



## **Annual Management Report of Fund Performance As at December 31, 2009 Integra Canadian Value Growth 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 Strategies**

The Integra Canadian Value Growth Fund seeks to provide long-term capital growth by investing primarily in equity securities of Canadian businesses. The Fund may hold up to an aggregate of 10% in cash or cash equivalents.

The Integra Canadian Value Growth Fund may enter into securities lending transactions. Securities lending transactions will be used in conjunction with the Fund’s other investment strategies in an appropriate manner to achieve the Fund’s investment objectives.

The Fund combines the expertise of a “top-down growth” manager, a “bottom-up value” manager and a “quantitative core” manager.

The “top-down growth” approach is an active management style premised on the view that the Canadian stock market is essentially a cyclical one. This manager believes active management is required in order to outperform the overall market. The manager’s main strength lies in its ability to identify economic and business trends and to weight the corresponding sectors of the stock market accordingly. Within the targeted sectors, the security selection decision demonstrates a growth bias.

The “bottom-up value” approach is to buy the best economic value in the market regardless of what sector the business operates in. Research efforts will be directed to identifying companies that generate free cash flow.

The “quantitative core” manager focuses on strong growth, value, quality and risk attributes. The team has a rigorous buy and sell discipline. While the process is mostly quantitative, the data provided by the team’s models are supplemented with ongoing fundamental and risk analysis.

The Fund will not invest in foreign securities. Each manager is authorized to keep a percentage of the assets it manages in cash or cash equivalents as an ongoing strategy.

### **Risk**

Most of the Fund’s assets will be invested in common shares. As a result, the Fund is exposed to stock market risk and specific issuer risk. Equity risk can be described as the potential for a decline in stock prices. The share price 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 Canadian economy is heavily influenced by the health of the United States, which represents approximately 25% of the global economy and is our nation’s major trading partner.

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. Even Canada, which had enjoyed a number of consecutive years with budget surpluses is now running historically large deficits. Such situations of excessive leverage have the potential to unsettle capital markets.

## **Integra Canadian Value Growth Fund**

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

Additionally, the Canadian equity market continues to become more concentrated largely influenced by interest rate changes (Financial Services sector) and commodity prices (Energy and Materials sectors). Three industry groups represent over 70% of the Canadian stock market.

On December 31, 2009, the Integra Balanced Fund held approximately 43% of the outstanding units of the Fund. The Integra Balanced Fund may invest its assets directly in the Integra Canadian Value Growth Fund and the amount and timing of such purchases and redemptions may be material at any point in time. As a result, the Integra Canadian Value Growth Fund may have to alter its portfolio to accommodate large purchases and redemptions.

### **Results of Operations**

For the quarter, six-month and one-year periods ended December 31st, 2009, the Fund returned 3.9%, 15.6% and 36.7% respectively. In comparison, the Fund's benchmark (90% S&P/TSX Composite Index plus 10% Dex Capital 91-day Government of Canada Treasury Bill Total Return Index) returned 3.5%, 13.4% and 31.4% for the same periods.

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.

In Canada, the strongest sectors were Financial Services, Information Technology and Energy, closely followed by Materials. On the other hand, as evidence that investors became much less defensive in early March, the worst performing sectors for 2009 were Telecom Services and Consumer Staples.

The Fund had a strong year both in nominal and relative terms. It out-performed relative to its benchmark in 2009. The relative returns were positively impacted by stock selection in the Financial Services and Materials sectors. To a lesser extent, stock selection in the Consumer Staples sector also generated value added. On the other hand, stock selection in the Consumer Discretionary and Information Technology sub-indices were a detriment to relative performance.

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. Conversely, Operating expenses were higher during 2009. This is partially due to a variance between the budgeted amount of expense accrued in the latter portion of 2008 versus the actual expense that was incurred during that period.

### **Recent Developments**

Although the global recession ended during the summer of 2009, the outlook for the economy recovery appears mixed. Developed economies, restrained by the consequences of both property and credit bubbles, are likely to grow at rates meaningfully below those of prior economic recoveries.

Canada's labour market is relatively strong relative to the U.S. The unemployment rate is currently slightly in excess of 8%, while the American jobless rate is closer to 10%. If businesses continue to hire at the rate they have over the past few months, all of the Canadian jobs lost since the beginning of the recession will have been restored. However, those workers who have entered the workforce since the economic slowdown began would not have jobs. (The labour force has increased 1% annually since the slowdown began.) Corporations are likely to maximize productivity gains, making due with what they have, before beginning aggressive hiring.

Improving economic data, a continuation of low short-term interest rates and growth in corporate profits coupled with reasonable valuations will push stock markets higher in 2010. While the equity markets have traded in a fairly narrow range over the past few months, there has been churning activity as investors begin to transition away from the "junk" rally and move money into quality stocks that did not fully participate in the run-up over the past three quarters. The quality stocks are the shares of those companies with proven growth records, healthy balance sheets, generate abundant free cash flow and have reasonable valuations.

In past market cycles, low quality leadership begins to wane after about six to nine months. The most important determinant in the equity market outlook is likely to be corporate earnings. Actual profits mattered less in the robust returns of 2009, yet in the coming year and those to follow, as the economic recovery progresses, the environment is likely to see a return where corporate earnings matter.

Recently, the Fund has established new positions in Canadian Western Bank, Fairfax Financial, Magna, Rogers Communications, SNC Lavalin, Husky Energy and selected Gold stocks.

## **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 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.

## Integra Canadian Value Growth 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.

<b>Integra Canadian Value Growth Fund</b>					
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Net Asset Value, Beginning of Year	\$10.41	\$16.44	\$17.87	\$15.53	\$13.42
Adjustment for New Accounting Standards	(0.04)	(0.03)	—	—	—
Net Assets, Beginning of Year	\$10.37	\$16.41	\$17.87	—	—
<b>Increase (Decrease) From Operations:</b>					
Total revenue	0.35	0.42	0.47	0.34	0.32
Total expenses	(0.02)	(0.04)	(0.06)	(0.05)	(0.05)
Realized gains (losses) for the year	(0.84)	(1.86)	2.57	2.23	1.37
Unrealized gains (losses) for the year	4.31	(7.94)	(1.81)	0.10	0.74
<b>Total Increase (Decrease) From Operations <sup>(1)</sup></b>	<b>\$3.80</b>	<b>(\$9.42)</b>	<b>\$1.17</b>	<b>\$2.62</b>	<b>\$2.38</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.03)	(0.05)	(0.04)	(0.02)	—
From dividends	(0.43)	(0.28)	(0.40)	(0.29)	(0.25)
From capital gains	—	—	(2.11)	—	—
Return of capital	—	—	—	—	—
<b>Total Annual Distributions <sup>(2)</sup></b>	<b>(\$0.46)</b>	<b>(\$0.33)</b>	<b>(\$2.55)</b>	<b>(\$0.31)</b>	<b>(\$0.25)</b>
<b>Net Asset Value, End of Year</b>	<b>\$13.79</b>	<b>\$10.37</b>	<b>\$16.41</b>	<b>\$17.87</b>	<b>\$15.53</b>
Ratios and Supplemental Data (Based on Trading NAV)					
Net assets values(000's)	\$132,073	\$140,484	\$59,558	\$70,192	\$68,339
Number of units outstanding	9,550,980	13,489,967	3,623,031	3,927,308	4,401,543
Management expense ratio (%)	2.03%	2.14%	2.18%	2.18%	2.24%
Management expense ratio before waivers or absorptions (%)	2.03%	2.14%	2.18%	2.18%	2.24%
Portfolio turnover rate (%) <sup>(3)</sup>	80.90%	141.35%	90.34%	134.95%	70.17%
Trading expense ratio (%) <sup>(4)</sup>	0.35%	0.37%	0.28%	0.34%	0.24%

#### 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 Integra Canadian Value Growth Fund is 1.75%. Accordingly, the Management Expense Ratio includes this maximum annual management fee.

# Integra Canadian Value Growth Fund

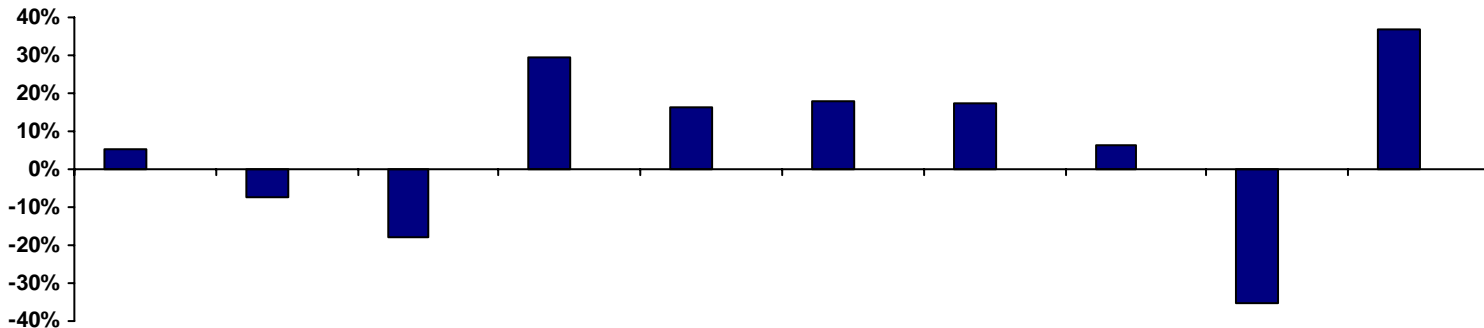
## Past Performance

**Fund Inception** - March 12, 1999 (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.

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
5.29%	-7.29%	-17.96%	29.67%	16.21%	17.70%	17.23%	6.12%	-35.2%	36.67%



### 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	Past 10 years
Integra Canadian Value Growth Fund	36.67%	-2.04%	5.34%	4.58%
Benchmark	31.39%	0.35%	7.38%	5.55%

### Benchmark

The Canadian Value Growth 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 S&P/TSX Composite Index and as to 10% in the securities in Dex 91-day Treasury Bill Total Return Index.

90.0%	S&P/TSX Composite Index
10.0%	Dex 91-day Treasury Bill Total Return Index

# Integra Canadian Value Growth Fund

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

### Asset Mix

	% of Fund's Net Asset Values
Canadian Equities	96.52%
Cash and Cash Equivalents	2.89%
Other Assets, Net of Liabilities	0.59%

### Sector Mix

	% of Fund's Net Asset Values
Consumer Discretionary	4.27%
Consumer Staples	1.73%
Energy	25.94%
Financials	28.11%
Health Care	1.91%
Industrials	5.02%
Information Technology	6.48%
Materials	16.01%
Telecommunication Services	6.45%
Utilities	0.60%

### Top 25 Issuers

(excluding cash equivalents)		% of Fund's Net Asset Values
1	Royal Bank of Canada	5.68%
2	Toronto-Dominion Bank (The)	4.20%
3	Bank of Montreal	4.18%
4	Canadian Natural Resources Ltd.	4.14%
5	Barrick Gold Corp.	3.79%
6	Bank of Nova Scotia	3.00%
7	Research In Motion Ltd.	2.89%
8	Rogers Communications Inc., Class 'B'	2.84%
9	Suncor Energy Inc.	2.74%
10	Talisman Energy Inc.	2.68%
11	Manulife Financial Corp.	2.60%
12	TransCanada Corp.	2.25%
13	Cameco Corp.	2.11%
14	BCE Inc.	2.07%
15	Canadian Imperial Bank of Commerce	2.04%
16	EnCana Corp.	2.01%
17	Nexen Inc.	1.95%
18	National Bank of Canada	1.84%
19	Thomson Reuters Corp.	1.68%
20	Teck Resources Ltd., Class 'B'	1.55%
21	TELUS Corp.	1.37%
22	Cenovus Energy Inc.	1.32%
23	Yamana Gold Inc.	1.30%
24	Biovail Corp.	1.27%
25	Canadian National Railway Co.	1.12%

Total Fund Net Asset Values \$ 132,072,748

The summary of investment portfolio may change due to ongoing portfolio transactions of the investment fund. The most recent annual report, semi-annual report or quarterly report is available at no cost, by calling 1-800-363-2480, by writing to us at Integra Capital Limited, 2020 Winston Park Drive, Suite 200, Oakville, ON, L6H 6X7 or by visiting our website at [www.integra.com](http://www.integra.com).



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