

BLUMONT CORE HEDGE FUND

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the Year Ended December 31, 2009

This annual Management Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements for BluMont Core Hedge Fund (the "Fund"). If you have not received a copy of the annual financial statements with the Management Report of Fund Performance, you may obtain a copy of the annual financial statements, at no cost, by calling 1 866-473-7376, by writing to us at BluMont Capital Corporation, 70 University Avenue, Suite 1200, P.O. Box 16, Toronto, Ontario M5J 2M4 or by visiting our website at www.blumontcapital.com or SEDAR at www.sedar.com.

Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure relating to the Fund.

Forward-Looking Information

This Management Report of Fund Performance contains forward-looking information and statements relating, but not limited to, anticipated or prospective financial performance and results of operations of the Fund. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. For this purpose, any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking information. Without limiting the foregoing, the words "believes", "anticipates", "plans", "intends", "will", "should", "expects", "projects", and similar expressions are intended to identify forward-looking information.

Although the Fund believes it has a reasonable basis for making the forecasts or projections included in this Management Report of Fund Performance, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, the forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predictions, forecasts and other forward-looking statements will not occur. These factors include, but are not limited to, those associated with the performance of the equity securities market, expectations about interest rates and factors incorporated by reference herein as risk factors.

The above list of important factors affecting forward-looking information is not exhaustive, and reference should be made to the other risks discussed in the Fund's filings with Canadian securities regulatory authorities. The forward looking information is given as of the date of this Management Report of Fund Performance, and the Fund undertakes no obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Management Discussion on Fund Performance

Investment Objective and Strategies

The investment objective of the Fund is to provide superior absolute returns measured over a complete market cycle primarily by investing in paired positions which can be short or long-term in nature depending on the underlying thesis for the investment. It is anticipated that under normal circumstances the net market exposure will range from -50% to +50% but may be exceeded if the investment advisor believes current market conditions warrant such exposure.

BluMont Capital Corporation (“BluMont Capital”), in its capacity as manager (“Manager”), has appointed Burlington Capital Management Ltd. (“Burlington Capital”) as the investment advisor (“Investment Advisor”) of the Fund. The Fund will seek to achieve its objective primarily by investing in the purchase and sale (including short sales) of securities such as common stocks, stock warrants and rights, call and put options and certain fixed income securities, including preferred shares, convertible bonds and debt instruments; listed on recognized stock exchanges. Furthermore, the Fund may invest in high dividend paying and income trust securities to provide a total return to the portfolio based upon income and capital appreciation. The Fund may invest in a basket of securities, long and short, utilizing a theme-based approach where there is a disruption or structural change in an industry. In pursuing capital appreciation for the Fund it may from time to time engage in short-term trading on a limited basis to capture opportunities which may emerge in the market. The Fund is permitted to employ financial leverage through margin borrowing or in other ways when the investment advisor deems such action to be appropriate.

The Fund will not specialize in any one industry other than to concentrate investments in those industries that the Investment Advisor believes offer the best opportunities for exceptional returns at each stage of the economic and market cycle. At the discretion of the Investment 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 may hold cash or invest in short-term securities for the purpose of preserving capital and/or maintaining liquidity, based upon the Manager and Investment Advisor’s ongoing evaluation of current and anticipated economic and market conditions.

Investment Risk

The risks of investing in the Fund remain as stated in the Fund’s Offering Memorandum dated August 7, 2009 (see *pages 4 to 7*). The principal risks associated with the Fund are stock market risk, specific issuer risk, short selling risk, foreign security risk, currency risk and liquidity risk.

The Fund is suitable for accredited investors seeking medium to long-term growth (through capital appreciation) who have a moderate to high risk tolerance level.

Results of Operations

For the period from January 1, 2009 to December 31, 2009 the Series A Units of the Fund delivered a gain of 8.25%, its benchmark, 50% S&P/TSX Total Return Index, 50% S&P 500 delivered a positive return of 32.55% over the same period. Please refer to the Past Performance section for the performance of the other series. The performance of the other series offered by the Fund differs from Series A due largely to varying level of expenses charged to each series, as explained in the Management Fees section.

As at December 31, 2009 the Fund held 68 positions, 49 long and 19 short. Gross exposure of the Fund was approximately 76% and Net Exposure was approximately 26%. Approximately 20% of its net exposure was in Canadian equities, and less than 6% of its net exposure in US securities. Sectors with the largest net exposures at December 31, 2009 were information technology, energy and materials.

The first quarter of 2009 was an interesting 3 month period, starting with a continuation of the fear and panic which was rampant in the second half of 2008. The market sold off significantly on growing concerns of the

implosion of the world's financial system, a deepening recession, weak fourth quarter earnings and negative revisions to 2009 earnings. Capitulation was suspected in late February and early March when the S&P dropped 12% in 7 sessions culminating in a 4.3% down day on March 5th, promptly followed by the best run-up in over 70 years. The turnaround was driven by a belief that the coordinated world government stimulus will begin to impact the economy combined with the positive impact on the financials of the move to rescind the mark-to-market rules on asset valuation. The Fund navigated the first quarter well due to continued cautious positioning and some solid outperformance of a number in the Fund's core holdings such as IBM, Apple and Suncor.

The Fund performed well in the second quarter with solid long/short performance in April and May despite some very heavy short squeeze activity. This was offset somewhat by a disappointing June in which financial stocks, which the Fund had minimal exposure to both on the long and short side, provided most of the market strength.

The second quarter was exceptionally strong for global equity markets after a perilous start in 2009 when the world staved off financial meltdown and economic collapse. The emerging markets experienced the biggest rebound as investor's risk appetite, came back with a vengeance. Commodity prices staged a dramatic reversal in the second quarter led by crude oil which rallied 41% to \$69.89 a barrel, the biggest quarterly gain since 1990 and up almost 100% since the low in early 2009¹. Copper was also very strong, rising 23% in the second quarter and was up 62% in the first half of 2009.

The Fund's long positions performed very well in the third quarter – in line with the market advance. Unfortunately, the Fund's short positions were up more than the market as the Fund saw some of the biggest short squeeze activity in recent memory as a result of pessimistic expectations for second quarter earnings and further evidence emerged that the economy had bottomed.

The Fund's long positions dramatically outperformed the market in the fourth quarter – particularly in December where our average long was up 6.3% versus 2.2% for the market. The Fund's short positions performed in line with the market for the quarter but outperformed in December.

The fourth quarter was a much better quarter for the Fund driven by the return of a little 'normalcy' to the market. Fundamentals seemed to matter again as third quarter earnings set the stage for the rally in the fourth quarter. Companies that delivered strong earnings and whose valuations were reasonable outperformed this quarter. Many of the stocks that didn't generate favourable earnings and saw a run up earlier in the year on short covering and hopes of an economic recovery, sold off. Unfortunately, the US dollar carry trade continues to be the primary driver of market movements on a day-to-day basis and as a result, the end to the choppy markets is not expected any time soon.

Clearly, while things are much better than they were this time last year, many uncertainties and challenges continue to exist heading into 2010. Going forward Burlington Capital plans to continue to add exposure in the Fund through paired positions as the markets continue to get back to normal and opportunities on the long and short side are identified. Burlington Capital believes markets may be entering an optimal period for paired positions and plans to exploit those opportunities. That being said, Burlington Capital continues to remain cautious on the market overall and have maintained a measured approach in the Fund with a conservative net position, an emphasis to high quality, defensive companies and avoidance of smaller, high risk names.

Recent Developments

During the year, BluMont Capital merged the BluMont Hirsch Long/Short Fund and the BluMont Canadian Opportunities Fund into the BluMont Core Hedge Fund. The termination of the BluMont Hirsch Long/Short Fund and the BluMont Canadian Opportunities Fund was effective August 7, 2009 ("Effective Date"). In that regard, BluMont Capital afforded Unitholders the ability to participate in the wind-up of the BluMont Hirsch Long/Short Fund and the BluMont Canadian Opportunities Fund as at the Effective Date by way of an in-kind transfer of their investment to the BluMont Core Hedge Fund.

¹ Wall Street Journal, July 1, 2009.

The exchange ratio, based on the final net asset value of the BluMont Hirsch Long/Short Fund Series A and the August 7, 2009 net asset value of the BluMont Core Hedge Fund, was 1.2021 Series A units in the BluMont Core Hedge Fund for every BluMont Hirsch Long/Short Fund Series A unit held.

The exchange ratio, based on the final net asset value of the BluMont Hirsch Long/Short Fund Series F and the August 7, 2009 net asset value of the BluMont Core Hedge Fund, was 1.2445 Series F units in the BluMont Core Hedge Fund for every BluMont Hirsch Long/Short Fund Series F unit held.

The exchange ratio, based on the final net asset value of the BluMont Canadian Opportunities Fund and the August 7, 2009 net asset value of the BluMont Core Hedge Fund, was 1.1642 units in the BluMont Core Hedge Fund for every BluMont Canadian Opportunities Fund unit held.

Upon the completion of the in-kind-transfer of the BluMont Hirsch Long/Short Fund and the BluMont Canadian Opportunities Fund, the BluMont Core Hedge Fund became a reporting issuer. NI 81-107 requires all investment funds that are reporting issuers, such as the Fund, to establish an independent review committee (the "IRC"). The IRC is required to be comprised of a minimum of three members, each of whom must be independent of the Manager and the Fund. The current members of the IRC are David M. Scollard, Steve A. Stacey and Harvey Naglie.

The Manager has established written policies and procedures for dealing with conflict of interest matters, maintain records in respect of these matters and provide assistance to the IRC in carrying out its functions. The IRC is subject to requirements to conduct regular assessments and provide reports to the Manager in respect of its functions at least annually. Reports will be available at the Manager's website at www.blumontcapital.com or will be sent, upon request and at no cost, to Shareholders by calling the Manager's toll-free number at 866.473.7376. Additional information about the IRC will be available in the public disclosure of the Fund on SEDAR at www.sedar.com.

Related Party Transactions

There are no related party transactions to report for the period ended December 31, 2009 other than management and related fees as discussed below.

Management Fees

The Manager receives a monthly management fee (the "Management Fee"), calculated as a percentage of the Fund's net asset value as of the close of business on each business day and payable monthly. The Management Fee rate applicable to Series A units of the Fund is 2.50% per annum, with respect to Series F units the Management Fee is 1.50%. For the period ended December 31, 2009 total Management Fees charged to the Fund equaled \$562,029. For the same period in 2008, Management Fees equaled \$672,020. The Management Fee is paid in consideration of investment management and administration services. No breakdown of such services was specified in the management agreement. From this Management Fee, the Manager pays fees to the investment advisor (BluMont Capital, in its capacity as such) who provides portfolio management services to the Fund. A portion of the Management Fee paid by the Fund is for trailer fees paid to dealers whose client's hold units of the Fund. The trailer fees are a percentage of the net asset value of the Fund, calculated and payable monthly. The table below outlines the Fund's annual Management Fees and trailer fees.

	Series A		Series F
	Front-End Sales Charge	Deferred Sales Charge	
Management Fees (Annual Rate %)	2.50%	2.50%	1.50%
Trailer Fees (rate as % of Management Fees)	31.89%	0.76%	0%

In addition, the Fund pays BluMont Capital performance fees (“Performance Fees”), payable on a semi-annual basis. The Performance Fee is equal to 20% of the increase of the Net Asset Value (“NAV”) of the investment of each Unitholder. To the extent that the Performance Fee in respect of the investment in any period is negative, then the negative amount will be carried forward and deducted from any positive Performance Fee in respect of the Unitholder’s investment in future periods. In other words, the Performance Fee will be based on a “high water mark” for the investment by each Unitholder. The Fund did not charge a Performance Fee for the year ended December 31, 2009 (compared to \$271 for the same period in 2008).

The Manager incurs operating expenses on behalf of the Fund and charges these expenses to the Fund. For the year ended December 31, 2009, the Manager has, in its discretion, agreed to absorb \$110,345 (compared to \$23,694 for the same period in 2008) of operating expenses associated with the Fund.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help the reader understand the Fund's financial performance for the past year. This information is derived from the Fund's audited financial statements, and is represented net of expenses which have been charged to the Fund.

THE FUND'S NET ASSETS PER SERIES A UNIT

For the year ended December 31,

	2009
Net Assets, beginning of year ¹	\$ <u>92.81</u>
Increase from operations	
Total revenue	1.68
Total expenses	(3.50)
Realized gains for the year	(3.40)
Unrealized gains (losses) for the year	<u>12.66</u>
Total increase (decrease) from operations ¹	\$ <u>7.44</u>
Distributions ² :	
From income (excluding dividends)	-
From dividends	-
From capital gains	-
Return of capital	<u>-</u>
Total annual distributions	<u>-</u>
Net Assets, end of year ¹	\$ <u>100.50</u>

RATIOS AND SUPPLEMENTAL DATA⁷

For the year ended December 31, 2009

	2009
Net Asset Value ("NAV") (000s) ¹	\$ 21,950
Number of units outstanding	218,144
Management expense ratio ³	4.11%
Management expense ratio before waivers or absorptions ⁴	4.58%
Portfolio turnover rate ⁵	115.92%
Trading expense ratio ⁶	0.11%

THE FUND'S NET ASSETS PER SERIES F UNIT**For the year ended December 31,****2009**

Net Assets, beginning of year ¹	\$ <u>96.03</u>
Increase from operations	
Total revenue	1.79
Total expenses	(2.54)
Realized gains for the year	(3.56)
Unrealized gains (losses) for the year	<u>13.13</u>
Total increase (decrease) from operations ¹	\$ <u>8.82</u>
Distributions ² :	
From income (excluding dividends)	-
From dividends	-
From capital gains	-
Return of capital	<u>-</u>
Total annual distributions	<u>-</u>
Net Assets, end of year ¹	\$ <u>105.07</u>

RATIOS AND SUPPLEMENTAL DATA⁷**For the year ended December 31,****2009**

Net Asset Value ("NAV") (000s) ¹	\$ 5,881
Number of units outstanding	55,897
Management expense ratio ³	2.85%
Management expense ratio before waivers or absorptions ⁴	3.18%
Portfolio turnover rate ⁵	115.92%
Trading expense ratio ⁶	0.11%

1. The net assets per unit shown are referenced to Net Assets determined in accordance with Canadian generally accepted accounting principles ("GAAP") and are derived from the Fund's audited annual financial statements. The Net Assets presented in the financial statements may differ from the Net Asset Value ("NAV") calculated for fund pricing purposes. NAV is calculated using fair market value measures as defined by National Instrument 81-106 ("NI 81-106") whereas, Net Assets are calculated in accordance with Canadian GAAP. An explanation of these differences can be found in the notes to the financial statements. Net Assets are based on the actual number of units outstanding at the relevant time. The increase from operations is based on the weighted average number of units outstanding over the financial year. This table is not intended to be a reconciliation of beginning to ending net assets per unit.
2. Distributions were reinvested in additional units of the Fund.
3. Management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of daily average net asset value during the year. The management expense ratio is

calculated in accordance with Part 15 of NI 81-106 and therefore includes performance fees, which were previously reported separately as dollar amounts.

4. The Manager has absorbed certain expenses or waived certain fees otherwise payable by the Fund. The amount of expenses absorbed or waived is determined annually at the discretion of the Manager and the Manager can terminate the absorption or waiver at any time.
5. The Fund's portfolio turnover rate can indicate how actively the investment advisor manages the portfolio of investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of its securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.
6. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.
7. Ratios and supplemental data, where applicable, are computed using the net asset value of the Fund.

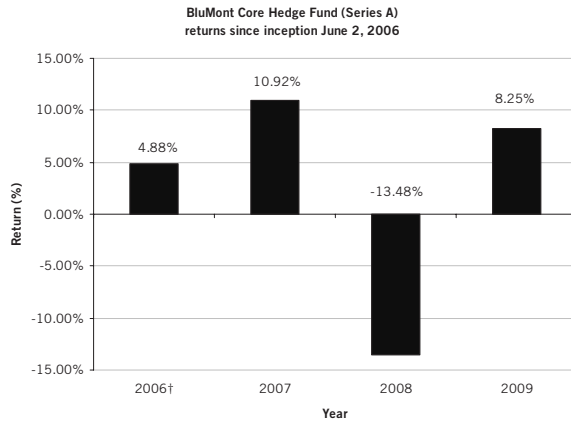
Past Performance

The performance information shown below assumes that all distributions, if any, made by the Fund in the periods shown were reinvested in additional units of the Fund. If you hold the Fund outside a registered plan, you will be taxed on distributions. Distributions of income the Fund earns and capital gains it realizes are taxable in the year received whether received in cash or reinvested in additional units. No adjustment for potential tax consequences to an investor has been made to the performance information.

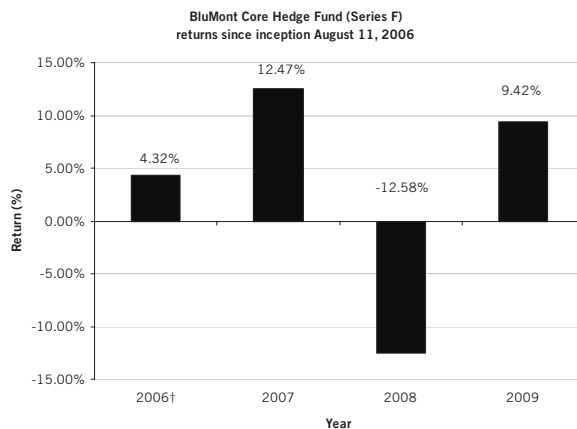
The indicated rates of return are historical annual compounded total returns including changes in unit value and do not take into account sale, redemption, distribution or other optional charges, that, if applicable, would have reduced returns or performance. The Fund is not guaranteed. Its value changes frequently and 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 chart below illustrates the Fund's annual performance for each of the years shown, and indicates how the Fund's performance has changed from year to year. It shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of the financial year.



† Return shown represents a partial year from inception on June 2, 2006 to December 31, 2006.



† Return shown represents a partial year from inception on August 11, 2006 to December 31, 2006.

Annual Compound Returns (Compound Performance)

The following table shows the annual compound total returns of the Fund, and for the S&P/TSX Total Return Index (a price weighted index of 300 of the largest, most widely-held stocks traded on the Toronto Stock Exchange and the S&P 500 Composite Index (a capitalization-weighted index of 500 stocks representing all major industries) for the periods shown ended December 31, 2009.

	1 Year	3 Year	Since Inception	Cumulative Total Return
BluMont Core Hedge Fund, Series A	8.25%	1.28%	2.42%	8.95%
BluMont Core Hedge Fund, Series F	9.42%	2.47%	3.46%	12.23%
S&P/TSX Total Return Index	35.05%	-0.21%	2.94%	10.93%
S&P 500 Composite Return	30.02%	-6.10%	-2.16%	-7.53%

Summary of Investment Portfolio as at December 31, 2009

The summary of investment portfolio below includes information regarding the Fund as a whole. This summary may change due to ongoing portfolio transactions of the Fund and a quarterly update is available by contacting BluMont Capital at 866.473.7376 or by visiting BluMont Capital's website at www.blumontcapital.com or SEDAR's website at www.sedar.com.

Top 25 Holdings

Issuer	Country	Sector	Sub Sector	% of Net Asset Value
Long Positions				
Apple Inc.	United States	Information Technology	Computer Hardware	4.1%
TransCanada Corporation	Canada	Energy	Oil & Gas Storage & Transportation	4.1%
IBM Corporation	United States	Information Technology	Computer Hardware	4.0%
Intel Corporation	United States	Information Technology	Semiconductors	3.0%
Suncor Energy Inc.	Canada	Energy	Integrated Oil & Gas	2.4%
UQM Technologies Inc.	United States	Utilities	Electrical Components & Equipment	2.2%
Just Energy Income Fund	Canada	Utilities	Gas Distribution	2.0%
CenturyTel Inc.	United States	Telecommunication Services	Integrated Telecommunications Services	1.7%
Fort Chicago Energy Partners Ltd.	Canada	Energy	Pipelines	1.5%
Oyo Geospace Corporation	United States	Information Technology		1.4%
iShares Canadian S&P/TSX Capped REIT	Canada	Financials	Index Equivalents	1.4%
Canadian Natural Resources Limited	Canada	Energy	Oil & Gas Exploration & Production	1.3%
Coach Inc.	United States	Consumer Discretionary	Apparel, Accessories & Luxury Goods	1.2%
Loblaw Companies Limited	Canada	Consumer Staples	Food Retail	1.2%
EnCana Corporation	Canada	Energy	Oil & Gas Exploration & Production	1.2%
Wajax Income Fund	Canada	Industrials	Machinery, Construction & Mining	1.1%
Nexen Inc.	Canada	Energy	Oil & Gas Exploration & Production	1.1%
Rogers Communications Inc.	Canada	Telecommunication Services	Integrated Telecommunications Services	1.1%
Total Long				36.0%
Short Positions				
PowerShares QQQ	United States	Index Equivalents		-5.9%
iShares Canadian S&P/TSX Capped Energy Index Fund	Canada	Energy	Index Equivalent	-3.6%
Semiconductor HOLDRs Trust	United States	Information Technology	Index Equivalent	-2.9%
Ultrashort Russell 2000 ProShares	United States	Index Equivalents		-1.8%
Horizons Beta Pro S&P/TSX 60 Bear	Canada	Index Equivalents		-1.8%
Standard & Poor's 500 Depository Receipts	United States	Index Equivalents		-1.8%
Paccar Inc.	United States	Industrials	Construction & Farm Machinery	-1.1%
Total Short				-18.9%
Total (Net)				17.10%
Total Net Asset Value (000)				<u>27,831</u>

The investments and percentages may have changed by the time an investor may have purchased units of this Fund due to ongoing portfolio transactions of the investment Fund. The top 25 holdings are made available quarterly, within 60 days after quarter-end.

Sector Weightings as at December 31, 2009

Sector	Canadian Exposure (Long)	US Exposure (Long)	Foreign Exposure (Long)	Canadian Exposure (Short)	US Exposure (Short)	Foreign Exposure (Short)	Net Exposure	Total Positions (Long)	Total Positions (Short)
Information Technology	0.63%	13.93%	0.72%		-2.89%		12.39%	11	1
Energy	13.40%	0.51%	0.05%	-3.61%	-0.78%		9.57%	10	2
Materials	3.28%	1.31%	0.13%	-0.31%			4.41%	10	2
Utilities	2.01%	2.21%					4.22%	2	
Telecommunication Services	1.53%	1.74%					3.27%	3	
Financials	2.60%			-0.09%	-0.45%		2.06%	3	2
Consumer Discretionary	1.09%	1.83%			-1.49%		1.43%	5	2
Consumer Staples	1.19%	1.04%		-1.11%		-0.95%	0.17%	2	3
Industrials	1.51%	0.26%			-1.95%		-0.18%	3	3
Index Equivalents				-1.80%	-9.49%		-11.29%		4
Total	27.24%	22.83%	0.90%	-6.92%	-17.04%	-0.95%	26.05%	49	19

Note: Excludes cash & cash equivalents

