



# MFi Balanced Fund

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE  
For the Period Ended June 30, 2009

## MFi Balanced Fund

Interim Management Report of Fund Performance  
For the Period Ended June 30, 2009



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This interim management report of Fund performance contains financial highlights but does not contain either the interim or annual financial statements of the MFi Balanced Fund (the “**Fund**”). You can get a copy of the interim or annual financial statements at your request, and at no cost, by calling 1-877-539-5743, by writing to us at 400, 407-8<sup>th</sup> Avenue SW, Calgary AB T2P 1E5 or by visiting our website at [www.matcofinancialinc.com](http://www.matcofinancialinc.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

Security holders may also contact us using one of these methods to request a copy of the Fund’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

#### A NOTE ON FORWARD LOOKING STATEMENTS

This report may contain forward-looking statements about the Fund, including its strategy, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also a forward-looking statement. Forward looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. Further, you should be aware of the fact that the Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

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### Management Discussion of Fund Performance

This management discussion of Fund performance presents management's view of the significant factors and developments during the period that have affected the Fund's performance and outlook. For information on the Fund's longer-term performance, please refer to the *Past Performance* section of this report. In this report, "Matco" refers to Matco Financial Inc., the manager of the Fund.

### Investment Objective and Strategies

This Fund's objective is to seek a balance of long-term capital appreciation and current income by investing in a portfolio with exposure to multiple asset classes, broad sectors and geographic locations, investment styles and market capitalization to create diversification. The Fund will generally be 50% exposed to Fixed Income securities and 50% to stocks.

### Risk

The overall risks of investing in the Fund are as described in the Fund's Prospectus. There were no material changes to the Fund during the year that affected the overall level of risk associated with an investment in the Fund.

### Results of Operations

The Fund commenced operations on June 29, 2007 and was first offered to the public via prospectus on November 29, 2007. The Fund's net assets increased over the past six months to \$23.7 Million at June 30, 2009. Within the period there was a net gain of investment of \$1.5 Million attributable to investment performance. The Fund's performance is discussed below.

During the year, the Fund made no material changes in overall asset mix and experienced no unusual trends in redemptions or sales. However, as a result of our preparation for fund RRSP eligibility, there was an internal redemption of units for the Fund.

Over the past six months, the Fund's Series F units returned 6.73%. This compares with the 7.76% return of a blended index composed of a 50% weight in the Dex Universe Bond Index (returned 2.79%), a 35% weight in the S&P/TSX Composite Index (returned 17.56%), a 7.5% weight in the S&P 500 Index (returned -1.5%), and a 7.5% weight in the MSCI World Index (returned .45%). (All index returns are calculated on a total return basis in Canadian dollar terms.) Unlike the index returns, the

Fund's return is net of fees and expenses paid by the Series. Please refer to the *Past Performance* section of this report for the returns of other series offered by the Fund and to the *Related Party Transactions – Management Fees* section for the varying management fees payable by each series.

Overall, the Fund's return is not in line with that of the Dex Universe Bond Index because the Fund is a balanced fund that is required to hold equities, which generally outperformed bonds over the past six months.

Global equity markets bottomed in March and then began a remarkable rally from the depths of the global financial crisis with the BRIC countries and Canada posting double digit returns. The recession was marked by a severe contraction of first quarter GDP in developed economies and a dramatic rise in unemployment as companies cut costs in order to survive. The governments of Canada, the United Kingdom and the United States passed and implemented multi-billion dollar stimulus programs to support economic activity. The US Troubled Asset Relief Program provided direct capital injections to financial institutions in return for preferred share holdings. The Central banks of both Canada and the United cut interest rates to near zero and implemented "quantitative easing" measures to provide liquidity. The seizing of credit drove inter-bank lending rates markets to record highs and volatility in the stock as measured by the "VIX" volatility index hit unprecedented levels. Emerging market economies suffered in tandem as external demand for goods from developed nations effectively collapsed. However, the relatively low level of debt and significant currency reserves enabled BRIC countries to withstand the global economic shock and even maintain modest levels of growth. The government of China was able to implement a massive stimulus program in short order which kept the economy on pace with 2008 levels. At the end of Q1, corporate earnings were "less bad" than feared and the rate of economic contraction appeared to slow causing a recovery in stock prices from valuations which had priced in a Depression era scenario. The relief rally then turned into optimism as the Federal Reserve governor foresaw "green shoots" of economic recovery. The US dollar sagged as investors left its safety for riskier assets. The Canadian dollar rallied over the 80 cent mark and then moved past 90 cents as a basic restocking of global commodity inventories resuscitated demand for commodity based currencies. European markets also rallied and the Euro held its value as the collapse of developing economies in Europe did not appear to threaten the already fragile state of financial institutions.

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Within North America, Canadian equities widely outperformed US equities due to the recovery in commodity prices, and the weakness of the US dollar detracted from returns.

Bonds once again contributed positive returns over the period as yields recovered from crisis levels and the yield curve returned to a more normalized pattern with long-term rates moving noticeably higher. Government bonds fell as investors moved back into equities. However, the US kept up purchases of Treasuries to counter this trend in an effort to keep borrowing costs low. Institutions also began to raise funds without government guarantees in a sign that credit markets were thawing. Corporate bond yields began to narrow, especially for quality corporates such as financials. The Federal Reserve which had responded to the US slowdown by dramatically cutting rates to .24% expanded its purchase of financial assets including treasuries to provide liquidity and keep rates low. The Bank of Canada accelerated the pace of its rate cuts to a historic low of .50%, and communicated its commitment to keep the Bank rate at these levels well into 2010.

Given the continued uncertainty in world stock markets, fixed income contributed a positive return to the Fund. The Matco and Baker Gilmore bond portfolios contributed positive returns with Baker Gilmore the top contributor to the Fund's return at 5.7%. The Matco Bond portfolio's average duration was shorter than the Dex Bond Universe and benefited from a balance of shorter term corporate and longer term government and provincial bonds matching the index return. The Baker Gilmore portfolio outperformed as well on a concentration in asset backed securities and quality corporate bonds boosted performance. During the period QV Investors terminated its relationship with Matco Financial and Matco assumed management of that portion of the Fund's fixed income portfolio.

The Templeton BRIC fund was the best performer within equities, and the best performing asset class overall with a return of 37.86%. Emerging market economies, particularly Asian economies demonstrated resilience in the face of the worst global recession since the Great Depression. These countries managed a transition from export driven growth to domestic demand with government support of financials and infrastructure. The fund's concentration in energy, telecom and financials propelled returns. Top picks within the fund included Petrobras, China Mobile and Vale SA.

The MFfi Canadian Equity Fund ("CE Fund") was the next best contributor to the MFfi Balanced Fund's performance with a return of 10.99%, although the fund underperformed the Canadian TSX Composite index return of 17.56%. The CE Fund benefited from a core exposure to defensive, income oriented stocks, and an overweight in financials and energy. In addition, this fund benefited from strong stock selection, most notably within the larger capitalization segment of the market.

Within the Canadian market, Information Technology primarily represented by Research In Motion was the best performing sector for the period. Financials also demonstrated a major reversal as the relative strength of Canadian banks and the financial system overall attracted investors. Energy rallied strongly as well from extremely depressed levels as basic energy demand in Asia supported oil prices in the \$60 per barrel range.

International holdings added to the Fund's performance overall, as both the Templeton International Stock fund with a return of 7.03% and the Mutual Discovery fund with a performance of 7.29% outperformed the MSCI World index return of 0.45%. In the Templeton International Stock fund, Oil & Gas and telecommunications were the top sectors represented in the fund. Individual holdings also signaled a shift away from defensive consumer stocks as Telenor SA and Siemens took top spot.

As the market rally gained momentum in April, the Fund liquidated its holdings of the more defensive Mutual Discovery fund in favor of additional exposure to BRIC country growth through the Templeton BRIC fund.

In the United States market, the Ishares S&P500 Index fund outperformed the S&P 500 Total Return Index returning 1.39% versus -1.5% for the index. Despite the major macroeconomic issues of long term debt and structural unemployment facing the country, the stock market performed much like its peers with Information Technology, Financials and Energy leading the rally during the period. Currency also played a large role in returns as the hedging of the portfolio against the Canadian dollar added to overall returns. With the recovery in index values, the manager of the MFfi Balanced Fund was reviewing active managers in the US market as a replacement for the index fund holding.

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### Recent Developments

At June 30, 2009, the allocation of the Fund to Canadian equities was 40.3%, the U.S. 6.8% and International equities 11.1%, which represented an overweight in Canadian and International equities and an underweight in US equities. The overall target asset mix at 40.3% fixed income and 58.2% equity represented a shift in the near term strategy of the Fund increasing Canadian and International equities to capture the strong rally in world stock markets in the second quarter of 2009. The Fund manager has taken a bullish stance to equities overall with an underlying focus on defensive, dividend yielding stocks to deal with near term volatility as the market absorbs the remaining fallout from the global recession..

The Fund's overall asset allocation and fund selection is reviewed periodically. Asset allocation is based on longer-term projections regarding asset class returns, risk and correlations. At June 30<sup>th</sup>, 2009, the Fund undertook to reduce and simplify the overlay strategy. The Matco equity Income portfolio will become the core Canadian portfolio of the Fund. The Fund will seek to employ segregated security holdings of third party managers to provide exposure to the desired asset classes while achieving diversification by geographic region, market capitalization and investment style. The portfolio manager's long-term view is that government bond yields will remain at relatively low levels, and that while stocks will outperform bonds, investors should anticipate single-digit returns.

While the focus of the Fund is to provide a suitable asset allocation for the longer term, the managers of the underlying portfolios are very focused on positioning their holdings to benefit in the nearer term from either macroeconomic developments or from bottom-up stock selection.

### Related Party Transactions

#### *Management Fees*

Matco provides the Fund with investment management services, including managing the investment portfolio, providing investment analysis and recommendations, making investment decisions, making brokerage arrangements for the purchase and sale of the investment portfolio and providing other services. In return, Matco receives a management fee based on the net assets of the Fund, calculated on a daily basis. For the six months ended June 30 2009, the Fund paid Matco management fees of \$116,498 (2008 - \$146,195)(including GST). The

management and administration fee for Series units is negotiated with and paid by the unitholder to Matco as manager. The sales commission under the Front Load option is negotiated with and paid by the holder directly to the dealer.

Annual Rate	Series A (FL)	Series F
Management fees	2.00 %	1.00 %
Trailer (maximum rate as a % of management fee)	50.00%	Nil
Front Load (FL) sales commission – up to 6%		

#### *Administration Services*

The Fund paid \$39,090 (2008 - \$33,979) to RBC Dexia Investor Services for valuation, custodian, recordkeeping, unitholder, and trustee services. This amount excludes costs paid through the Fund's investment in other mutual funds and portfolios managed by third parties.

#### *Portfolio Transaction Services*

The Fund incurred trading costs of \$7,636 (2008 - \$Nil) through securities transactions conducted through RBC Dexia Investor Services and TD Waterhouse Investor Services. RBC Dexia Investor Services also provides portfolio transaction services to the Fund when the Fund invests directly in securities of third party mutual funds. The Fund paid no brokerage commissions on these investment transactions.

### Past Performance

The indicated rates of return are the historical annual compound total returns, including changes in unit value and assuming reinvestment of all distributions. They do not take into account sales, redemption, and distribution or optional charges, or income taxes payable by any investor that would have reduced returns. The past performance of the Fund is not necessarily an indication of how it will perform in the future. As the Fund may not currently be held inside of a registered plan, income and capital gains distributions paid to you increase your income for tax purposes whether paid to you in cash or reinvested in additional units. The amount of reinvested taxable distributions is added to the adjusted cost base of the units that you own. This would decrease your capital gain or increase your capital loss when you later redeem from the Fund, thereby ensuring that you are not taxed on this amount again. Please consult your tax advisor regarding

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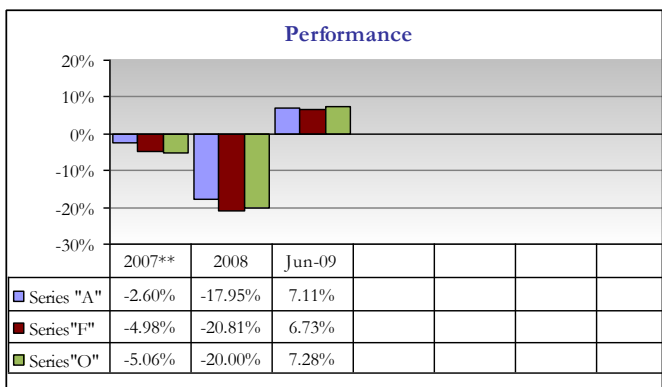
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your personal tax situation. The past performance of the Fund is set out in the following charts and the compound returns table.

### Year-By-Year Returns

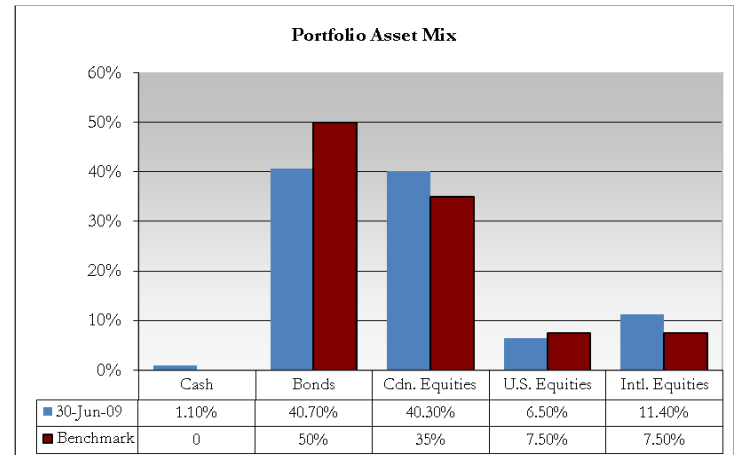
The bar charts that follow show the performance of each series of the Fund for the period ended June 30, 2009 plus the year ended December 31, 2008 and the period ended December 31, 2007. The charts show, in percentage terms, how an investment made on January 1 would have increased or decreased by the end of the period in each fiscal year (except for 2007 as noted below).



\*\* The rate of return for the period from inception (June 29, 2007 – December 31, 2007). The Fund was prospectus qualified as at November 29, 2007. Rates of Return assume reinvestment of all distributions at net asset value.

The Fund has been recently established and as such, does not currently have a long track record of distributions, however, it is expected that over time the re-investment of distributions will have a significant and material impact on rates of return.

### Portfolio Asset Mix



### Summary of Investment Portfolio (at June 30, 2009)

#### Effective Portfolio Allocation

<b>Equities</b>	<b>58.2%</b>
Canada	40.3%
United States	6.8%
Other	3.5%
China	1.8%
United Kingdom	1.7%
Brazil	1.3%
Russia	0.8%
France	0.8%
India	0.6%
Germany	0.6%
<b>Fixed income</b>	<b>40.7%</b>
Canada	40.7%
<b>Cash and equivalents</b>	<b>1.1%</b>
<b>TOTAL</b>	<b>100.0%</b>

#### Effective Equity Sector Allocation

Financials	27.7%
Energy	24.8%
Consumer staples	8.2%
Telecommunication services	6.9%
Industrials	6.4%
Other	5.1%
Materials	4.8%
Utilities	4.5%
Consumer discretionary	4.4%
Healthcare	4.4%
Information technology	2.8%
<b>TOTAL</b>	<b>100.0%</b>

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### *Top 25 Holdings*

<u>Underlying Investments</u>	<u>% of NAV</u>
MFfi Canadian Equity Fund	15.1%
Templeton International Stock Fund	6.9%
iShares CDN S&P 500 Indx Fund	6.5%
Templeton BRIC Corporate Class	4.5%
Canada Housing Trust No. 1	3.4%
iShares CDN DEX Short Term Bond Indx Fund	2.6%
JP Morgan Chase Co.	2.1%
Canada Housing Trust No. 1	1.6%
Province of Quebec	1.5%
Province of Saskatchewan	1.5%
NAV Canada	1.4%
Royal Bank of Canada	1.4%
Province of Alberta	1.3%
National Bank of Canada	1.2%
Government of Canada	1.2%
Greater Toronto Airport Authority	1.2%
Canada Housing Trust No. 1	1.2%
Bank of Montreal	1.2%
Province of Ontario	1.2%
CIBC	1.1%
Bank of Nova Scotia	1.1%
Saputo Inc.	1.0%
Suncor Energy	1.0%
City of Toronto	1.0%
	<b>62.2%</b>

Series A returns of the underlying funds are used in the discussion of this Fund's performance because information on Series A of those underlying funds is most widely available to investors. However, this Fund's actual investments are in Series O & F securities of the underlying funds, which are offered under their respective prospectuses. These series charge lower fees and expenses than Series A securities.

The simplified prospectuses and other information about the underlying funds are available on such funds' websites or on the SEDAR website at [www.sedar.com](http://www.sedar.com).

The investments and percentages outlined herein may have changed by the time you purchase units of this Fund. The top 25 holdings are made available quarterly, 60 days after quarter-end and may be obtained by contacting your registered representative or by contacting Matco toll free at 1.877.539.5743 or by email at [matco@matcofinancial.ca](mailto:matco@matcofinancial.ca). The Fund held no short positions at the end of the period.

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## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance since its inception. This information is derived from the Fund's audited annual financial statements.

### MFfi BALANCED FUND - Series A

Net Assets per Unit			
	2009	2008	2007
Net Assets, beginning of year or period <sup>(1) (3)</sup>	\$ 7.69	\$ 9.68	\$ 10.00
Increase (decrease) from operations:			
total revenue	0.08	0.26	-
total expenses	-	-	-
realized gains (losses) for the year	(0.77)	(0.28)	-
unrealized gains (losses) for the year	1.39	(2.01)	-
Total increase (decrease) from operations <sup>(1)</sup>	0.70	(2.03)	-
Distributions:			
from income (excluding dividends)	(0.06)	(0.21)	(0.11)
from dividends	-	-	-
from capital gains	-	-	(0.18)
return of capital	-	(0.06)	-
Total annual distributions <sup>(2)</sup>	(0.06)	(0.27)	(0.29)
Net Assets, end of year or interim period	\$ 8.17	\$ 7.69	\$ 9.68

### Ratios and Supplemental Data

	2009	2008	2007
Net asset value end of period <sup>(1)</sup>	9	8	10
Number of units outstanding <sup>(1)</sup>	1	1	1
Management expense ratio (%) <sup>(2)</sup>	-	-	-
Management expense ratio before waivers or absorptions (%) <sup>(6)</sup>	-	-	-
Portfolio turnover rate (%) <sup>(3)</sup>	58.00	74.00	45.00
Trading expense ratio (%) <sup>(4)</sup>	0.03	0.03	0.01
Net asset value per unit end of year or interim period <sup>(5)</sup>	8.18	7.69	9.68

### MFfi BALANCED FUND - Series F

Net Assets per Unit			
	2009	2008	2007
Net Assets, beginning of year or period <sup>(1) (3)</sup>	\$ 7.49	\$ 9.64	\$ 10.00
Increase (decrease) from operations:			
total revenue	0.07	0.24	0.08
total expenses	(0.07)	(0.14)	(0.07)
realized gains (losses) for the year	(0.68)	(0.77)	0.20
unrealized gains (losses) for the year	1.18	(1.33)	(0.33)
Total increase (decrease) from operations <sup>(1)</sup>	0.50	(2.00)	(0.12)
Distributions:			
from income (excluding dividends)	(0.01)	(0.10)	(0.06)
from dividends	-	-	-
from capital gains	-	-	(0.18)
return of capital	-	(0.05)	-
Total annual distributions <sup>(2)</sup>	(0.01)	(0.15)	(0.24)
Net Assets, end of year or interim period	\$ 7.98	\$ 7.49	\$ 9.64

### Ratios and Supplemental Data

	2009	2008	2007
Net asset value end of year <sup>(1)</sup>	21,828,017	22,254,068	27,064,591
Number of units outstanding <sup>(1)</sup>	2,732,190	2,970,929	2,807,250
Management expense ratio (%) <sup>(2)</sup>	1.69	1.50	1.41
Management expense ratio before waivers or absorptions (%) <sup>(6)</sup>	1.69	1.56	1.41
Portfolio turnover rate (%) <sup>(3)</sup>	58.00	74.00	45.00
Trading expense ratio (%) <sup>(4)</sup>	0.03	0.03	0.01
Net asset value per unit end of year or interim period <sup>(5)</sup>	7.99	7.49	9.64

### MFfi BALANCED FUND - Series O

Net Assets per Unit			
	2009	2008	2007
Net Assets, beginning of year or period <sup>(1) (3)</sup>	\$ 7.46	\$ 9.61	\$ 10.00
Increase (decrease) from operations:			
total revenue	0.13	0.17	1.33
total expenses	(0.03)	(0.04)	(0.02)
realized gains (losses) for the year	(1.25)	(0.56)	(0.21)
unrealized gains (losses) for the year	1.61	(1.86)	(1.25)
Total increase (decrease) from operations <sup>(1)</sup>	0.46	(2.29)	(0.15)
Distributions:			
from income (excluding dividends)	(0.05)	(0.18)	(0.11)
from dividends	-	-	-
from capital gains	-	-	(0.18)
return of capital	-	(0.07)	-
Total annual distributions <sup>(2)</sup>	(0.05)	(0.25)	(0.29)
Net Assets, end of year or interim period	\$ 7.94	\$ 7.46	\$ 9.61

### Ratios and Supplemental Data

	2009	2008	2007
Net asset value end of year <sup>(1)</sup>	1,901,204	1,358,801	2,028,729
Number of units outstanding <sup>(1)</sup>	239,006	182,201	211,004
Management expense ratio (%) <sup>(2)</sup>	0.69	0.46	0.41
Management expense ratio before waivers or absorptions (%) <sup>(6)</sup>	0.69	0.56	0.41
Portfolio turnover rate (%) <sup>(3)</sup>	58.00	74.00	45.00
Trading expense ratio (%) <sup>(4)</sup>	0.03	0.03	0.01
Net asset value per unit end of year or interim period <sup>(5)</sup>	7.95	7.46	9.61

## NAV per Unit Notes:

- (1) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.
- (2) Distributions were paid in cash/reinvested in additional units of the Fund, or both.
- (3) The relief granted to investment funds by Canadian securities regulatory authorities from complying with Section 3855 results in a difference between GAAP NAV and Transactional NAV due to the differences in valuation techniques of certain investments. For investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires bid prices (for investments held) or ask prices (for investments sold short) to be used in the fair valuation of investments, rather than the use of closing sales prices currently used for the purposes of determining Transactional NAV. For investments that are not traded in an active market, Section 3855 requires that the use of specific valuation techniques, rather than the use of valuation techniques by virtue of general practice in the investment funds industry.

## Ratio and Supplemental Data Notes:

- (1) This information is provided as at June 30, 2009, December 31 for the other years
- (2) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.
- (3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.
- (4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.
- (5) Net Asset Value per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities and including the valuation of securities at closing prices divided by the number of units then outstanding.
- (6) Management expense ratio before waivers or absorptions take out professional fees that were absorbed by Matco related to the AIF.