

Financial Statements

Integra Conservative Allocation Fund

December 31, 2010

INDEPENDENT AUDITORS' REPORT

To the Unitholders of
Integra Conservative Allocation Fund

We have audited the accompanying financial statements of **Integra Conservative Allocation Fund** (the "Fund"), which comprise the statement of net assets as at December 31, 2010, and the statements of operations and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the net assets of the Fund as at December 31, 2010, and the results of its operations and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
March 25, 2011

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Integra Conservative Allocation Fund

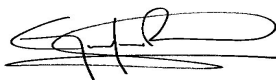
Statement of Net Assets

As at December 31

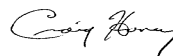
	2010	2009
ASSETS		
Investments at fair value	\$7,036,349	\$5,332,370
Cash	145	145
Receivable for securities sold	4,041	3,555
Subscriptions receivable	6,185	—
Total assets	7,046,720	5,336,070
LIABILITIES		
Accrued expenses	382	—
Payable for securities purchased	6,185	—
Redemptions payable	4,041	3,555
Total liabilities	10,608	3,555
NET ASSETS REPRESENTING UNITHOLDERS' EQUITY	\$7,036,112	\$5,332,515
UNITS OUTSTANDING (note 3)	577,161	456,489
NET ASSETS PER UNIT	\$12.19	\$11.68

(See accompanying notes)

On behalf of the Manager,
Integra Capital Limited:



Graham Rennie
Director



Craig Honey
Director

Integra Conservative Allocation Fund

Statement of Operations

Year ended December 31

	2010	2009
INCOME		
Interest	\$138,385	\$130,052
Dividend	47,753	55,249
	186,138	185,301
EXPENSES		
Custodial fees	39,179	33,925
Operating expenses	—	9,731
Audit fees	4,071	5,211
Filing fees	370	—
Printing fees	240	—
Securityholder reporting costs	—	3,447
Investment performance monitoring fees	2,085	3,075
Goods and Services Tax	1,204	2,769
Harmonized Sales Tax	2,951	—
	50,100	58,158
Expenses waived or absorbed by manager (note 8)	(45,248)	(58,158)
Total Expenses	4,852	—
NET INVESTMENT INCOME	181,286	185,301
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain on sale of investments	96,774	71,898
Net realized gain on foreign exchange forward contracts	—	31,145
Change in unrealized appreciation of investments	307,664	359,508
Change in unrealized depreciation on foreign exchange forward contracts	—	(844)
NET GAIN ON INVESTMENTS	404,438	461,707
INCREASE IN NET ASSETS FROM OPERATIONS	\$585,724	\$647,008
Increase in net assets from operations per unit (Based on the average number of units outstanding during the year)	\$1.15	\$1.57

(See accompanying notes)

Integra Conservative Allocation Fund

Statement of Changes in Net Assets

Year ended December 31

	2010	2009
NET ASSETS, BEGINNING OF YEAR	\$5,332,515	\$3,997,528
Increase in net assets from operations	585,724	647,008
DISTRIBUTIONS TO UNITHOLDERS		
Distribution from net investment income	(181,286)	(185,301)
Distribution from net realized gains on investments	(96,830)	(136,951)
	(278,116)	(322,252)
CAPITAL UNIT TRANSACTIONS (note 3)		
Proceeds from issuance of units	2,027,142	1,292,307
Reinvested distributions	278,116	322,252
Payments on redemptions	(909,269)	(604,328)
	1,395,989	1,010,231
Increase in net assets for the year	1,703,597	1,334,987
NET ASSETS, END OF YEAR	\$7,036,112	\$5,332,515

(See accompanying notes)

Statement of Investments

As at December 31, 2010

	Number of Units	Average Cost \$	Fair Value \$
Integra Canadian Value Growth Fund	89,479	1,193,488	1,415,212
Integra International Equity Fund	62,312	719,914	694,954
Integra Bond Fund	256,286	4,218,938	4,231,572
Integra U.S. Value Growth Fund	96,934	682,141	694,611
TOTAL INVESTMENT PORTFOLIO — 100.00 %		6,814,481	7,036,349
OTHER ASSETS, NET OF LIABILITIES — (0.00%)			(237)
NET ASSETS — 100.00%			\$7,036,112

(See accompanying notes)

Integra Conservative Allocation Fund

Summary of the Investments of the Indirect Holdings

As at December 31,

	% of Net Assets	
	2010	2009
Integra Canadian Value Growth Fund		
Consumer Discretionary	4.82	4.27
Consumer Staples	2.06	1.73
Energy	23.60	25.93
Financials	26.14	28.15
Health Care	0.56	1.91
Industrials	5.72	5.02
Information Technology	6.13	6.46
Materials	22.69	15.99
Telecommunication Services	5.83	6.45
Utilities	0.55	0.60
	98.10	96.51
Cash and Cash Equivalents	1.21	2.90
Other Assets, Net of Liabilities	0.69	0.59
Total	100.00	100.00
Integra International Equity Fund		
Australia	7.95	5.56
Austria	—	0.80
Belgium	1.06	—
Bermuda	1.01	—
Brazil	5.24	5.44
Cayman Islands	0.49	—
Chile	—	0.71
France	4.50	6.22
Germany	5.87	5.58
Hong Kong	5.09	2.92
Japan	23.93	24.44
Luxembourg	0.65	2.41
Macau	1.21	0.93
Norway	0.76	—
Netherlands	—	1.78
Philippines	0.60	—
Poland	0.66	0.56
Singapore	2.06	1.25
South Africa	2.94	1.94
South Korea	—	0.54
Spain	1.67	0.85
Switzerland	11.67	14.01
Thailand	3.11	1.45
Turkey	0.72	—
United Kingdom	17.77	20.07
	98.96	97.46
Other Assets, Net of Liabilities	1.04	2.54
Total	100.00	100.00

	% of Net Assets	
	2010	2009
Integra Bond Fund		
Government of Canada	36.11	35.26
Provincial Government	23.51	24.62
Municipal Government	1.37	0.38
Corporate	30.45	33.28
Foreign Bonds	4.05	1.83
	95.49	95.37
Cash and Cash Equivalents	3.57	3.54
Other Assets, Net of Liabilities	0.94	1.09
Total	100.00	100.00
Integra U.S. Value Growth Fund		
United States Equities		
Consumer Discretionary	12.63	11.48
Consumer Staples	5.40	4.61
Energy	8.12	7.21
Financials	12.58	11.26
Health Care	12.53	16.01
Industrials	13.56	13.63
Information Technology	17.46	17.30
Materials	3.67	2.41
Telecommunication Services	3.11	2.60
Utilities	1.51	3.09
	90.57	89.60
International Equities		
Bermuda	0.34	0.40
Finland	—	0.98
Israel	0.60	0.40
Panama	1.48	1.09
Singapore	0.57	—
Switzerland	0.61	0.48
United Kingdom	3.77	3.91
	7.37	7.26
Total Equities	97.94	96.86
Other Assets, Net of Liabilities	2.06	3.14
Total	100.00	100.00

Integra Conservative Allocation Fund

Risk Disclosures

Financial Instruments Risk

Investment activities of the Integra Conservative Allocation Fund (the "Fund") expose it to some financial risks. The Fund's overall risk management program seeks to minimize the potentially adverse effect of risk on the Fund's financial performance in a manner consistent with the Fund's investment objectives and long-term investment time horizon.

Risk Management

The investment objective of the Fund is to provide long-term capital appreciation and income through a constant mix of stocks and bonds while managing short-term preservation of capital. To achieve its objectives, the Fund invests a number of underlying funds that have holdings in a range of different asset classes.

The Fund employs a passive investment strategy whereby investments in the underlying funds are based on target asset weightings. The target weightings allocated to each underlying fund and the selection of underlying funds are based on several factors, including impact to the Fund's volatility, asset class diversification and investment styles.

Financial statements for the underlying funds, which include discussions about their respective risk exposures, are included in the Integra Mutual Funds Annual Report or available on the internet at www.Integra.com.

The underlying funds may enter into securities lending transactions. Securities lending transactions will be used in conjunction with the underlying funds' other investment strategies in a manner considered most appropriate by Integra Capital Limited (the "Manager") to achieve the underlying funds' investment objectives and to enhance the Fund's returns.

To assist with managing risk, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations.

As the Fund invests in underlying funds it has various risk exposures attributable to its investments in these underlying funds. The types of risks outlined below reflect the risks of the underlying funds.

Credit Risk

Credit risk on financial instruments is the risk of a loss occurring as a result of the default of an issuer on its obligation to a Fund. Credit risk is managed by dealing with issuers that are believed to be creditworthy and by regular monitoring of credit exposures. Additionally, credit risk is reduced by diversification of issuer, industry and geography.

The Fund invested through indirect holdings in debt securities with the following credit rating:

Debt Securities by Credit Rating	As a % of Total Bonds	
	December 31, 2010	December 31, 2009
AAA	43.24%	40.49%
AA	22.86%	23.69%
A	24.99%	27.24%
BBB	8.91%	8.28%
Below BBB	0.00%	0.30%
Total	100.00%	100.00%

Counterparty Credit Risk

Counterparty credit risk primarily emanates from the use of over-the-counter derivatives. This risk is minimized by selecting counterparties who have a minimum A credit rating. Ongoing monitoring of credit events/rating developments occurs to ensure the sustainable credit quality of the counterparty. Various factors are considered in the assessment process including fundamental components of the counterparty's profile (such as capital adequacy, asset quality, profitability and liquidity) and credit ratings assigned to the counterparty.

Integra Conservative Allocation Fund

Risk Disclosures

Currency Risk

Changes in the value of the Canadian dollar compared to foreign currencies will affect the value, in Canadian dollars, of any foreign securities held in the Fund. From time to time, the Fund may manage currency risk through foreign currency hedging strategies.

The tables below indicate the currencies to which the Fund had indirect exposure on its trading monetary assets and liabilities as well as the underlying principal amount of foreign exchange forward contracts.

Currency (As at December 31, 2010)	Currency Risk Exposed Holdings*	Foreign Exchange Forward Contracts	Net Exposure	As a % of Net Assets
U.S. Dollar	\$854,561	(\$95,710)	758,851	10.79%
Japanese Yen	166,087	(24,044)	142,044	2.02%
British Pound	123,394	(334)	123,060	1.75%
Euro	90,927	—	90,927	1.29%
Swiss Franc	80,987	—	80,987	1.15%
Australian Dollar	55,155	—	55,155	0.78%
Hong Kong Dollar	36,022	(77)	35,945	0.51%
Brazilian Real	23,987	—	23,987	0.34%
Thai Baht	21,721	—	21,721	0.31%
South African Rand	20,432	—	20,432	0.29%
Singapore Dollar	14,336	—	14,336	0.20%
Norwegian Krone	5,247	—	5,247	0.07%
Polish Zloty	4,602	—	4,602	0.07%
Philippine Peso	4,133	—	4,133	0.06%
Swedish Krona	4,549	—	4,549	0.06%

*Amounts include monetary items.

Currency (As at December 31, 2009)	Currency Risk Exposed Holdings*	Foreign Exchange Forward Contracts	Net Exposure	As a % of Net Assets
U.S. Dollar	\$533,060	\$21,082	\$554,142	10.39%
Japanese Yen	122,877	(16,538)	106,340	1.99%
Euro	82,630	12,655	95,285	1.79%
British Pound	100,909	(27,405)	73,504	1.38%
Swiss Franc	70,412	(180)	70,232	1.32%
Australian Dollar	27,958	1,066	29,024	0.54%
Hong Kong Dollar	14,311	—	14,311	0.27%
Brazilian Real	13,020	—	13,020	0.24%
Singapore Dollar	6,263	5,329	11,592	0.22%
Norwegian Krone	—	9,765	9,765	0.18%
South African Rand	9,756	—	9,756	0.18%
Thai Baht	7,287	—	7,287	0.14%
Swedish Krona	6,121	—	6,121	0.11%
South Korean Won	2,702	—	2,702	0.05%
Polish Zloty	2,835	—	2,835	0.05%

*Amounts include monetary items.

As at December 31, 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 \$69,299 (December 31, 2009 - \$50,296). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

Integra Conservative Allocation Fund

Risk Disclosures

Interest Rate Risk

Changes in market interest rates expose fixed income securities, such as bonds, to interest rate risk. Funds that hold income investments are exposed to this risk since changes in prevailing market interest rates will affect the value of fixed income securities.

The table below summarizes the Fund's indirect exposure to interest rate risks. It includes the Fund's assets and trading liabilities at fair values, categorized by the earlier of contractual re-pricing or maturity dates. The interest rate risk associated with short-term notes of the underlying funds is minimal and therefore not included in the table below.

Bonds	December 31, 2010	December 31, 2009
Less than 1 year	92,526	58,619
1-3 years	635,700	937,405
3-5 years	788,097	489,415
> 5 years	2,519,900	1,554,959
Total	\$4,036,223	\$3,040,398

As at December 31, 2010, had the prevailing interest rates raised or lowered by 1%, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$278,854 (December 31, 2009 - \$203,481).

Liquidity Risk

Unitholders may redeem their units on each valuation date. Therefore, the underlying funds held by the Fund invest in securities that are traded in active markets and can be readily disposed. The underlying funds retain sufficient cash and cash equivalent positions to maintain liquidity.

Other Market Risk

Other market 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. All securities present a risk of loss of capital. The sub-advisor moderates this risk through a careful selection of investment strategies and selection of securities and other financial instruments within the parameters of the investment strategy developed by the Manager of the Fund.

As at December 31, 2010, a 5% change in stock prices would have changed the Fund's net assets by \$137,609 (December 31, 2009 - \$103,341) with all other factors held constant. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

The impact on net assets of the Fund as at December 31, 2010, due to a 5% increase or decrease in the Fund's benchmark (20% S&P/TSX, 10% Russell 1000, 10% MSCI EAFE ND, 60% DEX Universe Indices), with all other variables held constant, would have been \$351,243 (December 31, 2009 - \$266,146). This calculation is based on the beta of the Fund over the past 36 months. In practice, the actual results may differ from the sensitivity analysis indicated above and the difference could be material.

Integra Conservative Allocation Fund

Risk Disclosures

Fair Value Measurements

The Fund adopted the amendments to CICA Section 3862, "Financial Instruments – Disclosures", on January 1, 2009. CICA Section 3862 establishes a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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

The tables below summarize the inputs used in valuing the Fund's financial assets carried at fair values:

Classification (As at December 31, 2010)	Level 1	Level 2	Level 3	Total
Investments in funds	\$7,036,349	\$ —	\$ —	\$7,036,349
Total Financial Assets	\$7,036,349	\$ —	\$ —	\$7,036,349

Classification (As at December 31, 2009)	Level 1	Level 2	Level 3	Total
Investments in funds	\$5,332,370	\$ —	\$ —	\$5,332,370
Total Financial Assets	\$5,332,370	\$ —	\$ —	\$5,332,370

Summary of Investment Portfolio

The Fund's summary of investment portfolio appears in the following table:

	Percentage of Net Assets (%)	
	December 31, 2010	December 31, 2009
Integra Canadian Value Growth Fund	20.11	21.10
Integra International Equity Fund	9.88	9.45
Integra Bond Fund	60.14	59.87
Integra U.S. Value Growth Fund	9.87	9.58
TOTAL INVESTMENT PORTFOLIO	100.00	100.00
OTHER ASSETS, NET OF LIABILITIES	0.00	0.00
NET ASSETS	100.00	100.00

Integra Conservative Allocation Fund

Notes to Financial Statements

1. Establishment of the Fund

The Integra Conservative Allocation Fund (the "Fund") was created under the laws of the Province of Ontario by a Declaration of Trust. The Fund was established on November 24, 1998 and commenced operations on November 30, 1998.

The Fund is not a reporting issuer and is exempt, pursuant to National Instrument 81-106, from the requirement to file its financial statements with the regulatory authorities and has notified the Ontario Securities Commission that it is relying on this exemption. The Fund has prepared its financial statements in accordance with National Instrument 81-106.

The Fund invests substantially all of its assets in the Integra Canadian Value Growth Fund, the Integra International Equity Fund, the Integra Bond Fund, and the Integra U.S. Value Growth Fund (the "underlying funds"), which are mutual funds under common management as the Fund.

2. Summary of Significant Accounting Policies

These financial statements, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), include estimates and assumptions made by management that affect the reported amounts of assets, liabilities, income, and expenses during the reporting periods. Actual results may differ from such estimates.

On January 1, 2008, the Fund adopted the CICA Section 3862, "Financial Instruments-Disclosures" of the CICA Handbook ("Section 3862") and Section 3863, "Financial Instruments - Presentation" ("Section 3863"). These sections establish standards for comprehensive disclosure and presentation requirements for financial instruments. The standards include new requirements to quantify certain risk exposures and to provide sensitivity analysis for certain risks. The disclosure requirements to Sections 3862 and 3863 are contained after the Fund's Statement of Investments.

- [a] Investments in the underlying funds are recorded at their fair value in Canadian currency, which is represented by net asset value per unit with the difference between this amount and the average cost being shown as unrealized appreciation (depreciation) of investments.
- [b] The gain or loss on sale of investments is calculated with reference to the average cost of the related investments, excluding transaction costs.
- [c] Income is recorded by the Fund when distributions from the Fund's investments in the underlying funds are paid by them. All such distributions are reinvested in additional units of the underlying funds.
- [d] For each Fund unit sold, the Fund receives an amount equal to the net asset value per unit at the date of sale, which amount is included in unitholders' equity. Fund units are redeemable at the option of unitholders at their net asset value on the redemption date. For each Fund unit redeemed, unitholders' equity is reduced by the net asset value of the Fund unit at the date of redemption.
- [e] The fair value of a forward contract is the gain or loss that would be realized if, on the valuation date, the positions were closed out. The forward contract is valued using an interpolation of the forward exchange rate based on the length of the forward contract. It is reflected in the Statement of Operations as change in unrealized appreciation (depreciation) on foreign exchange forward contracts. When the forward contracts are closed out, any gains or losses realized are included in net realized gain or loss on foreign exchange forward contracts.
- [f] The cost of investments represents the amount paid for each security and is determined on an average cost basis.

3. Unitholders' Equity

Unit transactions during the year were as follows:

	December 31, 2010		December 31, 2009	
	Number of Fund units	Amount \$	Number of Fund units	Amount \$
Subscriptions	173,071	2,027,142	115,140	1,292,307
Reinvestments	23,348	278,116	27,716	322,252
Redemptions	75,747	909,269	52,632	604,328

The number of issued and outstanding units for the year ended December 31, 2010 is 577,161 (December 31, 2009 - 456,489).

Integra Conservative Allocation Fund

Notes to Financial Statements

4. Foreign Exchange Forward Contracts

The Fund utilizes foreign exchange forward contract hedging in the management of currency risk associated with its investment in foreign securities. The objective is to protect the Fund from the possibility of capital losses on foreign currency denominated investments due to increases in the value of the Canadian dollar. However, credit and market risks associated with foreign exchange forward contracts potentially expose the Fund to losses.

In order to minimize the possibility of losses arising from credit risk, the Fund deals only with large financial institutions with a minimum A credit rating.

Currency risks relate to the possibility that foreign exchange forward contracts change in value due to fluctuations in currency prices. The foreign exchange forward contracts are marked-to-market daily and the resulting unrealized gains or losses are recognized in the Statement of Net Assets.

The result of employing foreign exchange forward contracts is that the foreign exchange gains and losses in the securities portfolio move substantially in opposite directions from the gains and losses in the hedging portfolio.

As at December 31, 2010 and December 31, 2009, the Fund did not directly hold any foreign exchange forward contracts.

5. Income Taxes

The Fund qualifies as a unit trust under the provisions of the Income Tax Act (Canada). The Fund is subject to tax on its income, including net realized capital gains, for the calendar year which is not paid or payable to the unitholders as at the end of the calendar year. Sufficient distributions of income and of net realized capital gains are made to unitholders of record for the Fund, so that no provision for income taxes is required in the financial statements.

Capital losses incurred by the Fund cannot be allocated to unitholders but may be carried forward indefinitely to apply against realized capital gains. As at December 31, 2010 and December 31, 2009, the Fund had nil in net capital loss carryforwards.

6. Capital Management

CICA Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. The adoption of this standard results in additional disclosures relating to the redeemable units of the Fund but does not affect the Fund's results or financial position. The capital of the Fund is represented by issued redeemable units with no par value. The units of the Fund are entitled to distributions, if any, and any redemptions are based on the Fund's net asset value per unit. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units. The relevant movements are shown on the Statement of Changes in Net Assets. The Fund endeavours to invest its subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions.

7. Management Fees

The Trustee has appointed Integra Capital Limited (the "Manager") as manager to administer and regulate the day-to-day operations of the Fund. In return for the services provided, the Manager's parent company, Integra Capital Management Corporation, receives management fees from the Fund's unitholders, based on the net asset value of the Fund. These management fees are paid either by a redemption of units or the unitholder, if an institution, may be invoiced and payment will be delivered to the Manager.

8. Trustee and Other Fees

The Fund is responsible for its operating expenses relating to the carrying on of its business, including custodial services, legal, Independent Review Committee fees (if applicable), audit fees, transfer agency services relating to the issue and redemption of units, and the cost of financial and other reports in compliance with all applicable laws, regulations and policies. Such expenses are calculated and accrued daily based on the average net asset value. The Manager pays for such expenses on behalf of the Fund, except for certain expenses such as interest and taxes, and is then reimbursed by the Fund.

The Manager may agree to absorb certain expenses associated with the Fund. The absorbed amounts are shown in the Statements of Operations as applicable. Such absorption, where applicable, may be terminated by the Manager at any time without notice.

Integra Conservative Allocation Fund

Notes to Financial Statements

9. 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.

On January 12, 2011, the Canadian Accounting Standards Board amended the requirement to prepare financial statements in accordance with IFRS as issued by the International Accounting Standards Board, permitting investment companies, which include investment funds, to defer adoption of IFRS to fiscal years beginning on or after January 1, 2013. The Fund has elected to defer adoption of IFRS to January 1, 2013.

In preparing to meet the requirements, the Manager has taken the following steps in managing the transition to IFRS:

- Established a working group to identify key differences between Canadian GAAP and IFRS and to coordinate the implementation of the transition plan,
- Identified areas where changes in disclosure will be required under IFRS standards,
- Evaluated current information technology and reporting systems for readiness in IFRS implementation,
- Assessed the likely impacts on business activity and operational areas such as internal controls, staffing and training requirements.

The major changes identified for IFRS financial statements include the addition of a Statement of Cash Flows and the classification of unitholders' equity (puttable instruments) as a liability within the Statement of Net Assets, unless certain conditions are met.

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.

10. Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation for the year ended December 31, 2010.