

EXEMPLAR

PORTFOLIOS



INTERIM FINANCIAL STATEMENTS JUNE 2011

EXEMPLAR LEADERS FUND

CONTENTS

Management's Statement on Financial Reporting	2
Notice to Unitholders	3
Statement of Net Assets	4
Statement of Operations	5
Statement of Changes in Net Assets	6
Statement of Investments and Other Net Assets	7
Summary of Investment Portfolio	10
Notes to the Financial Statements	11
Fund Information	21

MANAGEMENT'S STATEMENT ON FINANCIAL REPORTING

BluMont Capital Corporation (the "Manager") is responsible for the accompanying financial statements and all information in this report. The financial statements have been approved by the Board of Directors of the Manager. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's judgment and best estimates.

Management has established systems of internal control that provide assurance that assets are safeguarded from loss or unauthorized use and produce reliable accounting records for the preparation of financial information. The systems of internal controls meet management's responsibilities for the integrity of the financial statements.

The Board of Directors of the Manager meets with management and the auditors to discuss the Fund's financial reporting and internal control. The Board of Directors reviews the results of the audits by the auditors and their audit report. The external auditors have unrestricted access to the Board of Directors.

The Manager recognizes its responsibility to conduct the Fund's affairs in the best interest of its unitholders.

Respectfully,

"James Wanstall"

Chief Executive Officer
BluMont Capital Corporation
August 25, 2011

NOTICE TO UNITHOLDERS

The auditors of the Fund have not reviewed these financial statements.

The Manager of the Fund appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice.

STATEMENT OF NET ASSETS

As at June 30, 2011 and December 31, 2010

Unaudited

EXEMPLAR LEADERS FUND

	2011	2010
ASSETS		
Long positions at fair value*		
Canadian equities	\$ 18,694,200	\$ 17,506,918
U.S. equities	2,819,821	2,069,524
Global equities	29,295	-
Canadian bonds	<u>108,250</u>	<u>105,400</u>
	21,651,566	19,681,842
Cash and broker deposits	1,007,733	1,965,902
Accrued investment income	72,605	62,502
Receivable from investment sales	<u>107,525</u>	<u>250,008</u>
Total Assets	<u>22,839,429</u>	<u>21,960,254</u>
LIABILITIES		
Short positions at fair value**		
Canadian equities	<u>378,450</u>	<u>213,700</u>
Accounts payable:		
Fees and operating expenses	53,065	54,038
Dividends payable	-	300
Redemptions payable	13,069	41,516
Payable for investment purchases	<u>61,740</u>	<u>78,300</u>
Total Liabilities	<u>506,324</u>	<u>387,854</u>
NET ASSETS REPRESENTING UNITHOLDERS' EQUITY		
Series A	18,380,259	17,938,790
Series F	<u>3,952,846</u>	<u>3,633,610</u>
	<u>\$ 22,333,105</u>	<u>\$ 21,572,400</u>
NUMBER OF UNITS OUTSTANDING (Note 4)		
Series A	614,025	641,742
Series F	<u>131,339</u>	<u>129,977</u>
NET ASSETS PER UNIT		
Series A	\$ 29.93	\$ 27.95
Series F	<u>\$ 30.10</u>	<u>\$ 27.96</u>
*Long positions, at cost	<u>\$ 19,430,970</u>	<u>\$ 18,787,347</u>
**Proceeds on short positions	<u>\$ 296,320</u>	<u>\$ 206,864</u>

Approved by the Board of Directors of BluMont Capital Corporation

"Veronika Hirsch"

"Stephen Johnson"

Veronika Hirsch
Director

Stephen Johnson
Director

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

STATEMENT OF OPERATIONSFor the six months ended June 30,
Unaudited**EXEMPLAR LEADERS FUND**

	2011	2010
INVESTMENT INCOME		
Dividends	\$ 211,170	\$ 97,608
Less: Foreign withholding taxes	<u>3,412</u>	<u>-</u>
	207,758	97,608
Interest	<u>9,604</u>	<u>23</u>
	<u>217,362</u>	<u>97,631</u>
EXPENSES (Notes 6 and 7)		
Management fees	203,568	48,381
General operating expenses	147,204	68,330
Audit fees	29,846	8,000
Legal fees	1,260	-
Trustees' fees	14,818	-
Securityholders' reporting costs	<u>5,468</u>	<u>5,630</u>
	402,164	130,341
Less: Expenses absorbed by the Manager	<u>101,564</u>	<u>51,254</u>
	<u>300,600</u>	<u>79,087</u>
NET INVESTMENT INCOME (LOSS)	<u>(83,238)</u>	<u>18,544</u>
NET REALIZED GAIN ON INVESTMENT TRANSACTIONS	406,784	550,958
TRANSACTION COSTS (Notes 2(1) and 7)	(34,099)	(9,396)
NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS	1,250,807	(813,412)
EXCHANGE LOSS ON FOREIGN CURRENCIES AND OTHER NET ASSETS	<u>(14,324)</u>	<u>(196)</u>
NET GAIN (LOSS) ON INVESTMENTS AND TRANSACTION COSTS	<u>1,609,168</u>	<u>(272,046)</u>
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	1,246,459	(58,283)
Series F	279,471	(156,565)
Series O	-	(25,663)
Series P	<u>-</u>	<u>(12,991)</u>
	<u>\$ 1,525,930</u>	<u>\$ (253,502)</u>
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT (Note 2(VI))		
Series A	\$ 1.99	\$ (0.98)
Series F	\$ 2.14	\$ (1.29)
Series O	\$ -	\$ (0.68)
Series P	<u>\$ -</u>	<u>\$ (0.72)</u>

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

STATEMENT OF CHANGES IN NET ASSETS

For the six months ended June 30,

Unaudited

EXEMPLAR LEADERS FUND

	2011	2010
Net Assets, Beginning of Period		
Series A	\$ 17,938,790	\$ 1,726,778
Series F	3,633,610	3,095,998
Series O	-	1,115,390
Series P	-	623,538
	<u>21,572,400</u>	<u>6,561,704</u>
Net Increase (Decrease) in Net Assets from Operations		
Series A	1,246,459	(58,283)
Series F	279,471	(156,565)
Series O	-	(25,663)
Series P	-	(12,991)
	<u>1,525,930</u>	<u>(253,502)</u>
From Capital Unit Transactions: (Note 4)		
Proceeds from issue of units		
Series A	733,978	62,060
Series F	70,100	71,622
Series O	-	-
Series P	-	24,999
	<u>804,078</u>	<u>158,681</u>
Consideration paid for redemptions of units		
Series A	(1,538,968)	(527,455)
Series F	(30,335)	(111,750)
Series O	-	(637,403)
Series P	-	(263,818)
	<u>(1,569,303)</u>	<u>(1,540,426)</u>
From Distributions to Unitholders:		
From net income/capital gains		
Series O	-	(18,631)
	<u>-</u>	<u>(18,631)</u>
Net Assets, End of Period		
Series A	18,380,259	1,203,100
Series F	3,952,846	2,899,305
Series O	-	433,693
Series P	-	371,728
	<u>\$ 22,333,105</u>	<u>\$ 4,907,826</u>

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

EXEMPLAR LEADERS FUND
STATEMENT OF INVESTMENTS AND OTHER NET ASSETS
As at June 30, 2011
Unaudited

	Number of Shares	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Asset Value
LONG POSITIONS				
Canadian Equities				
Energy				
Anglo Canadian Oil Corporation, Warrants, May 16, 2012	75,000	\$ 2,789	\$ -	
Arsenal Energy Inc.	362,000	270,113	249,780	
Canadian Spirit Resources Inc.	69,000	103,500	86,250	
Canyon Services Group Inc.	74,600	922,531	992,928	
Daylight Energy Limited	13,625	132,708	126,849	
Flint Energy Services Limited	40,400	706,747	557,924	
Gastem Inc., Warrants, Aug 17, 2012	100,000	193	-	
Kallisto Energy Corporation, Warrants, May 25, 2012	10,000	599	-	
Longview Oil Corporation	10,400	104,000	120,120	
NAL Energy Corporation	4,000	49,120	44,080	
Pan Orient Energy Corporation	32,300	212,666	168,606	
Petrominerales Limited	14,000	408,796	394,660	
PHX Energy Services Corporation	18,400	253,247	200,376	
Red Maple Limited ²	240,000	-	-	
RMP Energy Inc	158,500	337,216	362,965	
Shoreline Energy Corporation	25,000	250,000	202,500	
Shoreline Energy Corporation, Warrants, Oct 29, 2012	25,000	-	-	
Surge Energy Inc.	3,800	26,220	36,822	
Tourmaline Oil Corporation	4,900	100,450	156,800	
Tuscany International Drilling Inc.	190,000	285,638	171,000	
Xtreme Coil Drilling Corporation	30,000	142,500	125,100	
ZCL Composites Inc.	66,000	210,890	234,300	
		4,519,923	4,231,060	19.0
Basic Materials				
Cascades Inc.	38,600	279,242	245,882	
Cymat Technologies Limited, Warrants	100,000	1,114	-	
Franco-Nevada Corporation	1,000	32,420	35,950	
Hunt Mining Corporation, Restricted, Oct 15, 2011	200,000	90,000	92,000	
Hunt Mining Corporation, Warrants, Nov 30, 2013	130,000	13,000	14,300	
Hunt Mining Corporation, Warrants, June 14, 2013	100,000	-	-	
Iberian Minerals Corporation	194,000	165,500	172,660	
Imperial Metals Corporation	10,600	246,734	205,110	
Kirkland Lake Gold Inc.	17,000	240,309	257,210	
Major Drilling Group International Inc.	10,000	129,942	125,000	
Miocene Metals Limited, Special Warrants, Oct 31, 2011	10,000	-	-	
Neo Material Technologies Inc.	72,900	565,672	674,325	
Noranda Income Fund	49,000	256,006	226,870	
Timmins Gold Corporation	56,000	109,173	130,480	
Wallbridge Mining Company Limited, Warrants	30,000	12	-	
		2,129,124	2,179,787	9.7

	Number of Shares	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Asset Value
Industrials				
Aeromechanical Services Limited	590,000	\$ 147,500	\$ 106,200	
Aeromechanical Services Limited, Warrants, Dec 23, 2013	620,000	-	-	
Bombardier Inc. 'B'	28,600	194,596	197,913	
Horizon North Logistics Inc.	463,800	1,342,884	2,063,909	
Mullen Group Limited	31,000	490,159	628,370	
Shanghai Songrui Forestry ²	27,500	11,550	-	
Vector Aerospace Corporation	11,000	79,090	142,560	
West Jet Airlines Limited	3,800	55,024	57,418	
		2,320,803	3,196,370	14.3
Consumer Discretionary				
Gildan Activewear Inc.	1,000	35,830	33,850	
Indigo Books & Music Inc.	5,000	75,000	64,000	
Magna International Inc.	14,800	738,006	770,340	
		848,836	868,190	4.0
Consumer Staples				
Philip Morris International	15,000	881,576	965,409	4.3
Health Care				
Acasti Pharma Inc.	51,850	24,370	76,220	
Acasti Pharma Inc., Rights	289,747	-	2,897	
Immunovaccine Inc., Warrants, Sept 16, 2013	10,000	507	-	
Neptune Technologies & Bioresources Inc.	375,900	836,449	1,334,445	
Neptune Technologies & Bioresources Inc., Warrants, Oct 27, 2012	18,500	-	16,650	
Paladin Labs Inc.	3,500	104,331	140,910	
		965,657	1,571,122	7.0
Financials				
Alaris Royalty Corporation	68,250	724,997	1,092,000	
Canadian Western Bank	14,600	387,046	449,388	
CI Financial Corporation	13,900	303,020	317,337	
GT Canada Medical Properties Inc., REIT	30,000	60,000	43,800	
GT Canada Medical Properties, Warrants, Dec 24, 2012	15,000	-	300	
TMX Group Inc.	4,200	159,103	182,490	
		1,634,166	2,085,315	9.3
Information Technology				
Absolute Software Corporation	7,900	29,157	30,889	
Cortex Business Solutions Inc., Restricted, Oct 1, 2011	240,000	108,000	84,000	
Cortex Business Solutions Inc., Warrants, Nov 30, 2012	120,000	-	-	
Posera-HDX Inc., Warrants, April 14, 2012	15,000	130	-	
Softchoice Corporation	17,800	150,267	146,850	

	Number of Shares/ Par Value	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Asset Value
Information Technology - Cont'd				
SXC Health Solutions Corporation	1,400	\$ 55,216	\$ 79,002	
Synchronica PLC	416,740	161,587	104,185	
Synchronica PLC, Warrants, Sept 20, 2013	53,740	749	4,372	
The Descartes Systems Group Inc.	24,700	171,418	170,430	
VendTek Systems Inc.	432,950	217,957	255,441	
WebTech Wireless Inc.	1,440,950	561,502	482,718	
		1,455,983	1,357,887	6.1
Telecommunication Services				
BCE Inc.	27,000	939,330	1,021,140	
Rogers Communications Inc. 'B'	32,000	1,131,440	1,217,920	
		2,070,770	2,239,060	10.0
Total Canadian Equities - Long		16,826,838	18,694,200	83.7
U.S. Equities				
Energy				
GT Solar International Inc.	20,000	220,952	312,063	1.4
Health Care				
Gilead Sciences Inc.	30,000	1,124,251	1,197,720	
WellPoint Inc.	13,400	837,651	1,017,758	
		1,961,902	2,215,478	9.9
Information Technology				
Intel Corporation	10,400	222,128	222,047	1.0
Utilities				
National Fuel Gas Company	1,000	63,862	70,233	0.3
Total U.S. Equities - Long		2,468,844	2,819,821	12.6
Australia				
Bannerman Resources Limited	108,500	63,626	29,295	0.1
Total Global Equities - Long		63,626	29,295	0.1
Canadian Bonds				
Rocky Mountain Dealership 7.00%, September 30, 2017	100,000	104,750	108,250	0.5
Total Long Positions Including Transaction Costs		19,464,058	21,651,566	96.9
Transaction Costs		(33,088)	-	-
Total Long Positions Before Transaction Costs		19,430,970	21,651,566	96.9

	Number of Shares	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Asset Value
SHORT POSITIONS				
Canadian Equities				
Energy				
Birchcliff Energy Limited	(29,000)	\$ (295,992)	\$ (378,450)	(1.7)
Total Canadian Equities - Short		(295,992)	(378,450)	(1.7)
Total Short Positions Including Transaction Costs		(295,992)	(378,450)	(1.7)
Transaction Costs		(328)	-	-
Total Short Positions Before Transaction Costs		(296,320)	(378,450)	(1.7)
TOTAL INVESTMENT PORTFOLIO		\$ 19,134,650	21,273,116	95.2
Other Assets, Net of Liabilities ¹			1,059,989	4.8
TOTAL NET ASSETS REPRESENTING UNITHOLDERS' EQUITY			\$ 22,333,105	100.00

¹This amount is comprised of cash and broker deposits plus accrued investment income plus receivable from investment sales less accounts payable.

² Private and illiquid securities.

EXEMPLAR LEADERS FUND
SUMMARY OF INVESTMENT PORTFOLIO
As at June 30, 2011 and December 31, 2010

SECTOR MIX	% of Total Net Assets		GEOGRAPHIC MIX	% of Total Net Assets	
	2011	2010		2011	2010
Long Positions			Long Positions		
Energy	20.3	14.8	Canada	84.2	81.6
Basic Materials	10.3	18.7	U.S.	12.6	9.6
Industrials	14.3	12.3	Australia	0.1	-
Consumer Discretionary	3.9	8.2	Other Assets, Net of Liabilities	4.8	9.8
Consumer Staples	4.3	1.5			
Health Care	17.0	8.2	Short Positions		
Financials	9.3	10.4	Canada	(1.7)	(1.0)
Information Technology	6.7	5.0			
Telecommunication Services	10.0	9.4	ASSET MIX	% of Total Net Assets	
Utilities	0.3	2.2		2011	2010
Bonds	0.5	0.5	Long Positions		
Other Assets, Net of Liabilities	4.8	9.8	Equities	96.4	90.7
			Bonds	0.5	0.5
Short Positions			Other Assets, Net of Liabilities	4.8	9.8
Energy	(1.7)	(0.6)			
Basic Materials	-	(0.4)	Short Positions		
			Equities	(1.7)	(1.0)

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

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

UNAUDITED

1. THE FUND

(I) The Fund

Exemplar Leaders Fund (the "Fund") (formerly Northern Rivers Conservative Growth Fund) is an unincorporated open-ended mutual fund trust created under the laws of the Province of Ontario pursuant to a declaration of trust dated August 27, 2007, as amended from time to time (the "Declaration of Trust").

BluMont Capital Corporation, (the "Manager") is responsible for the management and control of the business and affairs of the Fund on a day-to-day basis. The Manager acts as the manager of other funds.

On February 23, 2010, BluMont Capital Corporation acquired all of the shares of Northern Rivers Capital Management Inc. ("Northern Rivers") which was the manager of the Fund's investment portfolio and the principal distributor of the units. Effective April 1st, 2010, Northern Rivers and BluMont Capital Corporation were amalgamated to form one entity under the continuing entity, BluMont Capital Corporation.

(II) Fund Merger

Effective November 26, 2010, BluMont Canadian Fund ("Canadian Fund") was merged with the Northern Rivers Conservative Growth Fund. The fund name was then changed to the Exemplar Leaders Fund. The Manager afforded unitholders of the Canadian Fund the ability to participate in the wind-up of the Canadian Fund by way of an in-kind transfer of their investment to the Fund. The termination of the Canadian Fund did not occur on a tax-deferred basis.

Details relating to the merger are as follows:

Net Assets acquired by the Fund	\$16,329,399
Units issued by the Fund – Series A	611,620
Units issued by the Fund – Series F	-

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

A summary of the significant accounting policies is summarized below.

(I) Valuation of Investments

Investments are recorded in the accounts at their fair value, determined as follows:

The fair value of financial instruments which are actively traded, are measured based on the bid price for long positions and ask price for short positions. Prior to January 1, 2007, fair value for GAAP was based on the last traded price for the day, when available. A reconciliation as at June 30 between the Fund's net assets per unit for financial reporting ("Net Assets") and the Fund's net asset value for purposes other than financial reporting, such as subscriptions and redemptions, ("Net Asset Value") has been provided in Note 8. The Fund continues to use the last traded price for investments and securities sold short for Net Asset Value valuations.

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are charged to net increase (decrease) in net assets from operations in the period. Accordingly, these costs are expensed and are included in "Transaction Costs" in the Statement of Operations.

Securities listed upon a recognized public stock exchange are valued at their bid/ask prices on the financial statement date. Securities with no bid/ask prices are valued at their closing sale prices. Securities not listed upon a recognized public stock exchange are valued using valuation techniques, on such basis and in such manner established by the Manager.

Short-term investments including notes and money market instruments are carried at fair value.

The difference between fair value and the average cost is shown as the net change in unrealized appreciation (depreciation) of investments.

When the Fund sells a security short, it will borrow that security from a broker to complete the sale. The Fund will incur a loss as a result of a short sale if the price of the borrowed security increases between the date of the short sale and the date on which the Fund closes out its short position by buying that security. The Fund will realize a gain if that security declines in price between those dates.

The maximum gain that the Fund can realize on a short position is the proceeds received, while the loss that could be realized is unlimited.

There can be no assurance that the Fund will be able to close out a short position at an acceptable time or price. Until the Fund replaces a borrowed security it will maintain a margin account with a broker containing cash and liquid securities.

Short positions are valued based on the cost that would be incurred to close out the position at the last ask price as of every Valuation Day (as defined below).

(II) Investment Transactions and Income Recognition

Investment transactions are accounted for as of the trade date. Income and expenses are recorded on an accrual basis. Dividend income and expense is recorded on the ex-dividend date. Interest income and expense is recorded daily as it is earned or accrued. Realized gains and losses from security transactions are calculated using the average cost basis.

(III) Valuation of Fund Units

The Fund's units are issued and redeemed at the Net Asset Value per unit, which is determined as of the close of Valuation Day. A "Valuation Day" is any day that the Toronto Stock Exchange is open for business or such other trading day or days as the Manager may determine.

The Net Asset Value per unit of the Fund is determined by dividing the total fair value of the Fund's Net Asset Value by the number of units outstanding.

For each Fund unit sold, the Fund receives an amount equal to the Net Asset Value per unit on the date of sale, which is included in unitholders' equity. Units are redeemable at the option of the unitholders at their Net Asset Value on any Valuation Day. For each unit redeemed, the number of issued and outstanding units is reduced and the equity in the Fund is reduced by the related Net Asset Value on the date of redemption.

(IV) Foreign Currency Translation

Assets, including fair value of investments and liabilities denominated in foreign currencies, are converted to Canadian dollars at the rates of exchange established on each Valuation Day.

Purchases and sales of investments, dividends and interest income and expense denominated in foreign currencies are converted into Canadian dollars at the rates of exchange prevailing on the respective dates of such transactions.

Realized exchange gains (losses) on investments are included in “Net Realized Gain (Loss) on Investment Transactions” in the Statement of Operations.

Unrealized exchange gains (losses) on investments are included in “Net Change in Unrealized Appreciation (Depreciation) of Investments” in the Statement of Operations.

Realized and unrealized exchange gains (losses) on assets (other than investments), liabilities and investment income denominated in foreign currencies are included in “Exchange Gain (Loss) on Foreign Currencies and Other Net Assets” in the Statement of Operations.

(V) Use of Estimates

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of certain assets and liabilities and disclosure of contingent liabilities, at the date of the financial statements, and the reported amounts of certain revenue and expenses during the period. Actual results could differ from these estimates.

(VI) Increase (Decrease) in Net Assets from Operations Per Unit

Increase (Decrease) in Net Assets from Operations per Unit amount is determined by dividing the Net Increase (Decrease) in Net Assets from Operations by the average number of units outstanding during the period.

3. FINANCIAL INSTRUMENTS RISK MANAGEMENT

In the normal course of business, the Fund is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk) that could result in a reduction in the value of the Fund’s Net Asset Value. The value of investments within the Fund’s portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions and market and company news related to specific securities within the Fund. The level of risk depends on the Fund’s investment objectives and the type of securities it invests in.

The investment objective of the Fund is to maximize absolute returns on investments through securities selection and asset allocation. The Fund focuses on achieving growth of capital through superior securities selection and pursues a long-term investment program with the aim of generating capital gains. The Fund attempts to reduce volatility through diversifying the portfolio across both economic sectors as well as across market capitalizations (company size and liquidity). The Fund invests primarily in equity and equity-related securities of North American companies. The Fund may also invest in international companies.

To achieve the investment objectives of the Fund, the Manager: (i) makes long term investments of securities of issuers which the Manager believes present the greatest opportunity for capital appreciation; and (ii) manages the portfolio’s sector allocation,

increasing and decreasing exposure to different sectors of the market as appropriate.

The Fund's overall risk management program seeks to minimize the potentially adverse effect of risk on the Fund's financial performance in a manner consistent with the Fund's investment objective. The Manager manages the potential effects of these financial risks on the Fund's performance by employing and overseeing professional and experienced investment advisors that monitor the Fund's investments and market events on a daily basis.

(I) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with a fund.

Where the Fund invests in debt instruments and derivatives, this represents the main concentration of credit risk. The fair value of debt instruments and derivatives includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit risk exposure of the Fund.

All transactions executed by the Fund in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

As at June 30, 2011, and December 31, 2010, the Portfolio invested in debt instruments and/or derivatives with the following credit ratings:

Debt Instruments by Credit Rating	Percentage of Net Assets (%)	
	As at June 30, 2011	As at December 31, 2010
Not Rated	0.5%	0.5%

Credit ratings are obtained from Standard & Poor's, Moody's and/or Dominion Bond Rating Services. Where multiple ratings were obtained for a security, the lowest rating has been used.

(II) Liquidity Risk

Liquidity risk is defined as the risk that a fund may not be able to settle or meet its obligation on time or at a reasonable price.

The Fund is exposed to daily cash redemptions of redeemable units. The units of the Fund are issued and redeemed daily at the Fund's Net Asset Value per unit at the option of the unitholder.

Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and can be readily disposed. In accordance with securities regulations, the Fund must maintain at least 90% of assets in liquid investments (i.e. investments that are traded in an active market and can be readily disposed of). In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its Net Asset Value for the purpose of funding redemptions.

The Fund may, from time to time, invest in securities that are not traded in an active market and may be illiquid. Such investments are identified as private and restricted securities in the Fund's Statement of Investments and Other Net Assets.

The Fund may employ the use of derivatives to moderate certain risk exposures. There is no guarantee that a market will exist for some derivatives and it is possible that the exchanges may impose limits on trading of derivatives.

The following table outlines cash flows associated with the maturities of the Fund's financial assets and liabilities as of:

June 30, 2011

	Less than 1 year (\$)	1 - 3 years (\$)	Beyond 5 years (\$)	No maturity date (\$)
Financial Assets				
Equities - long	-	-	-	21,543,316
Bonds	-	-	108,250	-
Other receivables	180,130	-	-	-
Cash and cash equivalents	1,007,733	-	-	-
Total	1,187,863	-	108,250	21,543,316
Liabilities				
Equities - short	-	-	-	(378,450)
Other liabilities	(127,874)	-	-	-
Total	(127,874)	-	-	(378,450)

December 31, 2010

	Less than 1 year (\$)	1 - 3 years (\$)	Beyond 5 years (\$)	No maturity date (\$)
Financial Assets				
Equities - long	-	-	-	19,576,442
Bonds	-	-	105,400	-
Other receivables	312,510	-	-	-
Cash and cash equivalents	1,965,902	-	-	-
Total	2,278,412	-	105,400	19,576,442
Liabilities				
Equities - short	-	-	-	(213,700)
Other liabilities	(174,154)	-	-	-
Total	(174,154)	-	-	(213,700)

(III) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

Interest rate risk arises when the Fund invests in interest-bearing financial instruments. The Fund is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents, invested at short-term market interest rates.

As at June 30, 2011, and December 31, 2010, the Fund held a minimal amount of interest-bearing securities, and therefore its exposure to interest rate risk was not significant.

(IV) Other Price Risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

All investments represent a risk of loss of capital. The Manager of the Fund moderates this risk through a careful selection and diversification of securities and other financial instruments within the limits of the Fund's investment objectives and strategy. The maximum risk resulting from financial instruments is determined by the market value of the financial instruments, unless the Fund

holds short positions in financial instruments, as further described below. The Fund's overall market positions are monitored on a daily basis by the Manager. Financial instruments held by the Fund are susceptible to market price risk arising from uncertainties about future prices of the instruments.

The Fund has the ability to take short positions. There are risks associated with short selling, namely that the securities will rise in value or not decline enough to cover the Fund's costs, or that market conditions will cause difficulties in the sale or repurchase of the securities.

The Statement of Investments and Other Net Assets classifies securities by market segment.

The impact on Net Assets of the Fund due to a 5 percent change in benchmark, using historical correlation between the Fund's return as compared to the return of the Fund's benchmark, as at June 30, 2011, and December 31, 2010, with all other variables held constant, is presented in the following table. Regression analysis has been utilized to estimate the historical correlation. The analysis uses 46 data points (December 31, 2010 – 40 data points) based on the monthly net returns of the Fund.

Benchmark	Impact on Net Assets	
	June 30, 2011	December 31, 2010
S&P/TSX Total Return Index	\$940,599	\$910,221

The historical correlation may not be representative of the future correlation, and accordingly the impact on Net Assets could be materially different.

(V) Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Fund. The Fund may enter into foreign exchange contracts for hedging purposes to reduce its foreign currency exposure, or to establish exposure to foreign currencies.

Currencies to which the Fund had exposure as at June 30, 2011, and December 31, 2010, are as follows:

Currency	As at June 30, 2011		As at December 31, 2010	
	Financial Instruments	Percentage of Net Assets	Financial Instruments	Percentage of Net Assets
United States Dollar	\$3,890,838	17.4%	\$2,659,085	12.3%

The amounts in the above table are based on the fair value of the Fund's financial instruments (including cash and cash equivalents). Other financial assets and financial liabilities that are denominated in foreign currencies do not expose the Fund to significant currency risk.

As at June 30, 2011, if the Canadian dollar had strengthened or weakened by 5 percent in relation to all currencies represented in the portfolio, with all other variables held constant, Net Assets would have increased or decreased, respectively, by approximately \$195,000 (December 31, 2010 - \$133,000).

In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

(VI) **Fair Value Estimation**

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Manager. The Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses the Fund's financial assets and liabilities within the fair value hierarchy measured at fair value at June 30, 2011 and December 31, 2010.

June 30, 2011

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Assets				
Equity securities - long	21,066,096	477,220	-	21,543,316
Bonds	-	108,250	-	108,250
Total Assets	21,066,096	585,470	-	21,651,566
Liabilities				
Equity securities - short	(378,450)	-	-	(378,450)
Total Liabilities	(378,450)	-	-	(378,450)

December 31, 2010

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Assets				
Equity securities - long	19,055,580	496,492	24,370	19,576,442
Bonds	-	105,400	-	105,400
Total Assets	19,055,580	601,892	24,370	19,681,842
Liabilities				
Equity securities - short	(213,700)	-	-	(213,700)
Total Liabilities	(213,700)	-	-	(213,700)

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Manager does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. This amount is comprised of a bond, warrants, units and subscription receipts. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As observable prices are not available for these securities, the Manager has used its best judgment to derive the fair value. The level 3 equity amount consists of warrants and 2 private equity positions which currently have a fair value equal to \$nil.

The Manager considers original transaction price, recent transactions in the same or similar instruments and completed third-party transactions in comparable instruments and adjusts the prices as deemed necessary.

The following table presents the movement in level 3 instruments for the period ended June 30, 2011 and for the year ended December 31, 2010.

	Equity Securities (\$)	
	June 30, 2011	December 31, 2010
Opening balance	24,370	144,160
Net purchases and sales	-	10,370
Net transfers in (out)	(24,370)	(140,432)
Realized	-	-
Unrealized	-	10,272
Closing balance	-	24,370

Net change in unrealized appreciation (depreciation) for level 3 financial instruments held as of June 30, 2011 and December 31, 2010 was \$0 and \$10,272, respectively.

There was no movement between levels during the year.

4. UNIT TRANSACTIONS

Units issued and outstanding represent the capital of the Fund. The Fund is authorized to issue an unlimited number of units. Units of the Fund are issued and redeemed at the then current Net Asset Value per unit at the option of the unitholder. Unitholders are entitled to distributions when declared. Distributions on units of the Fund are reinvested in additional units of the Fund or at the option of the unitholder, paid in cash. The characterization of the distributions is based on management's estimate of the actual income for the year. The Fund has no restrictions or specific capital requirements on the subscription and redemption of units, other than minimum subscription requirements. The Statement of Changes in Net Assets identifies changes in the Fund's capital during the period. The Manager manages the capital of the Fund in accordance with the Fund's investment objectives, including managing its liquidity in order to be able to meet redemptions as discussed in Note 3.

The number of units issued and redeemed at the Net Asset Value is summarized as follows:

June 30, 2011

	Units Outstanding at Beginning of Period	Units issued for cash	Units redeemed	Units Outstanding at End of Period
Series A	641,742	24,688	(52,405)	614,025
Series F	129,977	2,397	(1,035)	131,339

June 30, 2010

	Units Outstanding at Beginning of Period	Units issued for cash	Units redeemed	Units Outstanding at End of Period
Series A	68,818	2,467	(20,487)	50,798
Series F	122,467	2,705	(4,314)	120,858
Series O	40,000	-	(23,346)	16,654
Series P	24,650	973	(10,116)	15,507

5. INCOME TAXES

As at December 31, 2010, the Fund qualified as a mutual fund trust. The Fund is subject to tax under the Income Tax Act (Canada) (the "Act") on all of its taxable income for the year (including net taxable capital gains) and is permitted a deduction in computing taxable income for all amounts which are paid or payable in the year to its unitholders. It is the policy of the Fund, to the extent practicable, to distribute to the unitholders all income of the Fund for the year so that it generally will not pay any Canadian federal income tax under Part I of the Act. Accordingly no provision for income taxes has been made in these financial statements.

As of December 31, 2010, the Fund has no capital or non-capital losses.

6. RELATED PARTY TRANSACTIONS

Under the terms of agreement between the Fund and the Manager, and in return for investment management and administrative services, the Manager receives monthly management fees from the Fund, calculated daily and payable monthly.

Up to November 26, 2010, the management fee rate paid to the Fund's previous manager was 2.50% per year for Series A units, 1.50% per year for Series F units and 1.75% per year for Series P units. Beginning November 27, 2010, the management fee rate was reduced to 1.80% per year for the Series A units and 0.80% per year for Series F units.

In addition, the Fund pays the Manager annually an incentive fee, subject to HST (and any other applicable sales taxes), equal to a percentage of the average net asset value of Series A units and Series F units of the Fund. Such percentage will be equal to 20% of the difference by which the return in the net asset value per unit of the applicable Series of the Fund from January 1 to December 31 exceeds the greater of: i) 0% and ii) the percentage return of the S&P/TSX Composite Total Return Index for the same period. If the performance of a Series of the Fund in any year is less than the performance of the applicable index described above (the "Deficiency"), then no incentive fee will be payable in any subsequent year until the performance of the applicable Series of the applicable Fund, on a cumulative basis calculated from the first of such subsequent years has exceeded the amount of the Deficiency. For the period ended June 30, 2011 and year ended December 31, 2010, no performance fees were incurred by the Fund.

The Manager may, on its own accord, pay for certain operating expenses of the Fund in order to maintain the Fund's management expense ratio at a competitive level. These absorptions

may be terminated at any time by the Manager, and at the Manager's direction may be continued indefinitely. The absorbed amounts are shown in the Statement of Operations.

7. FEES AND OPERATING EXPENSES

The Fund is responsible for the payment of all fees and expenses including, but not limited to, brokerage commissions on portfolio transactions, all regulatory filing fees, registrar and transfer agent fees, audit, accounting, administration, record keeping and legal fees and expenses, custody and safekeeping charges, all taxes, and all other fees relating to the purchase and sale of the assets of the Fund. There were no soft dollar commissions for the Fund during the period.

The total brokerage commissions paid by the Fund with respect to security transactions for the period ended June 30, 2011 were \$34,099 (2010 - \$9,396).

8. RECONCILIATION OF NET ASSET VALUE PER UNIT TO NET ASSETS PER UNIT

	Per Unit (\$)					
	June 30, 2011			December 31, 2010		
	Net Asset Value	Bid/Ask Adjustment	Net Assets	Net Asset Value	Bid/Ask Adjustment	Net Assets
Series A	\$30.14	\$(0.21)	\$29.93	\$28.06	\$(0.11)	\$27.95
Series F	\$30.30	\$(0.20)	\$30.10	\$28.06	\$(0.10)	\$27.96

9. FUTURE ACCOUNTING CHANGE

In February 2008, the Canadian Accounting Standards Board ("CASB") confirmed that International Financial Reporting Standards ("IFRS") will replace current Canadian standards and interpretations for publicly accountable enterprises, which includes investment funds, effective January 1, 2011. However, the CASB has deferred the mandatory transition date to January 1, 2013 for investment funds in light of delays with the International Accounting Standards Board's project on investment companies. Therefore, for the Fund, IFRS will apply to semi-annual and annual financial statements for fiscal years beginning on or after January 1, 2013. Management has been monitoring developments in the IFRS conversion program and has identified key issues and the likely impacts resulting from the adoption of IFRS. Management has commenced the process of developing a transition plan, which includes identifying differences between the Funds' current accounting policies and those it expects to apply under IFRS, as well as impacts to any accounting policy and implementation decisions, internal controls, information systems and training. Based on management's review of the differences between Canadian GAAP and IFRS, it is not expected that there would be an impact to the Fund's net asset value or net assets per unit. Management has presently determined that the impact of IFRS to the financial statements would be limited to additional note disclosures and modifications to presentation including unitholder interests. However, this present determination is subject to change resulting from the issuance of new standards or new interpretations of existing standards.

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