

The logo for MATCO Financial Inc. is a white square with a blue border. Inside the square, the word "MATCO" is written in a blue, serif font at the top. Below it, "Financial Inc." is written in a smaller, blue, serif font. At the bottom of the square, there are three horizontal blue lines of varying lengths, creating a stylized base.

MATCO

Financial Inc.

{ Actively Investing In Your Future }

Annual Report 2010

{Investment Management Specialists}

Matco Financial Inc. is an independent, privately held discretionary investment management firm, serving private wealth and institutional clients since 2006. Our expertise and focus is in actively investing in Canadian securities and North American energy stocks.

We are committed to providing well-diversified investment strategies that are designed to protect capital and achieve long-term growth. We leverage our deep roots in money management towards delivering solid risk-adjusted returns and an exceptional client experience.

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THE MATCO PHILOSOPHY

Matco Financial's investment philosophy is founded on a process-driven approach to managing money that incorporates both quantitative and qualitative analyses. It is our longstanding experience interpreting data that provides our clients with more consistent and reliable returns and less unnecessary risk.

The key to our successful portfolio management is:

- **We don't manage to benchmarks.** Although benchmarks are important tools for analyzing investment success, we don't explicitly manage to them. Instead we place our primary focus on providing the best-possible risk-adjusted returns for our clients.
- **We believe in buying businesses, not stocks.**
- **We manage concentrated portfolios.** Our portfolios generally hold between 30-35 companies. This means our clients are protected from over-diversification.
- **We remain focused and committed to our areas of expertise;** by investing in our areas of expertise.
- **We don't only think in terms of total return.** Although total returns are important to measuring the growth of a portfolio, we also focus on our clients' after-tax returns to ensure you can meet your income objectives.

Matco Financial partners invest their money alongside yours, meaning you benefit from thorough and diligent investment management process.



Discretionary investment management is an arrangement between an advisor and their client whereby, the advisor has the authority to make day-to-day investment decisions.

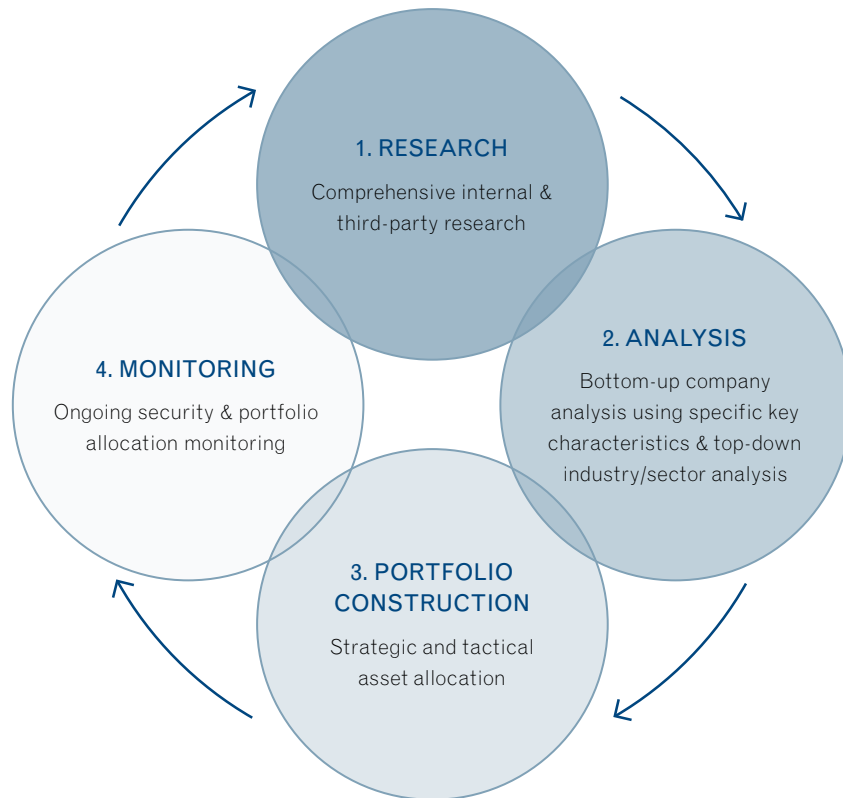


EXCEPTIONAL CLIENT EXPERIENCE

Our clients include individual investors, trusts, corporations, and not-for-profit organizations and they trust us to manage their core investments. Experience a personal relationship with a firm that has a vested interest in your success and is accountable for your investment portfolio. We place our clients' interests first – from taking the time to analyze and shape a portfolio that is aligned with your risk tolerance and by providing you direct access to an assigned team of portfolio managers.

THE MATCO INVESTMENT PROCESS

We don't believe in luck, rather we have a rigorous investment management process that we follow to achieve solid and consistent risk-adjusted returns. This means we first evaluate securities using numerically based data and financial models. Each portfolio holding is evaluated based on qualitative and quantitative analysis to make sure it meets the risk/return profile needs of the Matco portfolio. And, each holding is monitored on an ongoing basis to ensure suitability at all times. The result is a repeatable process that provides a high level of consistency, as demonstrated in the graph below:





DEAR MATCO FUND INVESTORS,

As owners and operators of the business we would like to first take this opportunity to thank our investors for their business. The growth of our firm over the past year would not be possible without the support of our clients. We would also like to thank our dedicated employees who bring their individual skills to Matco everyday in the quest of achieving world class performance and service. We too are investors in Matco and thus we operate and invest your money with a keen interest.

At Matco we have created and continue to nurture a culture centered around three simple words; Performance, Pricing, and Service. All of our day-to-day activity is focused at achieving the best possible outcomes for our clients within those three words. Simply put, we believe clients should receive world-class investment management at a fair price with excellent service.

What a difference a year makes ... this time last year we were forecasting a positive year even in the face of widespread pessimism from market pundits. However, the markets surpassed even our expectations with the S&P/TSX delivering a 17.6% return. After the near-meltdown of financial markets in 2009, investors are shifting from relief to reaction as markets have suddenly surged toward the pre-crisis levels of 2008.

Even though we continue to forecast moderate global growth we continue to remind ourselves and our investors that this recovery will be full of trials and tribulations. We do not believe market growth will continue on the same upward sloping and linear trajectory. Investors should expect higher than normal volatility in 2011 as this market recovery is still in the early stages.

The growth of our firm over the past year would not be possible without the support of our clients. We too are investors in Matco and thus we operate and invest your money with a keen interest.

We remain mindful of the balancing act the world must play out while reigniting their respective economies. Based on central banks' woeful track records of cutting rates to avoid recessions, the likelihood of overshooting inflation targets is high. With round two of quantitative easing in the offering, the United States has made it plain that, despite inflationary pressures, their foot will remain on the gas until a rebound has clearly taken hold.

We rode the "technical" recovery from the great recession as corporate cost cutting and government expansionary policies saved the day. For now, cash-rich corporations are acting tactically—making accretive acquisitions in key sectors, raising dividends, and buying back shares, which are all adding value in the market.

Stimulus may push us over the top, but the U.S. economy is demonstrating export strength and the U.S. consumer is beginning to emerge from two years of comparable cost cutting. If U.S. and European law makers implement promised budget and tax adjustments, corporations will feel confident enough to shift to investment and job creation ... the final piece of the economic puzzle.

Bill K. Dickie
President & Portfolio Manager

Jason N. Vincent
Chief Operating Officer & Vice President



Independent Review Committee's 2010 Report to Unitholders

MFi Funds
December 31, 2010

DEAR INVESTOR:

The Independent Review Committee of the MFi Funds was established in 2007 to provide the specific role of reviewing mutual fund conflict of interest matters identified and referred to us by Matco Financial Inc. and to provide our approval or recommendation(s). Our focus is on the question of whether the managers proposed action achieves a fair and reasonable result for the mutual fund and its unitholders.

The Independent Review Committee has established a written Charter pursuant to the provisions of the new National Instrument 81-107, Independent Review Committee for Investment Funds. The Charter can viewed be on Matco Financial Inc.'s website at www.matcofinancialinc.com.

At least once per year the Independent Review Committee will also review and assess the adequacy and effectiveness of the policies and procedures relating to conflict of interest matters in respect of the MFi Funds. The Independent Review Committee members also assumes the responsibility for reviewing and self assessment of; committee independence, compensation, and effectiveness.

We are pleased to publish the third annual report to unitholders of the MFi Funds under the requirements of the National Instrument 81-107 as designed by the Canadian securities regulators. This report covers the period January 1, 2010 to December 31, 2010.

We commend Matco Financial Inc. for its accomplishments in 2010 as the growth of the Matco Funds collectively exceeded 37%. We look forward to the continuation of open communications and an effective working relationship for the benefit of the MFi Funds investors.

(signed) Alan Akers

Alan Akers
Chair of the Independent Review Committee

Members of the Independent Review Committee

Name	Background	Residence	First Appointment
Alan Akers*			
Chairperson	Chartered Accountant	Calgary	November 2007
Bob Wilkinson			
Member	Retired investment Banker	Calgary	March 2009
Lorne Gartner			
Member	Retired Investment Banker	Calgary	November 2007

*Alan Akers position renewed as chair until November 1, 2013

HOLDINGS OF SECURITIES

(a) MFi Funds

As at December 31, 2010, the percentage of units or shares of each series of the MFi family of funds (the "Funds") beneficially owned, directly or indirectly, in aggregate, by all members of the Independent Review Committee did not exceed 10 percent.

(b) Manager and Service Providers

As at December 31, 2010, no member of the Independent Review Committee beneficially owned, directly or indirectly, any class or series of voting or equity securities of Matco Financial Inc. (the "Manager") or in any person or company that Matco has advised provides services to the Funds or the Manager.

COMPENSATION AND INDEMNITIES

The annualized aggregate compensation paid by the Funds to the Independent Review Committee in 2010 was \$21,000. This amount was allocated among the Funds. No indemnities were paid on behalf of the Independent Review Committee for the period.

Compensation of the Independent Review Committee was set by the committee in 2010. At least annually, the Independent Review Committee and the Manager will review compensation levels of the Independent Review Committee and the Manager will make a recommendation regarding such compensation to the Independent Review Committee. In conducting such review and making such recommendation, consideration will be given to the following:

- (1) The best interest of the Funds
- (2) The number, nature, and complexity of the Funds
- (3) The nature and extent of the workload of each member
- (4) The fact that each Fund must pay its reasonable allocation of the compensation
- (5) The goal that compensation should fairly reflect the general and specific benefits accruing to the Fund

CONFLICT OF INTEREST MATTERS

The Independent Review Committee is not aware of any instance in which the Manager acted in a conflict of interest matter during the 2010 year or of any instance in which the Manager acted in a conflict of interest matter but did not meet a condition imposed by the Independent Review Committee.

The Independent Review Committee has relied upon reports and/or certifications provided by the Manager in fulfilling its duties under the Independent Review Committee's Charter. For the 2010 year, the Manager has advised that it has complied with its related policies and procedures and has reported periodically to the Independent Review Committee. Copies of the current policies and procedures were reviewed by the Independent Review Committee in 2010.

MFi Funds:

MFi Balanced Fund (Series A, F, O)

MFi Canadian Equity Class Fund (Series A, F, O)*

MFi Energy Class Fund (Series A, F, O)*

MFi Small Cap Fund (Series A, F, O)*

* MFi Funds Corp. (Corporate Class)



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, stylized font.

Chartered Accountants

March 24, 2011
Calgary, Canada

Financial Statements of

MFi Balanced Fund

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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
	44,522,871	33,291,480
Liabilities		
Other accrued liabilities	51,224	38,489
Management fee payable	27,232	21,744
Distribution payable	-	140,358
Redemptions payable	-	25,000
	78,456	225,591
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:

Signed Jason Vincent

_____, 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	<u>1,260,602</u>	<u>564,898</u>
Increase in net assets from operations per unit:		
Series A	\$ 1.17	\$ 1.91
Series F	0.94	1.38
Series O	<u>1.04</u>	<u>1.57</u>

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.

MFi 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

MFi 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.

NOTES TO FINANCIAL STATEMENTS

(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.

NOTES TO FINANCIAL STATEMENTS

(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.

NOTES TO FINANCIAL STATEMENTS

(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.

NOTES TO FINANCIAL STATEMENTS

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.

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).

NOTES TO FINANCIAL STATEMENTS

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

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

NOTES TO FINANCIAL STATEMENTS

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.

NOTES TO FINANCIAL STATEMENTS

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%

NOTES TO FINANCIAL STATEMENTS

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.

NOTES TO FINANCIAL STATEMENTS

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	2009
	As a % of Net assets	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.

Financial Statements of

MFi Funds Corp.

**CONSISTING OF MFi ENERGY EQUITY FUND, MFi CANADIAN
EQUITY FUND, AND MFi SMALL CAP FUND, CLASSES OF SHARES
OF MFi FUNDS CORP.**

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009



Independent Auditors' Report to the Shareholders of MFi Funds Corp. Being:

MFi Energy Equity Class

MFi Canadian Equity Class

MFi Small Cap Class

We have audited the accompanying financial statements of MFi Funds Corp. which comprise of the statements of net assets of MFi Energy Equity Fund, MFi Canadian Equity Fund, and MFi Small Cap Fund as at December 31, 2010 and 2009, and the statements of operations and statements of changes in net assets of MFi Energy Equity Fund and MFi Canadian Equity Fund for the years then ended, and the statement of operations and statement of changes in net assets of MFi Small Cap Fund for the period from March 2, 2010 to December 31, 2010, and the statements of investment portfolios for MFi Energy Equity Fund, MFi Canadian Equity Fund and MFi Small Cap Fund 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 Energy Equity Fund, MFi Canadian Equity Fund, and MFi Small Cap Fund as at December 31, 2010 and 2009, and the results of operations and changes in net assets of MFi Energy Equity Fund and MFi Canadian Equity Fund for the years then ended, and the statement of operations and changes in net assets for MFi Small Cap Fund for the period from March 2, 2010 to December 31, 2010, and their respective investment portfolios at December 31, 2010 for MFi Energy Equity Fund, MFi Canadian Equity Fund and MFi Small Cap Fund, in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

March 24, 2011
Calgary, Canada

MFi Energy Equity Fund

STATEMENT OF NET ASSETS

December 31, 2010 and 2009

	2010	2009
Assets		
Investments, at fair value (note 2)	\$ 12,629,491	\$ 8,035,976
Cash and short term investments	217,946	81,197
Subscriptions receivable	21,717	-
Dividends receivable	14,262	12,490
Income tax receivable	-	15,760
	12,883,416	8,145,423
Liabilities		
Management fee payable	8,576	6,396
Other accrued liabilities	20,166	14,452
	28,742	20,848
Net assets representing shareholders' equity	\$ 12,854,674	\$ 8,124,575
Net asset value per series (note 7):		
Series A	\$ 1,349,994	\$ 488,837
Series F	7,031,571	5,011,171
Series O	4,473,109	2,624,567
Shares outstanding per series (note 3):		
Series A	131,491	58,296
Series F	715,099	629,069
Series O	435,813	318,102
Net asset value per share (note 7):		
Series A	\$ 10.27	\$ 8.39
Series F	9.83	7.97
Series O	10.26	8.25

See accompanying notes to financial statements.

On behalf of the Directors of MFi Funds Corp:

Signed Jason Vincent

Director

MFi Energy Equity Fund

STATEMENT OF OPERATIONS

Years ended December 31, 2010 and 2009

	2010	2009
Investment income:		
Interest and trust distributions	\$ 79,570	\$ 70,916
Dividends	62,306	44,320
	<u>141,876</u>	<u>115,236</u>
Expenses:		
Management and trailer fees (note 4)	88,741	36,250
Valuation fees	41,160	37,668
Securityholder reporting costs	21,558	23,264
Custody fees	12,930	10,647
Administrative fees	632	2,752
Independent review committee fees	3,416	2,989
Audit fees	12,607	20,483
Legal fees	14,068	20,890
	<u>195,112</u>	<u>154,943</u>
Less: Expenses absorbed by the manager	<u>(40,853)</u>	<u>(41,373)</u>
	<u>154,259</u>	<u>113,570</u>
Net investment income (loss)	<u>(12,383)</u>	<u>1,666</u>
Realized and unrealized gain (loss) on investments and transaction costs:		
Realized loss on sale of investments	(419,171)	(1,357,291)
Transaction costs (notes 2 and 6)	(18,771)	(10,846)
Change in unrealized appreciation of investments	2,772,258	3,715,521
Net income on investments	<u>2,334,316</u>	<u>2,347,384</u>
Increase in net assets from operations	<u>\$ 2,321,933</u>	<u>\$ 2,349,050</u>
Increase in net assets from operations per series:		
A Class	\$ 205,619	\$ 87,645
F Class	\$ 1,329,884	\$ 1,405,782
O Class	<u>\$ 786,430</u>	<u>\$ 855,623</u>
Increase in net assets from operations per share:		
A Class	\$ 2.47	\$ 2.94
F Class	\$ 2.00	\$ 2.98
O Class	<u>\$ 2.26</u>	<u>\$ 2.30</u>

See accompanying notes to financial statements.

MFi Energy Equity Fund

STATEMENT OF CHANGES IN NET ASSETS

Years ended December 31, 2010 and 2009

2010	Series A	Series F	Series O	Total Fund
Net assets, beginning of year	\$ 488,837	\$ 5,011,171	\$ 2,624,567	\$ 8,124,575
Increase in net assets from operations	205,619	1,329,884	786,430	2,321,933
Capital share transactions:				
Proceeds from shares issued	768,725	695,198	1,182,390	2,646,313
Redemption of shares	(113,187)	(4,682)	(120,266)	(238,135)
Shares issued on reinvestment of distribution	6,184	31,873	20,467	58,524
Net capital share transactions	661,722	722,389	1,082,591	2,466,702
Dividends paid to shareholders	(6,184)	(31,873)	(20,479)	(58,536)
Net assets, end of year	\$ 1,349,994	\$ 7,031,571	\$ 4,473,109	\$ 12,854,674

2009	Series A	Series F	Series O	Total Fund
Net assets, beginning of year	\$ 120,594	\$ 1,582,266	\$ 2,363,358	\$ 4,066,218
Increase in net assets from operations	87,645	1,405,782	855,623	2,349,050
Capital share transactions:				
Proceeds from shares issued	280,598	2,370,600	1,711,312	4,362,510
Redemption of shares	-	(347,477)	(2,305,726)	(2,653,203)
Net capital share transactions	280,598	2,023,123	(594,414)	1,709,307
Net assets, end of year	\$ 488,837	\$ 5,011,171	\$ 2,624,567	\$ 8,124,575

See accompanying notes to financial statements.

MFi Energy Equity Fund

STATEMENT OF INVESTMENT PORTFOLIO

December 31, 2010

Description	Number of shares	Cost	Fair value
Equities:			
Advantage Oil & Gas Ltd.	58,000	\$ 343,855	\$ 392,080
Angle Energy Inc.	44,500	322,768	367,570
ARC Energy Trust	14,200	302,541	360,822
Arcan Resources Ltd.	80,000	319,747	453,600
Baytex Energy Trust	10,000	172,069	466,100
Bellatrix Exploration Ltd.	100,000	191,070	480,000
BlackPearl Resources Inc.	100,000	108,545	588,000
Bonavista Energy Trust	8,800	221,472	253,440
Calfrac Well Services Ltd.	9,600	204,936	328,608
Canadian Natural Resources Ltd.	8,800	306,066	389,752
Canyon Services Group Inc.	32,000	352,139	345,920
Carrizo Oil & Gas Inc.	9,000	179,614	308,439
Crescent Point Energy Corp.	10,300	292,091	455,157
Crew Energy Inc.	21,000	277,996	401,100
Daylight Energy Ltd.	36,565	321,984	376,620
Gear Energy Ltd. (private)	75,000	310,300	307,500
Ithaca Energy Inc.	100,000	233,000	269,000
Legacy Oil + Gas Inc.	31,000	374,664	482,050
NAL Oil & Gas Trust	19,500	263,404	252,525
Orleans Energy Ltd.	100,000	192,500	248,000
PetroHawk Energy Corp.	8,200	278,164	148,700
Pinecrest Energy Inc.	265,000	300,475	728,749
Pioneer Natural Resources Co.	4,600	297,319	396,836
Progress Energy Resources Corp.	21,025	305,704	267,018
Quicksilver Resources Inc.	4,500	119,303	65,909
Range Resources Corp.	5,500	247,963	245,819
Rosetta Resources Inc.	11,500	159,322	430,112
Southwestern Energy Co.	4,620	114,859	171,829
Spartan Exploration Ltd.	80,500	170,000	396,060
Suncor Energy Inc.	8,760	356,266	334,544
Surge Energy Inc.	57,000	372,810	413,820
Talisman Energy Inc.	12,100	264,222	267,652
Tourmaline Oil Corp.	1,400	21,000	30,450
Transglobe Energy Corp.	26,000	261,271	412,620
Vero Energy Inc.	65,000	379,910	372,450
Wild Stream Exploration Inc.	44,000	311,025	420,640
Total Equities		9,250,374	12,629,491
Transaction costs		(21,663)	
Total Portfolio		\$ 9,228,711	\$ 12,629,491

See accompanying notes to financial statements.

MFi Canadian Equity Fund

STATEMENT OF NET ASSETS

December 31, 2010 and 2009

	2010	2009
Assets		
Investments, at fair value (note 2)	\$ 24,860,988	\$ 17,129,996
Cash and short term investments	1,118,886	755,526
Dividends receivable	144,336	92,976
Subscriptions receivable	66,500	-
Income tax receivable	-	9,373
	26,190,710	17,987,871
Liabilities		
Management fee payable	17,424	12,683
Other accrued liabilities	42,642	41,732
	60,066	54,415
Net assets representing shareholders' equity	\$ 26,130,644	\$ 17,933,456
Net asset value per series (note 7):		
Series A	\$ 247,235	\$ 71,830
Series F	19,417,229	14,495,698
Series O	6,466,180	3,365,928
Shares outstanding per series (note 3):		
Series A	26,057	8,606
Series F	2,053,986	1,760,360
Series O	638,961	385,229
Net asset value per share (note 7):		
Series A	\$ 9.49	\$ 8.35
Series F	9.45	8.23
Series O	10.12	8.74

On behalf of the Directors of MFi Funds Corp:

Signed Jason Vincent

_____ Director

MFi Canadian Equity Fund

STATEMENT OF OPERATIONS

Years ended December 31, 2010 and 2009

	2010	2009
Investment income:		
Interest and trust distributions	\$ 265,054	\$ 178,742
Dividends	527,625	457,202
	<u>792,679</u>	<u>635,944</u>
Expenses:		
Management and trailer fees (note 4)	168,204	129,822
Valuation fees	38,378	40,745
Audit fees	27,071	28,793
Legal and filing fees	15,505	21,412
Securityholder reporting costs	11,921	18,866
Custody fees	12,782	10,789
Independent review committee	6,435	8,491
Administrative fees	2,377	5,862
	<u>282,673</u>	<u>264,780</u>
Net investment income	510,006	371,164
Realized and unrealized gain (loss) on investments:		
Realized loss on sale of investments	(136,816)	(5,324,596)
Transaction costs (notes 2 and 6)	(11,983)	(32,506)
Change in unrealized appreciation of investments	3,130,894	10,152,218
Net income on investments	<u>2,982,095</u>	<u>4,795,116</u>
Increase in net assets from operations	<u>\$ 3,492,101</u>	<u>\$ 5,166,280</u>
Increase in net assets from operations per series:		
Series A	\$ 24,493	\$ 2,681
Series F	\$ 2,579,708	\$ 3,571,522
Series O	<u>\$ 887,900</u>	<u>\$ 1,592,077</u>
Increase in net assets from operations per share:		
Series A	\$ 1.63	\$ 2.34
Series F	\$ 1.41	\$ 2.00
Series O	<u>\$ 1.72</u>	<u>\$ 1.75</u>

See accompanying notes to financial statements.

MFi Canadian Equity Fund

STATEMENT OF CHANGES IN NET ASSETS

Years ended December 31, 2010 and 2009

2010	Series A	Series F	Series O	Total Fund
Net assets, beginning of year	\$ 71,830	\$ 14,495,698	\$ 3,365,928	\$ 17,933,456
Increase in net assets from operations	24,493	2,579,708	887,900	3,492,101
Capital share transactions:				
Proceeds from shares issued	201,606	2,422,657	2,896,768	5,521,031
Redemption of shares	(50,694)	(73,616)	(684,415)	(808,725)
Shares issued on reinvestment of distribution	3,959	314,158	107,548	425,665
Net capital share transactions	154,871	2,663,199	2,319,901	5,137,971
Dividends paid to shareholders	(3,959)	(321,376)	(107,549)	(432,884)
Net assets, end of year	\$ 247,235	\$ 19,417,229	\$ 6,466,180	\$ 26,130,644
2009	Series A	Series F	Series O	Total Fund
Net assets, beginning of year	\$ 7	\$ 11,416,633	\$ 9,281,381	\$ 20,698,021
Increase in net assets from operations	2,681	3,571,522	1,592,077	5,166,280
Capital share transactions:				
Proceeds from shares issued	69,142	124,924	2,034,600	2,228,666
Redemption of shares	-	(617,381)	(9,542,130)	(10,159,511)
Shares issued on reinvestment of distribution	-	183,660	36,434	220,094
Net capital share transactions	69,142	(308,797)	(7,471,096)	(7,710,751)
Dividends paid to shareholders	-	(183,660)	(36,434)	(220,094)
Net assets, end of year	\$ 71,830	\$ 14,495,698	\$ 3,365,928	\$ 17,933,456

See accompanying notes to financial statements.

MFi Canadian Equity Fund

STATEMENT OF INVESTMENT PORTFOLIO

December 31, 2010

Description	Number of common shares/ warrants	Cost	Fair value
Cash and short term investments:			
Cash		\$ 1,118,886	\$ 1,118,886
Total cash and short-term investments		1,118,886	1,118,886
Equities:			
Energy:			
Baytex Energy Trust	29,890	992,596	1,393,173
Canadian Natural Resources Ltd.	20,180	644,446	893,772
Canadian Oil Sands Trust	17,092	692,801	452,083
Petrominerales Ltd.	21,570	565,228	712,241
Suncor Energy Inc.	29,043	1,144,669	1,109,152
TransCanada Corp.	17,088	658,146	648,319
Total energy		4,697,886	5,208,740
Materials:			
Domtar Corp.	11,750	672,380	889,123
Eldorado Gold Corp.	44,871	615,171	830,114
Labrador Iron Ore Royalty Income Fund	12,802	674,155	860,935
Total materials		1,961,706	2,580,172
Industrials:			
Capital Goods:			
Bombardier Inc.	73,990	424,248	369,950
Total industrials		424,248	369,950
Consumer discretionary:			
Automobiles and Components:			
Magna International Inc.	11,960	535,651	619,767
Media:			
Torstar Corp., Class B	76,836	785,174	933,557
Yellow Media Inc.	98,772	542,851	612,386
		1,328,025	1,545,943
Total consumer discretionary		1,863,676	2,165,710
Consumer staples:			
Food and Staples Retailing:			
North West Co. Fund.	30,292	511,978	624,621
Food, Beverage and Tobacco:			
Saputo Inc.	27,714	788,160	1,093,872
Total consumer staples		\$ 1,300,138	\$ 1,718,493

MFi Canadian Equity Fund

STATEMENT OF INVESTMENT PORTFOLIO (CONTINUED)

December 31, 2010

Description	Number of common shares/ warrants	Cost	Fair value
Financials:			
Banks:			
Bank of Montreal	15,556	\$ 674,068	\$ 893,537
Bank of Nova Scotia	15,799	620,753	901,333
Canadian Imperial Bank of Commerce	12,814	800,347	1,002,439
Home Capital Group Inc.	19,228	760,248	995,626
Laurentian Bank of Canada	17,087	702,204	821,201
National Bank of Canada	14,925	824,604	1,021,169
Royal Bank of Canada	19,095	948,304	997,141
		5,330,528	6,632,446
Insurance:			
Fairfax Financial Holdings Ltd.	1,598	498,024	649,219
Power Financial Corp.	40,580	670,722	693,918
		1,168,746	1,343,137
Total financials		6,499,274	7,975,583
Information technology:			
Technology Hardware & Equipment:			
Research In Motion Ltd.	13,020	750,277	755,030
Total information technology		750,277	755,030
Telecommunication Services:			
BCE Inc.	21,347	533,366	754,403
Rogers Communications Inc., Class B	21,340	748,532	736,443
TELUS Corp.	1,200	72,506	51,900
TELUS Corp., Non-Voting Shares	16,627	679,746	756,196
Total telecommunication services		2,034,150	2,298,942
Transportation:			
Westshore Terminals Income Fund	44,827	776,784	1,030,124
Total transportation		776,784	1,030,124
Utilities:			
Atco Ltd.	12,819	547,909	758,244
Total utilities		547,909	758,244
Total equities		20,856,048	24,860,998
Transaction costs		(20,110)	
Total Investments (equities)		20,835,938	24,860,988
Total Investment portfolio		\$ 21,954,824	\$ 25,979,874

See accompanying notes to financial statements.

MFi Small Cap Fund

STATEMENT OF NET ASSETS

December 31, 2010 and 2009

	2010	2009
Assets		
Investments, at fair value (note 2)	\$ 6,689,784	\$ -
Cash and short term investments	530,606	-
Subscription receivable	18,000	-
Dividends receivable	1,558	-
	7,239,948	-
Liabilities		
Other accrued liabilities	17,608	-
	17,608	-
Net assets representing shareholders' equity	\$ 7,222,340	\$ -
Net asset value per series (note 7):		
Series A	\$ 119,558	\$ -
Series F	2,525,984	-
Series O	4,576,798	-
Shares outstanding per series (note 3):		
Series A	9,924	-
Series F	195,358	-
Series O	378,785	-
Net asset value per share (note 7):		
Series A	\$ 12.05	\$ -
Series F	\$ 12.93	\$ -
Series O	\$ 12.08	\$ -

See accompanying notes to financial statements.

On behalf of the Directors, MFi Funds Corp.:

Signed Jason Vincent

Director

MFi Small Cap Fund

STATEMENT OF OPERATIONS

Period from March 2, 2010 to December 31, 2010

Investment income:	
Dividends	\$ 14,437
	14,437
Expenses:	
Management and trailer fees (note 4)	20,789
Valuation fees	33,064
Securityholder reporting costs	8,267
Custody fees	9,541
Independent review committee	1,400
Administrative fees	3,123
Audit fees	8,404
Legal and filing fees	14,068
	98,656
Less: Expenses absorbed by the manager	(39,972)
	58,684
<hr/>	
Net investment income	(44,247)
Realized and unrealized gain on investments and transaction costs:	
Realized gain on sale of investments	82,355
Transaction costs (notes 2 and 6)	(21,236)
Change in unrealized appreciation of investments	1,031,296
Net income on investments	1,092,415
<hr/>	
Increase in net assets from operations	\$ 1,048,168
Increase in net assets from operations per series:	
Series A	\$ 12,578
Series F	\$ 478,877
Series O	\$ 556,713
<hr/>	
Increase in net assets from operations per share:	
Series A	\$ 2.76
Series F	\$ 2.82
Series O	\$ 3.32

See accompanying notes to financial statements.

MF*i* Small Cap Fund

STATEMENT OF CHANGES IN NET ASSETS

Period from March 2, 2010 to December 31, 2010:

	Series A	Series F	Series O	Total Fund
Net assets, beginning of period	\$ -	\$ -	\$ -	\$ -
Increase in net assets from operations	12,578	478,877	556,713	1,048,168
Capital share transactions:				
Proceeds from shares issued	106,980	2,047,307	4,109,077	6,263,364
Redemption of shares	-	(200)	(88,992)	(89,192)
Shares issued on reinvestment of distribution	143	2,950	5,486	8,579
Net capital share transactions	107,123	2,050,057	4,025,571	6,182,751
Dividends paid to shareholders	(143)	(2,950)	(5,486)	(8,579)
Net assets, end of period	\$ 119,558	\$ 2,525,984	\$ 4,576,798	\$ 7,222,340

See accompanying notes to financial statements.

MFi Small Cap Fund

STATEMENT OF INVESTMENT PORTFOLIO

December 31, 2010

Description	Number of common shares/ warrants	Cost	Fair value
Cash and short term investments:			
Cash		\$ 530,606	\$ 530,606
Total cash and short-term investments		530,606	530,606
Equities:			
Energy:			
Arcan Resources Ltd.	36,970	183,150	209,620
Bankers Petroleum Ltd.	19,866	151,464	150,982
Bellatrix Exploration Ltd.	51,330	198,453	246,384
Canyon Services Group Inc.	21,360	221,926	230,902
Ithaca Energy Inc.	105,090	227,408	282,692
Transglobe Energy Corp.	18,950	209,484	300,737
Total energy		1,191,885	1,421,317
Materials:			
Alamos Gold Inc.	11,936	184,724	225,829
Anatolia Minerals Development Ltd.	33,180	207,329	255,818
B2Gold Corp.	118,755	240,217	317,075
Breakwater Resources Ltd.	32,253	158,632	207,709
Capstone Mining Corp.	40,548	142,770	182,061
China Gold International Resources Corp Ltd.	34,530	204,790	186,462
Colossus Minerals Inc.	18,000	129,182	158,760
Copper Mountain Mining Corp.	41,520	196,434	269,050
Eastern Platinum Ltd.	57,238	88,302	101,311
Grand Cache Coal Corp.	32,013	255,949	335,176
Imperial Metals Corp.	9,037	178,711	236,589
Neo Material Technologies Inc.	42,979	253,130	336,526
OceanaGold Corp.	64,085	212,922	239,037
Romarco Minerals Inc.	43,401	95,870	100,256
SEMAFO Inc.	21,075	171,407	226,555
Volta Resources Inc.	43,010	95,181	102,794
Winpak Ltd.	9,408	92,327	116,283
Total materials		2,907,877	3,597,291
Industrial:			
Commercial Services and Supplies:			
Bennett Environmental Inc.	62,890	160,172	127,038
Garda World Security Corp.	12,849	135,565	118,725
Total Industrials		295,737	245,763
Consumer discretionary:			
Media:			
Tortsar Corp.	14,561	158,203	176,916
Total consumer discretionary		158,203	176,916
Consumer staples:			
Food and Staples Retailing:			
Cott Corp.	9,289	71,565	83,044
Total consumer staples		71,565	83,044

MFi Small Cap Fund

STATEMENT OF INVESTMENT PORTFOLIO (CONTINUED)

December 31, 2010

Description	Number of common shares/ warrants	Cost	Fair value
Health Care:			
Health Care Equipment and Services:			
SXC Health Solutions Corp.	4,550	151,588	193,739
Total health care		151,588	193,739
Financials:			
Banks:			
Dundee Corp.	7,199	99,082	147,220
Laurentian Bank of Canada	3,272	143,408	157,252
Total financials		242,490	304,472
Information technology:			
Technology Hardware and Equipment:			
Celestica Inc.	12,556	130,753	121,165
Software and Services			
Calian Technologies Ltd.	5,443	98,750	100,641
Computer Modelling Group Ltd.	5,017	96,008	129,689
Open Text Corp.	2,706	127,092	123,745
		321,850	354,075
Semiconductor and Semiconductor Equipment:			
Zarlink semiconductor Inc.	104,919	202,671	192,002
Total information technology		655,274	667,242
Total equities		5,674,619	6,689,784
Transaction costs		(16,131)	
Total Investments (equities)		5,658,488	6,689,784
Total Investment portfolio		\$ 6,189,094	\$ 7,220,390

See accompanying notes to financial statements.

MFi Funds Corp.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

1. BASIS OF PRESENTATION:

MFi Funds Corp. (the "Corporation") was incorporated on May 17, 2007 under the Business Corporations Act (Alberta) and consists of the MFi Energy Equity Fund, MFi Canadian Equity Fund and MFi Small Cap Fund (formerly named the "Canadian Equity Focused Growth Fund") (collectively the "Funds"), each of which is a class of shares of the Corporation. Matco Financial Inc. is the Manager and Portfolio Adviser of the Funds. RBC Dexia Investor Services Trust supplies trustee, custodian and record keeping services to the Funds. The Funds have multiple series; A, F and O all of which can be issued in unlimited number. MFi Energy Equity Class and MFi Canadian Equity Class Funds were established and funded on June 29, 2007 with \$2,425,020 and \$24,250,010 respectively by Matco Investments Ltd., a company in common control with the Manager. MFi Small Cap Fund was established on September 29, 2008 and was funded with \$856,586 on March 2, 2010 by Matco Investments Ltd.

2. SIGNIFICANT ACCOUNTING POLICIES:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), which include estimates and assumptions made 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 include the valuation of investments and investment income accruals. The following is a summary of significant accounting policies followed by the Funds.

(a) Financial instruments:

Effective on January 1, 2009, the Fund adopted the recent amendments to CICA 3862, Financial Instruments – Disclosures. Disclosures 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.

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. Dividends receivable and subscription receivable are classified as loans and receivables and are measured at amortized cost. Management fee payable and other accrued 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.

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.

(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 based on closing prices 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.

(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) Shares valuation and valuation date:

Shares are issued and redeemed on a continuous basis at the net asset value per share which is determined, for each series of shares of each Fund on a Transactional NAV basis. The share 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 shares 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.

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

Increase (decrease) in net assets from operations per share in the statement 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 shares of that class during the period.

(h) Income taxes:

Effective September 1, 2009 the Fund qualified as a "mutual fund corporation" under the Income Tax Act (Canada) and accordingly, is not taxed on that portion of its taxable income that is paid or allocated to shareholders. 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 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 generally accepted accounting principles (Canadian GAAP) for publicly accountable enterprises, which includes 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.

3. THE SHARES:

The Funds may issue an unlimited number of shares of each series.

Changes in outstanding shares of the MFi Energy Equity Fund for the year ended December 31, 2010 and 2009, were as follows:

Year ended December 31, 2010	Series A	Series F	Series O
Shares, beginning of year	58,296	629,069	318,102
Subscriptions	85,386	83,373	129,931
Redemptions	(12,797)	(604)	(14,227)
Dividends reinvested	606	3,261	2,007
Shares, end of year	131,491	715,099	435,813
Year ended December 31, 2009	Series A	Series F	Series O
Shares, beginning of year	21,060	293,416	427,020
Subscriptions	37,236	392,315	260,343
Redemptions	–	(56,662)	(369,261)
Dividends reinvested	–	–	–
Shares, end of year	58,296	629,069	318,102

Changes in outstanding shares of the MFi Canadian Equity Fund for the year ended December 31, 2010 and 2009, were as follows:

Year ended December 31, 2010	Series A	Series F	Series O
Shares, beginning of year	8,606	1,760,360	385,229
Subscriptions	23,045	268,580	312,014
Redemptions	(6,010)	(8,129)	(68,894)
Dividends reinvested	416	33,175	10,612
Shares, end of year	26,057	2,053,986	638,961

Year ended December 31, 2009	Series A	Series F	Series O
Shares, beginning of year	1	1,802,039	1,394,020
Subscriptions	8,605	18,050	279,917
Redemptions	–	(85,880)	(1,293,618)
Dividends reinvested	–	26,151	4,910
Shares, end of year	8,606	1,760,360	385,229

Changes in outstanding shares of the MFi Small Cap Fund for the period from March 2, 2010 to December 31, 2010, were as follows:

Period ended December 31, 2010	Series A	Series F	Series O
Shares, beginning of period	–	–	–
Subscriptions	9,912	195,144	386,745
Redemptions	–	(19)	(8,423)
Dividends reinvested	12	233	463
Shares, end of year	9,924	195,358	378,785

4. RELATED PARTY TRANSACTIONS:

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

i) Management fees

	Series A	Series F	Series O
MFi Energy Equity Class	2.25% ⁽¹⁾	1.25%	Negotiable
MFi Canadian Equity Class	2.00% ⁽¹⁾	1.00%	Negotiable
MFi Small Cap Class	2.25% ⁽¹⁾	1.25%	Negotiable

(1) Matco charges a management fee of 0.75% (pre August 31, 2009 the fee was 1%) in respect of the MFI Canadian Equity Class and a fee of 1% (pre August 31, 2009 the fee was 1.25%) in respect of the MFI Energy Class and MFI Small Cap Class. In addition, a serving commission of 1.25% is payable by Matco to the applicable dealer in respect of all sales of Series A shares 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 shares as a percentage of the net asset value of the class, as of the close of business on each business day.

ii) Performance fees

Performance fee in respect of each series of shares of the MFi Small Cap Fund and the MFi Energy Equity Fund are calculated in the manner described below. The performance fee is in addition to the basic management fee and is only paid to the manager if the following three criteria are met.

- a) The series performance must exceed the applicable market index performance over the measurement period (a calendar quarter). Where this condition, along with those outlined below, is met, 20% of this excess multiplied by the average NAV during the performance measurement period will be payable as a performance fee;
- b) The cumulative return of the series of shares must be greater than nil since the last time performance fee was paid to the Manager; and
- c) The cumulative return for the series of shares must have outperformed the applicable market index since the last time the performance fee was paid to the Manager.

The Funds are responsible for the payment of all expenses relating to the operation and administration of the Fund. Operating expenses include audit, legal, transfer agent, 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 period to Matco Financial Inc by the MFi Energy Equity Class were \$64,950 (2009 - \$33,827), by the MFi Canadian Equity Class were \$166,461 (2009 - \$129,822) and MFi Small Cap Class were \$2,811. These amounts are net of costs absorbed by the manager. Effective May 1, 2010, Matco Financial Inc. waived their right to further management fees for the Small Cap class until further notice.

Performance fees incurred during the period to Matco Financial Inc. by the MFi Energy Equity Class were \$nil (2009 - \$nil) and by the MFi Small Cap Class were \$nil.

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 Energy Equity Class	\$ 18,771	\$ 10,846
MFi Canadian Equity Class	\$ 11,983	\$ 32,506
MFi Small Cap Class	\$ 21,236	\$ -

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 Energy Equity Class:						
Series A	1,352,933	(2,939)	1,349,994	10.29	(0.02)	10.27
Series F	7,046,882	(15,311)	7,031,571	9.85	(0.02)	9.83
Series O	4,482,849	(9,740)	4,473,109	10.29	(0.03)	10.26
MFi Canadian Equity Class:						
Series A	247,547	(312)	247,235	9.50	(0.01)	9.49
Series F	19,441,776	(24,547)	19,417,229	9.47	(0.02)	9.45
Series O	6,474,355	(8,175)	6,466,180	10.13	(0.01)	10.12
MFi Small Cap Class:						
Series A	119,818	(260)	119,558	12.07	(0.02)	12.05
Series F	2,531,494	(5,510)	2,525,984	12.96	(0.03)	12.93
Series O	4,586,782	(9,984)	4,576,798	12.11	(0.03)	12.08

As at December 31, 2009	Net Asset Value (NAV)(\$)			Net Asset Value Per Shares (\$)		
	Transactional NAV	Section 3855 Adjustment	GAAP NAV	Transactional NAV	Section 3855 Adjustment	GAAP NAV
MFi Energy Equity Class:						
Series A	490,376	(1,539)	488,837	8.41	(0.02)	8.39
Series F	5,026,911	(15,740)	5,011,171	7.99	(0.02)	7.97
Series O	2,632,759	(8,192)	2,624,567	8.28	(0.03)	8.25
MFi Canadian Equity Class:						
Series A	71,992	(162)	71,830	8.37	(0.02)	8.35
Series F	14,528,391	(32,693)	14,495,698	8.25	(0.02)	8.23
Series O	3,373,488	(7,560)	3,365,928	8.76	(0.02)	8.74

8. FINANCIAL INSTRUMENTS:

Fair value hierarchy:

The following is a summary of the inputs used in the MFi Canadian Equity 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	\$ 24,860,988	\$ –	\$ –	\$ 24,860,988
Private securities	–	–	–	–
Total investments	\$ 24,860,988	\$ –	\$ –	\$ 24,860,988

The following is a summary of the inputs used in the MFi Canadian Equity 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	\$ 17,129,996	\$ –	\$ –	\$ 17,129,996
Private securities	–	–	–	–
Total investments	\$ 17,129,996	\$ –	\$ –	\$ 17,129,996

There were no transfers between levels during the year.

The following is a summary of the inputs used in the MFi Energy Equity 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	\$ 12,321,991	\$ –	\$ –	\$ 12,321,991
Private securities	–	–	307,500	307,500
Total investments	\$ 12,321,991	\$ –	\$ 307,500	\$ 12,629,491

The following is a summary of the inputs used in the MFi Energy Equity 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	\$ 8,014,976	\$ —	\$ —	\$ 8,014,976
Private securities	—	—	21,000	21,000
Total investments	\$ 8,014,976	\$ —	\$ 21,000	\$ 8,035,976

During the year ended December 31, 2010, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Public securities	Private securities	Total
Beginning balance, January 1, 2010	\$ —	\$ 21,000	\$ 21,000
Purchases	—	307,500	307,500
Net transfers out of level 3	—	(21,000)	(21,000)
Ending balance, December 31, 2010	\$ —	\$ 307,500	\$ 307,500

The following is a summary of the inputs used in the MFi Small Cap 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	\$ 6,689,784	\$ —	\$ —	\$ 6,689,784
Private securities	—	—	—	—
Total investments	\$ 6,689,784	\$ —	\$ —	\$ 6,689,784

There were no transfers between levels during the year.

9. FINANCIAL INSTRUMENTS AND ASSOCIATED RISK:

Financial instrument risk:

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

The investment objective of the MFi Canadian Equity Fund is to seek long-term capital appreciation by investing in a portfolio of large, mid, and small cap Canadian equities.

Matco is the core manager of the fund and utilizes an overlay investment strategy that enlists the services of non-proprietary managers to achieve the overall investment style of Growth at a Reasonable Price (GARP). The Manager has the ability to add and replace non-proprietary overlay managers at its discretion. No single security can be greater than 7% of the total portfolio market weight (excluding government back securities such as Treasury Bills). The Funds can invest in proprietary and/or non-proprietary mutual funds and individual security portfolios to achieve its objective.

The Manager's approach is strategic and incorporates active investment management allowing for investments in all sectors and market capitalizations within the Canadian market. The Fund's sector and security holdings can, and will, differ from the applicable fund benchmark (S&P/TSX Composite).

The investment objective of the MFi Energy Equity Fund is to seek long-term capital appreciation by investing in a portfolio of Canadian and U.S. energy equities with a bias to utilizing mid and small cap companies.

The MFi Energy Equity Fund will employ fundamental analysis and industry experience to identify superior investment opportunities. This will be accomplished by seeking out companies with strong management, business models, and proven assets that can benefit from industry and macro-economic trends.

The MFi Energy Equity Fund employs the following internal policies;

Country Exposure:	
Canada	65%-100%
U.S.	0%-35%
Commodity exposure:	
Oil	20%-60%
Gas	40%-80%
Market Capitalization:	
Large Cap	0%-50% (Neutral weight 40%)
Mid Cap	0%-50% (Neutral weight 40%)
Small Cap	0%-40% (Neutral weight 20%)
Private Equity:	
Maximum allowable amount of 15%	

The Manager's approach is strategic and incorporates active investment management, thus market capitalization weights within the energy sector will differ as compared to the Fund benchmark (S&P/TSX Energy Composite).

The investment objective of the MFi Small Cap Fund is to seek long-term capital appreciation by investing in a portfolio of small and mid cap Canadian equities that exhibit strong growth attributes. Companies are expected to be profitable and have a strong propensity to reinvest their excess earnings back into growing the company larger.

The Manager's approach is strategic and incorporates active investment management allowing for investments in all sectors and market capitalizations within the Canadian market. The Fund's sector and security holdings can, and will, differ from the applicable fund benchmark (Nesbitt Burns Small Cap Equity Total Return Index).

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 Funds 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 Funds 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:

December 31, 2010	MFi Canadian Equity Fund		MFi Energy Fund		MFi Small Cap Fund	
	Fair value	% Net assets	Fair value	% Net assets	Fair value	% Net assets
Securities held for trading	\$ 24,860,988	95.14%	\$ 12,629,491	98.25%	\$ 6,689,784	92.63%

December 31, 2009	MFi Canadian Equity Fund		MFi Energy Fund			
	Fair value	% Net assets	Fair value	% Net assets		
Securities held for trading			\$ 17,129,996	95.52%	\$ 8,035,976	98.91%

At December 31, 2010, the Funds' market risk is affected by two main components: changes in actual market prices and interest rates. 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 MFi Canadian Equity Fund by approximately \$1,071,356 (2009 - \$676,835), the net assets of the MFi Energy Equity Fund by approximately \$653,692 (2009 - \$450,228) and the net assets of the MFi Small Cap Fund by approximately \$570,565 (2009 - \$nil).

Interest rate risk

The majority of the Funds' financial assets and liabilities are non-interest bearing. As a result, the Funds are 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.

There is minimal sensitivity to changes in interest rates for MFi Canadian Equity Class, MFi Energy Equity Class and MFi Small Cap Class, since the funds mostly hold domestic and foreign equities.

9. 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 Funds to a concentration of credit risk consist primarily of cash and cash equivalents, short-term investments, and bond investments. The Funds limit their 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 Funds' managers perform ongoing credit evaluations based upon factors surrounding the credit risk of customers, historical trends and other information.

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

Currency risk

The Funds hold assets and liabilities, including cash, short-term investments and equities that are denominated in currencies other than the Canadian Dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in other currencies fluctuate due to changes in exchange rates. The table below summarizes the MFi Energy Equity Fund's exposure to currency risks:

	2010		2009	
	Currency exposure (\$)	As % of Net assets (%)	Currency exposure (\$)	As % of Net assets (%)
US dollar	\$ 1,772,328	13.8%	\$ 1,489,224	18.3%
All amounts in CAD\$				

As at December 31, 2010, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant, net assets for MFi Energy Fund could have increased or decreased by approximately \$88,616 (2009 - \$74,461). In practice, actual results will differ from this sensitivity analysis and the difference could be material.

The currency exposure for the MFi Canadian Equity Fund and the MFI Small Cap Fund is minimal, since the Funds mostly hold domestic securities.



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