MARRET ASSET MANAGEMENT INC.

Financial Statements

Marret HYS Trust

December 31, 2010

Statements of Net Assets

As at		December 31 2010		December 31 2009
Assets				
Investments, at fair value (note 12)	$	397,739,327	$	303,210,933
Cash and cash equivalents		14,435,886		4,238,349
Cash held at broker, margin deposit		19,326,410		-
Cash margin on swaps		1,849,957		-
Receivable for portfolio securities sold		10,422,416		306,293
Accrued interest and dividend receivable		5,445,923		3,771,989
Unrealized gain on credit default swap agreement (note 5)		-		85,303
Unrealized gain on foreign forward currency contracts (note 4)		7,336,934		304,691
Total assets		**456,556,853**		**311,917,558**
Liabilities				
Due to broker (note 6)		-		60,060,996
Investments - short positions, at fair value (note 12)		32,708,298		15,559,191
Payable for portfolio securities purchased		2,309,679		690,000
Interest and dividend payable, short positions		137,557		44,089
Accrued liabilities		317,796		204,379
Accrued performance fee (note 8)		4,651,418		2,766,635
Unrealized loss on credit default swap agreement (note 5)		305,896		-
Unrealized loss on foreign forward currency contracts (note 4)		63,192		-
Total liabilities		**40,493,836**		**79,325,290**
Net Assets representing unitholder's equity	**$**	**416,063,017**	**$**	**232,592,268**
Units outstanding (note 7)		**32,935,876**		**21,231,650**
Net Assets per unit (note 3)	**$**	**12.63**	**$**	**10.96**

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

(signed) (signed)

Barry Allan
President & Chief Executive Officer

Marcus Spain
Chief Financial Officer

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

Marret HYS Trust - Annual Report 2010

Statements of Operations

For the year ended		December 31 2010		December 31 2009[1]
Income				
Interest revenue	$	22,394,144	$	8,403,706
Dividend revenue		166,055		89,792
Income from credit default swaps		159,672		56,166
Total income		**22,719,871**		**8,549,664**
Expenses				
Management fees (note 8)		2,303,861		951,542
Audit fees		19,837		13,125
Custodial fees		35,728		45,359
Legal fees		-		8,077
Regulatory fees		-		1,117
Interest expense		131,502		23,581
Securities borrowing fees		310,671		120,254
Performance fees (note 8)		4,651,418		2,766,635
Interest expense, short positions		298,630		167,262
Dividend expense, short positions		66,929		103,657
Total expenses		**7,818,576**		**4,200,609**
Net investment income / (loss)		**14,901,295**		**4,349,055**
Realized and unrealized gain / (loss) on investments				
Net realized gain / (loss) on sale of investments		15,703,319		(818,531)
Net realized gain / (loss) on credit default swaps		86,117		(138,083)
Net realized gain / (loss) on foreign forward currency contracts		(2,256,726)		7,111,464
Net realized gain / (loss) on foreign currency		9,080,729		1,324,777
Transaction costs (note 2)		(118,691)		(114,158)
Change in unrealized appreciation / (depreciation) on investments		(4,245,046)		14,856,352
Change in unrealized appreciation / (depreciation) on credit default swaps		(391,199)		85,303
Change in unrealized appreciation / (depreciation) on foreign forward currency contracts		6,969,051		304,691
Change in unrealized appreciation / (depreciation) on foreign currency		(687,025)		240,864
Realized and unrealized gain (loss) on investments		**24,140,529**		**22,852,679**
Increase / (decrease) in net assets from operations	**$**	**39,041,824**	**$**	**27,201,734**
Increase / (decrease) in net assets from operations per unit [2]	**$**	**1.66**	**$**	**1.30**

[1] For the period from June 17, 2009, date of commencement, to December 31, 2009.

[2] Based on the weighted average number of units outstanding for the period.

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

Marret HYS Trust - Annual Report 2010

Statements of Changes in Net Assets

For the year ended		December 31 2010		December 31 2009(1)
Net Assets, beginning of year	**$**	232,592,268	**$**	-
Operations:				
Increase / (decrease) in net assets from operations		39,041,824		27,201,734
Unitholder transactions:				
Distribution to unitholders				
Net investment income		(41,474,385)		(31,319,128)
Proceeds from issuance of units		167,210,037		213,866,754
Reinvested distribution		41,474,385		24,519,128
Payments on redemption of units		(22,781,112)		(1,676,220)
Total unit transaction		144,428,925		205,390,534
Increase / (decrease) in Net Assets		**183,470,749**		**232,592,268**
Net Assets, end of year	**$**	**416,063,017**	**$**	**232,592,268**

(1) For the period from June 17, 2009, date of commencement, to December 31, 2009.

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

Statements of Cash Flows

For the year ended	December 31 2010	December 31 2009[1]
Cash flows used in operating activities:		
Net investment income / (loss)	$ 14,901,295	$ 4,349,055
Proceeds from settlement of foreign currency and foreign forward currency contracts	6,136,978	8,677,105
Proceeds from settlement of credit default swaps	86,117	(138,083)
Proceeds from investments	528,288,099	145,543,025
Proceeds from investments in short positions	135,777,112	56,299,550
Purchase of investments	(618,193,525)	(431,410,792)
Purchase of investments to cover short positions	(120,289,144)	(43,661,997)
Commission and other portfolio transaction costs	(118,691)	(114,158)
Net change in working capital	(1,432,223)	(756,886)
Cash used in operating activities	**(54,843,982)**	**(261,213,181)**
Cash flows provided by financing activities:		
Change in due to broker	(60,060,996)	60,060,996
Change in cash held at broker, margin deposit	(19,326,410)	-
Proceeds from issuance of units	167,210,037	213,866,754
Distributions paid to unitholders	-	(6,800,000)
Payments on redemption of units	(22,781,112)	(1,676,220)
Cash provided by financing activities	**65,041,519**	**265,451,530**
Net increase in cash and cash equivalents	**10,197,537**	**4,238,349**
Cash and cash equivalents, beginning of the year	**4,238,349**	**-**
Cash and cash equivalents, end of year	**$ 14,435,886**	**$ 4,238,349**
Supplemental Information		
Cash paid for interest	131,502	23,581
Cash interest paid on short positions	186,889	167,262

[1] For the period from June 17, 2009, date of commencement, to December 31, 2009.

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

Statement of Investment Portfolio

As at December 31, 2010

Number of Shares/ Par Value		Average Cost ($)	Fair Value ($)
Canadian Bonds			
8,025,000	Consolidated Thompson Iron Mines Ltd., Convertible, 5.000%, 2017/11/30 (USD)	8,042,653	9,178,918
3,627,000	Equal Energy Ltd., Convertible, 8.000%, 2011/12/31	3,065,859	3,682,130
938,000	Equal Energy Ltd., Convertible, 8.250%, 2012/06/30	760,852	948,318
200,000	GlassBOX Television Inc., Series 'III', Convertible, 15.000%, 2011/05/21	200,000	200,000
8,040,000	New Gold Inc., Convertible, 5.000%, 2014/06/28	7,865,121	9,326,400
555,000	Newport Partners Income Fund, Convertible, Callable, 7.500%, 2010/12/31	340,255	377,456
2,147,000	Priszm Income Fund, Convertible, Callable, 6.500%, 2012/06/30	1,592,396	923,210
795,000	Tree Island Wire Income Fund, Convertible, 10.000%, 2014/11/26	795,000	723,450
Canadian Convertible Bonds (6.10%, 2009: 9.45%)		**22,662,136**	**25,359,882**
3,700,000	Air Canada, Callable, 9.250%, 2015/08/01 (USD)	3,849,933	3,864,022
5,695,000	BCE Generic Residual, Zero Coupon, 2054/12/01	238,222	442,329
3,250,000	BCE Inc., Zero Coupon, 2021/04/15	1,586,585	1,838,668
5,770,000	Canadian Satellite Radio Holdings Inc., Callable, 12.750%, 2014/02/15 (USD)	4,954,976	5,738,844
1,060,000	CCS Inc., Callable, 11.000%, 2015/11/15 (USD)	902,706	954,120
2,445,000	Connacher Oil and Gas Ltd., Callable, 11.750%, 2014/07/15 (USD)	2,731,488	2,632,421
5,175,000	Connacher Oil and Gas Ltd., Callable, 10.250%, 2015/12/15 (USD)	5,131,276	5,172,792
7,430,000	Consolidated Thompson Iron Mines Ltd., 8.500%, 2017/01/27 (USD)	7,912,951	7,888,697
6,767,639	Data & Audio-Visual Enterprises Holdings Inc., Callable, 15.000%, 2018/09/25	6,763,743	6,246,993
1,910,000	Harvest Operations Corp., Callable, 6.875%, 2017/10/01 (USD)	1,971,863	1,956,677
5,528,000	New Gold Inc., Callable, 10.000%, 2017/06/28	5,432,377	5,929,333
4,105,000	NOVA Chemicals Corp., 6.500%, 2012/01/15 (USD)	4,338,160	4,235,941
2,015,000	NOVA Chemicals Corp., Callable, 8.625%, 2019/11/01 (USD)	2,089,943	2,189,501
2,560,000	Novelis Inc., Callable, 8.375%, 2017/12/15 (USD)	2,583,807	2,635,293
1,240,000	Novelis Inc., Callable, 8.750%, 2020/12/15 (USD)	1,251,532	1,279,553
1,690,000	OPTI Canada Inc., Callable, 9.000%, 2012/12/15 (USD)	1,745,917	1,685,077
715,000	OPTI Canada Inc., Callable, 9.750%, 2013/08/15 (USD)	728,023	711,139
3,040,000	OPTI Canada Inc., Callable, 8.250%, 2014/12/15 (USD)	2,245,460	2,154,304
2,365,000	Reliance Intermediate Holdings L.P., Callable, 9.500%, 2019/12/15 (USD)	2,478,902	2,472,782
475,000	Sherritt International Corp., Series 'B', Callable, 8.250%, 2014/10/24	515,375	515,612
2,455,000	Sherritt International Corp., Series 'C', Callable, 7.750%, 2015/10/15	2,163,827	2,631,073
2,050,000	Teck Resources Ltd., Callable, 10.250%, 2016/05/15 (USD)	2,504,416	2,523,177
Canadian Corporate Bonds (15.79%, 2009: 36.54%)		**64,121,482**	**65,698,348**
Total of Canadian Bonds (21.89%, 2009: 45.99%)		**86,783,618**	**91,058,230**
United States Bonds			
2,420,000	ABI Escrow Corp., Callable, 10.250%, 2018/10/15 (USD)	2,533,798	2,635,591
4,240,000	AT&T Inc., Callable, 5.350%, 2040/09/01 (USD)	4,212,922	3,966,044
320,000	Avis Budget Car Rental LLC / Avis Budget Finance Inc., Callable, 7.625%, 2014/05/15 (USD)	332,219	326,229
1,170,000	Avis Budget Car Rental LLC / Avis Budget Finance Inc., Callable, 7.750%, 2016/05/15 (USD)	1,163,923	1,186,956
5,540,000	Avis Budget Car Rental LLC / Avis Budget Finance Inc., Callable, 8.250%, 2019/01/15 (USD)	5,641,444	5,565,187
2,180,000	BreitBurn Energy Partners L.P., Callable, 8.625%, 2020/10/15 (USD)	2,251,200	2,179,070
2,700,000	Calfrac Holdings L.P., Callable, 7.500%, 2020/12/01 (USD)	2,721,982	2,718,989
4,615,000	Calpine Construction Finance Co. L.P., Callable, 8.000%, 2016/06/01 (USD)	5,048,357	4,876,960
2,750,000	Calpine Corp., Callable, 7.500%, 2021/02/15 (USD)	2,836,466	2,694,124
2,345,000	CB Richard Ellis Services Inc., Callable, 11.625%, 2017/06/15 (USD)	2,701,202	2,702,596
1,810,000	CB Richard Ellis Services Inc., Callable, 6.625%, 2020/10/15 (USD)	1,840,557	1,800,227
1,920,000	CCO Holdings LLC / CCO Holdings Capital Corp., Callable, 7.250%, 2017/10/30 (USD)	1,977,375	1,938,277
2,140,000	Chaparral Energy Inc., Callable, 8.875%, 2017/02/01 (USD)	2,158,720	2,160,371
1,160,000	Chaparral Energy Inc., Callable, 9.875%, 2020/10/01 (USD)	1,197,878	1,217,192
5,295,000	Charter Communications Operating LLC, Callable, 10.875%, 2014/09/15 (USD)	6,101,618	5,885,212
3,020,000	Clearwire Communications LLC / Clearwire Finance Inc., Callable, 12.000%, 2015/12/01 (USD)	3,174,753	3,243,988
3,270,000	Clearwire Communications LLC / Clearwire Finance Inc., Callable, 12.000%, 2015/12/01 (USD)	3,533,587	3,504,400
3,540,000	DISH DBS Corp., Callable, 7.875%, 2019/09/01 (USD)	3,797,924	3,679,325
2,945,000	Drummond Co. Inc., Callable, 9.000%, 2014/10/15 (USD)	3,100,558	3,126,812
2,980,000	Energy Future Holdings Corp. and EFIH Finance Inc., Callable, 10.000%, 2020/12/01 (USD)	3,099,238	3,056,599
7,145,000	Ford Motor Credit Co. LLC, 7.800%, 2012/06/01 (USD)	7,580,556	7,555,026

Statement of Investment Portfolio (continued)

As at December 31, 2010

Number of Shares/ Par Value		Average Cost ($)	Fair Value ($)
United States Bonds (continued)			
3,055,000	GenOn Escrow Corp., Callable, 9.500%, 2018/10/15 (USD)	3,067,627	3,019,513
725,000	Geokinetics Holdings USA Inc., Callable, 9.750%, 2014/12/15 (USD)	759,392	692,242
4,065,000	Harrah's Operating Co. Inc., Callable, 11.250%, 2017/06/01 (USD)	4,503,557	4,548,432
6,075,000	HCA Inc., Callable, 8.500%, 2019/04/15 (USD)	6,847,605	6,616,206
6,350,000	Hertz Corp. (The), Callable, 8.875%, 2014/01/01 (USD)	6,636,044	6,457,815
1,850,000	Hertz Corp. (The), Callable, 7.500%, 2018/10/15 (USD)	1,909,930	1,909,011
2,590,000	Hertz Corp. (The), Callable, 7.375%, 2021/01/15 (USD)	2,614,086	2,601,775
2,205,000	Huntsman International LLC, 5.500%, 2016/06/30 (USD)	2,021,106	2,121,818
6,450,000	Johnson & Johnson, Callable, 4.500%, 2040/09/01 (USD)	6,206,347	6,073,205
5,430,000	Icon Health & Fitness Inc., Callable, 11.875%, 2016/10/15 (USD)	5,491,849	5,454,687
2,050,000	Level 3 Financing Inc., Callable, 9.250%, 2014/11/01 (USD)	2,061,235	2,023,639
3,710,000	Level 3 Financing Inc., Callable, 10.000%, 2018/02/01 (USD)	3,427,603	3,542,368
3,260,000	Limited Brands Inc., Callable, 8.500%, 2019/06/15 (USD)	3,683,430	3,704,439
3,020,000	Linn Energy LLC / Linn Energy Finance Corp., Callable, 8.625%, 2020/04/15 (USD)	3,100,300	3,236,479
2,370,000	Linn Energy LLC / Linn Energy Finance Corp., Callable, 7.750%, 2021/02/01 (USD)	2,435,927	2,416,133
5,060,000	Marina District Finance Co. Inc., Callable, 9.875%, 2018/08/15 (USD)	5,061,214	4,957,187
8,155,000	McDonald's Corp., 6.300%, 2038/03/01 (USD)	9,731,724	9,559,308
3,760,000	MetroPCS Wireless Inc., Callable, 6.625%, 2020/11/15 (USD)	3,746,774	3,562,062
5,420,000	MGM MIRAGE, 13.000%, 2013/11/15 (USD)	6,686,547	6,374,543
4,175,000	MGM MIRAGE, Callable, 6.750%, 2012/09/01 (USD)	4,012,772	4,131,694
2,490,000	Michaels Stores Inc., Callable, 7.750%, 2018/11/01 (USD)	2,492,487	2,470,363
6,360,000	NBC Universal Inc., Callable, 5.950%, 2041/04/01 (USD)	6,620,837	6,325,013
3,745,000	NII Capital Corp., Callable, 10.000%, 2016/08/15 (USD)	4,213,864	4,125,192
1,870,000	NII Capital Corp., Callable, 8.875%, 2019/12/15 (USD)	2,005,058	2,004,045
3,690,000	NRG Energy Inc., Callable, 7.250%, 2014/02/01 (USD)	3,877,643	3,743,477
5,765,000	NRG Energy Inc., Callable, 8.500%, 2019/06/15 (USD)	6,231,350	5,920,222
6,085,000	Procter & Gamble Co. (The), Callable, 4.700%, 2019/02/15 (USD)	6,581,059	6,551,336
6,190,000	Procter & Gamble Co. (The), Callable, 5.550%, 2037/03/05 (USD)	6,814,004	6,704,290
5,960,000	Qwest Communications International Inc., Callable, 8.000%, 2015/10/01 (USD)	6,423,499	6,372,404
2,075,000	Sirius XM Radio Inc., 8.750%, 2015/04/01 (USD)	2,132,020	2,234,059
3,400,000	Trilogy International Partners LLC, Callable, 10.250%, 2016/08/15 (USD)	3,370,144	3,347,825
6,360,000	Wal-Mart Stores Inc., 5.000%, 2040/10/25 (USD)	6,384,953	6,143,890
900,000	Wynn Las Vegas LLC / Wynn Las Vegas Capital Corp., Callable, 7.750%, 2020/08/15 (USD)	952,946	968,989
7,000,000	Xinergy Corp., 9.750%, 2015/04/29 (USD)	6,796,110	6,753,336
1,725,000	XM Satellite Radio Inc., Callable, 7.625%, 2018/11/01 (USD)	1,744,685	1,771,445
U.S. Corporate Bonds (51.54%, 2009: 41.70%)		**217,652,005**	**214,457,617**
U.S. Bonds - Short Positions			
(5,520,000)	United States Treasury Bond, 2.625%, 2020/11/15 (USD)	(5,187,593)	(5,180,514)
(9,610,000)	United States Treasury Bond, 4.375%, 2040/05/15 (USD)	(10,172,060)	(9,607,362)
(7,215,000)	United States Treasury Bond, 4.250%, 2040/11/15 (USD)	(6,991,307)	(7,061,677)
U.S. Federal Bonds & Guaranteed - Short (-5.25%, 2009: 9.77%)		**(22,350,960)**	**(21,849,553)**
Total of U.S. Bonds (46.29%, 2009: 51.47%)		**195,301,045**	**192,608,064**
International Bonds			
3,625,000	Columbus International Inc., Callable, 11.500%, 2014/11/20 (USD)	3,978,962	4,002,023
3,215,000	Wind Acquisition Finance SA, Callable, 7.250%, 2018/02/15 (USD)	3,257,348	3,253,599
Total International Bonds (1.74%, 2009: 3.25%)		**7,236,310**	**7,255,622**
Total of Bonds (69.92%, 2009: 100.71%)		**289,320,973**	**290,921,916**
Term Loans			
1,835,799	Allison Transmission Inc., Variable Rate, 3.020%, 2014/08/07 (USD)	1,758,524	1,789,369
2,676,131	Caesars Entertainment Operating Company, Variable Rate, 9.500%, 2016/10/31 (USD)	2,840,921	2,794,764
1,603,432	CCS Income Trust, Variable Rate, 3.271%, 2014/11/14 (USD)	1,407,205	1,435,296
5,958,847	Chester Downs and Marina LLC, Variable Rate, 12.375%, 2016/07/31 (USD)	6,098,590	6,252,638
1,885,000	Gateway Casinos and Entertainment Ltd, Variable Rate, 6.500%, 2016/04/20 (CAD)	1,866,565	1,892,069
4,129,360	Michaels Stores Inc., Variable Rate, 2.563%, 2013/10/31 (USD)	3,936,990	3,983,851
11,050,000	Newport Finance Corp., Variable Rate, 0.000%, 2013/12/20 (CAD)	11,050,000	11,050,000
14,269,462	Texas Competitive Electric Holdings Co. LLC, Variable Rate, 3.789%, 2014/10/10 (USD)	11,553,736	10,928,156
Total of Term Loans (9.64%, 2009: 9.63%)		**40,512,531**	**40,126,143**

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

Statement of Investment Portfolio (continued)

As at December 31, 2010

Number of Shares/ Par Value		Average Cost ($)	Fair Value ($)
Canadian Equities			
160,190	Athabasca Oil Sands Corp.	2,159,624	2,402,850
406,455	Canadian Oil Sands Trust	11,133,392	10,750,735
136,210	Cogeco Cable Inc.	4,193,181	5,585,972
100,360	Consolidated Thompson Iron Mines Ltd.	1,129,340	1,414,072
332,250	Consolidated Thompson Iron Mines Ltd., Warrants, 2012/07/27	-	3,469,354
75,225	Consolidated Thompson Iron Mines Ltd., Warrants, 2013/01/29	-	581,113
298,558	Crocodile Gold Corp.	348,318	441,866
949,600	Crocodile Gold Corp., Warrants, 2012/10/15	-	354,201
93,200	Data & Audio-Visual Enterprises Holdings Inc., Class 'B', Warrants, 2018/09/25	-	320,981
23,300	Data & Audio-Visual Enterprises Holdings Inc., Warrants, 2018/09/25	-	80,245
125,495	Fort Chicago Energy Partners L.P.	1,062,765	1,490,881
280,840	iShares CDN S&P/TSX Global Gold Index Fund	6,129,730	7,355,200
130,410	Silver Wheaton Corp.	3,885,920	5,076,861
397,500	Tree Island Wire Income Fund, Warrants, 2014/11/26	-	21,068
1,601,735	Westaim Corp.	800,868	880,954
Canadian Equities - Long (9.67%, 2009: 18.86%)		**30,843,138**	**40,226,353**
Canadian Equities - Short Positions			
(235,100)	iShares CDN S&P/TSX Capped Energy Index Fund	(4,221,912)	(4,760,775)
Canadian Equities - Short (-1.14%, 2009: -4.21%)		**(4,221,912)**	**(4,760,775)**
Total of Canadian Equities (8.53%, 2009: 14.65%)		**26,621,226**	**35,465,578**
United States Equities			
32,645	SPDR Gold Trust	3,764,520	4,504,062
300,000	Xinergy Ltd., Warrants, 2012/10/31	-	111,300
U.S. Equities - Long (1.11%, 2009: 1.16%)		**3,764,520**	**4,615,362**
United States Equities - Short Positions			
(44,140)	CB Richard Ellis Group Inc., Class 'A'	(668,237)	(900,423)
(66,800)	iShares Russell 2000 Index Fund	(5,094,638)	(5,197,547)
U.S. Equities - Short (-1.47%, 2009: -2.48%)		**(5,762,875)**	**(6,097,970)**
Total of U.S. Equities (-0.36%, 2009: -1.32%)		**(1,998,355)**	**(1,482,608)**
Total of Equities (8.17%, 2009: 13.33%)		**24,622,871**	**33,982,970**
Investments (note 2)		**386,792,122**	**397,739,327**
Investments, short positions (note 2)		**(32,335,747)**	**(32,708,298)**
Less: Transaction cost		(36,654)	
Total of Investments (87.73%, 2009: 123.67%)		**354,419,721 -**	**365,031,029**
Due to broker (0.00%; 2009: -25.82%)			-
Margin (0.44%; 2009: 0.00%)			1,849,957
Unrealized gain on foreign forward currency contracts (1.76%, 2009: 0.13%) (note 4)			7,336,934
Unrealized loss on foreign forward currency contracts (-0.01%, 2009: 0.00%) (note 4)			(63,192)
Unrealized loss on credit default swaps (-0.07%, 2009: 0.04%) (note 5)			(305,896)
Other assets, less liabilities (10.15%; 2009: 1.98%)			42,214,185
Total Net Assets (100.00%)			**416,063,017**

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

1. Fund Activities

Marret HYS Trust (the "Trust") is an investment fund established under the laws of the Province of Ontario and is governed by a declaration of trust dated May 28, 2009. The Trust will issue units from time to time in reliance on exemptions from applicable prospectus and registration requirements.

The Trust's investment objectives are to maximize total returns for the holder of units consisting of both distributions and capital appreciation while reducing risk. The Trust has been established for the purposes of acquiring and holding investments focused primarily on high yield debt securities. The Portfolio is actively managed by Marret Asset Management Inc. ("Marret" or "the Manager") using high yield debt strategies designed to maximize risk-adjusted returns and preserve capital in each phase of the credit cycle. The goal is to generate returns consistent with long-term performance of equity indices, but with the volatility and risk characteristics consistent with 10-year U.S. Treasury notes.

Marret employs hedging strategies, including short selling securities and holding cash, designed to generate positive returns and/or protect the Portfolio against the risk of losses from currency fluctuations, interest rate changes and market declines. It is intended that the majority (and not less than 75%) of the Portfolio investments denominated in foreign currencies will be hedged to the Canadian dollar.

The Trust is a vehicle to allow the Marret High Yield Strategies Fund ("the Fund") to meet its investment objectives. The Fund used the net proceeds of its offerings to prepay its obligations under a forward purchase and sale agreement (the "Forward Purchase Agreement") with The Bank of Nova Scotia (the "Counterparty"). Such net proceeds were invested by the Counterparty into the Trust. The cash received from the Counterparty was used by the Trust to purchase the Portfolio.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. 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 Trust's investments 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 for securities held long and at their ask prices for securities held short. Investments held with no available bid or ask prices are valued at their closing sale prices. Investments held that are not traded in an active market are valued based on the results of valuation techniques using observable market inputs, if available, on such basis and in such manner established by the Manager. The fair value of certain securities may be estimated using valuation techniques based on assumptions that are not supported by observable market inputs.

Investments for which reliable quotations are not readily available, or for which there is no bid or ask price, are valued at fair value as determined using management's best estimates thereof pursuant to procedures established by the Manager. Short-term notes and treasury bills are valued at their fair value.

The cost of investments represents the amount paid for each security, and is determined on an average cost basis excluding commissions and other portfolio transaction costs, where applicable. The difference between fair value and the average cost of investments is recorded as unrealized appreciation/ (depreciation) of investments.

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

Transaction Costs
Trading commissions incurred for investments bought and sold are included as an expense in the statements of operations.

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.

Income Recognition
Distributions from underlying trusts, dividend income and dividend expense are recorded on an ex-dividend date basis. Interest income, interest expense, securities lending income and security borrowing fees are recorded on an accrual basis.

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 Trust, divided by the weighted average number of units of the Trust outstanding during the period.

Foreign forward currency contracts
Foreign forward currency contracts entered into by the Trust are financial agreements to buy or sell a specific amount of an underlying currency for an agreed upon price at a future date. The fair value of these contracts is the gain or loss that would be recognized if the position was closed out on the valuation date, and is recorded as an unrealized gain (loss).

Credit default swaps
Credit default swaps are agreements to mitigate credit risk exposure to certain issuing entities (“Referenced Entity”) held by the Trust or to increase credit risk exposure to the Referenced Entity by creating a notional investment position for the Trust. Where a notional investment position is created, the credit risk exposure of the Trust is comparable to the exposure that would have resulted if the Trust has invested directly in the Referenced Entity. Under a credit default swap agreement, the protection buyer, whose intention is to reduce its credit risk exposure to the Referenced Entity, pays a premium to the protection seller, who assumes the credit risk of a default of the bond of a Referenced Entity. This premium is paid at regular intervals over the term of the swap agreement. In return for the premium paid, the protection buyer is entitled to receive from the protection seller full payment for a loss arising from a credit default event of the Referenced Entity. A credit default event may be triggered by bankruptcy, failure to pay or restructuring of the Referenced Entity. If a credit default event occurs, the swap may be settled by either the physical delivery of the bond for

proceeds equal to par value, or a cash payment equal to the loss amount. Credit default swaps are valued daily based on dealer-supplied valuations.

Changes in value of swap agreements are recorded as unrealized appreciation (depreciation). Premiums paid or received from swap agreements are included in investment income. When swap agreements expire or are closed out, gains or losses are included in net realized gain or loss on sale of swap agreements.

Financial Instruments
The Trust's financial instruments include investments (long and short), derivatives, receivables for accrued interest and dividends, and for investments sold, payables for investments purchased and performance fees, interest and dividends payable, due to broker, and other accrued expenses. Investments (long and short) and derivatives are classified as held for trading and carried at fair value. Receivables for accrued interest and dividends and for investments sold are designated as loans and receivables and reported at amortized cost. Payables for investments purchased and performance fees, interest and dividends payable, due to broker, and other accrued expenses are designated as financial liabilities and reported at amortized cost.

Return of Capital
Distributions received as return of capital ("ROC") from investments reduce the adjusted cost base ("ACB") of the underlying investments. Distributions received from investments are allocated initially as dividends, interest, capital gains, or return of capital ("ROC") based on estimates of the categorization of distributions received from the underlying issuers. These allocations may change once the final categorization of the distributions is received on an annual basis from the underlying issuers.

Comparative Information
Certain prior year amounts have been reclassified to conform with the current year's presentation.

3. Net Assets Per Unit

The Trust is required to calculate the net assets per unit for the purposes of the financial statements in accordance with Canadian generally accepted accounting principles (GAAP). The valuation principles and practices established by the Manager for the purpose of subscriptions and redemptions differ from Canadian GAAP primarily with respect to fair valuation of securities. Under Canadian GAAP, financial instruments that are quoted in active markets shall be measured based on the bid price for long positions and the ask price for short positions while under the Manager's valuation principles such securities shall be valued using close prices for listed securities and the average of the bid and ask prices for those securities traded through recognized investment dealers. As a result, the net assets per unit presented in the financial statements (the "Net Assets per Unit") may differ from the net asset value per unit for the purpose of redemption and purchase of units of the Trust (the "Net Asset Value per Unit"). A comparison between the net asset value per unit calculated for subscriptions and redemptions and the net assets per unit calculated for financial reporting is required to be disclosed in the financial statements.

	As at December 31, 2010	As at December 31, 2009
Net Asset Value per Unit	$12.68	$11.01
Net Assets per Unit	$12.63	$10.96

4. Foreign Forward Currency Contracts

The following foreign forward currency contracts were outstanding as at December 31, 2010 and 2009:

As at December 31, 2010

Settlement Date	Currency Buys	Notional Value	Currency Sells	Notional Value	Forward Rate	Current Rate	Unrealized Gain (Loss)
1/26/2011	CAD	338,292,545	USD	332,605,000	0.983	1.005	$ 7,336,934
1/26/2011	USD	11,726,000	CAD	11,731,042	0.999	1.005	$ (63,192)
							$ 7,273,742

Counterparties: Bank of New York Mellon Corp. (The) and Royal Bank of Canada

Credit Rating for Counterparties(*) A1+

(*) Standard and Poor's short term rating.

As at December 31, 2009

Settlement Date	Currency Buys	Notional Value	Currency Sells	Notional Value	Forward Rate	Current Rate	Unrealized Gain (Loss)
1/28/2010	CAD	141,727,619	USD	135,129,000	0.953	0.955	$ 304,691
							$ 304,691

Counterparty: Royal Bank of Canada

Credit Rating for Counterparty(*) A1+

(*) Standard and Poor's short term rating.

5. Credit Default Swaps

The following credit default swaps were outstanding as at December 31, 2010 and 2009:

As at December 31, 2010

Credit Default Swap Contracts	Underlying Security Credit Rating (*)	Notional Amount	Expiry Date	Fair Value
Pay 5.00% quarterly times the notional amount. Receive payment only upon a default event of Markit CDX NA HY S15 Index	B	10,470,000	12/20/2015	($305,896)
				($305,896)

Counterparty: JP Morgan Securities Inc.

Credit Rating for Counterparty(*) A1

(*) Standard and Poor's short term rating.

As at December 31, 2009

Credit Default Swap Contracts	Underlying Security Credit Rating (*)	Notional Amount	Expiry Date	Fair Value
Pay 5.00% quarterly times the notional amount. Receive payment only upon a default event of Markit CDX NA S13 Index	B	11,855,250	12/20/2014	$85,303
				$85,303

Counterparty: JP Morgan Securities Inc.

Credit Rating for Counterparty(*) A1

(*) Standard and Poor's short term rating.

6. Leverage

The Trust may utilize various forms of borrowing, including a loan facility and margin purchases, up to 35% of the net asset value of the Trust at the time of borrowing. Accordingly, the maximum amount of leverage that the Trust could employ is 1.35:1.

In addition, the net exposure of the Trust should not exceed 135%, on a daily marked-to-market basis, with net exposure calculated as the value of long security positions, excluding cash and cash equivalents, minus the absolute value of short positions, divided by net asset value of the Trust.

The Trust has a credit facility which provides the ability to borrow i) Canadian dollars at a rate equal to the Bank of Canada overnight lending rate plus a fixed percentage, and ii) U.S. dollars at a rate equal to federal funds overnight rate plus a fixed percentage. The facility has been used by the Trust to invest in additional portfolio investments.

During the year ended December 31, 2010, the minimum and maximum amounts of net borrowings of the Trust were approximately nil and $67.7 million (2009 – nil and $55.9), respectively.

7. Unitholder's Capital

Pursuant to the declaration of trust, the Trust is authorized to issue an unlimited number of a single class of transferable redeemable units of beneficial interest, each of which represents a pro rata interest in the Trust. 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 Trust and distributions upon the termination of the Trust. The sole unitholder of the trust is the Bank of Nova Scotia (the "Unitholder").

Redemption of Units

Units may be redeemed at any time for a redemption price per unit equal to the net asset value per unit as at the date units are surrendered for redemption (the "Redemption Date") by a Unitholder of the Trust. Units surrendered for redemption on any Redemption Date will be redeemed as at such Redemption Date and the Unitholder will receive payment in respect of any units surrendered for redemption on or before the redemption payment date.

The issued and outstanding units as at December 31, 2010 and 2009 consist of:

	December 31, 2010	**December 31, 2009**
Units outstanding - beginning of year	21,231,650	-
Issued for consideration	13,617,877	21,381,535
Reinvestment of distribution	3,631,224	2,487,494
Redemption	(1,913,651)	(149,885)
Reduced by consolidation	(3,631,224)	(2,487,494)
Units outstanding - end of year	**32,935,876**	**21,231,650**

For units reconsolidated refer to Note 9.

8. Fees and Expenses

The Trust retained Marret Asset Management Inc., under an administration agreement dated May 28, 2009 to administer all of the ongoing operations of the Trust. In consideration for the services provided by the Manager, the Trust pays a management fee. The management fee is computed daily and payable monthly in arrears at the annual rate of 0.75%, plus applicable taxes, of the net asset value of the Trust. The total management fees earned by Marret Asset Management Inc. for the year ended December 31, 2010 were $2,303,861 (December 31, 2009 – $951,542) of which $297,166 (December 31, 2009 - $154,977) remained payable.

The Manager will also receive, for each fiscal year of the Trust, a performance fee (the "Performance Fee"). The Performance Fee is calculated and accrued on a monthly basis and paid annually. The amount of the Performance Fee for a given year will be an amount for each unit of the Trust then outstanding equal to 15% of the amount by which the sum of (i) the net asset value of such unit (calculated without taking into account the Performance Fee), and (ii) the distributions paid on such unit during the previous 12 months or since the last performance fee was paid, exceeds 106.35% of the Threshold Amount.

The Threshold Amount is the greater of (i) the net asset value per unit of the Trust on the Determination Date for the previous fiscal year (after payment of such Performance Fee); and (ii) the net asset value per unit of the Trust on the determination date in the fiscal year in which a Performance Fee was last paid (after payment of such Performance Fee).

The performance fee accrued for the year ended December 31, 2010 is $4,651,418 (December 31, 2009 - $2,766,635).

All other reasonable expenses in connection with the administration of the Trust are paid by the Trust. The Trust is also responsible for the costs of portfolio transactions and any extraordinary expenses that may be incurred from time to time. No trustee fees were charged during the year (2009 – nil).

9. Income Taxes

The Trust qualifies as a unit trust and a financial institution for purposes of the mark-to-market rules contained in the Income Tax Act (Canada). The Trust is subject to tax on its net investment income, including any net realized and unrealized gain on its mark-to-market property, which is not paid or payable to its Unitholder. The financial statements of the Trust do not include a provision for income taxes because under the terms of the declaration of trust, net investment income is distributed each year to its Unitholder.

Where the Trust realizes income for tax purposes which is in excess of any distributions paid or made payable to the Unitholder during the year, the declaration of trust provides that an additional distribution will be automatically payable in each year to the Unitholder on December 31. The additional distribution will be automatically reinvested in additional units of the Trust on December 31, following which the outstanding units of the Trust will be automatically consolidated on a basis such that the number of consolidated units is equal to the number of units outstanding immediately preceding the additional distribution. The amount of the additional distribution on December 31, 2010 was $41,474,385 (December 31, 2009 - $24,519,128).

10. Capital Management

The Trust's capital consists of the Unitholder's equity. The Manager is responsible for managing the Trust's Portfolio in line with its mandate and the affairs of the Trust, including the receipt of revenues and the payment of distributions to the Unitholder.

In accordance with its investment strategies and risk management policies, the Trust endeavours to invest the subscriptions received and borrowings in appropriate investments while maintaining sufficient liquidity to meet redemptions and the repayment of borrowings. Capital movements are shown in the statements of changes in net assets.

11. Capital Commitment

The Trust entered into an agreement on December 20, 2010 with an investee company to provide a facility and a conditional facility which the investee company may draw. As at December 31, 2010, under this facility, the Trust had an unfunded capital commitment of $923,288 and an unfunded conditional capital commitment of $1,451,712. Subsequent to year end the $923,288 capital commitment and $901,712 of the conditional capital commitment were funded. The remaining $550,000 commitment under the conditional portion of the facility expires on June 30, 2011. At December 31, 2009 the Trust had an unfunded capital commitment of $6,211,570 to a different investee company which expired on June 30, 2010.

12. Financial Instrument Risk Management

In the normal course of business, the Trust 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 Trust's overall risk management program focuses on compliance with and execution of the Trust's investment objectives.

The Manager seeks to minimize potential adverse effects of these risks on the Trust's performance by employing professional, experienced portfolio advisers, daily monitoring of the Trust's positions and market events and by diversifying the investment portfolio 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 Trust's investment activities and monitors compliance with the Trust'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.

The value of the investments can fluctuate on a daily basis as a result of factors outside of the Trust's control, including financial performance of the issuers of the underlying investments, 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 investments and other financial market conditions.

If the prices for equity investments had increased or decreased by 5% as at December 31, 2010 (December 31, 2009 – 5%), with all other variables remaining constant, net assets of the Trust would have increased or decreased by approximately $1,699,047 or 0.41% (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.

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

	December 31, 2010			**December 31, 2009**		
	Long	**Short**	**Net**	**Long**	**Short**	**Net**
< 1 year	4,259,586	-	4,259,586	4,007,607	-	4,007,607
1 - 3 years	41,598,799	-	41,598,799	29,691,065	-	29,691,065
3- 5 years	96,231,495	-	96,231,495	70,471,154	-	70,471,154
> 5 years	210,807,732	(21,849,553)	188,958,179	152,487,553	-	152,487,553
Total	**352,897,612**	**(21,849,553)**	**331,048,059**	**256,657,379**	**-**	**256,657,379**

If interest rates had increased or decreased by 1% at December 31, 2010 (December 31, 2009 – 1%), with all other variables remaining constant, net assets would have decreased or increased by approximately $16,128,538 or 3.88% (December 31, 2009 - $14,335,059 or 6.16%). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

The Trust also has interest rate exposure on credit facility borrowings, however there were no such borrowings as at December 31, 2010 (December 31, 2009 - $60,060,996). If interest rates had increased or decreased by 1% at December 31, 2010 (December 31, 2009 – 1%), with all other variables remaining constant, run-rate interest expense would have decreased or increased by approximately nil or 0.00% of net assets (December 31, 2009 - $600,610 or 0.26%). 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 Trust's functional currency.

The table below indicates the currencies to which the Trust had significant net exposure as at December 31, 2010 and 2009, on its monetary and non-monetary assets and liabilities as well as the underlying notional amount of foreign forward currency contracts.

As at December 31, 2010

	Currency risk Investments	Working Capital	Currency risk Due to/from broker	Forward Currency Contract	Net Exposure	As a % of Net Assets
U.S. Dollar	282,421,214	17,277,836	21,100,446	(319,287,761)	1,511,735	0.36%

As at December 31, 2009

	Currency risk Investments	Working Capital	Currency risk Due to/from 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 December 31, 2010, had the Canadian dollar strengthened or weakened by 5% (December 31, 2009 – 5%) in relation to all currencies, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately $75,587 or 0.02% (December 31, 2009 - $4,562 or 0.00%). 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 Trust. The main concentration of credit risk would be where a Trust invests in debt instruments and derivatives. The Trust maintains all of its cash and cash equivalents at its custodian or in bankers' acceptances or term deposits with financial institutions having a minimum debt rating of A.

All transactions 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 made only when the Trust has received payment. Payment is made on purchases once the securities have been received by the Trust. Should either party not meet its obligation, the trade will fail.

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

	As a % of Net Assets					
Debt securities by debt ratings	**December 31, 2010**			**December 31, 2009**		
	Long	**Short**	**Net**	**Long**	**Short**	**Net**
AAA	1.46	(5.25)	(3.79)	9.78	-	9.78
AA	4.66	-	4.66	-	-	-
A	3.80	-	3.80	2.76	-	2.76
BBB	2.13	-	2.13	3.00	-	3.00
Below BB	56.19	-	56.19	76.37	-	76.37
Unrated	16.58	-	16.58	18.43	-	18.43
Total	**84.82**	**(5.25)**	**79.57**	**110.34**	**-**	**110.34**

As at December 31, 2010 and 2009 the Trust invested in short-term investments with the following debt ratings:

	As a % of Net Assets	
Debt securities by debt ratings	**December 31, 2010**	**December 31, 2009**
R - 1(H)	1.20	-
Total	1.20	-

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

	As a % of Net Assets	
Counterparty Ratings	**December 31, 2010**	**December 31, 2009**
A1+	1.75	0.13
A1	(0.07)	0.04
Total	1.68	0.17

Liquidity Risk
The Trust is exposed to cash redemptions and repayment of borrowings. The Trust 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 investments will exist at all times, or that the prices at which the investments trade, accurately reflect their fair value. Low trading volumes of the investments will make it difficult to liquidate holdings quickly. All liabilities are due in less than 3 months, except for credit default swaps which have expiry dates as disclosed on Note 5.

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 may 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 with inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

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 Trust's investments and derivatives carried at fair values:

As at December 31, 2010

	Level 1	Level 2	Level 3	Total
Bonds	$	$ 291,682,443	$ 21,089,026	$ 312,771,469
Term Loans		29,076,143	11,050,000	40,126,143
Short-Term Investments		4,999,569		4,999,569
Equities	39,903,453		4,938,262	44,841,715
Forward currency contracts		7,336,934		7,336,934
Total Financial Assets	**39,903,453**	**333,095,089**	**37,077,288**	**410,075,830**
Bonds		(21,849,553)		(21,849,553)
Equities	(10,858,745)			(10,858,745)
Swaps		(305,896)		(305,896)
Forward currency contracts		(63,192)		(63,192)
Total Financial Liabilities	**(10,858,745)**	**(22,218,641)**	**-**	**(33,077,386)**
Total Investments	**$ 29,044,708**	**$ 310,876,448**	**$ 37,077,288**	**$ 376,998,444**

As at December 31, 2009

	Level 1	Level 2	Level 3	Total
Bonds	$ -	$ 234,254,271	$ -	$ 234,254,271
Term Loans		22,403,108		22,403,108
Equities	42,860,826	446,894	3,245,834	46,553,554
Forward currency contracts	-	304,691	-	304,691
Swaps	-	85,303	-	85,303
Total Financial Assets	**42,860,826**	**257,494,267**	**3,245,834**	**303,600,927**
Equities	(15,559,191)	-	-	(15,559,191)
Total Financial Liabilities	**(15,559,191)**	**-**	**-**	**(15,559,191)**
Total Investments	**$ 27,301,635**	**$ 257,494,267**	**$ 3,245,834**	**$ 288,041,736**

During the year ended December 31, 2010 and 2009, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

For the year ended December 31, 2010

	Balance, beginning of period	Purchases	Sales	Net transfers	Realized gains / (losses)	Change in unrealized appreciation / (depreciation) [1]	Balance, end of period
Bonds	-	19,106,137	(3,273,622)	5,378,106	19,186	(140,781)	21,089,026
Term Loans	-	12,975,000	(1,925,000)				11,050,000
Equities	3,245,834	-	-	(1,203,245)	(45,668)	2,941,341	4,938,262
Total	3,245,834	32,081,137	(5,198,622)	4,174,861	(26,482)	2,800,560	37,077,288

[1] Total change in unrealized appreciation/(depreciation) related to investments was $1,551,647 for the year ended December 31, 2010

For the year ended December 31, 2009

	Balance, beginning of year	Purchases	Sales	Net transfers	Realized gains / (losses)	Change in unrealized appreciation / (depreciation)	Balance, end of year
Equities						3,245,834	3,245,834
Total	-	-	-	-	-	3,245,834	3,245,834

Level 3 equity securities consist of warrants. These level 3 warrants are priced using valuation models based on input data obtained from brokers familiar with the issuer and assessed for reasonability by the Manager. Pricing of level 3 bonds and term loans can be based on cost, where it is a recent issue and/or there is no evidence to support appreciation or depreciation, or based on more recent transaction data, if available. The Manager validates this information based on its knowledge of the issuer and would make adjustments where it feels it is appropriate to do so.

As at December 31, 2010, the potential impact of using reasonable possible alternative assumptions for valuing Level 3 financial instruments would increase their fair value by up to $1,874,324 (December 31, 2009 - $255,412), or decrease their fair value by up to $1,870,252 (December 31, 2009 - $215,143).

There were no transfers of financial assets and liabilities from Level 1 to Level 2 during the periods ended December 31, 2010 and 2009.

13. Transition to International Financial Reporting Standards

In January 2011, the Canadian Accounting Standards Board ("AcSB") announced that it will provide a deferral to International Financial Reporting Standards ("IFRS") for investment companies until January 1, 2013. The Trust will adopt IFRS by the deadline provided by the AcSB or by such earlier time as may be required by the Canadian Securities Administrators. Under the original general transition rules for publicly accountable enterprises the Trust would adopt IFRS for its fiscal period beginning January 1, 2011.

The Trust 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 Trust'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.