

BLUMONT CORE HEDGE FUND

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2010

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 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.

BluMont Capital Corporation (“BluMont Capital”), in its capacity as manager (“Manager”), has appointed Sherpa Asset Management Inc. (“Sherpa”) as the investment advisor (“Investment Advisor”) of the Fund. To achieve its investment objective, the Fund will employ the following strategies: 1) make investment decisions based upon fundamental analysis; 2) engage in the purchase and sale (including short sales) of securities such as common stocks, index securities such as exchange traded funds, stock warrants and rights and certain fixed income securities including preferred shares, convertible bonds and debt instruments; 3) utilize a dynamic option strategy by purchasing and selling call and put options to increase static yield and enhance diversification; 4) invest in high dividend paying and income trust securities to provide a total return to the portfolio based upon income and capital appreciation; and 5) employ financial leverage through margin borrowing or in other ways when the investment advisor deems such action to be appropriate.

The investment advisor invests the majority of the portfolio in equities and other securities traded on a recognized stock exchange. The investment activities of the Fund are conducted in accordance with certain investment policies and restrictions, which include the following: 1) the proportion of long positions versus short positions in the Fund will fluctuate from time to time and will be determined by the investment advisor. It is anticipated that under normal circumstances the net market exposure will range from -20% to +20% but may be exceeded if the investment advisor believes current market conditions warrant it; 2) leverage will be used in accordance with the rules of the Investment Industry Regulatory Organization of Canada. It is anticipated that under normal circumstances minimal, if any, leverage will be utilized; 3) the Fund will limit the weighting in a particular security at cost to no more than 10% of the Fund’s NAV, with the exception of broad market index securities; 4) purchases of non-marketable securities at cost will be limited to less than 10% of the Fund’s NAV; and 5) the Fund may make use of options and other derivatives to enhance returns or to manage risk.

Investment Risk

The risks of investing in the Fund remain as stated in the Fund’s Offering Memorandum dated November 30, 2010. 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 year ended December 31, 2010, Series A Units of the Fund delivered a gain of 0.2% while its benchmark, 50% S&P/TSX Total Return Index, 50% S&P 500, delivered a gain of 12.2% 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.

Keeping with its market neutral investment mandate, as of December 31, 2010, the Fund had a 7.7% net exposure to the markets. Long positions totaled 31.5% while short positions totaled (23.8)%. Geographically, 11.0% of the Fund’s Net Assets were held in Canadian equities and net (2.9)% in U.S. equities. The Fund also held U.S. call and put options.

Recent Developments

The Manager is pleased to announce that effective July 1, 2010, Sherpa Asset Management Inc. (“Sherpa”) was awarded the exclusive investment management responsibilities of the Fund. In preparation for this sub-advisor change, the Fund liquidated its positions during the month of June. Starting July 2, 2010, the new sub-advisor began investing the securities of the Fund.

In addition to the sub-advisor change, the Manager has changed the performance fee calculation from a unitholder-based to a fund-based fee structure to bring the Fund in line with current industry standards. The net asset value per unit over which performance fees will be charged to the Fund is set at 105% of the net asset value per unit as at June 30, 2010. BluMont Capital believes that this change was necessary to attract a top-level investment manager, such as Sherpa, to the Fund.

Related Party Transactions

There are no related party transactions to report for the period ended December 31, 2010 other than management and related fees as discussed below.

Management Fees

BluMont Capital Corporation (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 year ended December 31, 2010 total Management Fees charged to the Fund equaled \$520,624. 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. All fees and expenses payable to the Investment Sub-Advisor, Sherpa, for its services will be borne by BluMont Capital and not by the Fund. A portion of the Management Fee paid by the Fund is for trailer fees paid to dealers whose clients 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 Front-End Sales Charge	Series A Deferred Sales Charge	Series F
Management Fees (Annual Rate %)	2.50%	2.50%	1.50%
Trailer Fees (rate as % of Management Fees)	30.92%	0.67%	0%

In addition, the Fund pays the Manager performance fees (“Performance Fees”), payable on a semi-annual basis. Up to and including June 30, 2010, the Performance Fee was 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 was negative, then the negative amount was 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 was based on a high water mark for the investment by each Unitholder. Beginning July 2, 2010, the Manager changed the performance fee calculation from a unitholder-based to a fund-based fee structure to bring the Fund in line with current industry standards. The net asset value per unit over which Performance Fees will be charged to the Fund is set at \$104.08 for Series A Units and at \$109.38 for Series F Units. For the year ended December 31, 2010, the Performance Fee charged by the Fund equaled \$9,880.

The Manager incurs operating expenses on behalf of the Fund and charges these expenses to the Fund. For the year ended December 31, 2010, the Manager has, in its discretion, agreed to absorb \$165,057 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 two years. This information is derived from the Fund's 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 years ending December 31,

	2010	2009
Net Assets, beginning of year ¹	\$ 100.50	\$ 92.81
Increase (Decrease) from operations		
Total revenue	1.12	1.68
Total expenses	(3.93)	(3.50)
Realized gains (losses) for the year	6.91	(3.40)
Unrealized gains (losses) for the year	(3.72)	12.66
Total increase (decrease) from operations ¹	\$ 0.38	\$ 7.44
Distributions ²		
From income (excluding dividends)	-	-
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
Total distributions	-	-
Net Assets, end of year ¹	\$ 101.27	\$ 100.50

RATIOS AND SUPPLEMENTAL DATA⁷

For the years ending December 31,

	2010	2009
Net Asset Value ("NAV") (000s) ¹	\$12,644	\$21,950
Number of units outstanding	124,737	218,144
Management expense ratio ³	3.13%	4.11%
Management expense ratio before waivers or absorptions ⁴	3.93%	4.58%
Portfolio turnover rate ⁵	691.81%	115.92%
Trading expense ratio ⁶	0.32%	0.11%

THE FUND'S NET ASSETS PER SERIES F UNIT**For the years ending December 31,**

	2010	2009
Net Assets, beginning of year ¹	\$ <u>105.07</u>	\$ <u>96.03</u>
Increase (Decrease) from operations		
Total revenue	1.21	1.79
Total expenses	(2.92)	(2.54)
Realized gains (losses) for the year	7.97	(3.56)
Unrealized gains (losses) for the year	<u>(5.65)</u>	<u>13.13</u>
Total increase (decrease) from operations ¹	\$ <u>0.61</u>	\$ <u>8.82</u>
Distributions ²		
From income (excluding dividends)	-	-
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
Total distributions	<u>-</u>	<u>-</u>
Net Assets, end of year ¹	\$ <u>107.01</u>	\$ <u>105.07</u>

RATIOS AND SUPPLEMENTAL DATA⁷**For the years ending December 31,**

	2010	2009
Net Asset Value ("NAV") (000s) ¹	\$1,796	\$5,881
Number of units outstanding	16,769	55,897
Management expense ratio ³	1.99%	2.85%
Management expense ratio before waivers or absorptions ⁴	2.78%	3.18%
Portfolio turnover rate ⁵	691.81%	115.92%
Trading expense ratio ⁶	0.32%	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 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.

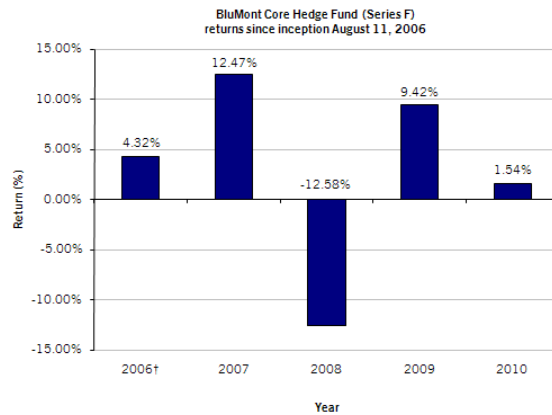
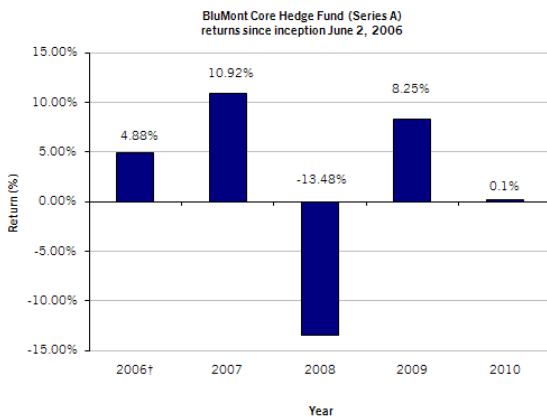
Past Performance

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. An investment in 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.

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, 2010.

	1 Year	3 Year	Annualized Since Inception	Cumulative Total Return
BluMont Core Hedge Fund, Series A	0.1%	(2.1)%	1.9%	9.1%
BluMont Core Hedge Fund, Series F	1.5%	(1.0)%	3.0%	14.0%
S&P/TSX Total Return Index	17.6%	2.1%	6.0%	30.5%
S&P 500 Composite Index	6.9%	(5.0)%	(2.3)%	(10.3)%

Summary of Investment Portfolio as at December 31, 2010

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*	% of Net Asset Value	Regional Weightings*	% of Net Asset Value
Long Positions		Long Positions	
iShares S&P/TSX 60 Index Fund	4.0	Canada	11.0
Berkshire Hathaway Inc. 'A'	2.5	U.S.	20.5
Royal Bank of Canada	2.0		
Canadian National Railway Company	1.6	Short Positions	
iShares Russell 2000 Index Fund	1.6	Canada	-
Teva Pharmaceutical Industries Limited ADR	1.6	U.S.	(23.8)
The Toronto-Dominion Bank	1.4		
PowerShares QQQ	1.4		
Suncor Energy Inc.	1.3		
The Walt Disney Company	1.3		
Energy Select Sector SPDR Fund	1.3		
General Electric Company	1.3		
SPDR S&P 500 ETF June, \$125, Call Option	1.2	Sector Weightings*	% of Net Asset Value
Wells Fargo & Company	1.2		
Apple Inc.	1.1	Long Positions	
Microsoft Corporation	1.0	Energy	3.3
Bank of America Corporation	1.0	Industrials	3.0
Hewlett-Packard Company	0.9	Consumer Discretionary	1.3
EnCana Corporation	0.7	Consumer Staples	0.7
Cisco Systems Inc.	0.7	Health Care	3.1
Wal-Mart Stores Inc.	0.7	Financials	7.8
WellPoint Inc.	0.4	Index Equivalents	7.0
		Information Technology	3.6
		Options	1.7
Short Positions		Short Positions	
SPDR S&P 500 ETF Trust	(20.6)	Consumer Staples	(1.1)
Costco Wholesale Corporation	(1.1)	Index Equivalents	(20.6)
SPDR S&P 500 ETF Trust, Written Call Options	(0.6)	Options	(2.1)
Total Net Asset Value	\$14,426,205		

*Excludes cash and cash equivalents