



**AUDITED FINANCIAL STATEMENTS**  
PREMIERE STABLE GROWTH FUND

**DECEMBER 2009**



**BLUMONT**  
CAPITAL



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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,

"Victor Koloshuk"

President and Chief Executive Officer  
BluMont Capital Corporation  
March 26, 2010

## AUDITORS' REPORT

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

We have audited the statement of investments and other net assets of the Fund as at December 31, 2009, the statements of net assets as at December 31, 2009 and 2008 and the statements of operations and changes in net assets for the years 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 audits.

We conducted our audits 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, 2009 and 2008 and the results of its operations and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

March 26, 2010

**STATEMENT OF NET ASSETS**

As at December 31,

**PREMIERE STABLE GROWTH FUND**

	2009	2008
<b>ASSETS</b>		
Investments at fair value*		
Canadian equities	\$ 9,967,986	\$ 7,022,270
U.S. equities	-	86,372
	<u>9,967,986</u>	<u>7,108,642</u>
Cash	230,336	730,124
Accrued investment income	15,317	26,254
Total Assets	<u>10,213,639</u>	<u>7,865,020</u>
<b>LIABILITIES</b>		
Accounts payable:		
Fees and operating expenses	30,944	20,540
Redemptions payable	15,131	213
Total Liabilities	<u>46,075</u>	<u>20,753</u>
<b>NET ASSETS REPRESENTING UNITHOLDERS' EQUITY</b>		
Series A	9,960,958	7,690,837
Series F	206,606	153,430
	<u>\$ 10,167,564</u>	<u>\$ 7,844,267</u>
<b>NUMBER OF UNITS OUTSTANDING (Note 4)</b>		
Series A	106,615	109,764
Series F	<u>2,159</u>	<u>2,160</u>
<b>NET ASSETS PER UNIT</b>		
Series A	\$ 93.43	\$ 70.07
Series F	<u>\$ 95.70</u>	<u>\$ 71.03</u>
*Investments, at cost	<u>\$ 7,738,734</u>	<u>\$ 7,485,689</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**  
Year ended December 31,

**PREMIERE STABLE GROWTH FUND**

	2009	2008
<b>INVESTMENT INCOME</b>		
Dividends	\$ 161,369	\$ 156,263
Less: Foreign withholding taxes	-	110
	<u>161,369</u>	<u>156,153</u>
Interest	1,624	34,349
	<u>162,993</u>	<u>190,502</u>
<b>EXPENSES (Notes 6 and 7)</b>		
Management fees	205,124	160,593
Performance fees	-	54,979
General operating expenses	111,388	95,058
Dividends paid on investments sold short	-	1,373
Audit fees	18,865	20,756
Legal fees	180	775
Trustees' fees	654	345
Securityholders' reporting costs	457	2,986
Interest expense	-	1,387
	<u>336,668</u>	<u>338,252</u>
Less: Expenses absorbed (recovered) by the Manager	31,629	(3,518)
	<u>305,039</u>	<u>341,770</u>
<b>NET INVESTMENT LOSS</b>	<u>(142,046)</u>	<u>(151,268)</u>
<b>NET REALIZED GAIN (LOSS) ON INVESTMENT TRANSACTIONS</b>	222,037	(2,334,251)
<b>TRANSACTION COSTS (Notes 2(II) and 7)</b>	(73,348)	(134,311)
<b>NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS</b>	2,606,299	(1,049,933)
<b>EXCHANGE LOSS ON FOREIGN CURRENCIES AND OTHER NET ASSETS</b>	(10)	(40,821)
<b>NET GAIN (LOSS) ON INVESTMENTS AND TRANSACTION COSTS</b>	<u>2,754,978</u>	<u>(3,559,316)</u>
<b>NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>		
Series A	2,559,625	(3,635,775)
Series F	53,307	(74,809)
	<u>\$ 2,612,932</u>	<u>\$ (3,710,584)</u>
<b>NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT (Note 2(VII))</b>		
Series A	\$ 23.26	\$ (51.51)
Series F	<u>\$ 24.68</u>	<u>\$ (34.43)</u>

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

**STATEMENT OF CHANGES IN NET ASSETS**  
Year ended December 31,

**PREMIERE STABLE GROWTH FUND**

	2009	2008
<b>Net Assets, Beginning of Period</b>		
Series A	7,690,837	4,540,511
Series F	153,430	230,629
	<u>\$ 7,844,267</u>	<u>\$ 4,771,140</u>
<b>Net Increase (Decrease) in Net Assets from Operations</b>		
Series A	2,559,625	(3,635,775)
Series F	53,307	(74,809)
	<u>2,612,932</u>	<u>(3,710,584)</u>
<b>From Capital Unit Transactions: (Note 4)</b>		
Proceeds from issue of units		
Series A	265,376	7,484,977
Series F	-	-
	<u>265,376</u>	<u>7,484,977</u>
Consideration paid for redemption of units		
Series A	(554,880)	(698,876)
Series F	(131)	(2,390)
	<u>(555,011)</u>	<u>(701,266)</u>
<b>Net Assets, End of Period</b>		
Series A	9,960,958	7,690,837
Series F	206,606	153,430
	<u>\$ 10,167,564</u>	<u>\$ 7,844,267</u>

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, 2009

	Number of Shares		Average Cost		Fair Value	% of Total Net Assets
<b>Canadian Equities</b>						
<b>Energy</b>						
Bankers Petroleum Limited	64,200	\$	253,396	\$	398,040	
Berens Energy Limited	100,400		221,457		202,807	
Connacher Oil and Gas Limited	196,800		199,239		251,904	
PEYTO Energy Trust	24,100		242,291		335,713	
Pan Orient Energy Corporation	43,600		283,147		329,616	
Paramount Resources Limited	12,500		167,654		181,500	
Parkland Income Fund	15,400		149,616		205,436	
Precision Drilling Trust	33,400		245,506		255,510	
			1,762,306		2,160,526	21.2
<b>Basic Materials</b>						
Bear Creek Mining Corporation	59,800		223,862		227,838	
Cascades Inc.	32,700		174,345		292,338	
Endeavour Silver Corporation	43,900		173,519		167,698	
FNX Mining Company Inc.	27,100		263,614		311,921	
Grande Cache Coal Corporation	86,200		168,115		462,032	
IAMGOLD Corporation	14,600		259,662		240,462	
Lundin Mining Corporation	26,700		104,491		113,742	
Orsu Metals Corporation Warrants	194,500		80,723		973	
Osisko Mining Corporation	28,800		196,430		242,784	
SEMAFO Inc.	61,300		132,546		268,494	
Silvercorp Metals Inc.	12,900		103,844		89,397	
			1,881,151		2,417,679	23.8
<b>Industrials</b>						
Bird Construction Income Fund	7,700		189,932		264,880	
Bombardier Inc. 'B'	41,800		176,435		200,222	
DIRTT Environmental Solutions <sup>2</sup>	31,428		100,000		109,998	
Neo Material Technologies Inc.	66,700		208,593		303,485	
The Churchill Corporation 'A'	15,100		203,748		289,165	
Westshore Terminals Income Fund	17,100		194,096		242,649	
			1,072,804		1,410,399	13.9

	Number of Shares	Average Cost	Fair Value	% of Total Net Assets
<b>Consumer Discretionary</b>				
Garda World Security Corporation 'A'	29,200	\$ 274,890	\$ 298,716	
Great Canadian Gaming Corporation	35,800	184,652	281,388	
Imax Corporation	20,500	224,073	285,975	
Lululemon Athletica Inc.	10,900	267,091	344,440	
Magna International Inc. 'A'	4,600	237,864	244,260	
Quebecor Inc. 'B'	6,800	120,619	185,096	
		1,309,189	1,639,875	16.1
<b>Consumer Staples</b>				
Cott Corporation	29,200	161,237	251,412	2.5
<b>Financials</b>				
Canaccord Financial Inc.	17,100	166,734	175,617	
DundeeWealth Inc.	9,600	129,376	131,520	
		296,110	307,137	3.0
<b>Information Technology</b>				
Aastra Technologies Limited	8,700	195,240	299,802	
Bridgewater Systems	30,700	296,456	258,187	
DragonWave Inc.	38,700	271,938	464,400	
SXC Health Solutions Corporation	4,900	119,982	277,830	
Sierra Wireless Inc.	24,200	242,546	269,346	
		1,126,162	1,569,565	15.4
<b>Utilities</b>				
Keyera Facilities Income Fund	8,685	149,932	211,393	2.1
<b>Total Positions Including Transaction Costs</b>		<b>7,758,891</b>	<b>9,967,986</b>	<b>98.0</b>
Transaction Costs		(20,157)	-	-
<b>Total Positions Before Transaction Costs</b>		<b>7,738,734</b>	<b>9,967,986</b>	<b>98.0</b>
<b>TOTAL INVESTMENT PORTFOLIO</b>		<b>\$ 7,738,734</b>	<b>9,967,986</b>	<b>98.0</b>
Other Assets Net of Liabilities <sup>1</sup>			199,578	2.0
<b>TOTAL NET ASSETS REPRESENTING UNITHOLDERS' EQUITY</b>			<b>\$ 10,167,564</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, 2009 AND 2008**

**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 (“BluMont Capital”) is the manager (the “Manager”) and the trustee (the “Trustee”) 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.

**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 – Amendment to Section 3862, Financial Instruments – Disclosure**

The Canadian Institute of Chartered Accountants’ (“CICA”) has issued amendments to CICA 3862, “Financial Instruments – Disclosures” to align with International Financial Reporting Standards (“IFRS”) 7, “Financial Instruments – Disclosures”. The amendments require all financial instruments measured at fair value to be classified into one of three levels that distinguish fair value measurements by the inputs used for valuation (as further discussed in note 3(vi)). The amendments are effective for annual financial statements relating to fiscal years ending after September 30, 2009. The Fund adopted these amendments effective December 31, 2009. 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.

**(II) Valuation of Investments**

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

The fair value of financial instruments, which are actively traded, are measured based on the bid price for long positions and ask price for short positions. Prior to January 1, 2007, fair value for GAAP was based on the last traded price for the day, when available. A reconciliation as at December 31, 2009 between the Fund’s net assets for financial reporting (“Net Assets”) and the Fund’s net assets for purposes other than financial reporting, such as purchases and redemptions, (“Net Asset Value”) has been provided in Note 8. The Fund continues to use the last traded price for investments and securities sold short for Net Asset Value valuations.

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

Securities listed upon a recognized public stock exchange are valued at their bid/ask prices on the financial statement date. Securities with no bid/ask prices are valued at their closing sale prices. Securities not listed upon a recognized public stock exchange are valued using valuation techniques, on such basis and in such manner established by the Manager.

Short-term investments including notes and money market instruments are 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 Net Asset Value per unit, which is determined as of the close of each 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 Net Asset Value per unit per Series of the Fund is determined by dividing the total market value of the Fund's Net Asset Value attributable to that Series by the number of units outstanding of that Series.

For each Fund unit sold, the Fund receives an amount equal to the Net Asset Value per unit on the date of sale, which is included in unitholders' equity. Units are redeemable at the option of the unitholders at their Net Asset Value on any Valuation Day. For each unit redeemed, the number of issued and outstanding units is reduced and the equity in the Fund is reduced by the related Net Asset Value on the date of redemption.

**(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 Statement of Operations.

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

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

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

**3. FINANCIAL RISK MANAGEMENT**

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

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

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

As of December 31, 2009 and 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 Net Asset Value per unit at the option of the unitholder.

Liquidity risk is managed by investing the majority of the Fund's assets in 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, 2009, the Fund invested approximately 1.1% 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 (2008 – 1.4%).

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, 2009, and December 31, 2008, the Fund did not invest in derivatives.

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

**December 31, 2009**

	Less than 1 year (\$)	1 - 3 years (\$)	3 - 5 years (\$)	Non-Interest Bearing (\$)
<b>Financial Assets</b>				
Equities - Long	-	-	-	9,967,986
Other receivables	15,317	-	-	-
Cash and cash equivalents	230,336	-	-	-
<b>Total</b>	<b>245,653</b>	-	-	<b>9,967,986</b>
<b>Liabilities</b>				
Other liabilities	(46,075)	-	-	-
<b>Total</b>	<b>(46,075)</b>	-	-	-

**December 31, 2008**

	Less than 1 year (\$)	1 - 3 years (\$)	3 - 5 years (\$)	Non-Interest Bearing (\$)
<b>Financial Assets</b>				
Equities - Long	-	-	-	7,108,642
Other receivables	26,254	-	-	-
Cash and cash equivalents	730,124	-	-	-
<b>Total</b>	<b>756,378</b>	-	-	<b>7,108,642</b>
<b>Liabilities</b>				
Other liabilities	(20,753)	-	-	-
<b>Total</b>	<b>(20,753)</b>	-	-	-

**(III) Interest Rate Risk**

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

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

As at December 31, 2009 and 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 aims to moderate 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 Asset Value.

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 Asset Value, 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 5 percent change in benchmark, using historical correlation between the Fund's return as compared to the return of the Fund's benchmark, as at December 31, 2009 and 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 31 data points (2008 – 19 data points) based on the monthly net returns of the Fund.

Benchmark	Impact on Net Assets	
	December 31, 2009	December 31, 2008
S&P/TSX Total Return Index	\$508,000	\$445,000

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, 2009 and December 31, 2008, the Fund did not hold financial instruments denominated in foreign currency, and therefore was not subject to currency risk.

**(VI) Fair Value Estimation**

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

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

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

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

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

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

The following table analyzes the Fund's financial assets and liabilities within the fair value hierarchy measured at fair value at December 31, 2009.

	<b>Level 1 (\$)</b>	<b>Level 2 (\$)</b>	<b>Level 3 (\$)</b>	<b>Total (\$)</b>
<b>Assets</b>				
Equity securities - long	9,857,988	-	109,998	<b>9,967,986</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.

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.

A sensitivity analysis was performed to compare the value of the security to the change in the Hedge Fund Research Private Issue Index (the "Index") since the time of purchase. If the security's value changed by the same amount as the Index, the impact on net assets of the Fund would be a loss of \$15,700.

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

	<b>Equity Securities (\$)</b>
<b>Opening balance</b>	<b>99,999</b>
Net purchases and sales	9,999
Net transfers in (out)	-
Realized	-
Unrealized	-
<b>Closing balance</b>	<b>109,998</b>

There were no movements between levels during the year.

#### **4. UNIT TRANSACTIONS**

In accordance with CICA Handbook Section 1535, "Capital Disclosures", the Fund discloses information about the Fund's capital and how it is managed.

Units issued and outstanding represent the capital of the Fund. The units authorized for issuance are unlimited in number, have no nominal or par value and are issued and redeemed at their Net Asset Value per unit. 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 the Net Asset Value is summarized as follows:

	<b>Series A</b>	
	<b>2009</b>	2008
Balance at January 1	<b>109,764</b>	43,090
Units issued for cash	<b>4,307</b>	73,739
Units redeemed	<b>(7,456)</b>	(7,065)
Units issued and outstanding at December 31	<b><u>106,615</u></b>	<u>109,764</u>

	<b>Series F</b>	
	<b>2009</b>	2008
Balance at January 1	<b>2,160</b>	2,183
Units issued for cash	-	-
Units redeemed	<b>(1)</b>	(23)
Units issued and outstanding at December 31	<b><u>2,159</u></b>	<u>2,160</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, 2009, the Fund had capital or non-capital losses as noted below.

Non-Capital Loss* (expiry 2029)	Capital Loss**
\$146,588	\$2,624,795

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

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

## 6. RELATED PARTY TRANSACTIONS

Under the terms of agreement between the Fund and the Manager, 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 Net Asset Value of the Fund for Series A Units and 1.50% per annum of the 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. For the year ended December 31, 2009, the Manager absorbed \$31,629 of the Fund's expenses. For the year ended December 31, 2008, the Manager recovered \$3,519 of expenses which were absorbed in prior years.

## 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 year ended December 31, 2009 was \$73,348 (2008 - \$134,311).

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

**8. RECONCILIATION OF NET ASSET VALUE TO NET ASSETS**

	Per Unit (\$)					
	2009			2008		
	Net Asset Value	Sec. 3855 Adjustment	Net Assets	Net Asset Value	Sec. 3855 Adjustment	Net Assets
Series A	\$93.85	\$(0.42)	\$93.43	\$70.47	\$(0.40)	\$70.07
Series F	\$96.13	\$(0.43)	\$95.70	\$71.43	\$(0.41)	\$71.03

**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. There was no leverage employed in the Fund for the year ended December 31, 2009 and December 31, 2008.

**10. FUTURE ACCOUNTING CHANGE**

The CICA Accounting Standards Board (“AcSB”) confirmed in February 2008 that IFRS will replace Canadian GAAP in 2011 for profit oriented Canadian publicly accountable enterprises, including investment funds. The Fund will adopt IFRS on January 1, 2011. The Manager has commenced activities to identify key issues and the likely impacts resulting from the adoption of IFRS and is in the process of developing a changeover plan, which will include identifying differences between the Fund’s current accounting policies and those it expects to apply under IFRS, as well as any accounting policy and implementation decisions and their resulting impact. Management has presently determined that the impact of IFRS would be limited to additional note disclosures and modifications to the financial statement presentation. It is anticipated that there would be no significant impact to the Fund’s Net Assets per unit as a result of the changeover to IFRS. However, this present determination is subject to changes resulting from the issuance of new standards or new interpretations of existing standards.

## **FUND INFORMATION**

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