



**AUDITED FINANCIAL STATEMENTS**

PREMIERE STABLE GROWTH FUND

**DECEMBER 2008**

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## **MANAGEMENT'S STATEMENT ON FINANCIAL REPORTING**

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

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

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

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

Respectfully,

"Paul J. Perrow"

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

## AUDITORS' REPORT

TO THE UNITHOLDERS OF PREMIERE STABLE GROWTH FUND (THE "FUND")

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

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

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

*PricewaterhouseCoopers LLP*

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

**STATEMENT OF NET ASSETS**

As at December 31, 2008

**PREMIERE STABLE GROWTH FUND\*\***

	2008	2007
<b>ASSETS</b>		
Investments at fair value*		
Canadian equities	\$ 7,022,270	\$ 3,945,915
U.S. equities	86,372	421,802
Global equities	-	119,000
	<u>7,108,642</u>	<u>4,486,717</u>
Cash and short-term investments	730,124	331,068
Accrued investment income	26,254	5,096
Total Assets	<u>7,865,020</u>	<u>4,822,881</u>
<b>LIABILITIES</b>		
Accounts payable:		
Fees and operating expenses	20,540	12,265
Performance fees payable	-	39,476
Redemptions payable	213	-
Total Liabilities	<u>20,753</u>	<u>51,741</u>
	7,690,837 <sup>1</sup>	4,540,511 <sup>1</sup>
	<u>153,430<sup>2</sup></u>	<u>230,629<sup>2</sup></u>
<b>NET ASSETS REPRESENTING UNITHOLDERS' EQUITY</b>	<u>\$ 7,844,267</u>	<u>\$ 4,771,140</u>
	109,764 <sup>1</sup>	43,090 <sup>1</sup>
<b>NUMBER OF UNITS OUTSTANDING (Note 4)</b>	<u>2,160<sup>2</sup></u>	<u>2,183<sup>2</sup></u>
	\$ 70.07 <sup>1</sup>	\$ 105.37 <sup>1</sup>
<b>NET ASSET VALUE PER UNIT</b>	<u>\$ 71.03<sup>2</sup></u>	<u>\$ 105.65<sup>2</sup></u>
*Investments, at cost	<u>\$ 7,485,689</u>	<u>\$ 3,813,831</u>

\*\*The Fund was launched April 2, 2007.

<sup>1</sup> Series "A" Units<sup>2</sup> Series "F" Units

Approved by the Board of Directors of BluMont Capital Corporation

"Veronika Hirsch"

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 Veronika Hirsch  
 Director

"Stephen Johnson"

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 Stephen Johnson  
 Director

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

## STATEMENT OF OPERATIONS

Year ended December 31, 2008 and for the period April 2, 2007 to December 31, 2007

### PREMIERE STABLE GROWTH FUND\*

	2008	2007
<b>INVESTMENT INCOME</b>		
Dividends	\$ 156,263	\$ 30,418
Less: Foreign withholding taxes	<u>110</u>	<u>-</u>
	156,153	30,418
Interest	<u>34,349</u>	<u>16,366</u>
	<u>190,502</u>	<u>46,784</u>
<b>EXPENSES (Notes 6 and 7)</b>		
Management fees	160,593	55,050
Performance fees	54,979	53,089
General operating expenses	95,058	74,799
Dividends paid on investments sold short	1,373	-
Audit fees	20,756	16,000
Legal fees	775	3,480
Trustees' fees	345	233
Securityholders' reporting costs	2,986	999
Interest expense	<u>1,387</u>	<u>65</u>
	338,252	203,715
Less: Expenses absorbed (recovered) by the Manager	<u>(3,518)</u>	<u>77,085</u>
	<u>341,770</u>	<u>126,630</u>
<b>NET INVESTMENT LOSS</b>	<u>(151,268)</u>	<u>(79,846)</u>
<b>NET REALIZED LOSS ON INVESTMENT TRANSACTIONS</b>	(2,334,251)	(378,474)
<b>TRANSACTION COSTS (Notes 2(II) and 7)</b>	(134,311)	(46,844)
<b>NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS</b>	(1,049,933)	672,886
<b>EXCHANGE GAIN (LOSS) ON FOREIGN CURRENCIES AND OTHER NET ASSETS</b>	<u>(40,821)</u>	<u>3,474</u>
<b>NET GAIN (LOSS) ON INVESTMENTS AND TRANSACTION COSTS</b>	<u>(3,559,316)</u>	<u>251,042</u>
	(3,635,775) <sup>1</sup>	157,045 <sup>1</sup>
	<u>(74,809)<sup>2</sup></u>	<u>14,151<sup>2</sup></u>
<b>NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	<u>\$ (3,710,584)</u>	<u>\$ 171,196</u>
	\$ (51.51) <sup>1</sup>	\$ 4.55 <sup>1</sup>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT</b>	<u>\$ (34.43)<sup>2</sup></u>	<u>\$ 6.40<sup>2</sup></u>

\*The Fund was launched April 2, 2007.

<sup>1</sup> Series "A" Units

<sup>2</sup> Series "F" Units

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

**STATEMENT OF CHANGES IN NET ASSETS**

Year ended December 31, 2008 and for the period April 2, 2007 to December 31, 2007

**PREMIERE STABLE GROWTH FUND\***

	2008	2007
	\$ 4,540,511 <sup>1</sup>	\$ - <sup>1</sup>
	<u>230,629<sup>2</sup></u>	<u>-<sup>2</sup></u>
<b>Net Assets, Beginning of Period</b>	<u>4,771,140</u>	<u>-</u>
	(3,635,775) <sup>1</sup>	157,045 <sup>1</sup>
	<u>(74,809)<sup>2</sup></u>	<u>14,151<sup>2</sup></u>
<b>Net Increase (Decrease) in Net Assets from Operations</b>	<u>(3,710,584)</u>	<u>171,196</u>
<b>From Capital Unit Transactions: (Note 4)</b>		
	7,484,977 <sup>1</sup>	4,383,596 <sup>1</sup>
	<u>-<sup>2</sup></u>	<u>222,978<sup>2</sup></u>
Proceeds from issue of units	<u>7,484,977</u>	<u>4,606,574</u>
	(698,876) <sup>1</sup>	(130) <sup>1</sup>
	<u>(2,390)<sup>2</sup></u>	<u>(6,500)<sup>2</sup></u>
Consideration paid for redemptions of units	<u>(701,266)</u>	<u>(6,630)</u>
	<u>6,783,711</u>	<u>4,599,944</u>
	7,690,837 <sup>1</sup>	4,540,511 <sup>1</sup>
	<u>153,430<sup>2</sup></u>	<u>230,629<sup>2</sup></u>
<b>Net Assets, End of Period</b>	<u>\$ 7,844,267</u>	<u>\$ 4,771,140</u>

\*The Fund was launched April 2, 2007.

<sup>1</sup> Series "A" Units

<sup>2</sup> Series "F" Units

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

**PREMIERE STABLE GROWTH FUND**  
**STATEMENT OF INVESTMENTS AND OTHER NET ASSETS**  
As at December 31, 2008

	Number of Shares	Average Cost	Fair Value	% of Total Net Asset Value
<b>Canadian Equities</b>				
<b>Energy</b>				
Advantage Energy Income Fund	13,100	\$ 136,624	\$ 66,024	
Cathedral Energy Services Limited	25,300	223,226	161,667	
Enbridge Income Fund	22,400	254,800	232,288	
Enerflex Systems Income Fund	18,800	256,150	194,580	
Harvest Energy Trust	11,300	152,668	117,746	
Horizons BetaPro S&P/TSX Capped Energy Bull Plus	49,600	290,744	230,640	
Questerre Energy Corporation	112,900	304,544	228,058	
Storm Exploration Inc.	9,200	117,354	126,592	
TriStar Oil & Gas Limited	4,300	50,288	48,590	
		1,786,398	1,406,185	17.9
<b>Basic Materials</b>				
Alamos Gold Inc.	23,400	126,142	202,176	
Canfor Corporation	17,900	137,177	134,250	
Chemtrade Logistics Income Fund	11,700	151,951	101,673	
Eldorado Gold Corporation	40,000	291,454	385,200	
Forsys Metals Corporation	54,000	256,406	314,280	
Gabriel Resources Limited	26,000	64,922	39,000	
Horizons BetaPro S&P/TSX Global Gold Bull Plus ETF	15,000	139,992	198,150	
Horizons BetaPro S&P/TSX Global Mining Bull Plus ETF	8,600	141,787	187,738	
Migao Corporation	29,400	143,407	166,404	
Orsu Metals Corporation Warrants	194,500	80,723	2,918	
Red Back Mining Inc.	10,300	75,854	87,653	
		1,609,815	1,819,442	23.2
<b>Industrials</b>				
ATS Automation Tooling Systems Inc.	21,900	112,539	109,500	
Bombardier Inc. 'B'	40,600	238,446	179,452	
DIRTT Environmental Solutions <sup>2</sup>	28,571	100,000	99,999	
DIRTT Environmental Solutions Warrants A <sup>2</sup>	28,571	-	-	
DIRTT Environmental Solutions Warrants B <sup>2</sup>	28,571	-	-	
Genivar Income Fund	10,300	206,398	257,809	
Russel Metals Inc.	8,500	254,713	161,245	
		912,096	808,005	10.3
<b>Consumer Discretionary</b>				
Davis & Henderson Income Fund	13,100	203,328	218,639	
Imax Corporation	46,800	308,857	255,060	
Shaw Communications Inc. 'B'	9,900	207,573	213,740	
		719,758	687,439	8.8

	Number of Shares	Average Cost	Fair Value	% of Total Net Asset Value
<b>Consumer Staples</b>				
Alimentation Couche-Tard Inc. 'B'	13,900	\$ 207,722	\$ 195,017	
Maple Leaf Foods Inc.	11,400	110,600	126,084	
Metro Inc. 'A'	6,400	202,731	236,480	
		521,053	557,581	7.1
<b>Health Care</b>				
BioMS Medical Corporation	27,600	96,406	95,496	
SXC Health Solutions Corporation	10,900	197,520	246,994	
		293,926	342,490	4.4
<b>Financials</b>				
FirstService Corporation	10,000	176,207	159,300	
Laurentian Bank of Canada	5,800	244,034	198,998	
Royal Bank of Canada	2,800	139,885	100,800	
		560,126	459,098	5.8
<b>Information Technology</b>				
COM DEV International Limited	27,000	93,674	85,320	
The Descartes Systems Group Inc.	49,000	167,564	174,440	
		261,238	259,760	3.3
<b>Telecommunication Services</b>				
Rogers Communications Inc. 'B'	4,000	132,249	146,320	1.9
<b>Index Equivalents</b>				
Horizons BetaPro NASDAQ-100 Bull Plus ETF	29,400	219,421	176,400	
Horizons BetaPro S&P 500 Bull Plus ETF	29,000	243,793	208,800	
Horizons BetaPro S&P/TSX 60 Bull Plus Fund	13,400	158,254	150,750	
		621,468	535,950	6.8
<b>Total Canadian Equities</b>		<b>7,418,127</b>	<b>7,022,270</b>	<b>89.5</b>
<b>U.S. Equities</b>				
<b>Materials</b>				
Allied Nevada Gold Corporation	14,300	90,995	86,372	1.1
<b>Total U.S. Equities</b>		<b>90,995</b>	<b>86,372</b>	<b>1.1</b>
<b>Total Positions Including Transaction Costs</b>		<b>7,509,122</b>	<b>7,108,642</b>	<b>90.6</b>
Transaction Costs		23,433	-	-
<b>Total Positions Before Transaction Costs</b>		<b>7,485,689</b>	<b>7,108,642</b>	<b>100.0</b>
<b>TOTAL INVESTMENT PORTFOLIO</b>		<b>\$ 7,485,689</b>	<b>7,108,642</b>	<b>100.0</b>
Other Assets Net of Liabilities <sup>1</sup>			735,625	9.4
<b>TOTAL NET ASSETS REPRESENTING UNITHOLDERS' EQUITY</b>			<b>\$ 7,844,267</b>	<b>100.0</b>

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**1. THE FUND**

Premiere Stable Growth Fund (the “Fund”) is an unincorporated open-ended mutual fund trust created under the laws of the Province of Ontario pursuant to a Declaration of Trust dated as of April 2, 2007, as may be amended or amended and restated from time to time.

BluMont Capital Corporation (the “Manager”) is the manager of the Fund and is responsible for the day-to-day business of the Fund, including management of the Fund’s investment portfolio on the advice of the Fund’s investment advisor. Equity Transfer & Trust Company is the trustee of the Fund.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

A summary of the significant accounting policies is summarized below.

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

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

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

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

**(II) Valuation of Investments**

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

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

computing net asset value for all purposes other than financial reporting (“Trading Net Asset Value” or Trading NAV), including purchases and redemptions.

A reconciliation as at December 31 between the Fund’s net asset value for financial reporting (“GAAP Net Asset Value”) and the Fund’s Trading Net Asset Value has been provided in Note 8.

Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund be charged to net increase (decrease) in net assets from operations in the period. Accordingly, these costs must be 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 are recorded at fair value.

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

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

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

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

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

**(III) Investment Transactions and Income Recognition**

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

**(IV) Valuation of Fund Units**

The Fund’s units are issued and redeemed at the Trading NAV per unit, which is determined as of the close of Valuation Day. A “Valuation Day” is the last trading day of each week that the Toronto Stock Exchange is open for business or such other trading day or days as the Manager may determine.

The Trading NAV per unit of the Fund is determined by dividing the total fair value of the Fund’s net assets by the number of units outstanding.

For each Fund unit sold, the Fund receives an amount equal to the Trading NAV per unit on the date of sale, which is included in unitholders’ equity. Units are

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

**(V) Foreign Currency Translation**

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

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

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

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

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

**(VI) Use of Estimates**

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

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

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

**3. FINANCIAL RISK MANAGEMENT**

In the normal course of business, the Fund is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk) that could result in a reduction in the value of the Fund’s net assets. The value of investments within the Fund’s portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions and market and company news related to specific securities within the Fund. The level of risk depends on the Fund’s investment objectives and the type of securities it invests in.

The investment objective of the Fund is to maximize absolute returns on investments through security selection and asset allocation while using hedging activities in an attempt to manage market risk. To achieve its investment objective the Fund may employ the following investment strategies: 1) implement a rigorous, disciplined, risk-controlled quantitative fundamental research approach to identify compelling long and short

investments; 2) invest the majority of assets in equities or equity equivalents of Canadian issuers and, to a lesser extent, U.S. issuers; 3) undertake a “bottom-up” approach that focuses on company or industry specific issues and a “top down” approach that focuses on overall market outlook; 4) use an earnings based approach that seeks to select issuers with improving fundamentals, superior earnings growth potential, unexpected earnings surprises, analysts revisions, cash flow growth and high relative strength in comparison to market and industry relative levels; 5) focus on issuers that the investment advisor believes are experiencing deteriorating business and industry conditions, have leveraged and/or cash poor balance sheets and are facing capital expenditure requirements in excess of internal cash generation abilities; 6) establish short positions with the expectation of generating a profit rather than as an offset or hedge against a long position; and 7) when market conditions warrant it, invest in debt obligations and rely on money market instruments for the preservation of capital and the maintenance of liquidity.

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

**(I) Credit Risk**

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

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

All transactions executed by the Fund in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

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

**(II) Liquidity Risk**

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

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

Liquidity risk is managed by investing the majority of the Fund’s assets in equities and other securities that are traded in an active market and can be readily disposed.

The Fund may, from time to time, invest in securities that are not traded in an active market and may be illiquid. Such investments are identified as private and illiquid securities in the Fund’s Statement of Investments and Other Net Assets. As at December 31, 2008, the Partnership invested approximately 1.4% of its funds in companies whose securities cannot be readily disposed of through

market facilities or for which public quotations in common use were not widely available.

The Fund may employ the use of derivatives to moderate certain risk exposures. There is no guarantee that a market will exist for some derivatives and it is possible that the exchanges may impose limits on trading of derivatives. As at December 31, 2008, the Fund did not invest in derivatives.

**(III) Interest Rate Risk**

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

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

As at December 31, 2008, the Fund's sensitivity to interest rate changes was not significant.

**(IV) Other Price Risk**

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

All investments represent a risk of loss of capital. The Manager of the Fund moderates this risk through a careful selection and diversification of securities and other financial instruments within the limits of the Fund's investment objectives and strategy as outlined above. The Fund will not maintain a position that is more than 15% of its portfolio (at the time of investment) and will ensure that no single industry sector weighting accounts for more than 40% of its portfolio (at the time of investment). To the extent that the Fund uses leverage, it will leverage to a maximum of 200% (at the time of investment), in the aggregate, of the Fund's net assets.

The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments, unless the Fund holds short positions in financial instruments, as further described below. The Fund's overall market positions are monitored on a daily basis by the Manager. Financial instruments held by the Fund are susceptible to market price risk arising from uncertainties about future prices of the instruments.

The Fund has the ability to take short positions in respect to securities that trade on recognized stock exchanges, for up to 75% (at the time of investment) of the Fund's net assets, so long as the margined short positions meet minimum margin requirements of the applicable regulatory authorities.

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

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

The impact on net assets of the Fund due to a 1 percent change in benchmark, using historical correlation between the Fund's return as compared to the return of the Fund's benchmark, as at December 31, 2008, with all other variables held constant, is included in the following table. Regression analysis has been utilized to estimate the historical correlation. The analysis uses 19 data points based on the monthly net returns of the Fund.

Benchmark	Impact on NAV
S&P/TSX Total Return Index	\$89,000

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

**(V) Currency Risk**

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

Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Fund.

As of December 31, 2008, the Fund did not hold financial instruments denominated in foreign currency, and therefore was not subject to currency risk.

**4. UNIT TRANSACTIONS**

Units issued and outstanding represent the capital of the Fund. The units authorized for issuance are unlimited in number, have no nominal or par value and are issued and redeemed at their Trading Net Asset Value. The Fund offers two series – Series A Units and Series F Units. Series A Units of the Fund are offered on an initial sales charge. Series F Units of the Fund are offered to retail investors participating in programs that do not require the payment of sales charges by investors and do not require the payment of service fees to registered dealers or investment professionals. Distributions on units of the Fund are reinvested in additional units. The characterization of the distributions is based on management's estimate of the actual income for the year. The Fund has no restrictions or specific capital requirements on the subscription and redemption of units, other than minimum subscription requirements. The Statement of Changes in Net Assets identifies changes in the Fund's capital during the period. The Manager manages the capital of the Fund in accordance with the Fund's investment objectives, including managing its liquidity in order to be able to meet redemptions as discussed in Note 3.

The number of units issued and redeemed at Trading Net Asset Value is summarized as follows:

	Series A	
	2008	2007
Balance at beginning of period	43,090	-
Units issued for cash	73,739	43,091
Units redeemed	<u>(7,065)</u>	<u>(1)</u>
Units issued and outstanding at end of period	<u>109,764</u>	<u>43,090</u>

	Series F	
	2008	2007
Balance at beginning of period	2,183	-
Units issued for cash	-	2,246
Units redeemed	<u>(23)</u>	<u>(63)</u>
Units issued and outstanding at end of period	<u>2,160</u>	<u>2,183</u>

## 5. INCOME TAXES

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

As of December 31, 2008, the Fund had no unused capital and non-capital losses.

## 6. RELATED PARTY TRANSACTIONS

Under the terms of agreement between the Fund and the Manager, in return for investment management and administrative services, the Manager receives a monthly management fee from the Fund. The management fee paid by the Fund is at an annual rate of 2.50% per annum of the Trading Net Asset Value of the Fund for Series A Units and 1.50% per annum of the Trading Net Asset Value of the Fund for Series F Units.

The Fund also pays the Manager a performance fee, payable on a semi-annual basis. The Manager may change the frequency of this payment upon prior notification to unitholders. The performance fee in respect of the Fund is equal to 20% of the Fund's net gain for each period (including unrealized capital gains, if any), subject to reduction for prior period losses that have not previously been offset against net gains.

The Manager may, on its own accord, pay for certain operating expenses of the Fund in order to maintain Fund's management expense ratio at a competitive level. The Manager may recover a portion or all of such operating expenses paid for by the Manager within a five-year period. These absorptions may be terminated at any time by the Manager, and at the Manager's direction may be continued indefinitely. The absorbed or recovered amounts are shown in the Statement of Operations.

## 7. FEES AND OPERATING EXPENSES

The Fund is responsible for the payment of all fees and expenses including, but not limited to, brokerage commissions on portfolio transactions, all regulatory filing fees, registrar and transfer agent fees, audit, accounting, administration (including advertising, marketing and promotional expenses), record keeping and legal fees and expenses, custody and safekeeping charges, all taxes, and all other fees relating to the purchase and sale of the assets of the Fund.

The total brokerage commissions paid by the Fund with respect to security transactions for the period ended December 31, 2008 was \$134,311. For the period April 2, 2007 to December 31, 2007, the total brokerage commissions were \$46,844.

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

## 8. RECONCILIATION OF TRADING NAV TO GAAP NAV

As at December 31, 2008

	Net Asset Value (\$)			Net Asset Value per Unit (\$)		
	Trading NAV	Sec. 3855 Adjustment	GAAP NAV	Trading NAV	Sec. 3855 Adjustment	GAAP NAV
Series A	\$ 7,735,215	\$ (44,378)	\$ 7,690,837	\$ 70.47	\$ (0.40)	\$ 70.07
Series F	\$ 154,315	\$ (885)	\$ 153,430	\$ 71.43	\$ (0.41)	\$ 71.03

As at December 31, 2007

	Net Asset Value (\$)			Net Asset Value per Unit (\$)		
	Trading NAV	Sec. 3855 Adjustment	GAAP NAV	Trading NAV	Sec. 3855 Adjustment	GAAP NAV
Series A	\$ 4,579,003	\$ (38,492)	\$ 4,540,511	\$ 106.26	\$ (0.89)	\$ 105.37
Series F	\$ 232,597	\$ (1,968)	\$ 230,629	\$ 106.55	\$ (0.90)	\$ 105.65

## 9. USE OF LEVERAGE

Leverage is defined as the degree in which a fund is using borrowed money and/or securities. If a fund is said to leverage up to 200%, then for every \$1 of assets, the fund can borrow \$2 of money and/or securities such that there will be a total of \$3 of assets employed by the fund. The leverage employed in the Fund for the period ended December 31, 2008 is summarized as follows:

Minimum Leverage	Maximum Leverage	Leverage End of Period
0.00%	2.24%	0.00%

## 10. FUTURE ACCOUNTING CHANGE

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

## **FUND INFORMATION**

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