



Financial Statements of

MFi BALANCED FUND

For the years ended December 31, 2010 and 2009



KPMG LLP
Chartered Accountants
2700 205 - 5th Avenue SW
Calgary AB T2P 4B9

Telephone (403) 691-8000
Fax (403) 691-8008
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF MFI BALANCED FUND:

We have audited the accompanying financial statements of MFi Balanced Fund which comprise of the statement of net assets as at December 31, 2010 and December 31, 2009, and the statements of operations and statements of changes in net assets for the years then ended, and the statement of investment portfolio as at December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of MFi Balanced Fund as at December 31, 2010 and December 31, 2009, and the results of its operations and changes in net assets for the years then ended, and the investment portfolio at December 31, 2010, in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style.

Chartered Accountants

March 24, 2011

Calgary, Canada

MFi BALANCED FUND

Statement of Net Assets

December 31, 2010 and 2009

	2010	2009
Assets		
Investments, at fair value (note 2)	\$ 43,537,309	\$ 31,350,540
Cash and short term investments	543,136	1,087,424
Subscription receivable	161,500	652,000
Other receivables	280,926	201,516
	<u>44,522,871</u>	<u>33,291,480</u>
Liabilities		
Other accrued liabilities	51,224	38,489
Management fee payable	27,232	21,744
Distribution payable	-	140,358
Redemptions payable	-	25,000
	<u>78,456</u>	<u>225,591</u>
Net assets representing unitholders' equity	\$ 44,444,415	\$ 33,065,889
Net asset value per series (note 7):		
Series A	\$ 191,596	\$ 3,316
Series F	30,660,679	24,444,620
Series O	13,592,140	8,617,953
Units outstanding per series (note 3):		
Series A	19,679	368
Series F	3,202,342	2,766,987
Series O	1,424,988	979,681
Net asset value per unit (note 7):		
Series A	\$ 9.74	\$ 9.01
Series F	9.57	8.83
Series O	9.54	8.80

See accompanying notes to financial statements.

On behalf of the Manager of the MFi Balanced Fund:

Director

MFi BALANCED FUND

Statement of Operations

For the years ended December 31, 2010 and 2009

	2010	2009
Investment income:		
Interest	\$ 764,530	\$ 488,000
Dividends	596,055	211,752
	<u>1,360,585</u>	<u>699,752</u>
Expenses:		
Management and trailer fees (note 4)	282,085	239,849
Valuation fees	39,483	40,275
Securityholder reporting costs	27,856	25,293
Audit fees	27,317	26,752
Legal fees	16,755	23,182
Custody fees	14,144	11,693
Administrative fees	11,513	9,094
Independent review committee fees	6,439	10,773
Trustee fees	1,236	5,453
	<u>426,828</u>	<u>392,364</u>
Net investment income	933,757	307,388
Realized and unrealized gain (loss) on investments and transaction costs:		
Realized gain (loss) on sale of investments	375,310	(3,423,296)
Transaction cost (notes 2 and 6)	(14,667)	(20,979)
Unrealized appreciation of investments	2,731,185	7,673,153
Net income on investments	<u>3,091,828</u>	<u>4,228,878</u>
Increase in net assets from operations	<u>\$ 4,025,585</u>	<u>\$ 4,536,266</u>
Increase in net assets from operations per series:		
Series A	\$ 12,410	\$ 322
Series F	2,752,573	3,971,046
Series O	1,260,602	564,898
Increase in net assets from operations per unit:		
Series A	\$ 1.17	\$ 1.91
Series F	0.94	1.38
Series O	1.04	1.57

See accompanying notes to financial statements.

MFi BALANCED FUND

Statement of Changes in Net Assets

For the years ended December 31, 2010 and 2009

2010	Series A	Series F	Series O	Total Fund
Net assets, beginning of year	\$ 3,316	\$24,444,620	\$ 8,617,953	\$33,065,889
Increase in net assets from operations	12,410	2,752,573	1,260,602	4,025,585
Capital unit transactions:				
Proceeds from units issued	175,849	3,481,245	4,906,895	8,563,989
Redemption of units	-	(103,519)	(1,243,379)	(1,346,898)
Units Issued on reinvestment of distribution	1,570	577,310	373,126	952,006
Net capital unit transactions	177,419	3,955,036	4,036,642	8,169,097
Distributions paid to unitholders:				
From net investment income	(1,549)	(491,550)	(323,057)	(816,156)
Total distributions paid to unitholders	(1,549)	(491,550)	(323,057)	(816,156)
Net assets, end of year	\$ 191,596	\$30,660,679	\$13,592,140	\$44,444,415

2009	Series A	Series F	Series O	Total Fund
Net assets, beginning of year	\$ 8	\$22,242,918	\$ 1,358,114	\$23,601,040
Increase in net assets from operations	322	3,971,046	564,898	4,536,266
Capital unit transactions:				
Proceeds from units issued	3,000	323,625	7,622,651	7,949,276
Redemption of units	-	(2,302,773)	(905,921)	(3,208,694)
Units Issued on reinvestment of distribution	15	357,125	65,599	422,739
Net capital unit transactions	3,015	(1,622,023)	6,782,329	5,163,321
Distributions paid to unitholders:				
From net investment income	(29)	(147,321)	(87,388)	(234,738)
Total distributions paid to unitholders	(29)	(147,321)	(87,388)	(234,738)
Net assets, end of year	\$ 3,316	\$24,444,620	\$ 8,617,953	\$33,065,889

See accompanying notes to financial statements.

MF_i BALANCED FUND

Statement of Investment Portfolio

December 31, 2010

Description	Number of common shares/warrants	Cost	Fair value
Cash and short term investments:			
Cash		543,136	543,136
Total cash and short-term investments		\$ 543,136	\$ 543,136
Bond:			
Federal Bonds:			
Canada Housing Trust No. 1			
Canada Housing Trust No. 1	350,000	369,125	358,192
Canada Housing Trust No. 1	470,000	475,809	476,754
Canada Housing Trust No. 1	1,000,000	998,150	1,012,291
Canada Housing Trust No. 1	610,000	627,357	647,158
Government of Canada	451,000	458,094	485,319
Total Federal Bonds		2,928,535	2,979,714
Provincial Bonds:			
Alberta Capital Finance Authority	286,000	289,633	311,135
Province of Alberta	1,170,000	1,174,567	1,212,062
Province of British Columbia	1,500,000	1,615,064	1,624,816
Province of Ontario	1,670,000	1,735,072	1,756,097
Province of Quebec	300,000	333,555	378,042
Province of Saskatchewan	300,000	327,205	364,671
Total Provincial Bonds		5,475,096	5,646,823
Corporate Bonds:			
Bank of Nova Scotia	2,140,000	2,164,617	2,181,558
Enbridge Pipelines Inc.	1,675,000	1,742,858	1,743,693
GE Capital Canada Funding Co.	1,325,000	1,348,656	1,402,221
Manulife Financial Corp.	985,000	991,304	991,291
NAV Canada	780,000	811,148	837,118
Royal Bank of Canada	1,645,000	1,655,775	1,659,837
TELUS Corp.	260,000	266,760	267,150
Total Corporate bonds		8,981,118	9,082,868
Total Bonds		17,384,749	17,709,405
Equities:			
Energy:			
Baytex Energy Trust	23,412	545,159	1,091,233
Canadian Natural Resources Ltd.	15,830	491,946	701,111
Canadian Oil Sands Trust	13,365	362,017	353,504
Petrominerales Ltd.	16,890	436,052	557,708
Suncor Energy Inc.	22,758	794,855	869,128
TransCanada Corp.	13,385	434,238	507,827
Total Energy		3,064,267	4,080,511

MFi BALANCED FUND

Statement of Investment Portfolio (continued)

December 31, 2010

Description	Number of common shares/warrants	Cost	Fair value
Materials:			
BHP Billiton Ltd., ADR	4,295	330,505	396,515
Domtar Corp.	9,200	524,505	696,164
Eldorado Gold Corp.	35,153	513,744	650,331
Labrador Iron Ore Royalty Income Fund	10,055	371,826	676,199
Total Materials		1,740,580	2,419,209
Industrials:			
Capital Goods:			
Bombardier Inc.	58,189	225,079	290,945
		225,079	290,945
Transportation:			
Canadream Corp.	50,000	21,000	13,000
Westshore Terminals Income Fund	35,166	609,383	808,115
		630,383	821,115
Total Industrials		855,462	1,112,060
Consumer Discretionary:			
Automobiles and Components:			
Magna International Inc.	9,380	415,879	486,072
		415,879	486,072
Consumer Services:			
McDonalds Corp.	4,350	331,341	331,743
		331,341	331,743
Media:			
Torstar Corp., Class B	60,217	622,437	731,637
Yellow Media Inc.	78,931	430,755	489,372
		1,053,192	1,221,009
Total Consumer Discretionary		1,800,412	2,038,824
Consumer Staples:			
Food and Staples Retailing:			
North West Co Fund	23,785	383,865	490,447
Wal-mart Stores Inc.	6,450	343,163	345,640
		727,028	836,087
Food, Beverages and Tobacco:			
Altria Group Inc.	9,000	171,367	220,173
Nestle SA, ADR	6,715	334,738	392,468
Saputo Inc.	21,736	562,125	857,920
		1,068,230	1,470,561
Total Consumer Staples		1,795,258	2,306,648

MF_i BALANCED FUND

Statement of Investment Portfolio (continued)

December 31, 2010

Description	Number of common shares/warrants	Cost	Fair value
Health Care:			
Pharmaceuticals & Biotechnology:			
Novartis AG, ADR	5,945	348,616	348,233
Total Health Care		348,616	348,233
Financials:			
Banks:			
Bank of Montreal	12,187	617,613	700,020
Bank of Montreal	7,710	205,230	205,626
Bank of Nova Scotia	12,378	551,927	706,165
Brookfield Asset Management Inc.	10,000	250,000	244,100
Brookfield Asset Management Inc., Preferred	5,200	143,726	141,440
Canadian Imperial Bank of Commerce	10,040	615,420	785,429
Canadian Imperial Bank of Commerce, Preferred	8,630	210,073	214,197
Home Capital Group Inc.	15,057	511,041	779,651
IGM Financial Inc.	5,740	143,873	142,869
Laurentian Bank of Canada	13,401	502,690	644,052
National Bank of Canada	11,708	661,867	801,060
Royal Bank of Canada	14,956	739,939	781,002
		5,153,399	6,145,611
Insurance:			
Canada Life Financial Corp.	5,720	145,189	142,885
Co-Operators General Life Insurance Co., Preferred	6,620	131,966	136,040
Fairfax Financial Holdings Ltd.	1,259	398,944	511,494
Great-West Lifeco Inc., Preferred	8,295	203,163	204,389
Industrial Alliance Insurances Inc., Preferred	6,840	137,751	141,862
Manulife Financial Corp.	31,820	523,500	544,122
Sun Life Financial Inc., Preferred	9,790	192,480	194,919
		1,732,993	1,875,711
Total Financials		6,886,392	8,021,322
Information Technology:			
Software and Services:			
Microsoft Corp.	13,325	354,951	369,539
		354,951	369,539
Technology Hardware and Equipment:			
Cisco Systems Inc.	19,610	476,740	393,997
QUALCOMM Inc.	6,715	272,328	330,015
Research In Motion Ltd.	10,470	603,242	607,155
		1,352,310	1,331,167
Total Information Technology		1,707,261	1,700,706
Telecommunication Services:			
BCE Inc.	16,699	431,184	590,143
BCE Inc., Preferred, Series 19	5,900	129,516	135,405
Rogers Communications Inc., Class B	16,752	572,888	578,112
TELUS Corp.	13,397	444,669	609,296
Vodafone Group PLC, ADR	12,000	286,355	315,146
Total Telecommunication Services		1,864,612	2,228,102

MFi BALANCED FUND

Statement of Investment Portfolio (continued)

December 31, 2010

Description	Number of common shares/warrants	Cost	Fair value
Utilities:			
Atco Ltd.	10,053	425,576	594,634
CPI Preferred Equity Ltd., Preferred	7,770	139,892	142,968
Total Utilities		565,468	737,602
Total Equities		20,628,328	24,993,217
Index Funds:			
The Scottish Oriental Smaller Companies Trust PLC	87,525	588,260	834,687
Total Index Funds		588,260	834,687
Transaction costs (note 2 and 6)		(17,368)	
Total Investments (bonds, equities and securities)		38,583,969	43,537,309
Total portfolio		\$ 39,127,105	\$ 44,080,445

See accompanying notes to financial statements.

MFi BALANCED FUND

Notes to Financial Statements

Years ended December 31, 2010 and 2009

1. Basis of presentation:

MFi Balanced Fund (the "Fund") was established by way of a Declaration of Trust under the laws of Alberta on June 29, 2007. The Fund is defined as an inter-vivos trust in the Income Tax Act (Canada). Matco Financial Inc. is the Manager and Portfolio Adviser of the Fund. RBC Dexia Investor Services Trust supplies trustee, custodian and record keeping services to the Fund. The Fund has multiple series; A, F and O all of which can be issued in unlimited number. The Fund was established and funded on June 29, 2007 with \$25,000,020 by Matco Investments Ltd., a company in common control with the Manager.

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), which include estimates and assumptions by management that may affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Actual results could vary from these estimates. Significant estimates included the valuation of investments and investment income accruals. The following is a summary of significant accounting policies followed by the Fund.

(a) Financial instruments:

Effective on January 1, 2009 the Fund adopted the recent amendments to CICA 3862, Financial Instruments – Disclosures. Disclosure about fair value of Financial Instruments, requires the disclosure of the estimated fair value of financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Fund's financial instruments are recorded at fair value or at amounts that approximates fair value in the financial statements.

Amendments to CICA 3862, Financial Instruments – Disclosures, establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Investment Manager has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices that is observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

MFi BALANCED FUND

Notes to Financial Statements, page 2

Years ended December 31, 2010 and 2009

2. Significant accounting policies (continued):

(a) Financial instruments (continued):

All financial instruments (other than investments at fair value) are classified as held-for-trading, available-for-sale, held to maturity, loans and receivables or other financial liabilities.

The Fund's cash and short term investments are classified as held-for-trading and measured at fair value which approximates their carrying value. Receivables are measured and classified at amortized cost. The Funds liabilities are classified as other financial liabilities and are measured at amortized cost. The fair values of these amounts are similar to book values due to their short-term nature. Investments are deemed to be categorized as held for trading.

(b) Investments:

The Canadian Institute of Chartered Accountants ("CICA") issued Section 3855, "Financial Instruments – Recognition and Measurement" of the CICA Handbook – Accounting, which establishes standards for the fair valuation of investments as well as the accounting treatment of transaction costs. Additionally, National Instrument 81-106 ("NI 81-106"), issued by the Canadian Securities Administrators, requires the daily net asset value of an investment fund to be calculated in accordance with Canadian GAAP using bid prices. The adoption of Section 3855 results in the use of different valuation techniques of certain investments based on closing prices.

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the Transactional NAV and the net asset value calculated in accordance with Section 3855 (the "GAAP NAV") of an investment fund is required in the notes to the financial statements. Refer to note 7 for such reconciliation as at December 31, 2010 and 2009.

(i) Valuation of investments:

The market value of investments as at the financial reporting period end is determined as follows:

- a) Securities listed upon a recognized public stock exchange are valued at their bid prices on the valuation date. Securities with no available bid prices are valued at their closing sale prices.
- b) 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.
- c) Short-term notes, treasury bills, bonds, asset backed securities and other debt instruments are valued at the bid quotations from recognized investment dealers.
- d) Underlying Funds are valued each business day at the price calculated by the manager of such underlying fund in accordance with the relevant documents of such underlying fund.

MFi BALANCED FUND

Notes to Financial Statements, page 3

Years ended December 31, 2010 and 2009

2. Significant accounting policies (continued):

(b) Investments (continued):

(ii) Transaction costs:

Transaction costs are expensed and are included in "Transaction costs" in the statements of operations. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

(c) Unit valuation and valuation date:

Units are issued and redeemed on a continuous basis at the net asset value per unit which is determined, for each series of units of each Fund on a Transactional NAV basis. The unit valuation per series is determined by dividing the aggregate market value of the net assets of that class of the Fund by the total number of units of that series outstanding at the close of business on the valuation day.

(d) Investment transactions:

Investment transactions are accounted for on the trade date.

(e) Revenue recognition:

(i) Interest income is recorded on the accrual basis.

(ii) Dividend income is recorded on the ex-dividend date and is net of withholding taxes.

(iii) Realized gains and losses on investments and unrealized appreciation (depreciation) in value of investments are calculated with reference to the average cost of the related investments.

(iv) Income received from income trusts is recorded on the ex-distribution date and allocated between income, capital gains and return of capital when the information necessary for such an allocation becomes available.

(v) Income, realized gain (loss) and unrealized gain (loss) is allocated among the classes on a pro-rata basis.

(f) Foreign exchange:

Foreign currency amounts are expressed in Canadian dollars on the following basis:

(i) Market value of investments, other assets and liabilities at the rate of exchange prevailing on December 31.

(ii) Value of investment transactions, income and expenses at the rates prevailing on the respective dates of such transactions.

MFi BALANCED FUND

Notes to Financial Statements, page 4

Years ended December 31, 2010 and 2009

2. Significant accounting policies (continued):

(g) Increase (decrease) in net assets from operations per unit:

Increase (decrease) in net assets from operations per unit in the statements of operations represents increase (decrease) in net assets from operations attributable to each class for the period, divided by the weighted average number of outstanding units of that class during the period.

(h) Income taxes:

Effective August 5, 2009 the Fund qualified as a "mutual fund trust" under the Income Tax Act (Canada) and, accordingly, is not taxed on that portion of its taxable income that is paid or allocated to unitholders. The Fund pays out sufficient net income and net realized capital gains so that it will not be subject to income taxes. Accordingly, no provision for income taxes has been made in these financial statements.

(i) Future requirements:

The Canadian Accounting Standards Board confirmed that Investment Funds have received a two year deferral in their transition to International Financial Reporting Standards ("IFRS") which will replace Canadian GAAP for publicly accountable enterprises, which include the Fund. For Investment Funds, IFRS implementation is now to be applied to fiscal periods beginning on or after January 1, 2013. Therefore, the Fund's first IFRS reporting period will be the year ended December 31, 2013. The Manager has commenced development of a changeover plan to meet the implementation date. The key elements of the plan include disclosures of the qualitative impact in the December 31, 2012 and 2013 financial statements, disclosures of the quantitative impact, if any, in the December 31, 2013 financial statements and the preparation of the December 31, 2013 financial statements in accordance with IFRS with comparatives for 2012.

Based on the Manager's current evaluation of the differences between Canadian GAAP and IFRS, the Manager does not expect that the net asset value per share will be impacted by the changeover to IFRS. Currently the Manager expects that the impact of IFRS on the Funds' financial statements to be limited to possible presentation changes and additional note disclosures.

MFi BALANCED FUND

Notes to Financial Statements, page 5

Years ended December 31, 2010 and 2009

3. The units:

The Fund may issue an unlimited number of units of each series.

Changes in outstanding units of the Fund for the year ended December 31, 2010 and the year ended December 31, 2009 were as follows:

Year ended December 31, 2010	Series A	Series F	Series O
Units, beginning of year	368	2,766,987	979,681
Subscriptions	19,139	382,697	541,885
Reinvestment of distributions	172	63,835	41,353
Redemptions		(11,177)	(137,931)
Units, end of year	19,679	3,202,342	1,424,988

Year ended December 31, 2009	Series A	Series F	Series O
Units, beginning of year	1	2,970,929	182,201
Subscriptions	365	38,615	905,490
Reinvestment of distributions	2	46,816	8,304
Redemptions	-	(289,373)	(116,314)
Units, end of year	368	2,766,987	979,681

4. Related party transactions:

Matco Financial Inc. is the manager of the Fund and for each Series is entitled to receive management fees based on the market value of the Fund.

	Series A	Series F	Series O
MFi Balance Fund	2.00% ⁽¹⁾	1.00%	Negotiable

⁽¹⁾ Matco charges a management fee of 0.75% (pre August 31, 2009 the fee was 1%) in respect of the Fund. In addition, a serving commission of 1.25% (pre August 31, 2009 the fee was 1%) is payable by Matco to the applicable dealer in respect of all sales of Series A shares or units of a fund acquired through a dealer. This 1.25% serving commission payable by Matco is added to the management fee charged by Matco to securityholders.

This management fee is calculated on each class of units as a percentage of the net asset value of the class, as of the close of business on each business day.

MFi BALANCED FUND

Notes to Financial Statements, page 6

Years ended December 31, 2010 and 2009

4. Related party transactions (continued):

The Fund is responsible for the payment of all expenses relating to the operation and administration of the Fund. Operating expenses include audit, legal, transfer agent, trustee, administration, filing, cost of preparing financial reports and prospectus, reasonable costs incurred by its Independent Review Committee and miscellaneous expenses specific to the Fund.

Expenses are allocated on a pro-rata basis among all the classes.

Management fees incurred during the year to Matco Financial Inc. were \$280,836 (2009 - \$239,849).

5. Management expense ratio:

The management expense ratio is calculated by dividing the total expenses of the Fund for the period by the average net asset value of the Fund for the period. For periods less than one year, the management expense ratio is further adjusted to reflect annualized results. Matco may, at its discretion agree to a reduction in management fees that are charged to the Funds in order to achieve competitive fees for such investments.

The management expense ratios are disclosed in the Management Report of Fund Performance.

6. Commission and other transaction costs:

The Fund paid the following amounts in brokerage commissions and other transaction costs for portfolio transactions during the period.

	2010	2009
MFi Balanced Fund	\$ 14,667	\$ 20,979

7. Reconciliation of net asset value:

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the Transactional NAV and the GAAP NAV of an investment fund is required for financial reporting periods.

As at December 31, 2010	Net Asset Value (NAV) (\$)			Net Asset Value Per Unit(\$)		
	Transactional NAV	Section 3855 Adjustment	GAAP NAV	Transactional NAV	Section 3855 Adjustment	GAAP NAV
MFi Balance Fund:	\$	\$	\$	\$	\$	\$
Series A	191,926	(330)	191,596	9.75	(0.01)	9.74
Series F	30,713,451	(52,772)	30,660,679	9.59	(0.02)	9.57
Series O	13,615,533	(23,393)	13,592,140	9.55	(0.01)	9.54

MFi BALANCED FUND

Notes to Financial Statements, page 7

Years ended December 31, 2010 and 2009

7. Reconciliation of net asset value (continued):

As at December 31, 2009	Net Asset Value (NAV) (\$)			Net Asset Value Per Unit(\$)		
	Transactional NAV	Section 3855 Adjustment	GAAP NAV	Transactional NAV	Section 3855 Adjustment	GAAP NAV
MFi Balance Fund:						
Series A	3,321	(6)	3,316	9.04	(0.01)	9.01
Series F	24,478,582	(42,486)	24,444,620	8.85	(0.02)	8.83
Series O	8,631,496	(15,017)	8,617,953	8.81	(0.01)	8.80

8. Interfund Holdings:

In 2009, all interfund holdings were eliminated.

9. Financial instruments:

Fair value hierarchy:

The following is a summary of the inputs used in the MFi Balanced Fund as of December 31, 2010 in valuing the Fund's investments carried at fair values:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Public securities	\$ 25,435,436	\$ 392,468	\$ -	\$ 25,827,904
Bonds	-	17,709,405	-	17,709,405
Private securities	-	-	-	-
Total investments	\$ 25,435,436	\$ 18,101,873	\$ -	\$ 43,537,309

The following is a summary of the inputs used in the MFi Balanced Fund as of December 31, 2009 in valuing the Fund's investments carried at fair values:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Public securities	\$ 18,163,608	\$ -	\$ -	\$ 18,163,608
Bonds	-	13,186,932	-	13,186,932
Private securities	-	-	-	-
Total investments	\$ 18,163,608	\$ 13,186,932	\$ -	\$ 31,350,540

There were no transfers between levels during the year.

MFi BALANCED FUND

Notes to Financial Statements, page 8

Years ended December 31, 2010 and 2009

10. Financial instruments and associated risk:

Financial instrument risk:

The Fund is subject to regulatory requirements under National Instrument 81-102 ("NI 81-102"). All equity and debt instruments held by the Fund are susceptible to market price risk arising from uncertainties about future prices of the instruments. The maximum financial risk resulting from investing in financial instruments such as mutual funds is equivalent to their fair value.

The investment objective of the Fund is to seek a balance of long-term capital appreciation and current income by investing in a portfolio that is diversified by manager, asset class, geographic location, and market capitalization. The amount of capital invested in each asset class is subject to a minimum and maximum range and will vary relative to the Manager's view of the markets.

Asset Class Ranges:

Cash:	0%-10%
Fixed Income:	40%-60%
Canadian Equities:	25%-35%
U.S. Equities:	5%-25%
International Equities:	5%-25%

The Manager's approach is strategic and incorporates active investment management allowing for asset class movements within the ranges above.

No one individual security holding (excluding a mutual fund holding which is subject to NI81-102 and government backed securities) can be greater than 7%. The Fund can invest in proprietary and/or non-proprietary mutual funds and individual security portfolios to achieve its objective.

Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The investments of the Fund are subject to normal market fluctuations and the risks inherent in investment in financial markets. The maximum risk resulting from financial instruments held by the Fund is determined by the fair value of the financial instruments. The Manager moderates this risk through a careful selection of securities within specified limits and the Fund's market price risk is managed through diversification of the investment portfolio. The Investment Manager monitors the Fund's overall market positions on a daily basis and positions are maintained within established ranges. At December 31, 2010 and 2009, the overall market exposures were as follows:

	2010		2009	
	Fair value	% Net assets	Fair value	% Net assets
Securities held for trading	\$ 43,537,309	97.96%	\$ 30,263,116	91.54%

MFi BALANCED FUND

Notes to Financial Statements, page 9

Years ended December 31, 2010 and 2009

10. Financial instruments and associated risk (continued):

Market risk (continued):

At December 31, 2010, the Fund's market risk is affected by two main components: changes in actual market prices and interest rates. Of these securities held for trading, 59% (2009 - 57%) represent assets that were subject to market risk, while 41% (2009 - 43%) of these assets have market risks discussed below in other risk areas. If the global stock exchanges at December 31, 2010 had increased or decreased by 5%, with all other variables held constant, this would have increased or decreased the net assets of the Fund by approximately \$1,183,138 (2009 - \$794,348).

Interest rate risk:

The majority of the Fund's financial assets and liabilities are non-interest bearing. As a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing level of market interest rates. Any excess cash and cash equivalents are invested in short-term market interest rates.

The Fund's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in prevailing levels of market interest rates on its financial position and cash flows.

The table below summarizes the Fund's exposure to interest rate risks, categorized by the earlier of contractual re-pricing or maturity dates.

As at December 31, 2010	< 1 year	1-5 year	>5 year	Total
Interest rate exposure	\$ 722,863	\$ 6,588,880	\$ 10,397,662	\$ 17,709,405
All amount in CAD\$				

As at December 31, 2009	< 1 year	1-5 year	>5 year	Total
Interest rate exposure	\$ 2,180,147	\$ 4,440,261	\$ 8,043,222	\$ 14,663,630
All amount in CAD\$				

As at December 31, 2010, if the prevailing interest rate had been raised or lowered by 1%, assuming a parallel shift in yield curve, with all other factors remaining constant, net assets for the Fund could possibly have decreased or increased, respectively, by approximately \$850,051 (2009 - \$1,091,542). The Fund's interest rate sensitivity was determined based on portfolio weighted on duration. In practice, actual results will differ from this sensitivity analysis and the difference could be material.

MFi BALANCED FUND

Notes to Financial Statements, page 10

Years ended December 31, 2010 and 2009

10. Financial instruments and associated risk (continued):

Credit risk:

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

Financial instruments that potentially subject the Fund to a concentration of credit risk consist primarily of cash and short-term investments, and bond and mortgage backed investments. The Fund limits its exposure to credit loss by placing its cash and cash equivalents and short-term investments with high credit quality government and financial institutions. To maximize the credit quality of its investments, the Fund's managers perform ongoing credit evaluations based upon factors surrounding the credit risk of customers, historical trends and other information.

The Fund's main credit risk concentration is spread between short-term debt securities.

The Fund invests in financial assets, which have an investment grade as rated by a well-known rating agency.

Credit rating	2010 As a % of Net assets	2009 As a % of Net assets
AAA/Aaa	17.52%	10.78%
AA/Aa	14.72%	7.73%
A/A	7.00%	6.61%
BBB/Bbb	0.60%	0.19%
Unrated	0%	1.16%
Total	39.84%	26.47%

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

Liquidity risk

The Fund is exposed to daily cash redemptions of units. The Fund's investments are considered readily realizable and highly liquid, therefore this risk is considered minimal.

Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of the Fund will fluctuate due to changes in foreign exchange rates.

The currency exposure for the Fund is minimal, since the Fund mostly holds domestic bonds and securities.