



Financial Statements of

CROWN HILL FUND
(formerly Crown Hill Dividend Fund)

(Unaudited)

For the six months ended June 30, 2009

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Financial Statements

STATEMENT OF NET ASSETS (Unaudited)

| | As at June 30, 2009 | As at December 31, 2008 |
|---|------------------------|----------------------------|
| ASSETS | | |
| Investments at market value (Note 4) (Cost 2009: \$40,667,894; 2008: \$9,071,084) | \$ 41,251,317 | \$ 8,246,393 |
| Cash and short-term investments | 2,014,670 | 1,949,562 |
| Loan receivable (Note 5) | 895,000 | - |
| Dividend and interest receivable | 74,001 | 62,564 |
| | 44,234,988 | 10,258,519 |
| LIABILITIES | | |
| Accrued liabilities | 37,465 | 48,015 |
| Distributions payable (Note 2) | 235,035 | - |
| | 272,500 | 48,015 |
| NET ASSETS REPRESENTING UNITHOLDER'S EQUITY (Note 3 and 7) | | |
| | \$ 43,962,488 | \$ 10,210,504 |
| NUMBER OF UNITS OUTSTANDING (Note 6) | | |
| | 7,817,492 | 1,903,247 |
| NET ASSETS PER UNIT (Notes 3 and 7) | | |
| | \$ 5.62 | \$ 5.36 |

SIGNED ON BEHALF OF THE TRUSTEE,



Wayne L. Pushka
Director



Bruce K. Atchison
Chief Financial Officer

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

Financial Statements

STATEMENT OF OPERATIONS (Unaudited)

| For the six months ended June 30, | 2009 | 2008 |
|--|---------------------|---------------------|
| INCOME | | |
| Dividends (net of withholding taxes – 2009: \$3,235; 2008: \$3,465) | \$ 448,815 | \$ 128,377 |
| Interest | 361,119 | 281 |
| Gains on foreign currencies | 142,927 | - |
| | 952,861 | 128,658 |
| EXPENSES | | |
| Management fees (Note 9) | 176,023 | 26,160 |
| Investment Management Fees | 41,291 | - |
| Legal fees | 540 | - |
| Service fees (Note 9) | - | 16,653 |
| Directors' and IRC fees and expenses | 11,682 | 13,414 |
| Insurance expense | - | 4,500 |
| Administrative expenses (Note 9) | 31,683 | 25,021 |
| Custody, valuation and transfer fees | 32,680 | 23,828 |
| Accounting fees | 16,903 | 6,848 |
| Audit fees | 22,715 | 13,100 |
| Regulatory and listing expenses | 18,070 | 16,764 |
| Unitholder servicing expenses (Note 9) | 4,388 | 755 |
| | 355,975 | 147,043 |
| NET INVESTMENT INCOME (LOSS) | 596,886 | (18,385) |
| NET REALIZED GAIN ON SALE OF INVESTMENTS (Note 4) | 1,682,864 | 564,878 |
| TRANSACTION COSTS (Notes 3, 8 and 11) | (116,608) | (1,379) |
| CHANGE IN UNREALIZED APPRECIATION OF INVESTMENTS (Note 4) | 1,408,114 | (1,040,644) |
| INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS | \$ 3,571,256 | \$ (495,530) |
| INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT ⁽¹⁾ | \$ 0.48 | \$ (0.54) |

⁽¹⁾Based on the weighted average number of units outstanding during the year.

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

Financial Statements

STATEMENT OF CHANGES IN NET ASSETS (Unaudited)

| For the six months ended June 30, | 2009 | | 2008 | |
|--|------|--------------------|------|--------------------|
| NET ASSETS, BEGINNING OF PERIOD | \$ | 10,210,504 | \$ | 8,711,169 |
| INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS | | 3,571,256 | | (495,530) |
| CAPITAL UNIT TRANSACTIONS (Note 7) | | | | |
| Market value of net assets contributed on merger | | 32,740,512 | | - |
| Paid for units cancelled or redeemed | | (916,395) | | (1,475,695) |
| | | 31,824,117 | | (1,475,695) |
| DISTRIBUTIONS TO UNITHOLDERS (Note 7) | | | | |
| From net investment income | | (596,886) | | - |
| From capital gain | | (1,046,503) | | - |
| Return of capital | | - | | (326,474) |
| | | (1,643,389) | | (326,474) |
| NET ASSETS, END OF PERIOD | \$ | 43,962,488 | \$ | 6,413,470 |

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

Financial Statements

| For the six months ended June 30, | 2009 | 2008 |
|---|---------------------|--------------------|
| CASH FLOW FROM (TO) OPERATIONS | | |
| Net investment income (loss) | \$ 596,886 | \$ (18,385) |
| Transaction costs | (116,608) | (1,379) |
| Change in non-cash working capital | (21,987) | (14,918) |
| | 458,291 | (34,682) |
| CASH FLOW FROM (TO) INVESTING ACTIVITIES | | |
| Loan receivable advanced | (995,000) | - |
| Repayments received on loan receivable | 100,000 | - |
| Purchase of investments | (58,396,659) | - |
| Proceeds from sale of investments | 61,223,225 | 1,860,684 |
| | 1,931,566 | 1,860,684 |
| CASH FLOW FROM (TO) FINANCING ACTIVITIES | | |
| Paid for units redeemed | (916,395) | (1,475,695) |
| Distributions paid | (1,408,354) | (336,467) |
| | (2,324,749) | (1,812,162) |
| NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS | 65,108 | 13,840 |
| CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF PERIOD | 1,949,562 | 247,061 |
| CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD | \$ 2,014,670 | \$ 260,901 |
| INTEREST PAID | \$ - | \$ - |

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

Financial Statements

STATEMENT OF INVESTMENT PORTFOLIO (Note 4) As at June 30, 2009 (Unaudited)

| DESCRIPTION | NUMBER OF SHARES/UNITS | AVERAGE COST | FAIR VALUE | % OF NET ASSETS |
|--|---------------------------|----------------------|----------------------|-----------------|
| CANADIAN EQUITIES | | | | |
| Advantage Energy Income Fund | 110,000 | \$ 663,375 | \$ 539,000 | |
| Angico-Eagle Mines Ltd | 8,000 | 503,531 | 488,560 | |
| Altagas Income Trust | 35,000 | 547,562 | 561,400 | |
| ARC Energy Trust | 650,000 | 858,825 | 885,500 | |
| Baytex Energy Trust | 20,000 | 301,628 | 390,400 | |
| Bonavista Energy Trust | 30,000 | 513,939 | 539,400 | |
| Copernican British Banks Fund | 419,000 | 366,427 | 574,030 | |
| Copernican World Banks Income | 30,900 | 47,112 | 77,250 | |
| Crescent Point Energy Trust | 15,000 | 395,905 | 514,200 | |
| Fort Chicago Energy Partners LP | 65,500 | 448,380 | 554,130 | |
| Goldcorp Inc. | 12,000 | 450,281 | 483,960 | |
| Keyera Facilities Income Fund | 30,000 | 479,329 | 595,200 | |
| Markland AGF Precious Metals Corp. | 52,200 | 355,782 | 345,564 | |
| Northland Power Income Fund | 66,000 | 715,184 | 645,480 | |
| Superior Plus Corp. | 24,600 | 245,016 | 257,316 | |
| Westshore Terminals Income Fund | 62,000 | 598,723 | 715,480 | |
| Yellow Pages Income Fund | 100,000 | 541,946 | 534,000 | |
| TOTAL CANADIAN EQUITIES | | 8,894,627 | 9,622,070 | 21.9 |
| U.S. EQUITIES | | | | |
| 3M Co. | 8,000 | 619,364 | 558,377 | |
| Johnson & Johnson | 8,600 | 569,244 | 566,697 | |
| Pfizer Inc. | 27,900 | 697,572 | 485,701 | |
| Proctor & Gamble Co. | 10,000 | 578,188 | 592,985 | |
| Rangold Resources Ltd., ADR | 8,000 | 504,565 | 595,354 | |
| United States Steel Corp. | 20,000 | 821,964 | 830,133 | |
| TOTAL U.S. EQUITIES | | 3,790,897 | 3,629,247 | 8.2 |
| NON-TRADED INVESTMENT | | | | |
| CH Fund Administration LP (note 5) | 2,800,000 | 28,000,000 | 28,000,000 | 63.7 |
| TRANSACTION COSTS (Notes 3 and 8) | | | | |
| | | (17,630) | | |
| TOTAL INVESTMENTS | | \$ 40,667,894 | 41,251,317 | 93.8 |
| OTHER ASSETS, NET OF LIABILITIES | | | | |
| | | | 2,711,171 | 6.2 |
| TOTAL NET ASSETS | | | \$ 43,962,488 | 100.0 |

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

Notes to the Financial Statements

June 30, 2009

1. THE FUND

Establishment of the Fund

The Crown Hill Fund (the “Fund”) is the new name of the combined fund resulting from the merger on December 29, 2008 of Crown Hill Dividend Fund (“CHDF”) and MACCs Sustainable Yield Trust (“MACCs”). CHDF was deemed to be the acquirer fund given the continuation of the CHDF investment objectives and ongoing management of the Fund. The merger was recorded as a reverse acquisition, since MACCs is the continuing fund. All of the assets of CHDF were transferred to MACCs in exchange for units of MACCs and the assumption by MACCs of all of the liabilities of CHDF. The CHDF unitholders then received 1.1742 units of MACCs for each CHDF unit held. The merger was done on a tax-free basis. (see Notes 6 and 8)

On January 22, 2009, the Fund merged with Fairway Diversified Income and Growth Trust (“Fairway”). The Fund was the acquirer fund given the continuation of the Fund’s investment objectives and ongoing management of the Fund. All of the assets of Fairway were transferred to the Fund in exchange units of the Fund and the assumption by the Fund of all of the liabilities of Fairway. The Fairway unitholders then received 1.30587 units of the Fund for each Fairway unit held. The merger was done on a tax-free basis. (see Notes 4, 6 and 8)

The Fund’s units (“Units”) are listed on The Toronto Stock Exchange under the symbol MYT.UN. Crown Hill Capital Corporation is the trustee (the “Trustee”) and manager (“the Manager”) of the Fund.

These financial statements present the summation of the results of operations and changes in Net Assets for the Fund for the period January 1 to 22, 2009 on a pre-merger basis and for the combined fund for the period January 23 to June 30, 2009. The comparative numbers are for CHDF alone.

Predecessor Funds

The Crown Hill Dividend Fund was an investment trust established under the laws of the Province of Ontario on May 19, 2004 under the name Profit Booking Blue Chip Trust (“PBK”). PBK began operations on May 31, 2004 when it completed an initial public offering of 2,500,000 units at \$10 per unit. Subsequently an option granted to the agents was exercised for 193,473 units at \$10 per unit. PBK’s units were listed on The Toronto Stock Exchange under the ticker symbol PBK.UN. Effective June 24, 2005 the name was changed from Profit Booking Blue Chip Trust to Crown Hill Dividend Fund. The manager of CHDF was Crown Hill Capital Corporation.

MACCs Sustainable Yield Trust was an investment fund established under the laws of the Province of Ontario on January 28, 2005. MACCs began operations on February 18, 2005, when it completed an initial public offering of 3,250,000 units at \$10 per unit. Subsequently an option granted to the agents was exercised for 280,000 units at \$10 per unit. The units were listed on The Toronto Stock Exchange under the ticker symbol MYT.UN. The manager of MACCs was MACCs Administrator Inc. On February 1, 2008 Crown Hill Capital Corporation became the manager of MACCs.

Fairway Diversified Income and Growth Trust was an investment fund established under the laws of the Province of Ontario on February 26, 2004. The units were listed on The Toronto Stock Exchange under the ticker symbol FDT.UN. On June 29, 2007, Fairway merged with Fairway Investment Grade Income Fund and Global Preferred Securities Trust; at that time, all three were managed by Fairway Advisors Inc., which became JovFunds Management Inc. on September 1, 2007. On January 20, 2009 Crown Hill Capital Corporation became the manager of Fairway.

Notes to the Financial Statements

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June 30, 2009

2. INVESTMENT OBJECTIVES OF THE FUND

The investment objectives of the Fund are:

- (i) to provide Unitholders with a stable stream of monthly distributions; and
- (ii) to preserve and potentially enhance the Net Assets of the Fund such that the Net Assets per Unit exceeds \$10.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

a) Valuation of Investments

Securities listed on a recognized public stock exchange are valued at their bid price on the valuation date.

The fair value of financial assets and liabilities that are not traded in an active market (for example: non-traded investments) is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each statement date. Valuation techniques used include the use of comparable recent arm's length transactions, references to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs. Certain financial assets and liabilities may be estimated using valuation techniques based on assumptions that are not supportable by observable market prices or rates. Assumptions used in these techniques may include the costs paid for the security, recent news reports about the issuer and general market indicators. Their fair value may be determined using valuation models that have been tested against the prices of actual market transactions and using management's best estimate of the most appropriate model inputs. These are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit spread and limitations in the models.

Short-term notes, treasury bills and bonds are valued at the average bid quotations from recognized investment dealers.

On January 20, 2009, the CICA Accounting Standards Board issued Emerging Issues Committee Abstract 173: Credit Risk and the Fair Value of Financial Assets and Financial Liabilities ("EIC-173"). EIC-173 supplements CICA Handbook Section 3855 wherein it states that fair value takes into account the credit quality of a financial instrument. The EIC affirms that an entity's own credit risk (in the case of financial liabilities) and a counterparty's credit risk (in the case of financial assets) should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments.

The manager has reviewed its policies over the valuation of assets and liabilities and believes that the fair value ascribed to the financial assets and financial liabilities in these financial statements incorporate appropriate levels of credit risk.

Notes to the Financial Statements

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June 30, 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Investment Transactions and Income Recognition

- i. Investment transactions are accounted for on the trade date.
- ii. Interest income and expense are recorded on the accrual basis.
- iii. Dividend income is recorded on the ex-dividend date.
- iv. Realized gains and losses on investments and unrealized appreciation or depreciation of investments are calculated using the average cost of the related investments.

c) Foreign Exchange

The fair value of investments and other assets and liabilities denominated in foreign currencies is translated into Canadian dollars at the rates prevailing on each valuation date. Purchases and sales of investments, income and expenses are translated into Canadian dollars at the foreign exchange rates prevailing on the respective dates of such transactions.

d) Distributions

Distributions to Unitholders are recorded by the Fund when declared.

e) Transaction Costs

Transaction costs are expense as incurred.

f) 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 3(a); 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. A reconciliation of Net Asset Value to Net Assets follows:

Notes to the Financial Statements

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June 30, 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Application of CICA Handbook Section 3855 (continued)

| As at June 30, 2009 | Net Assets | | Net Assets per Unit | |
|---|------------|------------|---------------------|--------|
| Net Asset Value | \$ | 44,000,871 | \$ | 5.63 |
| Difference as a result of adopting Section 3855 | | (38,383) | | (0.01) |
| Net Assets | \$ | 43,962,488 | \$ | 5.62 |

| As at December 31, 2008 | Net Assets | | Net Assets per Unit | |
|---|------------|------------|---------------------|--------|
| Net Asset Value | \$ | 10,253,911 | \$ | 5.39 |
| Difference as a result of adopting Section 3855 | | (43,407) | | (0.03) |
| Net Assets | \$ | 10,210,504 | \$ | 5.36 |

g) 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 January 1, 2011. The Fund is currently assessing the impact of IFRS on its financial reporting.

On May 29, 2009 the CICA Accounting Standards Board issued amendments to CICA Handbook Section 3862 (“3862 Amendments”). As a result of these amendments, the Fund will be required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements (Level 1, Level 2 and Level 3 inputs as defined in the standard). The 3862 Amendments are applicable for years ending after September 30, 2009. As a result, the Fund will be implementing the 3862 Amendments in the financial statements for the year ending December 31, 2009. Based upon its initial review, the Manager believes the 3862 Amendments will not affect the valuation of assets and liabilities held by the Fund, but will result in enhance and increased disclosure requirements.

Notes to the Financial Statements

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June 30, 2009

4. INVESTMENT PORTFOLIO

The following tables summarize movements in investments during the six months ended June 30, 2009 and June 30, 2008:

Investments at cost

| | 2009 | 2008 |
|---|----------------------|---------------------|
| Investments at cost – beginning of period | \$ 9,071,084 | \$ 7,456,892 |
| Investments made during the period | 58,396,659 | - |
| Investments acquired from Fairway on merger | 32,740,512 | - |
| Dispositions during the period at cost | (59,540,361) | (1,295,806) |
| Investments at cost – end of period | <u>\$ 40,667,894</u> | <u>\$ 6,161,086</u> |

Change in unrealized appreciation of investments

| | 2009 | 2008 |
|---|---------------------|-----------------------|
| Investments at market – end of period | \$ 41,251,317 | \$ 6,222,298 |
| Investments at cost – end of period | 40,667,894 | 6,161,086 |
| Unrealized appreciation (depreciation) of investments – end of period | 583,423 | 61,212 |
| Unrealized appreciation (depreciation) of investments – beginning of period | (824,691) | 1,101,856 |
| Change in unrealized appreciation (depreciation) of investments | <u>\$ 1,408,114</u> | <u>\$ (1,040,644)</u> |

Net realized gain on sale of investments

| | 2009 | 2008 |
|----------------------------------|---------------------|-------------------|
| Proceeds of investments sold | \$ 61,223,225 | \$ 1,860,684 |
| Cost of investments sold | (59,540,361) | (1,295,806) |
| Net realized gain on investments | <u>\$ 1,682,864</u> | <u>\$ 564,878</u> |

The securities from the former Fairway were acquired at a cost equal to their market value as at the date of the merger, January 22, 2009. The securities from the pre-existing Crown Hill Fund are recorded at historic cost. See Note 8.

Notes to the Financial Statements

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June 30, 2009

5. LOAN RECEIVABLE AND RELATED PARTY INVESTMENT

On January 20, 2009, the Fund made a loan to the parent of Crown Hill Capital Corporation in the amount of \$995,000 to enable it to complete the acquisition of 2193322 Ontario Inc., the manager and trustee of Fairway, so as to be able to effect the merger of the funds. The loan bears interest at prime plus 2%, which is to be calculated and paid monthly. The loan is being repaid in equal monthly principal payments of approximately \$20,000 beginning in February 2009. Prior to the merger, the Manager appointed Robson Capital Management Inc. as investment manager (the "Investment Manager") of the Fund.

On June 3, 2009, the Fund invested \$28,000,000 in CH Fund Administration LP which used the proceeds to acquire a beneficial interest in the administrative contracts for various funds in the Citadel Group of Funds ("Citadel Contracts") with the expectation that it will recoup its investment, plus costs, plus a \$4,000,000 premium plus a 6% annual return on its investment. See Note 13.

6. UNITS ISSUED AND OUTSTANDING

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. Unitholders are entitled to retract their Units outstanding on the last business day of each month at an amount equal to (a) the lesser of: (i) 90% of the weighted average trading price of a Unit on the TSX during the preceding 15 trading days and (ii) the closing market price on the TSX on that day, less (b) any retraction costs. As well, the Board of Directors of the Trustee may set a date on which Units will be retracted at the Transactional NAV per Unit (see Note 3f) less any retraction costs. The following Unit transactions took place during the six months ended June 30, 2009 and June 30, 2008.

| | 2009 | 2008 |
|--|------------------|----------------|
| Balance of Units outstanding – beginning of period | 1,903,247 | 1,564,951 |
| Units issued to the Fairway unitholders | 6,148,799 | - |
| Units cancelled or redeemed during the period | (234,554) | (630,318) |
| Balance of Units outstanding – end of period | <u>7,817,492</u> | <u>934,633</u> |

Due to the conversion from CHDF to MACCs on December 29, 2008 (see Note 1), the number of units was increased, with the result that the Net Assets per Unit has been decreased. To be comparable, the NAV per unit for prior years for Crown Hill Dividend Fund must be divided by 1.1742. The equivalent Net Assets per Unit for December 31, 2007 is \$7.94.

Notes to the Financial Statements

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June 30, 2009

7. UNITHOLDERS' EQUITY

Unitholders' equity is comprised of unitholders' capital and retained earnings. The changes in unitholders' capital and retained earnings during the six months ended June 30, 2009 and June 30, 2008 are summarized as follows:

| | 2009 | | 2008 |
|--|----------------------|----|------------------|
| Unitholders' capital – beginning of period | \$ 12,013,845 | \$ | 8,605,289 |
| Redemption of units | (2,157,903) | | (1,532,324) |
| Market value of net assets contributed on merger | 32,740,512 | | - |
| Unitholders' capital – end of period | <u>\$ 42,596,454</u> | \$ | <u>7,072,965</u> |

| | 2009 | | 2008 |
|---|---------------------|----|------------------|
| Retained earnings – beginning of period | \$ (1,803,341) | \$ | 105,880 |
| Results from operations for the period | 3,616,564 | | (495,530) |
| Distributions to unitholders | (1,643,389) | | (326,474) |
| Excess of net proceeds over cost of units redeemed (cost of units redeemed over net proceeds of issuance) | 1,241,508 | | 56,629 |
| Retained earnings (deficit) – end of period | <u>\$ 1,411,342</u> | \$ | <u>(659,495)</u> |

| | 2009 | | 2008 |
|---|----------------------|----|------------------|
| Unitholders' capital – end of period | \$ 42,596,454 | \$ | 7,072,965 |
| Retained earnings (deficit) – end of period | 1,411,342 | | (659,495) |
| Unitholders' equity – end of period | <u>\$ 44,007,796</u> | \$ | <u>6,413,470</u> |

8. TAXATION

The Fund qualifies as a "mutual fund trust" 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, including net realized taxable capital gains, to the extent such net income for tax purposes has not been paid or made payable to Unitholders in the year. No provision for income taxes has been recorded in the accompanying financial statements as all income and net realized capital gains are distributed to Unitholders.

Income from the Citadel Contracts will be taxed in the hands of a corporation indirectly owned by the Fund and after-tax income will flow through to the Fund as dividends. A Canadian unitholder, if an individual, upon receiving these dividend distributions from the fund, will be entitled to claim the dividend tax credit available for eligible dividends. On June 3, 2009, with the investment in CH Fund Administration LP, the Fund became a Specified Investment Flow-Through ("SIFT") Trust and CH Fund Administration LP become a non-portfolio investment. Non-portfolio earnings, which includes generally any income earned from non-portfolio investments, excluding dividends, will be considered to be SIFT income and will be taxable in the Fund.

Notes to the Financial Statements

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June 30, 2009

8. TAXATION (continued)

As a result of the Fairway merger being done on a tax-free basis for the Unitholders, the tax cost of the current securities that were held at January 22, 2009 is now the market value of each security as at the date of the merger, January, 22 2009. The total adjusted cost base of all securities of the Fund for tax purposes is \$316,000 less than the cost for accounting purposes.

For tax purposes, transaction costs continue to be added to the average cost (for purchases) and reduced from the sale proceeds (for sales). The total of the transaction costs incurred on the purchase of the securities held on June 30, 2009 is shown as a reduction of cost on the Statement of Investments.

9. FUND EXPENSES

The Fund is responsible for all expenses incurred. All expenses of the Fund are initially paid by the Manager, who is then reimbursed by the Fund in a reasonable amount of time.

Operating expenses include the Manager's fees, Investment Manager's fees, Administrative costs, Unitholder servicing costs and any other cost directly related to the operation of the Fund. Of these expenses, the Manager is entitled to an annual fee of 1.00% (0.60% prior to January 1, 2009) of the Transactional NAV of the Fund, calculated and payable monthly. For the six months ended June 30, 2009 this amount totaled \$176,023 (2008 - \$26,160) of which \$25,000 (2008 - \$4,607) was payable at June 30, 2009. Starting on January 20, 2009, the Investment Manager (see Note 5) is entitled to an annual fee of 0.25% of the Transaction NAV of the Fund, calculated and payable monthly. For the six months ended June 30, 2009, this amount totaled \$41,291 (2008 - NIL).

Administrative costs for the six months totaled \$31,683 (2008 - \$25,021) and consist of a monthly general overhead cost paid to First Paladin Inc., to cover related administrative salaries, employee benefits, general overhead and office supplies. Unitholder Servicing costs for the six months totaled \$4,388 (2008 - \$755) which was made up of web site fees and payments to service providers for the filing of press releases and SEDAR filings. Service Fees for the six months totaled \$ NIL (2008 - \$16,653) which are trailer fees paid by the Fund to the Unitholders' investment advisors.

10. 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. In addition to the risks of investing in the equity markets generally, the Fund is also subject to other risks, including interest rate risk, currency risk, credit risk and liquidity risk. These risks and related risk management practices employed by the Fund are discussed below:

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 through diversification of the investment portfolio. The Manager monitors the Fund's overall market positions on a weekly basis and positions are maintained within established ranges.

Notes to the Financial Statements

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June 30, 2009

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market Risk (continued)

The most significant exposure to market risk is from equity securities. As at June 30, 2009, had the prices on the respective stock exchanges for these securities raised (lowered) by 10%, with all other variables held constant, net assets would have increased (decreased) by approximately \$1,330,000 (approximately 3% of Net Assets). In practice, the actual results may differ and the difference could be material.

Market risk is also inherent in the administration contracts for which CH Fund Administration LP has a beneficial interest. Any increase or decrease in the market value of the assets administered under the contracts will increase or decrease the revenue stream for that investment.

Currency Risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency 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 converted to the Fund's functional currency in determining fair value.

The Fund invests approximately 10% of the investment portfolio in U.S. securities. At June 30, 2009, if the Canadian dollar had strengthened (weakened) by 5%, with all other variables held constant, net assets would have decreased (increased) by approximately \$210,000 (approximately 0.5 % of Net Assets). In practice, the actual results may differ and the difference could be material.

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 approximately 30% of the Fund in equity securities. Cash and short-term investments earn minimal interest. The loan receivable bears interest at prime plus 2%. The investment in CH Fund Administration LP may be subject to a 6% interest recovery and its term for its complete principal recovery (plus costs and a premium of \$4,000,000) is subject to the market value of the portfolios being managed under those contracts. Therefore as at June 30, 2009, it is not possible to quantify the Fund's exposure to interest rate risk.

Credit Risk

Credit risk is the risk than an issuer or a counter party 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 risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Fund invests approximately 30% of the Fund in equity securities. Cash and short-term investments are held by the custodian. The investment in CH Fund Administration LP is unsecured. Therefore as at June 30, 2009, the Fund has a \$28,000,000 exposure to credit risk.

Notes to the Financial Statements

continued

June 30, 2009

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial obligations. The Fund is exposed to a monthly redemption of units at which time the units of the Fund are redeemed at the current Transactional NAV per unit. Liquidity risk is managed by investing 30% of the Fund's assets in investments that are traded in an active market and can be readily disposed. Approximately 64% of the Net Assets of the Fund are invested in CH Fund Administration LP which is an illiquid investment.

The Fund's liquid investments are considered to be in excess of the redemption requirements. Therefore, as at June 30, 2009, the Fund's liquidity risk is considered minimal.

Risk of Contract Cancellation

The greatest risk to the Fund is that the Citadel Contracts will be cancelled or that the assets being administered under the Citadel Contracts will be dramatically reduced. To partially offset this risk, the Citadel Contracts call for break fees of approximately \$16,600,000 in relation to the seven Citadel Funds referred to in Note 13.

11. BROKERAGE COMMISSIONS AND PORTFOLIO TRANSACTIONS

The brokerage commissions fees paid for the six months were \$116,608 (2008 - \$1,379). The commissions were incurred solely for order execution services. The Fund does not pay any soft dollar commissions.

12. CAPITAL MANAGEMENT

The Fund's capital consists solely of Unitholders' 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. As disclosed in Note 6, Unitholders' equity consists of Unitholders' capital (total subscriptions less total redemptions calculated at the original subscription price) and Retained earnings. Pursuant to its Declaration of Trust, the Fund is required to distribute all of its net income and net realized capital gains (as calculated for tax purposes), therefore Retained earnings represents unrealized gains or losses on investments plus any cumulative distributions in excess of cumulative income and realized capital gains, adjusted for the difference between the redemption amounts paid out and the applicable original subscription amounts.

13. SUBSEQUENT EVENTS

The Fund has prepared a management information circular in relation to a special meeting of unitholders to be held on September 30, 2009 to approve the merger of the Fund with eight Citadel funds and to approve the divestiture of the Citadel Contracts.

On July 16, 2009, Brompton Administration Limited and Bloom Investment Counsel, Inc. (the investment manager of six of the above eight Citadel funds) announced that they are asking the unitholders of seven of the above eight Citadel funds to support their requisition of special meetings of those funds, with a view to replacing the entity that is currently the administrator and to merge the seven funds.