



Interim Financial Statements

Marret High Yield Strategies Fund

(unaudited)

June 30, 2010

Marret High Yield Strategies Fund - Semi Annual Report 2010

Statements of Net Assets

As at (unaudited)	June 30 2010	December 31 2009
Assets		
Investments, at fair value (note 2)	\$ 15,475	\$ 15,221
Forward purchase agreement, at fair value (note 3)	238,497,640	233,797,907
Cash and cash equivalents	71,441	101,474
Accrued interest	36	37
Total assets	238,584,592	233,914,639
Liabilities		
Accrued liabilities	466,043	489,860
Distributions payable to unitholders	1,522,910	1,522,910
Total liabilities	1,988,953	2,012,770
Unitholders' equity		
Unitholders' equity	195,567,774	204,718,475
Retained earnings	41,027,865	27,183,394
Net Assets representing unitholders' equity	\$ 236,595,639	\$ 231,901,869
Units outstanding (note 4)	22,730,000	22,730,000
Net Assets per unit (note 2)	\$ 10.41	\$ 10.20

Approved on behalf of the Trustee, Marret Asset Management Inc.

(signed)

Barry Allan
President & Chief Executive Officer

(signed)

Lara Misner
Vice President & Chief Financial Officer

See accompanying notes which are an integral part of these semi-annual financial statements.

Marret High Yield Strategies Fund - Semi Annual Report 2010

Statements of Operations

For the periods ended June 30 (unaudited)	June 30 2010	June 30 2009 ⁽¹⁾
Income		
Interest revenue	\$ 224	\$ 10
Expenses		
Management fees (note 5)	312,076	18,107
Service fees (note 5)	499,318	28,971
Audit fees	8,300	825
Custodial fees	15,925	1,140
Trustee fees	5,250	178
Legal fees	(14,240)	891
Regulatory fees	33,642	1,781
Transfer agent fees	6,561	390
Counterparty fees (note 5)	297,796	18,107
Total expenses	1,164,628	70,390
Net investment income / (loss)	(1,164,404)	(70,380)
Realized and unrealized gain (loss) on investments		
Net realized gain / (loss) on forward purchase agreement	1,390,236	-
Change in unrealized appreciation / (depreciation) on forward purchase agreement	13,618,449	955,116
Change in unrealized appreciation / (depreciation) on investments	190	-
Net gain (loss) on investments	15,008,875	955,116
Increase / (Decrease) in Net Assets from operations	\$ 13,844,471	\$ 884,736
Increase / (Decrease) in Net Assets from operations per unit ⁽²⁾	\$ 0.61	\$ 0.04
Retained earnings, beginning of period	\$ 27,183,394	\$ -
Increase / (Decrease) in Net Assets from operations	13,844,471	884,736
Retained earnings, end of period	\$ 41,027,865	\$ 884,736

⁽¹⁾ For the period from June 17, 2009, date of commencement, to June 30, 2009.

⁽²⁾ Based on the weighted average number of units outstanding for the period

See accompanying notes which are an integral part of these semi-annual financial statements.

Marret High Yield Strategies Fund - Semi Annual Report 2010

Statements of Changes in Net Assets

For the periods ended June 30 (unaudited)	June 30 2010	June 30 2009 ⁽¹⁾
Net Assets, beginning of period	\$ 231,901,869	\$ -
Operations:		
Increase / (Decrease) in Net Assets from operations	13,844,471	884,736
Unitholder transactions:		
Distribution to unitholders		
Return of capital	(9,137,460)	-
Proceeds from issuance of units	-	227,300,000
Issuance costs	(13,241)	(12,633,250)
Total unit transaction	(9,150,701)	214,666,750
Increase / (Decrease) in Net Assets	4,693,770	215,551,486
Net Assets, end of period	\$ 236,595,639	\$ 215,551,486

⁽¹⁾ For the period from June 17, 2009, date of commencement, to June 30, 2009.

See accompanying notes which are an integral part of these semi-annual financial statements.

Marret High Yield Strategies Fund - Semi Annual Report 2010

Statements of Cash Flows

For the periods ended June 30 (unaudited)	June 30 2010	June 30 2009 ⁽¹⁾
Cash flows from operating activities:		
Net investment income / (loss)	\$ (1,164,404)	\$ (70,380)
Proceeds on partial settlements of forward agreement	10,309,144	70,354
Purchase of investments	-	(213,882,035)
Net change in working capital	(24,072)	-
Cash used in operating activities	9,120,668	(213,882,061)
Cash flows from financing activities:		
Proceeds from issuance of units	-	227,300,000
Issuance costs	(13,241)	(12,633,250)
Distributions paid to unitholders	(9,137,460)	-
Cash provided by financing activities	(9,150,701)	214,666,750
Net increase in cash and short-term investments	(30,033)	784,689
Cash and short-term investments, beginning of the year	101,474	-
Cash and short-term investments, end of period	\$ 71,441	\$ 784,689

⁽¹⁾ For the period from June 17, 2009, date of commencement, to June 30, 2009.

See accompanying notes which are an integral part of these semi-annual financial statements.

Statement of Investment Portfolio

As at June 30, 2010 (unaudited)

Par Value	Average Cost (\$)	Fair Value (\$)
Canadian Bond		
15,000 Government of Canada, 3.00%, 2014/06/01	15,285	15,475
Canadian Bond (0.01%)	15,285	15,475
Forward Purchase Agreement (note 3) (100.80%)	197,056,267	238,497,640
Total of Investments (100.81%)	197,071,552	238,513,115
Other assets, less liabilities (-0.81%)		(1,917,476)
Total Net Assets (100.00%)		236,595,639

See accompanying notes which are an integral part of these semi-annual financial statements.

Marret High Yield Strategies Fund - Semi Annual Report 2010

Notes to the Financial Statements (unaudited)

June 30, 2010 and December 31, 2009

1. Fund Activities

Marret High Yield Strategies Fund (the "Fund") is a closed-end investment fund established under the laws of the Province of Ontario and is governed by a declaration of trust dated May 28, 2009. Marret Asset Management Inc. ("Marret" or "the Manager") is the manager of the Fund and provides all administrative services required by the Fund.

The Fund's investment objectives are:

- (i) to maximize total returns for holders of units ("unitholders"), consisting of both tax-advantaged distributions and capital appreciation, while reducing risk; and
- (ii) to provide unitholders with attractive monthly tax-advantaged cash distributions, initially targeted to be 8.00% per annum on the original issue price of \$10.00 per unit;

The Fund has exposure to a portfolio (the "Portfolio") focused primarily on High Yield Debt. The Manager's investment strategy for the Portfolio is designed to produce attractive risk-adjusted returns in each phase of the credit cycle. Over the course of the credit cycle, the investment strategy seeks to generate returns consistent with the long-term performance of equity indices, and with volatility and risk characteristics consistent with 10-Year U.S. Treasury notes.

Units of the Fund commenced trading on June 17, 2009 on the Toronto Stock Exchange. Net proceeds of \$214.6 million (net of issue costs of \$12.73 million) were raised in the initial public offering and exercise of the over-allotment option to brokers, on the issuance of 22,730,000 units.

To provide the Fund with the means to meet its investment objectives, the Fund used the net proceeds of its initial public offering to prepay its obligations under a forward purchase and sale agreement (the "Forward Purchase Agreement") with The Bank of Nova Scotia (the "Counterparty") all as described in note 3. Such net proceeds were invested by the Counterparty in Marret HYS Trust (the "Trust"). The cash received from the counterparty was used by the Trust to purchase the Portfolio Securities.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and should be read in conjunction with the most recent audited financial statements at December 31, 2009. The preparation of financial statements requires management to make estimates and assumptions that may impact the reported amounts of assets and liabilities at the date of the financial statements and income and expenses during the reporting period. Actual results could differ from these estimates. The significant accounting policies followed in the preparation of these financial statements are summarized below:

Investments

The Fund's securities are held for trading and are presented at fair value. Investments held that are traded in an active market through recognized public stock exchanges, over the counter markets, or through recognized investment dealers, are valued at their bid prices. The difference between fair value and the average cost of securities is recorded as unrealized appreciation/ (depreciation) of investments.

Security transactions are recorded on a trade-date basis. Realized gains/(losses) on the disposition of securities and unrealized appreciation/(depreciation) of securities are determined on an average cost basis.

Forward Purchase Agreement

The fair value of the Forward Purchase Agreement (note 3) is the value with respect thereto that would be realized if, as of any date, the Forward Purchase Agreement was settled in accordance with its terms, in which case the value shall be determined with reference to the current market value of the Portfolio Securities of the Trust using closing sale prices. If no sale has taken place that day, valuation will be at the average of the bid and ask price. The value takes into account amounts equal to other assets including cash, prepaids and distributions receivable, less the liabilities of, the Trust and other liabilities attributed to the Forward Purchase Agreement on such date.

The unrealized appreciation on the Forward Agreement, which is the difference between the fair value of the forward agreement and the fair value of the Trust, and the realized gains on partial settlements on the Forward Agreement are included in the Statement of Operations.

Income Recognition

Interest income is recorded on an accrual basis.

Translation of Foreign Currencies

The fair value of foreign investments and other assets and liabilities are translated into Canadian dollars at the exchange rate prevailing on the valuation date. Purchases and sales of foreign securities and the related income are translated into Canadian dollars at the exchange rate prevailing on the respective dates of such transactions.

Net Assets per Unit

The Net Assets is calculated by subtracting the aggregate amount of the liabilities from the total assets of the Fund. The Net Assets per Unit is calculated by dividing the Net Assets by the number of Units outstanding.

Increase (decrease) in Net Assets from Operations per Unit

Increase (decrease) in Net Assets from Operations per Unit in the Statements of Operations represents the increase (decrease) in net assets from operations attributable to the Fund, divided by the weighted average number of units of the Fund outstanding during the period.

Financial Instruments

The Fund's financial instruments include investments and derivatives, receivables for accrued interest and for portfolio securities sold, payables for portfolio securities purchased and other accrued expenses. Investments and derivatives are classified as held for trading and carried at fair value. Receivables for accrued interest and for portfolio securities sold are designated as loans and receivables and reported at amortized cost. Payables for portfolio securities purchased and other accrued expenses are designated as financial liabilities and reported at amortized cost.

Issuance Costs

Issue costs associated with the offering have been recorded as a reduction to Unitholders' equity during the periods. The amount represents a one-time charge and was paid out of the gross proceeds of the offering.

3. Forward Purchase Agreement

Pursuant to the Forward Purchase Agreement, the Counterparty will acquire, on or before May 30, 2014 ("the Termination Date"), the Canadian securities portfolio ("Canadian Securities") having a value based on

the economic return provided by the Portfolio from inception to the Termination Date. The Portfolio is held by the Trust. Under the Forward Purchase Agreement, the Counterparty will deliver, on the Termination Date, a specified portfolio of Canadian Securities with an aggregate value equal to the redemption proceeds of all of the corresponding units of the Trust, net of any amount then owing by the Fund to the Counterparty. The Fund will partially settle the Forward Purchase Agreement prior to the Termination Date in order to fund (i) redemptions and repurchases of Units; and (ii) operating expenses and other liabilities of the Fund. Settlement of the Forward Purchase Agreement is unconditionally guaranteed by The Bank of Nova Scotia, a company with a credit rating of AA as rated by the Dominion Bond Rating Service.

The fair value of the Fund's Forward Purchase Agreement is equal to the net asset value of the Trust calculated at closing sale prices. As at June 30, 2010, the net asset value of the Trust was \$238,497,640. For financial statement reporting purposes, the net assets of the Trust includes the Portfolio Securities measured in accordance with Section 3855 of the CICA Handbook, which for publicly listed securities is based on closing bid prices for securities held long and on closing ask prices for securities held short, on a recognized stock exchange on which the investments are listed or principally traded.

The following reconciles the net assets of the Trust to the fair value of the Forward Purchase Agreement:

	As at June 30, 2010	As at December 31, 2010
Net assets of Marret HYS Trust	\$ 237,426,116	\$ 232,592,268
Valuation adjustment to Portfolio Securities to closing sale prices	1,071,524	1,205,639
Forward Purchase Agreement, at fair value	\$ 238,497,640	\$ 233,797,907

4. Unitholders' Capital

Pursuant to the declaration of trust, the Fund is authorized to issue an unlimited number of transferable, redeemable fund units of one class, each of which represents an equal, undivided interest in the net assets of the Fund. All units have equal rights and privileges. Each whole unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund and distributions upon the termination of the Fund.

Annual Redemptions

Annual Conditional Redemption Right: The annual redemption date is on the last business day in July of each year beginning in 2011. Units may be redeemed at the option of Unitholders on the annual redemption date of each year, if and only if the annual redemption condition, described below, has been met in such year. Units so redeemed will be redeemed at a redemption price equal to the Net Asset Value per Unit on the annual redemption date, less any costs associated with the redemption, including commissions and other such costs, if any, related to the partial settlement of the Forward Purchase Agreement to fund such redemption. The units must be surrendered for redemption at least ten business days prior to the annual redemption date. Payment of the proceeds of redemption will be made on or before the 15th business day of the following month.

Annual Redemption Condition: Units may only be redeemed on an annual redemption date if the average of the Net Asset Values of the Units on the first four valuation dates occurring in the month of May preceding the annual redemption date is less than \$10.00. On the first business day following the fourth such valuation date, the Manager will issue a press release stating the average Net Asset Value and whether or not the annual conditional redemption right has been triggered.

Monthly Redemptions

The monthly redemption date is the second last business day of each month, other than July in a year where the annual redemption condition has been met. Units may be redeemed at the option of Unitholders on a monthly redemption date, subject to certain conditions and, in order to effect such a redemption, the units must be surrendered on the date which is the last business day of the month preceding the monthly redemption date. Payment of the redemption price will be made on or before the redemption payment date, subject to the Manager's right to suspend redemptions in certain circumstances.

Unitholders surrendering a unit for redemption will receive a redemption price equal to the lesser of (i) 94% of the closing market price of a unit and (ii) 100% of the closing market price of a Unit on the applicable monthly redemption date less, in each case, any costs associated with the redemption, including brokerage costs, being the monthly redemption amount.

The issued and outstanding Units as at June 30, 2010 and June 30, 2009 consist of:

	June 30, 2010	June 30, 2009
Units outstanding - beginning of period	22,730,000	-
Units issued	-	22,730,000
Units reinvested	-	-
Units redeemed	-	-
Units outstanding - end of period	22,730,000	22,730,000

5. Fees and Expenses

The Fund pays a management fee equal to 0.25% per annum of the net asset value of the Fund (or 1.00% in total when combined with the management fee paid by the Trust), calculated daily and payable monthly in arrears, plus applicable taxes, plus a service amount calculated and paid as soon as practicable after the end of each calendar quarter, equal to 0.40% per annum of the Net Asset Value attributable to the units plus applicable taxes.

The Fund will pay to the Counterparty an additional purchase amount under the Forward Purchase Agreement, calculated weekly and payable quarterly in arrears, of 0.25% per annum of the notional amount of the Forward Purchase Agreement (being effectively equal to the Net Asset Value of the Trust).

All other reasonable expenses in connection with the administration of the Fund, including trustee fees and custodian fees, are paid by the Fund.

6. Income Taxes

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). A mutual fund trust is subject to tax on its net investment income for the year, including any net realized capital gains, which is not paid or payable to its Unitholders. The financial statements of the Fund do not include a provision for income taxes because under the terms of the declaration of trust, net investment income and net realized capital gains are distributed each year to Unitholders and is taxable in the Unitholders' hands.

During the six months ended June 30, 2010, the Fund made monthly cash distributions which totaled \$0.40 per unit.

The Fund did not realize any income, gain or loss as a result of entering into the Forward Purchase Agreement and no amount is expected to be included in the Fund's income by virtue of the acquisition of the Canadian Securities through partial pre-settlements or final settlement of the Forward Purchase Agreement. The cost to the Fund of such Canadian Securities will be that portion of the aggregate amount paid by the Fund under the Forward Purchase Agreement attributable to the Canadian Securities. The resulting gains or losses realized by the Fund on the sale of Canadian Securities acquired pursuant to the Forward Purchase Agreement is expected to be taxed as capital gains or capital losses.

At December 31, 2009, the most recent taxation year end, the Fund has no capital loss carryforwards and non-capital losses available to offset future income for tax purposes. The non-capital loss amounts by year of expiry are as follows:

Year of Expiry	Non-Capital Loss
2029	\$ 1,864,522

7. Related Party Information

The Fund retained Marret Asset Management Inc., under an administration agreement (the "Administration Agreement") dated May 28, 2009 to administer all of the ongoing operations of the Fund. In consideration for the services provided by the Manager, the Fund pays a management fee. The total management fees earned by Marret Asset Management Inc. for the period ended June 30, 2010 was \$312,076 (June 30, 2009 - \$18,107), of which \$50,989 (December 31, 2009 - \$51,462) remained payable.

8. Capital Management

The Fund's capital consists of the Unitholders' Equity. The Manager is responsible for managing the Fund's Portfolio in line with its mandate and the affairs of the Fund, including receipt of cash from partial unwinds of the Forward Purchase Agreement primarily to fund operating expenses, annual and monthly redemptions (note 4), and monthly distributions.

9. Financial Instrument Risk Management

In the normal course of business, the Fund is exposed to a variety of financial risks: market risk (including price risk, interest rate risk and currency risk), credit risk and liquidity risk. The Fund's overall risk management program focuses on compliance and execution of the Fund's investment objectives.

The Manager seeks to minimize potential adverse effects of these risks on the Fund's performance by employing professional, experienced portfolio advisers, daily monitoring of the Fund's positions and market events and by diversifying the investment portfolio of the Trust within the constraints of the investment strategy. To assist in managing risks, the Manager also uses internal guidelines that identify the target exposure for each type of risk, maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations

Price Risk

Price Risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or market segment.

By virtue of the Forward Purchase Agreement, the price risk for the Fund is derived from the value of the equity securities held by the Trust. The value of the Portfolio can fluctuate on a daily basis as a result of factors outside of the Fund's control, including financial performance of the issuers of the Portfolio Securities, operational risks relating to the specific business activities of the respective issuers, quality of assets owned by respective issuers, commodity prices, exchange rates, interest rates, environmental risks, political risks, issues relating to government regulation and taxation, composition of the Portfolio and other financial market conditions.

If the prices for the equity securities held by the Trust had increased or decreased by 5% as at June 30, 2010 (December 31, 2009 – 5%), with all other variables remaining constant, net assets of the Fund would have increased or decreased by approximately \$1,326,850 or 0.56% (December 31, 2009 - \$1,549,718, or 0.67%). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Interest Rate Risk

Interest rate risk arises from changes in the prevailing levels of market interest rates, resulting in fluctuations in the value of interest bearing financial instruments.

By virtue of the Forward Purchase Agreement, the Fund is exposed to changes in the value of the Trust's interest bearing securities.

The table below summarizes the Trust's exposure to interest rate risks by remaining term to maturity.

Bonds	June 30, 2010	December 31, 2009
Less than 1 year	200,000	4,007,607
1 - 3 years	22,188,771	29,691,065
3 - 5 years	67,017,165	70,486,375
> 5 years	110,520,945	152,487,553
Total	199,926,881	256,672,600

If interest rates had increased or decreased by 1% at June 30, 2010 (December 31, 2009 – 1%), with all other variables remaining constant, net assets would have decreased or increased by approximately \$10,335,643 or 4.37% (December 31, 2009 - \$14,335,692 or 6.18%). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Currency Risk

Currency risk is the risk that the value of investments will fluctuate due to changes in foreign exchange rates. This risk arises when financial instruments (including cash and cash equivalents) are denominated in a currency other than Canadian dollars, which represents the Fund's functional currency.

The Portfolio Securities of the Trust, to which the Fund is exposed through the Forward Purchase Agreement, is comprised in part of US dollar denominated securities. The table below indicates the currencies to which the Trust had significant exposure as at June 30, 2010 and December 31, 2009, on its trading monetary and non-monetary assets and liabilities as well as the underlying notional amount of forward currency contracts.

As at June 30, 2010

	Currency risk Investments	Working Capital	Currency risk Due to broker	Forward Currency Contract	Net Exposure	As a % of Net Assets
U.S. Dollar	171,080,225	13,892,735	(3,659,570)	(186,977,988)	(5,664,598)	2.39%

As at December 31, 2009

	Currency risk Investments	Working Capital	Currency risk Due to broker	Forward Currency Contract	Net Exposure	As a % of Net Assets
U.S. Dollar	191,198,929	6,233,309	(55,918,071)	(141,422,929)	91,238	0.04%

As at June 30, 2010, had the Canadian dollar strengthened or weakened by 5% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$283,230 or 0.12% (December 31, 2009 - \$4,562 or 0.00%, respectively). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

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 the Fund. The main concentration of credit risk would be investments in debt instruments and derivatives. The Fund is fully exposed to the credit risk of the Bank of Nova Scotia due to the prepaid Forward Purchase Agreement. The Fund is also exposed to the credit risk of the Portfolio Securities held by the Trust. The fair value includes consideration of the credit worthiness of the issuer and therefore represents the maximum credit exposure of the Fund.

As at June 30, 2010 and December 31, 2009, the Trust invested in debt securities with the following credit ratings:

Debt securities by debt ratings	As a % of Net Assets	
	June 30, 2010	December 31, 2009
AAA	6.28	9.81
AA	-	-
A	0.76	2.77
BBB	2.63	3.01
Below BB	56.41	76.60
Unrated	18.43	18.49
Total	84.51	110.68

As at June 30, 2010 and December 31, 2009, the Trust invested in derivatives with the following counterparty ratings:

Counterparty Ratings	As a % of Net Assets	
	June 30, 2010	December 31, 2009
A1+	1.88	0.13
A1	-	0.04
Total	1.88	0.17

Liquidity Risk

The Fund is exposed to annual and monthly redemptions, and repayment of borrowings. By virtue of the Forward Purchase Agreement, the Fund invests a substantial portion of its assets in investments that are traded in an active market and can be readily disposed of. There can be no assurance that an adequate market for the Portfolio Securities will exist at all times, or that the prices at which the Portfolio trades, accurately reflect their net asset values. Partially pre-settlement of the Forward Purchase Agreement prior to the Termination Date is used to fund redemptions, operating expenses, and other liabilities of the Fund. All liabilities are due in less than 3 months.

Fair Value Hierarchy

Canadian Institute of Chartered Accountants Handbook Section 3862 ("Section 3862"), Financial Instruments - Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Inputs may be based on independent market data ("observable inputs") or they be internally developed ("unobservable inputs"). The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the hierarchy are as follows:

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

Level (2) - investments that trade in markets that are not considered to be active, but whose values are based on inputs such as quoted market prices, dealer quotations or valuations provided by alternative pricing sources supported by observable inputs.

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

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

The following is a summary of the inputs used in valuing the Fund's investments and derivatives carried at fair values:

As at June 30, 2010

	Level 1	Level 2	Level 3	Total
Bonds	\$	\$ 15,475	\$	\$ 15,475
Forward purchase agreement	-	238,497,640	-	238,497,640
Total Investments	\$	\$ 238,513,115	\$	\$ 238,513,115

As at December 31, 2009

	Level 1	Level 2	Level 3	Total
Bonds	\$	\$ 15,221	\$	\$ 15,221
Forward purchase agreement	-	233,797,907	-	233,797,907
Total Investments	\$	\$ 233,813,128	\$	\$ 233,813,128

10. Transition to International Financial Reporting Standards

International Financial Reporting Standards (“IFRS”) will replace Canadian GAAP for publicly accountable enterprises, which include investment funds and other reporting issuers. Under the general transition rules for publicly accountable enterprises the Fund would adopt IFRS for its fiscal period beginning January 1, 2011.

The Fund has developed a plan to meet the timetable published by Canadian Institute of Chartered Accountants for changeover to IFRS. Key elements of the plan include the determination of the qualitative impact and the quantitative impact, if any, on the Fund’s financial statements in accordance with IFRS. Based on the current evaluation of the differences between Canadian GAAP and IFRS, the adoption of IFRS is expected to have no impact on the calculation of net assets or net asset value. IFRS is expected to affect the overall presentation of financial statements and result in additional disclosure in the accompanying notes. However, the Manager’s assessment may change if new standards are issued or if the interpretations of current standards are revised.

In June 2010, the Canadian Accounting Standards Board published for comment an Exposure Draft proposing that investment companies, which include investment funds, can defer adoption of IFRS by one year. If the amendments proposed by the Exposure Draft are adopted, investment companies may continue to apply existing GAAP standards until fiscal years beginning on or after January 1, 2012.