



Financial Statements of

INVESTMENT GRADE TRUST

Audited

For the year ended June 30, 2008

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

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Deloitte & Touche LLP
Brookfield Place
181 Bay Street
Suite 1400
Toronto ON M5J 2V1
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Unitholders of
Investment Grade Trust

We have audited the statements of net assets of Investment Grade Trust (the "Fund") as at June 30, 2008 and 2007, the statement of investments at June 30, 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 financial position of the Fund as at June 30, 2008 and 2007, 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

August 1, 2008

Financial Statements

STATEMENTS OF NET ASSETS

As at June 30,	2008	2007
ASSETS		
Cash and short-term investments	\$ 20,721	\$ 30,007
Investments at fair value (Cost 2008 - \$51,240,488; 2007 - \$70,411,262)	47,376,047	73,595,380
Forward Agreement (Note 6)	12,648,093	-
Receivable under Forward Agreement (Note 6)	2,200,000	1,944,000
	62,244,861	75,569,387
LIABILITIES AND UNITHOLDERS' EQUITY		
Forward Agreement (Note 6)	-	3,401,751
Due to manager (Note 4)	103,249	95,574
Distributions payable (Note 5)	1,686,079	1,875,000
	1,789,328	5,372,325
NET ASSETS AND UNITHOLDERS' EQUITY (Notes 7 and 8)	\$ 60,455,533	\$ 70,197,062
NUMBER OF UNITS OUTSTANDING (Note 7)	6,744,317	7,500,000
NET ASSET VALUE PER UNIT (Note 8)	\$ 8.96	\$ 9.36

APPROVED BY THE TRUSTEE,

(signed) Wayne L. Pushka
Director

(signed) Thomas I. A. Allen
Director

The accompanying notes are integral to these financial statements.

Financial Statements

continued

STATEMENTS OF OPERATIONS

For the year ended June 30,	2008	2007
INCOME		
Interest	\$ 67,597	\$ 113,197
EXPENSES		
Forward agreement fees (Note 6)	326,500	325,606
Management fees (Note 4)	248,976	254,108
Administrative expenses	115,710	90,969
Accounting and audit fees	58,907	75,159
Board and IRC fees	88,429	54,398
Insurance expense	56,935	33,210
Legal fees	63,595	11,851
Unitholder servicing expense	12,772	109
Custody, valuation and transfer fees	57,465	52,973
Regulatory and listing expenses	23,550	23,887
	1,052,839	921,852
NET INVESTMENT LOSS	(985,242)	(808,655)
NET REALIZED GAIN (LOSS) ON SALE OF INVESTMENTS	(7,953,620)	16,748,246
CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS AND FORWARD AGREEMENT (Note 6)	9,257,285	(11,133,260)
INCREASE IN NET ASSETS FROM OPERATIONS	\$ 318,423	\$ 4,806,331
INCREASE IN NET ASSETS FROM OPERATIONS PER UNIT ⁽¹⁾	\$ 0.04	\$ 0.64

⁽¹⁾ 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 OPERATIONS (continued)

For the year ended June 30,	2008	2007
NET REALIZED GAIN (LOSS) ON SALE OF INVESTMENTS		
Proceeds from sale of investments	\$ 20,102,916	\$ 40,352,483
Cost of investments, beginning of period	70,411,262	57,943,894
Cost of investments, purchased during the period	8,818,613	35,958,623
	79, 229,875	93,902,517
Less: Cost of investments, end of period	(51,240,488)	(70,411,262)
Add back: Increase in bond cost due to accretion for the period	67,149	112,982
Cost of investments sold during the period	28,056,536	23,604,237
Net realized gain (loss) on sale of investments	\$ (7,953,620)	\$ 16,748,246

STATEMENTS OF CHANGES IN NET ASSETS

For the year ended June 30,	2008	2007
NET ASSETS, BEGINNING OF YEAR	\$ 70,197,062	\$ 69,138,148
INCREASE IN NET ASSETS FROM OPERATIONS	318,423	4,806,331
DISTRIBUTIONS TO UNITHOLDERS (Note 5)	(3,372,158)	(3,750,000)
UNIT TRANSACTIONS		
Proceeds from Units issued (Note 7)	-	61,631
Paid for Units redeemed (Note 7)	(6,687,794)	(59,048)
NET ASSETS, END OF YEAR	\$ 60,455,533	\$ 70,197,062

The accompanying notes are integral to these financial statements.

Financial Statements

continued

STATEMENT OF INVESTMENTS

As at June 30, 2008

CANADIAN EQUITIES				
NUMBER OF SHARES	DESCRIPTION	AVERAGE COST	FAIR VALUE	% OF NET ASSETS
117,334	Barrick Gold Corp.	3,496,858	5,469,404	9.0
371,900	Bombardier Inc., Class 'B'	2,249,995	2,755,779	4.6
89,917	Brookfield Asset Management Inc., Class 'A'	3,496,858	2,976,253	4.9
400,000	COM DEV International Ltd.	2,080,000	1,300,000	2.1
500,000	Domtar Inc.	3,825,000	2,745,000	4.5
97,814	Enbridge Inc.	3,496,858	4,306,750	7.1
158,000	Forzani Group Ltd.	2,836,100	2,346,300	3.9
200,000	Ivanhoe Mines Ltd.	2,250,000	2,210,000	3.7
198,525	Kingsway Financial Services Inc.	3,088,800	1,749,005	2.9
102,540	MDS Inc.	2,069,257	1,697,037	2.8
37,661	Magna International Inc., Class 'A'	3,496,858	2,285,269	3.8
138,070	Nortel Networks Corporation	3,175,620	1,155,646	1.9
62,000	Onex Corp.	2,249,360	1,855,040	3.1
134,800	Open Text Corp.	3,397,200	4,393,132	7.3
66,178	Petro-Canada	3,496,858	3,755,602	6.2
48,710	Quebecor Inc., Class 'B'	886,521	1,373,622	2.3
31,278	Shoppers Drug Mart Corp.	1,526,365	1,748,127	2.9
78,918	Thomson Corp.	3,496,857	2,585,354	4.3
TOTAL CANADIAN EQUITIES		50,615,365	46,707,320	77.3
CANADIAN BONDS				
PAR VALUE				
\$800,000	Province of Ontario Strip Bond 12/02/2012	625,123	668,727	1.1
TOTAL INVESTMENTS		\$ 51,240,488	47,376,047	78.4
FORWARD AGREEMENT			12,648,093	20.9
			60,024,140	99.3
RECEIVABLE UNDER FORWARD AGREEMENT			2,200,000	3.6
LIABILITIES, NET OF OTHER ASSETS			(1,768,607)	(2.9)
TOTAL NET ASSETS			\$ 60,455,533	100.0

The accompanying notes are integral to these financial statements.

Notes to the Financial Statements

June 30, 2008

1. THE FUND

The Investment Grade Trust (the “Fund”) is an investment trust established under the laws of the Province of Ontario on January 28, 2003 (date of inception). At that time, the Fund completed an initial public offering (the “Offering”) of 7,200,000 Units (the “Units”) at \$10 per unit. Subsequently an option granted to the agents was exercised for 300,000 Units at \$10 per Unit. The Fund's Units are listed on The Toronto Stock Exchange. The Fund will terminate operations on December 31, 2012 (the “Termination Date”) and the net assets will be distributed pro rata to holders of units (the “Unitholders”). Crown Hill Investment Corporation was both the Manager (the “Manager”) and Trustee of the Fund until June 6, 2008, at which time it was replaced by Crown Hill Capital Corporation.

The stated investment objectives are: i) to pay to the Unitholders on or about the Termination Date an amount per Unit equal to the original subscription price of \$10; and ii) to provide the Unitholders with a stable stream of tax-efficient semi-annual distributions.

In order to meet its investment objectives, the Fund will manage its assets to provide exposure to the Bond Trust which is an investment trust that holds a portfolio of debt securities. The portfolio of debt securities will be comprised of the Capital Repayment Portfolio, structured to repay \$10 per Unit on the Termination Date, and the Distribution Portfolio, structured to pay the yield. The Fund itself invested the net proceeds of its initial public offering in a portfolio of common shares (the “Common Share Portfolio”). The Fund gains exposure to the performance of the Bond Trust portfolio through a share basket forward purchase and sale agreement (the “Forward Agreement”) with UBS AG (the “Counterparty”). The common shares in the Common Share Portfolio have been delivered to the Counterparty as collateral against the Forward Agreement. The amount received under the exercise of the option granted to the agents was invested in a Province of Ontario Strip Bond with the balance held in a short-term investment. Under the terms of the Forward Agreement, the Counterparty has agreed to pay to the Fund on or about the Termination Date, in exchange for the Common Share Portfolio, an amount equal to 100% of the redemption proceeds equal to the underlying value of the Bond Trust.

For additional information about the holdings that the Fund is exposed to through the Forward Agreement see Note 6.

The Fund will partially settle the Forward Agreement prior to the Termination Date in order to fund semi-annual distributions, redemptions of units by Unitholders and expenses of the Fund. The obligations of the Counterparty under the Forward Agreement are guaranteed by the Counterparty.

Reference is made to the Fund's prospectus for complete details of the Fund's objectives and structure.

Notes to the Financial Statements*continued***June 30, 2008****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 CICA Handbook Section 3855

The Fund adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3855, Financial Instruments: Recognition and Measurement, effective July 1, 2007, on a retroactive basis, without restatement of the financial statements of prior years. Section 3855 requires that the fair value of financial instruments which are traded in active markets be measured based on the bid price for long securities and the ask price for securities held short. Previously, the fair value was based on the last traded price for the day, when available. The effect of the initial adoption of this new accounting policy, using the closing bid price as at June 30, 2007, did not result in a change in the Net Assets of the Fund at the beginning of the year. See Note 8.

Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities be charged to net income in the period. Previously, these costs if any, would have been added to the cost of the securities purchased or deducted from the proceeds of sale. This change had no impact on the Fund since the Fund does not pay transaction costs.

*b) Investment Valuation**Portfolio Securities*

Securities listed on a recognized stock exchange are valued at their bid price on the valuation date and, where necessary, translated into Canadian dollars at the June 30 exchange rate. Securities not traded on that date are valued at the closing record bid price used on the previous valuation day. Securities not listed on any exchange are valued based upon the available public quotations in common use or at a price estimated to be fair value thereof as determined by the Manager of the Fund. The difference between the fair value of portfolio securities and their average cost and the change in value of the Forward Agreement is the unrealized gain (loss) on investments on the Statements of Operations.

Short-term Investments

Short-term investments are recorded at cost and valued at cost plus accrued interest which approximates fair value.

Strip Bonds

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 is 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, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) *Investment Transactions and Income Recognition*

- i. Investment transactions are accounted for on the trade date.
- ii. Interest income is recorded on the accrual basis, using the effective interest method.
- 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.

d) *Forward Agreement*

The Forward Agreement is valued at an amount equal to the gain or loss that would be realized if the position was to be closed out on the valuation date. On cash settlement, the fair value of the Forward Agreement would equal the difference between the value of the securities held in the Common Share Portfolio and the value of the portfolio of debt securities held by the Bond Trust, as provided by the Counterparty, including interest receivable, net of accrued expenses. On settlement, any amount receivable from the counterparty on the valuation date, is included in Receivable under Forward Agreement on the Statements of Net Assets.

e) *Net Asset Value per Unit*

The Net Asset Value per Unit is computed by dividing the Net Assets of the Fund on the valuation date by the total number of Units outstanding on the valuation date.

f) *Future Accounting Changes*

The CICA has issued the following accounting standards that apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007:

- i. Section 1535, "Capital Disclosure"
- ii. Section 3862, "Financial Instruments – Disclosure"
- iii. Section 3863, "Financial Instruments – Presentation"

Section 1535 established standards for disclosing information about an entity's capital and how it is used. Sections 3862 and 2863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how an entity manages those risks. The Fund adopted these sections effective July 1, 2008.

Notes to the Financial Statements*continued***June 30, 2008****3. TAXATION**

The Fund is a mutual fund trust within the meaning of the Income Tax Act (Canada) and is subject to applicable federal and provincial taxes on the amount of 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 the 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 the Unitholders.

As of the December 31, 2007 taxation year, the Fund had non-capital losses available to carry forward to future taxation years of \$2,525,530 (2006 - \$3,111,564). Such non-capital losses will expire in the taxation years 2010 and 2011.

As of the December 31, 2007 taxation year, the Fund had capital losses available to carry forward to future taxation years of \$1,358,978 (2006 - \$1,358,978).

4. RELATED PARTY TRANSACTIONS

The Manager is entitled to an annual fee of \$562,500 plus applicable taxes, payable monthly in arrears. From this fee, the Manager is responsible to pay certain fees due under the Forward Agreement which totaled \$326,500 for the year ended June 30, 2008 (2007 - \$325,606) (Note 6). The Manager, for its services, retains the net amount which totaled \$248,976 for the year (2007 - \$254,108). 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, 2008 is \$103,249 (2007 - \$95,574).

Administration expenses for the year totaled \$115,710 (2007 - \$90,969). As part of these expenses the Fund is paying a general overhead cost to First Paladin Inc. (a company related to the Manager) which varies depending on the costs incurred. The general overhead cost for the year was \$99,954 (2007 - \$76,792).

5. DISTRIBUTIONS

The Fund endeavors to make semi-annual cash distributions to the Unitholders of net realized capital gains starting on the last business day of June 2003.

During the year, the Fund declared two distributions of \$0.25 per Unit. The distributions were declared in December 2007 and June 2008 and were paid out in the following month.

6. FORWARD AGREEMENT

Under the Forward Agreement, the Manager pays the Counterparty a fee of \$144,000 plus a hedging fee payable monthly in arrears. To the extent that the amount incurred by the Counterparty in connection with the hedging of its exposure under the transaction (which includes third party borrowing fees and financing charges relating thereto) exceeds \$180,000, the Counterparty will charge the Manager the excess amount incurred. The amounts payable by the Manager to the Counterparty are limited to a maximum of \$487,500 per annum. Any charges that exceed this level will be paid by the Fund.

Notes to the Financial Statements

continued

June 30, 2008

6. FORWARD AGREEMENT (continued)

The following is the statement of investments for the Bond Trust as at June 30, 2008.

BOND PAR VALUE	DESCRIPTION	COUPON	MATURITY	AVERAGE COST	FAIR VALUE	% OF NET ASSETS
Capital Repayment Portfolio (Par Value in CAN \$ except as noted)						
\$ 16,000,000	Ontario Hydro	0.000%	15/04/2012	\$ 12,883,626	\$ 13,767,325	23.2
2,494,000	Ontario Hydro	0.000%	06/02/2013	1,994,255	2,070,679	3.5
4,200,000	Ontario Hydro	0.000%	18/02/2013	3,230,885	3,481,571	5.9
1,500,000	Province of British Columbia	0.000%	18/06/2012	1,192,268	1,282,064	2.2
4,500,000	Province of British Columbia	0.000%	23/08/2012	3,542,525	3,816,942	6.4
4,000,000	Province of Ontario	0.000%	02/12/2012	3,109,273	3,350,399	5.6
13,900,000	Province of Ontario	0.000%	13/01/2013	10,724,400	11,583,255	19.5
7,200,000	Province of Quebec	0.000%	01/04/2012	5,816,874	6,201,042	10.4
1,600,000	US \$ Credit Suisse First Boston	6.500%	15/01/2012	2,517,384	1,684,567	2.8
800,000	US \$ Goldman Sachs Group	5.700%	01/09/2012	1,211,072	814,186	1.4
1,600,000	US \$ Morgan Stanley Dean Witter	6.600%	01/04/2012	2,549,853	1,650,421	2.8
12,584,000	UBS Default Contingency Zero Swap	0.000%	31/12/2012	4,021,385	8,535,279	14.4
				52,793,900	58,237,730	98.1
Distribution Portfolio (Par Value in U.S. \$)						
738,000	Anthem Inc. (Wellpoint Inc.)	6.800%	01/08/2012	1,250,420	775,007	1.3
165,000	AOL Time Warner Inc.	6.875%	01/05/2012	258,741	171,259	0.3
729,000	AON Corp.	7.375%	14/12/2012	1,240,147	761,553	1.3
217,000	Arvinmeritor Inc.	8.750%	01/03/2012	396,057	193,739	0.3
154,000	CIT Group Inc.	7.750%	02/04/2012	255,724	132,512	0.2
512,000	Coca Cola Enterprises Inc.	6.125%	15/08/2011	858,202	538,067	0.9
164,000	Disney (Walt) Co.	6.375%	01/03/2012	264,449	174,772	0.3
802,000	Electronic Data Systems	7.125%	15/10/2009	1,223,645	839,109	1.4
247,000	Falconbridge Ltd.	7.350%	05/06/2012	388,623	260,069	0.4
618,000	Ford Motor Credit Co.	7.375%	01/02/2011	853,451	508,814	0.9
256,000	General Electric Capital Corp.	4.625%	15/09/2009	396,168	261,811	0.4
749,000	Safeco Corp.	7.250%	01/09/2012	1,255,401	789,700	1.3
931,000	Sprint Capital Corp.	8.375%	15/03/2012	1,259,266	935,101	1.6
722,000	Sun Microsystems Inc.	7.650%	15/08/2009	1,251,207	753,088	1.3
633,000	Teco Energy Inc.	7.200%	01/05/2011	836,430	658,978	1.1
				11,987,931	7,723,479	13.0
	Swap Contract				(6,786,933)	(11.4)
				11,987,931	966,646	1.6
TOTAL INVESTMENTS				\$ 64,781,831	59,204,376	99.7
OTHER ASSETS LESS LIABILITIES					151,037	0.3
TOTAL NET ASSETS					\$ 59,355,413	100.0

The effective interest rates of the bonds range from 4.55% to 8.75%.

Notes to the Financial Statements*continued***June 30, 2008****7. UNITHOLDERS' EQUITY**

The Fund is authorized to issue an unlimited number of transferable, redeemable Units of one class, each of which represents an equal, undivided interest in the net assets of the Fund. Unitholders are entitled to redeem their Units outstanding in December of each year. Units will be redeemed at the net asset value per Unit on the redemption date or, at the latest, the Termination Date. During the year there were redemptions of 755,683 Units at \$8.85 per Unit (2007 – 6,100 Units at \$9.68 per Units, which were recirculated under the Recirculation Agreement at a price of \$10.10 per Unit).

8. NET ASSETS RECONCILIATION

On July 1, 2007, the Fund adopted Section 3855 on a retroactive basis without restatement of prior years for financial reporting purposes. However, the Canadian Securities Administrators have granted temporary relief to investment funds from complying with Section 3855, for the purpose of calculating and reporting of Net Assets and Net Asset Value (“NAV”) per Unit (other than for financial reporting purposes) until September 30, 2008, to permit review of the suitability of these financial reporting requirements for purposes other than the financial statements, such as the purchase and redemption price of an investment fund.

At June 30, 2008 and 2007 there was no difference between Net Assets and NAV per Unit calculated at the current year’s last traded price for the day (“Transactional”) and at the current year’s bid price for the day (“GAAP”). Any adjustment to the fair value of the securities in the investment portfolio by changing from Transactional Net Assets to GAAP Net Assets was offset by a change in the fair value of the Forward Agreement.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The investments of the Fund are managed in accordance with the investment objectives and strategies as detailed in the Fund’s Management Report on Fund Performance, which also details the specific risks that the Fund could be exposed to. Such risks primarily arise because the value of the investments is affected by changes in the local and global economies including interest rates, foreign exchange rates, financial markets and company-specific news. The Manager monitors these risks on a regular basis.

The risk of derivative contracts arises from the potential inability of the Counterparty to meet the terms of its contracts and from future movement in currency, stock values and interest rates. The credit rating of the Counterparty is currently AA- (as per Standard & Poor’s). The maximum credit risk exposure is the aggregate of all derivative contracts with a positive value as disclosed on the Statement of Investments.

10. COMPARATIVE FIGURES

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