



Interim Financial Statements

Marret IGB Trust

(unaudited)

June 30, 2010

Notice

The accompanying unaudited financial statements of Marret IGB Trust for the six months ended June 30, 2010 have been prepared by management and have not been reviewed by the external auditors of the Fund.

Marret IGB Trust - Semi Annual Report 2010

Statements of Net Assets

As at (unaudited)	June 30 2010	December 31 2009
Assets		
Investments, at fair value (note 2)	\$ 427,521,168	\$ 388,781,572
Cash and cash equivalents	2,342,463	758,362
Receivable for portfolio securities sold	9,679,411	-
Accrued interest receivable	5,033,105	4,308,986
Total assets	444,576,147	393,848,920
Liabilities		
Due to broker (note 4)	15,951,707	65,245,063
Investment - short position, at fair value (note 2)	39,086,188	2,882,775
Payable for portfolio securities purchased	50,992,101	-
Interest payable, short position	160,419	8,784
Accrued liabilities	128,341	145,974
Total liabilities	106,318,756	68,282,596
Net Assets representing unitholder's equity	\$ 338,257,391	\$ 325,566,324
Units outstanding (note 5)	27,101,368	27,101,368
Net Assets per unit (note 3)	\$ 12.48	\$ 12.01

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

(signed)

(signed)

Barry Allan
President & Chief Executive Officer

Lara Misner
Vice President & Chief Financial Officer

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

Marret IGB Trust - Semi Annual Report 2010

Statement of Operations

	June 30
For the period ended June 30 (unaudited)	2010
Income	
Interest income	\$ 11,259,358
Total income	11,259,358
Expenses	
Management fees (note 6)	654,206
Audit fees	8,300
Custodial fees	20,555
Legal fees	(2,977)
Interest expense	222,558
Interest expense, short positions	432,750
Total expense	1,335,392
Net investment income / (loss)	9,923,966
Realized and unrealized gain (loss) on investments	
Net realized gain / (loss) on sale of investments	616,386
Net realized gain / (loss) on foreign currency	648,121
Change in unrealized appreciation / (depreciation) on investments	11,411,915
Change in unrealized appreciation / (depreciation) on foreign currency	(709,321)
Net gain (loss) on investments	11,967,101
Increase / (Decrease) in Net Assets from operations	\$ 21,891,067
Increase / (Decrease) in Net Assets from operations per unit⁽¹⁾	\$ 0.81

⁽¹⁾ 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 IGB Trust - Semi Annual Report 2010

Statement of Changes in Net Assets

	June 30
For the period ended June 30 (unaudited)	2010
Net Assets, beginning of period	\$ 325,566,324
Operations:	
Increase / (Decrease) in Net Assets from operations	21,891,067
Unitholder transactions:	
Distribution to unitholders	
Net investment income	(9,200,000)
Total unit transaction	(9,200,000)
Increase / (Decrease) in Net Assets	12,691,067
Net Assets, end of period	\$ 338,257,391

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

Marret IGB Trust - Semi Annual Report 2010

Statement of Cash Flows

	June 30
For the period ended June 30 (unaudited)	2010
Cash flows from operating activities:	
Net investment income / (loss)	\$ 9,923,966
Net gain / (loss) on foreign currency	(61,200)
Proceeds from disposition of investments	418,253,040
Proceeds from disposition of investments in short positions	467,067,760
Purchase of investments	(402,104,197)
Purchase of investments to cover short positions	(432,411,795)
Net change in working capital	(590,117)
Cash used in operating activities	60,077,457
Cash flows from financing activities:	
Net change in due to broker	(49,293,356)
Distributions paid to unitholders	(9,200,000)
Cash provided by financing activities	(58,493,356)
Net increase in cash and short-term investments	1,584,101
Cash and short-term investments, beginning of the year	758,362
Cash and short-term investments, end of period	\$ 2,342,463
Supplemental Information	
Cash paid for interest	222,558
Interest paid on short positions	281,115

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

Marret IGB Trust - Semi Annual Report 2010

Statement of Investment Portfolio

As at June 30, 2010 (unaudited)

Par Value		Average Cost (\$)	Fair Value (\$)
Canadian Bonds			
15,000,000	Government of Canada, 5.000%, 2037/06/01	18,442,500	18,459,188
Government of Canada & Guaranteed (5.46%)		18,442,500	18,459,188
3,000,000	Alliance Pipeline L.P., Callable, 4.928%, 2019/12/16	3,000,000	3,096,361
15,000,000	American Express Canada Credit Corp., 4.853%, 2014/10/03	15,153,300	15,692,929
15,000,000	Bell Aliant Regional Communications L.P., Callable, 5.520%, 2019/02/26	14,986,500	15,528,778
20,000,000	Bell Canada, Series 'M-17', Callable, 6.100%, 2035/03/16	18,602,750	19,955,865
3,000,000	Cameco Corp., Series 'D', Callable, 5.670%, 2019/09/02	3,127,440	3,168,160
9,500,000	Canadian Credit Card Master Trust, Class 'A', Series '2010-1', 3.444%, 2015/07/24	9,500,000	9,510,355
5,000,000	Canadian Pacific Railway Co., Callable, 6.450%, 2039/11/17	5,096,680	5,408,912
16,500,000	Citigroup Finance Canada Inc., 4.350%, 2013/03/08	16,515,974	16,625,278
9,500,000	Cogeco Cable Inc., Callable, 5.950%, 2014/06/09	10,126,650	10,235,726
14,000,000	Consumers Waterheater Operating Trust, Callable, 5.250%, 2013/03/15	14,000,560	14,120,129
15,000,000	Co-Operators Financial Services Ltd., Callable, 5.778%, 2020/03/10	14,994,300	15,083,816
2,000,000	Fairfax Financial Holdings Ltd., 8.250%, 2020/06/22	2,000,000	2,039,147
16,000,000	First Capital Realty Inc., Series 'H', Callable, 5.850%, 2017/01/31	16,037,120	16,703,501
15,000,000	First National Financial Income Fund, Series 'I', Callable, 5.070%, 2015/05/07	15,000,000	15,248,056
10,000,000	Groupe Aeroplan Inc., Callable, 9.000%, 2012/04/23	10,676,000	10,749,190
1,900,000	Groupe Aeroplan Inc., Series '2', Callable, 7.900%, 2014/09/02	1,976,000	2,046,532
15,000,000	Husky Energy Inc., Callable, 5.000%, 2020/03/12	14,945,100	15,363,551
12,500,000	Inter Pipeline (Corridor) Inc., Callable, 4.897%, 2020/02/03	12,500,000	13,042,892
1,500,000	Kimco North Trust III, 5.990%, 2018/04/13 (USD)	1,502,175	1,537,395
15,000,000	Loblaw Cos. Ltd., Callable, 5.220%, 2020/06/18	14,989,650	15,473,002
5,800,000	Molson Coors Capital Finance, Callable, 5.000%, 2015/09/22	6,090,000	6,110,649
12,000,000	Power Corp. of Canada, Callable, 7.570%, 2019/04/22	13,921,890	14,261,404
16,000,000	Rogers Communications Inc., Callable, 5.800%, 2016/05/26	17,176,253	17,389,249
10,000,000	Rogers Communications Inc., Callable, 6.680%, 2039/11/04	10,098,470	10,641,999
17,000,000	Shaw Communications Inc., Callable, 5.650%, 2019/10/01	17,286,422	17,601,668
4,500,000	Shaw Communications Inc., Callable, 6.750%, 2039/11/09	4,469,670	4,566,947
12,000,000	Suncor Energy Inc., Callable, 5.390%, 2037/03/26	10,547,949	11,486,270
15,000,000	TELUS Corp., Series 'CG', Callable, 5.050%, 2019/12/04	14,912,850	15,179,117
15,100,000	Thomson Reuters Corp., Callable, 6.500%, 2018/07/15 (USD)	17,945,754	18,917,300
15,000,000	TransAlta Corp., Callable, 6.400%, 2019/11/18	14,956,200	16,072,953
21,574,000	YPG Holdings Inc., Callable, 5.710%, 2014/04/21	21,294,049	22,038,082
Canadian Corporate (110.83%)		363,429,706	374,895,213
Canadian Bonds - Short Positions			
(2,000,000)	Government of Canada, 4.000%, 2016/06/01	(2,083,100)	(2,157,441)
(14,924,000)	Government of Canada, 3.500%, 2020/06/01	(15,005,395)	(15,460,518)
(1,300,000)	Government of Canada, Series 'YL25', 4.250%, 2018/06/01	(1,359,735)	(1,424,865)
(5,785,000)	Government of Canada, Series 'YU24', 2.000%, 2014/12/01	(5,643,268)	(5,724,642)
(9,430,000)	Government of Canada, Series 'ZC17', 2.500%, 2015/06/01	(9,500,725)	(9,508,538)
Government of Canada & Guaranteed (-10.13%)		(33,592,223)	(34,276,004)
Total of Canadian Bonds (106.16%)		348,279,983	359,078,397
United States Bonds			
30,000,000	Goldman Sachs Group Inc. (The), Variable Rate, Callable, 5.200%, 2022/04/19	29,663,960	28,502,100
5,000,000	NBC Universal Inc., Callable, 6.400%, 2040/04/30	5,357,519	5,664,667
U.S. Corporate Bonds (10.10%)		35,021,479	34,166,767
United States Bonds - Short Position			
(4,200,000)	United States Treasury Bond, 4.375%, 2039/11/15	(4,378,059)	(4,810,184)
U.S. Federal Bonds & Guaranteed (-1.42%)		(4,378,059)	(4,810,184)
Total of U.S. Bonds (8.68%)		30,643,420	29,356,583
Total of Bonds (114.84%)		378,923,403	388,434,980
Due to broker (-4.72%)			(15,951,707)
Other assets, less liabilities (-10.12%)			(34,225,882)
Total Net Assets (100.00%)			338,257,391

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

Marret IGB Trust - Semi Annual Report 2010

Notes to the Financial Statements (unaudited)

June 30, 2010 and December 31, 2009

1. Fund Activities

Marret IGB 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 September 29, 2009. The Trust will issue units ("Units") from time to time in reliance on exemptions from applicable prospectus and registration requirements. Units will be offered at prices negotiated between the Trust and the purchasers of Units.

The Trust's investment objectives are to maximize total returns for holders of units ("Unitholders") while reducing risk and preserving capital. The Trust has been established for the purposes of acquiring and holding a portfolio (the "Portfolio") focused primarily on investment grade bonds. The Portfolio is actively managed by Marret Asset Management Inc. ("Marret" or "the Manager") using an investment strategy designed to produce attractive risk-adjusted returns across the credit cycle through exposure to a portfolio of investment grade bonds. Over the course of a credit cycle, the investment strategy seeks to generate total returns in excess of the DEX Mid-Corporate Bond Index with less volatility.

Marret employs hedging strategies to protect the Portfolio against the risk of loss from currency fluctuations. It is intended that 100% of the Portfolio investments denominated in foreign currencies are hedged to the Canadian dollar.

The Trust is a vehicle to allow the Marret Investment Grade Bond Fund ("the Fund") 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"). 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. The number of units issued and redeemed by the Trust are derived from the Fund.

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 Trust's Portfolio 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 for securities held long and at their ask prices for securities held short. The difference between fair value and the average cost of Portfolio Securities is recorded as unrealized appreciation/ (depreciation) of investments.

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

Portfolio Security 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.

Income Recognition

Interest income, interest expense, securities lending income and security borrowing fees are 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

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.

Financial Instruments

The Trust's financial instruments include investments (long and short), receivables for accrued interest, and for portfolio securities sold, payables for portfolio securities purchased, and for interest payable on short positions, due to broker, and other accrued expenses. Investments (long and short) 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, interest payable on short positions, due to broker and other accrued expenses are designated as financial liabilities and reported at amortized cost.

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 Funds (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 June 30, 2010	As at December 31, 2009
Net asset value per unit	\$12.53	\$12.07
Net assets per unit	\$12.48	\$12.01

4. Leverage

The Trust may utilize various forms of borrowing, including a loan facility and margin purchases, up to 25% 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 1.25:1.

In addition, the net exposure of the Trust will not exceed 125%, 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 six months ended June 30, 2010, the minimum and maximum amounts of net borrowings of the Fund were nil and \$81.42 million, respectively.

5. 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.

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 Redemption Date. Units surrendered for redemption by a Unitholder 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 June 30, 2010 consist of:

	June 30, 2010
Units outstanding - beginning of period	27,101,368
Units issued	-
Units reinvested	-
Units redeemed	-
Units outstanding - end of period	27,101,368

For units reconsolidated refer to Note 7.

6. Fees and Expenses

The Trust pays a management fee to the Manager, computed daily and payable monthly in arrears at the annual rate of 0.375%, plus applicable taxes, of the net asset value of the Trust.

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

7. 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 capital gains 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 (the “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.

8. Related Party Information

The Trust retained Marret Asset Management Inc., under an administration agreement (the “Administration Agreement”) dated September 29, 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 total management fees earned by Marret Asset Management Inc. for the period ended June 30, 2010 was \$654,206 of which \$107,990 (December 31, 2009 - \$110,506) remained payable.

9. 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 their 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.

10. 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 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 Portfolio 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 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.

As at June 30, 2010 and December 31, 2009, the Trust is not exposed to price risk as all of the Portfolio Securities are debt securities.

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 exposure to interest rate risks by remaining term to maturity.

Bonds	June 30, 2010	December 31, 2009
Less than 1 year	-	-
1 - 3 years	41,494,597	20,646,800
3 - 5 years	50,028,145	60,378,927
> 5 years	296,913,632	304,873,070
Total	388,436,374	385,898,797

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 \$28,298,282 or 8.37% (December 31, 2009 - \$29,557,858 or 9.08%). 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 exposure as at June 30, 2010 and December 31, 2009, on its trading monetary and non-monetary assets and liabilities.

As at June 30, 2010

	Currency risk Investments	Working Capital	Currency risk Due to broker	Net Exposure	As a % of Net Assets
U.S. Dollar	19,771,783	537,515	(18,937,472)	1,371,826	0.41%

As at December 31, 2009

	Currency risk Investments	Working Capital	Currency risk Due to broker	Net Exposure	As a % of Net Assets
U.S. Dollar	11,829,153	313,689	(11,923,520)	219,322	0.07%

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 \$68,591 or 0.02% (December 31, 2009 - \$10,966 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 fair value includes consideration of the credit worthiness of the issuer and therefore represents the maximum credit exposure of the Trust. 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 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	(3.29)	6.06
AA	-	-
A	30.23	36.05
BBB	87.30	76.42
Below BB	0.60	-
Unrated	-	-
Total	114.84	118.53

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 Portfolio Securities will exist at all times, or that the prices at which the Portfolio trades, accurately reflect their net asset values. Low trading volumes of the Portfolio Securities will make it difficult to liquidate holdings quickly. 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 Trust's investments and derivatives carried at fair values:

As at June 30, 2010

	Level 1	Level 2	Level 3	Total
Bonds - Long	\$ -	\$ 427,521,168	\$ -	\$ 427,521,168
Total Financial Assets	-	427,521,168	-	427,521,168
Bonds - Short	-	(39,086,188)	-	(39,086,188)
Total Financial Liabilities	-	(39,086,188)	-	(39,086,188)
Total Investments	\$ -	\$ 388,434,980	\$ -	\$ 388,434,980

As at December 31, 2009

	Level 1	Level 2	Level 3	Total
Bonds - Long	\$ -	\$ 388,781,572	\$ -	\$ 388,781,572
Total Financial Assets	-	388,781,572	-	388,781,572
Bonds - Short	-	(2,882,775)	-	(2,882,775)
Total Financial Liabilities	-	(2,882,775)	-	(2,882,775)
Total Investments	\$ -	\$ 385,898,797	\$ -	\$ 385,898,797

11. 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.