



## **Annual Management Report of Fund Performance As at December 31, 2009 Integra 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 1-800-363-2480, 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 Integra 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 the developed markets of Europe, the Far East and Australia. From time to time the Fund may invest in the Emerging Markets, up to a maximum of 25%. The Fund may hold up to an aggregate of 10% in cash or cash equivalents.

The Fund’s investment process combines a global bottom-up stock-picking based on proprietary stock and sector research within a strategic framework, based on investment trends and themes. Each stock is evaluated in a global context.

The Integra 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 primarily 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 substantial unitholder holding approximately 40% 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.

# **Integra International Equity Fund**

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

### **Results of Operations**

For the quarter, six-month and one-year periods ended December 31st, the Fund gained 0.8%, 7.1% and 7.0%, respectively. 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% in the fourth quarter, while gaining 9.3% and 11.5% in the six-month and one-year periods. All of the returns are presented in Canadian dollar terms.

After touching a low point for the year in early March, stock markets around the world enjoyed a strong rebound during the balance of the year. 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 strongest performing areas outside of North America 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 Fund's relative underperformance was largely the result of stock selection in France, Japan, Australia and Switzerland. At the sector level, holdings within the Materials and Consumer Staples areas caused the Fund to experience relative under-performance.

Conversely, the Fund did well with its over-weight in Emerging Markets, particularly Brazil, its Energy holdings and an underweight in Utilities stocks.

The Fund experienced net redemptions of \$9.5 million during 2009.

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 due to significantly fewer transactions occurring within the Fund coupled with a new fee scale negotiated with the Fund custodian which took effect in late 2008. Additionally, Operating expenses were somewhat higher during 2009. This is partially due to a variance between the estimated amount of expense accrued in the latter portion of 2008 versus the actual expense that was incurred during that period.

### **Recent Developments**

Central banks around the world will generally maintain relatively loose monetary policies because the economic recovery is likely to be a slow, prolonged event. The policy makers are more concerned about economic stability and the risks of deflations rather than inflation.

However, the global economy remains unbalanced on a geographic basis, in terms of savings, exports and consumption. Additionally, there is likely to be increased volatility in the financial markets due to unexpected surprises.

The Fund's investment approach is founded upon the use of themes which are based on likely forces of change in the world. Currently, we are witnessing important changes in the contours of the global financial and asset markets. Four themes are incorporated into the structure of the Fund:

- Demand for goods and services to remain weak
- Weak growth and overcapacity reduce inflation risks
- Corporate profit growth to remain muted
- Monetary policies will remain lax

## **Integra International Equity Fund**

### **Recent Developments - *continued***

Recent acquisitions by the Fund include Sony, Canon, Panasonic and Sands China.

The major overweight positions relative to the benchmark are Nomura, Anglo American, Cable & Wireless and Gold Fields.

The Fund's defensive posture is illustrated by its sizeable overweight positions in Telecom Services and Health Care.

On a geographic basis, the Fund is over-weight Emerging Markets and Japan while being less represented relative to the benchmark in Europe.

### **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.

## Integra 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.

<b>Integra International Equity Fund</b>					
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Net Asset Value, Beginning of Year	\$10.53	\$15.28	\$15.62	\$12.84	\$11.84
Adjustment for New Accounting Standards	(0.04)	(0.05)	—	—	—
Net Assets, Beginning of Year	\$10.49	\$15.23	\$15.62	—	—
<b>Increase (Decrease) From Operations:</b>					
Total revenue	0.33	0.41	0.41	0.34	0.34
Total expenses	(0.05)	(0.07)	(0.06)	(0.06)	(0.06)
Realized gains (losses) for the year	(1.06)	(1.85)	1.31	1.25	0.89
Unrealized gains (losses) for the year	1.54	(2.96)	(1.67)	1.55	0.11
<b>Total Increase (Decrease) From Operations</b> <sup>(1)</sup>	\$0.76	(\$4.47)	(\$0.01)	\$3.08	\$1.28
<b>Distributions:</b>					
From income (excluding dividends)	(0.35)	(0.34)	(0.35)	(0.28)	(0.27)
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
<b>Total Annual Distributions</b> <sup>(2)</sup>	(\$0.35)	(\$0.34)	(\$0.35)	(\$0.28)	(\$0.27)
<b>Net Asset Value, End of Year</b>	\$10.94	\$10.49	\$15.23	\$15.62	\$12.84
<b>Ratios and Supplemental Data (Based on Trading NAV)</b>					
Net asset values(000's)	\$ 48,533	\$55,644	\$65,188	\$69,303	\$54,471
Number of units outstanding	4,425,780	5,280,785	4,267,521	4,437,052	4,243,085
Management expense ratio (%)	2.50%	2.59%	2.46%	2.49%	2.61%
Management expense ratio before waivers or absorptions (%)	2.50%	2.59%	2.46%	2.49%	2.61%
Portfolio turnover rate (%) <sup>(3)</sup>	101.19%	116.54%	107.89%	100.84%	92.97%
Trading expense ratio (%) <sup>(4)</sup>	0.34%	0.43%	0.34%	0.31%	0.35%

#### 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 period.

### 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 International Equity Fund is 1.95%. Accordingly, the Management Expense Ratio includes this maximum annual management fee.

# Integra International Equity Fund

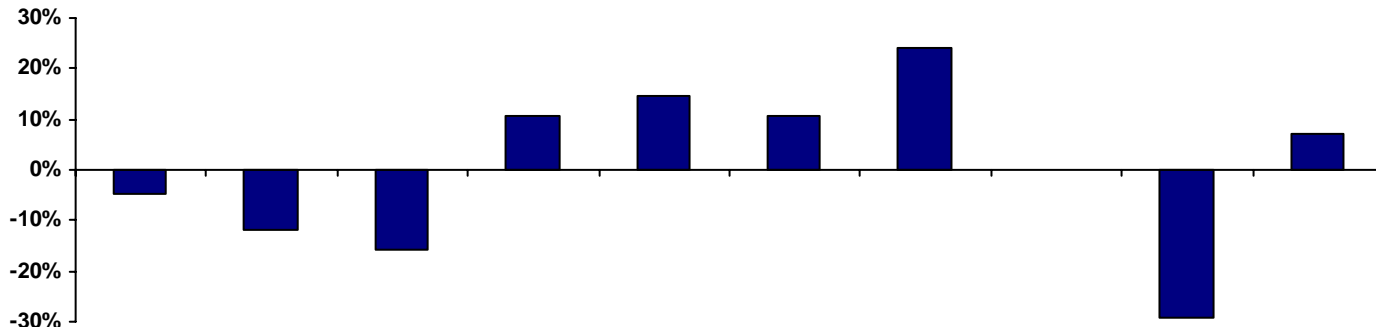
## Past Performance

**Fund Inception** - November 27, 1996 (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
-4.76%	-11.91%	-15.97%	10.85%	14.75%	10.84%	24.10%	0.07%	-29.21%	7.03%



### 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 International Equity Fund	7.03%	-8.81%	0.84%	-0.67%
Benchmark	11.49%	-7.56%	1.57%	-1.06%

### Benchmark

The International 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

*\*EAFE (Free) - European, Australasian, and Far East Index "free" (stocks available to foreign investors)*

# Integra International Equity Fund

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

Asset Mix		Top 25 Issuers		
	% of Fund's Net Asset Values	(excluding cash equivalents)	% of Fund's Net Asset Values	
International Equities	97.47%	1	ANGLO AMERICAN	2.72%
Cash and Cash Equivalents	2.49%	2	NOVARTIS AG	2.70%
		3	ROCHE HLDG AG	2.64%
Other Assets, Net of Liabilities	0.04%	4	NOMURA HOLDING	2.45%
		5	NESTLE SA	2.45%
		6	VODAFONE GROUP	2.40%
		7	GOLD FIELDS	1.94%
		8	CABLE & WIRELESS	1.91%
		9	BRITISH AMERN TOBACCO	1.88%
		10	GLAXOSMITHKLINE	1.73%
		11	NISSAN MOTOR	1.71%
		12	TOTAL SA	1.64%
		13	HONDA MOTOR	1.58%
		14	MITSUBISHI	1.58%
		15	NEWCREST MNG	1.56%
		16	KDDI	1.49%
		17	TOSHIBA	1.39%
		18	BAYER AG	1.38%
		19	DEUTSCHE TELEKOM	1.35%
		20	THALES	1.31%
		21	QBE INS GRP	1.28%
		22	BNP PARIBAS	1.26%
		23	DBS HLDGS	1.24%
		24	HSBC HLDGS	1.23%
		25	MILLICOM INTL CELL	1.21%
		Total Fund Net Asset Values \$ 48,532,815		

Country Mix	
	% of Fund's Net Asset Values
Australia	5.57%
Austria	0.80%
Brazil	5.45%
Chile	0.71%
France	6.21%
Germany	5.58%
Hong Kong	2.93%
Japan	24.41%
Luxembourg	2.41%
Macau	0.94%
Netherlands	1.78%
Poland	0.56%
Singapore	1.24%
South Africa	1.94%
South Korea	0.54%
Spain	0.85%
Switzerland	14.05%
Thailand	1.45%
United Kingdom	20.05%

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).



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

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

Integra Capital Limited, Oakville, Ontario

**Auditors**

Ernst & Young LLP, Toronto, Ontario

**Legal Counsel**

Torys LLP, Toronto, Ontario