



INTERIM FINANCIAL STATEMENTS OF  
**BOND TRUST**

(UNAUDITED)

DECEMBER 31, 2009

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## STATEMENTS OF NET ASSETS (Unaudited)

As at	December 31, 2009	June 30, 2009 (Audited)
<b>Assets</b>		
Investments at fair value (Cost December 31, 2009 - \$65,677,449; June 30, 2009 - \$67,257,146)	\$ 53,703,478	\$ 54,062,240
Interest receivable	215,567	284,390
Cash and short-term investments	97,770	189,477
	<b>54,016,814</b>	54,536,107
<b>Liabilities And Unitholders' Equity</b>		
Interest payable	215,567	284,390
Due to manager (Note 4)	72,954	52,368
	<b>288,521</b>	336,758
<b>Net Assets and Unitholders' Equity (Notes 2g and 5)</b>	\$ <b>53,728,293</b>	\$ 54,199,349
<b>Number of Units Outstanding (Note 5)</b>	<b>7,200,000</b>	7,200,000
<b>Net Asset Value per Unit (Note 2g)</b>	\$ <b>7.46</b>	\$ 7.53

The accompanying notes are an integral part of these financial statements.

Approved by the Trustee,



Wayne L. Pushka  
Chief Executive Officer



Davindra Persaud  
Chief Financial Officer

## STATEMENTS OF OPERATIONS

(Unaudited)

For the six months ended December 31	2009	2008
<b>Income</b>		
Interest	\$ 1,447,176	\$ 1,971,337
Accretion on strip bonds	1,291,323	1,220,107
	<b>2,738,499</b>	3,191,444
<b>Expenses</b>		
Management fees (Note 4)	57,539	63,539
Administrative expenses (Note 4)	23,214	27,885
Audit fees	20,700	15,304
Accounting fees	8,674	2,535
Custody, valuation and transfer fees	4,425	11,657
Regulatory and listing expenses	4,918	2,064
	<b>119,469</b>	122,984
<b>Net Investment Income</b>	<b>2,619,030</b>	3,068,460
<b>Partial Settlement of Swap Contract (Note 6b)</b>	<b>(2,871,020)</b>	-
<b>Changes in Unrealized Appreciation (depreciation) of Investments</b>	<b>1,220,934</b>	(9,176,143)
<b>Increase (decrease) in Net Assets from Operations</b>	<b>\$ 968,944</b>	\$ (6,107,683)
<b>Increase (decrease) in Net Assets from Operations per Unit <sup>(1)</sup></b>	<b>\$ 0.13</b>	\$ (0.85)

(1) Based on the weighted average number of Units outstanding during the period.

The accompanying notes are an integral part of these financial statements.

## STATEMENTS OF CHANGES IN NET ASSETS

(Unaudited)

For the six months ended December 31	2009	2008
<b>Net Assets, Beginning of Period</b>	\$ 54,199,349	\$ 59,355,413
<b>Increase (decrease) in Net Assets from Operations</b>	968,944	(6,107,683)
<b>Distributions to Unitholder (Note 7)</b>	(1,440,000)	(1,971,090)
<b>Net Assets, End of Period</b>	\$ 53,728,293	\$ 51,276,640

*The accompanying notes are an integral part of these financial statements.*

# STATEMENTS OF INVESTMENTS

(Unaudited)

Bond Par Value	Description	Coupon	Maturity	December 31, 2009			June 30, 2009		
				Average Cost	Fair Value	% of Net Assets	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 %	04/15/2012	\$ 14,037,487	\$ 15,267,685	28.4	\$ 13,641,819	\$ 15,007,608	27.7
2,494,000	Ontario Hydro	0.000 %	02/06/2013	2,134,975	2,288,790	4.3	2,086,998	2,245,140	4.1
4,200,000	Ontario Hydro	0.000 %	02/18/2013	3,517,479	3,862,163	7.2	3,419,229	3,775,744	7.0
1,500,000	Province Of British Columbia	0.000 %	06/18/2012	1,300,511	1,427,401	2.7	1,263,380	1,400,873	2.6
4,500,000	Province Of British Columbia	0.000 %	08/23/2012	3,862,999	4,242,187	7.9	3,753,076	4,172,260	7.7
4,000,000	Province Of Ontario	0.000 %	12/02/2012	3,386,882	3,729,200	6.9	3,291,731	3,637,228	6.7
13,900,000	Province Of Ontario	0.000 %	01/13/2013	11,685,507	12,846,437	23.9	11,355,930	12,601,396	23.3
7,200,000	Province Of Quebec	0.000 %	04/01/2012	6,335,002	6,863,165	12.8	6,157,358	6,732,744	12.4
1,600,000 US \$	Credit Suisse First Boston	6.500 %	01/15/2012	2,517,384	1,825,287	3.4	2,517,384	2,005,178	3.7
800,000 US \$	Goldman Sachs Group	5.700 %	09/01/2012	1,211,072	902,136	1.7	1,211,072	972,558	1.8
1,600,000 US \$	Morgan Stanley Dean Witter	6.600 %	04/01/2012	2,549,853	1,824,951	3.4	2,549,853	1,967,338	3.6
12,584,000	UBS Default Contingency Zero Swap (Note 6a)	0.000 %	12/31/2012	4,021,387	9,886,494	18.4	4,021,385	9,433,629	17.4
				<b>56,560,538</b>	<b>64,965,896</b>	<b>120.9</b>	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 %	08/01/2012	1,250,420	853,618	1.6	1,250,420	894,504	1.7
165,000	AOL Time Warner Inc.	6.875 %	05/01/2012	258,742	189,366	0.4	258,741	204,987	0.4
729,000	Aon Corp.	7.375 %	12/14/2012	1,240,147	835,439	1.6	1,240,147	895,551	1.7
217,000	Arvinmeritor Inc.	8.750 %	03/01/2012	396,057	230,904	0.4	396,057	159,398	0.3
154,000	CIT Group Inc.	7.750 %	04/02/2012	255,724	115,115	0.2	255,724	107,111	0.2
512,000	Coca Cola Enterprises Inc.	6.125 %	08/15/2011	858,202	572,541	1.1	858,202	642,837	1.2
164,000	Disney (Walt) Co.	6.375 %	03/01/2012	264,449	187,800	0.3	264,449	209,171	0.4
802,000 (June 09)	Electronic Data Systems	7.125 %	10/15/2009	-	-	-	1,223,645	948,651	1.8
247,000	Falconbridge Ltd.	7.350 %	06/05/2012	388,623	277,722	0.5	388,623	305,942	0.6
618,000	Ford Motor Credit Co.	7.375 %	02/01/2011	853,451	661,089	1.2	853,451	649,729	1.2
256,000 (June 09)	General Electric Capital Corp.	4.625 %	09/15/2009	-	-	-	396,168	299,214	0.6
749,000	Safeco Corp.	7.250 %	09/01/2012	1,255,400	810,256	1.5	1,255,401	766,568	1.4
931,000	Sprint Capital Corp.	8.375 %	03/15/2012	1,259,265	1,010,174	1.9	1,259,266	1,064,999	2.0
722,000 (June 09)	Sun Microsystems Inc.	7.650 %	08/15/2009	-	-	-	1,251,207	839,543	1.5
633,000	Teco Energy Inc.	7.200 %	05/01/2011	836,431	692,792	1.3	836,430	758,067	1.4
				<b>9,116,911</b>	<b>6,436,816</b>	<b>12.0</b>	11,987,931	8,746,272	16.1
	Swap Contract (Note 6b)				(17,699,234)	(32.9)		(18,635,728)	(34.4)
<b>Total Investments</b>				<b>\$ 65,677,449</b>	<b>\$ 53,703,478</b>	<b>100.0</b>	\$ 67,257,146	\$ 54,062,240	99.7
<b>Other Assets Less Liabilities</b>					<b>24,815</b>	<b>0.0</b>		137,109	0.3
<b>Total Net Assets</b>					<b>\$ 53,728,293</b>	<b>100.0</b>		\$ 54,199,349	100.0

The accompanying notes are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

(Unaudited)

December 31, 2009

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## 1. BOND TRUST

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 those 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.

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

(Unaudited)

December 31, 2009

(Continued)

## (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 December 31, 2009 and June 30, 2009, 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.

### 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. Administration expenses for the period ended December 31, 2009 totaled \$23,214 (\$27,885 for the period ended December 31, 2008). 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 December 31, 2009 is \$72,954 (2008 - \$48,681).

#### (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 \$1,447,425 (2008 - \$1,971,090) from UBS AG under the terms of the Swap Contract described in Note 6b.

# NOTES TO THE FINANCIAL STATEMENTS

(Unaudited)

December 31, 2009

(Continued)

## 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 will be 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).

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).

On December 16, 2009, the Fund received a credit event notice from the Counterparty with respect to CIT Group Inc. 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 December 31, 2009 this exposure has been reduced to 1.5% of the notional amount. The contract matures on December 31, 2012.

The Fund received \$6,252,297 on January 7, 2008 and \$6,162,635 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 (see Note 10 for subsequent event).

On the Statements of Investments, the amount of \$(17,699,234) is shown as the loss that would arise as a result of closing out the Swap Contract on December 31, 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 Statements of Investments would be greater, i.e. would be a smaller loss. The amount of the Total Investments would be unchanged.

# NOTES TO THE FINANCIAL STATEMENTS

(Unaudited)

(Continued)

December 31, 2009

## Partial Settlement of Swap Contract

Period ended December 31	2009	2008
Cost of investments beginning of period	\$ 67,257,146	\$ 64,781,831
Cost of investments end of period	65,677,449	66,001,938
Decrease (increase) in cost of investments	1,579,697	(1,220,107)
Add: Increase in bond cost due to accretion for the period	1,291,323	1,220,107
Cost of investments disposed of under partial settlement of Swap Contract	\$ 2,871,020	\$ -

## 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 six-month period ended December 31, 2009, the Fund made distributions to the Unitholder of \$1,440,000 on December 31, 2009 (2008 - \$1,971,090 on December 31, 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 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 A+ (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 Bond Trust at December 31, 2009, using fair value, 57% are rated A+ or better; 36% are between A and BBB and 7% are rated lower than BBB or not rated.

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., 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. On December 16, 2009, the Fund received a credit event notice from the Counterparty with respect to CIT Group Inc. 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, 2009 is now 5.06%.

## NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

(Continued)

December 31, 2009

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For the twelve companies listed on the Statements of Investments, excluding Visteon Corp. and CIT Group Inc., that can have an effect on the interest rate of the Swap Contract, five are rated BBB or better and seven are rated less than BBB.

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.

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 December 31, 2009 if interest rates increased (decreased) by 1% with all other variables held constant, the fair value of the securities as shown on the Statements of Investments would have decreased (increased) by approximately \$1,500,000. 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 December 31, 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 \$1,500,000 (approximately 2.8% 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 December 31, 2009, the Fund's liquidity risk is considered minimal.

### **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 December 31, 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 \$7,250,000 (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.

# NOTES TO THE FINANCIAL STATEMENTS

(Continued)

(Unaudited)

December 31, 2009

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## **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 December 31, 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. SUBSEQUENT EVENT**

The Fund received \$5,101,830 on January 5, 2010 from the Counterparty as partial settlement of the Swap Contract which reduced the notional value of the Swap Contract by an additional 7.086% from the original \$72,000,000 to \$51,775,484.