

## **Annual Management Report of Fund Performance As at December 31, 2009 Acadian Core International Equity Fund**

This annual report of fund performance contains financial highlights but does not contain the complete annual financial statements for the investment fund. You may request a copy of the annual financial statements at no cost, by calling 1-800-363-3480, by writing to us at Integra Capital Limited (“Integra”), 2020 Winston Park Drive, Suite 200, Oakville ON L6H 6X7 or by visiting our website at [www.integra.com](http://www.integra.com) or the SEDAR website at [www.sedar.com](http://www.sedar.com).

Security holders may also contact us using one of these methods to request a copy of the investment fund’s proxy voting policies and procedures, proxy voting disclosure record, or portfolio disclosure relation to the investment fund.

### **Management Discussion of Fund Performance Investment Objectives and Strategies**

The Acadian Core International Equity Fund seeks to provide long-term capital growth through a portfolio of international equities, which are sufficiently diversified to minimize investment risk. To achieve its objective, the Fund invests in stocks issued by companies outside of North America, based primarily in Europe, the Far East and Australia, including up to 15% in Emerging Markets. The Fund may hold up to an aggregate of 5% in cash or cash equivalents.

The Fund utilizes an active, bottom-up strategy with a value orientation focusing on attractive stocks across the range of the capitalization spectrum. The strategy incorporates both active stock valuation and active country and sector multi-factor valuation techniques to target a diverse array of under-valued stocks with positive earnings trends and prospects. Stock valuations are based on proprietary combinations of factors that capture valuation, earnings and price movements. Stock forecasts are made relative to sector and country. Sector and country forecasts utilize a range of data for over 200 global sector/country groupings.

The Acadian Core International Equity Fund may enter into securities lending transactions. Securities lending transactions will be used in conjunction with the Fund’s other strategies in an appropriate manner to achieve the Fund’s investment objectives.

### **Risk**

Most of the Fund’s assets will be invested in non-North American common shares. As a result, the Fund is exposed to stock market risk, specific issuer risk as well as foreign security risk and currency risk. Stock market risk can be described as the potential for a decline in stock prices. Specific issuer risk of a company will be impacted by various factors including profit growth, dividend policy, balance sheet leverage, quality of management, market share, product development, and technology investment.

The Fund’s assets will be invested in common shares issued by international companies. As the Fund is investing in foreign securities it will also be subject to foreign security risk and currency risk.

The Fund may also invest in American Depository Receipts and would therefore be exposed to ADR risk.

The Fund may participate in securities lending. Accordingly, it may be subject to securities lending risks.

Looking ahead, many developed countries saddled with aging populations and slow growth must now deal with large government deficits created by the substantial stimulus programs introduced during the past few years. Greece, whose deficit as a percentage of GDP is three times the limit for Euro member countries, is but one recent example of this issue. Such situations of excessive leverage have the potential to unsettle capital markets.

As at December 31, 2009, there was one unitholder holding approximately 14% of the outstanding units of the Fund. The purchase or redemption of a substantial number of securities of a Fund may require the manager to change the composition of the Fund’s portfolio significantly or may force the Fund’s sub-advisor to buy or sell investments at unfavourable prices, which can affect the Fund’s return.

Additionally on December 31, 2009, the Integra Diversified Fund held approximately 32% of the outstanding units of the Fund. The Integra Diversified Fund may invest its assets directly in the Acadian Core International Equity Fund and the amount and timing of such purchases and redemptions may be material at any point in time. As a result, the Acadian Core International Equity Fund may have to alter its portfolio to accommodate large purchases and redemptions.

## **Acadian Core International Equity Fund**

### **Management Discussion of Fund Performance—*continued***

#### **Results of Operations**

For the quarter, six-month and one-year periods ended December 31<sup>st</sup>, 2009, the Fund lost -1.3% the last three months of 2009, while gaining 7.8% during the second half of the year and 6.0% during the full twelve months respectively, in Canadian dollar terms. In comparison, the Fund's benchmark (90% MSCI EAFE-free Index plus 10% Dex 91-day Government of Canada Treasury Bill Total Return Index) fell -0.1%, while gaining 9.3% and 11.5% for the same periods. All of the returns are presented in Canadian dollar terms.

During the first two months of 2009, global stock markets were down approximately 20% as investors shunned risk and thus sold out of equities. In early March, stock markets around the world touched bottom and sentiment reversed dramatically, partly on the back of support commitments and tremendous injections of liquidity into the financial services sector by governments around the world. While many indicators within the global economy indicate these are difficult times, the equity markets sharp rise reflected a common belief that the worst is behind us. However, it should be noted that the rally which began late in the first quarter left many of the high quality companies behind. The leading stocks tended to be low-quality companies that performed worst during the financial crisis in 2008.

The strongest performing areas amongst non-North American stocks were the Emerging Markets, particularly Brazil (an economy leveraged towards commodities) and China. In the Far East, Australia (benefitting from its proximity to China's booming economy) and Singapore enjoyed the best returns while Japan, in spite of a rally late in the year, was down over the 12-month period.

Within Europe, Norway and Sweden reported the largest gains during the year, while Finland and Ireland suffered losses during 2009.

The Materials sector was by far the best performing business group in the international stock market during 2009, generating a return of 44.3%. Other sub-indices rewarding investors during the year were Financial Services and Consumer Discretionary stocks.

On the other hand, the Utilities and Telecom Services industry groups lost money during 2009.

The past year was an extremely difficult period for quantitative investment strategies such as the one used in this Fund. The types of stocks favoured by the Fund's investment team trailed the market because investors prized risk and cheapness over the more typical emphasis on earnings prospects, financial quality and favourable price characteristics. Momentum in particular realized its worst performance in decades, as some stocks reversed in price by huge margins.

However, during the fourth quarter of 2009, conditions began to shift and the "junk" rally began to ease. Investors moved away from the cheapest of value stocks and began to focus on earnings as the key driver of stock attractiveness. The renewed focus on fundamentals by the investment community should benefit the Fund going forward.

Fund expenses vary period over period mainly as the result of changes in average Net Asset Values and investment activity. Custodial fees decreased year over year largely due to the full year's benefit of a new fee schedule negotiated with the Fund's custodian in late 2008.

#### **Recent Developments**

The Fund's investment team is encouraged by a number of positive signals. These include declining volatility, expectations of earnings upgrades and positive surprises, attractive valuations across many sectors, a stronger emphasis on earnings and the strong likelihood that there will be fewer macroeconomic shocks to the capital markets in the coming months.

The lower market volatility is positive for disciplined valuation approaches. As well, investors appear to be less sentiment-driven and more focused on rewarding fundamentals recently. In this environment, stocks with more attractive relative valuations as well as good earnings growth and financial quality should begin to be relatively strong performers.

The Fund is currently overweight Emerging Markets (largely South Korea and Brazil), Singapore, Japan and Germany as well as other selected countries. The nations underweighted include Australia, United Kingdom and Spain.

The sectors with overweight positions include Energy, Capital Goods and Transportation. The most underweight business groups are Materials, Insurance and Food & Staples Retailing.

The stocks in the portfolio most overweight relative to the EAFE benchmark are Royal Dutch Shell, British Petroleum, Nestle and Sanofi-Aventis.

## **Caution Regarding Forward-looking Statements**

This report may contain forward-looking statements about the Fund, including its strategies and expected performance. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to potential future events or market and economic conditions.

In addition, any statement that may be made concerning future performance, strategies or prospects and possible future Fund action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to risks, uncertainties and assumptions about the Fund and capital market and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results may differ materially from those expressed or implied in any forward-looking statements made by the Fund. A wide range of factors may contribute to these variances, including general economic, geopolitical and market influences in Canada or globally, interest rates and currencies, capital markets, technology innovations, regulations and catastrophic events.

Investors are encouraged to consider these and other factors including their own investment objectives carefully before making any investment decisions and are urged to avoid placing undue reliance on forward-looking statements.

Additionally, investors should be aware that the Fund has no specific intention to update any forward-looking statements whether as a result of new information and future events, prior to the release of the next Management Report on Fund Performance.

## **Related Party Transactions Manager, Portfolio Manager and Transfer Agent**

The Fund is managed by Integra. Integra provides or arranges for the provision of all general management and administrative services rendered by the Fund in its day-to-day operations, including providing or arranging the provision of investment advice and record-keeping services for the Fund.

As a result of providing investment advisory and management services, Integra is entitled to receive a monthly fee from investors in the Fund.

# Acadian Core International Equity Fund

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past 5 years. This information is derived from the Fund's audited annual financial statements.

### The Fund's Net Asset Value (NAV) per [Unit Data]

Integra Acadian Core International Equity Fund					
	2009	2008	2007	2006	2005
Net Asset Value, Beginning of Year	\$3.54	\$5.78	\$6.70	\$5.20	\$4.62
Adjustment for New Accounting Standards	(0.01)	(0.01)	—	—	—
Net Assets, Beginning of Year	\$3.53	\$5.77	\$6.70	—	—
<b>Increase (Decrease) From Operations:</b>					
Total revenue	0.12	0.21	0.20	0.15	0.13
Total expenses	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Realized gains (losses) for the year	(0.80)	(1.07)	0.34	0.77	0.46
Unrealized gains (losses) for the year	0.97	(1.18)	(1.13)	0.72	0.13
<b>Total Increase (Decrease) From Operations</b> <sup>(1)</sup>	\$0.28	(\$2.05)	(\$0.60)	\$1.63	\$0.71
<b>Distributions:</b>					
From income (excluding dividends)	(0.12)	(0.20)	(0.16)	(0.13)	(0.12)
From dividends	—	—	—	—	—
From capital gains	—	—	(0.26)	—	—
Return of capital	—	—	—	—	—
<b>Total Annual Distributions</b> <sup>(2)</sup>	(\$0.12)	(\$0.20)	(\$0.42)	(\$0.13)	(\$0.12)
<b>Net Asset Value, End of Year</b>	\$3.62	\$3.53	\$5.77	\$6.70	\$5.20
Ratios and Supplemental Data (Based on Trading NAV)					
Net asset values(000's)	\$186,975	\$165,602	\$210,717	\$175,247	\$138,749
Number of units outstanding	51,623,750	46,851,569	36,472,210	26,170,404	26,670,672
Management expense ratio (%)	2.22%	2.23%	2.23%	2.27%	2.32%
Management expense ratio before waivers or absorptions (%)	2.22%	2.23%	2.23%	2.27%	2.32%
Portfolio turnover rate (%) <sup>(3)</sup>	110.62%	108.25%	91.10%	107.40%	120.40%
Trading expense ratio (%) <sup>(4)</sup>	0.20%	0.13%	0.10%	0.11%	0.15%

### Supplementary information to the Financial Highlights calculations are based on the following:

1. Net asset and distributions are based on the actual number of units outstanding at the relevant time.  
The increase/decrease from operations is based on the weighted average number of units outstanding over the year.
2. Distributions were paid in cash/reinvested in additional units of the Fund, or both.
3. The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.
4. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average Net Asset Values during the year.

## Management Fees

The Fund pays no management fees to Integra. For management services provided to them by Integra, clients of Integra will pay an investment management fee directly to Integra, as set out in their agreement with Integra. The amount of the investment management fee is negotiable between the client and Integra.

\*The maximum annual management fee before GST (expressed as a % of assets under management by Integra) payable by the client to Integra for the Acadian Core International Equity Fund is 1.95%. Accordingly, the Management Expense Ratio includes this maximum annual management fee.

# Acadian Core International Equity Fund

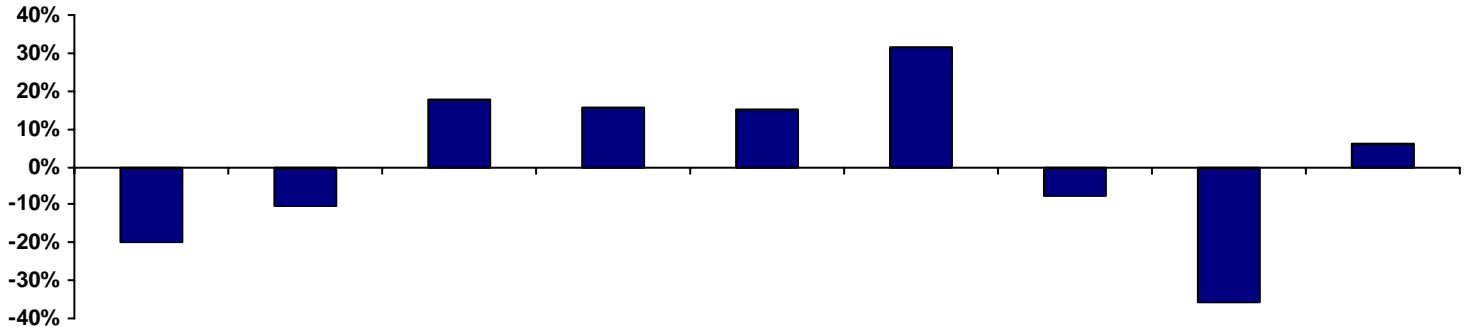
## Past Performance

**Fund Inception** - September 27, 2000 (Prior to this date, the Fund was a non-public mutual fund)

### Year-by-Year Returns

The following bar chart shows the investment fund's annual performance for each of the years shown, and illustrates how the investment fund's performance was changed from year to year. In percentage terms, the bar chart shows how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.

2001	2002	2003	2004	2005	2006	2007	2008	2009
-19.98%	-10.08%	17.54%	15.39%	15.32%	31.47%	-7.93%	-36.04%	6.02%



### Annualized Returns

This table shows the fund's historical annualized returns for the period ending December 31, 2009.

Annualized Returns	Past 1 year	Past 3 years	Past 5 years	Since Inception*
Acadian Core International Equity Fund	6.02%	-14.53%	-1.09%	-1.29%
Benchmark	11.49%	-7.56%	1.57%	-0.34%

\*Performance since inception is calculated for the first full month of investment activity. For this fund the date is October 1, 2000.

### Benchmark

The Acadian Core International Equity Benchmark reflects the market sectors in which the Fund invests and was created by using the assumptions that a portfolio was invested as to 90% in the securities in the Morgan Stanley Capital International Europe Australia Far East Index and as to 10% in the securities in the Dex 91-day Treasury Bill Total Return Index.

90.0%	Morgan Stanley Capital International-EAFE (Free) Index
10.0%	Dex 91-day Treasury Bill Total Return Index

# Acadian Core International Equity Fund

## Summary of Investment Portfolio as at December 31, 2009

### Asset Mix

	% of Fund's Net Asset Values
International Equities	99.15%
Cash and cash equivalents	0.32%
Other Assets, Net of Liabilities	0.53%

### Country Mix

	% of Fund's Net Asset Values
Argentina	0.08%
Australia	4.72%
Austria	0.49%
Belgium	0.26%
Bermuda	0.05%
Brazil	1.19%
Chile	0.03%
China	1.00%
Denmark	0.31%
Finland	0.92%
France	7.49%
Germany	10.87%
Greece	0.33%
Hong Kong	3.59%
Italy	2.03%
Japan	24.21%
Luxembourg	0.01%
Malaysia	0.20%
Mexico	1.14%
Netherlands	5.16%
Norway	0.82%
Pakistan	0.17%
Singapore	4.68%
South Korea	3.20%
Spain	1.12%
Sweden	1.55%
Switzerland	4.43%
Taiwan	0.93%
Thailand	0.36%
United Kingdom	17.80%

### Top 25 Top Holdings

(excluding cash equivalents)		% of Fund's Net Asset Values
1	ROYAL DUTCH SHELL	4.05%
2	BP PLC	3.45%
3	NESTLE SA	3.42%
4	SANOFI-AVENTIS	2.99%
5	DBS HLDGS	2.32%
6	ASTRAZENECA	2.23%
7	SANTOS	2.22%
8	NIPPON TEL & TEL	2.13%
9	E.ON AG	2.12%
10	EADS EURO AERO	1.93%
11	ENEL	1.81%
12	SONY	1.78%
13	BHP BILLITON	1.73%
14	BNP PARIBAS	1.63%
15	FUJI PHOTO FIL	1.60%
16	KONINKLIJKE PHILIPS	1.51%
17	ANTOFAGASTA	1.46%
18	OVERSEA-CHINESE BKG CORP	1.44%
19	ASTELLAS PHARMA	1.41%
20	INTL PWR	1.41%
21	DEUTSCHE BK AG	1.38%
22	DEUTSCHE POST AG	1.34%
23	NISSAN MOTOR	1.23%
24	BAYER AG	1.23%
25	BANCO DO BRASIL SA	1.19%

Total Fund Net Asset Values \$ 186,975,441



Integra Capital Limited  
2020 Winston Park Drive, Suite 200  
Oakville, Ontario  
L6H 6X7

**Manager, Portfolio Managers, Transfer Agent and Registrar**

Integra Capital Limited, Oakville, Ontario

**Auditors**

Ernst & Young LLP, Toronto, Ontario

**Legal Counsel**

Torys LLP, Toronto, Ontario