



# MFi Canadian Equity Fund\*

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

\* Class of Shares of MFi Funds Corp.

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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 MFfi Canadian Equity 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).

Securityholders 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.



## 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

The Fund's objective is to seek long-term capital appreciation with an equity Income bias and superior risk-adjusted returns by investing primarily in a portfolio of large and mid cap Canadian equities. The Fund will generally be 100% exposed 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 was incorporated on May 17, 2007, began operations and made its portfolio investments at June 29, 2007 and was first offered for sale to the public via prospectus on November 29, 2007. The Fund's net assets decreased over the past six months to \$18.8 Million at June 30, 2009. Within the period there was a net gain of investment of \$2.3 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 shares for the Fund.

For the past six months, the Fund's Series F units returned 10.99%. This compares with the 17.56% return of the benchmark index, the S&P TSX Composite total return index. 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 the report for the returns of other series offered by the Fund and to the *Related Party Transactions – Management Fees* section of the report for the varying management fees payable by each series.

Overall, the Fund's return underperformed the benchmark index due to its specific sector and security selection focus which was not in line with that of the S&P/TSX Composite Total return index.

Equity markets globally rebounded significantly over the past four months following one of the most significant drawdowns in history. Within the Canadian market, the financials, energy and information technology sectors provided the strongest contribution during the first half of 2009. As investors increased their risk appetite upon the emerging hints of a global economic recovery, they shifted assets back into the equities markets. However, throughout April and May, we also noted that some of the largest returns or more appropriately the biggest bounces were lower quality companies. Investors cared less about profitable, yielding, high quality companies and more about cheap stocks trading at extreme discounts.

The top contributing sectors to the fund's return were the financials & energy companies during the first half of 2009. Specific top contributing financial companies included the Royal Bank, Bank of Montreal, Bank of Nova Scotia, National Bank, and Home Capital, as Canadian banks emerged as a future model to global financial institutions. Also contributing positively was our active decision to increase our financials weight in the fund by dollar cost average positions like CIBC and Royal Bank. Initial positions in Bank of Montreal and Bank of Nova Scotia were made to take advantage of the significant multiple compressions of high quality opportunities. Our energy sector benefited from takeover announcements of our holdings of Petro Canada and Addax Petroleum.

## Recent Developments

At June 30, 2009, the Fund reduced and simplified the overlay strategy. The Matco Equity Income portfolio continued as a core manager with an allocation of 74%. This portfolio seeks to provide a balance between current income and long term capital appreciation by investing primarily in mid to large cap, Canadian companies that provide current income. Specifically companies will exemplify certain attributes, including strong financial statements, reasonable multiples, more predictable and defensive in nature. In addition, companies will be or expected to be profitable with a strong propensity to payout earnings in the form of dividends while reinvesting their excess earnings back into growth the company.

The Fund's overall characteristics and security selection is reviewed periodically. To achieve desired overall portfolio characteristics, the underlying companies are selected to

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provide exposure to the desired attributes of quality, income, value and growth. Matco'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.

### 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 fees of \$ 58,498 (2008 - \$94,298) (including GST). The management and administration fee for Series O securities is negotiated with and paid by the shareholder to the manager. The sales commission under the Front Load option is negotiated with and paid by the shareholder 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%		

### Other Transactions

#### *Administration Services*

The Fund paid \$33,941 (2008 - \$30,523) to RBC Dexia Investor Services for valuation, custodian, recordkeeping, unit holder, 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 \$24,727 (2008 - \$31,923) 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 your personal tax situation. The past performance of the Fund is set out in the following charts and the compound returns table.

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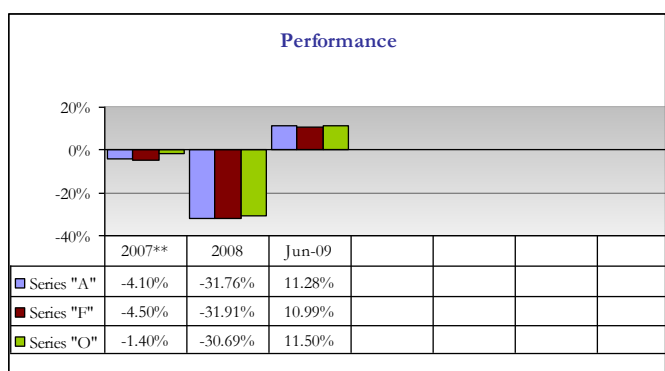


### Year-By-Year Returns

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



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

#### Effective Equity Sector Allocation

Financials	33.8%
Energy	27.6%
Consumer staples	8.8%
Industrials	6.3%
Utilities	5.6%
Telecommunication Services	5.5%
Material	5.1%
Consumer discretionary	3.8%
Healthcare	2.6%
Information technology	.9%
<b>TOTAL</b>	<b>100.0%</b>

#### Top 25 Holdings

		% of NAV
1	Royal Bank of Canada	4.9
2	National Bank of Canada	4.0
3	Petro-Canada	3.5
4	Bank of Montreal	3.5

5	CIBC	3.4
6	EnCana Corp.	3.3
7	Addax Petroleum Corp.	3.1
8	Home Capital Group Inc.	3.0
9	TransCanada Corp.	2.7
10	Laurentian Bank of Canada	2.6
11	Bank of Nova Scotia	2.5
12	Saputo Inc.	2.4
13	Fortis Inc.	2.3
14	Baytex Energy Trust	2.2
15	North West Co. Fund	2.1
16	Enerflex Systems Income Fund	2.1
17	TELUS Corp.	2.1
18	Atco Ltd.	2.1
19	Husky Energy Inc.	2.1
20	Toromont Industries Ltd.	2.0
21	Biovail Corp.	1.9
22	ShawCor Ltd.	1.9
23	Power Financial Corp..	1.9
24	BCE Inc.	1.9
25	Canadian Oil Sands Trust	1.7

**TOTAL** **65.2**

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.



## 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.

### MFI ENERGY EQUITY FUND - Series A

Net Assets per Share			
	2009	2008	2007
Net Assets, beginning of year <sup>(1)(3)</sup>	\$ 7.00	\$ 10.00	\$ 10.00
Increase (decrease) from operations:			
total revenue	0.13	0.25	-
total expenses	-	(0.01)	-
realized gains (losses) for the year	(1.63)	(0.66)	-
unrealized gains (losses) for the year	2.22	(3.06)	-
Total increase (decrease) from operations <sup>(1)</sup>	0.72	(3.48)	-
Distributions :			
from income (excluding dividends)	-	-	-
from dividends	-	(0.13)	-
from capital gains	-	-	-
return of capital	-	-	-
Total annual distributions <sup>(2)</sup>	-	(0.13)	-
Net Assets, end of year or interim period	\$ 7.00	\$ 7.00	\$ 10.00

### Ratios and Supplemental Data

	2009	2008	2007
Net asset value end of year or period <sup>(1)</sup>	7	7	10
Number of shares outstanding <sup>(1)</sup>	1	1	1
Management expense ratio (%) <sup>(2)</sup>	0.03	-	-
Management expense ratio before waivers or absorptions (%) <sup>(6)</sup>	0.03	-	-
Portfolio turnover rate (%) <sup>(3)</sup>	48.00	74.00	35.00
Trading expense ratio (%) <sup>(4)</sup>	0.23	0.15	0.32
Net asset value per share end of year or interim period <sup>(5)</sup>	7.13	6.41	10.02

### MFI ENERGY EQUITY FUND - Series F

Net Assets per Share			
	2009	2008	2007
Net Assets, beginning of year <sup>(1)(3)</sup>	\$ 6.34	\$ 9.54	\$ 10.00
Increase (decrease) from operations:			
total revenue	0.13	0.20	0.10
total expenses	(0.06)	(0.21)	(0.09)
realized gains (losses) for the year	(1.62)	(0.54)	0.23
unrealized gains (losses) for the year	2.27	(2.56)	(0.74)
Total increase (decrease) from operations <sup>(1)</sup>	0.72	(3.11)	(0.50)
Distributions :			
from income (excluding dividends)	-	-	-
from dividends	-	(0.09)	-
from capital gains	-	-	-
return of capital	-	-	-
Total annual distributions <sup>(2)</sup>	-	(0.09)	-
Net Assets, end of year or interim period	\$ 7.06	\$ 6.34	\$ 9.54

### Ratios and Supplemental Data

	2009	2008	2007
Net asset value end of year or period <sup>(1)</sup>	12,824,947	11,471,674	16,745,900
Number of shares outstanding <sup>(1)</sup>	1,815,075	1,802,039	1,752,981
Management expense ratio (%) <sup>(2)</sup>	1.67	1.52	1.44
Management expense ratio before waivers or absorptions (%) <sup>(6)</sup>	1.67	1.57	1.44
Portfolio turnover rate (%) <sup>(3)</sup>	48.00	74.00	35.00
Trading expense ratio (%) <sup>(4)</sup>	0.23	0.15	0.32
Net asset value per share end of year or interim period <sup>(5)</sup>	7.07	6.37	9.55

### MFI ENERGY EQUITY FUND - Series O

Net Assets per Share			
	2009	2008	2007
Net Assets, beginning of year <sup>(1)(3)</sup>	\$ 6.66	\$ 9.84	\$ 10.00
Increase (decrease) from operations:			
total revenue	0.07	0.33	0.08
total expenses	(0.03)	(0.13)	(0.03)
realized gains (losses) for the year	(0.93)	(0.87)	0.02
unrealized gains (losses) for the year	1.72	(2.54)	(0.20)
Total increase (decrease) from operations <sup>(1)</sup>	0.83	(3.21)	(0.13)
Distributions :			
from income (excluding dividends)	-	-	-
from dividends	-	(0.09)	-
from capital gains	-	-	-
return of capital	-	-	-
Total annual distributions <sup>(2)</sup>	-	(0.09)	-
Net Assets, end of year or interim period	\$ 7.45	\$ 6.66	\$ 9.84

### Ratios and Supplemental Data

	2009	2008	2007
Net asset value end of year or period <sup>(1)</sup>	5,977,516	9,326,117	11,785,103
Number of shares outstanding <sup>(1)</sup>	801,360	1,394,020	1,195,468
Management expense ratio (%) <sup>(2)</sup>	0.64	0.47	0.37
Management expense ratio before waivers or absorptions (%) <sup>(6)</sup>	0.64	0.53	0.37
Portfolio turnover rate (%) <sup>(3)</sup>	48.00	74.00	35.00
Trading expense ratio (%) <sup>(4)</sup>	0.23	0.15	0.32
Net asset value per share end of year or interim period <sup>(5)</sup>	7.46	6.69	9.86

## Net Assets per Share Notes:

- (1) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.
- (2) Distributions were paid in cash/reinvested in additional shares 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 share 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 shares then outstanding.
- (6) Commencing February 2008, Matco waived the monthly management fee for the A and F series of the Fund's shares. Matco may waive the monthly management fee at its discretion and stop waiving such management fee at any time. Matco resumed charging the management fee in October 2008. Furthermore, professional fees related to the AIF and the 2009 Audit are anticipated to be absorbed by Matco.