

# EXEMPLAR

PORTFOLIOS



## AUDITED FINANCIAL STATEMENTS DECEMBER 2010

EXEMPLAR CANADIAN FOCUS PORTFOLIO | EXEMPLAR GLOBAL OPPORTUNITIES PORTFOLIO | EXEMPLAR DIVERSIFIED PORTFOLIO | EXEMPLAR LEADERS PORTFOLIO |



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## MANAGEMENT'S STATEMENT ON FINANCIAL REPORTING

TO THE SHAREHOLDERS OF EXEMPLAR CANADIAN FOCUS PORTFOLIO, EXEMPLAR GLOBAL OPPORTUNITIES PORTFOLIO, EXEMPLAR DIVERSIFIED PORTFOLIO AND EXEMPLAR LEADERS PORTFOLIO (COLLECTIVELY THE "PORTFOLIOS")

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 Portfolios' 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 Portfolios' affairs in the best interest of its shareholders.

Respectfully,

"James Wanstall"

Chief Executive Officer  
BluMont Capital Corporation  
March 25, 2011

## **INDEPENDENT AUDITOR'S REPORT**

TO THE SHAREHOLDERS OF EXEMPLAR CANADIAN FOCUS PORTFOLIO, EXEMPLAR GLOBAL OPPORTUNITIES PORTFOLIO, EXEMPLAR DIVERSIFIED PORTFOLIO AND EXEMPLAR LEADERS PORTFOLIO (COLLECTIVELY THE "PORTFOLIOS")

We have audited the accompanying financial statements of the Portfolios, which comprise each Portfolio's statement of investments and other net assets (as applicable) as at December 31, 2010 and each Portfolio's statements of net assets, operations and changes in net assets as at and for the periods as indicated in note 1(I), and the related notes including a summary of significant accounting policies.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements of each of the Portfolios in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements of each of the Portfolios based on each of our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in each of our audits is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements of each of the Portfolios present fairly, in all material respects, the financial position of each of the Portfolios, the results of each of their operations and the changes in each of their net assets as at and for the periods as indicated in note 1(I) in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants, Licensed Public Accountants  
Toronto, Canada  
March 27, 2011

**STATEMENT OF NET ASSETS**  
As at December 31,

**EXEMPLAR CANADIAN FOCUS PORTFOLIO**

	2010	2009
<b>ASSETS</b>		
Long positions at fair value*		
Canadian equities	\$ 39,087,513	\$ 23,117,268
Canadian bonds	1,207,937	-
U.S. equities	1,510,854	1,892,306
Global equities	<u>2,025,108</u>	<u>556,488</u>
	43,831,412	25,566,062
Cash and broker deposits	10,774,362	2,199,651
Short-term investments	-	1,988,840
Accrued investment income	104,087	46,521
Accounts receivable:		
Subscriptions receivable	397,543	8,000
Receivable from investment sales	-	161,158
Income tax receivable	168,697	277,491
Future income taxes	-	26,115
Total Assets	<u>55,276,101</u>	<u>30,273,838</u>
<b>LIABILITIES</b>		
Short positions at fair value**		
Canadian equities	<u>790,333</u>	<u>74,360</u>
Accounts payable:		
Fees and operating expenses	105,949	56,845
Performance fees payable	1,648,540	347,395
Dividends payable	6,300	-
Payable for investment purchases	117,751	357,209
Commissions payable	8,209	8,209
Income tax payable	-	5,000
Redemptions payable	10,864	52,146
Capital tax payable	<u>2,606</u>	<u>10,976</u>
Total Liabilities	<u>2,690,552</u>	<u>912,140</u>
<b>NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY<sup>†</sup></b>		
Series A	36,870,858	14,563,616
Series F	6,957,117	2,948,459
Series I	1,518,714	1,176,093
Series R	<u>7,238,860</u>	<u>10,673,530</u>
	<u>\$ 52,585,549</u>	<u>\$ 29,361,698</u>

<sup>†</sup>Net assets representing shareholders' equity carried forward to next page

**STATEMENT OF NET ASSETS - CONTINUED**  
As at December 31,

**EXEMPLAR CANADIAN FOCUS PORTFOLIO**

	2010	2009
<b>NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY<sup>†</sup></b>		
†Net assets representing shareholders' equity carried forward from previous page		
Series A	36,870,858	14,563,616
Series F	6,957,117	2,948,459
Series I	1,518,714	1,176,093
Series R	7,238,860	10,673,530
	<u>\$ 52,585,549</u>	<u>\$ 29,361,698</u>
<b>NUMBER OF SHARES OUTSTANDING (Note 4)</b>		
Series A	2,515,307	1,208,323
Series F	464,840	241,507
Series I	103,836	99,165
Series R	590,234	1,058,226
	<u>5,668,217</u>	<u>2,597,221</u>
<b>NET ASSETS PER SHARE</b>		
Series A	\$ 14.66	\$ 12.05
Series F	\$ 14.97	\$ 12.21
Series I	\$ 14.63	\$ 11.86
Series R	\$ 12.26	\$ 10.09
	<u>\$ 33,685,176</u>	<u>\$ 23,052,530</u>
*Long positions, at cost	<u>\$ 33,685,176</u>	<u>\$ 23,052,530</u>
**Proceeds on short positions	<u>\$ (737,216)</u>	<u>\$ (62,345)</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 years ended December 31,

**EXEMPLAR CANADIAN FOCUS PORTFOLIO**

	2010	2009
<b>INVESTMENT INCOME</b>		
Dividends	\$ 449,881	\$ 180,340
Less: Foreign withholding taxes	<u>2,409</u>	<u>1,021</u>
	447,472	179,319
Interest	<u>47,202</u>	<u>28,820</u>
	<u>494,674</u>	<u>208,139</u>
<b>EXPENSES (Notes 6 and 7)</b>		
Management fees	561,848	224,224
Performance fees	1,651,904	330,853
General operating expenses	388,777	250,404
Dividends on investments sold short	15,004	7,731
Audit fees	24,573	21,807
Legal fees	17,258	34,150
Securityholders' reporting costs	29,946	47,664
Custodian and Trustees' fees	1,612	1,232
Capital tax expense	(4,218)	9,064
Interest	<u>58</u>	<u>2,583</u>
	2,686,762	929,712
Less: Expenses absorbed by the Manager	<u>224,134</u>	<u>243,123</u>
	<u>2,462,628</u>	<u>686,589</u>
<b>INVESTMENT LOSS BEFORE INCOME TAXES</b>	<u>(1,967,954)</u>	<u>(478,450)</u>
<b>PROVISION FOR INCOME TAXES (RECOVERY)</b>		
Future	26,115	(26,115)
Current	<u>(89,423)</u>	<u>4,156</u>
	<u>(63,308)</u>	<u>(21,959)</u>
<b>NET INVESTMENT LOSS</b>	<u>(1,904,646)</u>	<u>(456,491)</u>
<b>NET REALIZED GAIN ON INVESTMENT TRANSACTIONS</b>	2,210,932	495,838
<b>TRANSACTION COSTS (Notes 2(1) and 7)</b>	(86,139)	(78,825)
<b>NET CHANGE IN UNREALIZED APPRECIATION OF INVESTMENTS</b>	7,591,603	2,456,333
<b>EXCHANGE GAIN (LOSS) ON FOREIGN CURRENCIES AND OTHER NET ASSETS</b>	<u>(32,900)</u>	<u>63,890</u>
<b>NET GAIN ON INVESTMENTS AND TRANSACTION COSTS</b>	<u>9,683,496</u>	<u>2,937,236</u>
<b>NET INCREASE IN NET ASSETS FROM OPERATIONS</b>		
Series A	4,906,335	1,843,435
Series F	1,039,541	348,255
Series I	292,621	165,845
Series R	<u>1,540,353</u>	<u>123,210</u>
	<u>\$ 7,778,850</u>	<u>\$ 2,480,745</u>
<b>NET INCREASE IN NET ASSETS FROM OPERATIONS PER SHARE (Note 2(VII))</b>		
Series A	\$ 3.02	\$ 1.72
Series F	\$ 3.18	\$ 1.94
Series I	\$ 2.86	\$ 1.79
Series R	<u>\$ 2.04</u>	<u>\$ 0.11</u>

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

**STATEMENT OF CHANGES IN NET ASSETS**  
For the years ended December 31,

**EXEMPLAR CANADIAN FOCUS PORTFOLIO**

	2010	2009
<b>Net Assets, Beginning of Year</b>		
Series A	14,563,616	7,211,585
Series F	2,948,459	846,762
Series I	1,176,093	869,298
Series R	10,673,530	-
	<u>\$ 29,361,698</u>	<u>\$ 8,927,645</u>
<b>Net Increase in Net Assets from Operations</b>		
Series A	4,906,335	1,843,435
Series F	1,039,541	348,255
Series I	292,621	165,845
Series R	1,540,353	123,210
	<u>7,778,850</u>	<u>2,480,745</u>
<b>From Capital Share Transactions: (Note 4)</b>		
Proceeds from issue of shares		
Series A	20,539,712	8,589,264
Series F	3,708,885	2,195,445
Series I	50,000	140,950
Series R	-	11,252,251
	<u>24,298,597</u>	<u>22,177,910</u>
Consideration paid for redemptions of shares		
Series A	(3,134,998)	(3,080,262)
Series F	(736,666)	(441,153)
Series I	-	-
Series R	(4,974,664)	(701,927)
	<u>(8,846,328)</u>	<u>(4,223,342)</u>
Reinvestment of dividends		
Series A	216,646	49,065
Series F	37,658	9,166
Series I	9,100	3,976
Series R	51,309	36,192
	<u>314,713</u>	<u>98,399</u>
	<u>15,766,982</u>	<u>18,052,967</u>
<b>From Dividends to Shareholders:</b>		
<b>From net investment income</b>		
Series A	(220,453)	(49,471)
Series F	(40,760)	(10,016)
Series I	(9,100)	(3,976)
Series R	(51,668)	(36,196)
	<u>(321,981)</u>	<u>(99,659)</u>
<b>Net Assets, End of Year</b>		
Series A	36,870,858	14,563,616
Series F	6,957,117	2,948,459
Series I	1,518,714	1,176,093
Series R	7,238,860	10,673,530
	<u>\$ 52,585,549</u>	<u>\$ 29,361,698</u>

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

**EXEMPLAR CANADIAN FOCUS PORTFOLIO**  
**STATEMENT OF INVESTMENTS AND OTHER NET ASSETS**  
As at December 31, 2010

	Number of Shares	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Assets
<b>LONG POSITIONS</b>				
<b>Canadian Equities</b>				
<b>Energy</b>				
Angle Energy Inc.	41,100	\$ 322,903	\$ 339,075	
ARC Energy Trust	24,100	569,261	612,381	
Arcan Resources Limited	90,000	187,500	510,300	
Bellatrix Exploration Limited	84,200	294,674	404,160	
BlackPearl Resources Inc.	67,000	312,813	393,960	
Cameco Corporation	7,700	279,243	309,925	
Canyon Services Group Inc.	24,100	229,203	260,521	
Celtic Exploration Limited	30,000	349,029	531,300	
Crew Energy Inc.	24,000	332,364	457,920	
Daylight Energy Limited	46,900	483,005	483,070	
Emera Inc.	14,100	430,416	441,753	
Gasfrac Energy Services, Inc.	54,200	452,828	494,846	
Legacy Oil + Gas Inc.	22,000	230,824	341,440	
Pacific Rubiales Energy Corporation	32,100	399,972	1,082,412	
Petrominerales Limited	11,000	302,962	362,890	
Provident Energy Trust	36,300	277,762	286,044	
Pure Energy Services Limited	46,200	263,215	267,036	
Rainy River Resources Limited	80,100	450,866	1,010,862	
Skywest Energy Corporation	529,000	158,700	359,720	
SouthGobi Resources Limited	11,100	172,482	134,976	
Surge Energy Inc.	61,900	443,613	449,394	
TransGlobe Energy Corporation	17,600	183,748	275,792	
Tuscany International Drilling Inc.	360,000	496,800	500,400	
Western Coal Corporation	2,200	22,660	27,060	
Wild Stream Exploration Inc.	42,600	221,249	407,256	
		7,868,092	10,744,493	20.4

**Basic Materials**

Agrium Inc.	8,800	590,251	805,200	
Aurx Gold Corporation	316,200	315,324	290,904	
Balmoral Resources Limited	550,000	330,000	704,000	
Balmoral Resources Limited, Warrants, Sept 28, 2012	275,000	-	93,500	
Black Diamond Group Limited	18,900	379,826	405,972	
Capital Gold Corporation	27,800	129,979	140,946	
CB Gold Inc.	36,600	53,494	51,972	
Champion Minerals Inc.	101,000	173,130	236,340	
Cline Mining Corporation	26,900	78,620	108,407	
Colossus Minerals Inc.	32,000	180,536	282,240	
Consolidated Thompson Iron Mines Limited	6,200	72,328	87,234	
Continental Gold Limited	23,400	234,839	231,192	
Copper Mountain Mining Corporation	99,000	332,844	641,520	
Detour Gold Corporation	60,000	804,974	1,746,600	

	Number of Shares	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Assets
<b>Basic Materials – cont'd</b>				
East Asia Minerals Corporation	41,500	\$ 301,107	\$ 340,300	
Eastern Platinum Limited	292,000	449,624	516,840	
Gold Bullion Development Corporation	100,000	68,120	85,000	
HudBay Minerals Inc.	33,400	510,694	599,864	
Imperial Metals Corporation	29,200	681,257	764,456	
Labrador Iron Mines Holdings Limited	13,800	88,941	159,942	
Labrador Iron Ore Royalty Trust	13,000	597,997	874,250	
Lago Dourado Minerals Limited	347,800	173,900	226,070	
Malbex Resources Inc.	69,100	43,802	42,151	
Methanex Corporation	3,200	91,396	96,480	
Monument Mining Limited	44,000	29,144	28,600	
Northern Superior Resources Inc.	163,000	139,618	133,660	
Osisko Mining Corporation	33,000	243,035	477,840	
PMI Gold Corporation	120,000	97,800	72,000	
Portage Minerals Inc.	180,354	46,009	19,839	
Romarco Minerals Inc.	207,000	285,048	478,170	
Royal Nickel Corporation	160,000	320,000	424,000	
Rukwa Uranium Limited <sup>2</sup>	750,000	37,500	37,500	
Silver Wheaton Corporation	25,000	350,820	973,250	
Sulliden Exploration Inc.	300,100	361,887	663,221	
Trelawney Mining and Exploration Inc.	42,300	97,705	122,670	
Trelawney Mining and Exploration Inc. Restricted <sup>2</sup>	79,500	174,900	230,550	
Uranium World Energy Inc. <sup>2</sup>	1,400,000	-	-	
Volta Resources Inc.	184,300	268,388	440,477	
Yamana Gold Inc.	14,100	178,026	179,634	
		9,312,863	13,812,791	26.3
<b>Industrials</b>				
Air Canada 'B'	115,000	427,900	396,750	
CAE Inc.	32,800	372,528	375,232	
Canadian National Railway Company	6,400	418,798	424,000	
Domtar Corporation	5,600	443,535	423,752	
Horizon North Logistics Inc.	11,900	34,013	34,629	
Neo Material Technologies Inc.	50,500	325,816	395,415	
Student Transportation Inc.	24,900	143,814	151,392	
		2,166,404	2,201,170	4.2
<b>Consumer Discretionary</b>				
Astral Media Inc. 'A'	12,900	437,341	541,155	
Cineplex Galaxy Income Fund	24,400	492,721	546,560	
Groupe Aeroplan Inc.	10,800	122,460	147,312	
Imax Corporation	6,600	113,632	183,480	
Magna International Inc. 'A'	22,000	791,945	1,142,020	
Torstar Corporation 'B'	34,400	432,507	417,960	
		2,390,606	2,978,487	5.7

	Number of Shares/Par Value	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Assets
<b>Consumer Staples</b>				
Alimentation Couche-Tard Inc. 'B'	11,900	\$ 310,389	\$ 321,776	
Metro Inc. 'A'	11,800	414,064	533,360	
		724,453	855,136	1.6
<b>Health Care</b>				
Paladin Labs Inc.	10,200	175,504	333,744	0.6
<b>Financials</b>				
Bank of Montreal	4,000	238,434	229,920	
CI Financial Corporation	11,500	239,249	258,520	
Canadian Imperial Bank of Commerce	12,400	935,754	969,804	
Canadian Western Bank	28,600	649,471	811,096	
National Bank of Canada	19,900	1,295,477	1,360,762	
Power Financial Corporation	2,600	75,565	79,716	
TMX Group Inc.	11,000	366,284	406,340	
		3,800,234	4,116,158	7.8
<b>Information Technology</b>				
CGI Group Inc. 'A'	19,000	301,703	326,230	
Open Text Corporation	5,600	238,331	255,416	
Research In Motion Limited	3,800	234,529	220,666	
SXC Health Solutions Corporation	14,000	237,676	596,400	
The Descartes Systems Group Inc.	70,100	413,089	490,700	
		1,425,328	1,889,412	3.6
<b>Telecommunication Services</b>				
BCE Inc.	43,400	1,128,157	1,533,322	
Telus Corporation	14,400	614,030	622,800	
		1,742,187	2,156,122	4.1
<b>Total Canadian Equities - Long</b>		<b>29,605,671</b>	<b>39,087,513</b>	<b>74.3</b>
<b>Canadian Bonds</b>				
Consolidated Thompson, 5.00%, November 30, 2017	220,000	223,773	251,521	
Detour Gold Corporation, 5.50%, November 30, 2017	750,000	765,415	745,616	
Rocky Mountain Dealership, 7.00%, September 30, 2017	200,000	200,000	210,800	
<b>Total Canadian Bonds - Long</b>		<b>1,189,188</b>	<b>1,207,937</b>	<b>2.3</b>
<b>U.S. Equities</b>				
<b>Basic Materials</b>				
Allied Nevada Gold Corporation	14,500	245,364	379,465	
Freeport-McMoRan Copper & Gold Inc.	5,200	469,016	620,766	
		714,380	1,000,231	1.9

	Number of Shares	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Assets
<b>Information Technology</b>				
International Business Machines Corporation	3,500	\$ 459,371	\$ 510,623	1.0
<b>Total U.S. Equities - Long</b>		<b>1,173,751</b>	<b>1,510,854</b>	<b>2.9</b>
<b>Global Equities</b>				
<b>Australia</b>				
CGA Mining Limited	154,800	484,903	478,332	
Centamin Egypt Limited	121,600	253,143	334,400	
Intrepid Mines Limited	317,900	572,189	648,515	
Paladin Energy Limited	16,000	78,960	80,160	
		1,389,195	1,541,407	2.9
<b>United Kingdom</b>				
Amazon Mining Holding PLC <sup>2</sup>	76,900	362,538	483,701	0.9
<b>Total Global Equities - Long</b>		<b>1,751,733</b>	<b>2,025,108</b>	<b>3.9</b>
<b>Total Long Positions Including Transaction Costs</b>		<b>33,720,343</b>	<b>43,831,412</b>	<b>83.4</b>
Transaction costs		(35,167)	-	-
<b>Total Long Positions Before Transaction Costs</b>		<b>33,685,176</b>	<b>43,831,412</b>	<b>83.4</b>
<b>SHORT POSITIONS</b>				
<b>Canadian Equities</b>				
<b>Basic Materials</b>				
Gammon Gold Inc.	(4,000)	(30,045)	(32,640)	
Centerra Gold Inc.	(5,900)	(85,330)	(117,469)	
		(115,375)	(150,109)	(0.3)
<b>Financials</b>				
iShares S&P/TSX Capped Financials Index Fund	(4,100)	(87,403)	(94,464)	(0.2)
<b>Telecommunication Services</b>				
Telus Corporation 'A' Non Voting	(12,000)	(533,580)	(545,760)	(1.0)
<b>Total Canadian Equities - Short</b>		<b>(736,358)</b>	<b>(790,333)</b>	<b>(1.5)</b>
<b>Total Short Positions Including Transaction Costs</b>		<b>(736,358)</b>	<b>(790,333)</b>	<b>(1.5)</b>
Transaction Costs		(858)	-	-
<b>Total Short Positions Before Transaction Costs</b>		<b>(737,216)</b>	<b>(790,333)</b>	<b>(1.5)</b>
<b>TOTAL INVESTMENT PORTFOLIO</b>		<b>\$ 32,947,960</b>	<b>43,041,079</b>	<b>81.8</b>
Other Assets Net of Liabilities <sup>1</sup>			9,544,470	18.2
<b>TOTAL NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY</b>			<b>\$ 52,585,549</b>	<b>100.0</b>

<sup>1</sup>This amount is comprised of cash and broker deposits plus accrued investment income plus accounts receivable plus income tax receivable less accounts payable.

<sup>2</sup>Private and/or illiquid securities.

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

**EXEMPLAR CANADIAN FOCUS PORTFOLIO**  
**SUMMARY OF INVESTMENT PORTFOLIO**  
As at December 31,

<b>SECTOR MIX</b>	<b>% of Total Net Assets</b>	
	<b>2010</b>	<b>2009</b>
<b>Long Positions</b>		
Energy	20.4	18.9
Basic Materials	32.0	42.2
Industrials	4.2	1.4
Consumer Discretionary	5.7	1.7
Consumer Staples	1.6	1.9
Health Care	0.6	2.4
Financials	7.8	5.6
Index Equivalents	-	1.3
Information Technology	4.6	7.8
Telecommunication Services	4.1	3.9
Corporate Bonds	2.3	-
Other assets, net of liabilities	18.2	13.2
<b>Short Positions</b>		
Basic Materials	(0.3)	-
Financials	(0.2)	-
Index Equivalents	-	(0.3)
Telecommunication Services	(1.0)	-

<b>GEOGRAPHIC MIX</b>	<b>% of Total Net Assets</b>	
	<b>2010</b>	<b>2009</b>
<b>Long Positions</b>		
Canada	76.6	78.7
U.S.	2.9	6.5
Australia	2.9	1.0
United Kingdom	0.9	0.9
Other Assets Net of Liabilities	18.2	13.2
<b>Short Positions</b>		
Canada	(1.5)	(0.3)

<b>ASSET MIX</b>	<b>% of Total Net Assets</b>	
	<b>2010</b>	<b>2009</b>
<b>Long Positions</b>		
Canadian Equities	74.3	78.7
Canadian Bonds	2.3	-
U.S. Equities	2.9	6.5
Global Equities	3.8	1.9
Other Assets Net of Liabilities	18.2	13.2
<b>Short Positions</b>		
Canadian Equities	(1.5)	(0.3)

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

**EXEMPLAR CANADIAN FOCUS PORTFOLIO**  
**DISCUSSION OF FINANCIAL INSTRUMENTS RISK MANAGEMENT (Note 3)**  
**December 31, 2010**

**A. FINANCIAL RISK MANAGEMENT**

The investment objective of the Exemplar Canadian Focus Portfolio (the "Portfolio") is to achieve superior capital appreciation over both short and long term horizons primarily through the selection and management of a concentrated group of long and short positions in Canadian equity securities and equity derivative securities.

The Portfolio invests predominantly in large and mid capitalization companies. The Portfolio may also invest in bonds and other debt instruments if warranted by financial conditions. The Portfolio does not specialize in any one industry other than to concentrate investments in those industries that offer the best opportunities for exceptional returns at each stage of the economic and market cycle. The Portfolio may also invest in options, including put options or call options either in respect of a specific security or in respect of a stock exchange index as a means to reduce volatility.

The Portfolio may engage in short selling of securities which the Manager believes are overvalued, especially securities of issuers with deteriorating fundamentals and weak balance sheets. Short positions of index securities such as exchange traded funds may also be employed for capital preservation and hedging purposes. Short selling positions will not in total exceed 40% of the Net Asset Value of the Portfolio.

The Portfolio holds cash and invests in short term securities for the purpose of preserving capital and/or maintaining liquidity, based upon the Manager's ongoing evaluation of current and anticipated economic and market conditions. The Portfolio may also invest in foreign securities of the same type and characteristics as described above.

The Portfolio may use derivatives for hedging and non-hedging purposes as permitted by applicable securities laws. The Portfolio may enter into securities lending, repurchase and reverse repurchase transactions to generate additional income or as a short-term cash management tool.

The Portfolio is permitted to leverage its assets. The Portfolio will generally not use leverage in excess of 20% of its Net Asset Value.

The Portfolio's overall risk management program seeks to minimize the potentially adverse effect of risk on the Portfolio's financial performance in a manner consistent with the Portfolio's investment objective. The Manager manages the potential effects of these financial risks on the Portfolio's performance by employing and overseeing professional and experienced portfolio advisors that monitor the Portfolio's investments and market events on a daily basis.

A general discussion of financial risk management for the Exemplar Portfolios is contained in Note 3: FINANCIAL INSTRUMENTS RISK MANAGEMENT on page 48.

## B. CREDIT RISK

As at December 31, 2010 and 2009, the Portfolio invested in debt instruments and/or derivatives with the following credit ratings:

Debt Instruments by Credit Rating	Percentage of Net Assets (%)	
	As at December 31, 2010	As at December 31, 2009
Not Rated	2.3%	-

Credit ratings are obtained from Standard & Poor's, Moody's and/or Dominion Bond Rating Services. Where multiple ratings were obtained for a security, the lowest rating has been used.

## C. LIQUIDITY RISK

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

### December 31, 2010

	Less than 1 year (\$)	1 - 3 years (\$)	3 - 5 Years (\$)	Beyond 5 Years	No maturity date (\$)
<b>Financial Assets</b>					
Equities - Long	-	-	-	-	42,623,475
Bonds	-	-	-	1,207,937	-
Other receivables	670,327	-	-	-	-
Cash and broker deposits	10,774,362	-	-	-	-
<b>Total</b>	<b>11,444,689</b>	-	-	<b>1,207,937</b>	<b>42,623,475</b>
<b>Liabilities</b>					
Equities - Short	-	-	-	-	(790,333)
Other liabilities	(1,900,219)	-	-	-	-
<b>Total</b>	<b>(1,900,219)</b>	-	-	-	<b>(790,333)</b>

### December 31, 2009

	Less than 1 year (\$)	1 - 3 years (\$)	3 - 5 Years (\$)	Beyond 5 Years	No maturity date (\$)
<b>Financial Assets</b>					
Equities - Long	-	-	-	-	25,566,062
Other receivables	519,285	-	-	-	-
Cash and broker deposits	4,188,491	-	-	-	-
<b>Total</b>	<b>4,707,776</b>	-	-	-	<b>25,566,062</b>
<b>Liabilities</b>					
Equities - Short	-	-	-	-	(74,360)
Other liabilities	(837,780)	-	-	-	-
<b>Total</b>	<b>(837,780)</b>	-	-	-	<b>(74,360)</b>

## D. INTEREST RATE RISK

As at December 31, 2010 and 2009, the Portfolio held the following interest-bearing securities:

Debt Instruments by Maturity	Financial Instruments	
	As at December 31, 2010 (\$)	As at December 31, 2009 (\$)
Less than 1 year	-	-
1-3 years	-	-
3-5 years	-	-
Greater than 5 years	1,207,937	-

As at December 31, 2010, if the yield curve shifted in parallel by 25 basis points, with all other variables held constant, Net Assets would have increased or decreased, respectively, by approximately \$381 (December 31, 2009 - \$0).

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

**E. OTHER PRICE RISK**

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

The impact on Net Assets of the Portfolio due to a 5 percent change in benchmark, using historical correlation between the Portfolio's return as compared to the return of the Portfolio's benchmark, as at December 31, 2010 and 2009, with all other variables held constant, is presented in the following table. Regression analysis has been utilized to estimate the historical correlation. The analysis uses 32 data points (December 31, 2009 – 20 data points) based on the monthly net returns of the Portfolio.

Benchmark	Impact on Net Assets	
	December 31, 2010	December 31, 2009
S&P/TSX Total Return Index	\$524,618	\$170,000

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

**F. CURRENCY RISK**

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

Currency	As at December 31, 2010		As at December 31, 2009	
	Financial Instruments (\$)	Percentage of Net Assets (%)	Financial Instruments (\$)	Percentage of Net Assets (%)
United States Dollar (long)	2,128,525	4.0	2,079,725	7.1
United States Dollar (short)	(28,652)	(0.1)	-	-

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

As at December 31, 2010, if the Canadian dollar had strengthened or weakened by 5 percent in relation to all currencies, with all other variables held constant, Net Assets would have increased or decreased, respectively, by approximately \$105,000 (December 31, 2009 – \$104,000).

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

**G. FAIR VALUE ESTIMATION**

The following table analyzes the Portfolio's financial assets and liabilities within the fair value hierarchy measured at fair value.

**December 31, 2010**

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Assets</b>				
Equity securities - long	41,557,925	1,028,050	37,500	42,623,475
Bonds	-	1,207,937	-	1,207,937
<b>Total Assets</b>	<b>41,557,925</b>	<b>2,235,987</b>	<b>37,500</b>	<b>43,831,412</b>
<b>Liabilities</b>				
Equity securities - short	(790,333)	-	-	(790,333)
<b>Total Liabilities</b>	<b>(790,333)</b>	<b>-</b>	<b>-</b>	<b>(790,333)</b>

**December 31, 2009**

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Assets</b>				
Equity securities - long	24,565,267	408,000	592,795	25,566,062
Treasury bills	-	1,988,840	-	1,988,840
<b>Total Assets</b>	<b>24,565,267</b>	<b>2,396,840</b>	<b>592,795</b>	<b>27,554,902</b>
<b>Liabilities</b>				
Equity securities - short	(74,360)	-	-	(74,360)
<b>Total Liabilities</b>	<b>(74,360)</b>	<b>-</b>	<b>-</b>	<b>(74,360)</b>

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.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include warrants on restricted securities (4 month trading holds) and bonds. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As observable prices are not available for these securities, the Manager has used its best judgment to derive the fair value.

The level 3 equity amount consists of a single private equity position. The Manager considers original transaction price, recent transactions in the same or similar instruments and completed third-party transactions in comparable instruments and adjusts the prices as deemed necessary.

The following table presents the movement in level 3 instruments for the year ended December 31, 2010 and 2009 by class of financial instrument.

	Equity Securities (\$)	
	December 31, 2010	December 31, 2009
<b>Opening balance</b>	<b>592,795</b>	-
Net purchases and sales	-	592,795
Net transfers in (out)	(555,295)	-
Realized	-	-
Unrealized	-	-
<b>Closing balance</b>	<b>37,500</b>	<b>592,795</b>

There were no transfers between level 1 and level 2 during the year.

There was no change in unrealized appreciation (depreciation) for level 3 financial instruments held as at December 31, 2010 and December 31, 2009.

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

**STATEMENT OF NET ASSETS**  
As at December 31,

**EXEMPLAR GLOBAL OPPORTUNITIES PORTFOLIO**

	2010	2009
<b>ASSETS</b>		
Long positions at fair value*		
Canadian equities	\$ 1,809,993	\$ 693,599
Canadian bonds	182,490	168,630
U.S. equities	6,792,717	4,709,571
U.S. bonds	2,251,363	1,365,880
U.S. options	7,630	24,224
Global equities	3,997,400	2,468,574
Global bonds	161,364	45,059
	<u>15,202,957</u>	<u>9,475,537</u>
Cash and broker deposits	6,828,728	7,822,032
Accrued investment income	43,755	32,300
Accounts receivable:		
Receivable from investment sales	120,170	321,487
Subscriptions receivable	20,000	-
Income tax receivable	-	55,742
Future income taxes	-	26,091
Total Assets	<u>22,215,610</u>	<u>17,733,189</u>
<b>LIABILITIES</b>		
Short positions at fair value**		
U.S. equities	2,542,556	1,722,455
U.S. options	884,601	487,135
	<u>3,427,157</u>	<u>2,209,590</u>
Accounts payable:		
Fees and operating expenses	36,429	26,600
Performance fees payable	137,903	6,139
Dividends payable	1,690	377
Payable for investment purchases	70,717	269,276
Redemptions payable	5,129	-
Capital tax payable	2,998	9,024
Total Liabilities	<u>3,682,023</u>	<u>2,521,006</u>
<b>NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY†</b>		
Series A	12,016,355	9,820,880
Series F	6,517,232	5,391,303
	<u>\$ 18,533,587</u>	<u>\$ 15,212,183</u>

†Net assets representing shareholders' equity carried forward to next page

**STATEMENT OF NET ASSETS – CONTINUED**  
As at December 31,

**EXEMPLAR GLOBAL OPPORTUNITIES PORTFOLIO**

	2010	2009
<b>NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY<sup>†</sup></b>		
†Net assets representing shareholders' equity carried forward from previous page		
Series A	12,016,355	9,820,880
Series F	6,517,232	5,391,303
	<u>\$ 18,533,587</u>	<u>\$ 15,212,183</u>
<b>NUMBER OF SHARES OUTSTANDING (Note 4)</b>		
Series A	1,093,198	942,789
Series F	576,403	508,459
<b>NET ASSETS PER SHARE</b>		
Series A	\$ 10.99	\$ 10.42
Series F	\$ 11.31	\$ 10.60
*Long positions, at cost	<u>\$ 13,362,034</u>	<u>\$ 8,577,217</u>
**Proceeds on short positions	<u>\$ (2,823,437)</u>	<u>\$ (2,037,775)</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 years ended December 31,

**EXEMPLAR GLOBAL OPPORTUNITIES PORTFOLIO**

	2010	2009
<b>INVESTMENT INCOME</b>		
Dividends	\$ 269,835	\$ 119,382
Less: Foreign withholding taxes	<u>24,723</u>	<u>16,384</u>
	245,112	102,998
Interest	<u>178,110</u>	<u>199,476</u>
	<u>423,222</u>	<u>302,474</u>
<b>EXPENSES (Notes 6 and 7)</b>		
Management fees	284,897	165,183
Performance fees	137,920	5,846
General operating expenses	233,574	229,358
Dividends on investments sold short	23,320	6,256
Audit fees	22,644	22,835
Legal fees	15,338	22,633
Securityholders' reporting costs	14,920	2,511
Custodian and Trustees' fees	965	126
Capital tax (recovery) expense	(2,630)	11,388
Interest	<u>518</u>	<u>-</u>
	731,466	466,136
Less: Expenses absorbed by the Manager	<u>159,255</u>	<u>192,652</u>
	<u>572,211</u>	<u>273,484</u>
<b>INVESTMENT GAIN (LOSS) BEFORE INCOME TAXES</b>	<u>(148,989)</u>	<u>28,990</u>
<b>PROVISION FOR INCOME TAXES (RECOVERY)</b>		
Future	26,091	(26,091)
Current	<u>19,918</u>	<u>124,405</u>
	<u>46,009</u>	<u>98,314</u>
<b>NET INVESTMENT LOSS</b>	<u>(194,998)</u>	<u>(69,324)</u>
<b>NET REALIZED GAIN ON INVESTMENT TRANSACTIONS</b>	656,781	163,215
<b>TRANSACTION COSTS (Notes 2(I) and 7)</b>	(40,744)	(18,140)
<b>NET CHANGE IN UNREALIZED APPRECIATION OF INVESTMENTS</b>	510,697	1,424,100
<b>EXCHANGE GAIN (LOSS) ON FOREIGN CURRENCIES AND OTHER NET ASSETS</b>	<u>105,887</u>	<u>(954,748)</u>
<b>NET GAIN ON INVESTMENTS AND TRANSACTION COSTS</b>	<u>1,232,621</u>	<u>614,427</u>
<b>NET INCREASE IN NET ASSETS FROM OPERATIONS</b>		
Series A	638,301	298,276
Series F	<u>399,322</u>	<u>246,827</u>
	<u>\$ 1,037,623</u>	<u>\$ 545,103</u>
<b>NET INCREASE IN NET ASSETS FROM OPERATIONS PER SHARE (Note 2(VII))</b>		
Series A	\$ 0.59	\$ 0.44
Series F	<u>\$ 0.74</u>	<u>\$ 0.61</u>

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

**STATEMENT OF CHANGES IN NET ASSETS**  
**For the years ended December 31,**

**EXEMPLAR GLOBAL OPPORTUNITIES PORTFOLIO**

	2010	2009
<b>Net Assets, Beginning of Year</b>		
Series A	9,820,880	3,087,983
Series F	<u>5,391,303</u>	<u>3,403,741</u>
	<u>\$ 15,212,183</u>	<u>\$ 6,491,724</u>
<b>Net Increase in Net Assets from Operations</b>		
Series A	638,301	298,276
Series F	<u>399,322</u>	<u>246,827</u>
	<u>1,037,623</u>	<u>545,103</u>
<b>From Capital Share Transactions: (Note 4)</b>		
Proceeds from issue of shares		
Series A	4,846,067	8,071,829
Series F	<u>3,338,193</u>	<u>4,411,231</u>
	<u>8,184,260</u>	<u>12,483,060</u>
Consideration paid for redemptions of shares		
Series A	(3,288,543)	(1,637,083)
Series F	<u>(2,611,466)</u>	<u>(2,670,413)</u>
	<u>(5,900,009)</u>	<u>(4,307,496)</u>
Reinvestment of dividends		
Series A	14,529	3,453
Series F	<u>7,725</u>	<u>1,876</u>
	<u>22,254</u>	<u>5,329</u>
	<u>2,306,505</u>	<u>8,180,893</u>
<b>From Dividends to Shareholders:</b>		
From net investment income		
Series A	(14,879)	(3,578)
Series F	<u>(7,845)</u>	<u>(1,959)</u>
	<u>(22,724)</u>	<u>(5,537)</u>
<b>Net Assets, End of Year</b>		
Series A	12,016,355	9,820,880
Series F	<u>6,517,232</u>	<u>5,391,303</u>
	<u>\$ 18,533,587</u>	<u>\$ 15,212,183</u>

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

**EXEMPLAR GLOBAL OPPORTUNITIES PORTFOLIO**  
**STATEMENT OF INVESTMENTS AND OTHER NET ASSETS**  
As at December 31, 2010

	Number of Shares/Options /Par Value	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Assets
<b>LONG POSITIONS</b>				
<b>Canadian Equities</b>				
<b>Basic Materials</b>				
Barrick Gold Corporation	16,000	\$ 633,160	\$ 845,907	
Cameco Corporation	13,700	374,331	549,700	
Ivanhoe Mines Limited	1,400	13,390	31,803	
Ivanhoe Mines Limited, Rights	1,400	-	1,921	
		<u>1,020,881</u>	<u>1,429,331</u>	<u>7.7</u>
<b>Energy</b>				
Suncor Energy Inc.	10,000	318,170	380,662	2.1
<b>Total Canadian Equities - Long</b>		<b>1,339,051</b>	<b>1,809,993</b>	<b>9.8</b>
<b>Canadian Bonds</b>				
First Uranium Corporation 4.25% June 30, 2012	231,000	181,412	182,490	
<b>Total Canadian Bonds - Long</b>		<b>181,412</b>	<b>182,490</b>	<b>1.0</b>
<b>U.S. Equities</b>				
<b>Energy</b>				
Arch Coal Inc.	7,200	150,356	250,956	
Chesapeake Energy Corporation	12,000	272,976	309,102	
Chevron Corporation	600	46,290	54,430	
Nexen Inc.	12,350	292,828	280,916	
Tesoro Corporation	8,200	108,372	151,058	
		<u>870,822</u>	<u>1,046,462</u>	<u>5.6</u>
<b>Basic Materials</b>				
AngloGold Ashanti Limited ADR	8,300	313,227	406,055	
Newmont Mining Corporation	8,400	396,197	512,829	
NovaGold Resources Inc.	9,075	(336,462)	128,473	
Range Resources Corporation	7,200	276,512	321,963	
		<u>649,474</u>	<u>1,369,320</u>	<u>7.4</u>
<b>Consumer Discretionary</b>				
eBay Inc.	9,500	227,334	262,651	1.4

	Number of Shares/Options /Par Value	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Assets
<b>Consumer Staples</b>				
Smithfield Foods Inc.	7,900	\$ 117,442	\$ 162,024	
The Kroger Company	12,100	265,263	268,974	
Tyson Foods Inc. 'A'	16,000	204,303	273,909	
Wal-Mart Stores Inc.	12,300	660,267	659,461	
		1,247,275	1,364,368	7.4
<b>Health Care</b>				
Aetna Inc.	8,500	260,656	257,819	
AstraZeneca PLC ADR	2,400	107,160	110,208	
Eli Lilly & Company	7,800	272,714	271,559	
Forest Laboratories Inc.	6,100	169,911	193,938	
Pfizer Inc.	22,500	424,972	391,672	
		1,235,413	1,225,196	6.6
<b>Industrials</b>				
Lockheed Martin Corporation	5,750	439,441	399,633	2.2
<b>Information Technology</b>				
Lucent Tech Cap Preferred 7.75%	410	332,160	361,137	
Microsoft Corporation	5,400	169,820	149,779	
Nokia Corporation ADR	13,100	119,056	134,402	
		621,036	645,318	3.5
<b>Telecommunication Services</b>				
Deutsche Telekom AG ADR	2,400	27,732	30,493	
Nippon Telegraph & Telephone - ADR	19,700	442,674	449,276	
		470,406	479,769	2.6
<b>Total U.S. Equities - Long</b>		<b>5,761,201</b>	<b>6,792,717</b>	<b>36.7</b>
<b>U.S. Bonds</b>				
Alcatel-Lucent Usa Inc. 2.75% June 15, 2025	566,000	537,712	534,911	
Alcoa Inc. 5.375% January 15, 2013	34,000	35,921	36,117	
Bristow Group Inc. 3.00% June 15, 2038	142,000	128,127	142,758	
C5 Capital SPV Limited Floating Rate December 31, 2049	155,000	113,848	101,702	
Delta Petroleum 3.75% Convertible May 1, 2037	184,000	81,952	154,913	
Delta Petroleum Corporation 7.00% April 1, 2015	123,000	54,082	82,540	
Fannie Mae FNS 334 22 5.00% February 01, 2018	228,504	28,559	24,097	
Freddie Mac 5.50% March 15, 2033 Series 2581 Class IL	375,852	164,020	127,251	
Freddie Mac 4.00% January 15, 2024 Series 3720 Class EI	3,698,518	345,946	437,263	
GNMA 4.50% July 20, 2039 Series 2010-30	1,027,182	197,497	182,861	
Gold Reserve Inc. 5.50% June 15, 2022 Convertible	87,000	44,630	60,548	
Goodrich Petroleum Corporation 5.00% October 1, 2029	145,000	123,462	142,116	

	Number of Shares/Options /Par Value	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Assets
<b>U.S. Bonds – Cont'd</b>				
Office Depot Inc. 6.25% August 15, 2013	51,000	\$ 45,847	\$ 50,829	
Omnicare Inc. 3.25% December 15, 2035	89,000	76,631	81,192	
Scholastic Corporation 5.0% April 15, 2013	45,000	44,943	45,014	
Tesoro Corporation 6.625% November 01, 2015	47,000	41,905	47,251	
<b>Total U.S. Bonds - Long</b>		<b>2,065,082</b>	<b>2,251,363</b>	<b>12.1</b>
<b>U.S. Put Options</b>				
Autozone Inc., \$150, January 2011	5	9,002	25	
Autozone Inc., \$200, January 2011	15	35,187	7,605	
<b>Total U.S. Options - Long</b>		<b>44,189</b>	<b>7,630</b>	<b>-</b>
<b>Global Equities</b>				
<b>Australia</b>				
Newcrest Mining Limited	4,850	157,495	199,361	1.1
<b>Brazil</b>				
Centrais Eletricas Brasileiras S.A. ADR Preferred	19,000	331,715	313,556	1.7
<b>Egypt</b>				
Oriental Weavers Company	22,000	127,263	127,347	0.7
<b>France</b>				
Areva	2,550	117,775	123,917	
Electricite de France	925	51,837	37,801	
Thales SA	11,450	542,890	399,167	
		712,502	560,885	3.0
<b>Hong Kong</b>				
Guoco Group Limited	6,000	62,157	79,195	0.4
<b>Indonesia</b>				
PT Medco Energi Internasional Tbk	260,000	86,949	96,132	0.5
<b>Italy</b>				
Finmeccanica SpA	11,050	130,020	124,018	
Telecom Italia SpA - RNC	164,000	206,208	177,295	
		336,228	301,313	1.6

	Number of Shares/Options /Par Value	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Assets
<b>Japan</b>				
Mitsui & Company Limited	7,900	\$ 107,501	\$ 129,799	
Toppan Printing Company Limited	27,000	240,171	244,801	
West Japan Railway Company	19	70,490	70,536	
		418,162	445,136	2.4
<b>Luxembourg</b>				
Stolt-Nielsen SA	10,100	174,007	243,854	1.3
<b>Norway</b>				
Statoil ASA ADR	12,800	274,458	302,477	1.6
<b>Russia</b>				
OAO Gazprom ADR	7,280	137,179	182,456	
Polyus Gold ADR	5,110	130,276	184,155	
		267,455	366,611	2.0
<b>South Africa</b>				
Gold Fields Limited ADR	25,700	328,398	462,451	2.5
<b>South Korea</b>				
KT Corporation ADR	3,900	75,180	80,529	
Korea Electric Power Corporation ADR	16,000	253,045	214,896	
		328,225	295,425	1.6
<b>Sweden</b>				
Ericsson (LM) Tel - SP ADR	3,500	38,428	40,119	0.2
<b>Switzerland</b>				
UBS AG - Registered	10,000	177,511	163,538	0.9
<b>Total Global Equities - Long</b>		<b>3,820,953</b>	<b>3,997,400</b>	<b>21.5</b>
<b>Global Bonds</b>				
<b>Venezuela</b>				
Petroleos De Venezuela 4.90% October 28, 2014	265,000	164,727	161,364	0.9
<b>Total Global Bonds - Long</b>		<b>164,727</b>	<b>161,364</b>	<b>0.9</b>
<b>Total Long Positions Including Transaction Costs</b>		<b>13,376,615</b>	<b>15,202,957</b>	<b>82.0</b>
Transaction Costs		(14,581)	-	-
<b>Total Long Positions Before Transaction Costs</b>		<b>13,362,034</b>	<b>15,202,957</b>	<b>82.0</b>

	Number of Shares/Options /Par Value	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Assets
<b>SHORT POSITIONS</b>				
<b>U.S. Equities</b>				
<b>Basic Materials</b>				
Sigma-Aldrich Corporation	(3,895)	\$ (228,483)	\$ (258,045)	(1.4)
<b>Consumer Discretionary</b>				
Amazon.com Inc.	(1,360)	(185,793)	(243,383)	
Chipotle Mexican Grill Inc.	(1,480)	(232,916)	(313,088)	
Green Mountain Coffee Roasters Inc.	(5,600)	(178,780)	(183,441)	
P.F. Chang's China Bistro Inc.	(5,625)	(263,890)	(271,050)	
Panera Bread Company 'A'	(2,918)	(249,764)	(294,272)	
Tiffany & Company	(6,800)	(357,265)	(421,164)	
Urban Outfitters Inc.	(6,700)	(257,486)	(238,858)	
		(1,725,894)	(1,965,256)	(10.6)
<b>Information Technology</b>				
Netflix Inc.	(700)	(95,379)	(122,278)	
Salesforce.com Inc.	(1,500)	(168,659)	(196,977)	
		(264,038)	(319,255)	(1.7)
<b>Total U.S. Equities - Short</b>		<b>(2,218,415)</b>	<b>(2,542,556)</b>	<b>(13.7)</b>
<b>U.S Written Call Options</b>				
Aetna Inc., \$30, Jan 2011	(85)	(26,048)	(8,197)	
AngloGold Ashanti Limited., \$40, Jan 2011	(50)	(21,309)	(46,725)	
AngloGold Ashanti Limited, \$45, Jan 2011	(15)	(7,748)	(6,860)	
Arch Coal Inc., \$25, Jan 2011	(54)	(18,247)	(54,490)	
AstraZeneca PLC ADR, \$45, Jan 2011	(24)	(7,611)	(4,175)	
Barrick Gold Corporation, \$40, Jan 2011	(80)	(38,997)	(105,778)	
Cameco Corporation, \$25, Jan 2011	(1)	(371)	(1,581)	
Cameco Corporation, \$35, Jan 2011	(84)	(10,440)	(46,765)	
Chesapeake Energy Corporation, \$25, Jan 2011	(90)	(21,735)	(36,237)	
Chevron Corporation, \$80, Jan 2011	(6)	(3,470)	(6,889)	
Deutsche Telekom AG, \$11, Jan 2011	(24)	(3,665)	(8,828)	
Eli Lilly & Company, \$35, Jan 2011	(35)	(6,302)	(1,740)	
Eli Lilly & Company, \$35, Jan 2011	(43)	(8,460)	(9,789)	
Ericsson (LM) Tel - SP ADR, \$13, Jan 2011	(17)	(787)	(169)	
Forest Laboratories, \$30, Jan 2011	(61)	(10,806)	(13,948)	
Gold Fields Limited, \$13, Jan 2011	(191)	(32,831)	(108,234)	
Gold Fields Limited, \$15, Jan 2011	(64)	(10,175)	(20,678)	
Ivanhoe Mines Limited, \$20, Jan 2011	(14)	(2,334)	(6,542)	
Lockheed Martin Corporation, \$75, Jan 2011	(39)	(26,982)	(194)	
Newmont Mining Corporation, \$50, Jan 2011	(66)	(39,194)	(75,784)	
Nexen Inc., \$23, Mar 2011	(92)	(12,897)	(16,006)	
Nippon Telegraph & Telecom., \$23, Jun 2011	(147)	(15,374)	(21,921)	

	Number of Shares/Options /Par Value	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Assets
<b>U.S Written Call Options – Cont'd</b>				
Nokia Corporation AD, \$9, Jan 2011	(131)	\$ (13,873)	\$ (18,103)	
Pfizer Inc., \$18, Jan 2011	(225)	(44,175)	(7,829)	
Range Resources Corporation, \$38, Jan 2011	(54)	(34,094)	(60,663)	
Smithfield Foods Inc., \$17.5, Jan 2011	(79)	(18,019)	(25,918)	
Statoil ASA ADR, \$23, Apr 2011	(96)	(9,301)	(20,519)	
Suncor Energy Inc., \$30, Jan 2011	(75)	(34,919)	(63,005)	
Tesoro Corporation, \$13, Jan 2011	(51)	(10,390)	(30,928)	
Tesoro Corporation, \$15, Jan 2011	(31)	(5,646)	(11,095)	
The Kroger Company, \$23, Jan 2011	(121)	(22,734)	(26,463)	
Tyson Foods Inc. 'A', \$20, Jan 2011	(160)	(16,587)	(795)	
UBS AG - Registered, \$18, Jan 2011	(100)	(16,407)	(1,491)	
Wal-Mart Stores Inc., \$53, Jan 2011	(68)	(15,392)	(11,898)	
Wal-Mart Stores Inc., \$55, Jan 2011	(55)	(15,464)	(1,531)	
eBay Inc., \$30, Jan 2011	(95)	(13,657)	(2,833)	
<b>Total U.S. Options - Short</b>		<b>(596,441)</b>	<b>(884,601)</b>	<b>(4.8)</b>
<b>Total Short Positions Including Transaction Costs</b>		<b>(2,814,856)</b>	<b>(3,427,157)</b>	<b>(18.5)</b>
Transaction Costs		(8,581)	-	-
<b>Total Short Positions Before Transaction Costs</b>		<b>(2,823,437)</b>	<b>(3,427,157)</b>	<b>(18.5)</b>
<b>TOTAL INVESTMENT PORTFOLIO</b>		<b>\$ 10,538,597</b>	<b>11,775,800</b>	<b>63.5</b>
Other Assets Net of Liabilities <sup>1</sup>			6,757,787	36.5
<b>TOTAL NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY</b>			<b>\$ 18,533,587</b>	<b>100.0</b>

<sup>1</sup>This amount is comprised of cash and broker deposits plus accrued investment income plus accounts receivable less accounts payable.

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

**EXEMPLAR GLOBAL OPPORTUNITIES PORTFOLIO**  
**SUMMARY OF INVESTMENT PORTFOLIO**  
As at December 31,

SECTOR MIX	% of Total Net Assets	
	2010	2009
<b>Long Positions</b>		
Basic Materials	19.8	16.6
Consumer Discretionary	3.4	1.6
Consumer Staples	7.4	4.8
Energy	12.1	10.6
Financials	1.2	1.2
Health Care	6.6	5.1
Industrials	6.7	1.1
Information Technology	6.1	1.0
Telecommunication Services	1.6	7.0
Utilities	3.1	2.7
Bonds	14.1	10.4
Options	-	0.2
Other assets, net of liabilities	36.4	52.2
<b>Short Positions</b>		
Basic Materials	(1.4)	(1.0)
Consumer Discretionary	(10.6)	(8.6)
Consumer Staples	-	(1.1)
Health Care	-	(0.6)
Information Technology	(1.7)	-
Options	(4.8)	(3.2)

ASSET MIX	% of Total Net Assets	
	2010	2009
<b>Long Positions</b>		
Canadian Equities	11.7	4.5
Canadian Bonds	1.0	1.1
U.S. Equities	34.8	31.0
U.S. Bonds	12.2	9.0
U.S. Options	-	0.2
Global Equities	21.5	16.2
Global Bonds	0.9	0.3
Other assets, net of liabilities	36.4	52.2
<b>Short Positions</b>		
U.S. Equities	(13.7)	(11.3)
U.S. Options	(4.8)	(3.2)

GEOGRAPHIC MIX	% of Total Net Assets	
	2010	2009
<b>Long Positions</b>		
Canada	10.8	5.6
U.S.	48.9	40.2
Australia	1.1	1.5
Brazil	1.7	0.6
Egypt	0.7	-
France	3.0	1.1
Hong Kong	0.3	-
Indonesia	0.5	-
Italy	1.6	1.7
Japan	2.4	5.4
Luxembourg	1.3	0.1
Norway	1.6	-
Russia	2.0	0.5
South Africa	2.6	1.1
South Korea	1.6	1.3
Sweden	0.2	0.2
Switzerland	0.9	0.2
Thailand	-	0.6
United Kingdom	-	2.2
Venezuela	0.9	-
Other assets, net of liabilities	36.4	52.2
<b>Short Positions</b>		
U.S.	(18.5)	(14.5)

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

**EXEMPLAR GLOBAL OPPORTUNITIES PORTFOLIO**  
**DISCUSSION OF FINANCIAL INSTRUMENTS RISK MANAGEMENT (Note 3)**  
**December 31, 2010**

**A. FINANCIAL RISK MANAGEMENT**

The investment objective of Exemplar Global Opportunities Portfolio (the "Portfolio") is to seek superior capital appreciation over both short and long term horizons primarily through the selection and management of long and short positions in equity, debt and derivative securities globally.

The Portfolio predominantly invests in global equity securities, including American Depository Receipts, that the portfolio advisor's research process has identified as undervalued. The Portfolio invests in bonds and other debt instruments from time to time. The Portfolio may also invest in convertible securities, put and call options and other equity derivatives that represent better value than a direct exposure to a particular company.

The Portfolio may hold cash or invest in short term securities for the purpose of preserving capital and/or maintaining liquidity, based upon the Manager's ongoing evaluation of current and anticipated economic and market conditions.

The Portfolio may use derivatives for hedging and non-hedging purposes as permitted by applicable securities laws. The Portfolio may enter into securities lending, repurchase and reverse repurchase transactions to generate additional income or as a short-term cash management tool.

The Portfolio is permitted to leverage its assets. The Portfolio generally does not use leverage in excess of 20% of its Net Asset Value.

The Portfolio also has the ability to take short positions, in total not exceeding 40% of the Net Asset Value of the Portfolio.

The Portfolio's overall risk management program seeks to minimize the potentially adverse effect of risk on the Portfolio's financial performance in a manner consistent with the Portfolio's investment objective. The Manager manages the potential effects of these financial risks on the Portfolio's performance by employing and overseeing professional and experienced portfolio advisors that monitor the Portfolio's investments and market events on a daily basis.

A general discussion of financial risk management for the Exemplar Portfolios is contained in Note 3: FINANCIAL INSTRUMENTS RISK MANAGEMENT on page 48.

**B. CREDIT RISK**

As at December 31, 2010 and 2009, the Portfolio invested in debt instruments and/or derivatives with the following credit ratings:

Debt Instruments by Credit Rating	Percentage of Net Assets (%)	
	As at December 31, 2010	As at December 31, 2009
AAA	4.2	1.7
BBB	0.2	0.6
BB	1.3	0.6
B	5.0	1.1
CCC	1.3	4.9
Not Rated	2.1	1.4

Credit ratings are obtained from Standard & Poor's, Moody's and/or Dominion Bond Rating Services. Where multiple ratings were obtained for a security, the lowest rating has been used.

### C. LIQUIDITY RISK

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

#### December 31, 2010

	Less than 1 year (\$)	1 - 3 years (\$)	3 - 5 years (\$)	Longer than 5 years (\$)	No maturity date (\$)
<b>Financial Assets</b>					
Equities - Long	-	-	-	-	12,600,110
Options	7,630	-	-	-	-
Bonds	-	314,450	291,154	1,989,613	-
Other receivables	183,925	-	-	-	-
Cash and broker deposits	6,828,728	-	-	-	-
<b>Total</b>	<b>7,020,283</b>	<b>314,450</b>	<b>291,154</b>	<b>1,989,613</b>	<b>12,600,110</b>
<b>Liabilities</b>					
Equities - Short	-	-	-	-	(2,542,556)
Options	(884,601)	-	-	-	-
Other liabilities	(254,866)	-	-	-	-
<b>Total</b>	<b>(1,139,467)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,542,556)</b>

#### December 31, 2009

	Less than 1 year (\$)	1 - 3 years (\$)	3 - 5 years (\$)	Longer than 5 years (\$)	No maturity date (\$)
<b>Financial Assets</b>					
Equities - Long	-	-	-	-	7,871,744
Options	24,224	-	-	-	-
Bonds	45,059	506,639	218,368	809,503	-
Other receivables	435,620	-	-	-	-
Cash and broker deposits	7,822,032	-	-	-	-
<b>Total</b>	<b>8,326,935</b>	<b>506,639</b>	<b>218,368</b>	<b>809,503</b>	<b>7,871,744</b>
<b>Liabilities</b>					
Equities - Short	-	-	-	-	(1,722,455)
Options	(487,135)	-	-	-	-
Other liabilities	(311,416)	-	-	-	-
<b>Total</b>	<b>(798,551)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,722,455)</b>

### D. INTEREST RATE RISK

As at December 31, 2010 and 2009, the Portfolio held the following interest-bearing securities:

Debt Instruments by Maturity	Financial Instruments	
	As at December 31, 2010 (\$)	As at December 31, 2009 (\$)
Less than 1 year	-	45,059
1-3 years	314,450	506,639
3-5 years	291,154	218,368
Greater than 5 years	1,989,613	809,503

As at December 31, 2010, if the yield curve shifted in parallel by 25 basis points, with all other variables held constant, Net Assets would have increased or decreased, respectively, by approximately \$3,700 (December 31, 2009 - \$12,400).

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

#### E. OTHER PRICE RISK

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

The impact on Net Assets of the Portfolio due to a 5 percent change in benchmark, using historical correlation between the Portfolio's return as compared to the return of the Portfolio's benchmark, as at December 31, 2010 and 2009, with all other variables held constant, is presented in the following table. Regression analysis has been utilized to estimate the historical correlation. The analysis uses 32 data points (2009 - 20 data points) based on the monthly net returns of the Portfolio.

Benchmark	Impact on Net Assets	
	December 31, 2010	December 31, 2009
MSCI All Country World Index	\$199,716	\$147,000

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

#### F. CURRENCY RISK

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

Currencies	As at December 31, 2010		As at December 31, 2009	
	Financial Instruments (\$)	Percentage of Net Assets (%)	Financial Instruments (\$)	Percentage of Net Assets (%)
Australian Dollar	206,375	1.1	234,340	1.5
Egyptian Pound	127,347	0.7	-	-
Euro Currency	864,518	4.7	328,247	2.2
Hong Kong Dollar	80,730	0.4	-	-
Indonesian Rupiah	96,132	0.5	-	-
Japanese Yen	449,444	2.4	291,680	1.9
Norwegian Krone	249,041	1.3	14,492	0.1
Thai Baht	-	-	89,471	0.6
United States Dollar (long)	13,164,312	71.0	10,116,043	66.5
United States Dollar (short)	(3,427,157)	(18.5)	(2,209,590)	(14.5)

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

As at December 31, 2010, if the Canadian dollar had strengthened or weakened by 5 percent in relation to all currencies, with all other variables held constant, Net Assets would have increased or decreased, respectively, by approximately \$590,000 (December 31, 2009 - \$443,000).

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

## G. FAIR VALUE ESTIMATION

The following table analyzes the Portfolio's financial assets and liabilities within the fair value hierarchy measured at fair value.

### As at December 31, 2010

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Assets</b>				
Equity securities	12,600,110	-	-	12,600,110
Bonds	-	2,595,217	-	2,595,217
Options	7,630	-	-	7,630
<b>Total assets</b>	<b>12,607,740</b>	<b>2,595,217</b>	<b>-</b>	<b>15,202,957</b>
<b>Liabilities</b>				
Equity securities sold short	(2,542,556)	-	-	(2,542,556)
Options	(884,601)	-	-	(884,601)
<b>Total liabilities</b>	<b>(3,427,157)</b>	<b>-</b>	<b>-</b>	<b>(3,427,157)</b>

### As at December 31, 2009

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Assets</b>				
Equity securities	7,871,744	-	-	7,871,744
Bonds	-	1,579,570	-	1,579,570
Options	24,224	-	-	24,224
<b>Total assets</b>	<b>7,895,967</b>	<b>1,579,570</b>	<b>-</b>	<b>9,475,537</b>
<b>Liabilities</b>				
Equity securities sold short	(1,722,456)	-	-	(1,722,456)
Options	(487,135)	-	-	(487,135)
<b>Total liabilities</b>	<b>(2,209,590)</b>	<b>-</b>	<b>-</b>	<b>(2,209,590)</b>

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

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include investment-grade corporate bonds. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

There were no movements between levels during the year.

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

**STATEMENT OF NET ASSETS**  
As at December 31,

**EXEMPLAR DIVERSIFIED PORTFOLIO**

<b>ASSETS</b>	2010	2009
Futures deposits	\$ 6,694,554	\$ 991,926
Futures contracts receivable	350,751	24,538
Cash	19,527,114	7,812,045
Subscriptions receivable	<u>161,035</u>	<u>14,356</u>
Total Assets	<u>26,733,454</u>	<u>8,842,865</u>
 <b>LIABILITIES</b>		
Accounts payable:		
Fees and operating expenses	51,102	13,219
Performance fees payable	508,087	31,694
Redemptions payable	5,000	-
Capital tax payable	<u>14,859</u>	<u>-</u>
Total Liabilities	<u>579,048</u>	<u>44,913</u>
 <b>NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY</b>		
Series A	15,162,217	3,686,174
Series F	<u>10,992,189</u>	<u>5,111,778</u>
	<u>\$ 26,154,406</u>	<u>\$ 8,797,952</u>
 <b>NUMBER OF SHARES OUTSTANDING (Note 4)</b>		
Series A	1,261,728	343,949
Series F	<u>899,810</u>	<u>473,389</u>
 <b>NET ASSETS PER SHARE</b>		
Series A	\$ 12.02	\$ 10.72
Series F	<u>\$ 12.22</u>	<u>\$ 10.80</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 year ended December 31, 2010 and for the period from May 4, 2009 to December 31, 2009

**EXEMPLAR DIVERSIFIED PORTFOLIO<sup>†</sup>**

	2010	2009
<b>INVESTMENT INCOME</b>		
Derivative income	\$ 3,108,854	\$ 235,902
Interest	<u>36,865</u>	<u>-</u>
	<u>3,145,719</u>	<u>235,902</u>
<b>EXPENSES (Notes 6 and 7)</b>		
Management fees	289,889	32,971
Performance fees	508,087	30,185
Operating expenses	182,467	77,777
Audit fees	28,491	15,599
Legal fees	15,753	99
Securityholders' reporting costs	11,872	1,109
Capital tax expense	14,859	-
Interest	630	15
Transaction costs (Note 2(I))	<u>-</u>	<u>-</u>
	1,052,048	157,755
Less: Expenses absorbed by the Manager	<u>134,045</u>	<u>81,519</u>
	<u>918,003</u>	<u>76,236</u>
<b>NET INVESTMENT GAIN</b>	<u>2,227,716</u>	<u>159,666</u>
<b>EXCHANGE LOSS ON FOREIGN CURRENCIES AND OTHER NET ASSETS</b>	<u>(22,550)</u>	<u>(6,439)</u>
<b>NET LOSS ON INVESTMENTS AND TRANSACTION COSTS</b>	<u>(22,550)</u>	<u>(6,439)</u>
<b>NET INCREASE IN NET ASSETS FROM OPERATIONS</b>		
Series A	1,206,689	18,181
Series F	<u>998,477</u>	<u>135,046</u>
	\$ 2,205,166	\$ 153,227
<b>NET INCREASE IN NET ASSETS FROM OPERATIONS PER SHARE (Note 2(VII))</b>		
Series A	\$ 1.46	\$ 0.18
Series F	<u>\$ 1.39</u>	<u>\$ 0.52</u>

<sup>†</sup>The Portfolio commenced operations on May 4, 2009.

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

**STATEMENT OF CHANGES IN NET ASSETS**

For the year ended December 31, 2010 and for the period from May 4, 2009 to December 31, 2009

**EXEMPLAR DIVERSIFIED PORTFOLIO<sup>†</sup>**

	2010	2009
<b>Net Assets, Beginning of Year</b>		
Series A	3,686,174	-
Series F	5,111,778	-
	<u>\$ 8,797,952</u>	<u>\$ -</u>
<b>Net Increase in Net Assets from Operations</b>		
Series A	1,206,689	18,181
Series F	998,477	135,046
	<u>2,205,166</u>	<u>153,227</u>
<b>From Capital Share Transactions: (Note 4)</b>		
Proceeds from issue of shares		
Series A	11,115,116	3,685,524
Series F	5,390,825	5,200,682
	<u>16,505,941</u>	<u>8,886,206</u>
Consideration paid for redemptions of shares		
Series A	(845,762)	(17,531)
Series F	(508,891)	(223,950)
	<u>(1,354,653)</u>	<u>(241,481)</u>
<b>Net Assets, End of Year</b>		
Series A	15,162,217	3,686,174
Series F	10,992,189	5,111,778
	<u>\$ 26,154,406</u>	<u>\$ 8,797,952</u>

<sup>†</sup>The Portfolio commenced operations on May 4, 2009.

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

**EXEMPLAR DIVERSIFIED PORTFOLIO**  
**STATEMENT OF INVESTMENTS AND OTHER NET ASSETS**  
As at December 31, 2010

	Number of contracts	Contract Size	Fair Value	% of Total Net Assets
<b>LONG POSITIONS</b>				
<b>COMMODITY FUTURES</b>				
Brent Crude Futures February 2011	6	1,000	\$ 12,684	
Coffee 'C' Futures March 2011	5	37,500	11,612	
Copper Futures March 2011	6	25,000	74,672	
Corn Futures March 2011	14	5,000	30,160	
Gas Oil Futures (ICE) February 2011	7	100	(8,873)	
Gasoline Rbob Futures February 2011	5	42,000	15,323	
Gold 100 Oz Futures February 2011	3	100	7,127	
Heating Oil Futures February 2011	5	42,000	(8,810)	
Live Cattle Futures February 2011	26	40,000	49,717	
Long Gilt Futures March 2011	3	1,000	1,736	
Natural Gas Futures September 2011	20	10,000	(497)	
Rubber Futures TCOM May 2011	25	5,000	12,172	
Silver Futures March 2011	2	5,000	15,110	
Soybean Futures March 2011	7	5,000	26,830	
Soybean Oil Futures March 2011	16	60,000	17,715	
Wheat Futures March 2011	8	5,000	19,186	
WTI Crude Futures February 2011	15	1,000	8,588	
			284,452	1.1
<b>CURRENCY FUTURES</b>				
3 Month EURO EURIBOR March 2011	54	2,500	21,118	
90 Day Euro\$ Futures March 2011	21	2,500	3,690	
A\$ Currency Futures March 2011	10	100,000	36,842	
C\$ Currency Futures March 2011	6	100,000	9,662	
CHF Currency Futures March 2011	9	125,000	56,032	
Euro-BOBL Futures March 2011	7	1,000	(4,753)	
JPN Yen Currency Futures March 2011	6	12,500,000	22,430	
Mexican Peso Futures March 2011	14	500,000	2,435	
			147,456	0.6
<b>INDEX FUTURES</b>				
DAX Index Futures March 2011	3	25	(10,285)	
FTSE/JSE Top 40 March 2011	10	10	3,540	
Hang Seng Index Futures March 2011	5	50	(8,601)	
MINI HSI Index Futures January 2011	5	10	2,692	
MINI HSI Index Futures March 2011	7	10	(1,567)	
NASDAQ 100 E-Mini March 2011	10	20	(497)	
NIKKEI 225 (SGX) March 2011	4	500	(4,105)	
S&P/TSX 60 Index Futures March 2011	5	200	13,256	
S&P500 EMINI Future March 2011	16	50	16,742	
SPI 200 Futures March 2011	6	25	(5,494)	
			5,681	-

	Number of contracts	Contract Size	Fair Value	% of Total Net Assets
<b>BOND FUTURES</b>				
Bank Acceptance Future March 2011	7	2,500	\$ (700)	
Canada 10 Year Bond Futures March 2011	4	1,000	2,080	
Euro-Bund Futures March 2011	1	1,000	(2,956)	
US 10 Year Note Futures Mar 2011	4	1,000	(12,613)	
US 5 Year Note (CBT) March 2011	4	1,000	(7,961)	
US Long Bond (CBT) March 2011	1	1,000	(3,852)	
			(26,002)	(0.1)
<b>Total Long Positions</b>			<b>411,587</b>	<b>1.6</b>
<b>SHORT POSITIONS</b>				
<b>COMMODITY FUTURES</b>				
Cocoa Futures March 2011	(5)	10	(13,898)	
Natural Gas Futures February 2011	(4)	10,000	(1,143)	
			(15,041)	(0.1)
<b>CURRENCY FUTURES</b>				
90 Day Sterling Futures December 2011	(28)	1,250	(10,078)	
British Pound Currency Futures March 2011	(4)	62,500	(2,840)	
EURO FX Currency Futures March 2011	(3)	125,000	(6,798)	
EURO/British Pound March 2011	(4)	100,000	(13,768)	
EURO/JPY Futures March 2011	(3)	125,000	2,986	
			(30,498)	(0.1)
<b>BOND FUTURES</b>				
Australian 10 Year Bond Futures March 2011	(2)	1,000	(1,100)	-
<b>INDEX FUTURES</b>				
Hang Seng Index Futures January 2011	(5)	50	(14,197)	(0.1)
<b>Total Short Positions</b>			<b>(60,836)</b>	<b>(0.3)</b>
<b>TOTAL INVESTMENT PORTFOLIO</b>			<b>350,751</b>	<b>1.3</b>
Other Assets Net of liabilities <sup>1</sup>			25,803,655	98.7
<b>TOTAL NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY</b>			<b>\$ 26,154,406</b>	<b>100.0</b>

<sup>1</sup> This amount is comprised of futures deposits plus futures contracts receivable plus cash plus subscriptions receivable less accounts payable.

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

**EXEMPLAR DIVERSIFIED PORTFOLIO**  
**DISCUSSION OF FINANCIAL INSTRUMENTS RISK MANAGEMENT (Note 3)**  
**December 31, 2010**

**A. FINANCIAL RISK MANAGEMENT**

The investment objective of the Exemplar Diversified Portfolio (the "Portfolio") is to seek superior long term absolute and risk-adjusted returns with the potential for low correlation to global equity and fixed-income market returns through the selection and management of long and short positions in a globally diversified portfolio of futures, options, forward contracts and other financial derivative instruments on agricultural and soft commodities, metals, energies, currencies, interest rates and equity indices.

The core investment strategy of the Portfolio is based on a risk budgeting strategy of allocating capital to markets and utilizing that capital based on the amount of risk premium being priced into markets. As a result of this allocation methodology, generally 50% of the portfolio risk budget is allocated to globally-traded industrial and agricultural commodity futures markets, and 50% is allocated to global currency, treasury debt and equity index futures markets.

The Portfolio transacts on highly liquid exchanges globally that may include, but are not limited to, all futures exchanges in the United States and Canada, the London Metals Exchange (LME), Euronext-LIFFE (LIFFE), the Eurex Deutschland (EUREX), The International Petroleum Exchange of London Limited (IPE), the Singapore International Monetary Exchange (SIMEX), the Sydney Futures Exchange Ltd. (SFE) and The Tokyo Commodities Exchange (TCE).

The Portfolio also has the ability to take short positions, in total not exceeding 40% of the Net Asset Value of the Portfolio.

The Portfolio may hold cash or invest in short term securities for the purpose of preserving capital and/or maintaining liquidity, based upon the portfolio manager's ongoing evaluation of current and anticipated economic and market conditions.

The Portfolio's overall risk management program seeks to minimize the potentially adverse effect of risk on the Portfolio's financial performance in a manner consistent with the Portfolio's investment objective. The Manager manages the potential effects of these financial risks on the Portfolio's performance by employing and overseeing professional and experienced portfolio advisors that monitor the Portfolio's investments and market events on a daily basis.

A general discussion of financial risk management for the Exemplar Portfolios is contained in Note 3: FINANCIAL INSTRUMENTS RISK MANAGEMENT on page 48.

**B. CREDIT RISK**

As at December 31, 2010 and 2009, the Portfolio had no investments in debt instruments and therefore was not subject to related credit risk. The Portfolio holds derivatives, however the risk of default is considered minimal as the counterparty to all listed securities transactions are exchange clearinghouses. The trade will fail if the exchange clearinghouse fails to meet its obligation.

**C. LIQUIDITY RISK**

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

**As at December 31, 2010**

	Less than 3 months (\$)	3 months to 1 year (\$)	Greater than 1 year (\$)	Total (\$)
<b>Financial Assets</b>				
Futures contracts receivable	349,154	1,597	-	<b>350,751</b>
Other receivables	161,035	-	-	<b>161,035</b>
Cash and futures deposits	26,221,668	-	-	<b>26,221,668</b>
<b>Total</b>	<b>26,731,857</b>	<b>1,597</b>	-	<b>26,733,454</b>
<b>Liabilities</b>				
Other liabilities	(579,048)	-	-	<b>(579,048)</b>
<b>Total</b>	<b>(579,048)</b>	-	-	<b>(579,048)</b>

**As at December 31, 2009**

	Less than 3 months (\$)	3 months to 1 year (\$)	Greater than 1 year (\$)	Total (\$)
<b>Financial Assets</b>				
Futures contracts receivable	24,538	-	-	<b>24,538</b>
Other receivables	14,356	-	-	<b>14,356</b>
Cash and futures deposits	8,803,971	-	-	<b>8,803,971</b>
<b>Total</b>	<b>8,842,865</b>	-	-	<b>8,842,865</b>
<b>Liabilities</b>				
Other liabilities	(44,913)	-	-	<b>(44,913)</b>
<b>Total</b>	<b>(44,913)</b>	-	-	<b>(44,913)</b>

**D. INTEREST RATE RISK**

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

**E. OTHER PRICE RISK**

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

The impact on Net Assets of the Portfolio due to a 5 percent change in benchmark, using historical correlation between the Portfolio's return as compared to the return of the Portfolio's benchmark, as at December 31, 2010 and 2009, with all other variables held constant, is presented in the following table. Regression analysis has been utilized to estimate the historical correlation. The analysis uses 20 data points (2009 – 8 data points) based on the monthly net returns of the Portfolio.

<b>Benchmark</b>	<b>Impact on Net Assets</b>	
	<b>December 31, 2010</b>	<b>December 31, 2009</b>
New Edge Commodity Trading Index	\$2,006,825	\$142,000

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

**F. CURRENCY RISK**

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

Currencies	As at December 31, 2010		As at December 31, 2009	
	Financial Instruments (\$)	Percentage of Net Assets (%)	Financial Instruments (\$)	Percentage of Net Assets (%)
Australian Dollar	21,098	0.08	(9,117)	(0.1)
Euro Currency	3,089	0.01	24,683	0.28
British Pound Sterling	(9,927)	(0.04)	(15,658)	(0.18)
Hong Kong Dollar	129,574	0.50	58,685	0.67
Swiss Franc	-	-	(13,157)	(0.15)
Japanese Yen	3,704,627	14.16	18,697	0.21
South African Rand	20,512	0.08	27,811	0.32
United States Dollar	518,958	1.98	364,401	4.14

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

As at December 31, 2010, if the Canadian dollar had strengthened or weakened by 5 percent in relation to all currencies, with all other variables held constant, Net Assets would have increased or decreased, respectively, by approximately \$219,400 (December 31, 2009 - \$22,800).

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

#### G. FAIR VALUE ESTIMATION

The following table analyzes the Portfolio's financial assets and liabilities within the fair value hierarchy measured at fair value.

##### As at December 31, 2010

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Futures Contracts	350,751	-	-	350,751

##### As at December 31, 2009

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Futures Contracts	24,538	-	-	24,538

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

There were no movements between levels during the period.

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

**STATEMENT OF NET ASSETS**  
As at December 31,

**EXEMPLAR LEADERS  
PORTFOLIO**

2010

**ASSETS**

Cash	\$ 50,114
Total Assets	<u>50,114</u>

**LIABILITIES**

Accounts payable	-
Total Liabilities	<u>-</u>

**NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY**

Series A	5,011
Series F	<u>45,103</u>
	<u>\$ 50,114</u>

**NUMBER OF SHARES OUTSTANDING (Note 4)**

Series A	500
Series F	<u>4,500</u>

**NET ASSETS PER SHARE**

Series A	\$ 10.02
Series F	<u>\$ 10.02</u>

*Long positions, at cost	<u>\$ -</u>
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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 period from April 23, 2010 to December 31, 2010

**EXEMPLAR LEADERS  
PORTFOLIO<sup>†</sup>**

2010

**INVESTMENT INCOME**

Interest

\$ 114**EXPENSES (Notes 6 and 7)**

-

**NET INVESTMENT GAIN (LOSS)**114**NET REALIZED GAIN (LOSS) ON INVESTMENT TRANSACTIONS**

-

**NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS**

-

**NET GAIN (LOSS) ON INVESTMENTS AND TRANSACTION COSTS**-**NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS**

Series A

11

Series F

103\$ 114**NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER SHARE (Note 2(VII))**

Series A

\$ 0.02

Series F

\$ 0.02<sup>†</sup>The Portfolio was launched on April 23, 2010.

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

**STATEMENT OF CHANGES IN NET ASSETS**  
For the period from April 23, 2010 to December 31, 2010

**EXEMPLAR LEADERS  
PORTFOLIO<sup>†</sup>**

2010

**Net Assets, Beginning of Period**

Series A	-
Series F	-
	<u>-</u>
	\$ <u>-</u>

**Net Increase (Decrease) in Net Assets from Operations**

Series A	11
Series F	103
	<u>114</u>

**From Capital Share Transactions: (Note 4)**

Proceeds from issue of shares	
Series A	5,000
Series F	45,000
	<u>50,000</u>

Consideration paid for redemptions of shares	
Series A	-
Series F	-
	<u>-</u>

**Net Assets, End of Period**

Series A	5,011
Series F	45,103
	<u>50,114</u>
	\$ <u>50,114</u>

<sup>†</sup>The Portfolio was launched on April 23, 2010.

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

## **EXEMPLAR LEADERS PORTFOLIO**

### **DISCUSSION OF FINANCIAL INSTRUMENTS RISK MANAGEMENT (Note 3)**

**December 31, 2010**

#### **A. FINANCIAL RISK MANAGEMENT**

The investment objective of the Exemplar Leaders Portfolio is to maximize return on investment primarily through securities selection and asset allocation in equity, debt and derivative securities of North American companies.

The Portfolio focuses on achieving growth of capital through superior securities selection and pursues a long-term investment program with the aim of generating capital gains. The Portfolio attempts to reduce volatility by diversifying the portfolio across economic sectors as well as across market capitalizations (company size and liquidity). The Portfolio invests primarily in equity, debt and derivative securities of North American companies that the portfolio manager's research process has identified as undervalued. Generally, no more than 20% of the Portfolio is expected to be invested outside of this investment focus. The Portfolio may also invest in international companies. The Portfolio will also invest in bonds and other debt instruments from time to time. The Portfolio may also invest in convertible securities, put and call options and other equity derivatives that represent better value than a direct exposure to a particular company.

The Portfolio is permitted to leverage its assets. The Portfolio will generally not use leverage in excess of 40% of its Net Asset Value.

The Portfolio also has the ability to take short positions, in total not exceeding 40% of the Net Asset Value of the Portfolio.

The Portfolio's overall risk management program seeks to minimize the potentially adverse effect of risk on the Portfolio's financial performance in a manner consistent with the Portfolio's investment objective. The Manager manages the potential effects of these financial risks on the Portfolio's performance by employing and overseeing professional and experienced portfolio advisors that monitor the Portfolio's investments and market events on a daily basis.

A general discussion of financial risk management for the Exemplar Portfolios is contained in Note 3: FINANCIAL INSTRUMENTS RISK MANAGEMENT on page 48.

#### **B. CREDIT RISK**

As at December 31, 2010 the Portfolio had no investments in debt instruments and therefore was not subject to related credit risk.

#### **C. LIQUIDITY RISK**

As at December 31, 2010 the Portfolio was fully invested in cash and therefore was not subject to liquidity risk.

#### **D. INTEREST RATE RISK**

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

#### **E. OTHER PRICE RISK**

As at December 31, 2010 the Portfolio was fully invested in cash and therefore was not subject to other price risk.

**F. CURRENCY RISK**

As at December 31, 2010 the Portfolio did not hold financial instruments denominated in foreign currency, and therefore was not subject to currency risk.

**G. FAIR VALUE ESTIMATION**

As at December 31, 2010 the Portfolio was fully invested in cash, and therefore is not subject to a fair value hierarchy.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**1. THE PORTFOLIOS**

**(I) The Portfolios**

Exemplar Portfolios Ltd. (the "Company") is a mutual fund corporation incorporated under the Business Corporations Act (Ontario). The Company was incorporated on March 18, 2008. These financial statements represent the financial positions of four classes of the Company: Exemplar Canadian Focus Portfolio (the "Canadian Focus Portfolio"), Exemplar Global Opportunities Portfolio (the "Global Opportunities Portfolio"), Exemplar Diversified Portfolio (the "Diversified Portfolio"), and Exemplar Leaders Portfolio (the "Leaders Portfolio") individually a "Portfolio" and collectively the "Portfolios".

The financial statements of the Canadian Focus Portfolio and the Global Opportunities Portfolio are for the years ended December 31, 2010 and 2009.

The financial statements of the Diversified Portfolio are for the year ended December 31, 2010 and for the period of May 4, 2009 (commencement of operations) to December 31, 2010.

On April 23, 2010, the Company launched the Leaders Portfolio. The Leaders Portfolio was not actively marketed to investors and the net assets represent the seed capital of the Manager. The financial statements of the Leaders Portfolio are for the period of April 23, 2010 to December 31, 2010.

BluMont Capital Corporation ("BluMont Capital") is the Manager and Investment Advisor of the Portfolios.

**(II) Fund Merger**

Effective November 24, 2009, BluMont Augen Resource Strategy Fund (the "RS Fund"), was merged with the Canadian Focus Portfolio. The Manager afforded shareholders of the RS Fund the ability to participate in the wind-up of the RS Fund by way of an in-kind transfer of their investment to the Canadian Focus Portfolio. The termination of the RS Fund did not occur on a tax-deferred basis.

Details of the merger are as follows:

Net assets acquired by the Canadian Focus Portfolio	\$11,252,251
Series R shares issued by the Canadian Focus Portfolio	1,125,225

**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, is 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 December 31 between each Portfolio's net assets for financial reporting ("Net Assets") and each Portfolio's net assets for purposes other than financial reporting, such as subscriptions and redemptions, ("Net Asset Value") has been provided in Note 8. The Portfolios continue to use the last traded price for investments and securities sold short for Net Asset Value calculations.

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by each Portfolio 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 Statements 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 a Portfolio sells a security short, it will borrow that security from a broker to complete the sale. The Portfolio 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 Portfolio closes out its short position by buying that security. The Portfolio will realize a gain if that security declines in price between those dates.

The maximum gain that the Portfolio 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 Portfolio will be able to close out a short position at an acceptable time or price. Until the Portfolio 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) Options**

The premium received upon writing a call option is recorded as a deferred credit. Upon expiry of the option or when the option is exercised by its holder, the premium is recognized as a gain and is included in "Net realized gain (loss) on investment transactions".

The premium paid upon purchasing a put option is recorded as a deferred debit. Upon expiry of the option or when the option is exercised by the Manager, the premium is recognized as a reduction in the gain and is included in "Net realized gain (loss) on investment transactions".

**(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 and expense is recorded on the ex-dividend date. Interest income and expense is recorded daily

as it is earned and incurred. Realized gains and losses from security transactions are calculated using the average cost basis.

**(IV) Valuation of Portfolio Shares**

The Portfolios' shares are issued and redeemed at the Net Asset Value per share, per Series, 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 share per Series of each Portfolio is determined by dividing the total market value of each Portfolio's Net Asset Value attributable to that Series by the number of shares outstanding of that Series.

For each Portfolio share sold, the Portfolio receives an amount equal to the Net Asset Value per share on the date of sale, which is included in shareholders' equity. Shares are redeemable at the option of the shareholders at their Net Asset Value on any Valuation Day. For each share redeemed, the number of issued and outstanding shares is reduced and the equity in the Portfolio 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 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 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 Share**

Increase (Decrease) in Net Assets from Operations per Share (per Series) amount is determined by dividing the Net Increase (Decrease) in Net Assets from Operations by the weighted average number of shares outstanding in each Series during the period.

### **3. FINANCIAL INSTRUMENTS RISK MANAGEMENT**

In the normal course of business, each Portfolio 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 Portfolios' Net Assets. The value of investments within a Portfolio's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, market and company news related to specific securities within the Portfolio. The level of risk depends on the Portfolio'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 13, 28, 37 and 43 of this report) for each Portfolio'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 Portfolio.

Where a Portfolio 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 Portfolio.

All transactions executed by a Portfolio 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 Portfolio may not be able to settle or meet its obligation on time or at a reasonable price.

Each Portfolio is exposed to daily cash redemptions of redeemable shares. The shares of each Portfolio are issued and redeemed daily at the Portfolio's Net Asset Value per share at the option of the shareholder.

Liquidity risk is managed by investing the majority of each Portfolio's assets in investments that are traded in an active market and can be readily disposed. Each Portfolio 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.

Each Portfolio 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 illiquid securities in each Portfolio's Statement of Investments and Other Net Assets.

The Portfolios 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 Portfolio invests in interest-bearing financial instruments. A Portfolio 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 Portfolio moderates this risk through a careful selection and diversification of securities and other financial instruments within the limits of the Portfolio's investment objectives and strategy. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments, unless the Portfolio holds short positions in financial instruments, as further described below. Each Portfolio's overall market positions are monitored on a daily basis by the Manager. Financial instruments held by each Portfolio are susceptible to market price risk arising from uncertainties about future prices of the instruments.

Each Portfolio has received approval from the Canadian securities regulators to short sell securities on a limited and controlled basis.

The aggregate fair value of all securities sold short by each Portfolio will not exceed 20% of its respective total Net Asset Values on a daily marked-to-market basis. No proceeds from short sales will be used by the Portfolios 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 Portfolio'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 Portfolios. Each Portfolio may enter into foreign exchange contracts for hedging purposes to reduce its foreign currency exposure, or to establish exposure to foreign currencies.

**(VI) Fair Value Estimation**

The Portfolios 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.

#### 4. SHARE TRANSACTIONS

The shares authorized for issuance are unlimited in number, have no nominal or par value and are issued and redeemed at their Net Asset Value. Each Portfolio offers three series of shares (excluding Series R Shares of the Canadian Focus Portfolio). Series A Shares are offered on an initial sales charge basis. Series F Shares are available to investors who participate in fee-based programs through their broker, dealer or advisor. Series I Shares are charged an annual service fee based on the aggregate Net Asset Value that the investor holds. On November 24, 2009 the BluMont Augen Resource Strategy Fund Inc. (the "RS Fund") merged with the Canadian Focus Portfolio. All shareholders of the RS Fund received shares of a newly created series – Series R – of the Canadian Focus Portfolio. Series R Shares are not open to new investors, nor for additional purchases.

Shares of the Portfolios are issued and redeemed (excluding Series R Shares of the Canadian Focus Portfolio, which can only be redeemed) at the then current Net Asset Value per share at the option of the shareholder. Shareholders are entitled to dividends when declared. The Portfolios have no restrictions or specific capital requirements on the subscription and redemption of shares, other than minimum subscription requirements. The Statements of Changes in Net Assets identify changes in each Portfolio's capital during the period. The Manager manages the capital of the Portfolios in accordance with the Portfolios' investment objectives, including managing their liquidity in order to be able to meet redemptions as discussed in Note 3.

As of December 31, 2010 and 2009, the number of shares issued and redeemed at the Net Asset Value is summarized as follows:

	<b>Canadian Focus Portfolio – Series A</b>	
	<u>2010</u>	<u>2009</u>
Balance at January 1	1,208,323	686,977
Shares issued for cash	1,533,793	797,213
Shares issued on reinvestment of distributions	14,742	4,053
Shares redeemed	<u>(241,551)</u>	<u>(279,920)</u>
Shares issued and outstanding at December 31	<u>2,515,307</u>	<u>1,208,323</u>

**Canadian Focus Portfolio – Series F**

	<u>2010</u>	<u>2009</u>
Balance at January 1	241,507	80,325
Shares issued for cash	277,214	199,039
Shares issued on reinvestment of distributions	2,510	747
Shares redeemed	<u>(56,391)</u>	<u>(38,604)</u>
Shares issued and outstanding at December 31	<u>464,840</u>	<u>241,507</u>

**Canadian Focus Portfolio – Series I**

	<u>2010</u>	<u>2009</u>
Balance at January 1	99,165	85,351
Shares issued for cash	4,050	13,481
Shares issued on reinvestment of distributions	621	333
Shares redeemed	<u>-</u>	<u>-</u>
Shares issued and outstanding at December 31	<u>103,836</u>	<u>99,165</u>

**Canadian Focus Portfolio – Series R**

	<u>2010</u>	<u>2009</u>
Balance at January 1	1,058,226	-
Shares issued for cash	-	1,125,225
Shares issued on reinvestment of distributions	4,173	3,567
Shares redeemed	<u>(472,165)</u>	<u>(70,566)</u>
Shares issued and outstanding at December 31	<u>590,234</u>	<u>1,058,226</u>

**Global Opportunities Portfolio – Series A**

	<u>2010</u>	<u>2009</u>
Balance at January 1	942,789	315,461
Shares issued for cash	461,377	784,186
Shares issued on reinvestment of distributions	1,320	330
Shares redeemed	<u>(312,288)</u>	<u>(157,188)</u>
Shares issued and outstanding at December 31	<u>1,093,198</u>	<u>942,789</u>

**Global Opportunities Portfolio – Series F**

	<u>2010</u>	<u>2009</u>
Balance at January 1	508,459	344,594
Shares issued for cash	308,211	422,395
Shares issued on reinvestment of distributions	682	175
Shares redeemed	<u>(240,949)</u>	<u>(258,705)</u>
Shares issued and outstanding at December 31	<u>576,403</u>	<u>508,459</u>

**Diversified Portfolio – Series A**

	<u>2010</u>	<u>2009</u>
Balance at January 1	343,949	-
Shares issued for cash	994,179	345,591
Shares redeemed	<u>(76,400)</u>	<u>(1,642)</u>
Shares issued and outstanding at December 31	<u>1,261,728</u>	<u>343,949</u>

**Diversified Portfolio – Series F**

	<u>2010</u>	<u>2009</u>
Balance at January 1	473,389	-
Shares issued for cash	473,650	494,112
Shares redeemed	<u>(47,229)</u>	<u>(20,723)</u>
Shares issued and outstanding at December 31	<u>899,810</u>	<u>473,389</u>

**Leaders Portfolio – Series A**

	<u>2010</u>	<u>2009</u>
Balance at January 1	-	-
Shares issued for cash	500	-
Shares redeemed	<u>-</u>	<u>-</u>
Shares issued and outstanding at December 31	<u>500</u>	<u>-</u>

**Leaders Portfolio – Series F**

	<u>2010</u>	<u>2009</u>
Balance at January 1	-	-
Shares issued for cash	4,500	-
Shares redeemed	<u>-</u>	<u>-</u>
Shares issued and outstanding at December 31	<u>4,500</u>	<u>-</u>

**5. INCOME TAXES**

The Portfolios are classes of the Company, which qualifies as a mutual fund corporation under the Income Tax Act (Canada) (the “Tax Act”). The general income tax rules associated with a public corporation also apply to a mutual fund corporation with the exception that income taxes payable on realized capital gains are refundable on a formula basis when shares are redeemed or capital gains dividends are paid.

All of a Portfolio’s expenses including expenses common to all series of the Portfolio and management and performance fees and other expenses specific to a particular series of a Portfolio, will be taken into account in determining the income or loss of a Portfolio as a whole and applicable taxes payable by the Portfolio as a whole.

Interest and foreign income are taxed at normal corporate rates and can be reduced by permitted deductions for tax purposes.

The Company is subject to Ontario capital tax. Such tax is included in “Capital tax” in the Statement of Operations for each Portfolio.

Temporary differences between the carrying values of assets and liabilities for accounting and income tax purposes give rise to future income tax assets and liabilities. The most significant temporary difference is that between the reported fair value of each Portfolio’s

investment portfolio and its adjusted cost base (“ACB”) for income tax purposes. To the extent that the fair value of a Portfolio’s securities exceeds its ACB, a future tax liability arises. Since capital gains taxes payable by the Portfolios are refundable under the relevant provisions of the Tax Act, the future tax liability is fully offset by these future refundable taxes. Conversely, when the ACB exceeds the fair value of the securities, a future tax asset is generated. In such cases, a full valuation allowance is taken to offset this asset given the uncertainty that such future tax assets will ultimately be realized.

## **6. RELATED PARTY TRANSACTIONS**

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

The management fee paid to the Manager by the Canadian Focus Portfolio is 1.65% per annum on Series A and Series R Shares and 0.65% per annum on Series F Shares. The management fee paid to the Manager by the Global Opportunities Portfolio is 1.85% per annum on Series A Shares and 0.85% per annum on Series F Shares. The management fee paid to the Manager by the Diversified Portfolio is 2.00% per annum on Series A Shares and 1.00% per annum on Series F Shares. The management fee paid to the Manager by the Leaders Portfolio is 2.00% per annum on Series A Shares and 1.00% per annum on Series F Shares, however, as there are currently no investors in the Portfolio, other than the Manager, the Portfolio has not accrued management fees.

No portion of the management fee charged to a Portfolio is borne by Series I Shares of the Portfolios. A holder of Series I Shares of a Portfolio pays a negotiated management fee directly to the Manager.

### *Canadian Focus Portfolio, Global Opportunities Portfolio and Diversified Portfolio*

Each of the above listed Portfolios pays to the Manager in respect of each fiscal year of the Portfolio ended December 31 a performance bonus per Share (the “Performance Bonus”) equal to 20% of the amount by which the Adjusted Net Asset Value per Share at the end of the fiscal year exceeds the highest year end Adjusted Net Asset Value per Share previously achieved. For these purposes, “Adjusted Net Asset Value per Share” of any series of shares of a Portfolio means the Net Asset Value per share of that series at the end of a fiscal year without giving effect to the accrual of any Performance Bonus, plus the aggregate amount of all distributions previously declared on a per Share basis in respect of such series of Shares. The Performance Bonus for a Portfolio is calculated and accrued each day the Net Asset Value of the Portfolio is calculated, but is only payable following the end of the fiscal year of the Portfolio based on the actual annual performance of the Portfolio.

Notwithstanding the foregoing, no Performance Bonus is payable with respect to any fiscal year of a Portfolio unless the Adjusted Net Asset Value per Share at the end of such fiscal year exceeds the Net Asset Value per share at the end of the preceding year (or on the date the Shares are first issued), plus the aggregate amount of all distributions previously declared on a per share basis, by a minimum of 6%.

The Performance Bonus is estimated and accrued each Valuation Date, calculated as at the end of each fiscal year-end of the Portfolios and paid within 15 business days thereafter.

### *Leaders Portfolio*

The Leaders Portfolio will pay the Manager annually a performance fee (the “Performance Fee”) equal to a percentage of the average net asset value of Series A Shares and Series F Shares of the Portfolio. Such percentage will be equal to 20% of the difference by which the increase in the net asset value per share of the applicable Series of the Portfolio from

January 1 to December 31 exceeds the greater of i) 0%; and ii) the percentage return of the S&P/TSX Composite Total Return Index (or its successor indices, as applicable) for the same period.

If the performance of a Series of the Portfolio in any year is less than the performance of the index described above (a "Deficiency"), then no Performance Fee will be payable in any subsequent year until the performance of the applicable Series of the Portfolio, on a cumulative basis calculated from the first of such subsequent years, has exceeded the cumulative amount of the Deficiencies.

The Performance Fee is calculated and accrued daily such that, to the extent possible, the share price each day will reflect any Performance Fees payable as at the end of such day. Performance Fees for the Portfolio will be calculated and accrued each day, but will only be payable following the end of the fiscal year of the Portfolio based on the actual annual performance of the Portfolio.

The Manager may, on its own accord, pay for certain operating expenses of each of the Portfolios in order to maintain each Portfolio'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 Portfolio 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 Portfolio. There were no soft dollar commissions for the Portfolios during the period.

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

	<u>2010</u>	<u>2009</u>
<b>Canadian Focus Portfolio</b>	\$86,139	\$78,825
<b>Global Opportunities Portfolio</b>	\$40,744	\$18,140
<b>Diversified Portfolio</b>	\$ -	\$ -
<b>Leaders Portfolio</b>	\$ -	\$ -

## 8. RECONCILIATION OF NET ASSET VALUE PER SHARE TO NET ASSETS PER SHARE

As at December 31, 2010

	Per Share (\$)		
	Net Asset Value	Bid/Ask Adjustment	Net Assets
Canadian Focus Portfolio - Series A	\$14.70	\$(0.04)	\$14.66
Canadian Focus Portfolio - Series F	\$15.00	\$(0.03)	\$14.97
Canadian Focus Portfolio - Series I	\$14.66	\$(0.03)	\$14.63
Canadian Focus Portfolio - Series R	\$12.30	\$(0.04)	\$12.26
Global Opportunities Portfolio - Series A	\$11.01	\$(0.02)	\$10.99
Global Opportunities Portfolio - Series F	\$11.33	\$(0.02)	\$11.31
Diversified Portfolio - Series A	\$12.09	\$(0.07)	\$12.02
Diversified Portfolio - Series F	\$12.29	\$(0.07)	\$12.22
Leaders Portfolio - Series A	\$10.02	\$-	\$10.02
Leaders Portfolio - Series F	\$10.02	\$-	\$10.02

As at December 31, 2009

	Per Share (\$)		
	Net Asset Value	Bid/Ask Adjustment	Net Assets
Canadian Focus Portfolio - Series A	\$12.12	\$(0.07)	\$12.05
Canadian Focus Portfolio - Series F	\$12.28	\$(0.07)	\$12.21
Canadian Focus Portfolio - Series I	\$11.93	\$(0.07)	\$11.86
Canadian Focus Portfolio - Series R	\$10.15	\$(0.06)	\$10.09
Global Opportunities Portfolio - Series A	\$10.50	\$(0.08)	\$10.42
Global Opportunities Portfolio - Series F	\$10.69	\$(0.09)	\$10.60
Diversified Portfolio - Series A	\$10.80	\$(0.08)	\$10.72
Diversified Portfolio - Series F	\$10.88	\$(0.08)	\$10.80

## 9. FUTURE ACCOUNTING CHANGE

In February 2008, the Canadian Accounting Standards Board (“CASB”) 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. However, the CASB has deferred the mandatory transition date to January 1, 2013 for investment funds in light of delays with the International Accounting Standards Board’s project on investment companies. For the Portfolios, IFRS will apply to semi-annual and annual financial statements for fiscal years beginning on or after January 1, 2013. 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 Portfolios’ 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 Portfolios’ net asset value or net assets per share. 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 shareholder interests. However, this present determination is subject to change resulting from the issuance of new standards or new interpretations of existing standards.

## **PORTFOLIO INFORMATION**

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