

canadian hedgewatch

MONTHLY REVIEW OF HEDGE FUNDS & ALTERNATIVE INVESTING

JANUARY 2011 VOLUME 11 ISSUE 1

A WEAKER POSITION IN A DANGEROUS WORLD



- * AN INTRODUCTION TO TREND-FOLLOWING
- * 16TH ANNUAL CANADIAN INVESTMENT AWARDS AND GALA!
 - * BEYOND BRIC: EMERGING MARKET HEDGE FUNDS
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Tony Sanfelice, *President*
Canadian Hedge Watch Inc.

Canadian funds outpace benchmarks in 2010

Canadian hedge funds broadly outperformed benchmarks last year, and a few hot managers in hot sectors managed to post eye-popping returns.

The Canadian Hedge Fund CHW-HF Composite Index finished the year up 13.41 per cent, beating benchmarks such as the MSCI World Index, which was up 6.45 per cent and the S&P Total Return Index which returned 9.04 per cent.

Canadian funds also outperformed those in the U.S., where the Hedge Fund Research Inc. Fund Weighted Composite Index posted a gain of 10.5 per cent.

Big performances in 2010 included AlphaNorth Partners Fund 113% return and several funds in the 50% to 100% return range such as Arrow, KCS, King & Victoria, BTR and Creststreet. More than a dozen funds are in the 40 to 50% range including Vision Opportunity Fund's 47.4-per-cent return after fees and expenses, Salida Multi Strategy's 44.9-per-cent gain, Sprott Hedge Fund's 41.2-per-cent advance and Rosseau LP's 40.8-per-cent return.

The large-return numbers in 2010 came from all sorts of strategies.

Vision Opportunity Fund, for example, is a real-estate-focused fund run by sector specialists Jeffrey Olin and Frank Mayer. It's notable for eschewing leverage.

Salida's multi-strategy fund, since renamed Salida Strategic Growth, employs strategies such as event-driven investing, a long-short portfolio of stocks, merger arbitrage, and fixed income.

And Rosseau LP, a special situations fund run by Warren Irwin at Toronto's Rosseau Asset Management, looks at many types of investments, including mining and energy.

While a few hedge fund managers embrace a "shoot for the biggest number possible" philosophy, many funds don't focus on big returns. Instead, they seek steady gains while minimizing risk. In fact, big returns are viewed by some investors as a warning sign of too much volatility.

The bet is still on gold and an inflationary environment for Mr. Irwin at Rosseau, who is coming off two hot years, including an almost 100-per-cent return in 2009.

"If you own any bonds with maturities over five years, take a serious look at your exposure because you are at risk of a thorough thumping," he wrote in his recent 2010 year in review letter to investors. "As the U.S. government continues to print money, the outlook for gold remains strong and the peak may be years away."

Happy New Year to all our readers and wishing you all the best in 2011.

Performance Summary

	December 2010	YTD
CHW HEDGE FUND INDICES (CHW-HF)		
	%	%
CHW-HF Composite Index	3.06	13.41
CHW-HF Equity Hedged Index	3.10	13.21
CHW-HF Notes Index	0.28	3.67
CHW-FOHF Index	2.68	11.36
Scotia Capital Canadian Hedge Fund Index		
SC CDN HF Index Asset Weighted	2.23	20.16
SC CDN HF Index Equal Weighted	2.20	14.78
CSFB/Tremont Hedge Indices		
Dow Jones Credit Suisse Hedge Fund Index	2.90	10.95
Convertible Arbitrage	1.16	10.95
Dedicated Short Bias	-5.86	-22.47
Emerging Markets	1.50	11.34
Equity Market Neutral	1.74	-0.85
Event Driven	3.93	12.63
Distressed	2.73	10.26
Event Driven Multi-Strategy	4.78	14.36
Risk Arbitrage	1.14	3.17
Fixed Income Arbitrage	0.61	12.51
Global Macro	2.67	13.47
Long/Short Equity	3.42	9.28
Managed Futures	5.42	12.22
Multi-Strategy	1.70	9.29
GLOBAL HEDGE FUND INDICES		
Hennessee Hedge Fund Index	3.04	10.05
HFRI Fund Weighted Composite Index	3.15	10.42
HFRI Equity Market Neutral Index	1.08	3.12
HFRI Fund of Funds Composite Index	1.97	5.46
MARKET INDICES		
MSCI World Index (C\$)	4.29	6.45
MSCI World Index (US\$)	7.39	12.34
MSCI Emerg Markets Free Index (C\$)	4.06	12.95
Dow Jones 30 Industrial Average (US\$)	5.19	11.02
NASDAQ Composite Index (C\$)	3.13	10.79
NASDAQ Composite Index (US\$)	6.19	16.91
S&P 500 Total Return Index (C\$)	3.61	9.04
S&P 500 Total Return Index (US\$)	6.68	15.06
S&P/TSX Composite Index Total Return	3.79	14.45

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A Weaker Position in a Dangerous World



The U.S. has signed
the largest financial
regulatory reform
bill since the
Great Depression
into law.



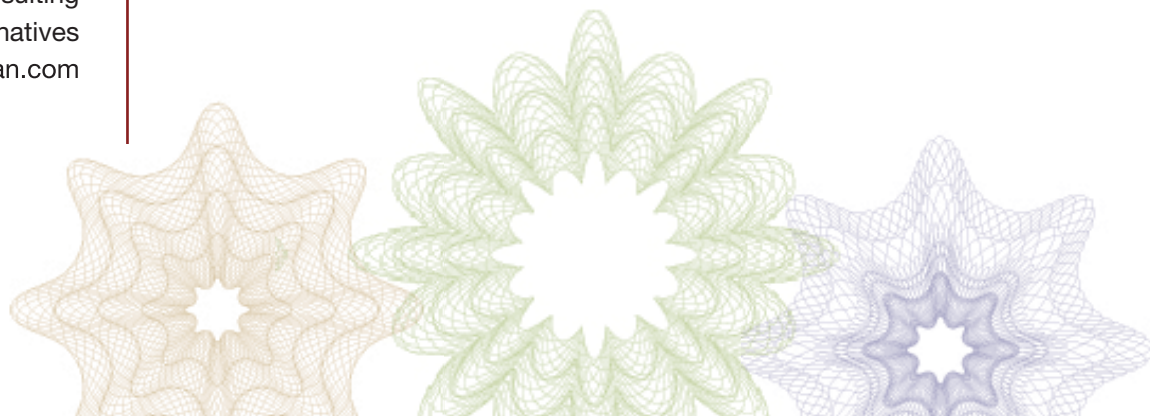
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It is, in President Obama's words, to create a "stronger and safer system". The prospect of systemic failure during the financial crisis was terrifying and each of us has an interest in successful, safe reforms. However, the current reforms, although well-intentioned, miss many opportunities, focus on red herrings and may prove ineffective or even counter-productive in the long run. Why should this concern you? The bulk of the reforms are left to regulators to create a network of regulations that will not come into play for years. The consequences of the regulations are very uncertain even amongst the experts. And the financial world has changed in important ways since the last time such reforms were enacted.

The last time the U.S. engaged in broad financial reform it was a staged multi-year effort that involved the markets and financial players in the shadow of the Great Depression. At that time the U.S. financial markets were significantly smaller, less international, and far less sophisticated. Financial innovations like over-the-counter (OTC) derivatives and hedge funds had not been envisioned, much less created. The U.S. dollar was not the international reserve currency. The reforms were undertaken in a staged, comprehensive manner; rules were established and markets responded. The financial system developed slowly and with input from industry. The result was a complex, but predictable system.

The massive, more than 2300 page, Wall Street Reform and Consumer Protection Act of 2010 (or Dodd-Frank Act) promises to regulate systemically important firms, hedge funds and (OTC) derivatives, to restrict proprietary risk taking by financial firms, and to provide new investor protections. It received relatively speedy approval by the House and Senate. And this despite the fact that, while it does include some helpful reforms, it fails to include certain crucial reforms, leaving many risks unaddressed and problems unresolved, and, perhaps disastrously, includes several reactive and unnecessary reforms. We should be asking whether it is the right time and the right plan. In the background, the U.S. economic recovery remains both tepid and uncertain, and the international and domestic factors contributing to the financial crisis have not settled. The European crisis is a stark reminder of the very real challenges that debt still presents to individuals, companies and all levels of government.

The will at the very least be extremely expensive. They may also be potentially harmful to domestic finance. Moving to an untested model in a complex system creates both uncertainty and potential risks. And uncertainty is an anathema to the financial markets.



Missed Opportunities

One of the most glaring omissions in the Dodd-Frank Act is its failure to seize the opportunity to create a more comprehensive, simplified financial regulator. The complex intertwining and overlapping authorities of the Federal Reserve, Treasury, SEC, CFTC, FDIC and other departments and organizations should have been streamlined to improve efficiency and certainty. Instead, the reform maintains the inefficient status quo of multiple layers of regulation and multiple regulators. In fact, new regulators and regulatory oversight boards will join the already complex, multi-faceted system.

In many international jurisdictions there is one central and concerted voice for financial services. This unified model is vastly superior to the U.S. model comprised of multiple agencies with different expertise, divergent agendas and arcane jurisdictional distinctions. The single regulator model allows for an integrated approach to financial services rather than splitting off insurance, commodities, and derivatives from bonds and equities. The U.S. reform fails to simplify the current complex and sometimes conflicting system. Moreover, as a result of the reforms, the multiple agencies and departments have larger and more expensive mandates and the regulators are the same regulators who failed to predict or prevent the financial crisis.

The single regulator model is also important when we consider the origins of systemic risk. The model adopted by the U.S. gives systemic resolution authority over failing entities. However, what happens when the source of risk is unclear, or exogenous, outside of a single entity and derives from a cascading avalanche of problems or defaults, even from abroad. Establishing a systemic resolution authority is a necessary part of diminishing the impact of a major default, but it does not stop the financial pain. It only delays the impact. And there is a question about what the use of such an authority will do to the behavior of failing firms. Consider what would have happened if another major failures happened today; another major investment bank has a run on securities and hedge funds flee the sinking ship – maybe contributing to its distress it would enter what is considered an orderly resolution. However, this fundamentally misinterprets the problem. The distress of Lehman Brothers impacted many financial firms (such as AIG), hedge funds and other brokers and its impact circled the globe in a variety of financial instruments, equities, bonds, derivatives, money market units, and other financial products. But let's be very clear, the regulators were at the table and aware of the distress before Lehman Brothers failed. If they had known the impact of this bankruptcy it is highly unlikely that they would have allowed it to fail. They would have fashioned some kind of deal, like the one crafted for Bear Stearns with financing from the Federal Reserve. But that is the fundamental problem with systemic risk, it is very difficult to identify and predict before it arrives. Who would have known that investment funds would pull collateral from the remaining brokers? Who would have understood the implications for brokers as investment funds both domestic, and particularly on the international side, lost confidence in the remaining independent brokers. But to blame investment managers for pulling collateral from distressed brokers, like Lehman Brothers who actually increased their leverage during the financial crisis, is both ridiculous and perverse. The investment managers are responsible to their investors, not to their brokers. But somehow hedge funds have been pointed out and pulled into the regulatory reform.

Hedge Funds

There are many unnecessary and questionable additions in the financial reform package. One such red herring is the increased regulation of hedge funds. Major government and industry research reports on the financial crisis have found that hedge funds did not play a significant role in the financial crisis and yet they will now be regulated pursuant to the U.S. reform either from a federal or state level.

Although hundreds of hedge funds failed during the financial crisis, they did not ask for bail outs or government rescue. And while some investors lost capital, on average hedge funds were less leveraged and many performed far better than regulated firms in the financial crisis. This begs the question: why did hedge funds need to be regulated? It appears that the introduction of regulation for hedge funds is reactive and based on misguided sentiment that regulation equals safety. Even more disconcerting are the possible unanticipated consequences of such regulation.

Entrepreneurship should be encouraged, not punished or stifled with regulation. It is true that investors are demanding more due diligence. But they are more than able to get necessary information themselves, with the assistance of finance experts, than with questionable assistance from a federal or state regulator. The additional regulatory requirements will undoubtedly challenge entrepreneurship as barriers to entry in the finance industry rise. More capital will be required to start and maintain entrepreneurial finance ventures and the general trend of consolidating more assets in larger and larger firms will continue. Ironically, the move to regulate will create larger and larger entities and massive financial entities are just the kind that are “too big to fail” and may ultimately pose systemic risk, requiring government intervention.

A further consideration related to the introduction of financial regulation is a protracted off-shoring phenomenon which is quietly occurring in international banking centers (both onshore and offshore). International banking centers offering aspiring entrepreneurs more favorable regulatory regimes will attract prospective and perhaps existing hedge fund managers to their locations. This will be at the U.S.'s expense. So, the knee-jerk introduction of hedge fund regulation in the U.S. reform may have significant adverse consequences for the U.S. financial industry and, while large managers may be happy to attract more and more allocations, it will both reduce financial entrepreneurship and increase systemic risk.

OTC Derivatives

By far the most ambitious and dangerous regulatory effort is in OTC derivatives. OTC derivatives are a truly colossal market. The centralization of the OTC derivatives market mandated by the Dodd-Frank Act holds potential for both improved transparency and serious risk.

Post-reform, many OTC derivatives will need to be exchange-traded with a central counterparty and standardized clearing. According to Chairman Gensler of the Commodities Futures Trading Commission this reform “will greatly improve transparency and lower risk in the marketplace.” However, moving to titanic clearing houses and giant derivatives exchanges has its own, and possibly greater, risks.

The central counterparty model transfers and consolidates all related counterparty risk to one party, the clearing entity. To be effective, the central counterparties will need to be organizations with access to billions, if not trillions of dollars of assets, and be able to satisfy large counterparty exposures. The exchanges will need to be monitored very carefully. And regulators will need lots of help and resources to do this successfully. They will require significant amounts of expertise and experienced finance professionals to operate clearing entities and there will be challenges and potential risks in entering previously unregulated markets. The bespoke requirements of investors will either push the exchanges to offer more sophisticated products, or these products will only be offered in other jurisdictions. This will require the exchanges to act more like investment banks and will require new and different skill sets. If these products are not offered the huge derivatives market may simply move elsewhere.

continued on page 4 >>>

How big is the OTC derivatives market and why does this matter? Consider that the current notional market in the G10 and Switzerland alone for Exchange Traded Futures stands at approximately \$25 trillion. This seems like a large amount unless you compare it to OTC derivatives notional contracts, which are estimated at over \$615 trillion – almost 25 times the size of the exchange traded market. And let's keep in mind that this is just part of the global OTC derivatives market which some derivatives experts estimate may exceed a notional value of \$1,000,000,000,000,000, or a quadrillion dollars. These markets are enormous and by contrast reduce the current federal deficit to little more than a rounding error. And to answer the question, regulation matters because the risks are enormous and the potential rewards for running successful oligopolistic exchanges princely.



Banks, brokers and financial firms' assets are in many cases larger today than they were before the 2008 financial crisis.

The consolidation of trading and counterparty risk mandated by the reforms may increase transparency, but without additional supporting structures, expertise, and safeguards, this strategy is incomplete and may only serve to focus all risk into a few colossal, vulnerable entities. These entities will concentrate risk into a few semi-governmental organizations. Rather than diversifying risk, such centralized institutions may increase systemic risk in the event of an operational or strategic failure. And if any of the exchanges or clearing houses have problems they may well require a government bailout. So, instead of preventing another future government bailout, this aspect of the financial reform increases the probability that future bailouts will be necessary. The other less palatable consequence is that, similar to the possible effect of the regulation proposed for hedge funds, the limitations placed on exchange-traded products by the Dodd-Frank Act may simply drive these financial services to other jurisdictions where the rules remain unchanged.

International Competition

There is good reason to be concerned that international banking centers stand ready and waiting to do 'business as usual'. According to the recent statistics, the fastest growing economy in the world is not emerging giants like China, Brazil or India, but rather the small city-state of Singapore. In a single quarter in 2010 alone Singapore's GDP rose an astounding 38%, which can be largely attributed to increasing investments and asset allocations. Singapore, like many other international financial centers, is not adopting the U.S. financial reforms. Business will continue as before. Since international rules will likely stay largely the same, this lends predictability to Singapore's financial markets. Thus making it a financial center of choice for those apprehensive or concerned about the impact of the U.S. reforms.

Adding to this is the possibility that the Dodd-Frank Act may fail to establish the international standard. One of the public revelations of the 2008 financial crisis was the lack of harmonization between international parties and jurisdictions. The gigantic 2200 page, \$38 million dollar Valukas report, the U.S. examiner for Lehman Brothers, pointed out several of these important differences.

Bilateral and multilateral efforts to harmonize the financial system have not generated any real agreement, other than nebulous statements from the G20. The inevitable responses from other nations and players to the U.S. reforms have not been seen yet; whether there will be a rush to the bottom ("Delaware Effect") or if higher international standards can be achieved ("California Effect") remains highly questionable. And a further consideration is the danger in strong regulation on domestic shores when the risks arise from international waters.

The U.S. financial system and its financial firms operate in almost every corner of the world. If the financial system is regulated to protect only domestic firms, there may be vulnerability in the international markets. Accordingly, while the political motives for common-sense financial reform are understandable, the effort by the U.S. to stand alone holds significant peril. The Dodd-Frank Act may become an example of domestically driven regulation that impairs the competitiveness of U.S. financial centers and financial firms' vis-à-vis their international counterparts.

Real Risk Remains/Real Issues Remain

Despite the current financial reform efforts (in the case of new hedge fund and OTC derivatives regulation), the possibility of systemic risk or systemic failure is even greater now. Banks, brokers and financial firms' assets are in many cases larger today than they were before the 2008 financial crisis. This increase in size is a result of international and domestic parties seeking security in larger institutions, and the consolidation of certain banks and brokers-dealers. This in turn increases barriers to entry for smaller, entrepreneurial firms. Unfortunately, market consolidation and increased barriers to entry pose additional systemic risk through decreased competition and larger, sometimes less efficient incumbents. Compounding this is the increased and arguably unnecessary regulation created by the Dodd-Frank Act. While increasing regulation does not equate to reducing risk, it is synonymous with increased government spending, higher barriers to entry, and less innovation. The U.S. will likely feel the true impact of going it alone in financial reform as a protracted secular trend of reduced foreign investment and fewer new domestic opportunities. The promises to crack-down by various regulators signal dangerous signs indeed. Ultimately, the promise of a stronger and safer financial system is anything but certain and the financial reforms may simply place the U.S. in an uncertain position in a more dangerous, increasingly competitive world. *

Jon Aikman was Vice-President and Counsel for Citigroup Global Markets during the financial crisis. Jon completed a book on prime brokers and hedge funds entitled "When Prime Brokers Fail: The Unheeded Risks to Hedge Funds, Banks and the Financial Industry" published by Bloomberg Press/John Wiley in July 2010.

Jon is a qualified lawyer in Canada and England. He received an MBA from the University of Oxford. Jon was made a Fellow of the Royal Society of Arts, Commerce and Manufacturing for his work in entrepreneurship. Jon has international experience in investment banking and alternative investments, advising and negotiating with and for governments, investment banks, private equity firms, hedge funds, MNCs, and both institutional and private investors. He is also a lecturer in finance at the University of Toronto, Rotman School of Management.

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An Introduction to Trend-Following

Toreigh Stuart of Man Investments, tells us how investors using trend-following strategies show profit.



Toreigh Stuart
CEO
Man Investments Canada Corp.



During the recent financial crisis, we saw an interesting and disturbing phenomenon – asset classes that were supposed to be uncorrelated all moving downward together. As uncertainty gripped the market and investors tried to reduce their exposure to risk, selling pressure resulted in equities, corporate bonds, and even hedge funds producing negative returns. Investors took actions that ended up maximizing their short-term losses – paradoxically, the very result they were trying to avoid.

A Brief Look Back

The S&P/TSX Composite Index closed 2010 at 13,443 points; it remains shy of its June 2008 peak but still up slightly over the last five years – despite the rollercoaster ride it has created for many equity investors. These investors have begun to question the validity of the ‘buy-and-hold’ approach, and unpredictable price movements have made timing the market difficult and risky, to say the least. Investors holding on too long in 2008 suffered substantial losses, while those who were out of the market in 2009 lost out on significant growth opportunities.

To help navigate through these times of increased volatility, what investors need is access to an asset class that remains uncorrelated to traditional investments.

Investors using trend-following strategies profit from seeking and exploiting pricing trends in currencies, interest rates, equities, metals, energy, and agricultural commodities. Investors obtain exposure to these investments through global futures markets, with over 200 standardized futures contracts that can be traded both long and short. Trend-following delivers strong return potential in both rising and falling markets (see Figure 1), and the funds and the securities they invest in are liquid – highly unusual for ‘low correlation’ investments. This liquidity, and the reduction in counterparty risk through the exchange and clearing house model, allows futures trading to continue even during periods of severe market and economic stress.

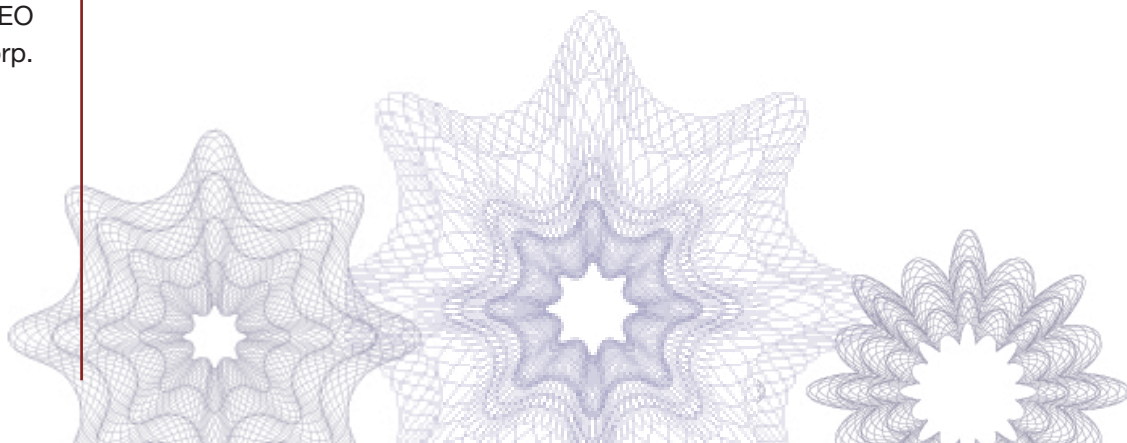
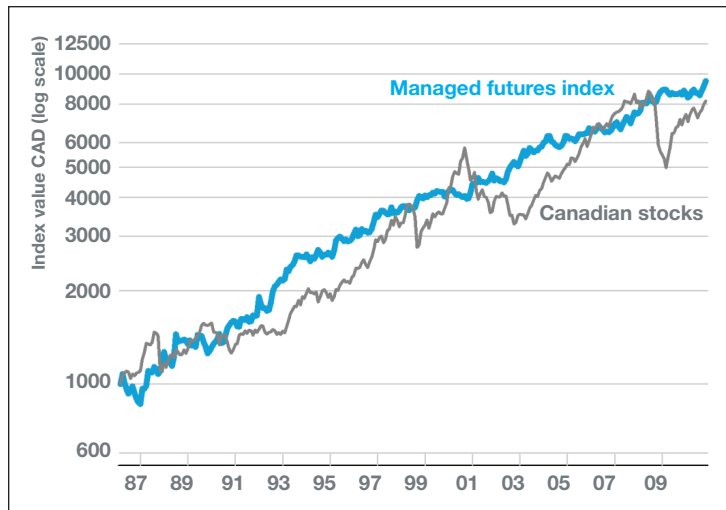


Figure 1. Correlation to Equity Markets
A Low-to-negative Correlation to Volatile Equity Markets

March 1, 1986 to October 31, 2010



Source: Bloomberg. Canadian stocks: S&P/TSX Composite Total Return Index. Managed futures: CISDM CTA Asset Weighted Index (hedged to CAD). There is no guarantee of trading performance and past performance is no indication of current or future performance/results.

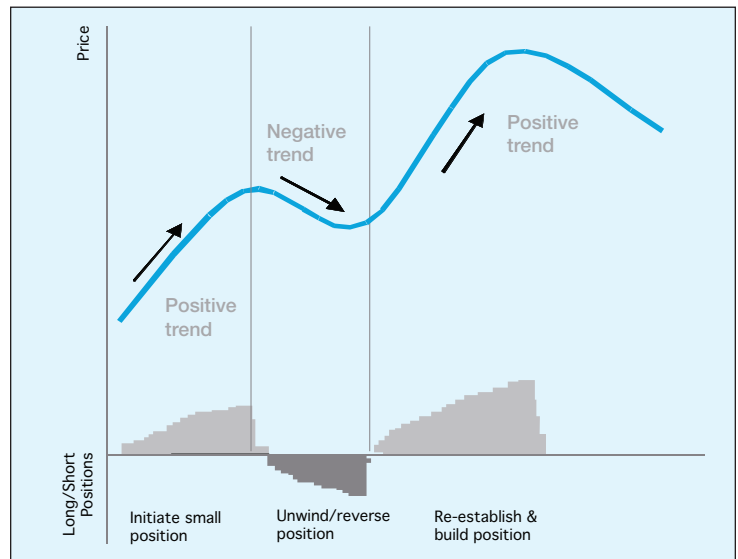
While the origins of trading futures contracts can be traced back to Chicago in 1853, managed futures strategies came to prominence in the 1980s. A few years ago, the Chicago Board of Trade completed a comprehensive back-test, running simulations over a 15-year period to determine the optimal exposure to managed futures. Beginning with a portfolio constructed of 55 percent equities and 45 percent bonds, rebalancing to include a 20 percent position in managed futures delivered peak portfolio efficiency.*

How the Strategy Works

At the core of trend-following is the connection between corporate and economic data and the short-term direction of the futures market. The value of a futures contract is driven by the value of the underlying asset and the supply-demand expectations. Effective managers can use a quantitative approach to predict price movements with some degree of probability. Managers look to identify and profit from trends, increase positions as trends persist, and reverse or even create short positions as trends diminish or reverse (see Figure 2). Through this process, managers aim to exploit upward and downward trends over a variety of timescales and across geographies and asset classes. They can also limit losses during range-bound markets, and adjust positions in volatile markets to control risk. In short, the trading techniques used and markets accessed by trend-followers provide investors with true diversification compared with stocks and bonds.

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Figure 2. Capturing a Price Trend



*Source: Man Investments – schematic illustration

Discretionary managers rely on their judgment and expertise to make investment decisions. Systematic managers use proprietary mathematical models and high frequency data analysis to identify and capture price trends, and the investment process remains unaffected by human emotions. When selecting a trend-following program, investors need to look beyond short-term strategies and returns and ensure their provider has state-of-the-art technological and trading systems, research that is proprietary, components of strategy that have been back-tested, and skills that can ensure results that are replicable over time and across market cycles.

Global futures exchanges are liquid and highly regulated. These markets are transparent and follow ‘best execution’ principles. Directional trading programs can find profits in both rising and falling markets, 24 hours a day – there is usually a trend somewhere. Market irrationality and ‘market randomness’ create a difficult environment for systematic traders, and this can be exacerbated by volatility. Draw-downs will inevitably occur from time-to-time, but rarely suffer the 30%+ downturns seen in severe equity bear markets. The good news is that trends usually reassert themselves strongly after periods characterized by directionless markets. While there is an argument to be made as to their value as stand-alone investments, it is in their ability to add uncorrelated diversification where trend-following programs really shine. As investors are setting their expectations for the coming year and reviewing the tools they are using to balance risk and reward, trend-followers deserve close examination and a spot in their portfolios. *

Toreigh N. Stuart is the Chief Executive Officer of Man Investments Canada Corp., responsible for building the firm’s distribution channels and joint venture relationships in Canada. He is also responsible for the daily management and overall supervision of the Canadian sales operation. In 1992, Mr. Stuart joined Richardson Greenshields of Canada as an Investment Advisor. In 1997, he joined TD Evergreen (now TD Waterhouse) in the role of Investment Advisor and Supervising Portfolio Manager. Most recently, he held the positions of President and Chief Executive Officer of BluMont Capital, a Toronto-based hedge fund company, which, under his leadership, saw significant growth from 2000 through 2006. During his time at BluMont Capital, Mr. Stuart established the successful joint venture relationship with Man Investments. Mr. Stuart earned his Bachelor of Arts degree in Economics from the University of Toronto, and is a Chartered Financial Analyst and Chartered Alternative Investment Analyst.

16th Annual Canadian Investment Awards and Gala!

MORNINGSTAR
Canadian Investment
Awards



Wednesday, December 1
The Fairmont
Royal York Hotel

2010



The **Canadian Investment Awards** has wrapped up for its 16th year and the event was a resounding success for attendees and winners alike!

Hosted by CBC's chief correspondent and anchor **Peter Mansbridge**, this year's event featured a number of enhancements including a dinner awards ceremony, a streamlined awards lineup, live music and state-of-the-art stage production.

The **Canadian Investment Awards** also partnered with MusiCounts, the Canadian music-education charity associated with The Canadian Academy of Recording Arts and Sciences, the organization behind the nationally televised JUNO Awards. MusiCount's mission is to provide students with access to comprehensive music programs in Canadian schools. Proceeds from submission-based awards were donated to MusiCounts.

The mission of the **Canadian Investment Awards** is to recognize collective and individual excellence in the Canadian financial services industry. The awards program draws on the expertise of analysts and investment executives from across the industry to select the best investment products across several categories including mutual funds, pooled funds and hedge funds. Awards are also presented to individuals and fund companies in recognition of outstanding marketing programs, fund managers, and career achievement.

Congratulations to the following hedge fund companies:

Hedge Fund Awards

Best Multi-strategy Hedge Fund / Fund of Hedge Funds
North Pole Multi-Strategy Class, Polar Securities Inc.

Best Opportunistic Hedge Fund
Phillips, Hager & North Absolute Return Fund, Phillips, Hager & North Investment Management Ltd.

Best Relative Value Hedge Fund
Sentry Select Market Neutral L.P., Sentry Select Investments Inc.

To view a complete list of 2010 winners, please visit www.investmentawards.com



Host, Peter Mansbridge



MORNINGSTAR[®]

Canadian Investment Awards



Beyond BRIC: Emerging Market Hedge Funds

With approximately 15% of the nations on Earth considered to be emerging market countries, there are no shortage of investment opportunities.

Philip Niles
Butterfield Fulcrum

Emerging markets have continued to develop as major components of the investment portfolios of investors both large and small. To be sure, this is for good reason: as the returns offered in developed economies flat line, those seeking higher returns have been forced to venture abroad. And for many, the returns have been well worth the additional risk. In recent years, much ado has been made about the rapid ascent of China from a backward economic outpost to a blossoming global powerhouse. Additional praise along similar lines, though on an admittedly smaller scale, has been attributed to India, blessed with many of the same labour and natural resource benefits. With approximately 15% of the nations on Earth considered to be emerging market countries, there are no shortage of investment opportunities. And perhaps best poised to exploit those opportunities are emerging market alternative investment funds.

Emerging Markets Defined

Put very broadly, emerging markets are considered to be countries where economic activity is rapidly growing and the process of industrialization has firmly taken hold. The idea is that these nations will move from “emerging” to “developed” over time and, by investing early in the boom stage of these countries, investors can gain the always sought-after outsized returns. While different groups (FTSE, Dow Jones, The Economist magazine, and MSCI to name a few) each maintain a list, there is unfortunately no uniform consensus as to which countries are truly “emerging” economies. For the purposes of this discussion, we will use the following list as compiled by Dow Jones, as it is the broadest.

Emerging Markets of the World				
Argentina	Czech Republic	Kuwait	Oman	Russia
Bahrain	Egypt	Latvia	Pakistan	Slovakia
Brazil	Estonia	Lithuania	Peru	South Africa
Bulgaria	Hungary	Malaysia	Philippines	Sri Lanka
Chile	India	Mauritius	Poland	Thailand
China	Indonesia	Mexico	Qatar	Turkey
Columbia	Jordan	Morocco	Romania	United Arab Emirates

Source: Dow Jones, 2010

Unfortunately, navigating the often turbulent waters of emerging market economies is not as easy as identifying a few countries and making an investment. Just as different investment classes offer unique aspects that contribute to both risk and return, so too do the opportunities that present themselves in emerging markets. Beyond that, the nations themselves are unique and their various merits and detractions must be given sufficient attention.

Just Like Funds, Not All Emerging Markets Are Created Equal

One of the difficulties for money managers in this space is figuring out where and how to allocate capital to take advantage of emerging markets. The days of being able to make a generic investment in an economy like China or India is over; with the easy money already made, more diligent work is required to outpace the market. Within emerging markets, there are different tiers of nations with unique attributes that makes the investment decision process a specific one. Each of the unique features presented below, plus countless others, are what create the opportunities that investment managers desire. As you can see from just a quick glance at the aforementioned list of emerging market nations, there is a great deal of disparity amongst these countries. Though the nations all share the title of emerging economies, their differences could not be more pronounced and require serious insight before any investment decision is made.

Regional Variances

Even just a cursory look at the nations on the list of emerging nations reveals some regional bias. For instance, Eastern Europe (Latvia, Lithuania, Poland, Hungary, etc.), South East Asia (Malaysia, Indonesia, Thailand, etc.) and South America (Brazil, Argentina, Columbia, Chile, etc.) all feature prominently in the list. However, each region has its own specific risks which need to be identified and appreciated. For instance, there are a few Middle Eastern countries on the list (Kuwait, Jordan, Oman, etc.). If your geographic neighbours include Iraq, Iran, and Afghanistan, you certainly have some regional instability issues to confront before making any investment.

Sources of Economic Growth

To borrow from high school economics and the first introduction to Adam Smith, different nations specialize in different things, and this often leads to a comparative advantage over other countries when it comes to trade. Such is frequently the case with the nations on the list of emerging markets. As an obvious example, countries such as Kuwait, Qatar, and the United Arab Emirates (UAE) are oil-producing nations and this is the bedrock of their economic growth. However, with this area of specialization comes risk. A decline in commodity prices could undermine the development of these nations, as it did in 2008-2009. In 2009, 85% of the UAE's economy came from the export of natural resources and they were hit hard by the rapid descent in the price of oil; any economy so dependent on a single piece of the economic pie is subject to heightened risk.

Differences in Government

Suffice to say, there is a great deal of variation in the governmental structures of the emerging market nations. Countries like India and South Africa, as a consequence of their colonial heritage, utilize the model of a parliamentary republic. On the flip side, nations such as Bahrain and Jordan operate under a constitutional monarchy. Even within the same forms of government there is disparity; Pakistan is also a parliamentary republic, but to say there are differences between Pakistan and South Africa would be an understatement. Quite obviously, the type and behaviour of a government can play an enormous role in the development of a nation, so this factor must be given serious thought.

Geographic Differences

Proximity to markets is an important aspect of any country looking to trade; it undoubtedly has an enormous impact on the success of a developing nation over the medium to long term. It may come as a surprise that there are a few African nations that are part of our emerging markets list, but note most are in North Africa. Nations such as Egypt and

Morocco are blessed with the distinct advantage of having ports on the Mediterranean Sea for shipping their exports and being close to an enormous and wealthy market for their goods in continental Europe. Conversely, a country like South Africa is geographically removed from major markets, their goods must travel long distances to reach the majority of consumers, and their immediate neighbours are severely impoverished nations such as Namibia, Botswana, Zimbabwe, and Mozambique. This makes trade more difficult and sustained long term economic growth more challenging.

Alternative Investments for Emerging Markets

Of course, there are mutual funds and ETF's that specialize in investing in emerging markets. So many investors may naturally ask: why should one use an emerging market hedge fund over a more traditional form of investment? Really, the logic underlying using a hedge fund to invest in emerging markets is the same as that which justifies using hedge funds for other investment classes. Notably, hedge funds have the ability to go beyond the long-only investments that are restricted to mutual funds and use short selling as well as derivatives to exploit opportunities in the emerging markets. The use of derivatives can be especially useful given the market inefficiencies in developing nations. For instance, a hedge fund may have uncovered what they consider to be an excellent stock for purchase, however there may be liquidity issues with purchasing a sufficient amount of stock or restrictions on foreign ownership. The use of derivatives may allow the hedge fund to simulate the position effectively. Also, through the use of credit default swaps, the manager may be able to hedge some of the credit risk of the nation, a hedge which could not be put in place in a mutual fund.

Perhaps more importantly, a hedge fund can make investments in private enterprises, which would generally not be possible for a traditional mutual fund vehicle. This can be a huge benefit for hedge funds in emerging markets, since capital markets may not be developed to the point where there are enough quality public companies that warrant investment. By investing in private companies, the hedge fund can enter the desired position which would otherwise have been inaccessible to a mutual fund.

The key for any investor seeking a foothold in an emerging market hedge fund is due diligence. Any investment placed in an emerging market is a potential minefield which must be carefully understood by the investment manager. The difference between the top tier of emerging market managers and the bottom tier is cavernous. The investment manager must have the requisite infrastructure to support holdings in a variety of jurisdictions that are scattered throughout remote parts of the world. The legal, accounting, and tax implications of each of the nations are indeed unique and, as discussed before, each country has its own unique set of risks and challenges. A solid track record of experience and achievement in the emerging markets, as well as a strong team of professionals at the fund, is essential for success.

Conclusion

As the globalization of the world progresses, many nations are rising from poverty towards heightened economic status. Investors are looking to gain from this development and are increasingly doing so through emerging market investment managers. However, given the potential risks of investing in these markets, any investor seeking to allocate capital in these nations must do so cautiously. Through the use of a qualified, capable investment manager, the tremendous risk-adjusted returns that are associated with emerging markets can be captured effectively. Fortune favours the brave, and while being brave is a necessity for investing in emerging markets, prudence will always be an equally useful trait. *

How We Can Protect Hedge Fund Investors



Do your
due diligence,
as you would for
any important
investment.



Alex Chapman
Managing Director
Apex Fund Services (Canada) Ltd.



Many of us are aware on a personal level what happened in 2008 around the globe and how much of our savings disappeared in a matter of days. Nearing the end of 2010 we are hopefully getting close to recouping some of those losses, but we may run in fear when anyone tells us to invest in a hedge fund or an alternative investment.

Names such as Madoff, or Amaranth in Canada, that affected people globally come to mind, but these types of investments in most cases are less risky than the average mutual fund, with some strategies able to potentially produce absolute returns in any market climate.

Hedge funds and other alternatives should definitely be seen as their own asset class with a distinct allocation from your portfolio. The caveat is that you have to do your due diligence, as you would for any important investment, in choosing the appropriate product. How this due diligence process is performed, and what specifically should be asked, can be somewhat more complicated for the average Canadian investor.

The good news in Canada is that anyone based in Canada and managing Canadian investors' monies has to be registered, and therefore regulated, by one of the provincial securities regulators. The recent introduction of National Instrument 31-103 – Registration Requirements & Exemptions has set the barriers of entry higher for fund managers, with increased capital requirements and increased compliance and reporting standards.

In addition, the provincial securities regulators are taking a much higher interest in anybody calling themselves a hedge fund or alternative asset manager, and pay regular visits to the manager's place of business. This is all excellent news, especially when comparing the regime in Canada with our neighbours south of the border, but is it enough to ensure detection of fraud and other unwanted activities? The answer is undoubtedly no.

The problem lies in how to regulate more closely the day-to-day activities of the manager, and how potential issues can be detected prior to the auditors coming in a few months after the year-end.

In Europe and most of the commonly-used offshore jurisdictions, it is a requirement for fund managers to appoint a third-party administrator (TPA). The main role of the TPA is to calculate the value of the underlying assets of the fund using industry approved valuation techniques.

The administrator would then process the investor subscriptions/redemptions based on their valuation to ensure that the correct number of units/shares have been issued to the subscribing investor or the right proceeds have been paid to the redeeming investor. The administrators are normally regulated in their jurisdiction and are subject to capital requirements and proficiency requirements similar to the asset managers in Canada.

Unfortunately, in Canada and North America in general there is no requirement for a TPA meaning, that there are several high profile fund managers that still strike their own valuations. Therefore due diligence question number one: do you use a third party administrator to value the fund?

This is the first step, but it does not go far enough as further investigation needs to be obtained as to what valuation methodology is used. There are certain services that are outsourced by managers to TPAs known as 'NAV light services' where the fundamental valuations of the underlying investments could still be provided by the manager, as you can imagine this does not offer any protection to investors, even some full NAV services could still be influenced by the manager of the fund.

Therefore question number two: explain the valuation methodology and who is ultimately responsible for valuing the underlying portfolio? There are certainly times that the fund manager may have better insight into the fair value of a position than the administrator, but as long as this is transparent and fully documented in the fund's offering documents then this goes a long way to ensuring accuracy in the valuation process.

The next step once we have established independent valuation methodology is to look at money flow. How can we stop the manager using your hard-earned cash outside of their mandate? There are a couple of simple ways to ensure protection of these monies at least to third parties.

Again, best practice dictates that a TPA should be involved in acting as signatory on certain bank accounts. The flow of subscription monies should be held in an account controlled by the TPA, ensuring that subscription monies are not used in the strategy until the subscription date of the investment (i.e. if subscription monies are received early) and also that monies are not moved to the trading account until all the relevant know-your-client and anti-money laundering checks have been completed.

Going further and more importantly, the TPA should act as joint signatory on the trading account for all third-party transfers, whether it is for payment of redemption proceeds of payment of fees to the manager or other service providers. This of course does not work if the manager has the ability to remove the TPA as signing authority, so it must be ensured that only the TPA can remove themselves from this fiduciary role.

Ensuring that the manager only invests in what they are supposed to according to their mandate is somewhat harder to monitor and regulate on a real-time basis. However, many service providers including TPAs now offer middle-office services to allow managers to track exposures and mitigate operational risk on a real-time basis.

A TPA can be appointed to check that the mandate is being followed, but generally a TPA is unable to stop a rogue transaction being made. It is important from a due diligence standpoint that the investor establish that

the relevant controls and procedures have been put in place by the manager and are being implemented to ensure that the mandate is being accurately followed.

The last area that investors should take particular note is the liquidity of their investment, how the redemption process works and whether there are lock-ups or gates. These terms dictate when and how quickly an investor can get their money out should they decide to redeem.

There is a lot of investor pressure to remove lock-ups and gates entirely from funds, but in reality it should be correlated with the underlying portfolio of the fund. For example, if all the assets of the fund are liquid then the redemption should be fairly simple, if however there are many illiquid or private positions then the redemption process should be more restrictive to match the fund's ability to raise liquidity. The investor therefore must ensure that these terms are reasonable and fit the investment profile of the fund.

For the reasons listed above, it is clear that a TPA's role is vital in many ways to protecting the investor. It is hoped that Canada soon will follow some of the other jurisdictions by making it compulsory for valuations to be performed by TPAs, and to regulate the TPAs to ensure competency in performing these duties.

It is refreshing however that many Canadian managers have appointed a TPA to perform these duties despite there being no requirement. An excellent next step for you, the investor, is using some of the Alternative Investment Management Association's (AIMA) due diligence questionnaires to ensure that all bases are covered when selecting the right investment, so that you can sleep peacefully at night knowing that your interests are protected. *

Alex Chapman is the Managing Director of Apex Fund Services (Canada) Ltd. Alex started his career in London, U.K. and is a qualified chartered accountant. He has spent the last 7 years managing Fund Administration companies in Monaco and most recently in Toronto, Canada.

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It's always a good idea to take a long, critical look at your current and future software needs.



Art Murphy
Senior Manager of
Business Development
Linedata



It's been a good year for the Canadian hedge fund market. Scotia Capital's Canadian Hedge Fund Performance Index for November 2010 outperformed broader equities and global hedge fund indices on both an asset and equal weighted basis. However, in a market characterised by smaller funds and scarce investor money, no-one can deny it's getting harder to stay ahead in these days of increased regulatory and investor demands, greater administration and more competition for funding.

There is one aspect of your operation that can help with all of the above: technology. Often overlooked or given a back seat in the drive to launch or grow funds, the right technology solution can help you address regulatory compliance, automate processes to lessen your administrative burden, build investor confidence through providing transparency and deliver an environment where you have the agility and flexibility to remain competitive.

Whether you're a start-up or an established hedge fund, it's always a good idea to take a long, critical look at your current and future software needs. And the very first thing to do is take time to map the workflow of your business - a good system should match and support your workflow rather than forcing you down a prescribed route. This may sound obvious but it is surprising how often we come across funds who have omitted this essential step. Here is an anonymous but real Canadian example:

Fund A launched 4 years ago and has leveraged Excel as their primary piece of technology, using it to trade, as well as a place to view their P&L, reporting and their shadow accounting. With the fund looking to raise more capital and the COO looking to secure more man hours in the day to focus on growing their business, he realized they would have to separate their operational workflow from Excel, which was proving to be neither sufficiently scalable, nor auditable, and look for a system that could automate everything from trading, to reconciliation with prime brokers as well as their fund administrator. They wanted to also produce more robust reports for both the investors and the PM's. The story is moving towards a happy ending, as this fund is considering implementing Linedata Beauchamp, and the COO is looking forward to freeing up staff time, streamlining processes and tightening up on operational risk.

In terms of regulation, the right system can perform an invaluable role in enabling funds to both meet and demonstrate their compliance with regulatory requirements without imposing an unfeasible administrative burden. This is largely about the level of transparency a system can provide, its auditable data trail and the ease with which the necessary reports can be created. Excel or indeed any spreadsheet-based solution, even one designed for the hedge fund market, simply cannot meet these demands. Regulators want to know that a fund has a robust infrastructure, and a proven technology solution is part of this equation. It is also important that the system is able to meet regulatory scrutiny in the future, and is flexible enough to be able to accommodate new legislative requirements through existing workflows.

The same is true of investor due diligence; even small hedge funds now have to prove that they have robust systems in place in order to attract and retain funding. As a start-up or smaller hedge fund manager, you may still need to consider being multi-prime, have practices in place to deal with counterparty risk, employ a third party fund administrator and demonstrate that the information flows you have in place between these parties are reliable and robust with the appropriate checks and reconciliations in place.



These increased investor and regulator demands can be costly for a hedge fund. One option is to look for outsourced solutions, such as an administrator, who can offer a cost-effective solution however usually with restrictions in terms of timescales and control. Bear in mind, however, that with this option you will still need to put a system in place to satisfy you and your investors that your administrator is doing their job correctly. Another approach is to ensure that the system you have can manage this type of challenge, with the ability to measure and diversify your exposure to prime brokers and other counterparties, to collect and aggregate position data, cash balances, financing accruals and trades in a timely manner, with flexibility of reporting being paramount. Further cost savings can be made by opting for a hosted solution, where the system, its hardware and the burden of managing it are taken care of by the vendor, considerably reducing your overheads and administrative burden.

A small Canadian hedge fund recognised that they needed a comprehensive solution to satisfy investors and comply with regulations. It was always their strategy to go down the hosted route: they are not IT experts and don't want the added expense of additional real estate or manpower. They wanted to concentrate on what they do well, which is creating alpha and raising new capital, and let someone else worry about supplying the infrastructure, upgrades, disaster recovery and so on, which is what Linedata is doing for them by supplying Linedata Beauchamp via ASP.

Using technology to stay ahead of the game comes in several parts; the first is providing a straight-through environment that eliminates spreadsheets - so that everything you do for your fund is on one system, and you get one consistent picture; as well as removing a level of operational risk, with that single view comes the ability to capitalise on opportunities. Scotia Capital's Canadian Hedge Fund Performance Index report for November points out "across strategies, flexibility and nimbleness remain key leitmotifs."

Technology can enhance your competitiveness in terms of your strategy and instrument coverage. Regardless of the strategy with which a fund is labelled, the asset types traded within it can be many and varied. Even long / short equity strategies have become more challenging, with credit and other derivatives now often used as hedging tools. Make sure your

system has full asset class coverage, so that technology is supporting, not limiting your strategy. If the system is able to support the full lifecycle, from initial trade capture through all the various events, tracking the impact on cash and collateral at each stage, you will have a true picture of where you stand on a day-to-day basis.

Understanding P&L is an area where technology can help you by providing a full break down, in real time, of the factors contributing to your P&L. Analysis of whether returns are coming from intraday price or currency movements, associated income, accruals or intraday trading gains can be available to managers at strategy, sector, country or any other required aggregation levels, allowing you to fine tune your business for maximum profitability.

One other key factor where technology can help your competitiveness is the vendor themselves. What is required is a firm that has the core competency to not only implement and support the system on day one, but also to continue to deliver relevant new functionality in the months and years to come. It is important to ascertain whether they have the track record to merit the investment you plan to make and then to establish whether the vendor is truly independent; meeting your software needs should be their number one priority. Canada has the world's 6th largest equity market, while at approximately \$35 billion Canadian its hedge fund market is comparatively small. This situation means that, for talented hedge fund managers, there are opportunities to generate returns even whilst negotiating regulations, investor requirements, administration and support costs, a multi-prime environment... Technology is key to managing these challenges whilst creating a competitive advantage. *

Art Murphy joined Linedata in November 2009 as senior manager of business development charged with directing and growing Linedata's Hedge Fund Business. He works closely with CFOs and COOs of new and existing hedge fund clients to identify software solutions for their front, back and middle office operations. Having worked in business development arena for firms like Nirvana Solutions and Northpoint Solutions, Mr Murphy has deep buy side solutions experience. Prior to his tenure with these organizations, he also provided hedge fund technology consultancy services at Eze Castle Integration.

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Palos Joins the Scotia Capital Canadian Hedge Fund Performance Index

Montreal - Wednesday, December 1, 2010 - Recently, the Palos Income Fund L.P. became recognized as a major player nationally. We are proud to announce that our flagship fund is now included in the Canadian Hedge Fund Performance Index, published by Scotia Capital. What's more, our fund outperformed the equal weighted index since its inception with an annualized return of 7.26% compared to the index at 5.79% for the same period.

About the Scotia Capital Canadian Hedge Fund Performance Index

The aim of the Scotia Capital Canadian Hedge Fund Performance Index is to provide a comprehensive overview of the Canadian Hedge Fund universe. To achieve this, index returns are calculated using both an equal weighting and an asset-based weighting of the funds. The index includes both open and closed funds with a minimum AUM of C\$15 million and at least a 12 month track record of returns, managed by Canadian-domiciled hedge fund managers.

About Palos Management Inc.

Founded in 2001, Palos Management is a boutique financial management firm that offers a variety of investment products and solutions:

- Palos Investment Funds (manages private and public funds)
- Holdun Family Office (provides independent wealth management services)
- Palos Merchant Bank (delivers merchant banking services)

Our mission is to constantly earn our clients' trust by growing and sustaining their wealth over generations through our creative and intelligent approach to financial management. We are significant investors in all services we offer. Since we are clients as well, our interests are directly aligned with those of our other investors. Headquartered in Montreal, Canada, Palos Management has an international reach through offices in Toronto, New York and Nassau, Bahamas.

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Launch of a New Forex Fund: the GIM High Opportunity Forex Fund

George Town, Cayman Islands - Monday, December 1, 2010

Global Investment Management, manager of the GIM Forex Program (Managed Accounts) announces the launch of a new Forex fund: the GIM High Opportunity Forex Fund.

"Interested parties have been calling on us to offer a fund version of our high frequency GIM Forex Program (Managed Accounts). Through the Fund, we offer access to our very successful GIM Managed Forex Account Program with the ease of investing in a fund. The GIM High Opportunity Forex Fund boasts low correlations to other asset classes and potential profit opportunities resulting from market inefficiencies and macroeconomic trends," said Astron Susilovic, managing director

of Global Investment Management. "Additionally, the currency asset class exhibits low levels of volatility and high liquidity relative to other assets, such as equities and fixed income. Through the fund, we are offering advisers unique opportunities to add managed currency exposure to their clients' portfolios," concludes Mr. Susilovic.

In April 2010, Global Investment Management, launched its GIM Forex Program (Managed Accounts) which recorded substantial asset growth in only 6 months, including over 1000% growth in assets under management.

The fund will be offered in 4 reference currencies (EURO, USD, GBP and CHF) in order to prevent currency base depreciation for subscribers and will be using AAA rated Rabobank as the FX Prime Broker." Mr. Susilovic continues.

GIM's High Opportunity Forex Fund eliminates the management fee for early subscribers for the first operating year. Initially, the fund shares are available through Apex Fund Services as well as directly from Global Investment Management.

Peter Hughes, Managing Director of Apex Fund Services said: "Continually developing innovative products and by understanding our clients businesses allows Apex to provide the highest levels of services. We look forward to supporting the launch and success of the GIM High Opportunity Forex Fund."

About Global Investment Management

Global Investment Management (GIM) is a privately held firm dedicated to alternative investments for qualified individuals and institutional investors seeking opportunities through a complete spectrum of global investment vehicles in absolute return strategies. GIM's multi award winning investment programs include high frequency managed futures and High Frequency Managed Forex Accounts. According to the latest BarclayHedge survey, Managed Futures surpassed all other hedge fund investment strategies in Assets Under Management. Managed Futures accounted for \$223.4 billion off the total off \$1.78 trillion invested in all types off hedge fund strategies.

For more information, to express interest to make fund shares available on other platforms, or to schedule an interview, please contact:

Global Investment Management

4th Floor, Scotia Centre, Georgetown, Cayman Islands
+1 (345) 946 1766
sales@gim-invest.com

Skies Have Cleared for Hedge Funds Globally: Ernst & Young

Thursday, December 9, 2010 - Impending regulations still weigh heavily on fund managers' minds.

Hedge funds no longer stand at the abyss, says a new global hedge fund survey from Ernst & Young released Thursday.

"In 2008, at the height of the downturn, nearly half of the hedge funds interviewed reported investment returns of 10% or worse. In 2009, 45% reported positive returns of more than 20%.

continued on page 18 >>>



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'Man AHL DP Fund' or 'Fund' means the 'Man Canada AHL DP Investment Fund'. This communication is not, and under no circumstances is to be construed as, an invitation to make an investment in the Fund nor does it constitute a public offering to sell the Fund or any other products described herein. Applications for the Fund will only be considered on the terms of the Prospectus. Each purchaser of the Units may have statutory or contractual rights of action under certain circumstances as disclosed in the Prospectus. Please review the provisions of the applicable securities legislation for particulars of these rights.

Past performance is not indicative of future results. Potential investors should note that alternative investments can involve significant risks and the value of an investment may go down as well as up. There is no guarantee of trading performance. An investment in the Fund may involve a high degree of risk and is not intended as a complete investment program. An investment in Units should only be made after consultation with independent investment and tax advisors. It should be borne in mind that risks involved in this type of investment may be greater than those normally associated with other types of investments. Only investors who do not require immediate liquidity of their investment should consider the purchase of Units. Only investors who can reasonably afford a substantial impairment or loss of their entire investment should consider the purchase of Units. Please refer to the Prospectus for a further discussion of the risks of investing in the Fund.

AROUND THE HEDGE - A Review of Hedge Fund Happenings

Less spectacular gains are expected for 2010, but the doom and gloom seems to be in the past," says Leon Chin, Canadian hedge fund leader and partner at Ernst & Young.

The survey also reveals that investors agree with most hedge fund managers that the impact of new government regulations will reshape the future of the hedge fund industry. However, investors and managers both feel that enhanced regulations will not be overly beneficial.

Here are some notable findings from the survey:

- Of the hedge fund managers who placed restrictions on investor redemptions at the height of the downturn, 45% have lifted them. Larger managers were the first to lift them, with more than two-thirds saying they have done so.
- Nearly 45% of hedge funds have made changes to fees, liquidity or structure in order to attract new capital. They've been more likely to have made these changes to win new mandates rather than to retain legacy capital.
- More than 40% of investors say they've pressured their hedge fund managers to lower management and/or incentive fees.
- Twenty-five per cent of investors say that increased transparency is the most important factor in their decision to hire a hedge fund manager.
- Hedge funds cite investor fear and reluctance as key obstacles in attracting capital.

"In discussing our findings with a panel of Canadian institutional investors at our annual Ernst & Young Hedge Fund Symposium held in Toronto in November, several of our key findings regarding focus areas were confirmed, including transparency, fee structures and increasing mandates," Chin adds.

Despite the dramatic recovery in performance, hedge fund managers are very concerned with what the future holds, namely, impending regulation and the consequences of increased regulation.

Investors, meanwhile, expect greater transparency and agree that the impact of regulations will shape the future of the industry. Some expect to see a further reduction in hedge fund fees and more favourable liquidity terms. But few expect the consolidation that managers predict.

Ernst & Young polled 104 hedge fund managers globally (including several of Canada's largest hedge fund managers) who manage some US\$585 billion in assets. For the first time, we also surveyed 53 institutional investors representing US\$260 billion in assets, more than one-quarter of whom are invested in hedge funds.

Global Hedge Fund Industry Employs 300,000 People – AIMA

London - Friday, December 9, 2010 - The world's hedge fund industry employs an estimated 300,000 people. That's according to the Alternative Investment Management Association (AIMA) – the global hedge fund industry association. It's the first time the number of jobs created by the sector globally has been assessed.

AIMA produced the figures after surveying its members internationally. AIMA has more than 1200 corporate members in more than 40 countries. Its hedge fund manager members manage in excess of 75% of global hedge fund assets and 70% of global fund of hedge funds assets.

The regional breakdown of the figures is 240,000 in North America, 50,000 in Europe and 10,000 in Asia-Pacific. The totals include both those employed directly within the hedge fund sector and those jobs generated by the industry among service providers like administrators, lawyers and accountants. The ratio of direct jobs to indirect jobs was found by AIMA to be generally 1:2, so the number of direct jobs within the industry globally is 100,000 with a further 200,000 indirect jobs generated by the industry.

AIMA CEO Andrew Baker said: "It is striking that hedge fund industry managers generate an additional two jobs among service providers for every job in the sector. That means that the industry is creating significant additional employment in the jurisdictions in which it operates, including in the EU, Switzerland, the United States and Canada, Hong Kong, Singapore, Japan and Australia.

"The estimated figure of 300,000 jobs generated globally is a significant one and it demonstrates the importance of the industry to the broader economy in the many jurisdictions in which the industry is based. It shows that the hedge fund industry provides value not only to its investors and to the markets in which it operates, but to the communities where its employees work."

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CAIA Association Names Florence Lombard to Serve as New CEO

AMHERST, Mass. - Thursday, December 16, 2010 - The Chartered Alternative Investment Analyst (CAIA) Association has selected Florence Lombard as the next CEO of the association. On Monday, Jan. 3, 2011, Lombard, founding member and former CEO of the Alternative Investment Management Association (AIMA), will assume the position held by E. Craig Asche.

"Florence brings more than 20 years of experience as a strong advocate for the alternative investment industry," said Asche. "She is a trusted leader and visionary who helped found two of the alternative investment industry's leading global organizations – AIMA and the CAIA Association. Her passion and vision, her proven record of growth globally, and her firm understanding of the challenges facing the industry make her an ideal leader for the CAIA Association's next era of growth. It is my pleasure to pass the mantle on to her."

As CEO of AIMA, the global hedge fund industry association, Lombard oversaw the development and implementation of projects in the areas of education, research, regulation, and sound practices.

continued on page 20 >>>

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At KPMG, we understand that the Investment Management industry has undergone sizeable growth and change in the past few years. The recent credit crisis, the rise of Gen Y, and the forces of convergence and divergence have helped to make the industry a sea of evolution and opportunity. Integrated teams of professionals from our Audit, Tax and Advisory practices are helping to provide clients with an in-depth understanding of the markets in which they operate, and offer strategies spanning the fund lifecycle from value creation to realization.

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AROUND THE HEDGE - A Review of Hedge Fund Happenings

She was instrumental in developing AIMA's presence in Asia, which led to the creation of the Hong Kong/China, Australia, Japan, and Singapore chapters. While CEO, she co-founded the CAIA Association to develop specialized educational standards for alternative investment professionals. Today, more than 4,600 investment professionals throughout the world have earned the CAIA designation and participate in networking and educational programs.

In December 2008, Lombard stepped down from her post as CEO of AIMA. Following the advent of the global financial crisis, she agreed to stay on as Executive Director focusing on the relationship with governments and policymakers internationally. At the end of March 2010, she stepped down fully from executive functions. Lombard has lived and worked in the United Kingdom, France, Switzerland, and throughout the Asia-Pacific region. With her appointment as CEO of CAIA, she will relocate to the United States.

"I am honored to have been selected to lead the CAIA Association into the next era," Lombard said. "Craig Asche accomplished a great deal in seven short years, taking the association from a start-up to a well respected alternative investment knowledge center and sponsor of the globally recognized CAIA designation. My challenge will be to seek new opportunities for growth and development, such as expanding our presence in Asia, and keep the association growing to meet the educational and networking needs of professionals in this dynamic industry."

Earlier this year, Asche informed the board of directors of his intention to step down from his position by year end. He joined the fledgling CAIA Association in 2003 to solidify the association's prestige among members of the financial community as the foremost program for alternative investment professional and educational development.

Prior to joining the CAIA Association, he worked at Salomon Brothers in a variety of trading and sales positions, including Director of the Asia Pacific Foreign Exchange Department, where he oversaw proprietary positions and executed trades on behalf of central banks, hedge funds and multinationals. Asche retired from Salomon Brothers in 1996 to advise his own family's investment office, a role he continues today.

State Street Appointed by the General Synod Pension Plan of the Anglican Church of Canada to Provide Custody Services for CAD\$600 Million in Assets

BOSTON and TORONTO – Thursday, December 16, 2010 - State Street Corporation (NYSE: STT), one of the world's leading providers of financial services to institutional investors, announced today that it has been appointed by the General Synod Pension Plan of the Anglican Church of Canada to provide custody, fund accounting, securities lending and foreign exchange services for CAD \$600 million in assets.

The General Synod Pension Plan of the Anglican Church of Canada is a multi-employer Pension Plan registered with the province of Ontario and has been in existence since 1946. The General Synod Pension Plan of The Anglican Church of Canada provides pension benefits to clergy and lay employees of the Anglican Church of Canada and related organizations.

"After a competitive evaluation process, we chose State Street based on its reputation for client service as well as its infrastructure and reporting capabilities," said Judy Robinson, executive director of the Pension Office Corporation of the Anglican Church of Canada. "State Street's local presence and global expertise made it a logical choice for our needs."

"We are very pleased to be appointed by the Anglican Church of Canada for this new mandate," said Ronald Robertson, senior vice president and managing director of State Street Trust Company Canada. "This win exemplifies our commitment to providing Canadian institutional investors with a high level of client service and to investing in the technology and infrastructure to support their changing needs."

State Street has provided investment servicing and management solutions to Canada's financial services community for more than twenty years. With more than 1,200 employees in Toronto, Montreal and Vancouver, State Street provides a broad array of services to many of Canada's leading institutional investors.

Pinnacle Fund Administration Expands North American Services With New Vancouver Office

Charlotte, NC, Tuesday, January 4, 2011 - Pinnacle Fund Administration ("Pinnacle"), a provider of full service fund administration services to onshore and offshore alternative investment vehicles, today announces that it has expanded its North American operations with the opening of its Canada office in Vancouver.

Pinnacle Canada Fund Administration Ltd., will be managed by industry veterans David Smith and Keith Donald and will serve the Canadian alternative market as well as strategic international locations.

David Smith, a Canadian Chartered Accountant, is the co-founder of Pinnacle and has over ten years experience in the hedge fund industry. From 2000 to 2004, he practiced in the hedge fund industry in Bermuda, first at Ernst & Young and then, at Prime Management Limited. In 2004 he established Pinnacle Fund Administration LLC in Charlotte, North Carolina. At Pinnacle, David was responsible for the delivery of fund administration services to clients and investors including the development of Pinnacle's technology platform and operating systems.

Keith Donald, a UK Chartered Accountant has over 12 years experience in the hedge fund industry, practicing in Bermuda between 1998 and 2008 at KPMG and Olympia Capital. Following his move to Canada in 2008 Keith was Chief Executive Officer of CACEIS (Canada) Limited. At CACEIS and Olympia Capital, Keith was responsible for all aspects of operations, including new client integration, business development and client relationship management.

John Kelly, Managing Member of Pinnacle Fund Administration LLC, said "There are tremendous opportunities in the Canadian market. We are also delighted to attract a talented professional of Keith Donald's calibre to join our team in the next phase of Pinnacle's growth."

AROUND THE HEDGE



David Smith, Managing Director, Pinnacle Canada Fund Administration Ltd., said “Opening the Vancouver office allows us to collaborate with our Canadian clients, understanding their local service and regulatory needs whilst leveraging the client service and technology model that enabled our success in the United States market.”

Optimism for 2011 Boosted Appetite for Riskier Assets in December

Tuesday, January 18, 2011 - Optimism over the outlook for 2011 led global equities higher in December amid a fall in volatility and reduced trading volumes due to the winter holidays. Markets benefited from a surge in risk appetite as a number of economic data releases proved surprisingly resilient. As a result, the MSCI World Index (price return) rallied 5.6% in December as investors shrugged off worries over European sovereign debt and fears of further monetary tightening in China.

The increase in risk appetite weighed on the US dollar over the month as investors resumed their search for higher-yielding assets. A number of commodities also posted double-digit gains as the increased demand for ‘risk’, supply/demand issues and a weakened US dollar boosted prices.

Michelle McCloskey, Head of Research for Man’s Multi Manager business, commented:

“December’s market conditions benefitted a variety of hedge fund styles with managed futures managers ending the month up over 7%, the style’s strongest monthly return of the year. Global Macro also proved strongly positive as ‘risk on’ trades such as long equities and commodities profited from improved market sentiment.”

“Further positive performance was accrued by the Equity Hedged style as a net-long bias benefited from the strong underlying rally in global equity markets. Elsewhere, Relative Value and Event Driven managers also gained as credit indices pushed higher.”

Additional findings from Man’s Multi-Manager’s monthly analysis for December included:

- In the Equity Hedged style, European and US focused managers led returns, particularly those concentrated in the trading oriented mid-cap space. Asia-Pacific and Emerging Market managers ended with modest gains, with those who were net-long driving returns. On a regional basis, Korea and Taiwan exposure proved profitable while positions in Hong Kong and India proved challenging;
- The Relative Value style was boosted by strong credit markets in December, with Credit Arbitrage proving the strongest sub-style over the month. For Relative Value, credit arbitrageurs drove gains while for Event Driven, Multi-strategy and Distressed managers led returns. Additional small gains were added by the Convertible Bond Arbitrage sub-style on the back of a solid rally in underlying convertible markets; and
- The Event Driven style secured its fourth consecutive monthly gain in December as rallying equity and credit markets provided a tailwind to performance. Distressed managers ended the year in positive territory due to increased demand for risk assets.

Michelle McCloskey added: “In light of the continued uncertainty over European sovereign debt, we are excited about Credit Long/Short opportunities going into Q1 2011. Our decision to overweight allocation to Credit Long/Short managers remains intact as the prospect of continued volatile credit spreads present favourable opportunities on both the up and downside. We continue to favour nimble, fast moving managers given the continued market uncertainty and possible roadblocks to recovery.”

Enquiries

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Norbourg Saga Draws to a Close

Date: Thursday, January 20, 2011

Author: Advisor.ca

An agreement in principle has been reached in the Norbourg class action lawsuit. Under the \$55 million settlement there is no admission of liability.

The amount will be covered by Beaulieu Deschambault S.E.N.C.R.L. (including Deschambault St-Jean S.E.N.C.R.L.) and Rémi Deschambault, the AMF, The Northern Trust Company, Canada, Concentra Trust and KPMG LLP.

The \$55 million payment would be in addition to compensation already paid by the Fonds d’indemnisation des services financiers, administered by the Autorité des marchés financiers (AMF), the funds recovered by the bankruptcy trustees and the liquidator in the Norbourg matter and the funds returned by Revenu Québec.

The agreement will be presented to the Superior Court of Québec for approval once all details have been finalized by the parties involved. If the court ratifies the agreement, all proceedings involving investors in the Norbourg matter will effectively come to an end.

Detailed information with respect to the determination and distribution of funds will be communicated to investors once the agreement is ratified by the court.





WAISC 2011

10th Annual World Alternative Investment Summit Canada

Now in its 10th year, the **World Alternative Investment Summit Canada – WAISC 2011**, scheduled for **September 19-21st** in Niagara Falls, will bring together 400+ investment managers; institutional, retail and accredited investors; and various professional services firms. As the largest Canadian conference serving the alternative investment sector, delegates will hear from renowned national and international speakers who will address key industry issues, learn about new strategies from existing fund managers and network with key decision-makers and major players.

Hear innovative new strategies from top international fund managers as **WAISC 2011** builds upon the success of last year's Fund Manager Showcase. This year's fund roster will be expanded to include key international funds.

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For more information, contact:
Barbara Barrow at 416-643-6361
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If you have been selling OM products,
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Sean Datta at 416.306.0151 ext 2234 or datta@radiusfinancialeducation.com

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A PRESENTATION OF



*Some limitations may apply, please call for details.



HIGHWATER DIVERSIFIED OPPORTUNITIES FUND

HIGHWATER DIVERSIFIED TRUST FUND

FUND DETAILS

Fund Type	Diversified North American Active Value
Auditor	KPMG LLP
Legal Counsel	Borden Ladner Gervais LLP
Fund Accountant	SGGG Fund Services Inc.
Prime Broker / Custodian	CIBC World Markets Inc.

PORTFOLIO MANAGER

Ara Nalbandian, Portfolio Manager, CFA FCSI DMS
 Ara Nalbandian specializes in absolute return strategies investing in North American securities. He started his career at Richardson Green Shields / RBC Dominion Securities in 1996 and later joined BMO Nesbitt Burns in 1998. He was awarded the Chartered Financial Analyst designation in 2000 and Derivatives Market Specialist designation in 2002. He was most recently Senior Portfolio Manager at Sentry Select Capital Corp. where he achieved tremendous success between 2000 and 2007. Since December 2007, he has been the Portfolio Manager of the HIGHWATER Diversified Opportunities Fund.

HIGHWATER DIVERSIFIED OPPORTUNITIES FUND LP

Fund Code Class A	HCM 100
Fund Code Class F	HCM 110
Launch Date	December 2007
Structure	Limited Partnership
Valuation	Monthly
Liquidity	Monthly (10 days notice)
Minimum initial investment	\$25,000 accredited investors \$150,000 non-accredited investors
Minimum investment term	6 months (2% short-term trading fee)
Management fee Class A	1%
Management fee Class F	0% fee based accounts only
Performance fee	15%
High water mark	Yes
Front End	up to 3%
Registered Plans	No

INVESTMENT OBJECTIVE AND STRATEGY

The fund's objective is to achieve consistent absolute returns throughout various market conditions by investing primarily in the equity securities of mid and large capitalization entities listed on major securities exchanges in Canada and the United States. The Manager seeks to maintain a moderate level of risk and reduce the volatility of returns by diversifying its investments by sector, asset class, strategy and other identified sources of risk and by employing options strategies, short positions, arbitrage strategies and seeking special situations with attractive expected risk adjusted return parameters. The Manager will employ a disciplined, fundamental, value biased securities selection approach with an emphasis on generating consistent portfolio income through varying sources including dividends, income generating option strategies and active portfolio management. A priority is placed on capital preservation engaging in tactical asset allocation and hedging strategies.

COMPOUNDED RETURNS (CLASS F) as at December 31, 2010

	YTD	3 month	6 month	1 year	2 year	3 year	Inception
	15.7%	6.0%	12.1%	15.7%	31.9%	9.1%	9.1%

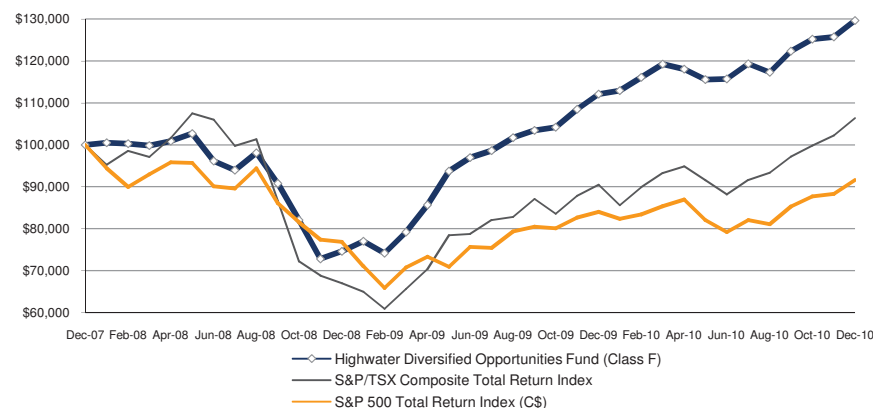
CALENDAR AND MONTHLY RETURNS (CLASS F) as at December 31, 2010

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2010	15.7%	0.7%	2.8%	2.7%	-1.0%	-2.1%	0.1%	3.2%	-1.7%	4.3%	2.3%	0.4%	3.2%
2009	50.3%	3.2%	-3.7%	6.7%	8.2%	9.3%	3.5%	1.7%	3.2%	1.7%	0.7%	4.1%	3.4%
2008	-25.4%	0.5%	-0.2%	-0.4%	1.0%	1.8%	-6.3%	-2.3%	4.4%	-7.4%	-9.6%	-11.3%	2.5%

HIGHWATER DIVERSIFIED TRUST FUND

Fund Code Series A	HCM 200
Fund Code Series F	HCM 210
Launch Date	December 2009
Structure	Trust
Valuation	Monthly
Liquidity	Monthly (10 days notice)
Minimum initial investment	\$1,000 accredited investors \$150,000 non-accredited investors
Minimum investment term	6 months (2% short-term trading fee)
Management fee Series A	1.5%
Management fee Series F	0.5% fee based accounts only
Performance fee	15%
High water mark	Yes
Front End	up to 3%
Registered Plans	Yes (RRSP Eligible)

VALUE OF \$100,000 INVESTED

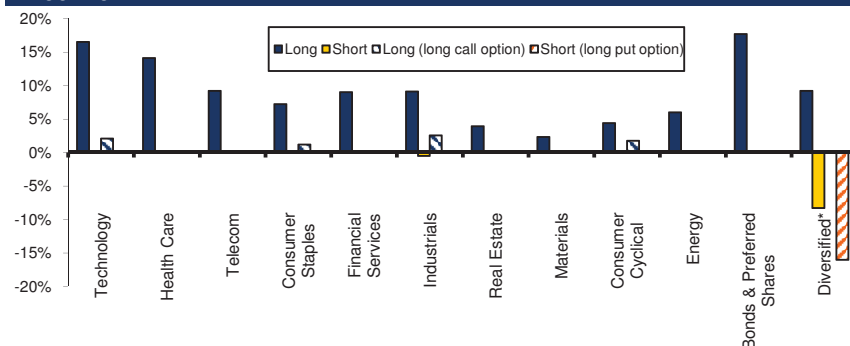


TOP 5 HOLDINGS*

Microsoft Corporation	Portfolio Yield	3.5%
Newalta Corp.	Net Long Exposure**	91.5%
Cisco Systems, Inc.	**(including: exposure through options, bonds, preferred shares and ETFs)	
Cogeco Inc.		
Atrium Innovations Inc.		
*(excluding Diversified) Allocation: as at December 31, 2010		

GENERAL

ALLOCATION



*Diversified: Closed-End Arbitrage, ETF & Index

FOR MORE INFORMATION CONTACT:

Highwater Capital Management Corp.	
Telephone	905.265.0649
Fax	905.265.0646
e-mail	info@highwatercapital.com
Website	www.highwaterfunds.com

Performance figures based on investment since inception December 2007 in Class F units net of all fees and expenses.

Information contained in this document pertaining to the Highwater Funds is not to be construed as a public offering. The offering of units of each of the Funds is made pursuant to its respective Offering Memorandum only to those investors in jurisdictions of Canada who meet certain eligibility and/or minimum purchase requirements. Important information about each of the Funds is contained in their respective Offering Memoranda. Eligible investors should read the Offering Memoranda carefully before investing. Performance data represents past performance and is not indicative of future performance. Please contact your investment advisor to determine suitability of investment.



HIGHWATER

HIGHWATER
CAPITAL MANAGEMENT

www.highwaterfunds.com

HEDGE FUND PERFORMANCE (as of December 31, 2010)

Fund Name	Asset Size (\$MM)	1 Month	3 Month	6 Month	YTD	1 Year	3 Year (Ann.)	Since Inception (Ann.)	Best 6 Mo. (3 Year)	Worst 6 Mo. (3 Year)	Max. Draw Down	Std. Dev. (1 Year)	Std. Dev. (3 Year)	Beta (1 Year, TSX)	Alpha (%) (1 Year, TSX)	Correl. (1 Year, TSX)	Correl. (1 Year, S&P500)	% High Water-mark	% Pos. Month Since Inc.
Acorn Diversified Program	22.000	7.41	7.65	15.81	15.32	15.32	-	5.57	15.81	-8.85	-10.28	12.04	-	0.23	12.00	0.25	0.12	100.00	55.56
Acuity Pooled 130/30 Fund	2.751	5.40	9.87	17.17	11.56	11.56	-	-3.38	33.33	-42.54	-42.54	15.21	-	1.10	-4.33	0.97	0.82	91.76	56.67
Agilith North American Diversified Fund	-	0.00	8.46	10.44	19.17	19.17	17.04	15.64	95.21	-34.93	-46.04	13.17	28.22	0.54	11.37	0.55	0.70	100.00	56.41
Alpha Macro Strategies Fund Series A	-	17.02	35.93	101.60	51.08	51.08	-	51.08	101.60	-25.06	-26.66	46.08	-	2.47	15.39	0.72	0.84	100.00	66.67
AlphaNorth Partners Fund	-	31.90	69.41	97.71	113.66	113.66	37.48	39.50	118.19	-63.08	-63.33	37.96	46.37	1.84	87.07	0.65	0.67	100.00	67.57
Altairis Long/Short Series A	-	1.55	1.16	3.24	0.89	0.89	-	9.19	16.32	-3.02	-4.41	4.96	-	0.28	-3.16	0.76	0.94	99.05	72.41
Altairis Long/Short Series F	-	1.50	1.34	3.59	1.77	1.77	-	10.15	16.71	-2.46	-3.99	4.79	-	0.27	-2.13	0.77	0.94	99.65	72.41
Amethyst Arbitrage Fund	-	1.28	5.32	10.64	14.87	14.87	8.33	9.97	33.96	-32.38	-34.47	2.75	17.01	0.11	13.28	0.54	0.52	100.00	84.62
Anson Investments Master Fund LP	-	2.10	4.65	9.85	23.33	23.33	14.48	15.69	17.74	-0.23	-7.10	5.64	8.71	0.02	23.04	0.05	0.03	100.00	73.81
Arrow 360 Global Fund A	7.871	-0.41	-0.55	-1.12	0.12	0.12	-3.50	4.27	3.92	-10.71	-10.99	5.53	7.52	-0.03	0.55	-0.08	0.06	89.87	54.17
Arrow 360 Global Fund F	-	-0.32	-0.27	-0.53	1.16	1.16	-2.76	4.45	4.43	-10.49	-10.57	5.54	7.56	-0.03	1.59	-0.08	0.06	91.94	54.17
Arrow Act II New Media Fund A	6.831	3.68	7.89	10.35	13.85	13.85	7.62	7.62	16.14	-5.12	-10.03	13.01	10.52	0.73	3.30	0.75	0.84	100.00	55.56
Arrow Act II New Media Fund F	-	3.77	8.20	11.57	15.10	15.10	8.80	8.80	16.73	-4.64	-9.70	13.28	10.63	0.76	4.12	0.76	0.86	100.00	61.11
Arrow AFC Capital Fund A	44.593	2.25	2.91	4.90	0.66	0.66	-	5.02	18.55	-17.52	-19.94	10.32	-	0.41	-5.26	0.53	0.86	97.14	54.29
Arrow AFC Capital Fund F	-	2.33	3.14	5.37	1.58	1.58	-	5.99	19.29	-17.08	-19.60	10.31	-	0.41	-4.34	0.53	0.86	97.91	60.00
Arrow Burlington Capital Fund F	-	3.87	7.42	-	11.20	-	-	-	-	-	-1.65	-	-	-	-	-	-	100.00	60.00
Arrow COR U.S. Equity Income Fund A C\$	24.884	4.15	8.28	10.15	8.19	8.19	-17.32	-15.71	49.16	-55.50	-71.45	14.21	32.38	-0.25	11.80	-0.23	0.06	47.69	48.89
Arrow COR U.S. Equity Income Fund Class U US	-	4.16	8.23	10.21	8.36	8.36	-12.63	-11.71	49.55	-52.67	-69.19	14.33	32.34	-0.25	11.97	-0.24	0.05	56.65	53.33
Arrow COR U.S. Equity Income Fund F	-	4.20	8.49	10.63	9.03	9.03	-16.52	-14.90	50.13	-55.29	-71.06	14.23	32.44	-0.25	12.64	-0.23	0.06	49.30	48.89
Arrow Diversified Fund Class A	83.684	1.87	4.80	7.23	6.61	6.61	0.03	3.69	7.23	-15.38	-18.13	4.16	6.37	0.18	4.01	0.57	0.76	96.51	65.71
Arrow Diversified Fund Class A US	-	1.79	4.54	6.80	6.13	6.13	-0.39	5.53	6.80	-15.62	-18.40	4.10	6.36	0.18	3.53	0.57	0.77	95.45	64.42
Arrow Diversified Fund Class F C\$	-	1.94	5.03	7.69	7.52	7.52	0.85	5.31	7.69	-15.02	-17.21	4.16	6.37	0.18	4.92	0.57	0.76	99.27	67.02
Arrow Diversified Fund Class F US	-	1.89	4.79	7.29	7.07	7.07	0.43	4.44	7.29	-15.28	-17.48	4.12	6.36	0.18	4.47	0.57	0.77	98.18	65.00
Arrow Enhanced Income Fund A C\$	11.544	0.66	1.99	3.07	4.34	4.34	-0.30	0.57	8.76	-12.36	-19.99	2.71	5.82	0.02	4.05	0.11	0.41	93.43	55.56
Arrow Enhanced Income Fund A US	-	0.60	1.77	2.70	2.62	2.62	0.30	0.85	13.33	-12.49	-16.83	2.66	6.98	0.01	2.48	0.04	0.35	95.47	55.56
Arrow Enhanced Income Fund F C\$	-	0.73	2.19	3.50	5.18	5.18	0.45	1.39	10.01	-12.00	-19.28	2.73	5.85	0.02	4.89	0.12	0.41	96.05	62.50
Arrow Enhanced Income Fund F US	-	0.67	2.01	3.19	4.22	4.22	1.17	1.77	10.18	-12.13	-15.82	9.35	9.15	0.13	2.34	0.18	0.59	98.50	58.33
Arrow Enso Global Fund A	50.117	16.20	48.72	93.82	95.11	95.11	24.51	16.58	93.82	-50.62	-50.71	29.43	30.32	1.28	76.62	0.58	0.78	100.00	64.21
Arrow Enso Global Fund F	-	16.28	49.03	94.63	96.68	96.68	25.66	18.28	94.63	-50.30	-50.36	29.46	30.34	1.28	78.19	0.58	0.78	100.00	64.52
Arrow Focus Fund A2 C\$	6.475	3.75	8.74	12.26	15.83	15.83	-0.03	2.65	12.26	-18.63	-24.27	5.58	8.40	0.26	12.07	0.62	0.77	95.17	59.65
Arrow Focus Fund A2 US	-	3.69	8.53	11.85	15.34	15.34	-0.41	10.68	11.85	-18.77	-24.78	5.53	8.59	0.26	11.58	0.62	0.77	94.10	66.33
Arrow Focus Fund F2 C\$	-	3.82	8.96	12.73	16.81	16.81	0.84	4.27	12.73	-18.28	-23.35	5.57	8.40	0.26	13.05	0.62	0.77	97.81	67.21
Arrow Focus Fund F2 US	-	3.77	8.77	12.33	16.28	16.28	0.43	4.11	13.92	-18.43	-23.86	5.55	8.99	0.26	12.52	0.62	0.77	96.65	63.93
Arrow Goodwood Value Fund A	39.395	1.44	1.77	7.28	0.42	0.42	-7.55	3.69	38.42	-39.85	-56.29	15.13	24.54	0.79	-10.99	0.69	0.90	71.14	60.53
Arrow Goodwood Value Fund F	-	1.51	1.96	7.67	1.17	1.17	-6.88	6.19	38.82	-39.61	-62.58	15.13	24.55	0.79	-10.24	0.70	0.90	61.68	62.63
Arrow High Yield Fund A C\$	392.533	2.59	4.98	9.51	15.80	15.80	11.18	7.02	13.62	-5.91	-9.27	6.21	6.02	0.22	12.62	0.48	0.66	100.00	66.67
Arrow High Yield Fund A US	-	2.57	4.84	9.19	15.67	15.67	11.74	9.64	14.57	-4.92	-8.65	6.09	6.07	0.21	12.64	0.47	0.66	100.00	73.33
Arrow High Yield Fund F	-	2.67	5.19	9.97	16.74	16.74	11.88	7.73	13.36	-5.56	-9.82	6.23	6.01	0.22	13.56	0.48	0.66	100.00	68.09
Arrow JC Clark Opportunities Fund A	20.326	2.42	2.66	2.41	4.44	4.44	1.02	2.37	10.16	-12.75	-15.54	4.81	7.19	0.07	3.43	0.20	0.18	100.00	62.50
Arrow JC Clark Opportunities Fund F	-	2.50	2.88	2.83	5.29	5.29	1.81	3.18	10.57	-12.40	-14.77	4.82	7.20	0.07	4.28	0.20	0.18	100.00	62.50
Arrow Maple Leaf Canadian Fund A2 C\$	10.207	2.43	5.91	8.74	10.31	10.31	-3.95	2.13	8.74	-21.50	-27.14	4.09	8.19	0.16	8.00	0.53	0.61	85.94	59.65
Arrow Maple Leaf Canadian Fund F2 C\$	-	2.49	6.09	9.15	11.18	11.18	-3.16	3.41	9.15	-21.17	-26.17	4.10	8.19	0.16	8.87	0.54	0.62	88.39	65.00
Arrow Maple Leaf Canadian Fund G2	-	2.44	5.95	8.84	10.82	10.82	-3.55	5.74	8.84	-20.46	-26.71	4.04	11.06	0.16	8.51	0.54	0.62	87.46	66.25
Arrow Maple Leaf Canadian Fund U2	-	2.37	5.72	8.34	9.82	9.82	-4.35	4.11	8.34	-21.71	-27.63	4.04	8.91	0.16	7.51	0.53	0.62	85.00	60.58
Arrow Marret Resource Yield Fund A	37.071	2.95	9.07	16.35	21.36	21.36	-2.36	-0.40	17.24	-35.18	-40.58	8.52	16.66	0.43	15.15	0.67	0.64	89.12	70.21
Arrow Marret Resource Yield Fund F	-	3.02	9.29	16.81	21.62	21.62	-1.28	0.82	18.79	-34.92	-38.97	9.08	16.65	0.45	15.12	0.66	0.64	93.19	70.21
Aurion Global Opportunities Fund	1.378	0.73	-	-	0.73	-	-	-	-	-	-	-	-	-	-	-	-	-	100.00
Aurion II Equity Fund	44.439	4.76	13.08	26.99	26.34	26.34	10.47	13.91	48.63	-41.81	-41.81	12.45	21.40	0.84	14.20	0.90	0.94	100.00	71.19
Aurion II Equity Fund Series D	9.909	4.70	12.87	26.92	25.44	25.44	9.67	10.68	48.28	-42.05	-42.05	12.61	21.45	0.85	13.16	0.90	0.94	100.00	69.57
Aurion Income Opportunities Fund	21.780	0.41	-0.83	1.15	6.42	6.42	-	1.17	5.21	-11.50	-13.79	3.79	-	-0.16	8.73	-0.55	-0.29	91.74	72.22

HEDGE FUND PERFORMANCE (as of December 31, 2010)

Fund Name	Asset Size (\$MM)	1 Month	3 Month	6 Month	YTD	1 Year	3 Year (Ann.)	Since Inception (Ann.)	Best 6 Mo. (3 Year)	Worst 6 Mo. (3 Year)	Max. Draw Down	Std. Dev. (1 Year)	Std. Dev. (3 Year)	Beta (1 Year, TSX)	Alpha (%) (1 Year, TSX)	Correl. (1 Year, TSX)	Correl. (1 Year, S&P500)	% High Water-mark	% Pos. Month Since Inc.
Aurion Income Opportunities Fund Class D	4.423	0.37	-0.95	0.82	5.82	5.82	-	-4.05	4.96	-11.66	-13.74	3.82	-	-0.16	8.13	-0.55	-0.28	91.28	62.50
Auspice Diversified Trust Class A	-	5.93	9.48	11.27	10.48	10.48	-	6.55	11.27	-4.93	-6.75	9.15	-	0.30	6.15	0.43	0.40	100.00	66.67
Auspice Diversified Trust Class F	-	5.97	9.65	11.46	11.24	11.24	-	7.68	11.46	-4.02	-6.19	9.08	-	0.29	7.05	0.43	0.39	100.00	66.67
Auspice Managed Futures LP.	12.000	6.68	11.26	13.33	12.56	12.56	14.49	6.38	29.72	-8.24	-19.32	10.69	14.76	0.32	7.94	0.41	0.39	100.00	52.63
Barometer Long Short Equity Pool	-	8.40	29.21	17.10	20.72	20.72	12.05	12.09	39.85	-32.07	-32.59	22.79	23.36	0.09	19.42	0.05	-0.09	100.00	61.70
Barometer Long Short Equity Pool Class F	-	8.46	29.46	17.67	22.07	22.07	11.66	13.49	37.50	-31.46	-32.16	22.79	23.03	0.09	20.77	0.05	-0.09	100.00	63.64
Barometer Tactical Exchange Traded Fund Pool	-	3.63	8.97	-	13.19	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
Barometer Tactical Exchange Traded Fund Pool F	-	3.79	7.47	-	7.47	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
Blackheath Futures Fund LP Class A	3.654	2.27	7.28	15.34	4.75	4.75	-	5.89	15.34	-13.87	-13.87	16.55	-	0.47	-2.04	0.38	0.65	100.00	71.43
Blackheath Futures Fund LP Class B	5.556	2.41	8.18	16.47	5.91	5.91	-	7.04	16.47	-13.84	-13.94	16.80	-	0.48	-1.03	0.38	0.65	100.00	71.43
Blackheath Volatility Arbitrage Fund, LP	0.900	5.08	5.17	-	5.17	-	-	-	-	-	-3.16	-	-	-	-	-	-	100.00	66.67
Blumont Core Hedge Fund	14.440	-0.47	0.30	2.26	0.74	0.74	-1.95	1.00	5.82	-12.70	-17.31	2.29	5.44	0.10	-0.70	0.60	0.27	90.43	59.26
BluMont Hirsch Performance Fund	69.813	1.08	8.92	22.15	21.61	21.61	0.23	11.37	22.15	-33.22	-41.19	12.87	17.36	0.88	8.90	0.92	0.59	92.60	63.52
BTR Global Energy Fund	31.132	8.52	38.93	35.46	29.02	29.02	29.81	31.19	135.68	-56.55	-56.55	24.98	36.48	0.79	17.61	0.42	0.46	100.00	68.33
BTR Strategic Growth Fund	99.694	7.16	44.88	68.90	68.20	68.20	-	145.70	129.65	-3.38	-11.53	27.16	-	0.98	54.04	0.48	0.40	100.00	81.82
BTR Wealth Preservation Fund	6.866	3.44	11.05	17.07	22.16	-	-	-	-	-	-1.11	-	-	-	-	-	-	100.00	90.91
Burlington Partners1 LP	-	1.60	2.72	4.67	2.57	2.57	-1.77	4.51	4.67	-12.37	-13.27	4.50	5.58	0.21	-0.46	0.64	0.84	93.21	61.97
ChapelGate Credit Opportunity Fund Ltd.	96.620	2.20	4.06	9.48	20.87	20.87	15.46	13.87	15.21	-0.47	-4.23	2.02	4.56	0.03	20.44	0.20	0.48	100.00	90.16
CI Global Opportunities Fund C\$	18.000	-0.77	-1.87	-3.66	-4.69	-4.69	9.33	18.82	38.46	-5.86	-39.28	5.19	12.47	-0.20	-1.80	-0.51	-0.75	87.03	59.04
CI Global Opportunities Fund US	-	2.16	1.22	2.65	-4.45	-4.45	9.12	7.76	20.85	-6.92	-46.22	8.50	17.92	0.50	-11.67	0.78	0.71	95.28	52.27
Creststreet Energy Opportunities Fund Series 2009	-	11.90	32.72	39.15	53.93	53.93	-	74.35	53.51	-6.91	-12.08	24.64	-	1.07	38.47	0.58	0.70	100.00	78.95
Creststreet Energy Opportunities Fund Series 2010	-	11.90	32.71	39.14	36.47	-	-	-	-	-	-2.25	-	-	-	-	-	-	100.00	71.43
Creststreet Energy Opportunities Fund Series A	-	10.25	30.73	37.03	51.59	51.59	-	12.83	59.79	-50.80	-52.21	24.10	-	1.04	36.56	0.58	0.69	100.00	70.37
Creststreet Energy Opportunities Fund Series F	-	9.92	30.55	37.18	22.10	-	-	-	-	-	-11.94	-	-	-	-	-	-	100.00	66.67
Crystal Enlightened Resource and Precious Metal Fd	4.681	1.91	7.13	14.89	-0.57	-0.57	-	0.14	14.89	-13.77	-19.95	22.51	-	1.02	-15.31	0.61	0.24	99.43	69.23
DFS DGAM Alternative Investments Fund	8.572	2.29	1.80	6.08	1.45	1.45	2.18	1.23	9.00	-6.38	-8.48	5.67	5.54	0.34	-3.46	0.80	0.89	100.00	55.81
DKAM Capital Ideas Fund LP Class A	-	6.11	15.69	21.86	22.94	22.94	-	41.15	52.11	-3.06	-8.96	12.85	-	0.54	15.14	0.56	0.74	100.00	74.07
DKAM Capital Ideas Fund LP Class A	18.263	6.13	15.72	21.88	22.97	22.97	-	41.17	52.13	-3.06	-8.96	12.86	-	0.54	15.17	0.56	0.74	100.00	74.07
DKAM Capital Ideas Fund LP Class F	-	6.19	15.95	23.00	20.08	-	-	-	-	-	-9.27	-	-	-	-	-	-	100.00	72.73
DPF India Opportunities	-	4.86	-4.15	9.67	10.58	10.58	-18.94	-9.53	70.12	-60.59	-73.89	19.32	39.85	0.50	3.36	0.34	0.57	53.26	57.50
Dynamic Alpha Performance Fund Series A	68.203	-1.71	0.91	4.23	12.83	12.83	6.10	8.33	11.97	-4.84	-15.50	8.97	10.30	0.17	10.37	0.25	-0.03	98.29	63.11
Dynamic Alpha Performance Fund Series F	84.074	-1.51	1.21	4.72	14.17	14.17	7.10	8.94	12.39	-4.55	-15.12	8.80	10.20	0.15	12.00	0.23	-0.05	98.49	62.71
Dynamic Alternative Opportunities Fund Series A	-	3.27	9.94	16.37	14.97	14.97	-	-1.69	26.64	-44.40	-44.40	12.64	-	0.71	4.71	0.75	0.72	90.54	72.73
Dynamic Alternative Opportunities Fund Series F	-	3.08	10.20	16.70	15.88	15.88	-	-0.38	28.66	-44.13	-44.13	12.70	-	0.70	5.77	0.74	0.70	93.71	75.76
Dynamic Contrarian Fund	117.562	9.58	18.68	35.56	35.00	35.00	3.05	13.64	52.05	-61.79	-63.12	20.97	35.19	1.02	20.26	0.65	0.60	98.76	61.54
Dynamic Contrarian Fund Series F	24.003	8.81	18.02	35.37	35.37	35.37	3.95	14.66	52.76	-61.53	-62.39	20.71	35.19	1.01	20.78	0.65	0.61	100.00	61.54
Dynamic Income Opportunities Fund	30.717	2.83	8.95	18.60	19.36	19.36	3.85	8.87	18.73	-24.85	-29.50	13.53	14.12	0.64	10.11	0.64	0.64	100.00	67.92
Dynamic Income Opportunities Fund Series F	19.822	3.01	8.83	18.54	19.85	19.85	4.76	9.80	19.17	-24.46	-28.39	13.31	14.07	0.64	10.60	0.64	0.64	100.00	69.81
Dynamic Power Emerging Markets Fund Series A	6.376	7.49	15.23	24.72	15.46	15.46	-21.51	2.55	46.71	-69.44	-74.27	17.71	35.99	0.96	1.59	0.72	0.76	48.36	70.31
Dynamic Power Emerging Markets Fund Series C	27.986	9.89	20.08	30.13	20.31	20.31	-18.71	4.59	50.00	-69.44	-74.27	20.21	36.90	1.02	5.57	0.68	0.73	53.71	70.31
Dynamic Power Emerging Markets Fund Series F	3.168	7.87	15.90	25.49	16.60	16.60	-20.40	3.54	48.36	-69.29	-73.99	18.08	36.11	0.96	2.73	0.71	0.75	50.44	70.31
Dynamic Power Emerging Markets Fund Series FC	18.972	10.07	20.53	30.72	21.46	21.46	-17.81	5.42	50.66	-69.29	-73.99	20.30	36.90	1.02	6.72	0.67	0.72	55.52	70.31
Dynamic Power Hedge Fund Series A	54.820	10.03	32.46	36.76	36.15	36.15	-0.51	29.39	157.31	-75.08	-79.61	26.59	51.27	1.15	19.53	0.58	0.65	87.83	58.11
Dynamic Power Hedge Fund Series C	127.966	10.30	38.94	43.45	43.09	43.09	4.54	32.54	170.87	-75.08	-79.61	30.86	52.67	1.28	24.60	0.55	0.62	100.00	59.46
Dynamic Power Hedge Fund Series F	94.052	9.41	31.89	36.55	37.20	37.20	0.12	32.58	155.63	-74.94	-79.43	26.10	51.05	1.13	20.87	0.58	0.64	89.20	61.17
Dynamic Power Hedge Fund Series FC	467.777	10.10	38.71	43.59	43.96	43.96	5.49	35.02	172.45	-74.94	-79.43	30.78	52.59	1.28	25.47	0.55	0.62	100.00	62.14
Dynamic Strategic Value Fund	-	-0.43	-0.14	-3.72	-5.28	-5.28	-11.55	-11.05	20.79	-36.76	-41.19	13.19	16.65	0.64	-14.53	0.65	0.53	69.21	43.24
Dynamic Strategic Value Fund Series F	-	-0.55	0.00	-3.49	-4.64	-4.64	-10.62	-10.23	21.42	-36.36	-40.22	13.36	16.61	0.64	-13.89	0.64	0.52	71.40	43.24
Exemplar Diversified Portfolio	26.309	2.92	6.37	13.65	11.91	11.91	-	12.05	13.65	-4.84	-8.71	13.71	-	0.46	5.26	0.45	0.16	100.00	60.00
Exemplar Leaders Fund Class A	21.556	4.04	7.75	18.36	11.64	11.64	-4.04	-0.49	21.07	-36.56	-39.26	14.12	19.22	0.95	-2.09	0.90	0.94	88.37	56.41

HEDGE FUND PERFORMANCE (as of December 31, 2010)

Fund Name	Asset Size (\$MM)	1 Month	3 Month	6 Month	YTD	1 Year	3 Year (Ann.)	Since Inception (Ann.)	Best 6 Mo. (3 Year)	Worst 6 Mo. (3 Year)	Max. Draw Down	Std. Dev. (1 Year)	Std. Dev. (3 Year)	Beta (1 Year, TSX)	Alpha (%) (1 Year, TSX)	Correl. (1 Year, TSX)	Correl. (1 Year, S&P500)	% High Water-mark	% Pos. Month Since Inc.
Exemplar Leaders Fund Class F	-	4.13	6.22	16.99	10.94	10.94	-3.59	-0.08	21.62	-36.23	-38.51	14.42	19.27	0.94	-2.64	0.87	0.93	89.60	56.41
Fiera Global Macro Fund Class A	-	-1.87	-0.23	-2.98	-0.89	-0.89	-	-1.34	2.37	-3.00	-3.95	4.90	-	-0.24	2.58	-0.65	-0.82	96.24	67.65
Fiera Global Macro Fund Class F	-	-1.71	0.12	-2.45	0.29	0.29	-	-1.29	3.24	-4.76	-5.05	5.11	-	-0.25	3.90	-0.66	-0.82	95.52	67.65
Fiera Institutional Market Neutral Strategy	235.300	2.05	4.56	3.98	2.55	2.55	12.69	15.48	24.33	-7.24	-7.69	6.69	8.20	0.16	0.24	0.32	0.55	98.32	69.23
Fiera Market Neutral Equity Fund Class A	37.900	2.04	8.60	7.80	4.67	4.67	-	6.03	23.73	-12.29	-12.79	8.79	-	0.22	1.49	0.34	0.44	100.00	63.33
Fiera Market Neutral Equity Fund Class A	-	2.04	8.60	7.80	1.83	-	-	-	-	-	-8.98	-	-	-	-	-	-	100.00	54.55
Fiera Market Neutral Equity Fund Class F	-	2.12	8.88	8.35	1.37	-	-	-	-	-	-8.59	-	-	-	-	-	-	100.00	44.44
First Asset Can-60 Income Corp	256.062	3.97	-	-	5.39	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
Formula Growth Global Opportunities Fund Cl. S C\$	17.100	3.00	4.47	9.78	8.97	8.97	-	12.80	14.42	-5.21	-9.00	11.24	-	0.56	0.88	0.67	0.88	100.00	75.00
Formula Growth Hedge Fund Class A - Main 151	-	3.82	6.39	10.38	7.87	7.87	9.38	19.91	16.64	-5.52	-20.10	9.79	12.85	0.44	1.51	0.60	0.82	100.00	63.92
Formula Growth Hedge Fund Class F - Main 251	-	3.89	6.60	10.70	6.58	-	-	-	-	-	-7.68	-	-	-	-	-	-	100.00	70.00
Formula Growth Hedge Fund Class F C\$	296.600	3.89	6.60	10.70	8.75	8.75	10.34	21.32	16.95	-4.93	-16.43	9.65	12.77	0.43	2.54	0.60	0.83	100.00	66.33
Formula Growth Hedge Fund Class F US	298.200	7.20	10.36	18.05	14.43	14.43	10.08	28.11	35.51	-20.38	-23.22	17.34	16.19	0.91	1.28	0.70	0.96	100.00	72.16
Friedberg Asset Allocation Fund	-	0.76	3.28	7.94	16.71	16.71	-	22.27	15.84	3.32	-3.68	5.84	-	0.07	15.70	0.17	0.00	100.00	72.22
Friedberg Global Macro Hedge Fund US	-	-6.38	-6.52	-5.20	11.79	11.79	25.66	25.15	33.03	-6.29	-12.44	24.14	24.34	-0.87	24.36	-0.48	-0.61	92.14	59.18
Front Street Canadian Energy Resource Fund Ser B	50.524	11.49	36.27	65.26	48.05	48.05	8.39	23.24	88.11	-70.16	-72.55	21.97	42.47	0.99	33.75	0.60	0.59	100.00	70.42
Front Street Canadian Energy Resource Fund Ser F	0.251	11.50	36.09	61.91	61.91	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
Front Street Canadian Hedge Fund Series B	158.181	6.68	18.35	34.63	25.18	25.18	0.95	13.88	34.63	-43.30	-47.58	16.37	21.84	1.02	10.44	0.83	0.88	90.42	64.71
frontierAlt Global Dividend Fund	7.883	2.73	3.53	11.75	0.48	0.48	-19.76	-16.13	21.17	-50.22	-61.69	13.69	22.18	0.78	-10.79	0.76	0.97	49.08	48.94
Goodwood Fund Class A	30.133	1.48	2.03	8.47	1.25	1.25	-6.93	12.91	39.94	-39.82	-55.80	16.13	24.97	0.81	-10.45	0.67	0.88	73.22	63.53
Goodwood Fund Class B	69.158	1.48	2.03	8.48	1.26	1.26	-6.96	2.40	39.93	-39.87	-55.41	16.13	24.97	0.81	-10.44	0.67	0.88	73.87	59.26
Guardian Canada Plus 130/30 Equity Fund	-	5.05	10.88	24.12	12.60	12.60	-	26.30	40.57	-9.28	-15.27	18.48	-	1.21	-4.88	0.88	0.86	100.00	78.26
Guardian Global 130/30 Equity Fund	-	2.49	9.14	19.08	0.86	0.86	-	3.46	19.08	-15.30	-18.30	18.44	-	1.19	-16.33	0.86	0.87	97.28	60.87
Highwater Diversified Opportunities Fund LP A	-	3.09	5.73	11.61	14.59	14.59	8.04	8.04	36.56	-29.50	-29.50	7.41	15.22	0.34	9.68	0.61	0.89	100.00	69.44
Highwater Diversified Opportunities Fund LP F	-	3.17	5.98	12.09	15.65	15.65	9.05	9.05	37.05	-29.10	-33.07	7.35	16.20	0.34	10.74	0.61	0.89	100.00	66.67
Highwater Diversified Trust Fund Series A	-	3.04	5.55	11.07	13.59	13.59	-	13.59	11.07	0.16	-3.37	7.29	-	0.34	8.68	0.62	0.89	100.00	66.67
Highwater Diversified Trust Fund Series F	-	3.13	5.85	11.70	14.83	14.83	-	14.83	11.70	0.70	-3.18	7.30	-	0.34	9.92	0.62	0.89	100.00	75.00
Hillsdale Canadian Long/Short Equity Fund Class A	13.490	1.11	9.74	14.68	5.69	5.69	-2.27	9.05	14.68	-18.00	-24.49	12.53	12.23	0.76	-5.29	0.81	0.69	86.75	61.36
Hillsdale Canadian Long/Short Equity Fund Class F	-	1.18	9.91	15.07	6.49	6.49	-1.61	1.39	15.07	-17.58	-23.20	12.50	12.17	0.76	-4.49	0.81	0.69	88.48	56.86
Hillsdale Canadian Long/Short Equity Fund Class I	27.657	1.20	9.93	15.16	6.74	6.74	-1.29	8.34	15.16	-17.51	-22.75	12.47	12.17	0.76	-4.24	0.81	0.69	89.04	59.82
Hillsdale Enhanced Income Fund Class A	2.689	0.62	-	-	-1.36	-	-	-	-	-	-1.97	-	-	-	-	-	-	98.64	50.00
Hillsdale Enhanced Income Fund Class F	-	0.69	-	-	-1.23	-	-	-	-	-	-1.90	-	-	-	-	-	-	98.77	50.00
Hillsdale Global Long/Short Equity Fund Class A C\$	4.308	-0.36	2.45	5.72	0.43	0.43	-8.46	-4.76	8.94	-23.26	-32.01	10.66	13.56	0.53	-7.23	0.66	0.76	75.97	45.45
Hillsdale Global Long/Short Equity Fund Class A US	2.905	-0.41	2.55	5.14	0.50	0.50	-8.33	0.76	9.78	-23.52	-37.56	10.52	13.63	0.50	-6.72	0.64	0.75	77.04	52.00
IA Multi-Strategy	0.117	1.56	1.79	2.43	1.95	1.95	-10.31	-2.94	4.03	-22.61	-32.31	4.34	8.92	0.14	-0.07	0.43	0.63	69.84	49.47
IMFC Global Concentrated Program	-	1.76	6.37	13.31	9.45	9.45	-	13.35	19.84	-9.72	-10.31	10.65	-	0.21	6.42	0.26	-0.04	100.00	66.67
IMFC Global Investment Program	-	2.92	6.76	14.36	12.95	12.95	17.69	18.10	28.66	-9.18	-10.47	13.95	19.91	0.48	6.01	0.46	0.18	100.00	53.19
IMFC Managed Futures Fund	0.051	2.93	7.28	14.07	11.13	11.13	-	10.21	17.88	-12.64	-16.52	14.35	-	0.53	3.47	0.49	0.22	99.39	51.43
J.C. Clark Commonwealth Patriot Trust	36.691	4.59	11.05	16.34	19.73	19.73	13.63	11.32	30.13	-21.28	-21.28	6.74	13.79	0.28	15.68	0.56	0.63	100.00	69.88
J.C. Clark Focused Opportunities Fund	23.394	2.21	2.44	2.07	3.42	3.42	1.00	8.70	9.86	-11.26	-14.02	4.04	7.09	0.06	2.55	0.20	0.22	100.00	70.15
J.C. Clark Preservation Trust - Class B	84.086	0.72	-2.08	-8.93	-7.25	-7.25	5.30	13.04	23.10	-8.93	-21.48	7.44	8.71	-0.31	-2.77	-0.55	-0.72	91.07	62.86
KCCI Global Opportunity Fund	-	4.01	4.66	11.34	11.31	11.31	10.41	10.37	12.57	-8.54	-8.54	8.64	10.72	0.21	8.28	0.33	0.70	100.00	64.58
KCS Absolute Core Return Fund Class A2 C\$	-	4.60	47.71	62.37	76.97	76.97	-	121.79	78.06	8.99	-8.77	28.58	-	0.84	64.83	0.40	0.44	100.00	93.75
KCS Great White North Fund Class A	-	1.75	3.51	4.40	3.19	3.19	-	4.43	4.40	-1.34	-2.46	2.94	-	0.15	1.02	0.67	0.66	100.00	73.91
KCS Great White North Fund Class A	-	1.75	3.52	4.40	3.20	3.20	-	4.29	4.40	-1.34	-2.46	2.94	-	0.15	1.03	0.67	0.66	100.00	70.83
KCS Great White North Fund Class B	-	1.70	3.43	4.15	2.04	-	-	-	-	-	-2.60	-	-	-	-	-	-	100.00	66.67
KCS Great White North Fund Class B	-	1.71	3.42	4.16	2.04	-	-	-	-	-	-2.60	-	-	-	-	-	-	100.00	66.67
KCS Great White North Fund Class F	-	1.79	3.62	4.65	3.69	3.69	-	4.93	4.65	-1.10	-2.33	2.93	-	0.15	1.52	0.67	0.66	100.00	78.26
KCS Great White North Fund Class F	-	1.79	3.62	4.66	3.70	3.70	-	4.63	4.66	-1.10	-2.33	2.94	-	0.15	1.53	0.67	0.66	100.00	75.00
KCS Great White North Fund Class O	-	1.83	-	-	1.83	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00

HEDGE FUND PERFORMANCE (as of December 31, 2010)

Fund Name	Asset Size (\$MM)	1 Month	3 Month	6 Month	YTD	1 Year	3 Year (Ann.)	Since Inception (Ann.)	Best 6 Mo. (3 Year)	Worst 6 Mo. (3 Year)	Max. Draw Down	Std. Dev. (1 Year)	Std. Dev. (3 Year)	Beta (1 Year, TSX)	Alpha (%) (1 Year, TSX)	Correl. (1 Year, TSX)	Correl. (1 Year, S&P500)	% High Water-mark	% Pos. Month Since Inc.
King & Victoria Fund LP	-	8.30	18.17	30.45	59.64	59.64	32.99	27.79	53.70	-25.84	-32.14	14.97	19.55	0.67	49.96	0.60	0.83	100.00	75.25
King & Victoria RSP Fund Class A Units	-	8.26	18.01	30.24	59.12	59.12	32.02	15.84	53.40	-26.32	-33.73	14.90	19.57	0.67	49.44	0.60	0.83	100.00	67.57
Landry Morin Long Short Momentum Fund Series A	-	-3.23	-1.85	-2.30	4.40	4.40	-4.40	-2.71	13.84	-23.99	-27.24	7.69	14.02	-0.11	5.99	-0.18	-0.46	79.59	50.00
Landry Morin Long Short Momentum Fund Series F	-	-3.15	-1.60	-1.79	5.41	5.41	-3.49	4.48	14.19	-23.54	-26.44	7.68	13.96	-0.11	7.00	-0.19	-0.47	81.63	57.61
Landry Morin Long Short Momentum Fund Series G	-	-3.19	-1.79	-2.11	0.84	0.84	-	0.84	3.01	-2.11	-4.66	7.80	-	0.03	0.41	0.05	-0.35	96.81	58.33
Landry Morin Long Short Momentum Fund Series I	-	-3.06	-1.33	-1.27	6.48	6.48	-2.98	-1.52	12.99	-23.06	-25.62	7.68	13.64	-0.11	8.07	-0.19	-0.47	83.80	56.86
Lawrence Partners Fund Inc 102 (Reinvest)	-	-0.28	1.86	2.43	7.13	7.13	-39.04	-12.64	11.00	-80.29	-81.09	7.59	39.77	-0.02	7.42	-0.04	0.02	22.06	58.06
Lawrence Partners Fund Inc 103 (Windup)	-	-2.06	-0.05	-2.46	-13.79	-13.79	-	-17.82	2.44	-16.64	-30.22	12.85	-	0.14	-15.81	0.14	-0.03	69.78	40.91
Lawrence Partners Fund Inc Series F 152 (Reinvest)	-	-0.28	1.86	2.43	7.13	7.13	-39.04	-25.32	11.00	-80.29	-81.09	7.59	39.77	-0.02	7.42	-0.04	0.02	22.06	52.00
Lawrence Partners Fund Inc Series F 153 (Windup)	-	-2.06	-0.05	-2.46	-13.79	-13.79	-	-17.82	2.44	-16.64	-30.22	12.85	-	0.14	-15.81	0.14	-0.03	69.78	40.91
Lightwater Conservative Long/Short - Class A	-	3.72	10.00	16.19	9.67	9.67	5.86	5.86	16.19	-5.61	-8.16	8.37	7.87	0.40	3.89	0.63	0.65	100.00	69.44
Lightwater Conservative Long/Short Fund Series A	-	3.72	10.00	16.20	9.67	9.67	-	6.70	16.20	-5.62	-8.17	8.35	-	0.40	3.89	0.65	0.66	100.00	77.27
Lycos Value Fund Class O	-	-4.79	-12.27	-7.84	-3.88	-3.88	-	5.05	31.78	-7.84	-12.27	14.08	-	0.19	-6.63	0.18	0.36	87.73	54.17
Lycos Value Fund Class P	-	0.50	1.48	2.98	6.00	6.00	-	6.00	3.01	2.90	0.00	0.08	-	0.00	6.00	0.10	-0.06	100.00	100.00
Majestic Global Diversified Fund	-	9.10	16.83	24.19	24.37	24.37	-	10.99	24.19	-11.05	-18.93	14.18	-	0.10	22.93	0.09	0.07	100.00	53.57
Man AHL Diversified (Canada) Fund Class A CS	-	3.79	6.39	9.96	11.06	11.06	4.80	7.09	16.70	-14.25	-20.64	18.06	18.07	0.33	6.29	0.24	0.17	90.99	54.00
Man AHL Diversified (Canada) Fund Class C CS	-	3.88	6.75	10.62	9.06	-	-	-	-	-	-8.23	-	-	-	-	-	-	95.32	42.86
Man AHL Diversified (Canada) Fund Class F	-	3.86	6.68	10.56	12.26	12.26	5.91	7.87	17.34	-13.85	-19.70	18.08	18.12	0.33	7.49	0.24	0.17	92.89	55.10
Man AHL Diversified (Canada) Fund Class I	-	3.84	6.61	10.40	11.96	11.96	5.67	7.85	17.34	-13.97	-19.96	18.07	18.12	0.33	7.19	0.24	0.17	92.39	54.90
Man Canada AHL Alpha Fund Class A	-	1.54	0.76	5.38	6.48	6.48	-	1.73	8.23	-5.42	-7.97	9.91	-	0.20	3.59	0.27	0.19	96.21	55.56
Man Canada AHL Alpha Fund Class F	-	1.62	0.95	5.72	7.08	7.08	-	2.25	8.52	-5.23	-7.84	9.89	-	0.20	4.19	0.27	0.19	96.35	55.56
Man Canada AHL DP Investment Fund Class A	-	2.25	6.32	9.69	11.55	11.55	-	11.55	12.49	1.70	-7.04	16.67	-	0.27	7.65	0.22	0.15	95.06	41.67
Man Canada AHL DP Investment Fund Class B	-	2.26	6.33	9.72	11.58	11.58	-	11.58	12.52	1.69	-7.03	16.67	-	0.27	7.68	0.22	0.15	95.06	41.67
Man Canada AHL DP Investment Fund Class C	-	2.26	6.33	9.71	11.57	11.57	-	11.57	12.51	1.69	-7.04	16.67	-	0.27	7.67	0.22	0.15	95.06	41.67
Man Canada AHL DP Investment Fund Class F	-	2.36	6.68	10.45	13.03	13.03	-	13.03	13.26	2.34	-6.94	16.72	-	0.27	9.13	0.22	0.15	95.26	41.67
Man Canada AHL DP Investment Fund Class I	-	2.34	6.61	10.30	12.73	12.73	-	12.73	13.11	2.21	-6.96	16.71	-	0.27	8.83	0.22	0.15	95.22	41.67
Man Canada AHL DP Investment Fund Class O	-	2.25	4.80	6.55	8.35	8.35	-	8.35	9.27	-0.57	-7.04	16.24	-	0.25	4.74	0.21	0.13	95.06	41.67
Man Canada AHL DP Investment Fund Class P	-	2.25	4.81	6.55	8.36	8.36	-	8.36	9.27	-0.57	-7.04	16.24	-	0.25	4.75	0.21	0.13	95.06	41.67
Man Canada AHL DP Investment Fund Class Q	-	2.26	4.81	6.56	8.37	8.37	-	8.37	9.28	-0.57	-7.04	16.24	-	0.25	4.76	0.21	0.13	95.06	41.67
Man Canada AHL DP Investment Fund Class R	-	2.36	5.17	7.29	9.28	9.28	-	9.28	9.97	-0.08	-6.94	16.28	-	0.26	5.52	0.21	0.13	95.26	41.67
Man Investment Strategies Fund Class A Final	-	-2.56	1.00	2.80	2.38	2.38	-	0.28	5.50	-3.70	-4.96	6.24	-	0.16	0.07	0.35	0.15	97.44	62.50
Man MGS Access Canada Note CI II 901	-	-1.97	-2.05	4.58	7.52	7.52	-1.18	-5.78	13.65	-11.37	-29.11	5.61	10.44	0.01	7.38	0.03	-0.28	80.77	58.14
Man MGS Access Canada Notes CI I 900	-	-1.97	-2.05	4.58	7.52	7.52	-1.18	-5.78	13.65	-11.37	-29.11	5.61	10.69	0.01	7.38	0.03	-0.28	80.77	58.14
Marret High Yield Hedge LP	52.680	1.65	3.99	7.93	14.32	14.32	11.61	12.34	13.14	-4.51	-7.60	5.78	5.68	0.18	11.72	0.43	0.61	100.00	80.41
Meson Capital Partners Fund	-	4.50	7.70	18.02	-7.90	-7.90	-	138.23	225.30	-27.28	-33.63	46.62	-	1.88	-35.06	0.54	0.73	78.33	63.64
Milford Capital Growth Fund	-	6.00	25.93	27.39	50.36	50.36	17.32	19.08	55.36	-47.99	-49.99	14.37	33.44	0.39	44.73	0.36	0.36	100.00	70.00
NexGen Canadian Cash Tax Managed Fd HNW F 1159	0.759	0.04	0.12	0.20	0.20	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
NexGen Canadian Cash Tax Managed Fund 1151	12.842	0.01	0.02	0.09	0.14	0.14	0.44	0.73	0.81	0.02	0.00	0.03	0.23	0.00	0.14	0.23	0.08	100.00	100.00
NexGen Canadian Cash Tax Managed Fund 1153	2.271	0.02	0.05	0.11	0.15	0.15	-	0.05	0.11	0.00	0.00	0.03	-	0.00	0.15	0.31	0.26	100.00	100.00
NexGen Canadian Cash Tax Managed Fund 1154	14.291	0.04	0.12	0.20	0.24	0.24	-	0.08	0.20	0.00	0.00	0.06	-	0.00	0.24	0.35	0.29	100.00	100.00
NexGen Canadian Cash Tax Managed Fund F 1158	2.280	0.01	0.03	0.08	0.13	0.13	0.04	0.04	0.09	0.00	0.00	0.02	0.02	0.00	0.13	0.30	0.11	100.00	100.00
NexGen Canadian Cash Tax Mgd Fund 1157/1156	0.515	0.01	0.03	0.08	0.08	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
Niagara Discovery Fund	-	7.22	12.64	17.09	23.41	23.41	21.76	19.76	20.73	-4.11	-9.03	16.60	16.65	0.30	19.08	0.24	0.30	100.00	58.00
Niagara Legacy Class B Fund	55.900	-6.18	-6.24	-5.80	10.08	10.08	19.60	18.54	22.99	-8.01	-13.77	25.89	25.43	-0.95	23.81	-0.49	-0.60	92.26	62.12
North Pole Multi-Strategy Series A	-	2.80	7.84	10.50	17.04	17.04	-	26.35	23.50	3.13	-1.18	4.61	-	0.06	16.17	0.17	0.41	100.00	90.00
North Pole Multi-Strategy Series F	-	2.85	8.02	10.88	17.93	17.93	-	27.35	24.02	3.53	-1.05	4.61	-	0.06	17.06	0.17	0.40	100.00	90.00
Northern Rivers Conservative Growth Fund LP	12.693	6.06	14.43	26.72	22.04	22.04	-5.55	8.44	26.72	-41.01	-49.62	14.52	20.71	0.99	7.74	0.91	0.91	82.07	62.90
Northern Rivers Global Energy Fund LP	6.281	6.83	17.94	34.67	30.68	30.68	-5.75	5.87	34.67	-58.47	-61.25	17.92	28.67	0.97	16.67	0.72	0.84	74.74	66.13
Northern Rivers Innovation Fund LP	29.726	1.25	1.68	18.42	-20.06	-20.06	-33.27	5.35	23.79	-64.49	-78.47	31.63	33.01	1.76	-45.49	0.74	0.80	25.50	60.00
Northern Rivers Innovation RSP Fund	3.807	8.26	7.00	29.21	0.39	0.39	-22.46	-0.12	35.20	-62.75	-71.54	26.68	30.96	1.31	-18.54	0.66	0.38	41.19	52.44

HEDGE FUND PERFORMANCE (as of December 31, 2010)

Fund Name	Asset Size (\$MM)	1 Month	3 Month	6 Month	YTD	1 Year	3 Year (Ann.)	Since Inception (Ann.)	Best 6 Mo. (3 Year)	Worst 6 Mo. (3 Year)	Max. Draw Down	Std. Dev. (1 Year)	Std. Dev. (3 Year)	Beta (1 Year, TSX)	Alpha (%) (1 Year, TSX)	Correl. (1 Year, TSX)	Correl. (1 Year, S&P500)	% High Water-mark	% Pos. Month Since Inc.
Palos Equity Income Fund	-	2.90	5.89	14.51	17.23	17.23	-	4.49	28.48	-32.87	-32.87	8.28	-	0.55	9.28	0.89	0.74	100.00	64.29
Palos Income Fund L.P.	-	2.93	7.09	18.90	21.77	21.77	4.43	12.34	36.52	-38.18	-40.55	9.71	18.42	0.65	12.38	0.89	0.83	100.00	71.43
Palos Income Fund, L.P.	-	2.93	7.10	18.91	21.79	21.79	5.05	12.93	36.52	-38.17	-40.08	9.70	18.01	0.65	12.40	0.89	0.83	100.00	71.30
Palos International Equity Income Fund (CAD)	-	3.09	7.40	18.16	19.97	19.97	3.05	2.38	34.55	-38.84	-42.56	8.40	18.44	0.47	13.18	0.75	0.77	100.00	63.16
Palos International Equity Income Fund (EUR)	-	3.68	12.98	13.84	35.79	35.79	6.96	3.51	39.04	-41.01	-49.01	11.10	23.51	0.39	30.16	0.47	0.24	100.00	59.65
Palos International Equity Income Fund (USD)	-	5.80	10.78	24.06	26.00	26.00	2.43	5.04	51.74	-48.51	-55.29	14.86	27.09	0.86	13.57	0.77	0.93	100.00	56.14
Palos Majestic Commodity Fund LP	-	9.06	16.82	24.19	24.39	24.39	-	11.09	24.19	-10.92	-18.66	14.08	-	0.10	22.95	0.10	0.07	100.00	53.57
Palos Merchant Bank L.P.	-	-1.92	10.71	20.55	6.52	6.52	4.56	6.75	47.06	-27.82	-37.33	16.44	20.54	0.62	-2.44	0.51	0.27	98.08	51.67
Pathway Energy Series A Rollover MIN002	-	10.46	29.41	26.51	10.20	10.20	-	-22.31	73.32	-85.67	-86.55	33.76	-	1.10	-5.69	0.44	0.56	32.97	60.61
Pathway Multi SF Explorer Series A Rollover MIN001	-	13.04	32.50	68.44	39.96	39.96	-18.96	-2.77	120.51	-69.18	-82.14	38.06	51.38	1.31	21.03	0.46	0.59	43.93	53.62
Performance Diversified Fund	-	2.60	6.84	9.98	10.86	10.86	4.02	11.51	12.90	-19.84	-19.84	3.73	8.86	0.17	8.40	0.62	0.73	100.00	78.40
Performance Diversified Fund Trust CI A	-	2.10	6.31	9.10	9.73	9.73	-	11.66	9.10	0.48	-1.40	3.60	-	0.13	7.85	0.50	0.66	100.00	84.00
Performance Diversified Fund Trust CI F	-	2.10	6.48	9.50	10.60	10.60	-	11.10	9.50	1.01	-2.41	3.51	-	0.13	8.72	0.51	0.66	100.00	84.62
Performance Growth Fund	-	4.30	10.49	15.67	14.04	14.04	7.68	13.84	28.85	-33.56	-34.64	7.73	18.13	0.34	9.13	0.58	0.77	100.00	76.25
Performance Growth Fund Class A	-	4.40	10.92	16.21	20.94	20.94	2.18	11.20	16.21	-32.69	-32.69	8.91	14.38	0.48	14.00	0.72	0.73	100.00	75.95
Performance Growth Fund Trust Class A	-	4.40	10.72	15.70	13.57	13.57	-	14.82	15.70	-2.24	-5.32	7.95	-	0.33	8.80	0.56	0.75	100.00	73.08
Performance Growth Trust Class F	-	4.40	10.90	16.03	14.51	14.51	-	18.42	16.03	-1.90	-4.87	7.86	-	0.31	10.03	0.53	0.73	100.00	85.00
PH&N Absolute Return Fund	212.044	0.96	3.08	8.87	19.23	19.23	21.99	16.10	33.19	-5.32	-7.83	3.03	8.52	0.04	18.65	0.16	0.44	100.00	81.82
Picton Mahoney Diversified Strategies Fund Class A	7.037	1.67	7.00	13.39	13.10	13.10	-	13.10	13.39	-0.25	-3.79	6.50	-	0.39	7.47	0.80	0.89	100.00	58.33
Picton Mahoney Global Long Short Equity Fd CI A C\$	5.453	2.85	8.84	17.06	13.30	13.30	-1.96	-1.76	17.06	-25.98	-25.98	9.94	12.56	0.54	5.50	0.72	0.91	93.82	56.76
Picton Mahoney Global Market Neutral Equi CI A C\$	17.496	-0.35	4.26	5.53	5.10	5.10	-1.03	-1.08	6.41	-12.06	-17.21	4.15	6.85	0.17	2.64	0.56	0.50	92.50	51.35
Picton Mahoney Income Opportunities Fund Class A	63.330	0.68	3.82	9.14	17.43	17.43	-	17.43	9.14	4.88	-1.82	5.41	-	0.23	14.11	0.56	0.70	100.00	91.67
Picton Mahoney Long Short Equity Fund Class A	122.446	2.65	10.32	19.11	15.98	15.98	7.33	15.75	22.89	-21.88	-24.86	9.99	14.02	0.65	6.59	0.87	0.83	100.00	76.67
Picton Mahoney Long Short Equity Fund Class F	58.351	2.71	10.45	19.44	16.86	16.86	8.27	12.79	23.46	-21.15	-24.04	9.90	13.83	0.64	7.61	0.87	0.83	100.00	72.55
Picton Mahoney Market Neutral Equity Fund Class A	299.290	0.50	5.09	6.68	6.81	6.81	5.53	12.50	9.00	-1.98	-4.63	4.56	5.83	0.16	4.50	0.48	0.56	100.00	76.67
Picton Mahoney Market Neutral Equity Fund Class F	208.620	0.58	5.17	7.05	7.68	7.68	6.37	9.03	9.39	-1.46	-4.31	4.47	5.75	0.16	5.37	0.48	0.56	100.00	72.55
PIE Alternative Strategies Class F-1 Series A	-	2.04	3.08	12.02	12.63	12.63	-	20.32	37.74	-0.49	-14.87	9.94	-	0.22	9.45	0.30	0.02	100.00	72.00
Primevestfund	-	10.42	25.30	43.65	32.52	32.52	11.07	24.81	43.65	-38.63	-39.84	16.73	21.18	0.84	20.38	0.67	0.68	100.00	69.70
Primevestfund	-	10.42	25.29	43.63	32.50	32.50	11.07	24.81	43.63	-38.63	-39.84	16.72	21.18	0.84	20.36	0.67	0.68	100.00	69.70
Quadrex Canadian Hedge Watch Index Plus Series A	0.191	3.88	10.61	15.43	15.12	15.12	-1.49	-1.42	15.43	-24.10	-29.37	8.21	11.24	0.41	9.20	0.66	0.67	91.77	60.53
Quadrex Canadian Hedge Watch Index Plus Series F	2.665	3.97	10.91	15.39	15.65	15.65	-0.66	-0.58	15.39	-23.70	-28.69	8.20	11.22	0.40	9.87	0.66	0.69	93.65	60.53
Quadrex Canadian Hedge Watch Index Plus Series I	0.100	3.99	10.99	16.19	16.63	16.63	-0.19	-0.12	16.19	-23.59	-28.49	8.21	11.24	0.41	10.71	0.66	0.67	94.88	60.53
RCM Opportunities Fund Class F	-	5.83	10.58	11.80	7.74	-	-	-	-	-	-3.70	-	-	-	-	-	-	100.00	62.50
Redwood L/S Conservative Equity Fund	7.870	2.47	0.24	4.12	8.88	8.88	5.27	6.37	6.59	-2.62	-3.62	4.80	4.21	0.01	8.74	0.02	0.02	100.00	68.85
Rosalind Capital Partners L.P.	8.300	7.10	17.73	28.85	28.80	28.80	41.59	30.89	58.57	-2.39	-11.98	13.94	15.62	0.33	24.03	0.32	0.49	100.00	71.11
Salida Global Energy Fund Class A	2.409	8.10	38.11	34.35	24.85	24.85	-	22.74	34.35	-20.34	-20.34	25.35	-	0.80	13.29	0.42	0.45	100.00	53.85
Salida Global Energy Fund Class F	0.070	8.21	38.50	35.11	10.93	10.93	-	10.05	35.11	-19.91	-19.91	24.98	-	0.92	-2.36	0.49	0.47	100.00	46.15
Salida Multi Strategy Hedge Fund	149.116	6.14	37.29	58.90	44.88	44.88	10.97	32.09	99.32	-69.56	-70.56	28.26	43.75	1.12	28.70	0.53	0.45	100.00	70.67
Salida Multi Strategy Hedge Fund Class A	149.000	6.14	37.28	58.90	44.87	44.87	10.96	32.59	99.32	-69.56	-70.56	28.93	43.89	1.20	27.53	0.55	0.49	100.00	68.92
Salida Multi Strategy Hedge Fund Class F	27.899	6.21	37.36	59.42	46.03	46.03	11.99	20.96	100.23	-69.39	-70.42	28.23	43.76	1.12	29.85	0.53	0.45	100.00	69.23
Salida Strategic Growth Class A	7.053	6.28	43.65	67.94	61.16	61.16	-	59.24	67.94	-6.29	-13.72	28.41	-	1.05	45.99	0.49	0.39	100.00	71.43
Salida Strategic Growth Class F	1.198	6.38	44.05	68.88	62.92	62.92	-	60.22	68.88	-5.79	-13.42	28.45	-	1.05	47.75	0.49	0.39	100.00	71.43
Salida Wealth Preservation Fund Class A	8.844	3.15	10.17	16.37	19.53	-	-	-	-	-	-1.73	-	-	-	-	-	-	100.00	72.73
Salida Wealth Preservation Fund Class F	3.245	3.25	10.63	17.18	17.05	-	-	-	-	-	-1.51	-	-	-	-	-	-	100.00	81.82
SciVest Commodity Index Plus Fund Class A	-	7.73	6.63	12.29	6.50	6.50	-9.09	-4.45	28.76	-49.55	-58.56	15.14	26.32	0.67	-3.18	0.59	0.77	58.36	59.32
SciVest Commodity Index Plus Fund Class F	-	7.82	6.92	12.96	7.60	7.60	-8.28	-4.03	29.08	-49.30	-58.28	15.40	26.34	0.65	-1.79	0.56	0.73	59.77	58.18
SciVest Global Multiple Strategies Fund Class A	-	-2.54	-5.58	-1.21	-1.40	-1.40	-	-1.40	4.68	-1.21	-6.95	7.39	-	-0.06	-0.53	-0.11	0.09	93.05	58.33
SciVest Global Multiple Strategies Fund Class F	-	-2.54	-5.58	-1.21	-1.40	-1.40	-	-1.40	4.68	-1.21	-6.95	7.39	-	-0.06	-0.53	-0.11	0.09	93.05	58.33
SciVest Market Neutral Equity Fund Class A	-	-2.24	-3.17	-6.22	-6.76	-6.76	-1.03	3.58	10.13	-9.55	-14.09	10.43	9.90	-0.14	-4.74	-0.18	0.22	87.58	56.52
SciVest Market Neutral Equity Fund Class A2 C\$	-	-2.25	-3.19	-6.23	-7.02	-7.02	-1.68	0.46	10.13	-9.55	-12.46	10.40	9.87	-0.15	-4.85	-0.19	0.22	87.57	57.14

HEDGE FUND PERFORMANCE (as of December 31, 2010)

Fund Name	Asset Size (\$MM)	1 Month	3 Month	6 Month	YTD	1 Year	3 Year (Ann.)	Since Inception (Ann.)	Best 6 Mo. (3 Year)	Worst 6 Mo. (3 Year)	Max. Draw Down	Std. Dev. (1 Year)	Std. Dev. (3 Year)	Beta (1 Year, TSX)	Alpha (%) (1 Year, TSX)	Correl. (1 Year, TSX)	Correl. (1 Year, S&P500)	% High Water-mark	% Pos. Month Since Inc.
SciVest Special Opportunities Fund Class A	-	-2.45	-2.73	3.46	3.13	3.13	-	4.56	7.50	-0.32	-3.00	5.67	-	-0.05	3.85	-0.11	-0.01	97.27	61.54
SciVest Special Opportunities Fund Class F	-	-2.36	-2.48	3.89	4.01	4.01	-	5.41	7.92	0.11	-2.67	5.62	-	-0.05	4.73	-0.11	-0.02	97.52	61.54
Secutor Founders Fund	-	8.45	13.19	13.84	16.49	16.49	-	6.50	32.17	-31.24	-35.67	17.08	-	0.48	9.55	0.38	0.75	100.00	68.97
SEI Futures Index Fund Class D	0.005	1.75	-	-	-0.27	-	-	-	-	-	-1.98	-	-	-	-	-	-	99.73	50.00
SEI Futures Index Fund Class E	0.005	1.80	-	-	-0.17	-	-	-	-	-	-1.94	-	-	-	-	-	-	99.83	50.00
SEI Futures Index Fund Class F	0.105	1.91	1.08	1.83	2.36	2.36	4.77	2.71	17.24	-6.03	-8.09	4.95	7.96	0.07	1.35	0.19	-0.04	97.79	58.93
SEI Futures Index Fund Class O	25.824	2.00	1.35	2.37	3.48	3.48	5.87	3.10	17.81	-5.56	-8.66	4.95	7.96	0.07	2.47	0.19	-0.05	99.76	58.33
SEI Futures Index Fund Class P	1.292	1.85	0.92	1.51	1.81	1.81	4.17	1.74	16.79	-6.30	-9.48	4.93	7.94	0.07	0.80	0.19	-0.05	96.86	54.76
Sentry Select Market Neutral L.P.	-	1.03	0.70	3.40	4.36	4.36	4.80	8.46	5.20	-0.93	-2.30	2.37	2.77	0.10	2.92	0.57	0.38	100.00	79.45
Sentry Select Market Neutral LP Class A	-	1.03	0.70	3.28	5.15	5.15	-	5.89	4.78	0.75	-0.54	2.19	-	0.03	4.72	0.16	0.25	100.00	76.19
Sentry Select Market Neutral LP Class F	-	1.15	0.96	3.88	6.27	6.27	-	7.08	5.40	1.21	-0.37	2.27	-	0.03	5.84	0.17	0.25	100.00	76.19
Sentry Select Market Neutral RRSP Class A	-	0.97	0.61	3.10	4.66	4.66	-	5.60	4.77	0.42	-0.61	2.15	-	0.02	4.37	0.15	0.23	100.00	76.19
Sentry Select Market Neutral RRSP Class F	-	1.09	0.87	3.71	5.78	5.78	-	6.73	5.38	0.87	-0.41	2.24	-	0.03	5.35	0.16	0.24	100.00	76.19
Sentry Select Vanilla LP	-	3.00	3.69	5.80	15.69	15.69	3.01	8.51	17.36	-24.48	-33.55	8.19	12.08	0.12	13.96	0.19	0.57	100.00	70.00
SG US Market Neutral Fund	5.797	1.29	2.50	-0.44	-1.65	-1.65	-	-4.41	0.13	-6.16	-12.63	3.97	-	-0.02	-1.36	-0.06	0.31	90.08	42.31
SG US Market Neutral Fund F	-	1.39	2.79	0.12	0.73	-	-	-	-	-	-3.82	-	-	-	-	-	-	99.52	55.56
Silvercove Hard Asset Fund L.P.	-	2.31	6.42	13.92	15.40	15.40	-	16.77	13.92	1.29	-2.82	4.99	-	0.25	11.79	0.68	0.78	100.00	80.00
Silvercreek Capital LP Class A	8.500	0.50	-4.29	-3.77	2.88	2.88	31.73	42.78	52.01	-3.77	-7.37	10.52	16.11	-0.52	10.39	-0.66	-0.59	95.71	81.25
Silvercreek Convertible Limited	13.200	1.30	19.97	25.21	36.76	36.76	-	36.76	25.79	7.64	0.00	15.49	-	0.10	35.32	0.09	-0.05	100.00	100.00
Silvercreek Convertible LP Class A	81.000	1.35	20.26	25.87	36.91	36.91	-	64.72	62.39	6.63	0.00	15.70	-	-0.05	37.63	-0.04	-0.15	100.00	100.00
Skylon Gold STAR LP	-	15.94	27.19	27.22	9.48	9.48	-	7.52	72.50	-45.26	-45.26	77.82	-	0.42	3.41	0.07	-0.03	100.00	93.33
SMC Man AHL Alpha Fund Class A	-	4.19	4.80	5.09	3.64	-	-	-	-	-	-6.37	-	-	-	-	-	-	97.55	55.56
SMC Man AHL Alpha Fund Class F	-	4.21	5.03	5.54	4.22	-	-	-	-	-	-6.29	-	-	-	-	-	-	97.66	55.56
Spartan Multi Strategy Fund Class A	-	2.73	6.84	10.30	10.89	10.89	12.99	14.90	16.06	-6.93	-7.41	5.09	7.46	0.04	10.31	0.11	0.10	100.00	78.57
Spartan Multi Strategy Fund Class F	-	2.77	7.02	10.71	11.68	11.68	13.72	15.62	16.39	-6.65	-7.17	5.07	7.45	0.04	11.10	0.11	0.09	100.00	78.57
Spartan Multi Strategy Fund Class I	-	2.68	6.81	10.33	11.01	11.01	13.03	14.93	16.04	-6.93	-7.41	5.06	7.45	0.04	10.43	0.11	0.09	100.00	78.57
Spartan Multi Strategy Fund LP Class A	-	2.73	6.84	10.29	10.79	10.79	-	12.44	10.29	-1.19	-1.56	5.11	-	0.04	10.21	0.11	0.09	100.00	68.75
Spartan Multi Strategy Fund LP Class F	-	2.77	7.02	10.70	11.74	11.74	-	14.67	10.70	-0.72	-1.32	5.08	-	0.04	11.16	0.11	0.09	100.00	73.68
Sprott Absolute Return Income Fund Class A	8.000	0.54	2.33	-	3.54	-	-	-	-	-	-0.80	-	-	-	-	-	-	99.73	75.00
Sprott Absolute Return Income Fund Class F	-	0.84	2.80	-	4.10	-	-	-	-	-	-0.75	-	-	-	-	-	-	100.00	75.00
Sprott Absolute Return Income Fund Class T	-	0.43	2.27	-	3.52	-	-	-	-	-	-0.79	-	-	-	-	-	-	99.63	75.00
Sprott Bull/Bear RSP Fund Class A	177.000	3.72	20.23	30.35	36.90	36.90	14.11	16.53	30.35	-25.02	-26.89	17.14	24.63	0.30	32.57	0.23	-0.10	100.00	59.79
Sprott Bull/Bear RSP Fund Class F	-	3.83	20.46	31.65	40.07	40.07	-	10.28	32.23	-27.33	-27.33	18.49	-	0.26	36.31	0.19	-0.16	100.00	63.64
Sprott Hedge Fund L.P. Class A	660.000	4.14	21.71	31.76	41.22	41.22	11.42	23.65	32.52	-25.05	-33.94	19.20	26.93	0.12	39.49	0.09	-0.26	100.00	63.11
Sprott Hedge Fund L.P. Class F	-	4.22	21.98	32.45	42.56	42.56	-	10.72	33.09	-26.49	-34.79	19.36	-	0.20	39.67	0.14	-0.22	100.00	59.38
Sprott Hedge Fund L.P. Class I	-	4.16	21.79	31.94	41.55	41.55	-	10.54	32.66	-26.27	-34.68	19.19	-	0.14	39.53	0.10	-0.26	100.00	59.38
Sprott Hedge Fund L.P. II Class A	668.000	3.58	20.50	30.00	38.42	38.42	13.43	12.22	30.76	-25.23	-31.98	18.50	24.95	0.16	36.11	0.12	-0.23	100.00	57.00
Sprott Hedge Fund L.P. II Class F	-	3.67	20.80	30.70	41.39	41.39	-	13.82	32.84	-26.40	-29.62	19.99	-	0.11	39.80	0.07	-0.28	100.00	56.25
Sprott Hedge Fund L.P. II Class I	-	3.62	20.65	31.96	42.38	42.38	-	12.91	34.11	-25.78	-31.53	20.49	-	0.12	40.65	0.08	-0.27	100.00	56.25
Sprott Opportunities Hedge Fund Class A	140.000	2.82	6.78	9.00	7.74	7.74	4.78	17.87	10.60	-9.05	-9.58	8.88	8.21	-0.14	9.76	-0.22	-0.31	100.00	62.50
Sprott Opportunities Hedge Fund Class F	-	2.85	6.87	9.16	8.46	8.46	5.59	6.71	10.83	-9.02	-9.75	8.71	8.26	-0.15	10.63	-0.22	-0.31	100.00	54.05
Sprott Opportunities RSP Fund	46.000	2.82	6.74	8.89	7.55	7.55	4.62	9.82	10.44	-9.09	-9.60	8.85	8.21	-0.14	9.57	-0.22	-0.31	100.00	55.56
Sprott Opportunities RSP Fund Class F	-	2.82	6.74	8.89	7.56	7.56	-	9.58	10.47	-4.81	-6.48	8.87	-	-0.14	9.58	-0.22	-0.31	100.00	64.71
Sprott Small Cap Hedge Fund	47.000	9.72	22.20	44.12	50.27	50.27	9.51	12.94	44.12	-54.39	-54.39	16.13	28.98	0.91	37.12	0.75	0.92	100.00	68.09
Strategic Retirement Fund	-	7.96	15.51	19.63	18.74	18.74	-	11.19	21.55	-17.35	-17.35	9.76	-	0.40	12.96	0.55	0.64	100.00	73.53
SW8 Strategy Fund LP	9.052	6.10	16.74	29.98	39.77	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
SW8 Strategy Fund LP Class B	-	6.10	16.74	29.98	36.27	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
Tapestry Balanced Growth Private Port Corp Cl A	28.240	2.64	4.01	9.44	8.24	8.24	-	8.24	9.44	-1.09	-3.21	5.18	-	0.30	3.91	0.76	0.82	100.00	66.67
Tapestry Balanced Growth Private Port Corp Cl F	1.525	2.70	4.26	9.98	9.43	9.43	-	9.43	9.98	-0.50	-3.09	5.17	-	0.30	5.10	0.77	0.81	100.00	66.67
Tapestry Balanced Growth Private Port Corp Cl T	6.015	2.66	3.93	9.38	7.61	7.61	-	7.61	9.38	-1.61	-3.21	5.38	-	0.32	2.99	0.80	0.82	100.00	66.67

HEDGE FUND PERFORMANCE (as of December 31, 2010)

Fund Name	Asset Size (\$MM)	1 Month	3 Month	6 Month	YTD	1 Year	3 Year (Ann.)	Since Inception (Ann.)	Best 6 Mo. (3 Year)	Worst 6 Mo. (3 Year)	Max. Draw Down	Std. Dev. (1 Year)	Std. Dev. (3 Year)	Beta (1 Year, TSX)	Alpha (%) (1 Year, TSX)	Correl. (1 Year, TSX)	Correl. (1 Year, S&P500)	% High Water-mark	% Pos. Month Since Inc.
Tapestry Balanced Income Private Port Corp CI A	13.834	1.89	2.48	7.17	7.39	7.39	-	7.39	7.17	0.20	-1.86	3.92	-	0.17	4.93	0.58	0.64	100.00	83.33
Tapestry Balanced Income Private Port Corp CI F	2.836	1.97	2.83	7.82	8.57	8.57	-	8.57	7.82	0.70	-1.75	3.87	-	0.17	6.11	0.57	0.63	100.00	83.33
Tapestry Balanced Income Private Port Corp CI T	1.246	1.85	2.46	7.11	6.74	6.74	-	6.74	7.11	-0.34	-1.80	3.93	-	0.19	3.99	0.64	0.65	100.00	66.67
Tapestry Divers Income Private Port Corp Class A	5.336	0.84	1.31	5.13	8.60	8.60	-	8.60	6.00	2.87	-1.17	3.58	-	0.01	8.46	0.02	0.02	99.91	83.33
Tapestry Divers Income Private Port Corp Class F	0.618	0.92	1.57	5.68	9.59	9.59	-	9.59	6.57	3.37	-1.16	3.61	-	0.01	9.45	0.05	0.04	100.00	83.33
Tapestry Divers Income Private Port Corp Class T	0.218	0.87	1.35	4.93	7.88	7.88	-	7.88	5.80	2.53	-1.24	3.69	-	0.02	7.59	0.07	0.04	99.91	83.33
Tapestry Global Balanced Private Port Corp CI A	8.865	2.09	2.98	8.06	7.09	7.09	-	7.09	8.06	-0.90	-3.12	5.23	-	0.26	3.33	0.67	0.74	100.00	66.67
Tapestry Global Balanced Private Port Corp CI F	0.566	2.26	3.33	8.72	8.18	8.18	-	8.18	8.72	-0.50	-3.01	5.37	-	0.27	4.28	0.67	0.74	100.00	75.00
Tapestry Global Balanced Private Port Corp CI T	0.101	2.12	2.95	7.96	7.07	7.07	-	7.07	7.96	-0.83	-3.07	5.28	-	0.26	3.31	0.66	0.73	100.00	66.67
Tapestry Global Growth Private Port Corp CI A	2.387	3.03	3.94	10.01	6.57	-	-	-	-	-	-5.33	-	-	-	-	-	-	100.00	63.64
Tapestry Global Growth Private Port Corp CI F	0.675	3.08	2.70	17.43	11.50	-	-	-	-	-	-7.47	-	-	-	-	-	-	100.00	63.64
Tapestry Global Growth Private Port Corp CI T	0.001	2.95	3.95	9.89	4.55	4.55	-	4.55	9.89	-4.85	-5.96	7.71	-	0.41	-1.37	0.72	0.84	100.00	58.33
Tapestry Growth Private Portfolio Corporate CI A	11.664	3.02	4.70	10.76	8.23	8.23	-	8.23	10.76	-2.28	-4.37	6.48	-	0.39	2.60	0.81	0.87	100.00	66.67
Tapestry Growth Private Portfolio Corporate CI F	1.837	3.08	4.95	11.30	9.32	9.32	-	9.32	11.30	-1.78	-4.16	6.48	-	0.39	3.69	0.80	0.86	100.00	66.67
Tapestry Growth Private Portfolio Corporate CI T	0.001	3.00	4.62	10.74	8.12	8.12	-	8.12	10.74	-2.36	-4.45	6.57	-	0.40	2.34	0.81	0.87	100.00	66.67
Terra Resource ETF Fund Class F	-	4.93	-	-	4.93	-	-	-	-	-	-	-	-	-	-	-	-	-	100.00
Terra Resource ETF Fund Class R	-	6.20	6.89	15.70	0.95	-	-	-	-	-	-12.75	-	-	-	-	-	-	100.00	62.50
The Friedberg Currency Fund	-	-2.89	-5.40	0.37	36.00	36.00	15.88	2.31	35.50	-43.54	-75.71	22.95	36.20	-1.10	51.89	-0.64	-0.46	60.37	51.83
Trident Global Opportunities Fund C\$	251.000	-0.87	-2.00	-3.93	-4.90	-4.90	7.19	10.77	31.94	-5.92	-13.24	5.54	13.05	-0.21	-1.87	-0.52	-0.76	86.76	54.24
Trident Global Opportunities Fund Class F C\$	35.000	-0.77	-1.71	-3.34	-3.78	-3.78	8.40	11.93	32.59	-5.42	-21.53	5.53	22.58	-0.21	-0.75	-0.50	-0.76	87.50	58.47
Trident Performance Corp II	36.722	-1.02	-1.91	-4.07	-11.02	-11.02	-	-3.71	6.43	-7.24	-11.02	15.42	-	0.11	-12.61	0.10	-0.28	88.98	52.94
Venator Catalyst Fund	-	4.00	7.45	10.76	18.21	18.21	11.58	11.58	10.76	-2.98	-3.36	5.83	5.11	0.07	17.20	0.17	0.52	100.00	72.22
Venator Catalyst Fund	-	4.02	7.44	10.72	18.18	18.18	-	18.18	10.72	2.11	-1.03	5.82	-	0.07	17.17	0.16	0.52	100.00	83.33
Venator Founders Fund	-	8.00	12.03	12.50	16.99	16.99	9.63	15.56	32.79	-29.77	-32.02	14.84	21.63	0.45	10.49	0.41	0.77	100.00	67.24
Venator Income Fund	-	2.04	4.92	13.37	17.90	17.90	-	22.77	15.48	3.99	-3.21	6.97	-	0.41	11.98	0.78	0.94	100.00	81.25
Venator Income Fund Class F	-	2.12	5.19	13.95	19.05	19.05	-	19.72	25.14	-6.78	-12.90	6.98	-	0.41	13.13	0.78	0.94	100.00	78.57
Venator Investment Trust	-	7.94	11.95	12.43	16.83	16.83	8.93	7.36	32.40	-29.67	-32.72	14.91	21.41	0.46	10.18	0.41	0.77	100.00	64.10
Venator Investment Trust Class F	-	8.03	12.79	13.67	17.92	17.92	-	19.96	13.67	-8.76	-13.63	16.05	-	0.50	10.70	0.42	0.78	100.00	76.92
Vertex Fund Class A	766.066	0.03	5.95	15.22	15.61	15.61	8.36	18.52	52.58	-45.06	-47.22	12.59	24.31	0.61	6.80	0.64	0.76	100.00	70.78
Vertex Fund Class B	224.599	0.07	5.96	14.96	14.81	14.81	7.50	13.36	51.83	-45.38	-47.05	12.63	24.36	0.61	6.00	0.65	0.76	100.00	73.26
Vertex Fund Class F	-	-0.24	5.65	14.95	15.35	15.35	8.28	17.00	52.58	-45.05	-47.60	12.63	24.31	0.60	6.68	0.64	0.75	99.76	74.19
Vision Opportunity Fund L.P.	39.287	4.61	23.00	40.26	47.36	47.36	-	34.10	40.26	-13.27	-17.27	11.85	-	0.50	40.14	0.56	0.63	100.00	76.67
Vision Opportunity Fund Trust	18.948	4.45	16.12	31.07	39.24	39.24	-	27.69	31.07	-11.65	-15.43	8.39	-	0.40	33.46	0.63	0.77	100.00	80.00
WARATAH Income Fund	-	0.40	3.00	6.42	6.42	-	-	-	-	-	-0.40	-	-	-	-	-	-	100.00	83.33
WARATAH One Fund	-	0.80	3.42	7.80	7.80	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
WARATAH Performance Fund	-	5.30	8.58	22.56	22.56	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
Webb Enhanced Income Fund	-	2.22	8.10	16.87	19.75	19.75	-	1.58	24.15	-36.50	-37.13	8.18	-	0.44	13.39	0.71	0.69	100.00	65.71
Webb Enhanced Income Fund Series F	-	2.31	8.39	17.49	21.04	21.04	-	2.74	24.80	-35.95	-36.54	8.19	-	0.44	14.68	0.71	0.69	100.00	65.71
Equally Weighted Average Performance of All Funds	8982.884	3.28	9.22	15.15	14.58	15.20	3.48	-	-	-	-	-	-	-	-	-	-	-	-
Number of Funds in Sample	-	338	330	323	338	296	172	-	-	-	-	-	-	-	-	-	-	-	-

Canadian Hedge Watch receives, tracks and presents the data and results of Canadian funds as a service to the hedge fund and alternative investment community. Business announcements, key personnel appointments and press releases are also welcome for publication. Please send to krotowski@canadianhedgewatch.com.

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MARKET INDICES (as of December 31, 2010)

INDEX NAME	1 Month	3 Month	6 Month	YTD	1 Year	3 Year	Since Inception	Best 6mo. (3 Year)	Worst 6mo. (3 Year)	Max. Draw Down	Std. Dev. (1 Year)	Std. Dev. (3 Year)	Alpha (1 Year, TSX)	Beta (1 Year, TSX)	% High Water-mark	% Pos. Months
183 Day Canada T-Bill	0.09	0.26	0.47	0.70	0.70	1.26	6.95	1.48	0.14	0.00	0.09	0.31	0.70	0.00	100.00	100.00
91 Day Canada T-Bill	0.08	0.23	0.39	0.53	0.53	1.13	6.53	1.44	0.10	0.00	0.09	0.31	0.53	0.00	100.00	100.00
BMO Canadian Small Cap Index	6.47	19.07	35.16	35.23	35.23	5.46	7.08	49.68	-50.74	-57.31	14.78	26.63	21.50	0.95	100.00	59.72
CHW-HF Composite Index	3.06	8.74	15.16	13.41	13.41	-2.35	3.84	15.16	-30.54	-32.08	7.27	11.86	7.49	0.41	90.71	68.06
CHW-HF Equity Hedged Index	3.10	8.85	15.37	13.21	13.21	-2.26	6.39	15.37	-33.18	-34.75	7.63	13.31	6.85	0.44	90.61	69.44
CHW-HF FoHF Index	2.68	6.50	11.70	12.48	12.48	-18.90	-9.06	12.18	-35.66	-55.16	4.81	21.81	8.43	0.28	50.60	54.93
CHW-HF Notes Index	0.28	0.02	0.60	2.64	2.64	-2.00	-1.16	4.48	-7.08	-11.09	3.40	3.39	4.66	-0.14	92.47	48.57
MS EAFE Free Index (C\$)	4.99	3.34	16.36	2.54	2.54	-6.54	4.56	32.50	-33.56	-46.77	15.52	18.30	-6.85	0.65	75.14	56.16
MSCI World Index (C\$)	4.29	5.67	16.29	6.45	6.45	-4.28	9.27	26.58	-32.23	-44.31	12.30	15.94	-3.52	0.69	78.20	61.11
MSCI World Index (US)	7.39	9.06	24.21	12.34	12.34	-4.29	9.60	47.21	-43.38	-53.65	20.48	24.08	-4.71	1.18	83.06	61.38
Nasdaq Composite Index (C\$)	3.13	8.52	17.75	10.79	10.79	0.02	8.30	25.38	-30.34	-74.24	14.85	19.46	-2.50	0.92	38.84	57.50
S&P 500 Total Return Index C\$	3.61	7.31	15.40	9.04	9.04	-2.85	10.05	20.87	-30.42	-51.16	10.86	15.28	-0.93	0.69	68.06	60.00
S&P 500 Total Return Index US\$	6.68	10.76	23.27	15.06	15.06	-2.86	10.22	40.57	-41.87	-50.98	19.26	22.18	-1.99	1.18	87.23	61.30
S&P/TSX 60 Index TR	3.99	8.25	17.70	13.84	13.84	1.12	8.30	35.44	-39.42	-47.89	12.64	20.23	0.26	0.94	94.28	61.70
S&P/TSX Composite Index	3.79	8.69	19.03	14.45	14.45	-0.95	6.95	33.80	-41.01	-45.05	12.24	20.20	1.16	0.92	91.36	59.52
S&P/TSX Income Trust Index TR	1.66	10.13	22.26	26.69	26.69	10.02	19.22	39.33	-45.54	-46.76	9.42	21.43	18.02	0.60	100.00	70.51
S&P/TSX Smallcap Index	6.44	17.45	33.16	31.32	31.32	2.25	5.56	46.51	-50.41	-58.11	13.59	26.48	17.74	0.94	93.07	57.55

Highest Return (3 Month)				
Fund Name	3 Month	6 Month	1 Year	Ann. std Dev. (1 Year)
AlphaNorth Partners Fund	69.41	97.71	113.66	37.96
Arrow Enso Global Fund F	49.03	94.63	96.68	29.46
Arrow Enso Global Fund A	48.72	93.82	95.11	29.43
KCS Absolute Core Return Fund Class A2 C\$	47.71	62.37	76.97	28.58
BTR Strategic Growth Fund	44.88	68.90	68.20	27.16
Salida Strategic Growth Class F	44.05	68.88	62.92	28.45
Salida Strategic Growth Class A	43.65	67.94	61.16	28.41
Dynamic Power Hedge Fund Series C	38.94	43.45	43.09	30.86
BTR Global Energy Fund	38.93	35.46	29.02	24.98
Dynamic Power Hedge Fund Series FC	38.71	43.59	43.96	30.78
Salida Global Energy Fund Class F	38.50	35.11	10.93	24.98
Salida Global Energy Fund Class A	38.11	34.35	24.85	25.35
Salida Multi Strategy Hedge Fund Class F	37.36	59.42	46.03	28.23
Salida Multi Strategy Hedge Fund	37.29	58.90	44.88	28.26
Salida Multi Strategy Hedge Fund Class A	37.28	58.90	44.87	28.93
Front Street Canadian Energy Resource Fund Ser B	36.27	65.26	48.05	21.97
Front Street Canadian Energy Resource Fund Ser F	36.09	61.91	-	-
Alpha Macro Strategies Fund Series A	35.93	101.60	51.08	46.08
Creststreet Energy Opportunities Fund Series 2009	32.72	39.15	53.93	24.64
Creststreet Energy Opportunities Fund Series 2010	32.71	39.14	-	-
Pathway Multi SF Explorer Series A Rollover MIN001	32.50	68.44	39.96	38.06

Highest Return (1 Year)			
Fund Name	Ann. Return	Ann. Std. Dev.	# of Negative Months
AlphaNorth Partners Fund	113.66	37.96	4
Arrow Enso Global Fund F	96.68	29.46	4
Arrow Enso Global Fund A	95.11	29.43	4
KCS Absolute Core Return Fund Class A2 C\$	76.97	28.58	1
BTR Strategic Growth Fund	68.20	27.16	4
Salida Strategic Growth Class F	62.92	28.45	4
Salida Strategic Growth Class A	61.16	28.41	4
King & Victoria Fund LP	59.64	14.97	2
King & Victoria RSP Fund Class A Units	59.12	14.90	2
Creststreet Energy Opportunities Fund Series 2009	53.93	24.64	3
Creststreet Energy Opportunities Fund Series A	51.59	24.10	3
Alpha Macro Strategies Fund Series A	51.08	46.08	4
Milford Capital Growth Fund	50.36	14.37	2
Sprott Small Cap Hedge Fund	50.27	16.13	3
Front Street Canadian Energy Resource Fund Ser B	48.05	21.97	4
Vision Opportunity Fund L.P.	47.36	11.85	1
Salida Multi Strategy Hedge Fund Class F	46.03	28.23	3
Salida Multi Strategy Hedge Fund	44.88	28.26	3
Salida Multi Strategy Hedge Fund Class A	44.87	28.93	4
Dynamic Power Hedge Fund Series FC	43.96	30.78	5
Dynamic Power Hedge Fund Series C	43.09	30.86	5

Lowest Return (3 Month)				
Fund Name	3 Month	6 Month	1 Year	Ann. std Dev. (1 Year)
Lycos Value Fund Class 0	-12.27	-7.84	-3.88	14.08
Friedberg Global Macro Hedge Fund US\$	-6.52	-5.2	11.79	24.14
Niagara Legacy Class B Fund	-6.24	-5.8	10.08	25.89
SciVest Global Multiple Strategies Fund Class A	-5.58	-1.21	-1.4	7.39
SciVest Global Multiple Strategies Fund Class F	-5.58	-1.21	-1.4	7.39
The Friedberg Currency Fund	-5.4	0.37	36	22.95
CIBC Global Bond Index Fund	-5.38	-1.44	-0.02	11.09
Silvercreek Capital LP Class A	-4.29	-3.77	2.88	10.52
DPF India Opportunities	-4.15	9.67	10.58	19.32
Horizons AlphaPro Fiera Tactical Bond Fund	-3.77	-3.63	-2.11	6.82
SciVest Market Neutral Equity Fund Class A2 C\$	-3.19	-6.23	-7.02	10.4
SciVest Market Neutral Equity Fund Class A	-3.17	-6.22	-6.76	10.43
SciVest Special Opportunities Fund Class A	-2.73	3.46	3.13	5.67
SciVest Special Opportunities Fund Class F	-2.48	3.89	4.01	5.62
J.C. Clark Preservation Trust - Class B	-2.08	-8.93	-7.25	7.44
Man MGS Access Canada Note CI II 901	-2.05	4.58	7.52	5.61
Man MGS Access Canada Notes CI I 900	-2.05	4.58	7.52	5.61
Trident Global Opportunities Fund C\$	-2	-3.93	-4.9	5.54
Trident Performance Corp II	-1.91	-4.07	-11.02	15.42
CI Global Opportunities Fund C\$	-1.87	-3.66	-4.69	5.19
Landry Morin Long Short Momentum Fund Series A	-1.85	-2.3	4.4	7.69

Highest Return (3 Year)			
Fund Name	Ann. Return	Ann. Std. Dev.	# of Negative Months
Rosalind Capital Partners L.P.	41.59	15.62	10
AlphaNorth Partners Fund	37.48	46.37	12
King & Victoria Fund LP	32.99	19.55	8
King & Victoria RSP Fund Class A Units	32.02	19.57	9
Silvercreek Capital LP Class A	31.73	16.11	8
BTR Global Energy Fund	29.81	36.48	12
Arrow Enso Global Fund F	25.66	30.34	13
Friedberg Global Macro Hedge Fund US\$	25.66	24.34	15
Arrow Enso Global Fund A	24.51	30.32	13
PH&N Absolute Return Fund	21.99	8.52	6
Niagara Discovery Fund	21.76	16.65	15
Niagara Legacy Class B Fund	19.60	25.43	15
IMFC Global Investment Program	17.69	19.91	17
Milford Capital Growth Fund	17.32	33.44	11
Agilith North American Diversified Fund	17.04	28.22	15
The Friedberg Currency Fund	15.88	36.20	16
ChapelGate Credit Opportunity Fund Ltd.	15.46	4.56	5
Auspice Managed Futures LP.	14.49	14.76	14
Anson Investments Master Fund LP	14.48	8.71	10
Sprott Bull/Bear RSP Fund Class A	14.11	24.63	15
Spartan Multi Strategy Fund Class F	13.72	7.45	9

Fewest Negative Months (1 Year)			
Fund Name	# of Negative Months	Ann. Return	Ann. Std. Dev.
Silvercreek Convertible LP Class A	0	36.91	15.70
Silvercreek Convertible Limited	0	36.76	15.49
NexGen Canadian Cash Tax Managed Fund F 1158	0	0.13	0.02
NexGen Canadian Cash Tax Managed Fund 1154	0	0.24	0.06
NexGen Canadian Cash Tax Managed Fund 1153	0	0.15	0.03
NexGen Canadian Cash Tax Managed Fund 1151	0	0.14	0.03
Lycos Value Fund Class P	0	6.00	0.08
Vision Opportunity Fund Trust	1	39.24	8.39
Vision Opportunity Fund L.P.	1	47.36	11.85
Skylon Gold STAR LP	1	9.48	77.82
Picton Mahoney Income Opportunities Fund Class A	1	17.43	5.41
KCS Absolute Core Return Fund Class A2 C\$	1	76.97	28.58
Amethyst Arbitrage Fund	1	14.87	2.75
Webb Enhanced Income Fund Series F	2	21.04	8.19
Webb Enhanced Income Fund	2	19.75	8.18
Vertex Fund Class B	2	14.81	12.63
Vertex Fund Class A	2	15.61	12.59
Venator Catalyst Fund	2	18.18	5.82
Tapestry Divers Income Private Port Corp Class T	2	7.88	3.69
Tapestry Divers Income Private Port Corp Class F	2	9.59	3.61
Tapestry Divers Income Private Port Corp Class A	2	8.60	3.58

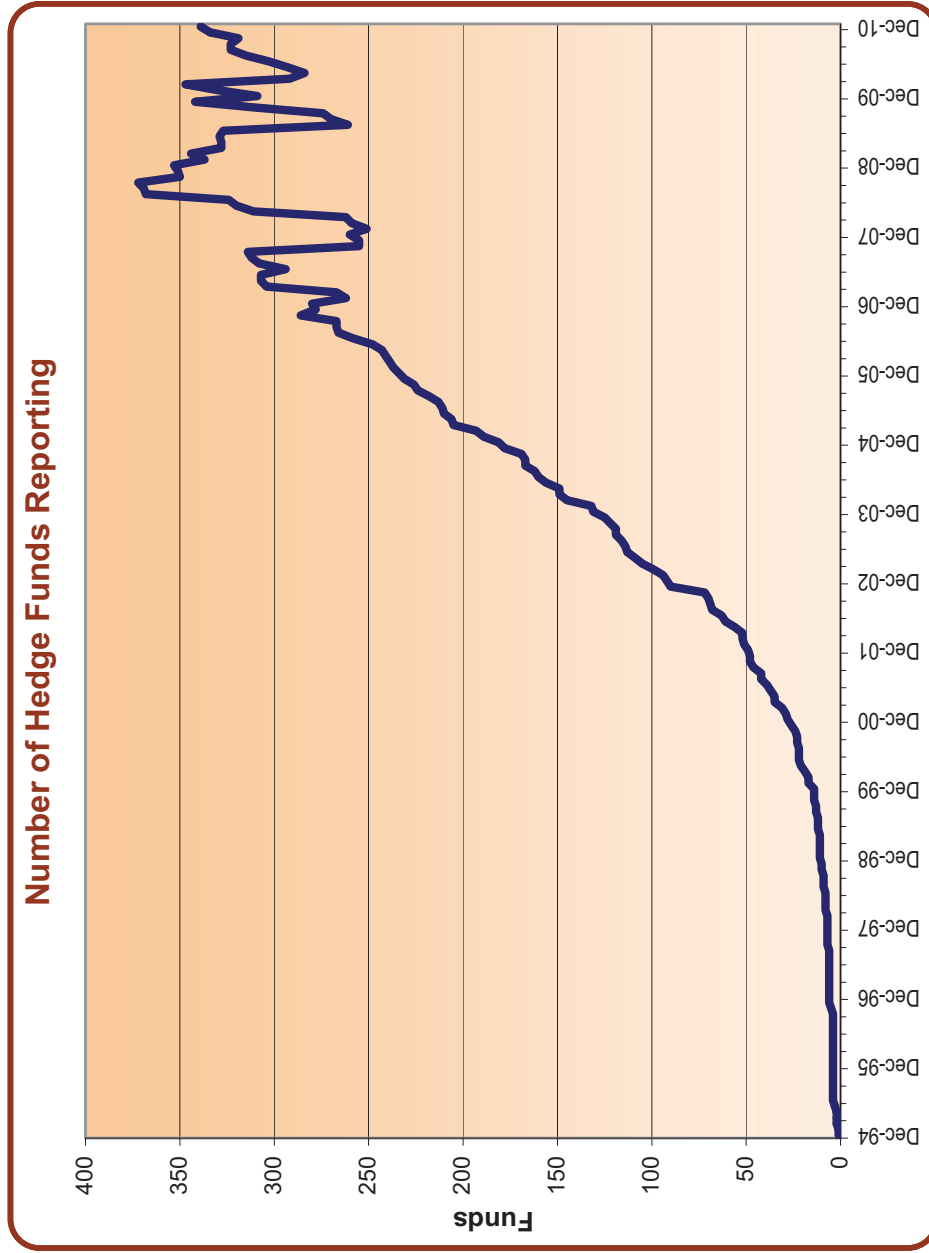
Lowest Volatility (1 Year)			
Fund Name	Ann. Std. Dev.	Ann. Return	# of Negative Months
NexGen Canadian Cash Tax Managed Fund F 1158	0.02	0.13	0
NexGen Canadian Cash Tax Managed Fund 1153	0.03	0.15	0
NexGen Canadian Cash Tax Managed Fund 1151	0.03	0.14	0
NexGen Canadian Cash Tax Managed Fund 1154	0.06	0.24	0
Lycos Value Fund Class P	0.08	6.00	0
ChapelGate Credit Opportunity Fund Ltd.	2.02	20.87	0
Sentry Select Market Neutral RRSP Class A	2.15	4.66	4
Sentry Select Market Neutral LP Class A	2.19	5.15	4
Sentry Select Market Neutral RRSP Class F	2.24	5.78	4
Sentry Select Market Neutral LP Class F	2.27	6.27	4
Blumont Core Hedge Fund	2.29	0.74	6
Sentry Select Market Neutral L.P.	2.37	4.36	4
Arrow Enhanced Income Fund A US	2.66	2.62	4
Arrow Enhanced Income Fund A C\$	2.71	4.34	4
Arrow Enhanced Income Fund F C\$	2.73	5.18	2
Amethyst Arbitrage Fund	2.75	14.87	1
KCS Great White North Fund Class F	2.93	3.69	4
KCS Great White North Fund Class F	2.94	3.70	4
KCS Great White North Fund Class A	2.94	3.20	4
KCS Great White North Fund Class A	2.94	3.19	4
PH&N Absolute Return Fund	3.03	19.23	1

Fewest Negative Months (3 Year)			
Fund Name	# of Negative Months	Ann. Return	Ann. Std. Dev.
ChapelGate Credit Opportunity Fund Ltd.	5	15.46	4.56
PH&N Absolute Return Fund	6	21.99	8.52
Marret High Yield Hedge LP	6	11.61	5.68
Arrow High Yield Fund F	6	11.88	6.01
Arrow High Yield Fund A US	6	11.74	6.07
Arrow High Yield Fund A C\$	6	11.18	6.02
Amethyst Arbitrage Fund	6	8.33	17.01
Silvercreek Capital LP Class A	8	31.73	16.11
King & Victoria Fund LP	8	32.99	19.55
Vertex Fund Class B	9	7.50	24.36
Vertex Fund Class A	9	8.36	24.31
Spartan Multi Strategy Fund Class I	9	13.03	7.45
Spartan Multi Strategy Fund Class F	9	13.72	7.45
Spartan Multi Strategy Fund Class A	9	12.99	7.46
Sentry Select Market Neutral L.P.	9	4.80	2.77
King & Victoria RSP Fund Class A Units	9	32.02	19.57
Vertex Fund Class F	10	8.28	24.31
Venator Catalyst Fund	10	11.58	5.11
Rosalind Capital Partners L.P.	10	41.59	15.62
Performance Growth Fund Class A	10	2.18	14.38
Performance Growth Fund	10	7.68	18.13

Lowest Volatility (3 Year)			
Fund Name	Ann. Std. Dev.	Ann. Return	# of Negative Months
Sentry Select Market Neutral L.P.	2.77	4.80	9
Redwood L/S Conservative Equity Fund	4.21	5.27	14
ChapelGate Credit Opportunity Fund Ltd.	4.56	15.46	5
Venator Catalyst Fund	5.11	11.58	10
Blumont Core Hedge Fund	5.44	-1.95	17
DFS DGAM Alternative Investments Fund	5.54	2.18	15
Burlington Partners1 LP	5.58	-1.77	18
Marret High Yield Hedge LP	5.68	11.61	6
Picton Mahoney Market Neutral Equity Fund Class F	5.75	6.37	13
Arrow Enhanced Income Fund A C\$	5.82	-0.30	15
Picton Mahoney Market Neutral Equity Fund Class A	5.83	5.53	13
Arrow Enhanced Income Fund F C\$	5.85	0.45	13
Arrow High Yield Fund F	6.01	11.88	6
Arrow High Yield Fund A C\$	6.02	11.18	6
Arrow High Yield Fund A US	6.07	11.74	6
Arrow Diversified Fund Class F US	6.36	0.43	13
Arrow Diversified Fund Class A US	6.36	-0.39	13
Arrow Diversified Fund Class F C\$	6.37	0.85	13
Arrow Diversified Fund Class A	6.37	0.03	13
Picton Mahoney Global Market Neutral Equ Cl A C\$	6.85	-1.03	17
Arrow Enhanced Income Fund A US	6.98	0.30	16

1. Graphs and Tables Related to Asset Size and Distribution of Canadian Hedge Funds

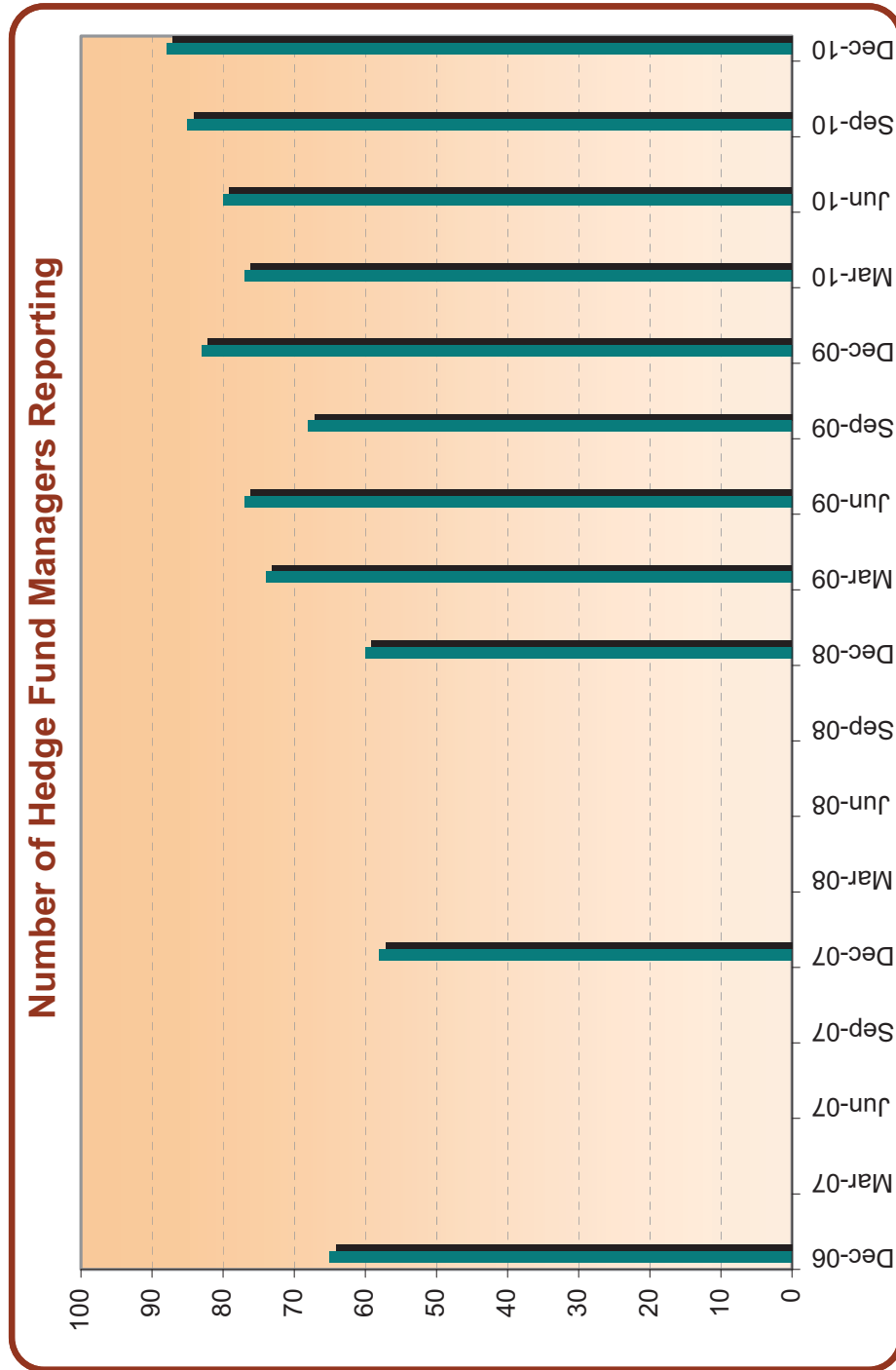
1.1. Number of Hedge Funds Reporting



Over 90% of the funds reporting positive for the fourth quarter of 2010 and over 93% for the entire year. In Q4/2010, a total of 16 funds were added to the Canadian Hedge Watch database.

Graphs and tables related to assets size and distribution of Canadian hedge funds

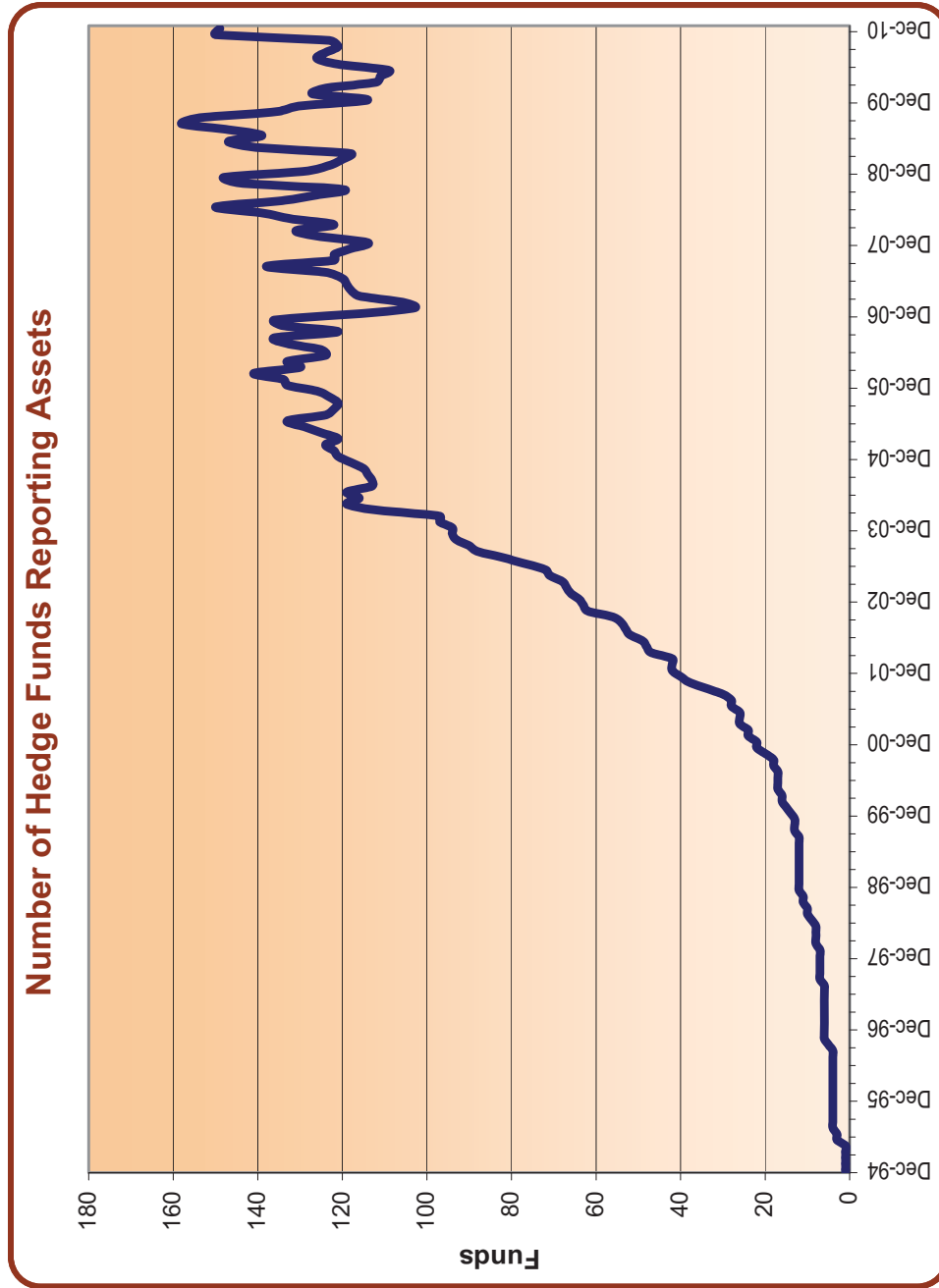
1.2. Number of Hedge Fund Managers Reporting



There are now a total of 88 hedge fund managers reporting their performance to Canadian Hedge Watch.

Graphs and tables related to assets size and distribution of Canadian hedge funds

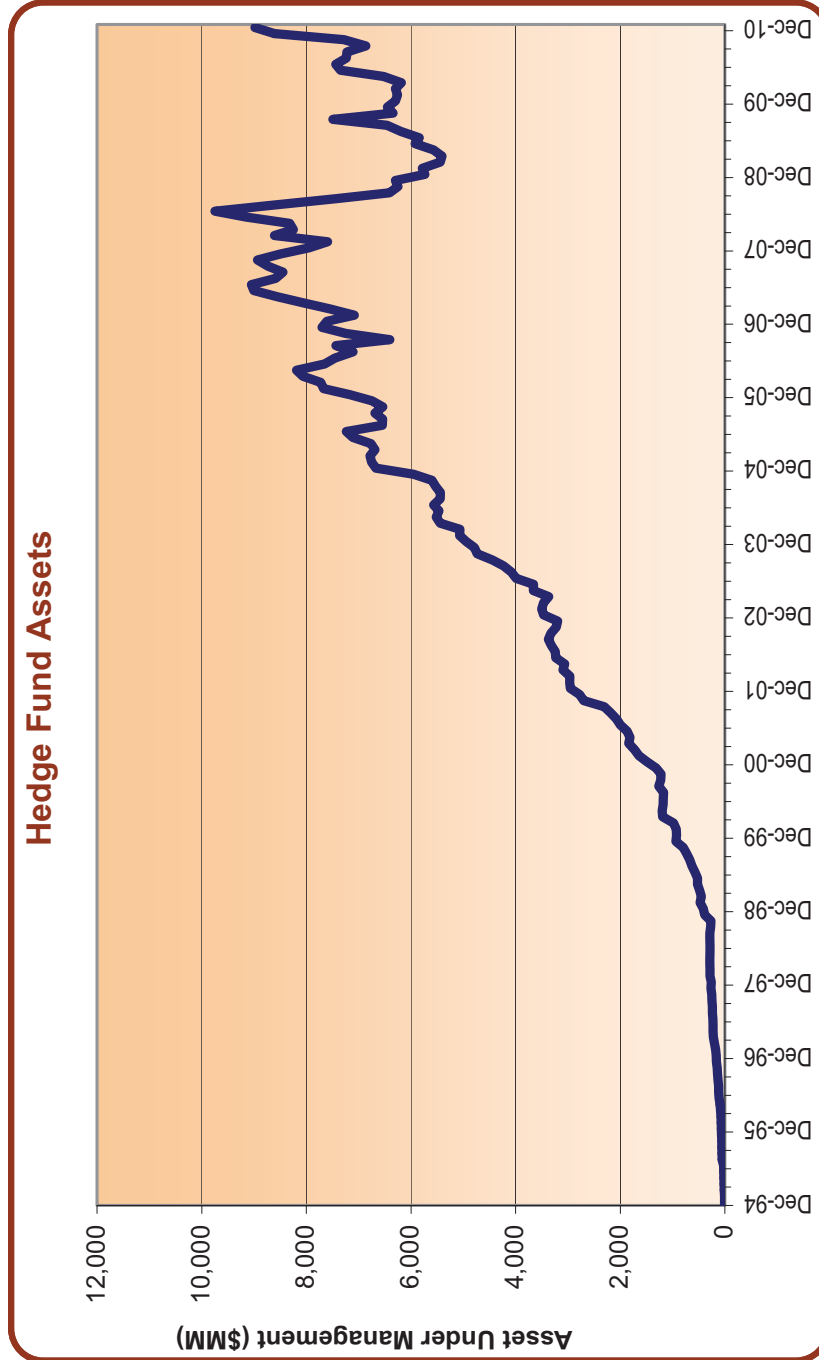
1.3. Hedge Funds Reporting Assets



Of the 339 total funds reporting, 149 reported the size of their assets, a figure represented by 53 hedge fund managers as of December 31, 2010.

Graphs and tables related to assets size and distribution of Canadian hedge funds

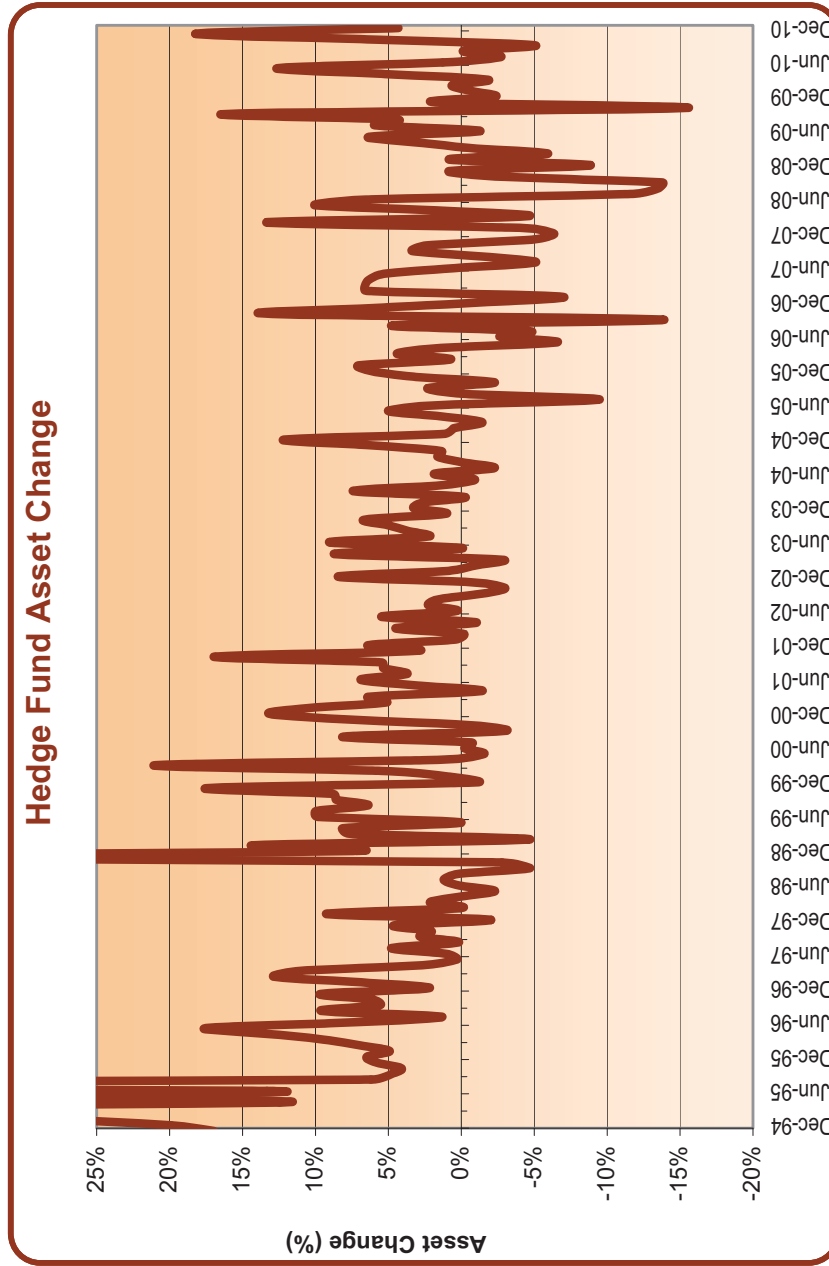
1.4. Hedge Funds Assets Under Management (AUM)



The total hedge fund assets reported to Canadian Hedge Watch at the end of Q4/2010 was 8.982 billion (C\$), a significant increase from Q3/2010.

Graphs and tables related to assets size and distribution of Canadian hedge funds

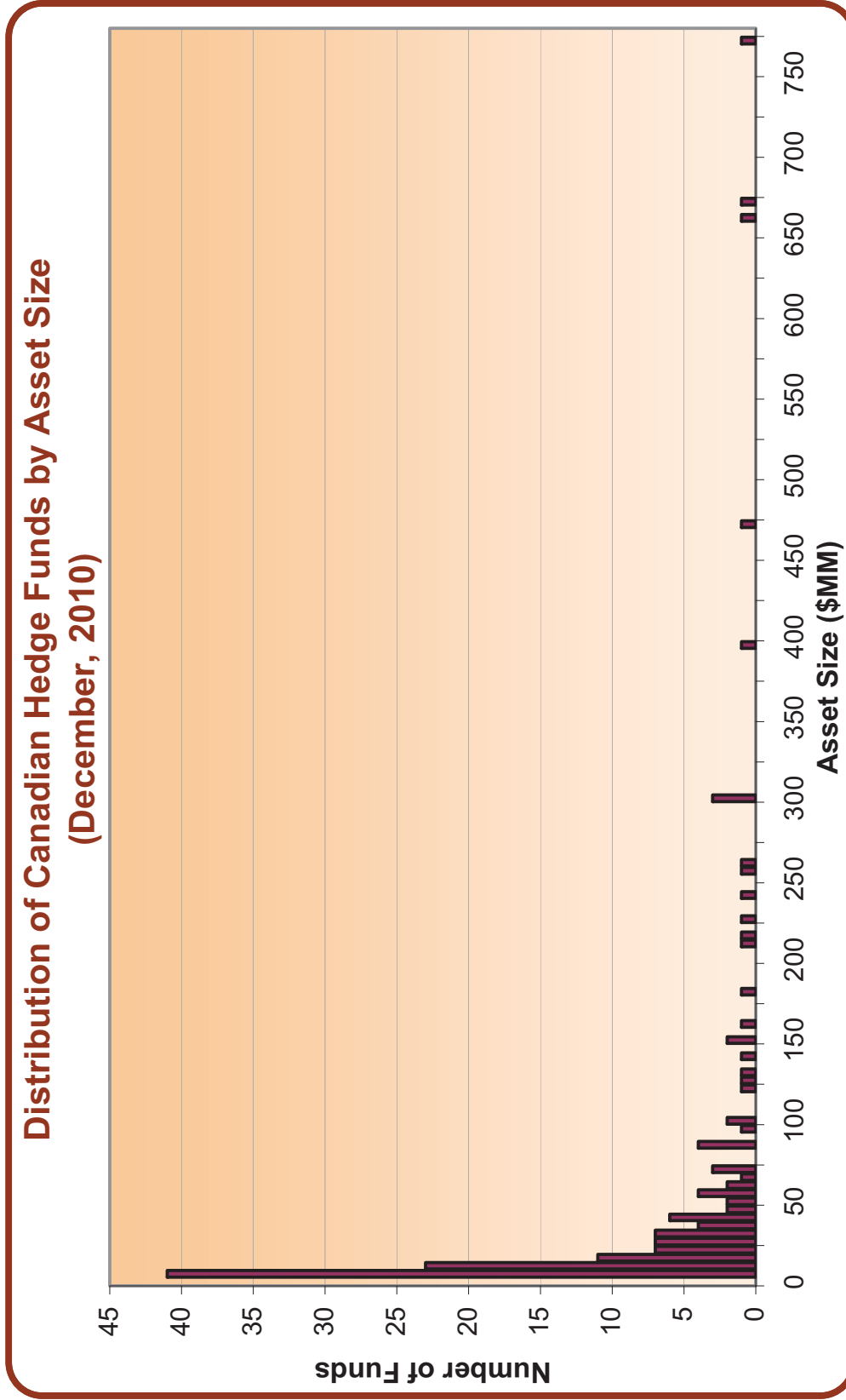
1.5. Hedge Fund Asset Change



DATE	ASSET (\$MM)	% CHANGE (1 year)
Dec-94	5,610	-
Dec-95	67,284	1099%
Dec-96	164,735	145%
Dec-97	259,140	57%
Dec-98	412,506	59%
Dec-99	923,808	124%
Dec-00	1,486,768	61%
Dec-01	2,955,215	99%
Dec-02	3,463,887	17%
Dec-03	4,941,409	43%
Dec-04	6,671,642	35%
Dec-05	7,166,778	7%
Dec-06	7,603,667	6%
Dec-07	7,949,529	5%
Dec-08	5,736,551	-28%
Mar-09	5,405,453	-32%
Jun-09	5,842,646	2%
Sep-09	6,586,623	13%
Dec-09	6,297,529	-4%
Mar-10	6,184,524	-2%
Jun-10	7,438,786	20%
Sep-10	6,863,449	-8%
Dec-10	8,982,884	31%

Total reported hedge fund assets increased 31% compared to Q3/2010. The increase can be attributed to the positive performance of the majority of the funds and to new investments.

1.6. Distribution of Canadian Hedge Funds by Asset Size

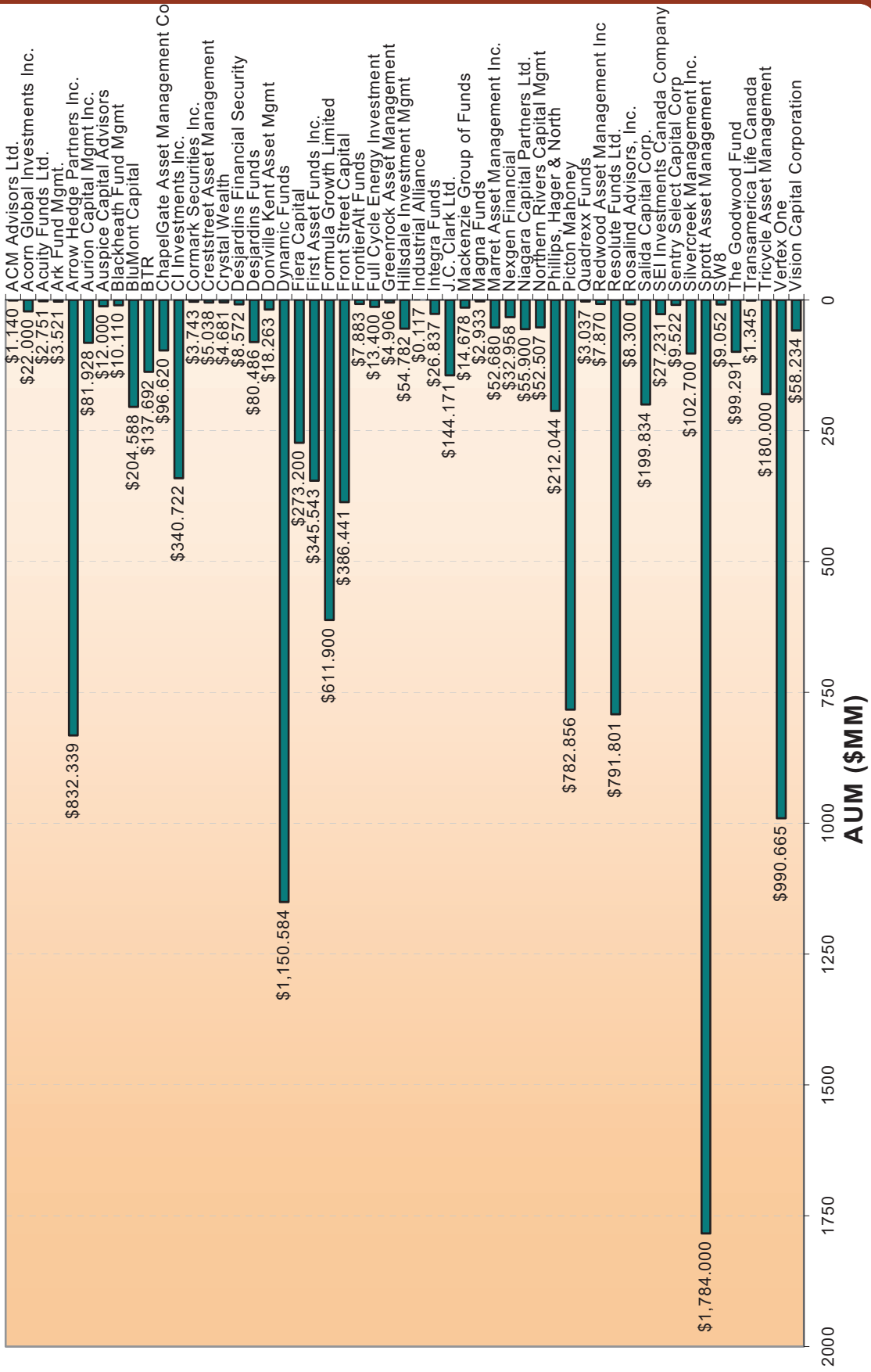


The number of Canadian hedge funds reporting asset size remains low. The number of hedge funds reporting \$200MM or more in assets increased to 14 (or 9%). Hedge funds with \$100MM or more in Assets Under Management (AUM) increased to 24 (or 16%). It is estimated that 73% of the asset reporting hedge funds have \$50MM or less in Assets Under Management, a figure that has been largely consistent for some time.

Graphs and tables related to assets size and distribution of Canadian hedge funds

1.7. Reported Canadian Hedge Fund Assets by Fund Manager

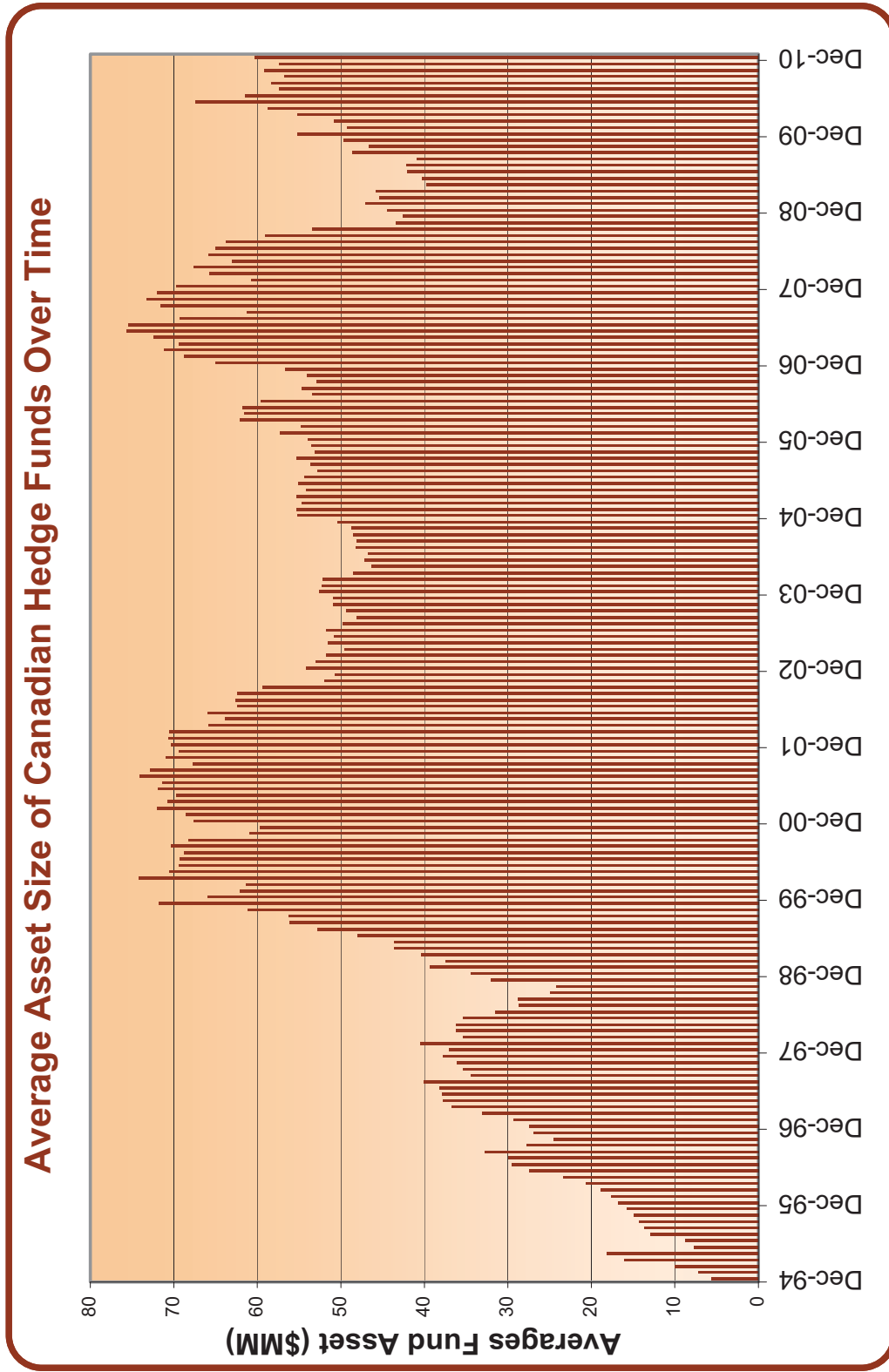
Reported Canadian Hedge Fund Assets by Fund Manager



These numbers reflect the Assets Under Management (AUM) where reported, and do not reflect total market AUM.

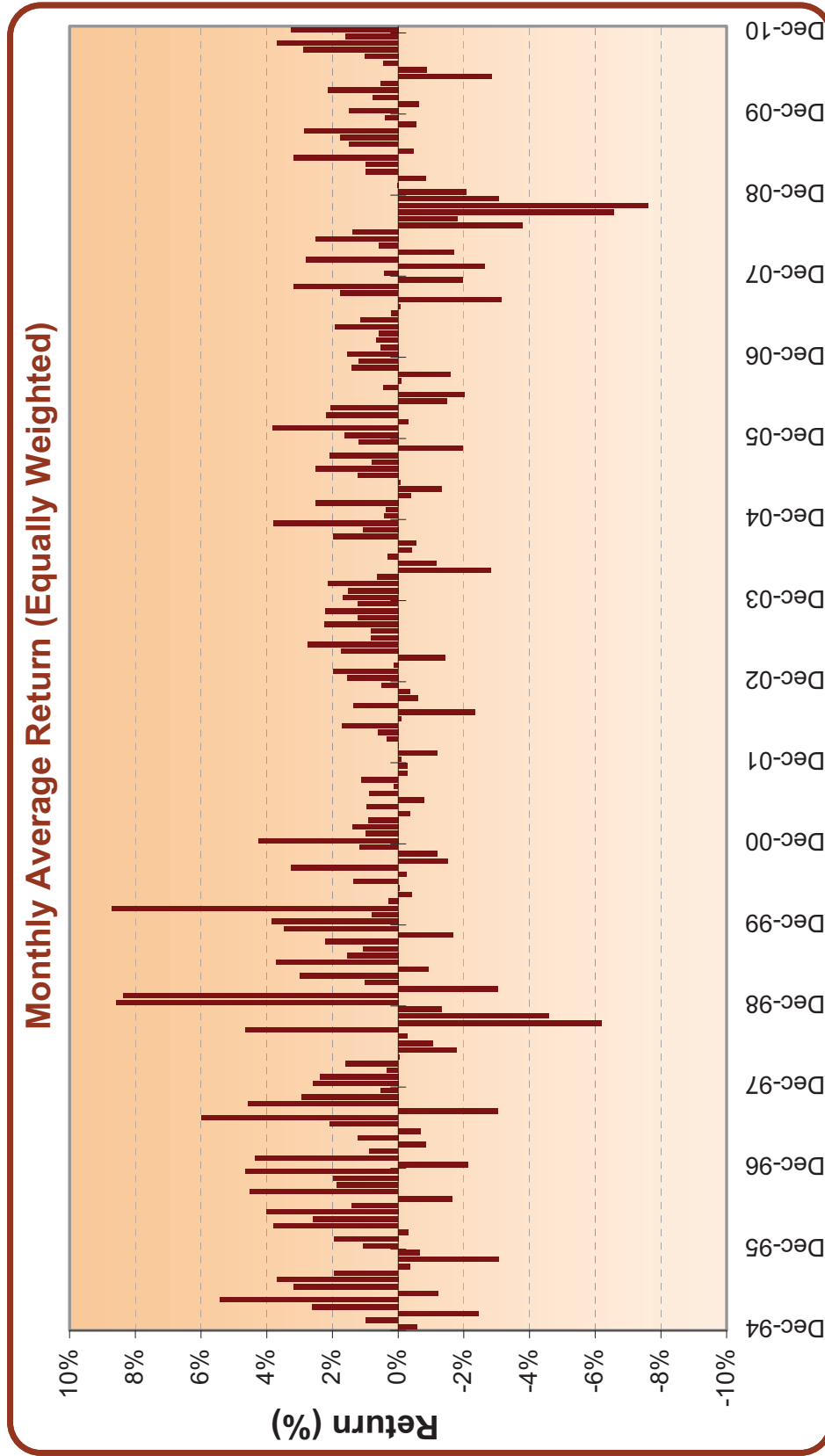
Graphs and tables related to assets size and distribution of Canadian hedge funds

1.8. Average Asset Size of Canadian Hedge Funds Over Time



The Canadian hedge fund marketplace's average reported Assets Under Management (AUM) is now estimated at \$60.3 million.

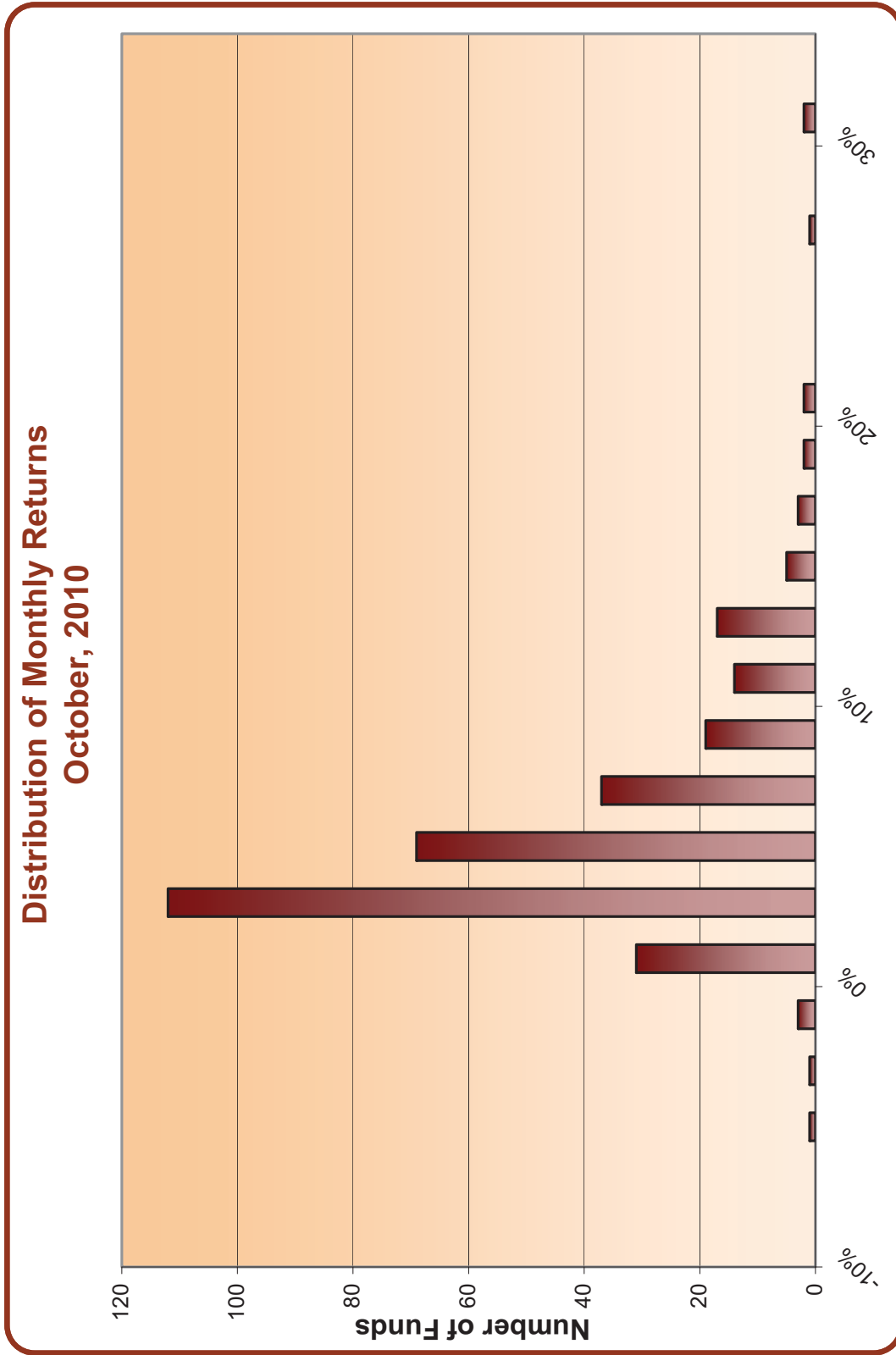
1.9. Monthly Average Return (Equally Weighted)



The 1 year return (12.48%) was still lagging the TSX (14.45%). Hedge funds continue to recover in 2010.

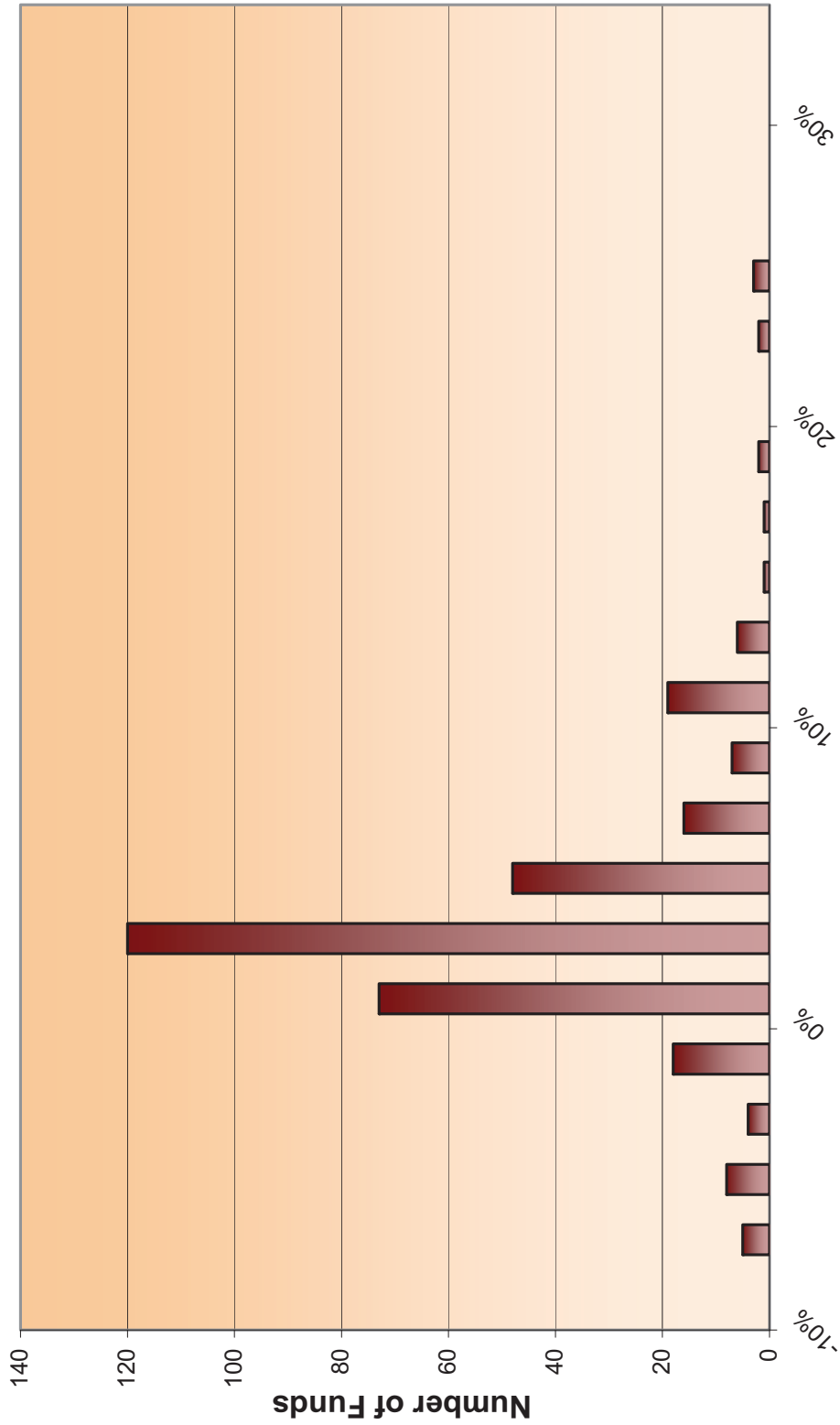
Graphs and tables related to assets size and distribution of Canadian hedge funds

1.10. Distribution of Returns in the most recent Quarter



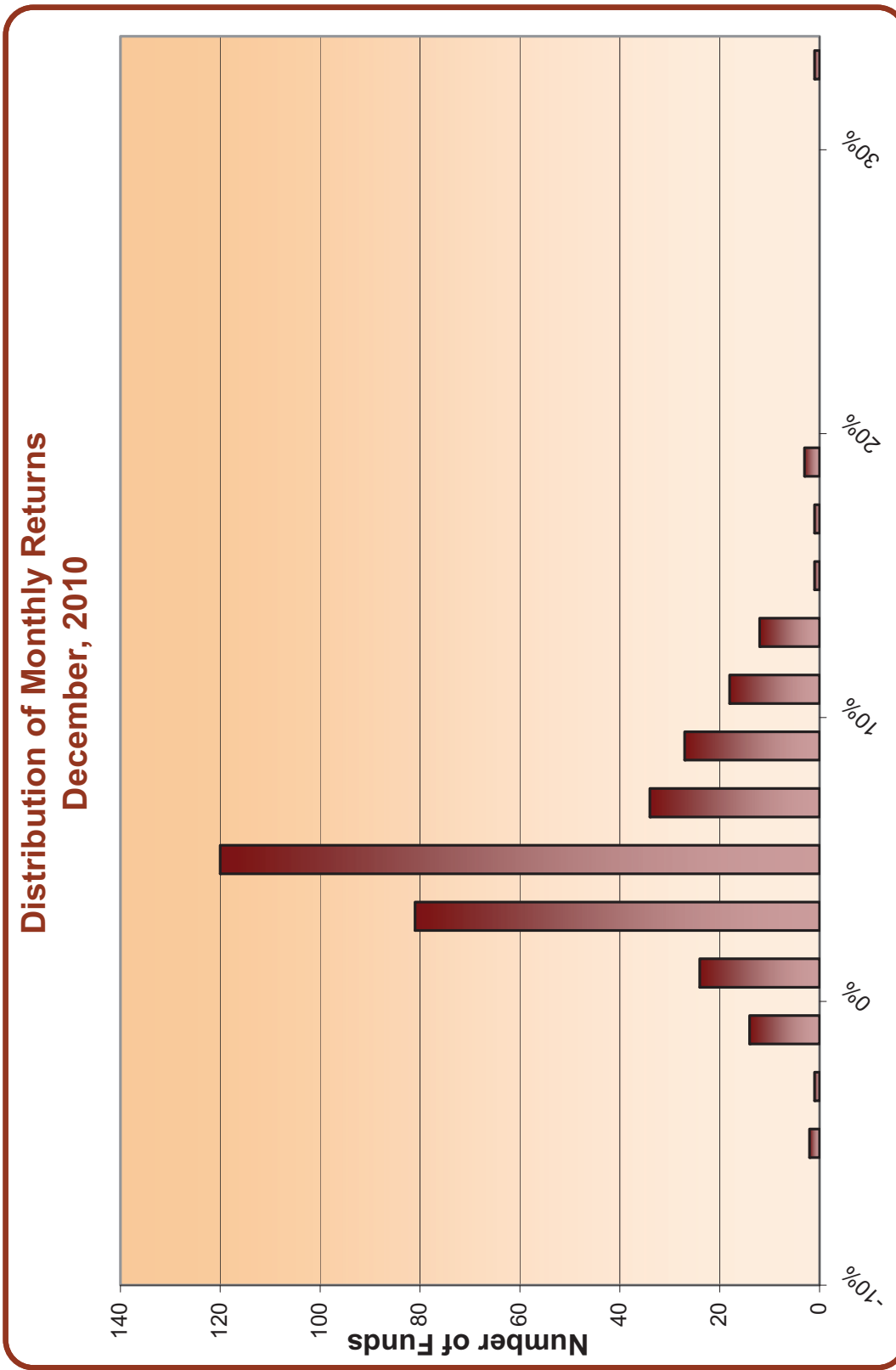
Based upon a total of 319 funds reporting to Canadian Hedge Watch in October, 2010.

Distribution of Monthly Returns November, 2010



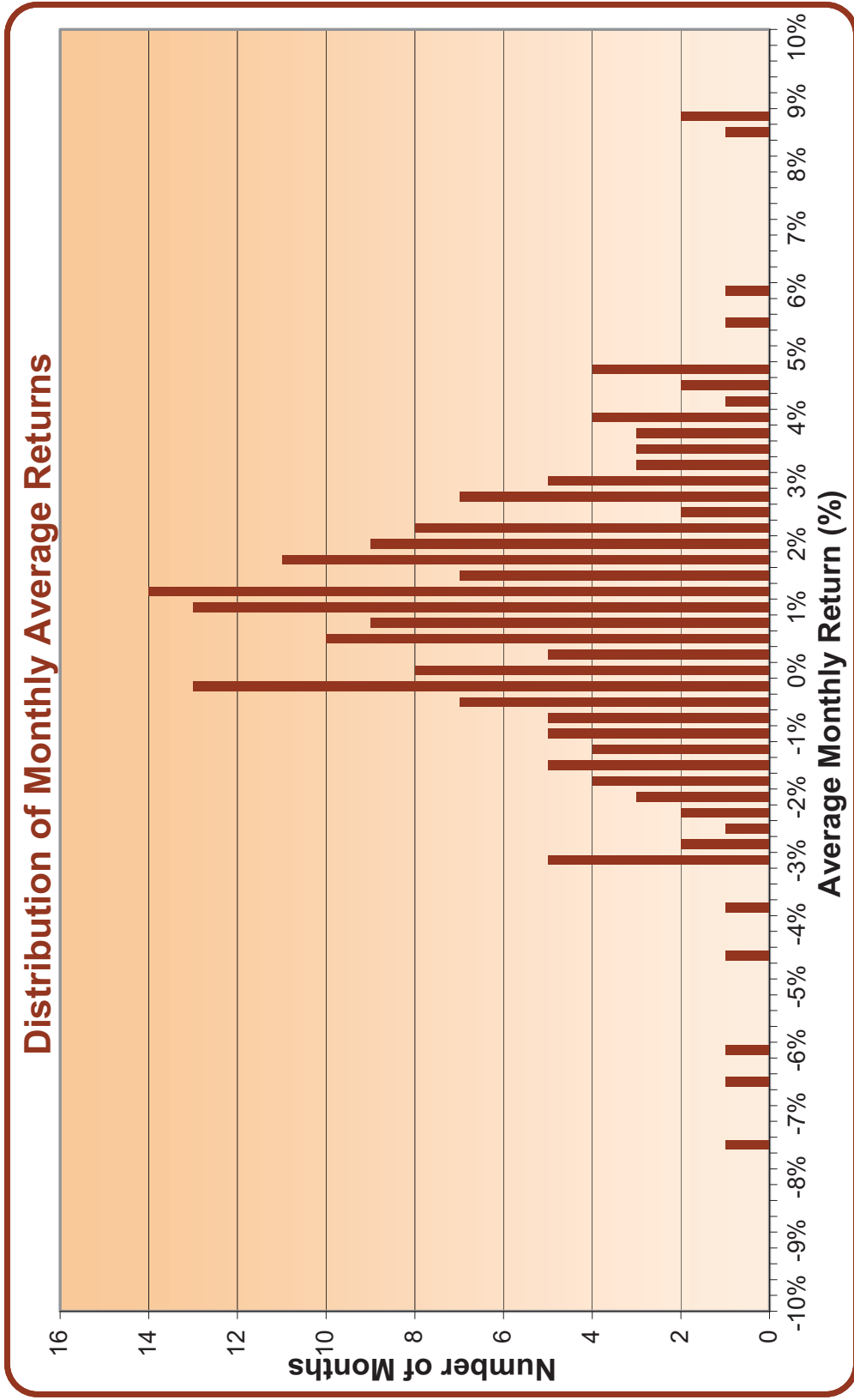
Based upon a total of 334 funds reporting to Canadian Hedge Watch in November, 2010.

Graphs and tables related to assets size and distribution of Canadian hedge funds



Based upon a total of 339 funds reporting to Canadian Hedge Watch in December, 2010.

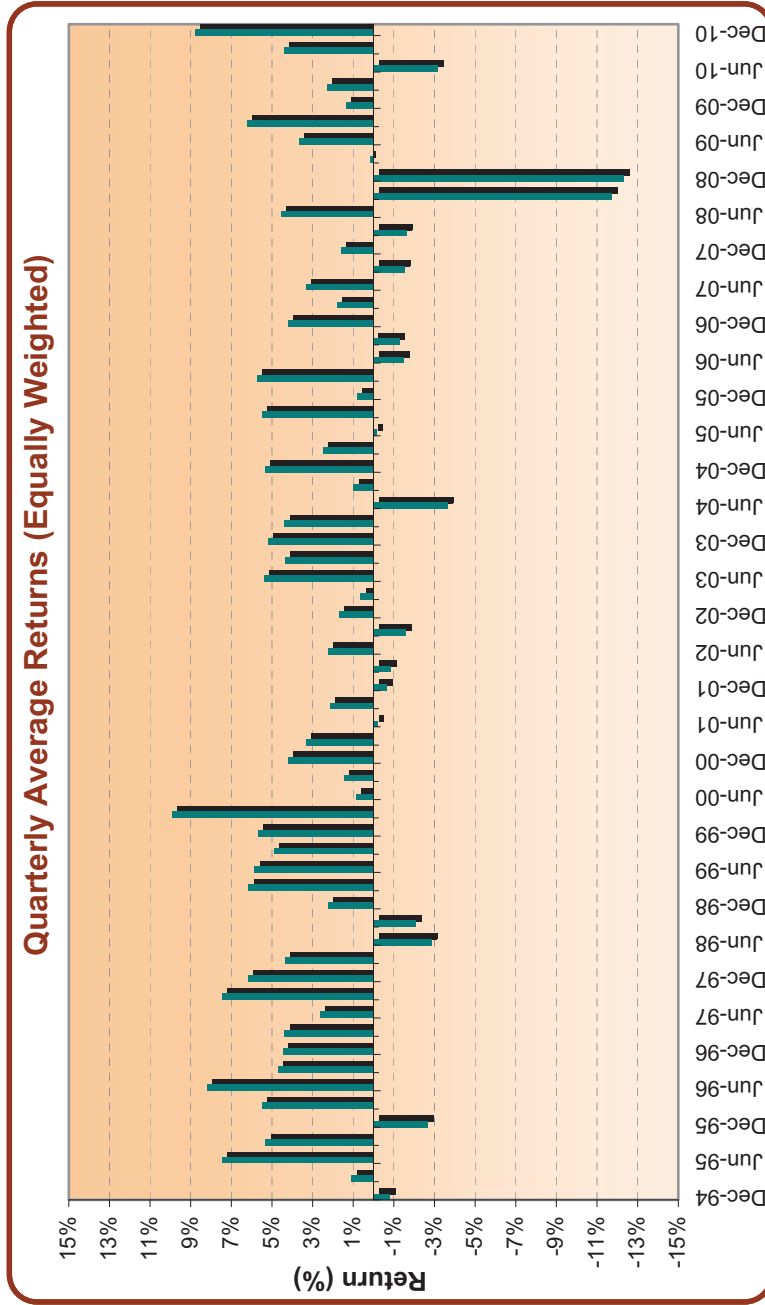
1.11. Distribution of Monthly Average Return (Equally Weighted, since December, 1994)



Each bar represents the number of months that aggregate the same historical average monthly returns since December 1994.

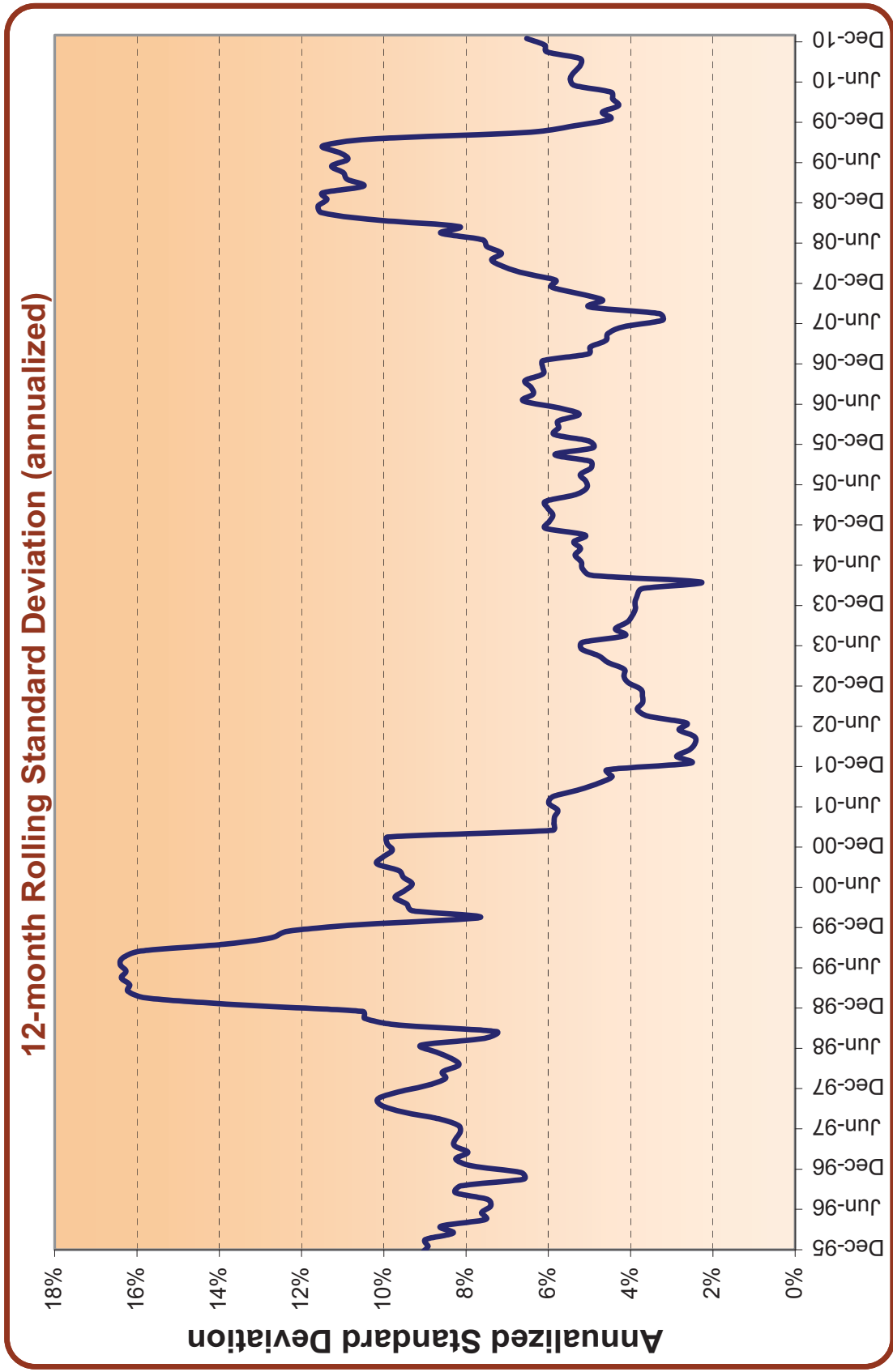
Graphs and tables related to assets size and distribution of Canadian hedge funds

1.12. Quarterly Average Returns (Equally Weighted)



On average, hedge funds returned 8.78% in Q4/2010, performed slightly better than the S&P/TSX at 8.69% and the S&P500 at 7.31%.

1.13. 12-month Rolling Standard Deviation of Equally Weighted Average Performance (annualized)



The minor increase in Q4/2010 shows that fund managers started taking risks, giving up the conservative positions they took in late 2009.

2. Performance Comparison: Canadian Hedge Funds vs. Major Indices

2.1 Commentary

Equally weighted Canadian hedge funds had a quarterly (Q4) gain of 8.78% (refer to chart 2.2 - Comparison of Returns), higher than the S&P/TSX which posted a gain of 8.69% for Q4/2010. The HFRI Fund Weighted Composite Index rose 5.58%, while MSCI World Index gained 5.67%, under-performed the S&P 500 Total Return Index at 7.31%.

On the risk side, (refer to Chart 2.3 – Efficiency and Calendar Year Returns) the annual standard deviation (measured for the period of December, 1994 to September, 2010) of equally weighted Canadian hedge funds was 8.05% compared to the Canadian market's TSX of 16.21%. The largest drawdown was also significantly lower for Canadian hedge funds with a negative 23.24% loss compared to the S&P/TSX's negative 45.05% loss. Overall, Canadian hedge funds performed efficiently and hedged against the market - TSX since 1994, in terms of the annual returns and standard deviations of 9.05%, 7.32%, and 8.05%, 16.21%, respectively. Equally weighted Canadian hedge funds had 0.228 beta to the TSX and correlation was 0.746 over the last 12 months.

For risk and efficiency parameters of Canadian hedge funds compared to other major indices, the Canadian hedge funds had similar figures (Chart 2.3 – Efficiency and Calendar Year Returns) in terms of annualized standard deviation, percentage of positive months, percentage of positive quarters, largest drawdown and alpha against TSX compared to the HFRI Fund Weighted Composite Index. Over the past 5 years the correlation between Canadian hedge funds and the TSX was 0.850 (refer to chart 2.4 – Correlation Matrices); and was also highly correlated with HFRI Fund Weighted Composite Index of 0.909. The correlations for last 12 months were 0.746 and 0.896 for the TSX and HFRI Fund Weighted Composite Index respectively.



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2.2. Comparison of Returns

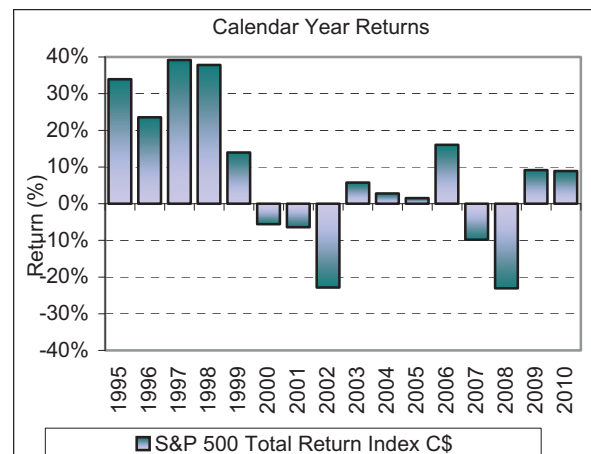
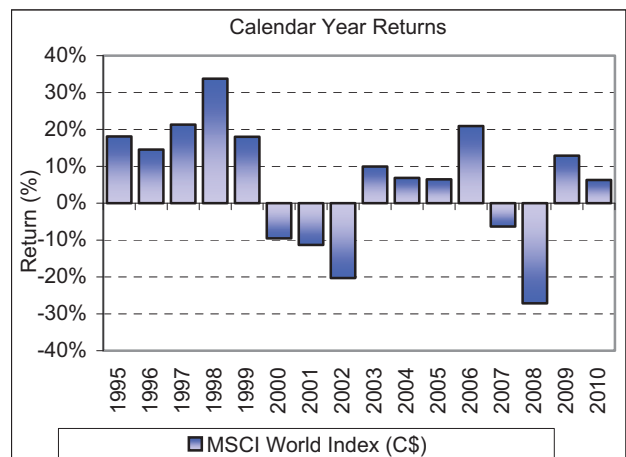
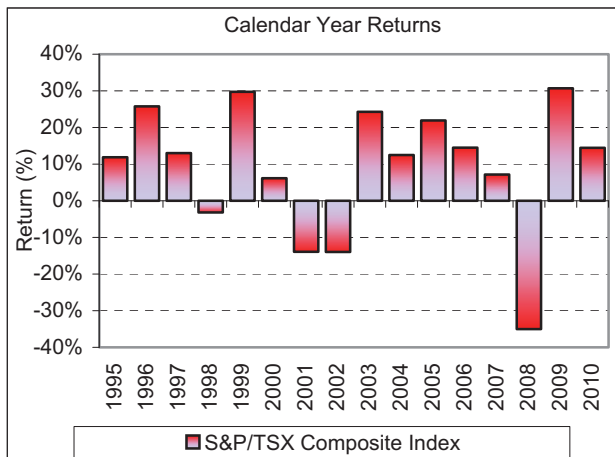
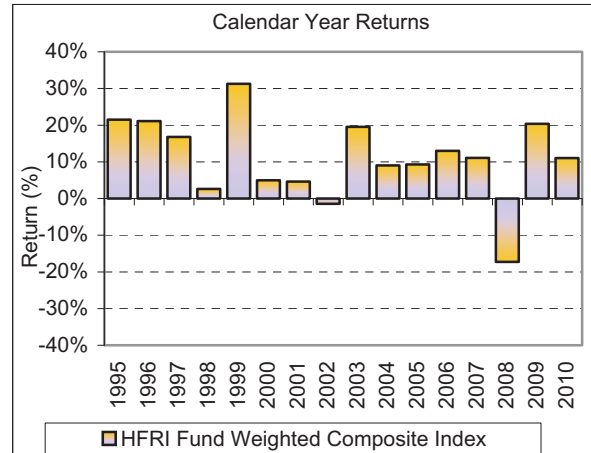
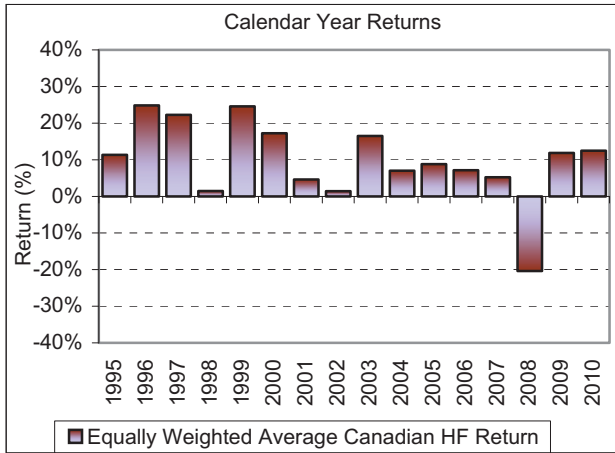
RETURN	Equally Weighted Average Canadian HF Return	S&P/TSX Composite Index	S&P 500 Total Return Index C\$	MSCI World Index (C\$)	HFRI Fund Weighted Composite Index
1 month	3.26%	3.79%	3.61%	4.29%	3.21%
3 month	8.78%	8.69%	7.31%	5.67%	5.58%
6 month	13.56%	19.03%	15.40%	16.29%	11.04%
YTD	12.48%	14.45%	8.89%	6.31%	11.02%
1 year	12.48%	14.45%	8.89%	6.31%	11.02%
3 year *	0.05%	-0.95%	-2.94%	-4.38%	3.40%
5 year *	2.46%	3.59%	-0.88%	-0.19%	6.77%
* annual					

2.3. Efficiency and Calendar Year Returns

Since December, 1994	Equally Weighted Average Canadian HF Return	S&P/TSX Composite Index	S&P 500 Total Return Index C\$	MSCI World Index (C\$)	HFRI Fund Weighted Composite Index
Annualized Return:	9.05%	7.32%	6.18%	4.54%	10.31%
Annualized Standard Deviation:	8.05%	16.21%	13.72%	12.90%	7.27%
Sharpe Ratio (1%):	1.00	0.39	0.38	0.27	1.28
% Positive Months:	64.43%	62.37%	58.25%	57.73%	69.59%
% Positive Quarters:	73.85%	69.23%	64.62%	63.08%	76.92%
Sortino Ratio (1%):	1.51	1.67	2.01	1.39	5.98
Skewness:	3.40%	-101.65%	-38.33%	-48.22%	-64.96%
Kurtosis:	221.4%	272.20%	-11.76%	19.04%	262.39%
Largest Drawdown:	-23.24%	-45.05%	-51.16%	-44.31%	-19.51%
Beta (S&P/TSX):	0.228	-	0.508	0.551	0.384
Alpha (S&P/TSX):	6.62%	-	1.97%	0.06%	6.89%

CALENDAR YEAR RETURNS	Equally Weighted Average Canadian HF Return	S&P/TSX Composite Index	S&P 500 Total Return Index C\$	MSCI World Index (C\$)	HFRI Fund Weighted Composite Index
1995	11.34%	11.87%	33.92%	18.09%	21.50%
1996	24.85%	25.74%	23.55%	14.54%	21.10%
1997	22.26%	13.03%	39.19%	21.31%	16.79%
1998	1.47%	-3.19%	37.82%	33.76%	2.62%
1999	24.60%	29.72%	13.94%	17.98%	31.29%
2000	17.22%	6.18%	-5.57%	-9.53%	4.98%
2001	4.59%	-13.94%	-6.41%	-11.33%	4.62%
2002	1.43%	-13.97%	-22.84%	-20.31%	-1.44%
2003	16.50%	24.28%	5.76%	9.93%	19.54%
2004	7.02%	12.48%	2.80%	6.85%	9.05%
2005	8.82%	21.90%	1.51%	6.45%	9.28%
2006	7.16%	14.52%	16.04%	20.90%	13.01%
2007	5.23%	7.16%	-9.80%	-6.32%	11.06%
2008	-20.40%	-35.03%	-23.08%	-27.15%	-17.25%
2009	11.85%	30.69%	9.17%	12.91%	20.35%
2010	12.48%	14.45%	8.89%	6.31%	11.02%

Performance Comparison: Canadian Hedge Funds vs. Major Indices



2.4. Correlation Matrices

Correlation (1 year)	Equally Weighted Average Canadian HF Return	S&P/TSX Composite Index	S&P 500 Total Return Index C\$	MSCI World Index (C\$)	HFRI Fund Weighted Composite Index
Equally Weighted Avg. Cdn. HF Return	1	0.746	0.857	0.824	0.896
S&P/TSX Composite Index	0.746	1	0.849	0.746	0.775
S&P 500 Total Return Index C\$	0.857	0.849	1	0.935	0.954
MSCI World Index (C\$)	0.824	0.746	0.935	1	0.948
HFRI Fund Weighted Composite Index	0.896	0.775	0.954	0.948	1

Correlation (2 year)	Equally Weighted Average Canadian HF Return	S&P/TSX Composite Index	S&P 500 Total Return Index C\$	MSCI World Index (C\$)	HFRI Fund Weighted Composite Index
Equally Weighted Avg. Cdn. HF Return	1	0.695	0.438	0.538	0.848
S&P/TSX Composite Index	0.695	1	0.550	0.619	0.851
S&P 500 Total Return Index C\$	0.438	0.550	1	0.951	0.488
MSCI World Index (C\$)	0.538	0.619	0.951	1	0.636
HFRI Fund Weighted Composite Index	0.848	0.851	0.488	0.636	1

Correlation (3 year)	Equally Weighted Avg. Cdn. HF Return	S&P/TSX Composite Index	S&P 500 Total Return Index C\$	MSCI World Index (C\$)	HFRI Fund Weighted Composite Index
Equally Weighted Avg. Cdn. HF Return	1	0.862	0.443	0.598	0.910
S&P/TSX Composite Index	0.862	1	0.609	0.723	0.914
S&P 500 Total Return Index C\$	0.443	0.609	1	0.945	0.538
MSCI World Index (C\$)	0.598	0.723	0.945	1	0.709
HFRI Fund Weighted Composite Index	0.910	0.914	0.538	0.709	1

Correlation (5 year)	Equally Weighted Avg. Cdn. HF Return	S&P/TSX Composite Index	S&P 500 Total Return Index C\$	MSCI World Index (C\$)	HFRI Fund Weighted Composite Index
Equally Weighted Avg. Cdn. HF Return	1	0.850	0.348	0.531	0.909
S&P/TSX Composite Index	0.850	1	0.536	0.664	0.906
S&P 500 Total Return Index C\$	0.348	0.536	1	0.942	0.449
MSCI World Index (C\$)	0.531	0.664	0.942	1	0.637
HFRI Fund Weighted Composite Index	0.909	0.906	0.449	0.637	1

3. Canadian Hedge Funds Introduced in the Last Quarter

Fund Name	Asset Size (\$MM)	1 month	3 month	YTD	% High Watermark	% Pos. Month	Start date
Blackheath Volatility Arbitrage Fund, LP	0.900	5.08	5.17	5.17	100.00	66.67	October 1, 2010
First Asset Can-60 Income Corp	256.062	3.97	-	5.39	100.00	100.00	October 19, 2010
Hillside Enhanced Income Fund Class A	2.689	0.62	-	-1.36	98.64	50.00	October 22, 2010
Hillside Enhanced Income Fund Class F	-	0.69	-	-1.23	98.77	50.00	October 22, 2010
Hillside Enhanced Income Fund Class I	-	-	-	-	-	-	October 22, 2010
Hillside Enhanced Income Fund Class Z	-	-	-	-	-	-	October 22, 2010
Lions Diversified Strategies Fund Series B (100)	-	-	-	-	-	-	October 27, 2010
Lions Diversified Strategies Fund Series B (200)	-	-	-	-	-	-	October 27, 2010
Lions Diversified Strategies Fund Series F (300)	-	-	-	-	-	-	October 27, 2010
KCS Great White North Fund Class O	-	1.83	-	1.83	100.00	100.00	October 29, 2010
BMO Asset Management Canadian Pure Alpha Fund	-	-	-	-	-	-	November 19, 2010
Man Canada AHL DP Investment Fund Class G	-	-	-	-	-	-	November 22, 2010
Man Canada AHL DP Investment Fund Class T	-	-	-	-	-	-	November 22, 2010
BMO Asset Management Canadian Long-Bond Alpha Fund	-	-	-	-	-	-	November 26, 2010
Exemplar Leaders Fund Class A	21.556	4.04	7.75	11.64	88.37	56.41	November 29, 2010
Exemplar Leaders Fund Class F	-	4.13	6.22	10.94	89.60	56.41	November 29, 2010
Absolute Return Fund Class D	-	-	-	-	-	-	November 30, 2010
Arrow East Coast Investment Grade Fund Class A	-	-	-	-	-	-	December 1, 2010
Arrow East Coast Investment Grade Fund Class F	-	-	-	-	-	-	December 1, 2010
HBP S&P 500 VIX Sht Term Futures Bull Plus Idx ETF	-	-	-	-	-	-	December 15, 2010
HBP S&P 500 VIX Sht Term Futures Index ETF	-	-	-	-	-	-	December 15, 2010
First Asset Canadian Advantaged Convertibles Fund	-	-	-	-	-	-	December 21, 2010
HBP S&P 500 Index (C\$ Hedged) ETF	-	-	-	-	-	-	December 22, 2010
Horizons Gold Yield Fund Class A	-	-	-	-	-	-	December 22, 2010

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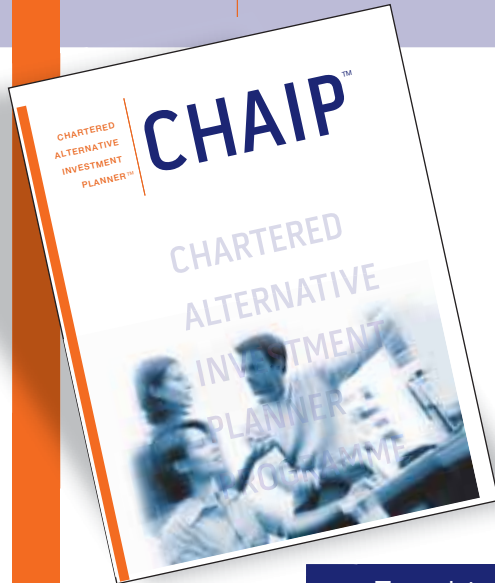


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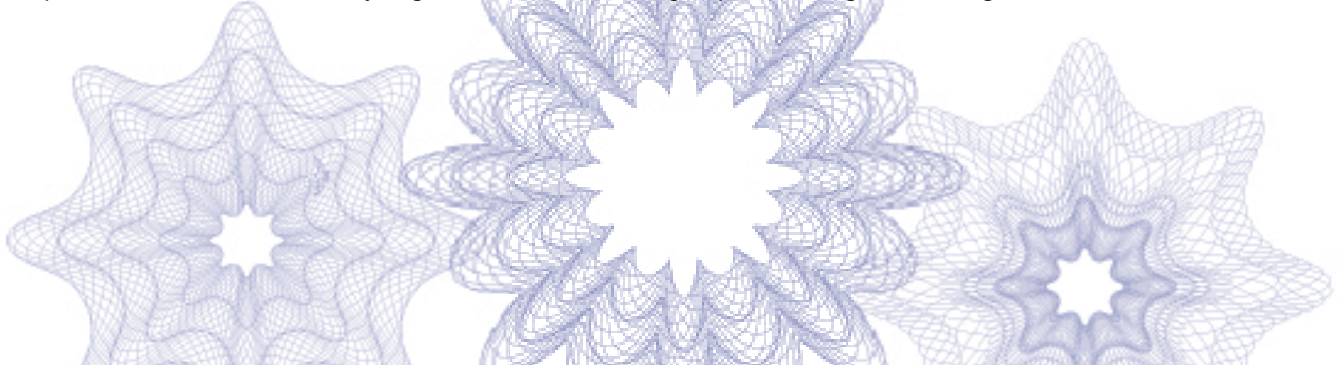
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- . CHW-HF Notes Index
- . CHW-FOHF Index

The composite index is the asset weighted CHW-HF Composite Index. The most prevalent Canadian hedge fund type is equity hedged as the majority of Canadian hedge funds are followers of the traditional equity long-short types of hedge funds. Most hedge funds exhibited negative performance in 2008 but many began to recover

lost ground in 2009. However, a number of hedge funds have taken a more defensive position in 2009 and the first half of 2010 by holding cash and taking short positions in the market. There have been a growing number of managed futures funds and real estate funds reporting as well.

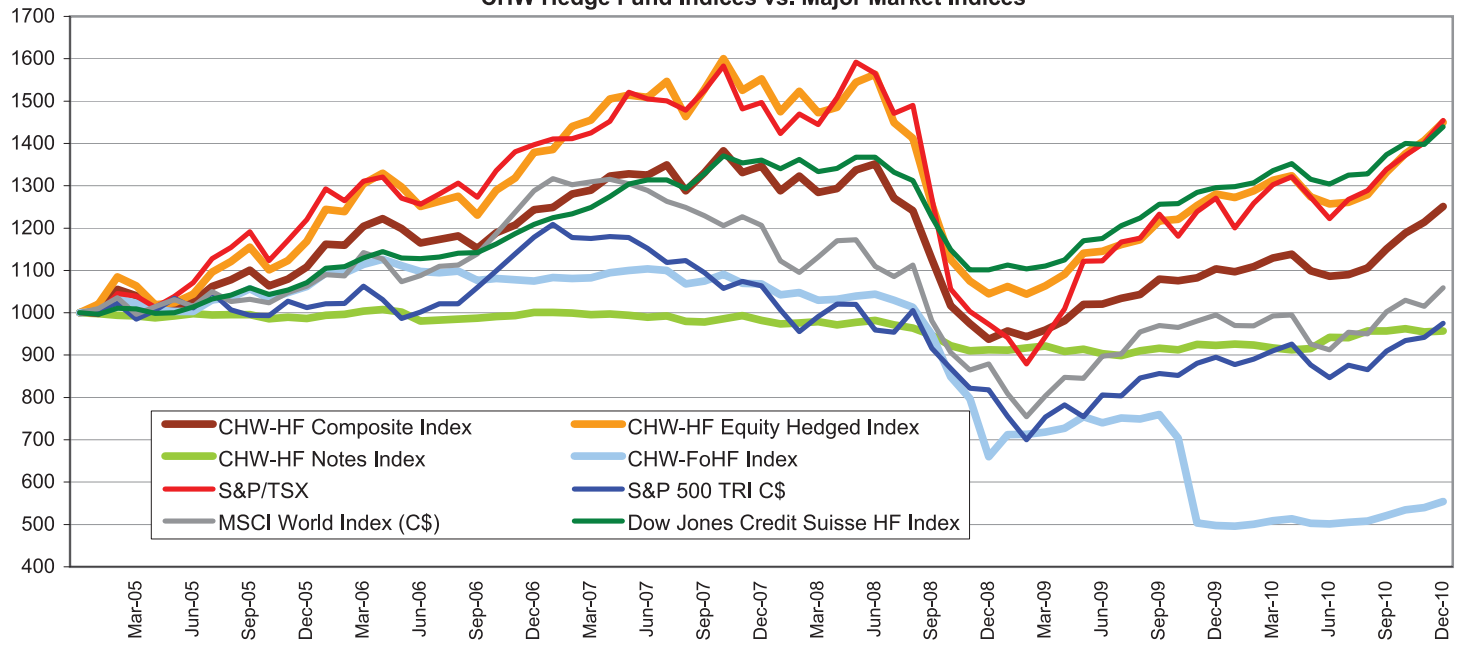
The CHW-HF Composite Index is up 6.59% in the last 12 months. Gains derive from the Equity Index of 9.44%. The loss from Fund of Funds contributed the negative 31.48% in the composite index due to six of the constituent funds in fund of funds index – Mac Alternative Strategies posted a large loss during the last 12 months.



Historical Monthly Returns

CHW INDICES		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Composite	2010	-0.61%	1.14%	1.82%	0.78%	-3.45%	-1.12%	0.31%	1.43%	4.08%	3.25%	2.20%	3.06%	13.41%
	2009	2.10%	-1.40%	1.66%	2.26%	3.92%	0.11%	1.31%	0.89%	3.47%	-0.33%	0.58%	1.95%	17.70%
	2008	-4.31%	2.65%	-2.88%	0.67%	3.42%	1.08%	-5.99%	-2.32%	-9.20%	-9.81%	-4.14%	-3.79%	-30.37%
	2007	0.45%	2.55%	0.68%	2.58%	0.42%	-0.26%	1.82%	-4.52%	3.34%	3.87%	-3.70%	1.14%	8.29%
	2006	4.86%	-0.21%	3.86%	1.49%	-1.89%	-2.81%	0.65%	0.73%	-2.51%	3.25%	1.54%	2.97%	12.23%
2005	1.23%	4.21%	-1.40%	-2.89%	0.36%	1.29%	3.40%	1.50%	2.12%	-3.38%	1.52%	2.63%	10.79%	
Equity	2010	-0.68%	1.23%	1.96%	0.78%	-3.74%	-1.33%	0.32%	1.45%	4.14%	3.28%	2.23%	3.10%	13.21%
	2009	1.67%	-1.68%	1.83%	2.61%	4.56%	0.37%	1.39%	0.97%	3.85%	0.33%	2.64%	2.19%	22.62%
	2008	-5.04%	3.30%	-3.32%	0.87%	3.98%	1.22%	-7.33%	-2.51%	-11.04%	-10.39%	-4.54%	-2.81%	-32.73%
	2007	0.53%	3.91%	1.04%	3.47%	0.57%	-0.32%	2.50%	-5.37%	4.41%	4.72%	-4.66%	1.78%	12.65%
	2006	6.44%	-0.38%	5.29%	1.93%	-2.48%	-3.53%	0.98%	0.92%	-3.46%	4.74%	2.28%	4.54%	17.95%
2005	2.05%	6.31%	-1.99%	-4.20%	0.50%	1.94%	5.02%	2.30%	2.99%	-4.59%	1.99%	4.01%	16.87%	
Notes	2010	0.31%	-0.25%	-0.74%	-0.54%	0.34%	2.92%	-0.08%	1.65%	0.03%	0.58%	-0.84%	0.28%	3.67%
	2009	-0.05%	0.57%	0.49%	-1.43%	0.64%	-1.21%	-0.49%	1.24%	0.67%	-0.40%	1.39%	-0.18%	1.22%
	2008	-0.82%	0.23%	0.26%	-0.75%	0.61%	0.47%	-1.07%	-0.76%	-1.76%	-2.57%	-1.32%	0.21%	-7.08%
	2007	-0.04%	-0.15%	-0.36%	0.13%	-0.31%	-0.46%	0.34%	-1.31%	-0.19%	0.83%	0.70%	-1.12%	-1.93%
	2006	0.83%	0.18%	0.77%	0.35%	-0.56%	-2.11%	0.21%	0.24%	0.26%	0.36%	0.27%	0.76%	1.53%
2005	-0.23%	-0.35%	-0.20%	-0.44%	0.51%	0.52%	-0.31%	0.09%	-0.03%	-1.02%	0.39%	-0.31%	-1.39%	
FoHF	2010	-0.34%	0.82%	1.78%	0.79%	-1.99%	-0.33%	0.72%	0.64%	2.44%	2.62%	1.07%	2.68%	11.36%
	2009	7.91%	0.11%	0.72%	1.35%	3.74%	-1.95%	1.58%	-0.30%	1.36%	-7.34%	-28.46%	-1.14%	-24.54%
	2008	-2.43%	0.51%	-1.74%	0.22%	0.74%	0.40%	-1.33%	-1.62%	-6.34%	-10.52%	-6.04%	-17.30%	-38.25%
	2007	0.74%	-0.22%	0.14%	1.11%	0.53%	0.31%	-0.35%	-2.85%	0.61%	1.49%	-1.96%	-0.11%	-0.65%
	2006	3.01%	-0.03%	1.88%	1.07%	-1.32%	-1.25%	-0.30%	0.37%	-2.02%	0.44%	-0.26%	-0.26%	1.24%
2005	0.25%	2.98%	-0.93%	-1.52%	-0.39%	-0.04%	2.74%	0.53%	1.97%	-2.17%	1.38%	1.37%	6.22%	

CHW Hedge Fund Indices vs. Major Market Indices



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Index Summary

CHW HEDGE FUND INDICES	Index Level	Assets Represented by the Index (\$MM)	3 mo.	6 mo.	YTD	1 year	Since Jan-05	Max. Draw down	% High Water mark	% Pos. Month	Ann. Std. Dev.	
											1 year	Jan-05
CHW-HF Composite Index	1251.35	3601.424	8.74%	15.16%	13.41%	13.41%	3.81%	-32.18%	85.94%	68.06%	7.01%	10.34%
CHW-HF Equity Hedged Idx.	1450.06	3473.548	8.85%	15.37%	13.21%	13.21%	6.39%	-34.75%	85.97%	69.44%	7.38%	12.52%
CHW-HF Notes Index	957.21	37.600	0.02%	1.61%	3.67%	3.67%	-0.73%	-10.79%	95.56%	50.00%	3.55%	2.95%
CHW-FoHF Index	554.41	90.276	6.50%	10.59%	11.36%	11.36%	-9.36%	-55.95%	47.43%	54.17%	4.97%	16.03%

MARKET INDICES	PERFORMANCE						Ann. Std. Dev.	
	1 mo.	3 mo.	6 mo.	YTD	1 year	Jan-05	1 year	Jan-05
CHW-HF Composite Index	3.06%	8.74%	15.16%	13.41%	13.41%	3.81%	7.01%	10.34%
S&P/TSX	3.79%	8.69%	19.03%	14.45%	14.45%	6.45%	12.24%	16.24%
S&P 500 TRI C\$	3.61%	7.31%	15.19%	9.00%	9.00%	-0.41%	10.86%	12.49%
MSCI World Index (C\$)	4.29%	5.67%	16.07%	6.42%	6.42%	0.96%	12.23%	12.70%
Dow Jones Credit Suisse HF Index	3.01%	4.80%	10.37%	11.07%	11.07%	6.26%	5.99%	6.78%

CORRELATION (since January, 2005)	CHW-HF Composite Index	S&P/TSX	S&P 500 TRI C\$	MSCI World Index (C\$)	Dow Jones Credit Suisse HF Index
CHW-HF Composite Index	1	0.852	0.315	0.505	0.903
S&P/TSX	0.852	1	0.504	0.648	0.857
S&P 500 TRI C\$	0.315	0.504	1	0.936	0.388
MSCI World Index (C\$)	0.505	0.648	0.936	1	0.576
Dow Jones Credit Suisse HF Index	0.903	0.857	0.388	0.576	1

Constituent Funds:

- | | | | |
|--|--|--|--|
| Arrow Canadian Income Fund | Arrow PMC Global Long/Short Fund | Northern Rivers Global Energy Fund LP | Picton Mahoney Global Market Neutral Eq. |
| Arrow Enhanced Income Fund | Arrow U.S. Equity Income Fund Class | Northern Rivers Innovation Fund LP | Picton Mahoney Long Short Equity Fund |
| Arrow Enso Global Fund | CI Global Opportunities Fund | Northern Rivers Innovation RSP Fund | Picton Mahoney Market Neutral Eq. Fund Cl. A |
| Arrow Focus Fund Class A2 | CWB Managed Futures Notes Series N-09 | ONE Financial MSCI Hedge Invest Idx Nts S1 | Sprott Bull/Bear RSP Fund |
| Arrow Focus Fund Class F2 | CWB Managed Futures Notes Series N-10 | ONE Financial MSCI Hedge Invest Idx Nts S2 | Sprott Hedge Fund L. P. |
| Arrow Focus Fund Class G2 | CWB Managed Futures Notes Series N-11A | ONE Financial Step-Over Bonds Series 1 | Sprott Hedge Fund L.P. II |
| Arrow Focus Fund Class U2 | CWB Managed Futures Notes Series N-11B | ONE Financial Step-Over Bonds Series 2 | Sprott Opportunities Hedge Fund |
| Arrow Global Long/Short Fund | CWB Managed Futures Notes Series N-12B | ONE Financial Step-Over Bonds Series 3 | Sprott Opportunities RSP Fund |
| Arrow Goodwood Fund | Dynamic Alpha Performance Fund | ONE PLI G7 Global Index Note Series 1 | TA3 - Campbell 'A' C\$ |
| Arrow High Yield Fund | Dynamic Contrarian Fund | ONE PLI G7 Global Index Note Series 2 | TA3 - Hedge Fund 'A' C\$ |
| Arrow JC Clark Opportunities Fund | Dynamic Income Opportunities Fund | ONE PLI Gold Note Series 1 | TA3 - Hybrid 'A' C\$ |
| Arrow Multi-Strategy Fund | Dynamic Power Emerging Markets Fund | ONE PLI Gold Note Series 2 | TA3 - Safeguard C\$ |
| Arrow Multi-Strategy Fund Class F | Dynamic Power Hedge Fund Class A | ONE PLIC Canadian Dividend Note Series 1 | The Friedberg Currency Fund |
| Arrow Multi-Strategy Fund Class G US Class F | Goodwood Fund | ONE PLIC Global Dividend Note Series 1 | Vertex Fund |
| Arrow Multi-Strategy Fund US | Hillsdale Canadian L/S Equity Fund Class A | | |
| Arrow Multi-Strategy Notes Series 1 | Hillsdale US Long/Short Equity Fund Cl. A US | | |
| Arrow Multi-Strategy Notes Series 2 | IA Multi-Strategy | | |
| Arrow Multi-Strategy Notes Series 3 | | | |
| Arrow Multi-Strategy Notes Series 4 | | | |
| Arrow Multi-Strategy Notes Series 5 | | | |
| Arrow Multi-Strategy Notes Series 6 | | | |
| Arrow Multi-Strategy Notes Series 7 (FE) | | | |
| Arrow Multi-Strategy Notes Series 8 (FE) | | | |

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