

	Level 1	Level 2	Level 3	Total
Assets				
Equity securities – long	\$13,035,655	-	-	\$13,035,655
Equity securities – short	\$(109,426)	-	-	\$(109,426)
Liabilities	-	-	-	-

December 31, 2009

	Level 1	Level 2	Level 3	Total
Assets				
Equity securities	\$15,572,029	\$177,500	-	\$15,749,529
Liabilities	-	-	-	-

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Manager does not adjust the quoted price for these instruments.

There was no movement between levels during the year.

4. UNIT TRANSACTIONS

In accordance with Canadian Institute of Chartered Accountants' (CICA) Handbook Section 1535, "Capital Disclosures", the Fund discloses information about the Fund's capital and how it is managed.

Units issued and outstanding represent the capital of the Fund. The Fund is authorized to issue an unlimited number of units. Units of the Fund are issued and redeemed at the then current Net Asset Value per unit at the option of the unitholder. Unitholders are entitled to distributions when declared. Distributions on units of the Fund are reinvested in additional units of the 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 Fund has no restrictions or specific capital requirements on the subscription and redemption of units, other than minimum subscription requirements. The Statement of Changes in Net Assets identifies changes in the Fund's capital during the period. The Manager manages the capital of the Fund in accordance with the Fund's investment objectives, including managing its liquidity in order to be able to meet redemptions as discussed in Note 3.

As of June 30, 2010 and 2009, the number of units issued and redeemed at the Net Asset Value is summarized as follows:

	2010	2009
Balance at January 1	942,323	809,284
Units issued for cash	41,733	47,778
Units redeemed	<u>(140,563)</u>	<u>(59,979)</u>
Units issued and outstanding at June 30	<u>843,493</u>	<u>797,083</u>

5. INCOME TAXES

As at December 31, 2009, the Fund qualified as a mutual fund trust. The Fund is 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 is permitted a deduction in computing taxable income for all amounts which are paid or payable in the year to its unitholders. It is the policy of the 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 I of the Act. Accordingly no provision for income taxes has been made in these financial statements.

As of December 31, 2009, the Fund had capital or non-capital losses as noted below.

Non-Capital Loss* (expiry 2029)	Capital Loss**
\$186,006	\$2,241,106

* Non-capital losses can be offset against income in future years for up to 20 years.

** Net Capital losses can be carried forward indefinitely for offset against gains in future periods.

6. RELATED PARTY TRANSACTIONS

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

For the year ended December 31, 2008, the management fee rate paid to the Manager by the Fund was 2.15% per year. Beginning January 29, 2009, the management fee rate was

reduced to 1.80%. In addition, the Fund pays the Manager performance fees equal to 20% of the amount by which the Fund outperforms the S&P/TSX Total Return Index.

Performance fees will be payable in all circumstances where the performance of the Fund exceeds that of its 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 Fund are calculated and accrued each Valuation Day, but will only be payable following the end of the fiscal year of the Fund based on the actual annual performance of the Fund.

If the performance of the 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 periods ended June 30, 2010 and December 31, 2009, no performance fees were incurred by the Fund.

The Manager may, on its own accord, pay for certain operating expenses of the Fund in order to maintain the 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 Statement of Operations.

7. FEES AND OPERATING EXPENSES

The Fund is responsible 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 Fund. There were no soft dollar commissions for the Fund during the period.

The total brokerage commissions paid by the Fund with respect to security transactions for the period ended June 30, 2010 were \$33,179 (2009 - \$21,267).

8. RECONCILIATION OF NET ASSET VALUE PER UNIT TO NET ASSETS PER UNIT

	Per Unit (\$)		
	Net Asset Value	Sec. 3855 Adjustment	Net Assets
June 30, 2010	\$18.09	\$(0.05)	\$18.04
December 31, 2009	\$18.27	\$(0.08)	\$18.19

9. FUTURE ACCOUNTING CHANGE

In February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") will replace current Canadian standards and interpretations for publicly accountable enterprises, which includes investment funds, effective January 1, 2011. For the Fund, IFRS will apply to semi-annual and annual financial statements for fiscal years beginning on or after January 1, 2011. Management has been monitoring developments in the IFRS conversion program and has identified key issues and the likely impacts resulting from the adoption of IFRS. Management has commenced the process of developing a transition plan, which includes identifying differences between the Funds' current accounting policies and those it expects to apply

under IFRS, as well as impacts to any accounting policy and implementation decisions, internal controls, information systems and training. Based on management's review of the differences between Canadian GAAP and IFRS, it is not expected that there would be an impact to the Fund's net asset value or net assets per unit. Management has presently determined that the impact of IFRS to the financial statements would be limited to additional note disclosures and modifications to presentation including unitholder interests. However, this present determination is subject to change resulting from the issuance of new standards or new interpretations of existing standards.

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