



*Financial Statements of*

# **BOND TRUST**

*Audited*

*For the year ended June 30, 2009*

26,934,730 BND.UN \$75,900,000

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## Auditors' Report

To the Unitholder of  
Bond Trust

We have audited the statement of investments of Bond Trust (the "Fund") as at June 30, 2009, the statements of net assets as at June 30, 2009 and 2008 and the statements of operations and of changes in net assets for the years then ended. These financial statements are the responsibility of the Fund manager. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets of the Fund as at June 30, 2009 and 2008 and the results of its operations and changes in net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte & Touche LLP*

Chartered Accountants  
Licensed Public Accountants  
October 6, 2009

## Financial Statements

### STATEMENTS OF NET ASSETS

As at June 30,	2009	2008
<b>ASSETS</b>		
Investments at fair value (Cost 2009 - \$67,257,146; 2008 - \$64,781,831)	\$ 54,062,240	\$ 59,204,376
Cash and short-term investments	189,477	201,978
Interest receivable	284,390	248,442
	<b>54,536,107</b>	<b>59,654,796</b>
<b>LIABILITIES AND UNITHOLDER'S EQUITY</b>		
Due to Manager (Note 4)	52,368	50,941
Interest payable	284,390	248,442
	<b>336,758</b>	<b>299,383</b>
<b>NET ASSETS AND UNITHOLDER'S EQUITY</b> (Notes 2g and 5)	<b>\$ 54,199,349</b>	<b>\$ 59,355,413</b>
<b>NUMBER OF UNITS OUTSTANDING (Note 5)</b>	<b>7,200,000</b>	<b>7,200,000</b>
<b>NET ASSET VALUE PER UNIT (Note 2g)</b>	<b>\$ 7.53</b>	<b>\$ 8.24</b>

APPROVED BY THE TRUSTEE,



Wayne L. Pushka  
Director



Bruce K. Atchison  
Chief Financial Officer

The accompanying notes are integral to these financial statements.

## Financial Statements

continued

## STATEMENTS OF OPERATIONS

For the year ended June 30,	2009	2008
<b>INCOME</b>		
Interest	\$ 3,560,416	\$ 4,150,991
Accretion on strip bonds	2,475,315	2,338,812
	<b>6,035,731</b>	<b>6,489,803</b>
<b>EXPENSES</b>		
Management fees (Note 4)	118,125	118,688
Administrative expenses	49,770	50,007
Audit fees	31,641	30,607
Custody, valuation and transfer fees	17,326	17,783
Accounting fees	8,487	7,488
Regulatory and listing expenses	1,722	1,535
	<b>227,071</b>	<b>226,108</b>
<b>NET INVESTMENT INCOME</b>	<b>5,808,660</b>	<b>6,263,695</b>
<b>PARTIAL SETTLEMENT OF SWAP CONTRACT (Note 6b)</b>	<b>-</b>	<b>(1,865,283)</b>
<b>CHANGES IN UNREALIZED DEPRECIATION OF INVESTMENTS</b>	<b>(7,617,451)</b>	<b>(9,288,273)</b>
<b>DECREASE IN NET ASSETS FROM OPERATIONS</b>	<b>\$ (1,808,791)</b>	<b>\$ (4,889,861)</b>
<b>DECREASE IN NET ASSETS FROM OPERATIONS PER UNIT <sup>(1)</sup></b>	<b>\$ (0.25)</b>	<b>\$ (0.68)</b>

<sup>(1)</sup> Based on the weighted average number of Units outstanding during the period

The accompanying notes are integral to these financial statements.

## Financial Statements

continued

## STATEMENTS OF CHANGES IN NET ASSETS

For the year ended June 30,	2009	2008
NET ASSETS, BEGINNING OF YEAR	\$ 59,355,413	\$ 68,130,639
DECREASE IN NET ASSETS FROM OPERATIONS	(1,808,791)	(4,889,861)
RECEIPT FROM THE COUNTERPARTY TO REDUCE NOTIONAL VALUE OF SWAP CONTRACT (Note 6)	6,252,297	6,162,635
DISTRIBUTIONS TO UNITHOLDER (Note 7)	(9,599,570)	(10,048,000)
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 54,199,349</b>	<b>\$ 59,355,413</b>

The accompanying notes are integral to these financial statements.

## Financial Statements

continued

STATEMENT OF INVESTMENTS  
As at June 30, 2009

BOND PAR VALUE	DESCRIPTION	COUPON	MATURITY	AVERAGE COST	FAIR VALUE	% OF NET ASSETS
<b>Capital Repayment Portfolio (Par Value in CAN \$ except as noted)</b>						
\$ 16,000,000	Ontario Hydro	0.000%	15/04/2012	\$ 13,641,819	\$ 15,007,608	27.7
2,494,000	Ontario Hydro	0.000%	06/02/2013	2,086,998	2,245,140	4.1
4,200,000	Ontario Hydro	0.000%	18/02/2013	3,419,229	3,775,744	7.0
1,500,000	Province of British Columbia	0.000%	18/06/2012	1,263,380	1,400,873	2.6
4,500,000	Province of British Columbia	0.000%	23/08/2012	3,753,076	4,172,260	7.7
4,000,000	Province of Ontario	0.000%	02/12/2012	3,291,731	3,637,228	6.7
13,900,000	Province of Ontario	0.000%	13/01/2013	11,355,930	12,601,396	23.3
7,200,000	Province of Quebec	0.000%	01/04/2012	6,157,358	6,732,744	12.4
1,600,000	US \$ Credit Suisse First Boston	6.500%	15/01/2012	2,517,384	2,005,178	3.7
800,000	US \$ Goldman Sachs Group	5.700%	01/09/2012	1,211,072	972,558	1.8
1,600,000	US \$ Morgan Stanley Dean Witter	6.600%	01/04/2012	2,549,853	1,967,338	3.6
12,584,000	UBS Default Contingency Zero Swap (Note 6a)	0.000%	31/12/2012	4,021,385	9,433,629	17.4
				55,269,215	63,951,696	118.0
<b>Distribution Portfolio (Par Value in U.S. \$)</b>						
738,000	Anthem Inc. (Wellpoint Inc.)	6.800%	01/08/2012	1,250,420	894,504	1.6
165,000	AOL Time Warner Inc.	6.875%	01/05/2012	258,741	204,987	0.4
729,000	AON Corp.	7.375%	14/12/2012	1,240,147	895,551	1.6
217,000	Arvinmeritor Inc.	8.750%	01/03/2012	396,057	159,398	0.3
154,000	CIT Group Inc.	7.750%	02/04/2012	255,724	107,111	0.2
512,000	Coca Cola Enterprises Inc.	6.125%	15/08/2011	858,202	642,837	1.2
164,000	Disney (Walt) Co.	6.375%	01/03/2012	264,449	209,171	0.4
802,000	Electronic Data Systems	7.125%	15/10/2009	1,223,645	948,651	1.7
247,000	Falconbridge Ltd.	7.350%	05/06/2012	388,623	305,942	0.6
618,000	Ford Motor Credit Co.	7.375%	01/02/2011	853,451	649,729	1.2
256,000	General Electric Capital Corp.	4.625%	15/09/2009	396,168	299,214	0.6
749,000	Safeco Corp.	7.250%	01/09/2012	1,255,401	766,568	1.4
931,000	Sprint Capital Corp.	8.375%	15/03/2012	1,259,266	1,064,999	2.0
722,000	Sun Microsystems Inc.	7.650%	15/08/2009	1,251,207	839,543	1.5
633,000	Teco Energy Inc.	7.200%	01/05/2011	836,430	758,067	1.4
				11,987,931	8,746,272	16.1
<b>Swap Contract (Note 6b)</b>					(18,635,728)	(34.4)
<b>TOTAL INVESTMENTS</b>				\$ 67,257,146	54,062,240	99.7
<b>OTHER ASSETS LESS LIABILITIES</b>					137,109	0.3
<b>TOTAL NET ASSETS</b>					\$ 54,199,349	100.0

The effective interest rates of the bonds range from 2.31% to 8.75%.

The accompanying notes are integral to these financial statements.

## Notes to the Financial Statements

June 30, 2009

### 1. THE BOND TRUST

The Bond Trust (the “Fund”) is a special purpose investment trust established under the laws of the Province of Ontario on January 28, 2003 (date of inception). The outstanding units are owned by UBS AG (Canada Branch) (the “Unitholder”). Crown Hill Investment Corporation was the manager (the “Manager”) of the Fund until June 6, 2008, at which time it was replaced by Crown Hill Capital Corporation.

Reference is made to the Fund’s prospectus dated January 29, 2003 for a complete description of the objectives, investment guidelines and purpose of 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 by management that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Actual amounts could differ from these estimates. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

*a) Adoption of new accounting standards*

On July 1, 2008, the Fund adopted Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3862, “Financial Instruments – Disclosures” and Section 3863, “Financial Instruments – Presentation” and Section 1535, “Capital Disclosures”. Sections 3862 and 3863 establish standards for the 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. There is no impact on the net assets or the results of operations as a result of these new standards. The detailed risks of investing in the Fund are disclosed in Note 8. Section 1535 establishes standards for disclosing information about an entity’s capital and how it is managed; see Note 9.

*b) Investment Valuation*

Debt securities are valued at their bid price provided by independent security pricing services. Investments for which market quotations are not readily available are valued at the Manager’s best estimate of fair value. The difference between fair value and average cost, as recorded in the accounts, is shown as an unrealized gain (loss) on investments. Average cost is used to determine the gain or loss on portfolio securities sold. Short-term investments are valued at cost plus accrued interest which approximates fair value.

Strip bonds are valued at their bid price on the valuation date. The discount on the strip bond is recorded as interest income over the life of the bond using the effective interest rate method and added to the cost of the strip bond. The difference between the fair value and the accreted cost of the strip bond is recorded as part of the unrealized gain (loss) on investments on the Statements of Operations.

## Notes to the Financial Statements

continued

June 30, 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) *Foreign Currency Translation*

Investments at market value and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange applicable on the valuation date. Investment transactions and income and expenses are translated at the rate of exchange on the date of such transactions.

d) *Derivative Contracts*

Derivative contracts are valued by UBS AG (London Branch) at the gain or loss that would arise as a result of closing out the contract on the valuation date at the indicative bid price. The indicative bid price is determined using a pricing model which provides an estimate of the price expected to be received upon the partial settlement of the full contract as management has determined that this represents the best estimate of actual proceeds to the Fund. Liquidation of the entire contract may result in different proceeds depending on the market conditions at that time.

e) *Interest Income*

Interest income is accounted for on the accrual basis using the effective interest method and includes amounts earned under the derivative contracts.

f) *Distributions*

Distributions to Unitholders are recorded by the Fund when declared.

g) *Application of CICA Handbook Section 3855*

For purposes of preparing its financial statements, the Fund values its investments pursuant to Section 3855 of the CICA Handbook as outlined above in Note 2(b); the resulting net assets balance is referred to as "Net Assets". For all other purposes, including the processing of Unitholder transactions, the value of its investments that trade in an active market continues to be determined using the last traded price; the resulting net asset balance is referred to as "Net Asset Value". On each valuation date, the Net Asset Value per Unit is computed by dividing the Net Asset Value of the Fund by the total number of its Units outstanding.

As at June 30, 2009 and June 30, 2008, there was no difference between Net Asset Value per Unit, calculated at last traded price for the day, and Net Assets per Unit, calculated at bid price for the day. Any difference in the fair value of the securities in the investment portfolio between the valuation for Unitholder transaction purposes and the valuation for financial statement purposes was offset by a change in the fair value of the Swap Contract of the same amount.

h) *Future Accounting Changes*

In February 2008, the CICA Accounting Standards Board confirmed that Canadian GAAP will be replaced by International Financial Reporting Standards ("IFRS") for Canadian enterprises with public accountability. These new standards are effective for the Fund beginning July 1, 2011. The Fund is currently assessing the impact of IFRS on its financial reporting.

## Notes to the Financial Statements

*continued*

**June 30, 2009**

### **3. TAXATION**

The Fund qualifies as a unit trust and a financial institution within the meaning of the *Income Tax Act* (Canada). The Fund is subject to applicable federal and provincial taxes on the amount of its net income for tax purposes for the year, to the extent such net income for tax purposes has not been paid or made payable to the Unitholder in the year. No provision for income taxes has been recorded in the accompanying financial statements as all income is distributed or distributable to the Unitholder.

### **4. RELATED PARTY TRANSACTIONS**

#### *a) Manager*

The Fund has entered into a trust agreement (the “Declaration of Trust”) dated January 28, 2003. Under the terms of the Declaration of Trust, the Manager provides all administrative services required by the Fund and receives a fee of approximately \$9,375 per month plus applicable taxes. All other expenses of the Fund are initially paid by the Manager and the Manager is reimbursed by the Fund. The amount owing to the Manager at June 30, 2009 is \$52,368 (2008 - \$50,941).

#### *b) Trustee*

Under the terms of the Declaration of Trust, Hollister Capital Corporation, now called Crown Hill Investment Corporation, was appointed Trustee of the Fund. Crown Hill Investment Corporation was replaced by Crown Hill Capital Corporation on June 6, 2008. All assets are currently held in custody by UBS AG.

#### *c) Unitholder*

Interest income includes \$3,560,111 (2008 - \$4,190,090) from UBS AG under the terms of the Swap Contract described in Note 6(b).

### **5. UNITHOLDER’S EQUITY**

The Fund is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Fund. The Unitholder is entitled to redeem its units outstanding in December of each year. Units are redeemed at the Net Asset Value per Unit on the redemption date. On February 28, 2003, the Fund issued 7,200,000 units for cash proceeds of \$68,199,998.

### **6. DERIVATIVE CONTRACTS**

- a)* The Fund has entered into the UBS Default Contingency Zero Swap derivative contract with UBS AG. This swap has a notional and stated maturity value of \$12,584,000, adjusted for credit events in certain debt securities, and has the economic effect of creating a synthetic strip bond with exposures to Credit Suisse First Boston, Goldman Sachs Group and Morgan Stanley Dean Witter, held in the investment portfolio.
- b)* The Fund has also entered into a derivative contract (the “Swap Contract”) with UBS AG (the “Counterparty”). The Swap Contract initially had a notional amount and a termination value of \$72,000,000, adjusted for credit events in certain debt securities (the “final settlement amount”), (see Note 8).

## Notes to the Financial Statements

continued

June 30, 2009

**6. DERIVATIVE CONTRACTS (continued)**

At the termination or expiry date, the Swap Contract requires delivery of all securities in the Capital Repayment Portfolio and the Distribution Portfolio to the Counterparty in exchange for the final settlement amount. The Swap Contract also has three additional purposes: a) to provide a currency hedge; b) to smooth the uneven cash flows arising from bond maturities and receipt of interest; and c) to enhance yield by gaining exposure to other credits. The other credits are listed in Note 8.

On June 12, 2009, the Fund received a credit event notice from the Counterparty with respect to Visteon Corp. as a result of that entity filing for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. This credit event results in a decrease of 0.495% in the yield of the Swap Contract (see Note 8).

Further, through the Swap Contract, the Fund's risk profile is modified such that it has an initial exposure of 3.6% to each of the credits in the Distribution Portfolio as well as the additional credits (see Note 8). This percentage will decrease over time as income from the Distribution Portfolio is distributed to the Unitholder. As of June 30, 2009 this exposure has been reduced to 1.5% of the notional amount. The contract matures on December 31, 2012.

The Fund received \$6,162,635 on January 7, 2008 and \$6,252,297 on January 8, 2009 from the Counterparty as partial settlement of the Swap Contract which reduced the notional value of the Swap Contract by 20.541% from \$72,000,000 to \$57,210,480.

On the Statement of Investments, the amount of \$(18,635,728) is shown as the loss that would arise as a result of closing out the Swap Contract on June 30, 2009 using the indicative bid price from the Counterparty. Approximately two-thirds of this amount is due to the fact that the monies from January 2008 and 2009 were obtained from the Counterparty as early settlement of the Swap Contract. Had the monies from January 2008 and 2009 been raised by selling securities in the Capital Repayment Portfolio rather than being obtained from the Counterparty, the fair value of the Capital Repayment Portfolio would be less and the amount shown as Swap Contract on the Statement of Investments would be greater, i.e. would be a smaller loss. The amount of the Total Investments would be unchanged.

**Partial Settlement of Swap Contract**

<b>Year ended June 30,</b>		<b>2009</b>		<b>2008</b>
Cost of investments beginning of year	\$	64,781,831	\$	64,308,302
Cost of investments end of year		67,257,146		64,781,831
Decrease (increase) in cost of investments		(2,475,315)		(473,529)
Add: Increase in bond cost due to accretion for the year		2,475,315		2,338,812
Cost of investments disposed of under partial settlement of swap contract	\$	-	\$	1,865,283

## Notes to the Financial Statements

*continued*

### June 30, 2009

#### 7. DISTRIBUTIONS

The Fund was designed to provide the unitholder with a stable stream of semi-annual distributions starting June 30, 2003. It has done so since inception.

During the year ended June 30, 2009, the Fund made distributions to the Unitholder of \$1,971,000 on December 31, 2008 (\$2,196,000 on December 31, 2007) and \$1,550,000 on June 30, 2009 (\$2,200,000 on June 30, 2008), as well as a distribution of \$6,078,570 on January 8, 2009 (\$5,652,000 on January 7, 2008).

#### 8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Fund's investment activities expose it to various types of risk associated with the financial instruments in which it invests directly and indirectly. In addition to the risks of investing in the equity markets generally, the Fund is also subject to other risks, including credit risk, interest rate risk, liquidity risk and currency risk. These risks and related risk management practices employed by the Fund are discussed below.

##### *Credit Risk*

Credit risk is the risk that an issuer or a counterparty will be unable or unwilling to meet a commitment that it has entered into with the Fund. All transactions in listed securities are settled for upon delivery using approved brokers.

The credit risk associated with derivative contracts arises from the potential inability of the Counterparty to meet the terms of its contracts. The credit rating of the Counterparty is currently AA- (as per Standard & Poor's). The credit risk exposure is the aggregate of all derivative contracts with a positive value as disclosed on the Statement of Investments.

For the bonds held by the Bond Trust at June 30, 2009, using fair value, 71% are rated AA or better; 12% are rated A or BBB and 17% are rated below BBB.

The Swap Contract exposes the Fund to additional credits with respect to the determination of the interest rate paid by the Counterparty to the Fund. The coupon rate on the Swap Contract was initially set at 6.05% (paid semi-annually on December 31 and June 30) and each credit event results in a reduction of 0.495% starting in the period in which the event occurred, to a maximum reduction of 4.95%. The other credits are those listed in the Distribution Portfolio with the exception of Coca-Cola Enterprises Inc., and also includes Bombardier Inc., Comcast Corp., Dow Chemical Co., Freeport-McMoRan Copper & Gold Inc. (formerly Phelps Dodge Corp.), Hilton Hotels Corp., Motorola Inc., Noranda Inc., Sears Roebuck Acceptance Corp., Supervalu Inc., Thomson Reuters Corporation, Toys R Us Inc., Tyco International Ltd., Tyson Foods Inc., Valero Energy Corp., Visteon Corp. and Weyerhaeuser Co. On June 12, 2009, the Fund received a credit event notice from the Counterparty with respect to Visteon Corp. as a result of that entity filing for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. The interest rate for periods starting after December 31, 2008 is now 5.555%.

For the fifteen companies listed above, excluding Visteon Corp., that can have an effect on the interest rate of the Swap Contract, seven are rated BBB or better and eight are rated less than BBB.

**Notes to the Financial Statements***continued***June 30, 2009****8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)***Credit Risk (continued)*

The pricing model used by the Counterparty to determine the current price of the Swap Contract takes into account the expected recovery rates of any bond issuer from the Capital Repayment Portfolio or the Distribution Portfolio who have had a credit event.

On June 12, 2009, the Fund received a credit event notice from the Counterparty with respect to Visteon Corp. as a result of that entity filing for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. The yield on the Swap Contract was initially set at 6.05% and each credit event results in a reduction of 0.495% to a maximum reduction of 4.95%.

As well, the Fund has entered into the UBS Default Contingency Zero Swap derivative contract with UBS AG. Through this contract, the Fund has the economic effect of creating a synthetic strip bond in the Capital Repayment Portfolio which is secured 75% by Provincial bonds and 25% by four financial institutions, thus creating exposure to the credit worthiness of the provinces of British Columbia, Ontario and Quebec and Credit Suisse First Boston, Goldman Sachs Group, Morgan Stanley Dean Witter and UBS AG, the Counterparty.

*Interest Rate Risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when the Fund invests in interest-bearing financial instruments.

The Fund invests in bond securities which subject the Fund to interest rate risk. As at June 30, if interest rates increased (decreased) by 1% with all other variables held constant, the fair value of the securities as shown on the Statement of Investments would have decreased (increased) by approximately \$1,900,000. However, the Fund has exchanged this risk on bond securities for the following risk on the Swap Contract. The Swap Contract results in the Fund's interest rate risk being highly correlated with that of a Government of Canada 10-year December 2012 bond. As at June 30, 2009, if interest rates increased (decreased) by 1% with all other variables held constant, the fair value of the Swap Contract would have decreased (increased) by approximately \$1,900,000 (approximately 3.5% of the Net Assets of the Fund).

*Liquidity Risk*

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial obligations. There is no redemption of units and the expenses of the Fund are minimal compared to the cash interest received from the Counterparty. The only significant cash payments are the distributions, which are paid to the Counterparty, being the only Unitholder. Although the Swap Contract is considered to be illiquid, the Swap Contract is not expected to be settled prior to its maturity.

Therefore, as at June 30, 2009, the Fund's liquidity risk is considered minimal.

**Notes to the Financial Statements***continued***June 30, 2009****8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)***Market Risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The investments of the Fund are subject to normal market fluctuations and the risks inherent in investment in financial markets. The maximum risk resulting from financial instruments held by the Fund is determined by the fair value of the financial instruments. The Manager moderates this risk through a careful selection of securities and the Fund's market price risk is managed through diversification of the investment portfolio. The Manager monitors the Fund's security holdings for corporate actions and tax changes to ensure that the investments remain appropriate for the Fund.

The most significant exposure to market risk is from bond securities. As at June 30, 2009, had the prices on the respective bond market for these securities increased (decreased) by 10%, with all other variables held constant, Net Assets would not have changed; the fair value of securities (other than the derivative contracts) would have increased (decreased) by approximately \$7,300,000 (approximately 13.5% of total Net Assets) and would be offset by a decrease (increase) in the fair value of derivative contracts of the same amount.

A reduction in the liquidity of the world bond markets may result in a fall in bond prices throughout the world.

*Currency Risk*

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency (Canadian Dollar) of the Fund, will fluctuate due to changes in foreign exchange rates. The Statement of Investments identifies all investments denominated in foreign currencies. Equities in foreign markets are exposed to currency risk as the prices denominated in foreign currencies are translated to the Fund's functional currency in determining fair value.

The Fund has approximately 25% of its investment portfolio in U.S. securities. However, the foreign exchange risk is eliminated by a hedge in the Swap Contract. Therefore, as at June 30, 2009, the Fund's currency risk is considered minimal.

**9. CAPITAL MANAGEMENT**

The Fund's capital consists solely of Unitholder's equity. The Fund's Manager maintains the Fund's capital in accordance with its investment objectives, strategies and restrictions as detailed in its Declaration of Trust. There has been no change in the management of capital during the past year.

**10. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current period.