

# canadian hedgewatch

MONTHLY REVIEW OF HEDGE FUNDS & ALTERNATIVE INVESTING

FEBRUARY 2011 VOLUME 11 ISSUE 2

## THE BUSINESS OF RUNNING A HEDGE FUND

BEST PRACTICES FOR GETTING TO THE "GREEN ZONE"



- \* CANADA: CONTINUOUS DISCLOSURE: WHAT'S NEW FOR 2011?
- \* IN THE FACE OF CHANGE: THE MIGRATION FROM SAS 70
- \* WHERE HEDGEFUND MANAGERS THINK WE ARE IN THE GLOBAL RECOVERY



## Many hedge funds posted strong performance in January...

Many hedge funds posted strong performances in January, but losses in global-macro and trend-following strategies overshadowed overall gains in the industry. Political risk and inflation fears battered emerging-market debt, but riskier corporate and convertible debt in developed markets outperformed. Hedge funds concentrating in these markets as well as those that short longer-term treasuries profited.

The Dow Jones Credit Suisse Hedge Fund Index team recently released its 2010 Hedge Fund Industry Review. The report examined the drivers of hedge fund performance in 2010 and explored some of the noteworthy trends that have characterized the markets in recent months.

Some key conclusions from the report included:

- Hedge funds, as measured by the Dow Jones Credit Suisse Hedge Fund Index, were up 10.95% for 2010 after posting positive performance for seven out of 12 months
- On an asset-weighted basis, an estimated 81% of funds have surpassed previous high water marks as of December 31, 2010
- The industry saw an estimated USD \$8.5 billion in inflows for the fourth quarter, bringing overall inflows to \$22.6 billion for the year. This represents the largest annual inflows into the space since 2007
- The largest inflows in 2010 were seen in the Global Macro and Event Driven Sectors, up \$16.8 billion and \$13.9 billion respectively, while the largest outflows were seen in the Multi-Strategy sector which lost \$16.9 billion
- Including performance gains, current hedge fund industry assets under management (AUM) grew to \$1.7 trillion as of December 31, 2010, up from \$1.5 trillion on December 31, 2009
- Research of returns from January 1996 through December 2010, indicates that smaller hedge funds (less than \$100M AUM), have historically outperformed larger hedge funds (greater than \$500M AUM) by 3.95% annually

Coming in our March issue we will have a look at the new regulations under the Dodd-Frank Act and how they may force those starting hedge funds to choose between “friends and family” money rather than go after institutional capital. Under the new rules, a manager has to commit to building an infrastructure to support SEC registration in order to attract institutional money. Or choose to remain exempt from SEC registration by managing less than \$150 million during the first few years.

**Tony Sanfelice**, *President*  
Canadian Hedge Watch Inc.



## Performance Summary

	January 2011	YTD
<b>CHW HEDGE FUND INDICES (CHW-HF)</b>		
	%	%
CHW-HF Composite Index	-1.49	-1.49
CHW-HF Equity Hedged Index	-1.56	-1.56
CHW-HF Notes Index	1.70	1.70
CHW-FOHF Index	0.09	0.09
<b>Scotia Capital Canadian Hedge Fund Index</b>		
SC CDN HF Index Asset Weighted	-1.61	-1.61
SC CDN HF Index Equal Weighted	0.24	0.24
<b>CSFB/Tremont Hedge Indices</b>		
Dow Jones Credit Suisse Hedge Fund Index	0.69	0.69
Convertible Arbitrage	2.16	2.16
Dedicated Short Bias	-0.83	-0.83
Emerging Markets	-0.39	-0.39
Equity Market Neutral	1.79	1.79
Event Driven	1.80	1.80
Distressed	1.90	1.90
Event Driven Multi-Strategy	1.74	1.74
Risk Arbitrage	0.89	0.89
Fixed Income Arbitrage	1.68	1.68
Global Macro	-0.77	-0.77
Long/Short Equity	0.27	0.27
Managed Futures	-0.82	-0.82
Multi-Strategy	1.98	1.98
<b>GLOBAL HEDGE FUND INDICES</b>		
Hennessee Hedge Fund Index	0.65	0.65
HFRI Fund Weighted Composite Index	0.45	0.45
HFRI Equity Market Neutral Index	0.76	0.76
HFRI Fund of Funds Composite Index	0.10	0.10
<b>MARKET INDICES</b>		
MSCI World Index (C\$)	2.94	2.94
MSCI World Index (US\$)	2.28	2.28
MSCI Emerg Markets Free Index (C\$)	-2.07	-2.07
Dow Jones 30 Industrial Average (US\$)	2.72	2.72
NASDAQ Composite Index (C\$)	2.43	2.43
NASDAQ Composite Index (US\$)	1.78	1.78
S&P 500 Total Return Index (C\$)	3.03	3.03
S&P 500 Total Return Index (US\$)	2.37	2.37
S&P/TSX Composite Index Total Return	0.81	0.81

**The Business of Running a Hedge Fund** **2**  
Daniel Dorenbusch, Merlin Securities

**Canada: Continuous Disclosure: What's New for 2011?** **6**  
Paul G. Findlay / David Surat, Borden Ladner Gervais

**In the Face of Change: The Migration from SAS 70** **12**  
Philip Niles, Butterfield Fulcrum

**Here's Where Hedge Fund Managers Think We Are In The Global Recovery** **14**  
Business Insider, Clusterstock

**Hedge Fund Performance Tables** **16**

**2010/11 Calendar of Events** **23**

**February HF Snapshot - MAN AHL DP Fund** **26**

**Around The Hedge** **28**

**Disclaimer**

Canadian Hedge Watch (CHW) presents news, information and data on both Canadian and Global alternative investment activity. The information presented is not to be taken as an endorsement, investment advice or a promotion for the organizations and individuals whose material and information appears in this CHW publication or on the Canadian Hedge Watch website.

The material presented, separate from paid advertisements, is for the sole purpose of providing industry-specific information. As with all areas of financial investing, CHW recommends strongly that readers should exercise due diligence by consulting with their investment advisor or other trusted financial professional before taking any action based upon the information presented within these pages.

**Contact Information**

**Canadian Hedge Watch Inc.**

20 Toronto St., Suite 820, Toronto, Ontario M5C 2B8

tel: 416.848.0277 ext. 2225 fax: 416.848.0278

toll free: 1.877.249.9249

Editorial, Media & Advertising: [krotowski@canadianhedgewatch.com](mailto:krotowski@canadianhedgewatch.com)

Subscriptions: [subscription@canadianhedgewatch.com](mailto:subscription@canadianhedgewatch.com)

**Canadian Hedge Watch** is published 11 times per year by **Canadian Hedge Watch Inc.** We welcome articles, suggestions and comments from our readers. All submissions become the property of Canadian Hedge Watch Inc., which reserves the right to exercise editorial control in accordance with its policies and educational goals.

# The Business of Running a Hedge Fund



Best Practices  
for Getting to the  
“Green Zone”



Daniel Dorenbush  
Partner  
Merlin Securities

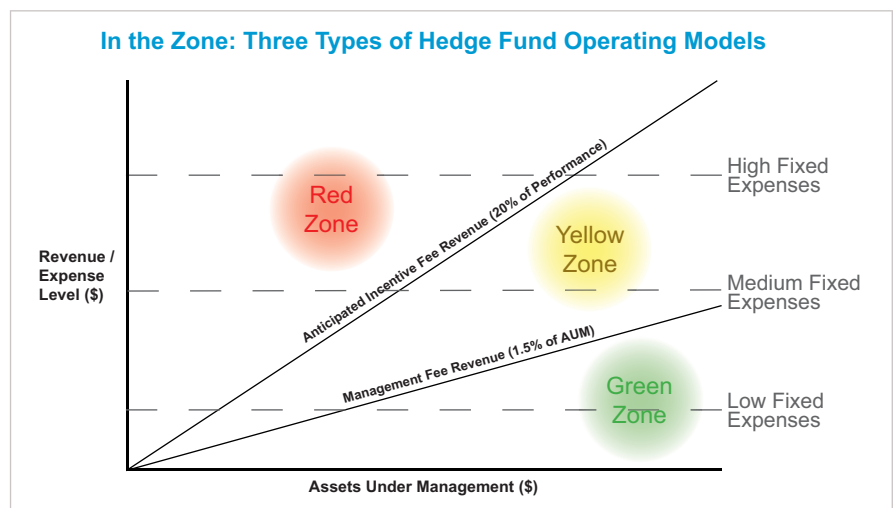
Chief Executive Officer  
Merlin Canada Ltd.

**MERLIN**

## Executive Summary

2010 was a transformative year for the hedge fund industry and served as a strong reminder that managing money is not the same as running a business. The significant number of small, mid-size and large fund closures already in 2011 provides continuing evidence of the material, multifaceted challenges facing operators of hedge fund businesses. Managers who understand the distinction between managing money and running a business and who execute both effectively are best positioned to maintain a sustainable and prosperous business – to achieve not only investment alpha, but also enterprise alpha.

This paper examines the hedge fund business model and is based on our observations and numerous conversations with hedge fund managers, investors and industry experts. Our goal is to share the best practices we have witnessed among “green zone” hedge funds that are well positioned for sustainability across a variety of economic and market conditions.



Most hedge fund managers would agree: given the broader market environment and the specific challenges facing the industry, 2010 was a difficult year. In fact, the past few years have tested the industry in unprecedented ways. The industry, by and large, has passed that test, and there are a wealth of excellent funds operating today that are poised for growth.



Managers are more focused than ever on designing their business models to thrive under a wide range of market scenarios. While performance and AUM growth are still important levers in the hedge fund business model, they are no longer foregone conclusions and are not wholly controlled by the hedge fund manager. Expenses are the only lever the manager can reliably control.

While there is no one-size-fits-all business model for hedge funds, there are several consistent elements and best practices we have witnessed among well-managed funds with staying power.

As a starting point, the diagram below highlights the basic revenue and expense scenarios that describe three types of hedge fund operating models: red zone, yellow zone and green zone.

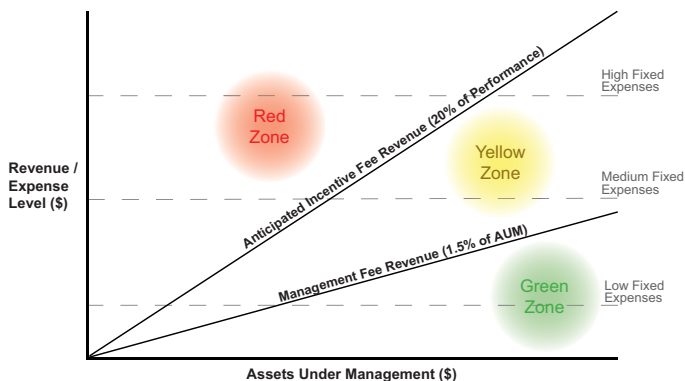
**THE BIG FIVE HEDGE FUND EXPENSES**

Where do hedge funds allocate most of their spending? The answer to that question also explains where funds can find opportunities to lower their expenses.

- 1 **People and HR**
- 2 **Office space**
- 3 **Technology**
- 4 **Manual processes**
- 5 **Third-party providers (e.g., order management systems, risk, aggregation, analytics for investors, allocation tools)**

**In The Zone: Three Types Of Hedge Fund Operating Models**

The two most important levers for a hedge fund's basic business model are its fees and its fixed expenses. The green zone below represents funds that keep their fixed expenses lower than their management fee revenue. Such funds have a margin of safety built into their model and can withstand difficult market environments. Yellow zone funds, which spend more than their management fee but less than their realistic performance fee expectations, require some degree of positive performance revenue to stay profitable. Funds in the red zone may be forced to take drastic, unplanned actions during soft-performing years.



A fund operating in the red zone is dependent on outsized performance to cover its expenses; a fund in the yellow zone requires minimal performance; and a green zone fund can sustain itself when its performance is lower than expected, nonexistent or even negative. Funds that structure their business model to operate in the green zone are better positioned to navigate through downturns and therefore have higher survival rates over the long term.

The remainder of this article examines hedge fund revenue inputs, expenses and business model considerations. We discuss the importance of identifying a fund's breakeven point (i.e., the point at which revenues cover expenses) and seek to isolate several practices that have helped funds operate in, or closer to, the green zone.

**The Hedge Fund Revenue Mix**

Hedge funds have two revenue inputs: the management fee, which is a fixed percentage of assets under management (AUM), and the performance fee, which is a percentage of positive performance. Incentive fees are what lure the most talented financial professionals to join the hedge fund industry, and they offer tremendous upside. It's the management fee, however, that keeps people alive in this industry. While tempting, it is risky to build a business around the hope of large incentive fees rather than the guarantee of management fees.

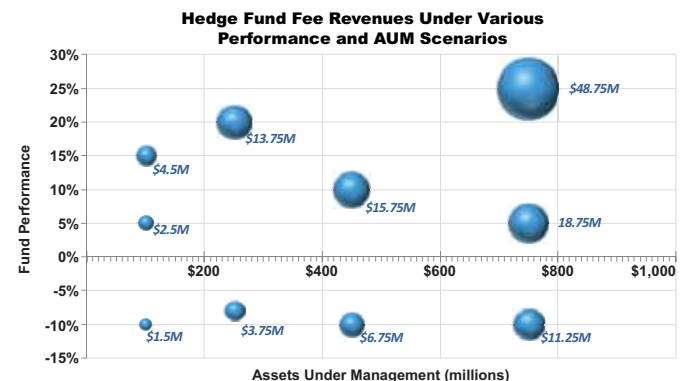
To better understand the relationship of these revenue inputs, consider some basic scenarios. Based on a 1.5% management fee and 20% incentive fee,<sup>1</sup> a fund with no returns is 100% dependant on its management fee. A fund with gross returns of 5% gets 60% of its revenue from management fees. In order to derive more than 50% of its revenues from performance fees, a fund needs to generate returns of at least 7.5%. Refer to the chart below for a map of hedge fund revenues based on a variety of asset and performance levels.

Putting some real numbers around this provides more color. A fund with \$200 million in AUM and zero or negative performance would generate revenue of \$3 million. A return of 5% bumps the total revenue up to \$5 million. With a 7.5% return, the fund's revenues are \$6 million: \$3 million from the management fee and \$3 million from the performance fee. Beyond the 7.5% performance mark, the incentive fee becomes the primary revenue contributor.

The performance fee effect is what makes the hedge fund model so appealing and unique. Whereas traditional asset management models derive revenues almost exclusively based on assets, a hedge fund's revenues include performance incentives, thereby better aligning the interests of the manager and the investor. If the \$200 million AUM fund mentioned above delivers a 25% return, the manager's revenue is \$13 million – more than double what the manager would receive for a very healthy 7.5% return. By comparison, a similarly sized mutual fund would earn roughly \$3 million in management fees. This distinction drives our industry. (The chart on page 5 provides an additional visual of how performance fees contribute to the revenue mix.)

**The AUM / Performance Map**

What level of assets does a fund require to support its expenses? Where does performance need to be? The chart below depicts both sides of the revenue map: AUM and performance, including negative performance.



<sup>1</sup> For consistency, this paper uses the "1.5 and 20" fee structure throughout.

continued on page 4 >>>

Looking more closely at the revenue inputs, two clear concepts emerge regarding the hedge fund business model. First, because hedge funds can be opportunistic with how they invest, both the manager and investor stand to benefit tremendously when the manager performs well. Second, there is only one consistently reliable revenue input for funds: the management fee. Not surprisingly, the managers we work with who are most sustainability-minded think of their revenues in terms of their management fee alone.

In fact, we recommend that a conservative place to start with the hedge fund business model is to base revenue expectations on management fees alone. This provides both the fund and its investors with a margin of safety. Even during periods of low or no returns, a conservatively modeled fund can sustain, adapt and emerge.

### Determining The Breakeven Point

When companies calculate their breakeven points, they often come at it from the perspective of how much revenue they require to cover their expenses: “If we don’t sell \$2 million worth of widgets this year, we’ll face a shortfall and we’ll need to downsize.” Similarly, a hedge fund manager may ask: “What level of assets and performance do I need to cover my expenses?”

However, the hedge fund business model allows for a different approach. Since hedge funds have a fixed revenue stream – their management fee – and since they know their current level of AUM, they can work out their breakeven point from the other direction: “What level of expenses can I support with my fixed revenue?” Referring to the business model graphic on page 3, a fund can approach its breakeven point by pegging its expenses to the point on the graph where its management fee intersects with its AUM level.

The \$200 million AUM fund described earlier could therefore base its annual revenue projections around its \$3 million management fee (i.e., 1.5% of AUM) and set its expense caps accordingly. During a strong-performing year the fund will run with a surplus which, like other businesses, it can use for capital expenditures, incentive bonuses, cash reserves and so forth.

A start-up fund can apply the same principal based on realistic AUM assumptions. (For most funds, “realistic” start-up capital consists of investments by partners, friends and family.) A fund with \$20 million in start-up capital and a 1.5 and 20 arrangement could base its expense considerations on \$300,000 of annual fixed revenue – a considerably lower amount than in the previous example.

It’s also important for managers of start-up funds to understand the numerous expenses associated with operating a hedge fund. As an example, many funds – like the \$20 million fund described above – cannot afford a non-bundled third-party vendor’s order management system (OMS), risk management product, aggregation service, trade allocation module and attribution tools. Once a fund understands its expenses, it can determine exactly the asset level and performance combination necessary to cover those expenses and have an adequate profit.

For a prospective start-up fund, this analysis will determine whether the business plan is realistic or needs refinement before it launches (i.e., either the fund will need to raise more launch capital or lower its fixed expenses). For an established fund, this analysis determines whether it is operating in the red, yellow or green zone.

### Getting To The Green Zone

It’s important to understand why some funds target operating in the green zone, and why other funds may intentionally operate in the yellow or red zones. The green zone calculus is simple: when a fund maintains fixed expenses that are lower than its fixed revenues, it operates with a margin of safety. In a green zone fund, both the fund and its investors have a reasonable cushion to ride out difficult periods of low or no performance, and the fund operates with less business risk.

In other cases, a manager may wish to operate in the yellow or even red zone, relying on performance to cover any expenses that are above and beyond its fixed revenue. This is particularly true among start-up hedge funds, which – like other start-up companies – require initial investments and operate with a higher burn rate. Additionally, any fund that is significantly building out its infrastructure may operate with higher relative fixed expenses, even if just for a short period of time.

We advocate that both new and established funds constantly work toward getting to the green zone. This is key to managing a sustainable fund.

Distinct from raising AUM, delivering strong performance or changing the management fee structure, the only lever that managers have complete control over is fixed expenses. Using this lever and reducing expenses will enable funds to get to the green zone. Looking at the breakeven analysis from a different perspective, reducing fixed expenses has a multiplier effect on the level of assets required for a fund to break even.

For instance, based on the pure management fee model described above, a fund with a 1.5% management fee and fixed expenses of \$600,000 would break even at \$40 million in AUM. By decreasing fixed expenses by \$60,000, or 10%, the fund’s breakeven AUM drops by \$4 million to \$36 million. Stated differently, \$15,000 in fixed expenses equates to \$1 million in AUM.

In some cases, reducing fixed expenses may mean cutting excess and non-core spending across the board – including measures such as reducing headcount, taking smaller space and cutting budgets by a prescribed percentage in each area. Sometimes such draconian measures are necessary – e.g., for a prospective start-up fund which is budgeting \$25,000 in expenses per million dollars of AUM, or for a fund whose AUM has decreased significantly. Very often, however, funds can get closer to the green zone by shifting some of their expenses from fixed to variable and by moving the burden of expenses to the shoulders of a third-party service provider.

Like many businesses, hedge funds have to make difficult decisions about which tasks they should perform in-house and which they should outsource. Third-party service providers are available to do nearly all of a fund’s activities outside of making investment decisions. Our observation is that funds typically prefer to do as much of their work in-house as is possible. As a result, they tend to build up significant fixed costs.

Some hedge funds are concerned that reliance on a third-party will increase risk or lead to an operational or compliance failure. Many emerging managers come from larger funds and have therefore never developed relationships – or negotiated contracts – with third-party vendors. They believe that if they don’t do it themselves in-house it won’t get done correctly. This may have been correct in the past with certain functions, like fund administration, but that’s no longer the case today.

Hedge funds rely on the economies of scale available through third-party providers all the time. They don’t borrow stock directly; they leverage the scale of their prime broker. They don’t issue commercial paper directly to finance long positions; they leverage the banks. Similar opportunities exist across a wide range of fund activities, from trading and technology, to human resource support, to risk management and reporting.

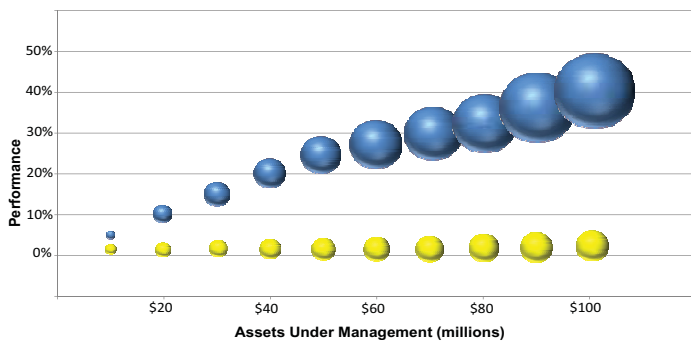
By moving the burden of high-expense activities from their own P&L to a service provider, hedge funds can reduce their fixed expenses. The resulting model is leaner and more effective, and it can be scaled up or down with greater ease depending on the fund's performance, assets and business needs. As a fund grows, for instance, it may require more back office support, but if the fund's growth levels off, some of that support will no longer be necessary.

By leveraging third-party providers, the fund stays nimble and is able to ramp up its productivity without adding significant new recurring expenses in the form of compensation, space, technology and so forth.

In this way, outsourcing not only affects expenses, it also gives funds added adaptability. One of the hallmarks of funds that have successfully navigated difficult periods is that they were positioned for the negative environment before it happened, and they were able to adapt quickly to their new reality.

**The Hedge Fund Model At Work:  
Performance Fee vs. Management Fee Growth**

As a fund increases its assets, its management fee income (yellow) steadily ramps up. When performance fees (blue) are included, the revenue growth can be remarkable. The performance fee growth line is a simple representation of the inherent power of the hedge fund model and helps explain why talented investment managers gravitate toward hedge funds.



**Conclusion**

The hedge fund industry has literally reshaped the investment landscape for talented managers and for qualified investors – not only because hedge funds provide greater flexibility in investment decisions, but also because of the business model itself, which aligns managers and investors and provides excellent incentives for strong performance. In the post-crisis environment, managers are increasingly focused not only on their investment performance, but also on their business models. Whereas pre-crisis the top hedge funds were dedicated to performance alpha, post-crisis the top funds also seek enterprise alpha. \*

*Daniel Dorenbusch, is a Partner at Merlin Securities and Chief Executive Officer of Merlin Canada Ltd. Prior to Merlin, Daniel was a Managing Director at RBC Capital Markets. He has a MBA in Finance from McGill University, an Honors Degree in Economics from the University of Toronto and is a CFA Charterholder.*

# GAIMOps Cayman

May 1-4, 2011  
Ritz-Carlton  
Grand Cayman

**World Class Alternative Investment Operational Due Diligence,  
Risk Management and Compliance**

Hear first hand testimony from the world's leading investors on how they are identifying and managing operational risk in response to changing industry trends.

Event Partners:



In Support Of:  & 

[www.gaimopscayman.com](http://www.gaimopscayman.com)

# Canada: Continuous Disclosure: What's New for 2011?



What has changed  
to the continuous  
disclosure  
requirements for  
Canadian public  
companies.



**Paul G. Findlay**  
Partner  
Borden Ladner Gervais



**David Surat**  
Counsel  
Borden Ladner Gervais

## Overview

Each year we are asked what has changed to the continuous disclosure requirements for Canadian public companies. The purpose of this Bulletin is to answer that question. We should, however, warn those officers of reporting issuers responsible for continuous disclosure matters that they should not just update last year's continuous disclosure documents. You should always refer to the source of the obligations to ensure that you are complying with all of the requirements. For example, changes to the circumstances of a reporting issuer could give rise to the obligation to respond to an item of required disclosure that was inapplicable last year.

The major change that will affect continuous disclosure obligations for Canadian reporting issuers this year is the changeover to International Financial Reporting Standards (IFRS) for financial years commencing on or after January 1, 2011. This change has several indirect effects, such as on the CEO and CFO certificates and disclosure in MD&A.

The Canadian Securities Administrators (the CSA) has in the past year reported on its reviews of certain continuous disclosure obligations. Although these reports do not change the continuous disclosure requirements, they do elaborate on the expectations of the regulators and/or the interpretation of the requirements. Reporting issuers would be prudent to review these reports prior to preparing the relevant continuous disclosure documents.

Issuers in the oil and gas industries should also note that amendments to National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* came into effect on December 30, 2010.

## Financial Statements

The most significant change to the continuous disclosure obligations for 2011 is the changeover from Canadian GAAP to IFRS for financial years commencing on or after January 1, 2011 (although this changeover has been deferred one year for investment funds and certain rate-regulated entities). The CSA has amended the financial statement requirements and made consequential amendments to other rules in order to reflect the transition to IFRS.



## Deadline for First IFRS Interim Financial Report

A 30-day extension to the filing deadline for the first IFRS interim financial report has been provided in recognition that the preparation of the first IFRS statements may take longer than normal. Accordingly a non-venture issuer with a December 31 fiscal year-end will have until June 14, 2011 to file its first IFRS interim report and a venture issuer will have until June 29, 2011.

## Amendments to the Financial Statement Requirements

The CICA Handbook has been amended to incorporate IFRS as "Canadian GAAP for publicly accountable enterprises". The financial statement requirements in National Instrument 51-102 *Continuous Disclosure Obligations* and National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* have been amended to accommodate the transition to IFRS, with specific requirements applicable to financial years beginning on or after January 1, 2011.

Under the amended requirements:

- an issuer is required to provide an opening IFRS statement of financial position in its first IFRS interim financial report and first IFRS financial statements;
- in certain instances, where an issuer applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements, it must provide a statement of financial position as at the beginning of the earliest comparative period;
- interim financial statements require only a statement of cash flows for the year to date period and the corresponding comparative period (cash flow statements for the three month period ending on the last day of the interim period and the corresponding comparative interim period are no longer required);
- additional disclosure is required for the statement of comprehensive income based on the presentation options available under IFRS;
- the GAAP requirements for financial statements used to apply the significance tests and the adjustments required for pro forma financial statements for significant acquisitions have been modified;
- an SEC issuer that previously used Canadian GAAP and changed to US GAAP is no longer required to reconcile its financial statements to Canadian GAAP for two years.

Ontario Securities Commission *Issuer Guide Top 10 Tips for Public Companies Filing their First IFRS Interim Financial Report* (available at [www.osc.gov.on.ca/documents/en/Companies/ifrs\\_20101124\\_issuer-guide.pdf](http://www.osc.gov.on.ca/documents/en/Companies/ifrs_20101124_issuer-guide.pdf)), provides guidance on the application of the new financial requirements to the first interim report.

## Non-GAAP Financial Measures

On November 9, 2010 the CSA published revised CSA Staff Notice 52-306 *Non-GAAP Financial Measures and Additional GAAP Measures*, (available at [www.osc.gov.on.ca/en/SecuritiesLaw\\_csa\\_20101109\\_52-306\\_non-gaap.htm](http://www.osc.gov.on.ca/en/SecuritiesLaw_csa_20101109_52-306_non-gaap.htm)), which has been amended to address the disclosure of financial measures in an IFRS environment. This notice clarifies that additional disclosure required to comply with IFRS and alternative disclosure permitted under IFRS will not be regarded as non-GAAP financial measures. The types of disclosure that are now permitted include:

- additional line items, headings and subtotals when such presentation is relevant to an understanding of an entity's financial position and performance;
- note disclosure that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them; and
- alternative financial measures, such as alternative earnings per share, if certain conditions are met.

## Common Financial Statement Deficiencies

The CSA has identified several areas of common deficiencies based on the results of their continuous disclosure reviews. CSA Staff Notice 51-332 *Continuous Disclosure Review Program Activities for the fiscal year ended March 31, 2010* (the CD Review Notice), (available at [www.osc.gov.on.ca/documents/en/Securities-Category5/csa\\_20100709\\_51-332\\_cd-review.pdf](http://www.osc.gov.on.ca/documents/en/Securities-Category5/csa_20100709_51-332_cd-review.pdf)), indicates the following as common financial statement deficiencies:

- **Financial instruments** – Incorrect measurement and failure to disclose
  - methods and assumptions for fair value determinations,
  - credit and liquidity risks,
  - aging analysis of past due accounts receivable, and
  - sensitivity analysis related to market risk.
- **Revenue recognition** – Policy disclosure should be clear and concise regarding triggers for recognition and the basis for revenue for each product or service, including credit terms, rights of return or conditions.
- **Goodwill** – Inadequate disclosure of the methodology and assumptions for impairment testing.
- **Capital disclosure** – Insufficient to enable investors to evaluate the objectives, policies and processes for managing capital and failure to provide summary quantitative data regarding what is managed as capital.

## Going Concern Disclosure

Staff of the Ontario Securities Commission recently conducted a review of the disclosure of 105 issuers regarding the going concern assumption. The results of this review are summarized in OSC Staff Notice 52-719 *Going Concern Disclosure Review* (the Going Concern Notice), (available at [www.osc.gov.on.ca/en/SecuritiesLaw\\_sn\\_20101214\\_52-719\\_improve-disclosure.htm](http://www.osc.gov.on.ca/en/SecuritiesLaw_sn_20101214_52-719_improve-disclosure.htm)). An issuer's financial statements must include disclosure of the material uncertainties related to events or conditions identified by management's assessment that may cast significant doubt on an issuer's ability to continue as a going concern.

OSC staff reviewed the disclosure of issuers with indications of financial difficulty that had no going concern disclosure. They were generally satisfied with management's assessment that there was no going concern risk that required disclosure. Unusual or one-time charges, forecasts and improvements in operations or changes in circumstances were generally cited to justify the conclusion that there were no material uncertainties creating a going concern risk.

Issuers that did include going concern disclosure generally disclosed material uncertainties, but often failed to explicitly differentiate in the notes to their financial statements the material uncertainties that may cast significant doubt upon the issuer's ability to continue as a going concern from those that did not.

## Environmental Liabilities

CSA Staff Notice 51-333 *Environmental Reporting Guidance* (the Environmental Notice), (available at [www.osc.gov.on.ca/documents/en/Securities-Category5/csa\\_20101027\\_51-333\\_environmental-reporting.pdf](http://www.osc.gov.on.ca/documents/en/Securities-Category5/csa_20101027_51-333_environmental-reporting.pdf)), provides guidance regarding disclosure of environmental liabilities and some key differences between Canadian GAAP and IFRS that may impact the financial reporting of environmental-related liabilities.

## Chief Executive Officer and Chief Financial Officer Certification

### Transition to IFRS

Certifying officers for issuers with a calendar year-end will be required to certify the first IFRS interim financial report and related MD&A for the period ending March 31, 2011. The forms for certification have been changed to reflect IFRS terminology, so officers cannot simply use last year's forms. No substantive changes have been made to the certification requirements. However, the transition to IFRS from Canadian GAAP may have a material impact on an issuer's internal controls over financial reporting (ICFR) and disclosure controls and procedures (DC&P). Accordingly, these changes may impact the certification process.

### Common Certification Deficiencies

CSA Staff Notice 52-327 *Certification Compliance Update* (the Certification Notice), (available at [www.osc.gov.on.ca/documents/en/Securities-Category5/csa\\_20101015\\_52-327-cert-comp-update.pdf](http://www.osc.gov.on.ca/documents/en/Securities-Category5/csa_20101015_52-327-cert-comp-update.pdf)), summarizes the results of the CSA's follow-up review of compliance with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*. While CSA staff found moderate levels of improvement in compliance, they suggest that further focus on certification by issuers is warranted. The Certification Notice includes examples of disclosure and identifies common areas of non-compliance, including the following:

- **Form of certificates** – CSA staff noted that some issuers modified the form of the prescribed certificates. Issuers are required to include the exact wording of the certificates without modifying the content or sequence of the paragraphs. Paragraphs that are not applicable should be noted as such rather than omitted.
- **Dates of certificates** – Certificates must be dated the date that they are filed. If an AIF is filed after financial statements and MD&A, the certificates must be filed concurrently with the AIF. The reference date for disclosure of changes in ICFR in paragraph 7 of the annual certificate must refer to the date immediately following the end of the period covered by the issuer's most recent interim filing.

## Managements Discussion And Analysis

### Transition to IFRS

MD&A will be significantly affected by the change to IFRS, since it requires a discussion of financial reporting and accounting judgments. However, the changes to the MD&A form are primarily limited to updating the terminology to reflect the terms used under IFRS.

The CSA has indicated in CSA Staff Notice 52-320 *Disclosure of Expected Changes in Accounting Policies Relating to Change over to International Financial Reporting Standards*, (available at [www.iasplus.com/ca/0805csadisclosure.pdf](http://www.iasplus.com/ca/0805csadisclosure.pdf)), that the annual 2010 MD&A for issuers transitioning to IFRS should clearly communicate the potential impact of the transition. Detailed disclosure of the changeover plan and information about key decisions on policy choices under IFRS is expected.

Disclosure of expected changes in accounting policies should include a discussion of the expected effect on the issuer's financial statements, including quantitative impacts.

### Post-IFRS Transition MD&A Disclosure

The MD&A filed in the first interim period after the transition to IFRS should include a detailed discussion of the transition from management's point of view, including:

- the impact of significant accounting policy choices and the selection of IFRS elections and exemptions used by the issuer;

- changes that result from IFRS requirements that differ from Canadian GAAP; and
- whether reported changes in financial performance relate to the adoption of different accounting standards or relate to a change in the issuer's business.

Form 51-102F1 *Management's Discussion & Analysis* requires the presentation of information that predates the IFRS transition year, such as the requirement to include financial information for the eight most recently completed quarters. Accordingly, information will have to be presented in mixed GAAPs in some situations. Issuers should clearly identify the basis of presentation of all information to avoid investor confusion and focus the discussion of mixed GAAP information on the important trends and risks that have affected the business during these periods, rather than the change in accounting policies.

### ICFR and DC&P Disclosure

National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* requires MD&A disclosure regarding DC&P and ICFR. The Certification Notice identifies the following common deficiencies regarding these requirements:

- **Transition to IFRS** – The transition to IFRS may have a material impact on an issuer's ICFR and DC&P due to changes in accounting policies and financial disclosure reporting requirements. Any changes that are likely to materially affect ICFR must be disclosed in the period in which the change first impacts the reliability of financial reporting and the preparation of the issuer's financial statements.
- **Conclusions on the effectiveness of ICFR and DC&P** – Non-venture issuers are required to include in annual MD&A the certifying officers' conclusions regarding the effectiveness of the issuer's ICFR and DC&P.
  - The conclusions should not be qualified and must extend to all ICFR and DC&P, without limitation.
  - If an issuer has a material weakness in ICFR or a weakness that is significant in DC&P, the certifying officer cannot conclude that the issuer's ICFR and DC&P are effective.
- **Disclosure regarding material weaknesses.**
  - If financial statements have been refiled, issuers should consider if the misstatement in the financial statements was due to a material weakness in ICFR and reflect this in the MD&A disclosure, including conclusions regarding effectiveness and material changes to ICFR.
  - Material weaknesses must continue to be disclosed in MD&A until they are remediated.
  - Changes made to ICFR to remedy a material weakness must be disclosed in MD&A.
- **Voluntary disclosure about ICFR and DC&P by venture issuers** – If a venture issuer elects to discuss ICFR and DC&P in its MD&A, but files a basic certificate, it should include cautionary language to avoid conflicting with the "Note to Reader" included in Form 52-109FV1 and Form 52-109FV2. Venture issuers that choose to comply with the requirements applicable to non-venture issuers may consider filing full certificates on a voluntary basis.

### Common MD&A Deficiencies Identified by CSA

The CD Review Notice identifies several areas of common weakness in MD&A disclosure:

- **Operations** – Lack of meaningful analysis of operating results, financial condition and liquidity and failure to provide quantitative and qualitative explanations of material movements in the income statement to assist investors to determine whether past performance is indicative of future performance.

continued on page 10 >>>



# Man AHL DP Fund

**Bull or Bear? | Why worry!**



Introducing Man AHL DP Fund, a proven trend following investment strategy that aims to deliver strong returns during both bull and bear markets

Weekly liquidity

Exposure to over 150 instruments

Available for non-accredited investors

For more information, consult your financial advisor or visit [www.maninvestments.com/ahldpfund](http://www.maninvestments.com/ahldpfund)

'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.

- **Working capital deficiency** – Failure to discuss the ability to meet obligations as they become due and plans to remedy the deficiency.
- **Risks** – Failure to disclose material risks and uncertainties including the effects of current economic conditions.
- **Related party transactions** – Failure to disclose quantitative and qualitative aspects to allow investors to understand the economic substance and business purpose of the transaction.
- **Critical accounting estimates** – Failure to discuss the methodology and assumptions to allow investors to evaluate the significance of the estimates.

In addition, in the Going Concern Notice, OSC staff found the following common areas of weakness in MD&A disclosure for issuers that identified a going concern risk:

- risks and uncertainties resulting from the doubt that the issuer would be able to continue as a going concern;
- impact of the going concern risk on the issuer's financial condition;
- impact of the going concern risk on the issuer's liquidity requirements, including mitigating factors and plans.

### Environmental Disclosure

The Environmental Notice provides guidance to issuers regarding disclosure of environmental matters that are material to an issuer. In relation to MD&A, the CSA suggest that issuers consider whether environmental matters should be disclosed as (i) material information that may not be fully reflected in the financial statements, such as contingent liabilities or other contractual obligations, and (ii) important trends and risks that have affected the financial statements, and trends and risks that are reasonably likely to affect them in the future. The Environmental Notice provides examples of questions that reporting issuers should consider and liabilities that should be disclosed.

## Information Circular

### Corporate Governance Disclosure

National Instrument 58-101 *Disclosure of Corporate Governance Practices* mandates disclosure regarding corporate governance practices in an issuer's information circular if it solicits proxies for the purposes of electing directors. For issuers that do not solicit proxies, the disclosure must be included in their AIF or annual MD&A. The CSA surveyed the disclosure by 72 reporting issuers and published the results of this review in CSA Staff Notice 58-306 2010 *Corporate Governance Disclosure Compliance Review* (the Corporate Governance Notice), (available at [www.osc.gov.on.ca/documents/en/Securities-Category5/csa\\_20101202\\_58-306\\_2010-corp-gov-disclosure.pdf](http://www.osc.gov.on.ca/documents/en/Securities-Category5/csa_20101202_58-306_2010-corp-gov-disclosure.pdf)).

CSA staff concluded that the level of compliance was unacceptable, with 55% of the issuers reviewed required to make prospective improvements to their disclosure, and indicated that corporate governance disclosure will continue to be a focus of the continuous disclosure review program for the coming year.

The Corporate Governance Notice provides numerous examples of disclosure and questions that could be considered by an issuer in formulating its disclosure. The level of detail provided in the notice suggests that CSA staff are interpreting the disclosure requirements of National Instrument 58-101 *Disclosure of Corporate Governance Practices* in an expansive manner.

The CSA identified the following areas of frequent disclosure deficiencies:

### The Board of Directors

- **Identity of non-independent directors and basis for determination** – The majority of issuers disclosed the directors that were not considered independent but failed to explain the basis for the determination. Vague and general statements that the board the considered factual circumstances in making its determination are insufficient.
- **Meetings of independent directors** – Some issuers disclosed that they held meetings of independent directors, but did not disclose the number of meetings or if meetings were held regularly. Issuers that indicated that meetings of the independent directors were not held generally failed to discuss how the board facilitates open and candid discussion among independent directors.
- **Independent chair and independent lead director** – An issuer should clearly disclose whether the chair or lead director is independent. Where this is not the case, the issuer should describe the specific steps that the board takes to provide leadership for independent directors. If the board does not take such steps it should disclose that fact and explain why.

### Position Descriptions for the Chair of the Board, each Committee and the CEO

- If written descriptions have not been prepared for these positions, the issuer is required to explain how the board delineates the roles and responsibilities for each position.
- The descriptions are not required to be disclosed; however, CSA staff suggest that making these descriptions available may be helpful.
- It is not sufficient to disclose that the issuer relies on a mutual understanding of the roles and responsibilities.

### Orientation and Continuing Education

- **Orientation of new directors** – The majority of issuers limited disclosure to whether formal orientation and training exists. Specific measures taken to orient new directors must be disclosed, whether or not the board has a formal process.
- **Continuing education** – Issuers are expected to provide meaningful disclosure on how they encourage directors to maintain the skill and knowledge necessary to meet their obligations. It is not sufficient to state that education will be available when needed.

### Ethical Business Conduct

- **Code of conduct** – The majority of issuers disclosed that they had adopted a code of conduct but did not describe how the board monitors compliance. CSA staff consider blanket statements that the board monitors compliance, without specific discussion of the procedures implemented, to be insufficient.

### Nomination of Directors

- **Nomination process** – Many issuers included statements that they had a process in place for identifying candidates for the board but failed to describe the process. CSA staff noted that this was an area of significant disclosure deficiencies. Issuers are expected to describe the actual process, whether or not it has been formalized.

### Assessments of Effectiveness

- **Regular assessments conducted** – Many of the issuers that indicated assessments of the board were conducted failed to describe the process or indicate how often they are conducted.
- **Regular assessments not conducted** – Issuers that indicated that they did not have a formal process in place failed to describe how the board satisfies itself that the board, its committees and its independent directors are performing effectively.

## Risk Management

• **Increased scrutiny** – In view of the increased scrutiny on risk management practices, the CSA expects that an issuer's disclosure regarding board mandates and board committees should provide investors with insight into the:

- development and periodic review of the issuer's risk profile;
- integration of risk oversight and management into the issuer's strategic plan;
- identification of significant elements of risk management; and
- board's assessment of the effectiveness of risk management policies and procedures.

## Environmental Matters

The Environmental Notice provides guidance regarding disclosure of oversight and management of environmental risks and how these matters may be reflected in board and committee mandates.

## Executive Compensation Disclosure

Form 51-102F6 *Statement of Executive Compensation* has been amended to reflect the change to IFRS, but is unchanged in other respects. We expect that executive compensation disclosure will continue to receive close scrutiny this year, particularly with respect to the link between pay and performance.

Additional changes to these requirements are under consideration. The CSA has published for comment proposed amendments to the executive compensation disclosure requirements, (available at [www.osc.gov.on.ca/documents/en/Securities-Category5/rule\\_20080918\\_51-102\\_f6.pdf](http://www.osc.gov.on.ca/documents/en/Securities-Category5/rule_20080918_51-102_f6.pdf).) OSC Staff have also requested comment on whether shareholders advisory votes on executive compensation and "golden parachute" payments (also known as Say-on-Pay) should be required under securities law in OSC Staff Notice 54-701 *Regulatory Developments Regarding Shareholder Democracy Issues* (the Shareholder Democracy Notice), (available at [www.osc.gov.on.ca/en/SecuritiesLaw\\_rule\\_20110110\\_54-701\\_reg-proposal.htm](http://www.osc.gov.on.ca/en/SecuritiesLaw_rule_20110110_54-701_reg-proposal.htm)). OSC staff note that such votes are currently required in the United Kingdom, Australia and some European countries and are expected to be required in the United States.

## Developments in Proxy Voting System

Although there are currently no proposed reforms, the Shareholder Democracy Notice indicates OSC staff are assessing whether securities laws should be amended to facilitate individual director voting and majority voting for director elections and to more effectively ensure that shareholders are able to make informed voting decisions and that their votes are counted at shareholders meetings.

In addition, the CSA is in the process of considering comments on proposed amendments to National Instrument 54-101 *Communications with Beneficial Owners of Securities of a Reporting Issuer*, which were published for comment in April, 2010.

The proposed amendments are intended to:

- provide reporting issuers with the option of adopting a notice and access system for electronically communicating materials for annual meetings;
- simplify the beneficial owner proxy appointment process;
- enhance the disclosure in information circulars regarding the distribution of proxy materials to objecting beneficial owners; and
- adopt stricter rules regarding the use of non-objecting beneficial owners information by third parties.

The proposed amendments and the comments received are available at [www.bcsc.bc.ca/uploadedFiles/NI%2054-101.pdf](http://www.bcsc.bc.ca/uploadedFiles/NI%2054-101.pdf).

## Annual Information Form

Form 51-102F2 *Annual Information Form* (the AIF Form) is generally unchanged from last year, other than to update the terminology in certain items to be consistent with IFRS.

## Environmental Disclosure

The Environmental Notice includes examples of questions that issuers should consider regarding environmental-related risks when complying with the requirement under item 5.2 of the AIF Form to disclose risks and uncertainties related to the issuer's business.

## Timely Disclosure

### Going Concern Disclosure

OSC staff noted in the Going Concern Notice that there is a need for improvement in both the timeliness and robustness of going concern disclosures. They also indicate that this area will continue to be an area of focus in continuous disclosure and prospectus reviews and that they will require re-filing of documents where appropriate. The Going Concern Notice indicates that a number of the issuers that had recently ceased operating had failed to draw attention to their going concern risk in their disclosure leading up to ceasing operations. OSC staff remind issuers to consider whether the occurrence of a going concern risk constitutes a material change that should be disclosed on a timely basis.

### Environmental Disclosure

The Environmental Notice indicates that there are increasing investor concerns regarding environmental matters and includes a general discussion regarding the potential for environmental matters to rise to the level of material information. The CSA suggest several considerations that should guide materiality determinations:

- **No bright-line test** – Issuers should take into account both quantitative and qualitative factors when making the materiality determination as there is no quantitative threshold to rely on when doing so. The materiality of information may vary on a case by case basis.
- **Context** – Some facts may be material on their own, but where this does not appear to be the case, issuers should consider materiality in light of all available information.
- **Timing** – Early disclosure of a matter may be important to a reasonable investor where the impact of the information might be expected to increase over time.
- **Trends, demands, commitments, events and uncertainties** – The materiality determination respecting a known environmental trend, demand, commitment, event or uncertainty requires an analysis of the:
  - probability of occurrence of the trend, demand, commitment, event or uncertainty, and
  - anticipated extent of its impact.
- **Err on the side of materiality** – When in doubt, issuers should consider information to be material and disclose it. \*

*David Surat, is counsel in our Toronto office. He rejoined BLG in October 2008, after four years with the Ontario Securities Commission (OSC) as member of the Mergers & Acquisitions Team and the Corporate Finance Branch. Prior to working at the OSC, David practised corporate and securities law for several years.*

*David graduated from the University of Toronto Faculty of Law in 1997 and was admitted to the Ontario Bar in 1999. He also obtained a Bachelor of Engineering in Engineering Physics from McMaster University in 1991 and a Masters of Applied Science in Biomedical Engineering from the University of Toronto in 1994.*

*Paul G. Findlay, is a partner at our Toronto office. He earned BA and LLB degrees from Queen's University and an LLM degree from Osgoode Hall Law School. He was called to the Bar in 1979. He spent 15 months working at the Ontario Securities Commission (October 1980 to January 1982).*



# In the Face of Change: The Migration from SAS 70

It is imperative that  
end users have  
a thorough  
understanding of  
what the new  
standards represent

Philip Niles  
Butterfield Fulcrum

After many years of using the SAS 70 as the industry standard for service organizations, especially for those in financial services, it would appear as though yet another change is en route. Specifically, ISAE 3402 seems to be at the forefront, as it represents the international replacement for SAS 70 and can span organizations in multiple jurisdictions. However, SSAE 16 stands as a strong American alternative to ISAE 3402, and with such a large proportion of financial service organizations either based in the US or having US clients, this standard has its own merits. As this changeover begins to trickle through businesses as they relate to the alternative investment industry, it is imperative that end users have a thorough understanding of what the new standards represent and how they differ from the existing framework. The focus of this discussion will be on ISAE 3402 given our international presence (at least relative to the United States), though almost undoubtedly SSAE 16 will be equally synonymous.

### Why the Change?

Certainly, there are many reasons for this turn of events, some of which warrant attention. One comes from strictly a durational perspective: the original SAS 70 is now almost twenty years old and given how service organizations have evolved since the early 1990's a revision was long overdue. However, beyond this, globalization is perhaps the most important factor driving these changes. Service organizations today, certainly more than when the original SAS 70 was crafted, utilize multiple jurisdictions for their operations. Conforming to standards on a country-by-country basis is time-consuming and expensive and calls for change have only become louder over time. The use of multiple reports to cover multiple jurisdictions, but yet all for the same company, has created confusion and inconsistency among end users. In addition, the same end users of the original SAS 70 report are themselves based in multiple jurisdictions around the globe, furthering the need and desire for a global benchmark.

Also, the time for a common international standard was at hand for the industry. With heightened emphasis on the International Financial Reporting Standards (IFRS), it was imperative that there was a collective global standard that was more closely aligned with IFRS. This alignment will make it easier to measure service organizations around the globe against one another, since they will be measured against the same yardstick. Since the traditional SAS 70 reports are prepared for the end user in any case, it stands to reason that they might as well be made as user-friendly as possible.



## Similarities and Differences

Many of the basic tenets of the current SAS 70 framework will remain in some form under ISAE 3402. For instance, there will be both a Type I and Type II certification in ISAE 3402 with the same general differences between the two reports as currently seen in the SAS 70. Also, as with the current structure, a description of the controls used by a service organization will continue to be prepared by the service organization; it is these controls that will be tested by the external auditor. As we all know however, the devil is in the details, and it is the anticipated differences between SAS 70 and ISAE 3402 that are the most interesting and applicable to the current examination.

One significant difference is that the current SAS 70 is limited to reporting upon the controls of an organization and whether or not the organization adheres to those documented procedures. However, it is expected that ISAE 3402 will extend beyond this basic reporting to include areas such as regulatory facets, compliance procedures, business continuity/disaster recovery planning, and a host of other areas. Also, another notable difference will be with respect to the auditor opinion. Under SAS 70, the auditor states an opinion based on the subject matter and the result of their testing. However, ISAE 3402 will allow for not only an auditor opinion, but the management of the service organization will provide a formal assertion confirming its overarching accountability for the procedures and controls in the report.

Another interesting area of change surrounds the user of internal audit within the service organization. Under the existing SAS 70 standard, any work that is performed within the service organization by an applicable internal audit group to support the opinion of the auditor is not disclosed. However, ISAE 3402 changes this entirely; such internal audit work as performed within the service organization will be included, along with a description of the internal audit work and the procedures associated with the tasks performed.

## Impact on Canadian Standards

In Canada, the Canadian Institute of Chartered Accountants (CICA) has item CICA 5970, which effectively is the Canadian equivalent to SAS 70. With respect to ISAE 3402, standard setting organizations in each country are being encouraged to do one of two things. First, they could outright adopt ISAE 3402 as a replacement for their current standards, or if no current standard exists, enact ISAE 3402 as the new benchmark. Alternatively, they could modify their current standard to align more closely with ISAE 3402. Which route the CICA chooses to go remains less than certain, but more than likely change will eventually come.

As mentioned earlier, in the United States the move is towards SSAE 16, which is seen as a direct replacement to the current SAS 70. With such a large proportion of alternative investment managers based in the United States, and such close ties between Canada and the United States, it is likely that this standard will become increasingly commonplace going forward, perhaps even in lieu of ISAE 3402 for North American users. However, SSAE 16 has a very pronounced degree of overlap with ISAE 3402 and hence any changes made in Canada to CICA 5970 will likely be in line with both SSAE 16 and ISAE 3402.

## The Impact to Service Organizations

With different standards across different jurisdictions, which framework is most appropriate for a given service organization? It is quite the question and, of course, a generalization cannot be made since each company is different. The choice of which standard to adopt would be based on a multitude of factors, including the service organization's operations structure, the domicile of its offices, the geographic location of its clients, its subservice organizations, etc. However, some general ideas can be presented for discussion and consideration.

First, and most profoundly, who would be the end users of any report of this nature? If the bulk of your end users are international customers, then ISAE 3402 might make the most sense. On the other hand, if a firm's clients are 100% US-based, then perhaps the SSAE 16 standard is more appropriate, since the end user is likely to be more familiar with that framework. Furthermore, one must look beyond an existing customer base towards the future. For instance, a particular service organization may have a heavy concentration of American clients, but is looking to expand into international markets. Having the ISAE 3402 standards in place demonstrates to potential clients that the firm is aligned with international standards and has an understanding of the global needs of its end users.

For sufficiently large organizations with a presence in both the US and abroad, the obvious choice would be a dual opinion from a reputable audit firm based on both the ISAE 3402 and SSAE 16 standards. This would be especially advantageous for organizations with operations in multiple jurisdictions. As mentioned, the need to conform with many national standards can be burdensome, so the use of these two standards should suit the needs of almost any end user.

## Conclusion

After becoming familiar and comfortable with the SAS 70 as the benchmark for financial services organizations, it appears as though change is forthcoming. The specific contenders at this stage appear to be ISAE 3402 (the international standard) and SSAE 16 (the new American standard). The rationale for change is firmly rooted in the heightened and ever-evolving globalization of business with respect to service organizations. As the operational framework of businesses has changed over the last twenty years, the need for a refreshed standard has come to the forefront. Fortunately, regardless of which standard one investigates, there is a great deal of overlap with the current SAS 70 framework; the major differences are primarily with respect to the use of internal audit, the inclusion of a management assertion on the control environment, and the scope upon which the report rests. In Canada, we are likely to see some domestic change as well, though it is less than clear at this stage what that change will be and how (if at all) it will differ from the US and international standards. In any event, service organizations will need to take a diligent look at the current and prospective end users of their current SAS 70 and think about which report will best suit their needs, though the use of a dual opinion is certainly an option and highly likely for larger organizations spanning multiple jurisdictions. \*

# Here's Where HedgeFund Managers Think We Are In The Global Recovery \*

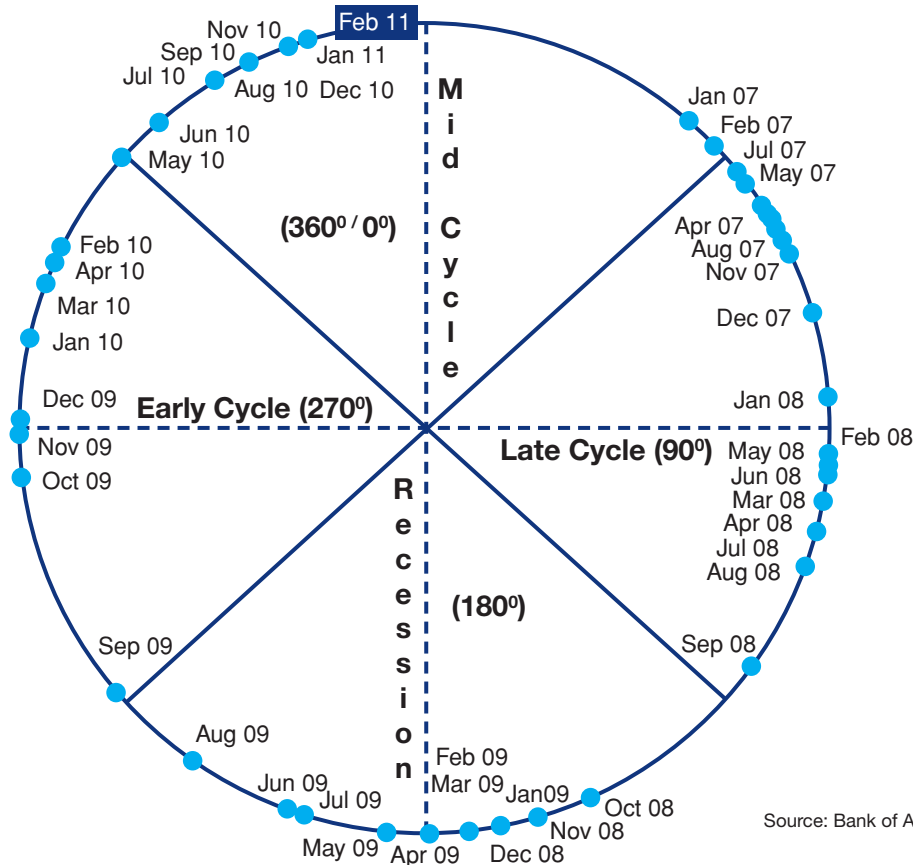
## BUSINESS INSIDER Clusterstock

Bank of America Merrill Lynch's January survey of fund managers has revealed some pretty interesting views about where we stand in the global recovery (via Zero Hedge).

The latest survey shows that most think we're just before the mid-cycle point, in terms of the recovery of the global economy. That means we've got a whole third of the pie left before we have to start worrying about a recession again.

It is a little troubling how fast the economy has moved from the beginning of the cycle to its middle. This time last year fund managers saw us at the early stage of the recovery, now 75% think we're mid-cycle.

So enjoy it while it lasts.



### At This Time, In Which Phase Of The Economic Cycle Would You Say The Global Economy Is? (in Degrees\*)

\*To track how managers think we are progressing through the economic cycle, we have expressed their answers to the question as if positioned "mid-cycle" at 360°, "late cycle" at 90°, "recession" at 180° and "early cycle" at 270°, and calculated an overall position from those four locations.

The business cycle has sped ahead, according to investors, with 75% now viewing the global economy in mid to late cycle. Just a year ago, investors still saw the economy in an early cycle stage. \*

# KPMG. In step with market needs.

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.

We provide leading professional services within the domestic and offshore alternative investments space, including: hedge funds, venture capital funds, fund of funds, private equity funds, commodity pools, and infrastructure funds, as well as to the advisers that sponsor these investment vehicles.

For more information, please visit us at:  
[www.kpmg.ca](http://www.kpmg.ca)

AUDIT ■ TAX ■ ADVISORY

**KPMG**

HEDGE FUND PERFORMANCE (as of January 31, 2011)

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	23.000	-2.19	2.48	14.71	-2.19	17.15	-	3.81	15.81	-8.65	-10.28	11.43	-	0.01	16.93	0.01	-0.02	97.81	52.63
Acuity Pooled 130/30 Fund	2.748	-0.04	7.36	13.39	-0.04	21.52	-	-3.29	33.33	-42.54	-42.54	11.55	-	1.02	-1.08	0.95	0.87	91.73	54.84
Agilith North American Diversified Fund	-	5.75	10.04	14.01	5.75	26.03	24.47	17.25	95.21	-34.93	-46.04	13.68	27.13	0.71	10.30	0.56	0.69	100.00	57.50
AlphaNorth Partners Fund	75.000	5.80	61.04	103.87	5.80	147.05	42.51	40.76	118.19	-63.08	-63.33	34.07	46.10	1.69	109.61	0.53	0.63	100.00	68.42
Altairis Long/Short Series A	-	1.15	2.03	3.38	1.15	2.68	-	9.36	16.32	-3.02	-4.41	5.00	-	0.37	-5.52	0.80	0.93	100.00	73.33
Altairis Long/Short Series F	-	1.20	2.23	3.67	1.20	3.53	-	10.31	16.71	-2.46	-3.99	4.82	-	0.36	-4.45	0.81	0.93	100.00	73.33
Amethyst Arbitrage Fund	137.600	2.39	5.12	11.43	2.39	16.51	9.80	10.29	33.96	-32.38	-34.47	2.99	16.97	0.14	13.41	0.52	0.49	100.00	84.85
Arrow 360 Global Fund A	7.943	0.08	0.44	-4.72	0.08	-0.99	-1.89	4.22	3.92	-10.71	-10.99	5.38	7.03	0.03	-1.65	0.07	0.13	89.95	54.79
Arrow 360 Global Fund F	-	0.18	0.73	-4.17	0.18	0.07	-1.13	4.42	4.43	-10.49	-10.57	5.40	7.07	0.03	-0.59	0.07	0.13	92.10	54.79
Arrow Act II New Media Fund A	6.421	-1.06	3.38	9.74	-1.06	15.24	8.48	7.04	16.14	-5.12	-10.03	12.72	10.29	0.90	-4.70	0.76	0.81	98.94	54.05
Arrow Act II New Media Fund F	-	-0.97	3.67	10.36	-0.97	16.51	9.67	8.21	16.73	-4.64	-9.70	12.99	10.41	0.94	-4.31	0.78	0.83	99.03	59.46
Arrow AFC Capital Fund A	45.283	2.19	5.67	3.52	2.19	2.14	5.64	5.64	18.55	-17.52	-19.94	10.52	13.73	0.66	-12.48	0.67	0.91	99.27	55.56
Arrow AFC Capital Fund F	-	2.29	5.93	4.02	2.29	3.10	6.62	6.62	19.29	-17.08	-19.60	10.51	13.80	0.66	-11.52	0.67	0.91	100.00	61.11
Arrow Burlington Capital Fund F	-	1.00	3.17	12.31	1.00	-	-	-	-	-	-1.65	-	-	-	-	-	-	100.00	66.67
Arrow COR U.S. Equity Income Fund A C\$	23.056	1.16	5.59	3.56	1.16	8.34	-14.03	-15.14	49.16	-55.50	-71.45	14.22	31.97	-0.37	16.54	-0.28	0.07	48.24	50.00
Arrow COR U.S. Equity Income Fund Class U US	-	1.01	5.43	3.31	1.01	8.32	-9.27	-11.24	49.55	-52.67	-69.19	14.33	31.89	-0.37	16.52	-0.28	0.06	57.22	54.35
Arrow COR U.S. Equity Income Fund F	-	0.33	4.86	3.04	0.33	8.24	-13.46	-14.53	50.13	-55.29	-71.06	14.24	32.02	-0.36	16.22	-0.27	0.06	49.46	50.00
Arrow Diversified Fund Class A	80.851	-0.07	2.80	6.73	-0.07	6.06	0.79	3.65	7.23	-15.38	-18.13	4.20	6.22	0.28	-0.14	0.70	0.77	96.44	65.09
Arrow Diversified Fund Class A US	-	-0.16	2.52	6.23	-0.16	5.49	0.35	5.45	6.80	-15.62	-18.40	4.15	6.21	0.27	-0.49	0.71	0.78	95.29	63.81
Arrow Diversified Fund Class F C\$	-	0.04	3.05	7.23	0.04	6.99	1.64	5.25	7.69	-15.02	-17.21	4.20	6.22	0.27	1.01	0.70	0.77	99.30	67.37
Arrow Diversified Fund Class F US	-	-0.06	2.81	6.76	-0.06	6.44	1.18	4.37	7.29	-15.28	-17.48	4.17	6.21	0.27	0.46	0.71	0.78	98.12	64.20
Arrow East Coast Investment Grade Fund Class A	3.812	1.02	-	-	1.02	-	-	-	-	-	-	-	-	-	-	-	-	-	100.00
Arrow East Coast Investment Grade Fund Class F	-	1.18	-	-	1.18	-	-	-	-	-	-	-	-	-	-	-	-	-	100.00
Arrow Enhanced Income Fund A C\$	10.568	0.01	0.84	2.97	0.01	3.16	0.83	0.56	8.76	-12.36	-19.99	2.59	5.48	0.10	0.94	0.41	0.55	93.44	56.16
Arrow Enhanced Income Fund A US	-	-0.09	0.57	2.53	-0.09	1.31	1.39	0.83	13.33	-12.49	-16.83	2.45	6.70	0.09	-0.68	0.39	0.52	95.38	54.79
Arrow Enhanced Income Fund F C\$	-	-0.55	0.39	2.74	-0.55	3.34	1.38	1.28	10.01	-12.00	-19.28	2.74	5.52	0.11	0.90	0.41	0.51	95.52	61.64
Arrow Enhanced Income Fund F US	-	-0.56	0.27	2.46	-0.56	2.91	2.09	1.65	10.18	-12.13	-15.82	9.39	8.94	0.23	-2.19	0.27	0.62	97.95	57.53
Arrow Enso Global Fund A	44.000	-1.80	23.12	76.68	-1.80	91.99	25.56	16.13	93.82	-50.62	-50.71	29.83	30.17	1.58	56.99	0.57	0.72	98.20	63.54
Arrow Enso Global Fund F	-	-1.76	23.34	77.38	-1.76	93.55	26.72	17.80	94.63	-50.30	-50.36	29.87	30.19	1.59	58.33	0.57	0.72	98.24	63.83
Arrow Focus Fund A2 C\$	5.711	0.30	5.77	11.97	0.30	15.46	1.32	2.66	12.26	-18.63	-24.27	5.63	8.11	0.36	7.48	0.69	0.76	95.46	60.00
Arrow Focus Fund A2 US	-	0.21	5.54	11.49	0.21	14.88	0.91	10.60	11.85	-18.77	-24.78	5.59	8.31	0.36	6.90	0.69	0.76	94.30	66.67
Arrow Focus Fund F2 C\$	-	0.39	6.01	12.45	0.39	16.45	2.21	4.28	12.73	-18.28	-23.35	5.62	8.11	0.36	8.47	0.69	0.76	98.19	67.74
Arrow Focus Fund F2 US	-	0.34	5.83	12.04	0.34	15.89	1.78	4.11	13.92	-18.43	-23.86	5.60	8.73	0.36	7.91	0.70	0.76	96.98	64.52
Arrow Goodwood Value Fund A	38.787	2.03	1.13	4.91	2.03	2.10	-4.48	3.88	38.42	-39.85	-56.29	15.25	24.21	1.22	-24.93	0.86	0.94	72.58	60.87
Arrow Goodwood Value Fund F	-	2.09	1.32	5.30	2.09	2.86	-3.79	6.39	38.82	-39.61	-62.58	15.25	24.22	1.22	-24.17	0.86	0.94	62.97	63.00
Arrow High Yield Fund A C\$	391.034	1.64	5.08	9.67	1.64	15.10	11.45	7.15	13.62	-5.91	-9.27	6.13	6.04	0.42	5.80	0.73	0.75	100.00	66.98
Arrow High Yield Fund A US	-	0.97	4.32	8.66	0.97	14.19	11.80	9.70	14.57	-4.92	-8.65	5.98	6.07	0.41	5.11	0.74	0.75	100.00	73.91
Arrow High Yield Fund F	-	1.09	4.66	9.46	1.09	15.36	11.93	7.79	13.36	-5.56	-9.82	6.13	6.01	0.42	6.06	0.74	0.75	100.00	68.42
Arrow JC Clark Opportunities Fund A	17.569	0.68	1.73	3.74	0.68	3.24	2.12	2.51	10.16	-12.75	-15.54	4.55	7.03	0.22	-1.63	0.51	0.31	100.00	63.41
Arrow JC Clark Opportunities Fund F	-	0.75	1.96	4.18	0.75	4.10	2.92	3.33	10.57	-12.40	-14.77	4.57	7.03	0.22	-0.77	0.51	0.31	100.00	63.41
Arrow Maple Leaf Canadian Fund A2 C\$	10.137	0.59	4.55	9.97	0.59	10.27	-2.49	2.18	9.97	-21.50	-27.14	4.09	7.93	0.24	4.95	0.63	0.62	86.44	60.00
Arrow Maple Leaf Canadian Fund F2 C\$	-	0.66	4.76	10.39	0.66	11.16	-1.70	3.47	10.39	-21.17	-26.17	4.10	7.93	0.24	5.84	0.63	0.63	88.97	65.43
Arrow Maple Leaf Canadian Fund G2	-	0.59	4.59	10.03	0.59	10.72	-2.10	5.76	10.03	-20.46	-26.71	4.04	10.86	0.24	5.40	0.64	0.63	87.98	66.67
Arrow Maple Leaf Canadian Fund U2	-	0.47	4.31	9.47	0.47	9.66	-2.02	4.12	9.47	-21.71	-27.63	4.05	8.12	0.24	4.34	0.64	0.63	85.40	60.95
Arrow Marret Resource Yield Fund A	37.112	0.07	6.56	14.85	0.07	19.00	0.91	-0.37	17.24	-35.18	-40.58	8.64	15.72	0.71	3.27	0.88	0.67	89.18	70.83
Arrow Marret Resource Yield Fund F	-	0.17	6.82	15.35	0.17	19.26	1.79	0.85	18.79	-34.92	-38.97	9.18	15.84	0.74	2.87	0.87	0.67	93.35	70.83
Aurion Global Opportunities Fund	1.465	0.27	-	-	0.27	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
Aurion II Equity Fund	51.494	1.31	8.87	22.73	1.31	30.02	12.13	13.95	48.63	-41.81	-41.81	11.87	21.26	1.03	7.20	0.94	0.93	100.00	71.67
Aurion II Equity Fund Series D	12.737	1.19	8.62	22.23	1.19	29.04	11.31	10.77	48.28	-42.05	-42.05	12.03	21.30	1.06	5.56	0.94	0.92	100.00	70.21

**HEDGE FUND PERFORMANCE (as of January 31, 2011)**

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	23.126	-0.06	-1.03	-0.03	-0.06	3.80	-	1.06	5.21	-11.50	-13.79	3.17	-	-0.09	5.79	-0.31	-0.17	91.68	68.42
Aurion Income Opportunities Fund Class D	5.038	-0.10	-1.15	-0.36	-0.10	3.21	-	-3.89	4.96	-11.66	-13.74	3.21	-	-0.09	5.20	-0.31	-0.16	91.19	58.82
Auspice Diversified Trust Class A	-	1.35	5.21	13.93	1.35	15.68	-	7.20	13.93	-4.93	-6.75	8.00	-	0.15	12.36	0.20	0.31	100.00	68.75
Auspice Diversified Trust Class F	-	1.41	5.40	14.08	1.41	16.44	-	8.32	14.08	-4.02	-6.19	7.94	-	0.14	13.34	0.19	0.30	100.00	68.75
Auspice Diversified Trust Class S	-	1.32	-	-	1.32	-	-	-	-	-	-	-	-	-	-	-	-	-	100.00
Auspice Managed Futures LP	12.000	1.39	5.45	16.09	1.39	17.97	12.95	6.57	29.72	-8.24	-19.32	9.61	14.53	0.18	13.98	0.20	0.31	100.00	53.45
Barometer Long Short Equity Pool	-	0.35	18.25	38.18	0.35	25.41	16.06	11.92	39.85	-32.07	-32.59	22.16	22.46	-0.23	30.51	-0.11	-0.17	100.00	62.50
Barometer Long Short Equity Pool Class F	-	0.49	18.48	38.95	0.49	26.77	15.68	13.32	38.95	-31.46	-32.16	22.17	22.14	-0.24	32.09	-0.12	-0.17	100.00	64.44
Barometer Tactical Exchange Traded Fund Pool	-	0.63	4.88	-	0.63	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
Barometer Tactical Exchange Traded Fund Pool F	-	0.68	5.08	-	0.68	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
Blackheath Futures Fund LP Class A	3.257	-5.77	-2.95	5.40	-5.77	-1.80	-	0.59	15.34	-13.87	-13.87	17.69	-	0.79	-19.30	0.48	0.62	94.23	66.67
Blackheath Futures Fund LP Class B	6.278	-5.72	-2.59	6.43	-5.72	-0.72	-	1.65	16.47	-13.84	-13.94	17.95	-	0.80	-18.44	0.48	0.62	94.28	66.67
Blackheath Volatility Arbitrage Fund, LP	-	3.32	5.14	-	3.32	-	-	-	-	-	-3.16	-	-	-	-	-	-	100.00	75.00
Blumont Core Hedge Fund	13.792	0.87	0.85	2.35	0.87	2.87	-0.71	1.18	5.82	-12.70	-17.31	1.93	5.23	0.05	1.76	0.30	0.14	91.22	60.00
BluMont Hirsch Performance Fund	67.712	-1.18	4.68	16.97	-1.18	27.70	2.58	11.20	22.15	-33.22	-41.19	10.48	16.73	0.83	9.31	0.85	0.51	91.51	63.13
BSP Absolute Return Fund US\$	-	1.18	3.71	7.54	1.18	6.22	2.72	6.74	9.34	-15.21	-15.21	4.98	6.61	0.38	-2.20	0.82	0.88	100.00	75.38
BTR Global Energy Fund	31.132	8.88	31.13	46.98	8.88	32.73	34.40	32.81	135.68	-56.55	-56.55	25.62	36.54	1.42	1.27	0.60	0.52	100.00	68.85
BTR Strategic Growth Fund	99.694	8.40	42.09	85.97	8.40	79.69	-	146.44	129.65	-3.38	-11.53	27.15	-	1.23	52.44	0.49	0.38	100.00	82.61
BTR Wealth Preservation Fund	6.866	2.10	11.40	19.27	2.10	24.73	-	24.73	19.27	4.57	-1.11	5.78	-	0.26	18.97	0.49	0.29	100.00	91.67
Burlington Partners1 LP	-	0.16	0.88	3.90	0.16	4.01	-2.26	4.47	4.67	-12.37	-13.27	4.21	5.48	0.22	-0.86	0.57	0.82	93.36	62.50
ChapelGate Credit Opportunity Fund Ltd.	-	3.29	6.22	10.72	3.29	22.83	16.57	14.34	15.21	-0.47	-4.23	2.64	4.68	0.03	22.17	0.14	0.41	100.00	90.32
CI Global Opportunities Fund C\$	17.000	-1.64	-4.13	-3.56	-1.64	-6.26	8.14	18.59	38.46	-5.86	-39.28	5.31	12.54	-0.27	-0.28	-0.54	-0.75	85.60	58.73
CI Global Opportunities Fund US	-	-2.03	-2.32	-1.00	-2.03	0.13	7.89	7.50	20.85	-6.92	-46.22	5.67	18.00	0.33	-7.18	0.62	0.75	93.35	51.88
Creststreet Energy Opportunities Fund Series 2009	-	6.25	30.43	39.00	6.25	58.55	-	75.85	53.51	-6.91	-12.08	24.74	-	1.57	23.77	0.68	0.72	100.00	80.00
Creststreet Energy Opportunities Fund Series 2010	-	6.24	30.43	38.99	6.24	-	-	-	-	-	-2.25	-	-	-	-	-	-	100.00	75.00
Creststreet Energy Opportunities Fund Series A	-	4.83	26.77	35.06	4.83	54.05	-	14.64	59.79	-50.80	-52.21	24.12	-	1.55	19.71	0.69	0.71	100.00	71.43
Creststreet Energy Opportunities Fund Series F	-	4.89	26.58	35.19	4.89	-	-	-	-	-	-11.94	-	-	-	-	-	-	100.00	70.00
Crystal Enlightened Resource and Precious Metal Fd	4.373	-9.22	-3.90	12.77	-9.22	3.84	-	-7.83	14.89	-13.77	-19.95	20.26	-	0.67	-11.00	0.36	0.05	90.27	64.29
DeltaOne Strategic Energy Fund	-	14.08	6.47	27.62	14.08	17.50	-31.99	-25.49	96.75	-82.46	-90.27	47.40	60.32	2.30	-33.45	0.52	0.62	22.50	43.10
DFS DGAM Alternative Investments Fund	8.505	-0.52	0.73	3.16	-0.52	3.05	2.89	1.06	9.00	-6.38	-8.48	5.20	5.31	0.37	-5.15	0.75	0.87	99.48	54.55
DKAM Capital Ideas Fund LP Class A	18.632	2.25	13.18	20.95	2.25	21.84	-	40.78	52.13	-3.06	-8.96	12.78	-	0.93	1.24	0.78	0.81	100.00	75.00
DPF India Opportunities	-	-11.81	-16.55	-5.45	-11.81	0.68	-19.74	-12.58	70.12	-60.59	-73.89	22.94	40.06	0.58	-12.17	0.27	0.42	46.97	56.10
Dynamic Alpha Performance Fund Series A	79.556	0.13	1.95	4.64	0.13	16.97	6.47	8.26	11.97	-4.84	-15.50	7.65	10.27	-0.07	18.52	-0.09	-0.23	98.42	63.46
Dynamic Alpha Performance Fund Series F	105.423	0.15	2.10	5.19	0.15	18.23	7.47	8.82	12.39	-4.55	-15.12	7.49	10.17	-0.09	20.22	-0.12	-0.25	98.63	63.33
Dynamic Contrarian Fund	113.754	-2.57	12.47	33.95	-2.57	37.85	4.32	12.88	52.05	-61.79	-63.12	20.29	35.01	1.09	13.70	0.58	0.52	96.22	60.61
Dynamic Contrarian Fund Series F	23.072	-2.56	11.75	33.57	-2.56	38.03	5.21	13.88	52.76	-61.53	-62.39	20.08	35.01	1.08	14.10	0.58	0.53	97.44	60.61
Dynamic Income Opportunities Fund	30.330	-0.24	3.96	18.41	-0.24	19.63	5.60	8.64	18.73	-24.85	-29.50	13.49	13.74	0.86	0.58	0.69	0.62	99.76	66.67
Dynamic Income Opportunities Fund Series F	19.817	-0.09	4.48	18.43	-0.09	20.33	6.56	9.59	19.17	-24.46	-28.39	13.25	13.69	0.85	1.50	0.69	0.61	99.91	68.52
Dynamic Power Emerging Markets Fund Series A	6.361	-2.32	3.60	16.14	-2.32	20.22	-19.51	2.07	46.71	-69.44	-74.27	16.29	35.68	0.95	-0.83	0.63	0.71	47.24	69.23
Dynamic Power Emerging Markets Fund Series C	24.158	-2.25	5.37	21.12	-2.25	25.36	-16.62	4.08	50.00	-69.44	-74.27	18.88	36.57	1.03	2.54	0.59	0.67	52.50	69.23
Dynamic Power Emerging Markets Fund Series F	3.055	-2.26	3.87	16.81	-2.26	21.60	-18.40	3.05	48.36	-69.29	-73.99	16.60	35.80	0.95	0.55	0.61	0.70	49.30	69.23
Dynamic Power Emerging Markets Fund Series FC	18.167	-2.21	5.62	21.81	-2.21	26.53	-15.73	4.90	50.66	-69.29	-73.99	18.96	36.58	1.02	3.93	0.58	0.66	54.29	69.23
Dynamic Power Hedge Fund Series A	58.302	-1.51	15.14	36.67	-1.51	37.15	4.37	28.63	157.31	-75.08	-79.61	26.45	50.43	1.44	5.25	0.59	0.61	86.50	57.33
Dynamic Power Hedge Fund Series C	125.153	-1.50	17.46	43.35	-1.50	43.90	9.67	31.72	170.87	-75.08	-79.61	30.76	51.82	1.62	8.01	0.57	0.58	98.50	58.67
Dynamic Power Hedge Fund Series F	103.980	-0.57	15.73	37.60	-0.57	39.37	5.35	32.13	155.63	-74.94	-79.43	25.82	50.19	1.40	8.36	0.58	0.61	88.69	60.58
Dynamic Power Hedge Fund Series FC	451.145	-1.42	17.24	43.47	-1.42	44.79	10.68	34.41	172.45	-74.94	-79.43	30.68	51.73	1.61	9.12	0.56	0.58	98.58	61.54
Exemplar Diversified Portfolio	27.301	-0.31	0.58	17.83	-0.31	15.45	-	11.25	17.83	-4.84	-8.71	12.97	-	0.39	6.81	0.33	0.06	99.69	57.14
Exemplar Leaders Fund Class A	21.815	1.58	5.08	15.42	1.58	17.18	-0.13	-0.01	21.07	-36.56	-39.26	13.34	18.36	1.15	-8.30	0.92	0.94	89.76	57.50
Exemplar Leaders Fund Class F	-	1.67	3.59	14.09	1.67	16.44	0.33	0.42	21.62	-36.23	-38.51	13.72	18.42	1.14	-8.81	0.89	0.93	91.10	57.50

HEDGE FUND PERFORMANCE (as of January 31, 2011)

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.
Fiera Global Macro Fund Class A	-	0.27	0.47	-0.93	0.27	-2.13	-	-1.21	2.37	-3.00	-3.95	4.60	-	-0.25	3.41	-0.58	-0.79	96.50	68.57
Fiera Global Macro Fund Class F	-	0.37	0.83	-0.28	0.37	-1.10	-	-1.13	3.24	-4.76	-5.05	4.77	-	-0.26	4.66	-0.60	-0.79	95.87	68.57
Fiera Institutional Market Neutral Strategy	235.700	0.85	6.99	7.92	0.85	3.47	14.32	16.29	24.33	-7.24	-7.69	7.26	8.29	0.44	-6.28	0.65	0.59	100.00	70.00
Fiera Market Neutral Equity Fund Class A	-	0.76	8.00	8.82	0.76	2.60	-	2.60	8.82	-7.86	-8.98	8.53	-	0.49	-8.25	0.61	0.56	100.00	58.33
Fiera Market Neutral Equity Fund Class A	38.300	0.79	8.03	8.85	0.79	2.90	-	6.16	23.73	-12.29	-12.79	8.50	-	0.50	-8.18	0.64	0.55	100.00	64.52
Fiera Market Neutral Equity Fund Class F	-	0.83	8.26	9.34	0.83	-	-	-	-	-	-8.59	-	-	-	-	-	-	100.00	50.00
First Asset Can-60 Income Corp	259.430	1.32	6.78	-	1.32	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
Formula Growth Hedge Fund Class F C\$	-	3.90	8.82	13.25	3.90	11.95	13.65	21.65	16.95	-4.93	-16.43	10.15	12.41	0.65	-2.45	0.69	0.83	100.00	66.67
Formula Growth Hedge Fund Class F US	-	3.10	10.60	16.28	3.10	18.94	13.63	28.26	35.51	-20.38	-23.22	17.28	15.66	1.24	-8.53	0.77	0.96	100.00	72.45
Friedberg Asset Allocation Fund	-	-4.24	-3.55	5.75	-4.24	12.05	-	17.72	15.84	3.32	-4.24	7.97	-	0.05	10.94	0.07	-0.09	95.76	68.42
Friedberg Global Macro Hedge Fund US	-	-11.10	-18.08	-3.75	-11.10	-2.50	17.40	21.12	33.03	-6.29	-18.08	27.03	25.15	-1.17	23.42	-0.47	-0.57	81.92	58.00
Front Street Canadian Energy Resource Fund Ser B	51.727	-4.48	15.14	45.84	-4.48	42.94	8.40	21.95	88.11	-70.16	-72.55	22.99	42.47	1.27	14.81	0.59	0.52	95.52	69.44
Front Street Canadian Energy Resource Fund Ser F	0.264	-4.37	15.18	43.79	-4.37	-	-	-	-	-	-4.37	-	-	-	-	-	-	95.63	85.71
Front Street Canadian Hedge Fund Series B	162.594	3.89	17.37	33.98	3.89	32.14	5.27	14.15	34.63	-43.30	-47.58	15.98	21.31	1.30	3.34	0.87	0.87	93.93	64.96
frontierAlt Global Dividend Fund	7.950	0.86	1.87	6.59	0.86	4.57	-16.82	-15.64	21.17	-50.22	-61.69	13.25	21.72	0.96	-16.70	0.78	0.97	49.51	50.00
Goodwood Fund Class A	29.915	2.11	1.52	5.66	2.11	2.31	-3.84	12.99	39.94	-39.82	-55.80	16.22	24.65	1.30	-26.49	0.86	0.93	74.76	63.74
Goodwood Fund Class B	69.459	2.11	1.52	5.67	2.11	2.32	-3.87	2.61	39.93	-39.87	-55.41	16.22	24.65	1.30	-26.48	0.86	0.93	75.44	59.63
Guardian Canada Plus 130/30 Equity Fund	-	-0.79	6.20	19.08	-0.79	16.34	-	24.59	40.57	-9.28	-15.27	17.78	-	1.51	-17.11	0.91	0.83	99.21	75.00
Guardian Global 130/30 Equity Fund	-	1.82	6.61	20.20	1.82	9.82	-	4.25	20.20	-15.30	-18.30	16.96	-	1.33	-19.64	0.84	0.86	99.06	62.50
Highwater Diversified Opportunities Fund LP A	-	1.63	5.11	10.05	1.63	15.71	8.47	8.38	36.56	-29.50	-29.50	7.41	15.23	0.49	4.86	0.70	0.91	100.00	70.27
Highwater Diversified Opportunities Fund LP F	-	1.71	5.36	10.53	1.71	16.74	9.49	9.40	37.05	-29.10	-33.07	7.35	16.21	0.48	6.11	0.70	0.91	100.00	67.57
Highwater Diversified Trust Fund Series A	-	1.35	4.71	9.30	1.35	14.48	-	13.88	11.07	0.16	-3.37	7.27	-	0.48	3.85	0.71	0.91	100.00	69.23
Highwater Diversified Trust Fund Series F	-	1.45	5.00	9.92	1.45	15.74	-	15.14	11.70	0.70	-3.18	7.28	-	0.48	5.11	0.71	0.91	100.00	76.92
Hillsdale Canadian Long/Short Equity Fund Class A	13.424	1.37	5.20	16.46	1.37	10.51	-0.53	9.11	16.46	-18.00	-24.49	11.92	12.05	0.90	-9.43	0.81	0.67	87.94	61.65
Hillsdale Canadian Long/Short Equity Fund Class F	-	1.44	5.40	16.86	1.44	11.34	0.16	1.70	16.86	-17.58	-23.20	11.89	11.99	0.90	-8.60	0.81	0.67	89.75	57.69
Hillsdale Canadian Long/Short Equity Fund Class I	28.063	1.47	5.46	16.95	1.47	11.62	0.45	8.43	16.95	-17.51	-22.75	11.86	12.00	0.90	-8.32	0.82	0.67	90.34	60.18
Hillsdale Enhanced Income Fund Class A	2.767	1.97	0.58	-	1.97	-	-	-	-	-	-1.97	-	-	-	-	-	-	100.00	66.67
Hillsdale Enhanced Income Fund Class F	-	2.04	0.79	-	2.04	-	-	-	-	-	-1.90	-	-	-	-	-	-	100.00	66.67
Hillsdale Global Long/Short Equity Fund Class A C\$	4.282	-0.58	-1.95	4.03	-0.58	3.23	-5.41	-4.81	8.94	-23.26	-32.01	10.06	12.40	0.57	-9.40	0.61	0.73	75.52	44.44
Hillsdale Global Long/Short Equity Fund Class A US	2.747	-0.74	-2.38	3.51	-0.74	2.79	-5.39	0.68	9.78	-23.52	-37.56	10.05	12.53	0.56	-9.62	0.59	0.72	76.47	51.59
IA Multi-Strategy	0.117	-0.21	0.55	2.86	-0.21	2.18	-9.40	-2.94	4.03	-22.61	-32.31	4.32	8.82	0.17	-1.59	0.43	0.61	69.70	48.96
IMFC Global Concentrated Program	-	-1.52	-0.39	13.23	-1.52	10.41	-	11.76	19.84	-9.72	-10.31	10.41	-	0.10	8.19	0.11	-0.14	98.48	63.64
IMFC Global Investment Program	-	-0.21	0.77	18.72	-0.21	16.63	15.86	17.63	28.66	-9.18	-10.47	13.19	19.85	0.43	7.10	0.35	0.08	99.79	52.08
IMFC Managed Futures Fund	0.051	-0.77	0.29	18.14	-0.77	14.65	9.63	9.63	18.14	-12.64	-16.52	13.55	19.29	0.47	4.24	0.37	0.12	98.63	50.00
J.C. Clark Commonwealth Patriot Trust	37.942	2.43	9.67	18.62	2.43	20.01	14.25	11.56	30.13	-21.28	-21.28	6.77	13.81	0.48	9.38	0.76	0.69	100.00	70.24
J.C. Clark Focused Opportunities Fund	24.669	0.84	1.84	3.48	0.84	2.82	2.01	8.72	9.86	-11.26	-14.02	3.90	6.98	0.17	-0.95	0.48	0.33	100.00	70.59
J.C. Clark Preservation Trust - Class B	83.299	-0.02	-1.25	-4.87	-0.02	-7.64	4.90	12.94	23.10	-8.93	-21.48	7.39	8.70	-0.41	1.44	-0.59	-0.70	91.06	62.41
KCS Absolute Core Return Fund Class A2 C\$	-	5.97	24.71	61.94	5.97	83.95	-	120.48	78.06	8.99	-8.77	28.37	-	1.06	60.47	0.40	0.43	100.00	94.12
KCS Great White North Fund Class A	-	0.65	2.96	5.47	0.65	4.05	-	4.58	5.47	-1.34	-2.46	2.92	-	0.19	-0.16	0.71	0.65	100.00	75.00
KCS Great White North Fund Class B	-	0.61	2.88	5.24	0.61	-	-	-	-	-	-2.60	-	-	-	-	-	-	100.00	70.00
KCS Great White North Fund Class F	-	0.69	3.08	5.72	0.69	4.55	-	5.08	5.72	-1.10	-2.33	2.91	-	0.19	0.34	0.71	0.65	100.00	79.17
KCS Great White North Fund Class O	-	0.73	2.57	-	0.73	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
King & Victoria Fund LP	-	3.00	16.14	29.77	3.00	59.89	34.53	27.92	53.70	-25.84	-32.14	14.96	19.47	0.96	38.62	0.69	0.84	100.00	75.49
King & Victoria RSP Fund Class A Units	-	2.96	15.97	29.55	2.96	59.34	33.58	16.16	53.40	-26.32	-33.73	14.89	19.49	0.96	38.07	0.69	0.84	100.00	68.00
Landry Morin Long Short Momentum Fund Series A	-	-3.48	-5.02	-1.21	-3.48	-0.43	-3.17	-3.39	13.84	-23.99	-27.24	8.53	13.57	-0.07	1.12	-0.08	-0.42	76.82	49.12
Landry Morin Long Short Momentum Fund Series F	-	-3.40	-4.78	-0.69	-3.40	0.56	-2.26	3.97	14.19	-23.54	-26.44	8.52	13.50	-0.07	2.11	-0.09	-0.42	78.86	56.99
Landry Morin Long Short Momentum Fund Series G	-	-3.44	-4.96	-1.02	-3.44	-0.86	-	-2.43	3.01	-2.11	-6.52	8.39	-	-0.06	0.47	-0.08	-0.42	93.48	53.85
Landry Morin Long Short Momentum Fund Series I	-	-3.31	-4.50	-0.16	-3.31	1.59	-1.74	-2.25	12.99	-23.06	-25.62	8.52	13.18	-0.07	3.14	-0.09	-0.42	81.03	55.77
Lightwater Conservative Long/Short - Class A	-	2.24	8.31	18.62	2.24	12.64	6.49	6.46	18.62	-5.61	-8.16	8.36	7.93	0.51	1.34	0.65	0.63	100.00	70.27

HEDGE FUND PERFORMANCE (as of January 31, 2011)

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.
Lightwater Conservative Long/Short Fund Series A	-	2.24	8.31	18.62	2.24	12.65	-	7.63	18.62	-5.62	-8.17	8.34	-	0.52	1.13	0.67	0.65	100.00	78.26
Lycos Value Fund Class O	-	-1.38	-7.38	-13.32	-1.38	-2.58	-	4.14	31.78	-13.32	-13.48	13.90	-	0.12	-5.24	0.09	0.32	86.52	52.00
Lycos Value Fund Class P	-	0.50	1.51	3.00	0.50	6.03	-	6.00	3.01	2.90	0.00	0.08	-	0.00	6.03	-0.11	-0.15	100.00	100.00
Majestic Global Diversified Fund	-	1.60	9.40	25.18	1.60	28.16	-	11.32	25.18	-11.05	-18.93	13.72	-	-0.09	30.15	-0.07	0.00	100.00	55.17
Man AHL Diversified (Canada) Fund Class A C\$	-	-1.81	-6.61	8.32	-1.81	11.53	4.16	6.48	16.70	-14.25	-20.64	17.98	18.12	0.29	5.11	0.17	0.12	89.34	52.94
Man AHL Diversified (Canada) Fund Class C C\$	-	-1.65	-6.25	9.04	-1.65	-	-	-	-	-	-8.23	-	-	-	-	-	-	93.75	37.50
Man AHL Diversified (Canada) Fund Class F	-	-1.69	-6.33	8.93	-1.69	12.78	5.31	7.27	17.34	-13.85	-19.70	18.00	18.17	0.29	6.36	0.17	0.11	91.32	54.00
Man AHL Diversified (Canada) Fund Class I	-	-1.72	-6.41	8.77	-1.72	12.47	5.06	7.26	17.34	-13.97	-19.96	17.99	18.17	0.29	6.05	0.17	0.11	90.80	53.85
Man AHL Diversified Futures Ltd.	-	-1.51	-5.10	7.96	-1.51	10.50	2.45	7.33	16.57	-10.79	-17.37	13.33	13.10	0.15	7.18	0.12	0.06	92.20	56.10
Man Canada AHL Alpha Fund Class A	-	-1.58	-5.31	4.08	-1.58	6.20	-	0.62	8.23	-5.42	-7.97	9.96	-	0.18	2.21	0.20	0.13	94.69	52.63
Man Canada AHL Alpha Fund Class F	-	-1.49	-5.08	4.47	-1.49	6.86	-	1.17	8.52	-5.23	-7.84	9.94	-	0.18	2.87	0.20	0.13	94.92	52.63
Man Canada AHL DP Investment Fund Class A	-	-2.06	-6.90	7.79	-2.06	10.69	-	8.51	12.49	1.70	-7.04	16.80	-	0.27	4.71	0.17	0.10	93.10	38.46
Man Canada AHL DP Investment Fund Class B	-	-2.06	-6.90	7.81	-2.06	10.73	-	8.54	12.52	1.69	-7.03	16.81	-	0.27	4.75	0.17	0.10	93.10	38.46
Man Canada AHL DP Investment Fund Class C	-	-2.06	-6.90	7.81	-2.06	10.72	-	8.53	12.51	1.69	-7.04	16.80	-	0.27	4.74	0.17	0.10	93.10	38.46
Man Canada AHL DP Investment Fund Class F	-	-1.93	-6.58	8.53	-1.93	12.20	-	9.97	13.26	2.34	-6.94	16.84	-	0.27	6.22	0.17	0.10	93.42	38.46
Man Canada AHL DP Investment Fund Class I	-	-1.96	-6.65	8.38	-1.96	11.90	-	9.68	13.11	2.21	-6.96	16.84	-	0.27	5.92	0.17	0.10	93.35	38.46
Man Canada AHL DP Investment Fund Class O	-	-3.42	-8.19	4.78	-3.42	6.04	-	4.29	9.27	-0.57	-8.19	16.67	-	0.27	0.06	0.18	0.09	91.81	38.46
Man Canada AHL DP Investment Fund Class P	-	-3.41	-8.19	4.79	-3.41	6.05	-	4.29	9.27	-0.57	-8.19	16.67	-	0.27	0.07	0.18	0.09	91.81	38.46
Man Canada AHL DP Investment Fund Class Q	-	-3.41	-8.18	4.81	-3.41	6.07	-	4.31	9.28	-0.57	-8.18	16.67	-	0.27	0.09	0.18	0.09	91.82	38.46
Man Canada AHL DP Investment Fund Class R	-	-3.27	-7.86	5.53	-3.27	7.10	-	5.25	9.97	-0.08	-7.86	16.67	-	0.27	1.12	0.18	0.09	92.14	38.46
Man Investment Strategies Fund Class A Final	-	4.03	1.36	7.39	4.03	8.14	-	3.10	7.39	-3.70	-4.96	6.99	-	0.09	6.15	0.14	0.08	100.00	64.71
Man MGS Access Canada Note CI II 901	-	-1.01	-3.04	1.26	-1.01	6.44	-1.51	-5.92	13.65	-11.37	-29.11	5.82	10.45	-0.01	6.66	-0.02	-0.33	79.96	56.82
Man MGS Access Canada Notes CI I 900	-	-1.01	-3.04	1.26	-1.01	6.44	-1.51	-5.92	13.65	-11.37	-29.11	5.82	10.71	-0.01	6.66	-0.02	-0.33	79.96	56.82
Meson Capital Partners Fund	-	-5.30	-3.41	2.54	-5.30	-9.90	-	122.98	225.30	-27.28	-33.63	46.83	-	2.72	-70.16	0.62	0.73	74.18	60.87
NexGen Canadian Cash Tax Managed Fd HNW F 1159	1.748	0.04	0.13	0.23	0.04	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
NexGen Canadian Cash Tax Managed Fund 1151	12.497	0.01	0.02	0.08	0.01	0.14	0.44	0.71	0.81	0.02	0.00	0.03	0.23	0.00	0.14	-0.02	-0.06	100.00	100.00
NexGen Canadian Cash Tax Managed Fund 1153	2.776	0.02	0.06	0.12	0.02	0.17	0.06	0.06	0.12	0.00	0.00	0.02	0.03	0.00	0.17	-0.02	0.14	100.00	100.00
NexGen Canadian Cash Tax Managed Fund 1154	13.592	0.04	0.12	0.23	0.04	0.28	0.09	0.09	0.23	0.00	0.00	0.06	0.05	0.00	0.28	0.14	0.21	100.00	100.00
NexGen Canadian Cash Tax Managed Fund F 1158	2.054	0.01	0.08	0.16	0.01	0.23	0.89	1.24	1.41	0.04	0.00	0.04	0.31	0.00	0.23	0.24	0.19	100.00	100.00
NexGen Canadian Cash Tax Mgd Fund 1157/1156	0.523	0.01	0.03	0.08	0.01	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
Niagara Discovery Fund	-	-1.98	4.03	22.67	-1.98	23.00	20.14	18.77	22.67	-4.11	-9.03	16.68	16.79	0.24	17.68	0.15	0.24	98.02	56.86
Niagara Legacy Class B Fund	50.100	-10.34	-17.28	-2.05	-10.34	-3.95	12.81	15.95	22.99	-8.01	-17.28	28.17	26.18	-1.24	23.52	-0.47	-0.57	82.72	61.19
North Pole Multi-Strategy Series A	-	2.00	6.68	12.11	2.00	15.95	-	26.40	23.50	3.13	-1.18	4.33	-	0.21	11.30	0.52	0.58	100.00	90.48
North Pole Multi-Strategy Series F	-	2.05	6.86	12.55	2.05	16.82	-	27.41	24.02	3.53	-1.05	4.33	-	0.21	12.17	0.52	0.58	100.00	90.48
Northern Rivers Conservative Growth Fund LP	12.948	2.67	12.68	25.77	2.67	28.41	-1.19	8.85	26.72	-41.01	-49.62	13.80	19.90	1.21	1.61	0.94	0.91	84.26	63.49
Northern Rivers Global Energy Fund LP	6.351	4.90	18.75	36.31	4.90	35.05	-1.85	6.74	36.31	-58.47	-61.25	18.06	28.51	1.41	3.81	0.84	0.86	78.40	66.67
Northern Rivers Innovation Fund LP	25.968	-12.64	-8.88	-2.82	-12.64	-26.54	-33.63	3.84	23.79	-64.49	-78.47	33.45	33.14	2.57	-83.47	0.82	0.74	22.28	59.48
Northern Rivers Innovation RSP Fund	3.629	-3.75	3.80	22.73	-3.75	2.05	-20.33	-0.67	35.20	-62.75	-71.54	26.36	30.46	1.65	-34.50	0.67	0.33	39.65	51.81
Palos Equity Income Fund	-	1.10	5.48	11.46	1.10	20.03	-	4.81	28.48	-32.87	-32.87	7.79	-	0.66	5.41	0.91	0.71	100.00	65.52
Palos Income Fund L.P.	-	2.13	7.12	16.52	2.13	25.50	7.34	12.48	36.52	-38.18	-40.55	9.29	18.04	0.81	7.56	0.93	0.82	100.00	71.68
Palos Income Fund, L.P.	-	2.13	7.12	16.52	2.13	25.52	7.35	13.07	36.52	-38.17	-40.08	9.28	17.80	0.81	7.58	0.93	0.82	100.00	71.56
Palos Majestic Commodity Fund LP	-	1.45	9.22	24.95	1.45	27.98	-	11.34	24.95	-10.92	-18.66	13.63	-	-0.08	29.75	-0.07	0.00	100.00	55.17
Palos Merchant Bank L.P.	-	0.21	6.30	22.72	0.21	13.28	6.11	6.68	47.06	-27.82	-37.33	14.92	20.36	0.49	2.43	0.35	0.17	98.29	52.46
Pathway Energy Series A Rollover MIN002	-	13.34	39.68	41.21	13.34	13.63	-	-18.20	73.32	-85.67	-86.55	34.88	-	2.24	-35.99	0.69	0.65	37.36	61.76
Pathway Multi SF Explorer Series A Rollover MIN001	-	-6.96	12.41	43.52	-6.96	17.64	-16.19	-3.93	120.51	-69.18	-82.14	38.46	50.72	2.67	-41.51	0.75	0.66	40.87	52.86
Performance Diversified Fund	-	0.60	5.43	9.72	0.60	11.03	4.72	11.48	12.90	-19.84	-19.84	3.71	8.79	0.24	5.71	0.69	0.72	100.00	78.57
Performance Diversified Fund Trust CI A	-	0.08	4.99	9.02	0.08	9.55	-	11.49	9.66	0.48	-1.40	3.91	-	0.23	4.45	0.62	0.67	100.00	84.62
Performance Diversified Fund Trust CI F	-	0.00	5.07	9.22	0.00	10.34	-	10.96	10.16	1.01	-2.41	3.90	-	0.23	5.24	0.62	0.65	100.00	81.48
Performance Growth Fund	-	0.85	8.08	15.55	0.85	13.64	11.82	13.80	28.85	-33.56	-34.64	7.73	16.99	0.53	1.90	0.73	0.80	100.00	76.54

HEDGE FUND PERFORMANCE (as of January 31, 2011)

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.
Performance Growth Fund Class A	-	0.14	8.50	16.00	0.14	20.57	3.81	11.19	17.03	-32.69	-32.69	9.31	14.25	0.73	4.40	0.85	0.73	100.00	76.25
Performance Growth Fund Trust Class A	-	0.31	8.40	15.63	0.31	13.03	-	14.66	16.32	-2.24	-5.32	8.26	-	0.55	0.85	0.72	0.78	100.00	74.07
Performance Growth Trust Class F	-	0.22	8.49	15.85	0.22	13.65	-	18.04	16.76	-1.90	-4.87	8.22	-	0.54	1.69	0.70	0.76	100.00	85.71
PH&N Absolute Return Fund	218.069	2.22	3.73	8.83	2.22	18.74	22.78	16.23	33.19	-5.32	-7.83	2.88	8.48	0.13	15.86	0.50	0.62	100.00	82.00
Picton Mahoney Diversified Strategies Fund Class A	7.997	1.36	5.66	12.44	1.36	15.18	-	13.44	13.39	-0.25	-3.79	6.29	-	0.49	4.33	0.83	0.88	100.00	61.54
Picton Mahoney Global Long Short Equity Fd Cl A C\$	5.671	2.42	7.79	15.58	2.42	18.62	0.57	-0.97	17.06	-25.98	-25.98	9.34	12.28	0.58	5.77	0.66	0.90	96.09	57.89
Picton Mahoney Global Market Neutral Equ Cl A C\$	17.663	1.09	2.91	5.46	1.09	7.91	-0.22	-0.71	6.41	-12.06	-17.21	3.59	6.84	0.11	5.47	0.34	0.43	93.51	52.63
Picton Mahoney Income Opportunities Fund Class A	77.927	1.99	4.48	9.37	1.99	18.47	-	18.12	9.37	4.88	-1.82	5.44	-	0.32	11.38	0.64	0.72	100.00	92.31
Picton Mahoney Long Short Equity Fund Class A	127.503	1.36	7.57	18.01	1.36	19.73	9.25	15.78	22.89	-21.88	-24.86	9.40	13.76	0.77	2.67	0.88	0.81	100.00	77.05
Picton Mahoney Long Short Equity Fund Class F	60.590	1.43	7.77	18.33	1.43	20.63	10.18	12.90	23.46	-21.15	-24.04	9.31	13.57	0.76	3.79	0.88	0.81	100.00	73.08
Picton Mahoney Market Neutral Equity Fund Class A	308.345	0.67	3.15	7.37	0.67	7.01	6.26	12.43	9.00	-1.98	-4.63	4.56	5.73	0.25	1.47	0.58	0.58	100.00	77.05
Picton Mahoney Market Neutral Equity Fund Class F	217.114	0.76	3.38	7.73	0.76	7.90	7.10	9.04	9.39	-1.46	-4.31	4.47	5.65	0.24	2.58	0.58	0.58	100.00	73.08
Primevestfund	-	-1.66	16.11	35.99	-1.66	29.91	12.90	24.03	43.63	-38.63	-39.84	17.11	20.78	1.17	3.99	0.73	0.64	98.34	68.66
Quadrex Canadian Hedge Watch Index Plus Series A	0.175	-0.71	5.70	15.21	-0.71	14.90	-1.73	-1.60	15.43	-24.10	-29.37	8.26	11.25	0.52	3.38	0.67	0.62	91.12	58.97
Quadrex Canadian Hedge Watch Index Plus Series F	2.436	-0.61	5.99	15.17	-0.61	15.44	-0.90	-0.76	15.39	-23.70	-28.69	8.24	11.22	0.52	3.92	0.68	0.65	93.07	58.97
Quadrex Canadian Hedge Watch Index Plus Series I	0.091	-0.59	6.07	15.97	-0.59	16.42	-0.43	-0.30	16.19	-23.59	-28.49	8.25	11.25	0.52	4.90	0.67	0.62	94.32	58.97
RCM Opportunities Fund Class F	-	6.62	16.94	18.30	6.62	-	-	-	-	-	-3.70	-	-	-	-	-	-	100.00	66.67
Rosalind Capital Partners L.P.	-	2.80	16.26	32.60	2.80	29.43	41.43	31.07	58.57	-2.39	-11.98	13.95	15.62	0.52	17.91	0.40	0.51	100.00	71.74
RPH Global Sovereign Bond Fund L.P.	-	0.67	6.09	-	0.67	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
Salida Global Energy Fund Class A	2.409	8.90	31.07	46.52	8.90	28.44	-	30.12	46.52	-20.34	-20.34	26.02	-	1.46	-3.90	0.60	0.51	100.00	57.14
Salida Global Energy Fund Class F	0.070	9.00	31.45	47.35	9.00	20.92	-	17.68	47.35	-19.91	-19.91	26.15	-	1.27	-7.21	0.52	0.47	100.00	50.00
Salida Multi Strategy Hedge Fund	149.000	9.58	39.76	77.27	9.58	55.49	18.33	33.52	99.32	-69.56	-70.56	28.86	43.45	1.58	20.49	0.59	0.45	100.00	71.05
Salida Multi Strategy Hedge Fund Class F	27.899	9.64	39.97	77.78	9.64	56.71	19.41	23.07	100.23	-69.39	-70.42	28.83	43.45	1.58	21.71	0.59	0.45	100.00	69.81
Salida Strategic Growth Class A	7.053	8.66	41.61	86.47	8.66	74.74	-	64.98	86.47	-6.29	-13.72	28.32	-	1.27	46.61	0.48	0.37	100.00	73.33
Salida Strategic Growth Class F	1.198	8.76	42.01	87.51	8.76	76.65	-	66.06	87.51	-5.79	-13.42	28.37	-	1.27	48.52	0.48	0.37	100.00	73.33
Salida Wealth Preservation Fund Class A	8.844	2.10	10.55	18.87	2.10	22.04	-	22.04	18.87	2.66	-1.73	6.04	-	0.30	15.39	0.54	0.28	100.00	75.00
Salida Wealth Preservation Fund Class F	3.245	2.19	11.03	19.71	2.19	19.62	-	19.62	19.71	-0.07	-1.51	6.59	-	0.23	14.52	0.37	0.16	100.00	83.33
SciVest Commodity Index Plus Fund Class A	-	0.21	7.95	11.22	0.21	9.29	-9.41	-4.34	24.12	-49.55	-58.56	14.81	26.30	0.82	-8.88	0.59	0.75	58.48	60.00
SciVest Commodity Index Plus Fund Class F	-	0.30	8.25	11.89	0.30	10.42	-8.61	-3.90	24.78	-49.30	-58.28	15.07	26.33	0.78	-6.86	0.56	0.71	59.95	58.93
SciVest Global Multiple Strategies Fund Class A	-	0.90	-6.11	-2.31	0.90	-2.71	-	-0.47	4.68	-2.31	-6.95	7.04	-	0.07	-4.26	0.11	0.21	93.89	61.54
SciVest Global Multiple Strategies Fund Class F	-	0.90	-6.11	-2.31	0.90	-2.71	-	-0.47	4.68	-2.31	-6.95	7.04	-	0.07	-4.26	0.11	0.21	93.89	61.54
SciVest Market Neutral Equity Fund Class A	-	-0.19	-6.87	-5.46	-0.19	-11.41	-0.17	3.53	10.13	-9.55	-14.09	8.52	9.77	0.20	-15.84	0.25	0.49	87.41	56.03
SciVest Market Neutral Equity Fund Class A2 C\$	-	-0.19	-6.88	-5.47	-0.19	-11.65	-0.78	0.43	10.13	-9.55	-12.60	8.46	9.73	0.19	-15.86	0.24	0.49	87.40	56.34
SciVest Special Opportunities Fund Class A	-	2.47	0.20	3.34	2.47	4.23	-	6.43	7.50	-0.32	-3.00	6.00	-	-0.01	4.45	-0.02	0.06	99.67	64.29
SciVest Special Opportunities Fund Class F	-	2.51	0.44	3.83	2.51	5.13	-	7.27	7.92	0.11	-2.67	5.95	-	-0.01	5.35	-0.02	0.05	99.97	64.29
SEI Futures Index Fund Class D	0.020	0.52	0.25	-	0.52	-	-	-	-	-	-1.98	-	-	-	-	-	-	100.00	66.67
SEI Futures Index Fund Class E	0.005	0.57	0.39	-	0.57	-	-	-	-	-	-1.94	-	-	-	-	-	-	100.00	66.67
SEI Futures Index Fund Class F	0.106	0.67	0.70	4.54	0.67	3.78	4.40	2.81	17.24	-6.03	-8.09	4.87	7.92	0.04	2.89	0.09	-0.10	98.45	59.65
SEI Futures Index Fund Class O	26.247	0.76	0.97	5.09	0.76	4.93	5.50	3.15	17.81	-5.56	-8.66	4.86	7.92	0.04	4.04	0.08	-0.10	100.00	58.68
SEI Futures Index Fund Class P	1.284	0.62	0.54	4.21	0.62	3.22	3.80	1.81	16.79	-6.30	-9.48	4.85	7.91	0.03	2.56	0.08	-0.11	97.46	55.29
Sentry Select Market Neutral L.P.	-	0.07	1.20	3.58	0.07	4.86	4.51	8.35	5.20	-0.93	-2.30	2.25	2.76	0.10	2.64	0.49	0.31	100.00	79.73
Sentry Select Market Neutral LP Class A	-	0.01	1.14	3.39	0.01	4.17	-	5.62	4.78	0.75	-0.54	2.14	-	0.09	2.18	0.43	0.34	100.00	77.27
Sentry Select Market Neutral LP Class F	-	0.07	1.40	3.97	0.07	5.23	-	6.79	5.40	1.21	-0.37	2.22	-	0.09	3.24	0.43	0.34	100.00	77.27
Sentry Select Vanilla LP	-	-1.63	2.00	3.87	-1.63	9.64	3.70	8.14	17.36	-24.48	-33.55	8.14	11.91	0.40	0.78	0.53	0.69	98.37	69.14
SG US Market Neutral Fund	8.630	2.08	3.42	2.93	2.08	0.01	-	-3.37	2.93	-6.16	-12.63	4.54	-	-0.01	0.23	-0.03	0.33	91.95	44.44
SG US Market Neutral Fund F	-	2.16	3.70	3.49	2.16	-	-	-	-	-	-3.82	-	-	-	-	-	-	100.00	60.00
Silvercove Hard Asset Fund L.P.	-	1.35	5.44	13.37	1.35	15.67	-	16.81	13.92	1.29	-2.82	4.99	-	0.38	7.25	0.82	0.80	100.00	81.25
Silvercreek Capital LP Class A	9.700	3.20	4.96	-0.43	3.20	1.99	29.27	42.85	52.01	-3.77	-7.37	10.20	15.61	-0.55	14.17	-0.57	-0.50	98.77	81.63
Silvercreek Convertible Limited	13.500	2.40	21.16	26.44	2.40	37.57	-	36.46	26.44	7.64	0.00	15.46	-	0.09	35.58	0.06	-0.07	100.00	100.00

HEDGE FUND PERFORMANCE (as of January 31, 2011)

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.
Silvercreek Convertible LP Class A	83.700	2.10	20.97	26.87	2.10	35.28	-	63.21	62.39	6.63	0.00	15.70	-	-0.03	35.94	-0.02	-0.15	100.00	100.00
Skylon Gold STAR LP	-	0.00	15.94	27.19	0.00	100.00	-	7.03	72.50	-45.26	-45.26	57.67	-	-2.95	165.35	-0.55	-0.31	100.00	93.75
Spartan Multi Strategy Fund Class A	-	-0.99	5.68	9.71	-0.99	8.48	14.14	14.38	16.06	-6.93	-7.41	5.40	6.96	0.11	6.04	0.22	0.10	99.01	77.19
Spartan Multi Strategy Fund Class F	-	-0.91	5.88	10.12	-0.91	9.35	14.89	15.11	16.39	-6.65	-7.17	5.38	6.95	0.10	7.13	0.21	0.09	99.09	77.19
Spartan Multi Strategy Fund Class I	-	-0.97	5.66	9.74	-0.97	8.62	14.19	14.41	16.04	-6.93	-7.41	5.37	6.95	0.11	6.18	0.21	0.10	99.03	77.19
Sprott Absolute Return Income Fund Class A	11.000	1.49	1.21	-	1.49	-	-	-	-	-	-0.80	-	-	-	-	-	-	100.00	80.00
Sprott Absolute Return Income Fund Class F	-	1.54	1.62	-	1.54	-	-	-	-	-	-0.75	-	-	-	-	-	-	100.00	80.00
Sprott Absolute Return Income Fund Class T	-	1.46	1.09	-	1.46	-	-	-	-	-	-0.79	-	-	-	-	-	-	100.00	80.00
Sprott Bull/Bear RSP Fund Class A	159.000	-10.45	1.35	24.78	-10.45	28.34	10.88	14.78	30.35	-25.02	-26.89	20.59	25.48	0.05	27.23	0.02	-0.22	89.55	59.18
Sprott Bull/Bear RSP Fund Class F	-	-10.42	1.54	27.05	-10.42	31.22	-	3.69	32.23	-27.33	-27.33	21.80	-	-0.03	31.88	-0.01	-0.27	89.58	60.87
Sprott Hedge Fund L.P. Class A	588.000	-10.89	1.82	27.38	-10.89	30.21	8.11	22.06	32.52	-25.05	-33.94	23.03	27.75	-0.16	33.75	-0.07	-0.34	89.11	62.60
Sprott Hedge Fund L.P. Class F	-	-10.80	2.06	27.90	-10.80	33.03	-	5.88	33.09	-26.49	-34.79	22.82	-	-0.13	35.91	-0.06	-0.32	89.20	57.58
Sprott Hedge Fund L.P. II Class A	611.000	-10.33	1.84	25.84	-10.33	28.86	10.23	10.64	30.76	-25.23	-31.98	21.95	25.77	-0.12	31.52	-0.06	-0.32	89.67	56.44
Sprott Hedge Fund L.P. II Class F	-	-10.25	2.11	27.97	-10.25	31.64	-	9.01	32.84	-26.40	-29.62	23.26	-	-0.21	36.29	-0.10	-0.36	89.75	54.55
Sprott Hedge Fund L.P. II Class I	-	-10.30	1.97	29.21	-10.30	32.55	-	8.14	34.11	-25.78	-31.53	23.72	-	-0.20	36.98	-0.09	-0.35	89.70	54.55
Sprott Opportunities Hedge Fund Class A	127.000	-1.87	2.02	9.59	-1.87	4.41	4.95	17.30	10.60	-9.05	-9.58	9.19	8.16	-0.15	7.73	-0.18	-0.30	98.13	61.73
Sprott Opportunities Hedge Fund Class F	-	-1.76	2.28	9.77	-1.76	5.13	5.77	5.93	10.83	-9.02	-9.75	9.02	8.21	-0.16	8.67	-0.19	-0.30	98.24	52.63
Sprott Opportunities RSP Fund	44.000	-1.90	1.97	9.48	-1.90	4.21	4.79	9.27	10.44	-9.09	-9.60	9.17	8.16	-0.15	7.53	-0.18	-0.30	98.10	54.69
Sprott Opportunities RSP Fund Class F	-	-1.90	1.97	9.48	-1.90	4.21	-	7.64	10.47	-4.81	-6.48	9.19	-	-0.15	7.53	-0.18	-0.30	98.10	61.11
Sprott Small Cap Hedge Fund	50.000	1.26	14.53	38.33	1.26	53.01	13.38	13.01	44.12	-54.39	-54.39	15.73	28.38	1.11	28.42	0.76	0.89	100.00	68.75
SW8 Strategy Fund LP	12.290	6.57	15.05	35.23	6.57	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
Tapestry Balanced Growth Private Port Corp CI A	27.915	-0.09	2.06	7.82	-0.09	8.79	-	7.49	9.44	-1.09	-3.21	5.07	-	0.37	0.59	0.79	0.79	99.91	61.54
Tapestry Balanced Growth Private Port Corp CI F	1.512	0.00	2.32	8.36	0.00	9.98	-	8.68	9.98	-0.50	-3.09	5.07	-	0.37	1.78	0.79	0.78	100.00	69.23
Tapestry Balanced Growth Private Port Corp CI T	5.789	-0.06	2.12	7.79	-0.06	8.84	-	6.95	9.38	-1.61	-3.21	5.08	-	0.37	0.64	0.78	0.78	99.94	61.54
Tapestry Balanced Income Private Port Corp CI A	13.751	-0.28	0.85	5.92	-0.28	6.98	-	6.52	7.17	0.20	-1.86	3.99	-	0.23	1.88	0.62	0.60	99.72	76.92
Tapestry Balanced Income Private Port Corp CI F	2.824	-0.18	1.21	6.57	-0.18	8.16	-	7.71	7.82	0.70	-1.75	3.94	-	0.23	3.06	0.62	0.60	99.82	76.92
Tapestry Balanced Income Private Port Corp CI T	1.236	-0.23	0.91	5.95	-0.23	6.96	-	5.98	7.11	-0.34	-1.80	3.88	-	0.23	1.86	0.62	0.60	99.77	61.54
Tapestry Divers Income Private Port Corp Class A	5.266	-0.37	-0.46	4.24	-0.37	7.23	-	7.55	6.00	2.87	-1.17	3.72	-	0.03	6.57	0.10	0.03	99.54	76.92
Tapestry Divers Income Private Port Corp Class F	0.616	-0.36	-0.27	4.69	-0.36	8.22	-	8.45	6.57	3.37	-1.16	3.78	-	0.04	7.33	0.11	0.04	99.64	76.92
Tapestry Divers Income Private Port Corp Class T	0.216	-0.44	-0.53	4.24	-0.44	6.88	-	6.82	5.80	2.53	-1.24	3.84	-	0.03	6.22	0.09	0.02	99.47	76.92
Tapestry Global Balanced Private Port Corp CI A	8.791	-0.28	1.13	6.68	-0.28	7.32	-	6.25	8.06	-0.90	-3.12	5.19	-	0.33	0.01	0.69	0.70	99.72	61.54
Tapestry Global Balanced Private Port Corp CI F	0.565	-0.18	1.40	7.33	-0.18	8.52	-	7.34	8.72	-0.50	-3.01	5.31	-	0.34	0.99	0.68	0.70	99.82	69.23
Tapestry Global Balanced Private Port Corp CI T	0.100	-0.27	1.09	6.70	-0.27	7.35	-	6.24	7.96	-0.83	-3.07	5.23	-	0.33	0.04	0.67	0.69	99.73	61.54
Tapestry Global Growth Private Port Corp CI A	2.399	0.47	2.61	9.05	0.47	7.07	-	7.07	10.01	-1.82	-5.33	7.49	-	0.49	-3.78	0.71	0.82	100.00	66.67
Tapestry Global Growth Private Port Corp CI F	0.679	0.54	1.37	16.34	0.54	12.11	-	12.11	17.43	-3.63	-7.47	13.80	-	0.80	-5.61	0.62	0.77	100.00	66.67
Tapestry Global Growth Private Port Corp CI T	0.001	0.41	2.52	8.92	0.41	6.19	-	4.59	9.89	-4.85	-5.96	7.53	-	0.53	-5.55	0.75	0.83	100.00	61.54
Tapestry Growth Private Portfolio Corporate CI A	11.334	-0.28	2.54	8.69	-0.28	9.24	-	7.30	10.76	-2.28	-4.37	6.25	-	0.48	-1.39	0.82	0.84	99.73	61.54
Tapestry Growth Private Portfolio Corporate CI F	1.832	-0.09	2.80	9.33	-0.09	10.42	-	8.48	11.30	-1.78	-4.16	6.24	-	0.47	0.01	0.81	0.83	99.91	61.54
Tapestry Growth Private Portfolio Corporate CI T	0.001	-0.33	2.39	8.61	-0.33	9.06	-	7.15	10.74	-2.36	-4.45	6.36	-	0.48	-1.57	0.82	0.84	99.67	61.54
The Friedberg Currency Fund	-	-10.97	-13.41	-3.67	-10.97	8.85	7.84	1.56	35.50	-43.54	-75.71	24.71	36.54	-0.94	29.67	-0.41	-0.36	53.75	51.56
Trident Global Opportunities Fund C\$	230.000	-1.69	-4.29	-3.71	-1.69	-6.51	5.01	10.49	31.94	-5.92	-14.71	5.66	12.91	-0.29	-0.09	-0.55	-0.76	85.29	53.78
Trident Global Opportunities Fund Class F C\$	30.000	-1.60	-4.01	-3.14	-1.60	-5.33	6.20	11.64	32.59	-5.42	-21.53	5.66	22.51	-0.29	1.09	-0.55	-0.76	86.10	57.98
Trident Performance Corp II	23.251	-2.18	-5.33	-4.27	-2.18	-6.57	-	-4.92	6.43	-7.24	-12.96	14.11	-	-0.26	-0.81	-0.20	-0.46	87.04	50.00
Venator Catalyst Fund	-	-2.00	4.77	7.79	-2.00	12.04	10.54	10.52	10.76	-2.98	-3.36	6.31	5.38	0.29	5.62	0.50	0.59	98.00	70.27
Venator Founders Fund	-	0.60	9.73	11.62	0.60	12.40	13.70	15.42	32.79	-29.77	-32.02	14.40	20.66	0.96	-8.87	0.71	0.90	100.00	67.80
Venator Income Fund Class F	-	3.20	6.80	12.37	3.20	22.75	-	20.54	25.14	-6.78	-12.90	7.00	-	0.51	11.45	0.79	0.92	100.00	79.31
Vertex Fund Class A	803.076	0.46	2.24	13.02	0.46	14.84	10.73	18.43	52.58	-45.06	-47.22	12.62	23.97	0.93	-5.76	0.80	0.78	100.00	70.97
Vertex Fund Class B	236.731	0.39	2.14	12.75	0.39	14.05	9.86	13.26	51.83	-45.38	-47.05	12.66	24.03	0.94	-6.77	0.80	0.79	100.00	73.56
Vertex Fund Class F	-	0.46	1.96	12.70	0.46	14.58	10.64	16.87	52.58	-45.05	-47.60	12.65	23.98	0.93	-6.02	0.79	0.78	100.00	74.47

HEDGE FUND PERFORMANCE (as of January 31, 2011)

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.
Vision Opportunity Fund L.P.	40.714	3.63	15.39	36.72	3.63	51.97	-	34.68	40.26	-13.27	-17.27	11.44	-	0.56	39.56	0.52	0.61	100.00	77.42
Vision Opportunity Fund Trust	19.408	2.28	11.63	26.59	2.28	40.87	-	27.80	31.07	-11.65	-15.43	8.21	-	0.49	30.02	0.64	0.75	100.00	80.65
WARATAH Income Fund	-	2.20	2.20	8.66	2.20	-	-	-	-	-	-0.40	-	-	-	-	-	-	100.00	85.71
WARATAH One Fund	-	0.70	1.51	8.12	0.70	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
WARATAH Performance Fund	-	4.00	10.39	24.60	4.00	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
Webb Enhanced Income Fund	-	1.34	5.96	17.95	1.34	20.04	1.98	1.98	24.15	-36.50	-37.13	8.17	14.47	0.64	5.86	0.85	0.70	100.00	66.67
Webb Enhanced Income Fund Series F	-	1.44	6.25	18.59	1.44	21.35	3.15	3.15	24.80	-35.95	-36.54	8.18	14.42	0.64	7.17	0.85	0.70	100.00	66.67
Equally Weighted Average Performance of All Funds	8196.796	0.20	5.18	14.65	0.20	15.85	4.70	-	-	-	-	-	-	-	-	-	-	-	-
Number of Funds in Sample	143	301	297	284	301	269	166	-	-	-	-	-	-	-	-	-	-	-	-

MARKET INDICES (as of January 31, 2011)

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	0.27	0.51	0.09	0.77	1.18	6.94	1.40	0.14	0.00	0.09	0.28	0.77	0.00	100.00	100.00
91 Day Canada T-Bill	0.08	0.24	0.43	0.08	0.59	1.05	6.52	1.33	0.10	0.00	0.09	0.28	0.59	0.00	100.00	100.00
BMO Canadian Small Cap Index	-0.20	12.76	30.36	-0.20	36.85	8.08	7.04	49.68	-50.74	-57.31	14.47	26.20	10.27	1.20	99.80	59.52
CHW-HF Composite Index	-1.49	3.75	13.09	-1.49	12.40	-1.40	3.53	15.16	-30.54	-32.08	7.55	11.63	0.44	0.54	89.35	67.12
CHW-HF Equity Hedged Index	-1.56	3.75	13.21	-1.56	12.20	-1.08	6.02	15.37	-33.18	-34.75	7.90	13.01	-0.43	0.57	89.19	68.49
CHW-HF FoHF Index	0.09	3.87	11.00	0.09	12.95	-18.21	-8.93	12.18	-35.66	-55.16	4.70	21.82	5.42	0.34	50.65	55.56
CHW-HF Notes Index	1.70	1.13	2.40	1.70	4.06	-1.07	-0.86	4.48	-7.08	-11.09	3.71	3.51	8.93	-0.22	94.04	49.30
MS EAFE Free Index (C\$)	3.03	3.54	12.97	3.03	8.44	-2.81	4.67	32.50	-33.56	-46.77	15.28	17.72	-7.95	0.74	77.26	56.32
MSCI World Index (C\$)	2.94	5.65	14.22	2.94	12.15	-1.07	9.34	26.58	-32.23	-44.31	11.96	15.51	-5.57	0.80	80.33	61.22
MSCI World Index (US\$)	2.28	7.52	17.49	2.28	19.83	-0.99	9.64	47.21	-43.38	-53.65	19.68	23.69	-11.63	1.42	84.96	61.46
Nasdaq Composite Index (C\$)	2.43	5.81	16.43	2.43	17.68	4.06	8.36	25.38	-30.34	-74.24	13.94	18.67	-5.80	1.06	39.70	57.62
S&P 500 Total Return Index C\$	3.03	7.33	14.65	3.03	14.35	-0.14	10.12	20.87	-30.42	-51.16	10.59	15.06	-4.26	0.84	69.97	60.11
S&P 500 Total Return Index US\$	2.37	9.23	17.92	2.37	22.19	-0.05	10.26	40.57	-41.87	-50.98	18.51	21.93	-9.93	1.45	89.30	61.38
S&P/TSX 60 Index TR	1.47	7.63	15.13	1.47	23.23	3.11	8.37	35.44	-39.42	-47.89	9.72	20.06	3.29	0.90	95.66	61.97
S&P/TSX Composite Index	0.81	6.91	15.70	0.81	22.15	1.00	6.96	33.80	-41.01	-45.05	9.84	19.98	1.77	0.92	92.10	59.63
S&P/TSX Income Trust Index TR	4.99	10.00	24.20	4.99	34.00	12.59	19.53	39.33	-45.54	-46.76	9.33	21.47	18.71	0.69	100.00	70.70
S&P/TSX Smallcap Index	-0.84	10.23	27.10	-0.84	34.46	4.48	5.44	46.51	-50.41	-58.11	12.74	26.12	10.76	1.07	92.29	57.14

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](mailto:krotowski@canadianhedgewatch.com).

To ensure the highest level of accuracy, Hedge Funds are encouraged to directly submit monthly/quarterly/annual data to: [data@canadianhedgewatch.com](mailto:data@canadianhedgewatch.com)

# 2011 CALENDAR OF EVENTS

Brought to you by



radiusfinancialeducation.com

(division of CHW Inc.)

## Exchange Traded Forum



Tuesday, May 10 & Wednesday, May 11, 2011 – Toronto  
Monday, June 20, 2011 – Calgary  
Wednesday, June 22, 2011 – Vancouver

### ETFs, ETNs, Indexing

In its second year, the **ETF** conference will address the latest trends and developments in this rapidly changing and growing sector. The agenda features industry experts sharing their experiences and forecasts in a format designed for retail and institutional investment professionals.



EXCHANGE  
TRADED  
FORUM2011

exchangetradedforum.com

## Niagara Institutional Dialogue



Monday, June 13 to Wednesday, June 15, 2011 – Niagara-on-the-Lake

**Niagara Institutional Dialogue** is an exchange of ideas, knowledge and practices for Canadian Institutional Investors. A selected group of senior representatives from Canadian pensions, will participate in three days of informative discussions, education and networking.

This confidential closed door event is reserved for select industry participants.



Niagara  
Institutional  
Dialogue

An Exchange of  
New Ideas Knowledge Practices  
For Institutional Investors

institutionaldialogue.com

## 10<sup>th</sup> Anniversary World Alternative Investment Summit Canada



Monday, September 19 to Wednesday, September 21, 2011 – Niagara Falls

**WAISC** is Canada's largest annual gathering of alternative and exempt market investment professionals and service providers. Featuring panel discussions with top-level international speakers, fund managers and leading service providers, WAISC brings together over 400 delegates to explore every side of the alternative and exempt market investment space.



WAISC2011

World Alternative  
Investment Summit  
Canada

waisc.com

10<sup>th</sup>  
Anniversary!

## Mutual Fund & Insurance Summit Canada



Monday, October 17 & Tuesday, October 18, 2011 – Toronto

The mutual fund and insurance industries are constantly evolving and creating new ways to stay attractive to serious investors. This Summit is an ideal opportunity to stay on top of trends, topics and products. This two day event will focus on educating developing and seasoned advisors as well as industry participants in what is current and will update on themes from the past. This is the ideal opportunity to meet, learn and network with your peers as well as be educated in new trends.

MISC

MUTUAL FUND & INSURANCE  
SUMMIT CANADA

For more information, please contact:



**Radius Financial Education** Judy Street T 416.306.0151 x 2241 street@radiusfinancialeducation.com

Highest Return (3 Month)				
Fund Name	3 Month	6 Month	1 Year	Ann. std Dev. (1 Year)
AlphaNorth Partners Fund	61.04	103.87	147.05	34.07
BTR Strategic Growth Fund	42.09	85.97	79.69	27.15
Salida Strategic Growth Class F	42.01	87.51	76.65	28.37
Salida Strategic Growth Class A	41.61	86.47	74.74	28.32
Salida Multi Strategy Hedge Fund Class F	39.97	77.78	56.71	28.83
Salida Multi Strategy Hedge Fund	39.76	77.27	55.49	28.86
Pathway Energy Series A Rollover MIN002	39.68	41.21	13.63	34.88
Salida Global Energy Fund Class F	31.45	47.35	20.92	26.15
BTR Global Energy Fund	31.13	46.98	32.73	25.62
Salida Global Energy Fund Class A	31.07	46.52	28.44	26.02
Creststreet Energy Opportunities Fund Series 2010	30.43	38.99	-	-
Creststreet Energy Opportunities Fund Series 2009	30.43	39	58.55	24.74
Creststreet Energy Opportunities Fund Series A	26.77	35.06	54.05	24.12
Creststreet Energy Opportunities Fund Series F	26.58	35.19	-	-
KCS Absolute Core Return Fund Class A2 C\$	24.71	61.94	83.95	28.37
Arrow Enso Global Fund F	23.34	77.38	93.55	29.87
Arrow Enso Global Fund A	23.12	76.68	91.99	29.83
Silvercreek Convertible Limited	21.16	26.44	37.57	15.46
Silvercreek Convertible LP Class A	20.97	26.87	35.28	15.7
Northern Rivers Global Energy Fund LP	18.75	36.31	35.05	18.06
Barometer Long Short Equity Pool Class F	18.48	38.95	26.77	22.17

Highest Return (1 Year)			
Fund Name	Ann. Return	Ann. Std. Dev.	# of Negative Months
AlphaNorth Partners Fund	147.05	34.07	3
Skyron Gold STAR LP	100	57.67	0
Arrow Enso Global Fund F	93.55	29.87	4
Arrow Enso Global Fund A	91.99	29.83	4
KCS Absolute Core Return Fund Class A2 C\$	83.95	28.37	1
BTR Strategic Growth Fund	79.69	27.15	4
Salida Strategic Growth Class F	76.65	28.37	4
Salida Strategic Growth Class A	74.74	28.32	4
King & Victoria Fund LP	59.89	14.96	2
King & Victoria RSP Fund Class A Units	59.34	14.89	2
Creststreet Energy Opportunities Fund Series 2009	58.55	24.74	3
Salida Multi Strategy Hedge Fund Class F	56.71	28.83	3
Salida Multi Strategy Hedge Fund	55.49	28.86	3
Creststreet Energy Opportunities Fund Series A	54.05	24.12	3
Sprott Small Cap Hedge Fund	53.01	15.73	2
Vision Opportunity Fund L.P.	51.97	11.44	1
Dynamic Power Hedge Fund Series FC	44.79	30.68	5
Dynamic Power Hedge Fund Series C	43.9	30.76	5
Front Street Canadian Energy Resource Fund Ser B	42.94	22.99	4
Vision Opportunity Fund Trust	40.87	8.21	1
Dynamic Power Hedge Fund Series F	39.37	25.82	5

Lowest Return (3 Month)				
Fund Name	3 Month	6 Month	1 Year	Ann. std Dev. (1 Year)
Friedberg Global Macro Hedge Fund US\$	-18.08	-3.75	-2.5	27.03
Niagara Legacy Class B Fund	-17.28	-2.05	-3.95	28.17
DPF India Opportunities	-16.55	-5.45	0.68	22.94
The Friedberg Currency Fund	-13.41	-3.67	8.85	24.71
Northern Rivers Innovation Fund LP	-8.88	-2.82	-26.54	33.45
Man Canada AHL DP Investment Fund Class O	-8.19	4.78	6.04	16.67
Man Canada AHL DP Investment Fund Class P	-8.19	4.79	6.05	16.67
Man Canada AHL DP Investment Fund Class Q	-8.18	4.81	6.07	16.67
Man Canada AHL DP Investment Fund Class R	-7.86	5.53	7.1	16.67
Lycos Value Fund Class O	-7.38	-13.32	-2.58	13.9
Man Canada AHL DP Investment Fund Class A	-6.9	7.79	10.69	16.8
Man Canada AHL DP Investment Fund Class B	-6.9	7.81	10.73	16.81
Man Canada AHL DP Investment Fund Class C	-6.9	7.81	10.72	16.8
SciVest Market Neutral Equity Fund Class A2 C\$	-6.88	-5.47	-11.65	8.46
SciVest Market Neutral Equity Fund Class A	-6.87	-5.46	-11.41	8.52
Man Canada AHL DP Investment Fund Class I	-6.65	8.38	11.9	16.84
Man AHL Diversified (Canada) Fund Class A C\$	-6.61	8.32	11.53	17.98
Man Canada AHL DP Investment Fund Class F	-6.58	8.53	12.2	16.84
Man AHL Diversified (Canada) Fund Class I	-6.41	8.77	12.47	17.99
Man AHL Diversified (Canada) Fund Class F	-6.33	8.93	12.78	18
Man AHL Diversified (Canada) Fund Class C C\$	-6.25	9.04	-	-

Highest Return (3 Year)			
Fund Name	Ann. Return	Ann. Std. Dev.	# of Negative Months
AlphaNorth Partners Fund	42.51	46.1	11
Rosalind Capital Partners L.P.	41.43	15.62	10
King & Victoria Fund LP	34.53	19.47	7
BTR Global Energy Fund	34.4	36.54	11
King & Victoria RSP Fund Class A Units	33.58	19.49	8
Silvercreek Capital LP Class A	29.27	15.61	8
Arrow Enso Global Fund F	26.72	30.19	13
Arrow Enso Global Fund A	25.56	30.17	13
Agilith North American Diversified Fund	24.47	27.13	14
PH&N Absolute Return Fund	22.78	8.48	6
Niagara Discovery Fund	20.14	16.79	16
Salida Multi Strategy Hedge Fund Class F	19.41	43.45	11
Salida Multi Strategy Hedge Fund	18.33	43.45	11
Friedberg Global Macro Hedge Fund US\$	17.4	25.15	16
ChapelGate Credit Opportunity Fund Ltd.	16.57	4.68	5
Barometer Long Short Equity Pool	16.06	22.46	12
IMFC Global Investment Program	15.86	19.85	18
Barometer Long Short Equity Pool Class F	15.68	22.14	13
Spartan Multi Strategy Fund Class F	14.89	6.95	9
Fiera Institutional Market Neutral Strategy	14.32	8.29	11
J.C. Clark Commonwealth Patriot Trust	14.25	13.81	10

Fewest Negative Months (1 Year)			
Fund Name	# of Negative Months	Ann. Return	Ann. Std. Dev.
Skylon Gold STAR LP	0	100	57.67
Silvercreek Convertible LP Class A	0	35.28	15.7
Silvercreek Convertible Limited	0	37.57	15.46
NexGen Canadian Cash Tax Managed Fund F 1158	0	0.23	0.04
NexGen Canadian Cash Tax Managed Fund 1154	0	0.28	0.06
NexGen Canadian Cash Tax Managed Fund 1153	0	0.17	0.02
NexGen Canadian Cash Tax Managed Fund 1151	0	0.14	0.03
Lycos Value Fund Class P	0	6.03	0.08
Vision Opportunity Fund Trust	1	40.87	8.21
Vision Opportunity Fund L.P.	1	51.97	11.44
Picton Mahoney Income Opportunities Fund Class A	1	18.47	5.44
KCS Absolute Core Return Fund Class A2 C\$	1	83.95	28.37
BTR Wealth Preservation Fund	1	24.73	5.78
Webb Enhanced Income Fund Series F	2	21.35	8.18
Webb Enhanced Income Fund	2	20.04	8.17
Sprott Bull/Bear RSP Fund Class F	2	31.22	21.8
Silvercove Hard Asset Fund L.P.	2	15.67	4.99
Salida Wealth Preservation Fund Class F	2	19.62	6.59
Performance Growth Fund Class A	2	20.57	9.31
Performance Diversified Fund	2	11.03	3.71
Palos Income Fund, L.P.	2	25.52	9.28

Lowest Volatility (1 Year)			
Fund Name	Ann. Std. Dev.	Ann. Return	# of Negative Months
NexGen Canadian Cash Tax Managed Fund 1153	0.02	0.17	0
NexGen Canadian Cash Tax Managed Fund 1151	0.03	0.14	0
NexGen Canadian Cash Tax Managed Fund F 1158	0.04	0.23	0
NexGen Canadian Cash Tax Managed Fund 1154	0.06	0.28	0
Lycos Value Fund Class P	0.08	6.03	0
Blumont Core Hedge Fund	1.93	2.87	5
Sentry Select Market Neutral LP Class A	2.14	4.17	4
Sentry Select Market Neutral LP Class F	2.22	5.23	4
Sentry Select Market Neutral L.P.	2.25	4.86	3
Arrow Enhanced Income Fund A US	2.45	1.31	5
Arrow Enhanced Income Fund A C\$	2.59	3.16	4
ChapelGate Credit Opportunity Fund Ltd.	2.64	22.83	0
Arrow Enhanced Income Fund F C\$	2.74	3.34	3
PH&N Absolute Return Fund	2.88	18.74	1
KCS Great White North Fund Class F	2.91	4.55	3
KCS Great White North Fund Class A	2.92	4.05	3
Amethyst Arbitrage Fund	2.99	16.51	1
Aurion Income Opportunities Fund	3.17	3.8	4
Aurion Income Opportunities Fund Class D	3.21	3.21	5
Picton Mahoney Global Market Neutral Equ Cl A C\$	3.59	7.91	4
Performance Diversified Fund	3.71	11.03	2

Fewest Negative Months (3 Year)			
Fund Name	# of Negative Months	Ann. Return	Ann. Std. Dev.
ChapelGate Credit Opportunity Fund Ltd.	5	16.57	4.68
Amethyst Arbitrage Fund	5	9.8	16.97
PH&N Absolute Return Fund	6	22.78	8.48
Arrow High Yield Fund F	6	11.93	6.01
Arrow High Yield Fund A US	6	11.8	6.07
Arrow High Yield Fund A C\$	6	11.45	6.04
King & Victoria Fund LP	7	34.53	19.47
Vertex Fund Class B	8	9.86	24.03
Vertex Fund Class A	8	10.73	23.97
Silvercreek Capital LP Class A	8	29.27	15.61
King & Victoria RSP Fund Class A Units	8	33.58	19.49
Vertex Fund Class F	9	10.64	23.98
Spartan Multi Strategy Fund Class I	9	14.19	6.95
Spartan Multi Strategy Fund Class F	9	14.89	6.95
Spartan Multi Strategy Fund Class A	9	14.14	6.96
Sentry Select Market Neutral L.P.	9	4.51	2.76
Performance Growth Fund Class A	9	3.81	14.25
Performance Growth Fund	9	11.82	16.99
Performance Diversified Fund	9	4.72	8.79
Arrow Marret Resource Yield Fund F	9	1.79	15.84
Arrow Marret Resource Yield Fund A	9	0.91	15.72

Lowest Volatility (3 Year)			
Fund Name	Ann. Std. Dev.	Ann. Return	# of Negative Months
Sentry Select Market Neutral L.P.	2.76	4.51	9
ChapelGate Credit Opportunity Fund Ltd.	4.68	16.57	5
Blumont Core Hedge Fund	5.23	-0.71	16
DFS DGAM Alternative Investments Fund	5.31	2.89	15
Venator Catalyst Fund	5.38	10.54	11
Burlington Partners1 LP	5.48	-2.26	18
Arrow Enhanced Income Fund A C\$	5.48	0.83	14
Arrow Enhanced Income Fund F C\$	5.52	1.38	13
Picton Mahoney Market Neutral Equity Fund Class F	5.65	7.1	12
Picton Mahoney Market Neutral Equity Fund Class A	5.73	6.26	12
Arrow High Yield Fund F	6.01	11.93	6
Arrow High Yield Fund A C\$	6.04	11.45	6
Arrow High Yield Fund A US	6.07	11.8	6
Arrow Diversified Fund Class F US	6.21	1.18	13
Arrow Diversified Fund Class A US	6.21	0.35	13
Arrow Diversified Fund Class F C\$	6.22	1.64	12
Arrow Diversified Fund Class A	6.22	0.79	13
BSP Absolute Return Fund US\$	6.61	2.72	11
Arrow Enhanced Income Fund A US	6.7	1.39	16
Picton Mahoney Global Market Neutral Equ Cl A C\$	6.84	-0.22	16
Spartan Multi Strategy Fund Class I	6.95	14.19	9

# Man AHL DP Fund



Man AHL DP Fund (the 'Fund') offers investors exposure to the AHL Diversified Programme. The AHL Diversified Programme is a quantitative and predominantly directional based investment strategy that has historically provided exceptional returns, valuable diversification benefits and strong downside protection.

## Objectives and key benefits

### Robust investment management

Man AHL DP Fund (the 'Fund') has been structured to seek medium-term capital growth.

### Aims to minimize risk through diversification

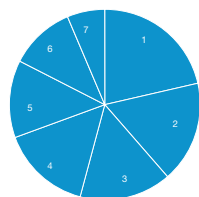
The Fund provides exposure to a portfolio that trades a broad range of futures and forward contracts in over 150 instruments globally.

### Portfolio enhancement

Man AHL DP Fund offers the potential to exhibit a low or even negative correlation to stocks and bonds. Hence it offers the ability to smooth the performance of a portfolio whilst offering an additional source of return.

### AHL Diversified Programme (CAD)<sup>1</sup> – sector allocations

At December 31, 2010

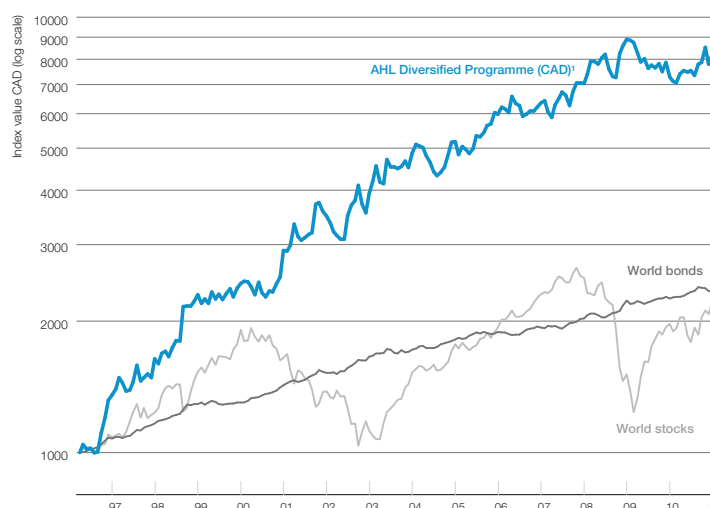


	% of portfolio
1 Currencies	21.9
2 Stocks	16.6
3 Bonds	15.3
4 Energies	15.2
5 Metals	13.1
6 Interest rates	11.5
7 Agriculturals	6.4

The sector allocation chart for AHL Diversified Programme (CAD) is represented by 'Class D Man AHL Diversified 2 CAD Notes' and is designed to reflect the expected long-term risk exposure to each sector relative to the other sectors in the portfolio. The figures are based on estimates of the risk of each sector for the current portfolio. The portfolio structure and constituents are regularly reviewed by the investment management team and sector allocations will change accordingly.

### Performance of the AHL Diversified Programme (CAD)<sup>1</sup>

March 26, 1996 to December 31, 2010



	AHL Diversified Programme (CAD) <sup>1</sup>	World stocks	World bonds
<b>Total return</b>	724.5%	123.2%	134.2%
<b>1-year annualized return</b>	13.1%	12.9%	3.9%
<b>3-year annualized return</b>	5.4%	-3.9%	4.9%
<b>5-year annualized return</b>	6.6%	2.9%	4.3%
<b>10-year annualized return</b>	11.0%	3.1%	5.1%
<b>Annualized return since inception</b>	15.4%	5.6%	5.9%
<b>Annualized volatility</b>	17.5%	16.4%	2.9%
<b>Sharpe ratio<sup>2</sup></b>	0.71	0.20	0.82
<b>Worst drawdown</b>	-20.6%	-53.4%	-2.3%
<b>Date of worst drawdown</b>	Dec 08 to date	Oct 07 to date	Aug 10 to date
<b>Months to recovery</b>	n/a	n/a	n/a

### AHL Diversified Programme (CAD)<sup>1</sup> correlation to traditional assets

March 26, 1996 to December 31, 2010

	World bonds	World stocks	AHL Diversified Programme (CAD) <sup>1</sup>
<b>AHL Diversified Programme (CAD)<sup>1</sup></b>	0.33	-0.14	1.00
<b>World stocks</b>	-0.21	1.00	
<b>World bonds</b>	1.00		

In a correlation matrix the values can vary between minus one (perfect negative correlation), through zero (no correlation), to plus one (perfect positive correlation).

**PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.** Source: Man database and Bloomberg. 'Man AHL DP Fund' or 'Fund' means the 'Man Canada AHL DP Investment Fund'. World stocks: MSCI World (Total return) Index. World bonds: Citigroup World Government Bond Index hedged to USD (Total return). World stocks and world bonds hedged from USD to CAD using the relevant 3-month LIBOR rate differentials. 1. Performance represented by AHL Diversified Programme which includes: Man AHL Diversified plc from March 26, 1996 to October 31, 2006 (hedged from USD to CAD using the relevant 3 month LIBOR rate differentials). From November 1, 2006, the performance of Man AHL Diversified (Canada) Fund – Class A Units is shown, net of all fees and expenses with dividends reinvested. The Investment Manager manages the assets of the AHL Portfolio in accordance with the AHL Diversified Programme. While it is intended that the assets of the AHL Portfolio will be managed with the same investment objectives in managing the assets of AHL Diversified Programme, their investments may not be identical and the returns of the AHL Portfolio will differ from the returns of AHL Diversified Programme. Differences in performance will be due to a number of factors including but not limited to fees, taxes, currency hedging, foreign exchange, variations in trading programmes and allocations, cash flows and asset size. The leverage, strategy and investments of AHL Diversified Programme have varied over time and as a result performance in any future period will vary. AHL Diversified Programme is valued weekly, however, for comparative purposes, statistics have been calculated using the last weekly valuation for each month. There are inherent limitations in any comparison between a managed portfolio and a passive index. Each index is unmanaged and does not incur management fees, transaction costs or other expenses associated with a managed portfolio. 2. Sharpe ratio is calculated using the risk-free rate in the appropriate currency over the period analyzed. Where an investment has underperformed the risk-free rate, the Sharpe ratio will be negative. Because the Sharpe ratio is an absolute measure of risk-adjusted return, negative Sharpe ratios are shown as n/a, as they can be misleading. Financial statistics that assume a normal distribution of returns from an investment strategy such as volatility, correlation and Sharpe ratio, may under-represent the risk of sizeable rapid losses from such investment strategy. See the risks section of this document and the Prospectus for a discussion of the risks of investing in the Fund.

This material is updated quarterly and can be obtained by calling your registered dealer or Man Investments Canada Corp. at 1 (877) 860-1080.

## Man AHL DP Fund Key facts

<b>Purchase of Units</b>	Weekly before 4 p.m. (EST) on the fifth business day immediately preceding a valuation date.
<b>Minimum initial investment</b>	CAD 5,000 minimum investment (except Class I). Class I minimum investment – CAD 2,000,000.
<b>Minimum additional investment</b>	CAD 5,000 for all Classes
<b>Redemption rights</b>	Weekly before 4 p.m. (EST) on the fifth business day immediately preceding a redemption date. Redemptions on Class B, C, P and Q Units may be subject to early redemption fees.
<b>Manager</b>	Man Investments Canada Corp.

### Reporting

- Monthly Trading Advisory Report
- Weekly Net Asset Value and annual reports posted on [www.maninvestments.com](http://www.maninvestments.com)
- Annual and interim statements of holdings
- Applicable required tax forms within 60 days

### Fund codes

Subscription information – Units of the Fund are offered as follows:

Fund name	Class	Description	Purchase option
Man AHL DP Fund	<b>CLASSES</b>		
	A	Front end	MCC 111
	B	Low load	MCC 113
	C	Deferred sales charge	MCC 115
	F	Fee based	MCC 173
	I	Institutional	MCC 191
	<b>CLASSES (WITH QUARTERLY DISTRIBUTIONS)</b>		
	O	Front end	MCC 711
	P	Low load	MCC 713
	Q	Deferred sales charge	MCC 715
	R	Fee based	MCC 773

### For further information, please contact:

Man Investments Canada Corp.      Main    (416) 775-3600  
70 York Street, Suite 1202      Fax      (416) 775-3601  
Toronto, ON M5J 1S9      Toll-free    (877) 860-1080  
Business hours: Monday to Friday – 8 am to 6 pm (EST)

## Key parties

### Man Group plc

- History dates back as far as 1783
- Approximately 1,600 employees operating in 16 jurisdictions<sup>3</sup>
- Listed on the London Stock Exchange and a constituent of the FTSE 100 Index

### Man Investments

- Established in 1983 as part of Man Group plc
- One of the world's leading hedge fund providers
- USD 68.6 billion under management<sup>3</sup>

### AHL

- Trading history of over 20 years
- USD 23.6 billion under management<sup>3</sup>
- Emphasis on research and innovation in quantitative investment strategies

## Research corner

In 2007, Man Group plc and the University of Oxford launched the Oxford-Man Institute of Quantitative Finance, in Oxford. The Oxford-Man Institute aims to become the world's leading interdisciplinary academic research centre for the study of quantitative finance with a particular focus on alternative investments. Man Group plc is the sole provider of the core funding for the institute and has co-located its research laboratory within the institute. The role of the laboratory is to undertake commercial research projects for the various quantitative groups within Man Group plc, and in particular, for AHL.

Although quantitative techniques are widely used throughout Man Group plc, it is within AHL that they have been used extraordinarily successfully for more than 20 years.

Source: Man database. 3. As at December 31, 2010.

### Important information

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 units (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. The information contained in this material is subject to change without notice and Man Investments will not be held liable for any inaccuracies or misprints.

### Risks of investing in the Fund

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.

DATE OF PUBLICATION: February 2011

© Copyright 2011 Man Investments Canada Corp. All rights reserved.

[www.maninvestments.com](http://www.maninvestments.com)

## Fiera Sceptre Boss Honoured With Award

**Investment Executive's sister publication names Jean-Guy Desjardins the 2010 Quebec Financial Person of the Year**

**Wednesday, February 2, 2011**

Jean-Guy Desjardins, chairman, CEO and chief investment officer of Montreal-based Fiera Sceptre Inc., has been named the 2010 Quebec Financial Person of the Year by Montreal-based financial newspaper *Finance et Investissement* for his entrepreneurial contributions to the investment-management industry.

The annual award recognizes the top economic and financial newsmaker of the year – chosen by a jury made up of independent financial experts as well as reporters and editors from financial publications *Les Affaires* and *FI*. The latter is *Investment Executive's* sister publication.

Desjardins made headlines in 2010 when Montreal-based Fiera Capital Inc. – the investment-management firm that he founded in 2003 – merged with Toronto-based Sceptre Investment Counsel Ltd. to create one of the largest independent money-management firms in Canada, with \$30.8 billion in assets under management.

The newly combined full-service investment-management firm has offices in Toronto, Montreal, Vancouver and Waterloo, Ontario, and more than 160 employees. Fiera Sceptre's clients include institutional investors, mutual funds, charitable organizations and high net-worth individuals, and the firm's investment strategies include a combination of equities, fixed-income and alternative asset classes.

The merger followed several years of rapid growth for Fiera Capital under Desjardins' leadership. He had launched the firm upon acquiring roughly \$5 billion in AUM from Elantis Investment Management Inc., a division of Lévis, Quebec-based Desjardins Group. Between 2003 and 2010, Fiera Capital's AUM reached more than \$23 billion, through both organic growth and acquisitions.

In a recent interview with *FI*, Desjardins said much more growth is in store for Fiera Sceptre. In fact, he intends to double the value of the company within the next five years. This year, the firm plans to open its first office outside of Canada – in New York – in an effort to begin building a base of clients in the U.S.

This isn't the first time Desjardins has spearheaded an ambitious growth strategy for an asset-management firm. Early in his career, he co-founded TAL Global Asset Management Inc., which grew into a successful money-management firm that was eventually purchased by Canadian Imperial Bank of Commerce in 2001.

"He's responsible for two of the biggest independent fund companies in Montreal," says Christian Benoit-Lapointe, *FI's* editor-in-chief, who was a member of the jury that selected Desjardins. "We wanted to celebrate his entrepreneurship."

Other highlights of Desjardins' career include serving on the board of directors of the Bank of Canada for five years, acting as lead director in 2007. He was also chairman of the special committee responsible for recruiting current BoC Governor Mark Carney.

Outside of Desjardins' role at Fiera Sceptre, he is involved in a range of other business, arts and charity activities. He sits on the boards of directors for such organizations as the Montreal Museum of Fine Arts and the Orchestre Symphonique de Montréal.

## GMP Investment Management L.P. Announces Launch of GMPIM Equity Opportunities Fund

**Toronto, Ontario - Marketwire - February 2, 2011** – GMP Investment Management L.P. ("GMPIM") is pleased to announce the launch of the GMPIM Equity Opportunities Fund ("EOF").

The Equity Opportunities Fund is a long/short equity fund that focuses on the Canadian and U.S. investment universe. The EOF will adhere to GMPIM's overall investment goals, which are to preserve investors' capital, manage volatility and provide attractive returns. The Fund will implement five core strategies – with broad sector representation – able to take advantage of all market conditions. Portfolio Managers Keith McLean and Daniel McClure have over 30 years of combined capital markets experience and will manage the fund.

"The objective of the EOF is to generate superior risk-adjusted returns over the long term, by utilizing a proven and disciplined investment approach – our proprietary Cyclical and Quantitative Investment ("CQI") process," said Kevin Barnes, President. "Our CQI process is the key to identifying the best opportunities in a vast investment universe."

The same acumen, strategy and risk controls featured in the EOF have been core components of GMPIM's flagship fund, GMP Diversified Alpha Master Fund, which has a return, since inception, of 30.21%(i).

"In the EOF we offer investors a compelling equity investment opportunity: the skill and experience of Keith and Dan, an attractive return potential, a tax-efficient structure, weekly liquidity and the management of equity market volatility," added Barnes.

To learn more about GMPIM Equity Opportunities Fund – please visit [www.gmpim.com](http://www.gmpim.com).

For further information:

**GMP Investment Management L.P.**

**Kevin Barnes, President**

416-941-6560 [kevin.barnes@gmpim.com](mailto:kevin.barnes@gmpim.com)

## State Street and IFDS Appointed by PIMCO to Provide Investment Servicing for New Canadian Funds

**Selected for Technology Innovation and Service Leadership**

**Toronto, Ontario - Marketwire - February 17, 2011** – State Street Corporation (NYSE: STT), one of the world's leading providers of financial services to institutional investors and International Financial Data Services (IFDS) Canada, the expert in transfer agency and unit-holder recordkeeping services, announced today that they have been appointed by PIMCO to provide a range of investment services for PIMCO's newly launched Canadian retail funds.

State Street will provide fund accounting, fund administration, custody and trustee services and IFDS will provide transfer agency and unit-holder recordkeeping services for the eight new funds. Founded in 1971, PIMCO is a global investment solutions provider with more than 1,300 dedicated professionals in 10 countries focused on managing risks and delivering returns to clients.

"Our retail funds leverage current institutional mandates and provide

continued on page 30 >>>



# WAISC 2011

## 10<sup>th</sup> Annual World Alternative Investment Summit Canada

Now in its 10<sup>th</sup> 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.

| Be Informed | Make Connections | Do Business |

**FALLSVIEW**  
CASINO RESORT   
NIAGARA FALLS

Niagara Falls, Canada  
**September 19-21, 2011**  
[www.waisc.com](http://www.waisc.com)

**10<sup>th</sup>**  
**Anniversary!**

➤ **Stronger governance. Reduced risk.**



➤ **Specialized support for ETFs**

**Asset servicing expertise.** For today's investor, there is no room for error. Imprecision, or delay. To succeed in this demanding environment, you need an asset servicing partner who is committed to the business. CIBC Mellon provides the stability and resources you need. With the financial strength of two industry leaders, we deliver unparalleled tools and expertise. All designed to help you meet your operational needs efficiently.

For more information, contact:  
Barbara Barrow at 416-643-6361  
or visit us at [cibcmellon.com](http://cibcmellon.com)

**CIBC MELLON**

©2010. A BNY Mellon and CIBC Joint Venture Company. CIBC Mellon is a licensed user of the CIBC trade-mark and certain BNY Mellon trade-marks.

## AROUND THE HEDGE - A Review of Hedge Fund Happenings

Canadian investors with solutions that demonstrate PIMCO's thought leadership," said Stuart Graham, president, PIMCO Canada. "After a competitive RFP process, we appointed State Street and IFDS based on their ability to provide a specialized, technologically advanced and efficient servicing solution that could support this expansion of our business."

"We are pleased to be partnering with PIMCO to launch its new funds and to help grow its business in Canada," said Kevin Drynan, senior vice president and managing director of State Street's investment servicing business in Canada. "As the demand for asset servicing continues to grow, we remain focused on partnering with our clients as they expand in the region. State Street is consistently chosen by clients based on the strength of our technology and the customization that we offer."

"PIMCO's Canadian retail business is another key strategic business win for IFDS and we look forward to continuing our long-term partnership," says Debralee Goldberg, President and CEO of IFDS (Canada) Ltd. "We are excited to be deepening our relationship with PIMCO, as we expand their business in Canada with our market-leading services."

State Street and IFDS have been providing a variety of investment services for PIMCO over the last decade, including custody, accounting, valuation and transfer agency services. Since 2000, State Street has provided PIMCO with investment operations outsourcing services including transaction management, pricing, derivatives processing, collateral management, custody, accounting, systems and IT development.

### New EDHEC-Risk Institute Research Examines Dynamic Hedging of an Option When the Underlying Asset is not Available for Trading

**Investment Executive's sister publication names Jean-Guy Desjardins the 2010 Quebec Financial Person of the Year**

**London, Nice, Singapore, February 17, 2011**

A new research paper, "Option Pricing and Hedging in the Presence of Cross-Hedge Risk," drawn from the "Structured Products and Derivative Instruments" research chair at EDHEC-Risk Institute supported by the French Banking Federation (FBF), addresses dynamic hedging of an option when the underlying asset is not available for trading, and some other asset, or portfolio, is used as a substitute.

The underlying asset may be unavailable because of liquidity constraints, legal constraints, high market friction, or for other reasons. If the substitute asset were perfectly correlated with the actual underlying asset, no further risk would be introduced, since one could offset any gain or loss in the option position by dynamically trading the substitute asset. In general, however, correlation is not perfect, and the unavailability of the underlying asset induces some form of dynamic incompleteness in that perfect replication is no longer possible with a self-financing strategy. A typical example of what is known as cross-hedge risk can be found in index option markets, in which S&P100 options are systematically hedged using dynamic trading in S&P500 futures contracts, because investors cannot trade in the actual underlying asset.

The authors of the research, Lionel Martellini, Scientific Director, and Vincent Milhau, Senior Research Engineer with EDHEC-Risk Institute, find that the use of the optimal strategy induces a much smaller replication error compared to the replication error induced by a naive Black-Scholes strategy, especially for low levels of the correlation between the underlying asset and the substitute. In the absence of transaction costs, the paper also find that cross hedge risk is more substantial than the risk induced by discrete trading for reasonable parameter values.

While this result implies that trading in the substitute can only be rationalised for exceedingly high correlations, the presence of higher levels of transaction costs is likely to make trading in the actual underlying asset a prohibitively costly alternative.

A copy of the study can be downloaded via the following link:

#### **EDHEC-Risk Working Paper Pricing and Hedging in the Presence of Cross-Hedge Risk**

This research was produced as part of the Structured Products and Derivative Instruments" research chair at EDHEC-Risk Institute supported by the French Banking Federation (FBF).

### Niagara Capital Partners Inc. Launches Futures-Focused Fund After Four Year Incubation Period Toronto, Ontario - February 23, 2011

After 4 years of incubating the strategy in the form of a Canadian LP, Niagara Capital Partners Ltd. is making its Niagara Discovery Fund Ltd. available to non-Canadian and non-U.S. investors and the Canadian LP, the Niagara Discovery Fund more widely available to Canadian investors. A slow, organic approach is in keeping with the firm's culture.

The fund is the creation of Niagara CIO David Rothberg and Albert Friedberg, CIO of Friedberg Mercantile Group Ltd. (FMGL) and the PM of the Friedberg Global Macro Hedge Fund Ltd. Rothberg has worked at FMGL since the 1970s as an analyst, portfolio manager of futures and options, product developer, and founding – and current – member of its risk management committee.

"At Friedberg we take our time to get confident things work before offering them to outside investors," Rothberg says. The Friedberg Global Macro Fund, like the Niagara Discovery Fund, had a four year history before being actively marketed.

Niagara Discovery Fund uses many of the same tools Rothberg has seen FMGL use in its asset management business over the years: momentum, fundamental and technical analysis, sentiment, pattern recognition, and value. Being different, the tools offer relatively uncorrelated return streams.

To find 'operators' for the tools, Friedberg developed a qualitative method. Rothberg got traders' month end statements, plotted their buys and sells over the charts of markets they traded, then Friedberg, without knowing anything about the trader or his returns, looked at the trading patterns in search of 'elegance'.

"We didn't define the term," Rothberg explains. "Friedberg assumed we'd know what it meant when we saw it. And he was right."

The first operator Friedberg and Rothberg chose was a momentum specialist. The pattern recognition specialist came on board ten months later, the fundamental and technical operator five months after that. Value joined in the summer of 2009, and sentiment in the fall of that year.

continued on page 32 >>>

# HIGHWATER

CAPITAL MANAGEMENT

[www.highwaterfunds.com](http://www.highwaterfunds.com)

**Institutional Investor**

**INSTITUTIONAL INVESTOR**  
**ALPHA HEDGE**

May 1-3, 2011

The Fairmont Southampton  
Bermuda

## The 17th Annual *Bermuda* The Global Hedge Fund Summit

**Gain insight from over 100 expert speakers**



Dr. Larry Summers  
*Former Director of the National Economic Council and Assistant to the President for Economic Policy*



Byron R. Wien  
*Vice Chairman The Blackstone Group*



Bruce Richards  
*CEO and President Marathon Asset Management*



Paul Zummo  
*CIO JPMorgan Alternative Investment Management*



Henry Swieca  
*Founder Talpion LLC*



Larry Powell  
*Deputy CIO Utah Retirement System*

**Register Today!** [www.ii-alphahedge.com](http://www.ii-alphahedge.com) or [www.marhedge.com](http://www.marhedge.com)  
Mention Discount Code **CHWF** and Save 10% off the Registration Fee

## AROUND THE HEDGE - A Review of Hedge Fund Happenings

"It's a good team," Rothberg says. "The operators come from different backgrounds and use different approaches but they all embody dedication, creativity, sharpness and tough-mindedness."

While they were searching for the right mix of tools and operators, Rothberg and Friedberg developed a risk management process customized to the fund.

"We learned to allocate in terms of volatility and correlation, i.e. in terms of capital preservation and not in an attempt to maximize returns," Rothberg says. "We learned how to verify that each operator observed his own, local, risk management rules. And we learned how to determine when the tools in aggregate accidentally brought too much risk to the portfolio universally. And finally we developed a method of seeking to hedge that risk out."

In taking from 2006 to 2010 to refine and test, the Canadian LP marinated in three distinct and very challenging environments. It was profitable in all of them, including 2008 and 2009, the latter being a particularly difficult year for futures-focused strategies.

One, three, and life-to-date returns of the Canadian LP have been 22.99%, 20.15%, and 18.78%, respectively. Annualized volatility has averaged 16.65%.\*

"Good things take time," Rothberg says.

"Niagara Discovery Fund is a fund built entirely on our experience. We know the tools work. We understand how they work. We used our experience to develop our own way of selecting the operators. Experience is another way of speaking about time."

Niagara Discovery Fund Ltd. is a feeder fund to Niagara Discovery Master Fund Ltd., a Cayman Islands fund of managed accounts custodied at Goldman Sachs Execution & Clearing, L.P. through Merlin Securities. Seward and Kissel LLP and Walkers are counsel to the fund and to Niagara. Rothstein Kass & Company audits. Cayman National Fund Services Ltd. is the administrator.

Niagara Capital Partners Ltd. is an asset management firm headquartered in Toronto, Canada specializing in liquid alternative investment strategies.

\*"Past performance is no guarantee or projection of future results. Performance numbers reflect a ceiling on administrative expenses charged to the fund of 40bps. Performance attributable to all five 'operators' from November 2009 only. Under no circumstances should the information contained herein be used or considered as an offer to sell, or a solicitation of an offer to purchase, any security or investment service. The information presented herein is presented in summary form and is, therefore, subject to qualification and further explanation. More complete information about Niagara Capital products and services is contained in the descriptive documents for such products and services."

For further information contact:  
Maureen Darrigo [mdarrigo@niagaracapital.ca](mailto:mdarrigo@niagaracapital.ca)



### The most affordable hedge fund administrator in Canada.

Your fund could have **access to FundSERV's large dealer network** utilizing real-time electronic trading for as little as **\$1000\*/month**.

- **Very competitive pricing**
- Highly experienced staff
- Systems built on current technology
- Strong technological background

Our mission is to provide back office fund support at the highest level of efficiency and accuracy resulting in reduced costs for our clients. We aim to be the premier back office service provider in Canada. At Prometa, we work with our clients to provide top quality fund support at a much lower cost than our competitors.

**For all inquiries, please contact:**

George Asprey, President and CEO

Ph. 1-877-548-3751 Email: [gasprey@prometa.ca](mailto:gasprey@prometa.ca) Or visit our website at: [www.prometa.ca](http://www.prometa.ca)

\*Includes Prometa's monthly connection fee with unlimited electronic trading. Ask us for more details.

# canadian hedgewatch

## Canada's Premier Source of Hedge Fund Information



Stay informed with all the latest hedge fund news and performance data with in-depth analyses.

Also includes:

- Current and historical Canadian hedge fund data
- Distribution of assets in Canadian hedge funds
- Average asset size of funds
- Return information, average and detailed
- Correlation tables
- Comprehensive Canadian hedge fund listings
- Tables of new funds, the best funds and the worst funds
- CHW Index update sheet

## Stay Informed with a Canadian Hedge Watch Membership

Receive complete data, news, plus discounts on industry events and advertising for one low annual price of \$399.00 (+ applicable taxes).

Canadian Hedge Watch is published 11 times per year by Canadian Hedge Watch Inc.

We welcome articles, suggestions and comments from our readers. All submissions become the property of Canadian Hedge Watch Inc., which reserves the right to exercise editorial control in accordance with its policies and educational goals.

canadian  
**hedgewatch**   
canadianhedgewatch.com

### Contact Information

Canadian Hedge Watch Inc.  
20 Toronto Street, Suite 820, Toronto, Ontario M5C 2B8  
tel: 416.848.0277 ext. 2225 fax: 416.848.0278  
toll free: 1.877.249.9249  
Editorial, Media & Advertising: [krotowski@canadianhedgewatch.com](mailto:krotowski@canadianhedgewatch.com)  
Subscriptions: [subscription@canadianhedgewatch.com](mailto:subscription@canadianhedgewatch.com)

**Disclaimer** The information contained in Canadian Hedge Watch has been compiled from sources believed to be reliable, however accuracy is not guaranteed. Canadian Hedge Watch provides information as a general source of news and events and should not be considered personal investment advice. Before taking any action all readers are advised and cautioned to consult a certified financial advisor. We have endeavoured to ensure that the material contained in Canadian Hedge Watch is accurate at time of publication.

# END-TO-END SERVICE ONE-TO-ONE APPROACH

National Bank Financial Markets is a trademark used by National Bank Financial (NBF) which is an indirect wholly owned subsidiary of National Bank of Canada.



NBF.CA

---

OUR PRIME SERVICES are designed with your business in mind. With a single point of contact and a vast array of resources, our comprehensive approach supports both pooled and individual investment strategies. Whether you need Prime Brokerage, Direct Market Access, Securities Finance, Derivatives or Capital Introduction, you'll have them all at your fingertips.

To learn more about Prime Services, contact Mike Newallo at 416 869 8017 today.

**CLIENT INSPIRED. PERFORMANCE DRIVEN.**



PRIME SERVICES: PRIME BROKERAGE • DIRECT MARKET ACCESS • SECURITIES FINANCE • DERIVATIVES • CAPITAL INTRODUCTION