



MFi Small Cap Fund*

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE
For the Period Ended June 30, 2011

* 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 MF*i* Small Cap 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, 407-8th Avenue SW, Calgary AB T2P 1E5 or by visiting our website at www.matcofinancialinc.com or SEDAR at 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 and superior risk-adjusted returns by investing primarily 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 grow the company larger. Other characteristics include strong, reasonable multiples, predictability, analyst recognition and market participation. 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

MFfi Funds Corp. amended its articles on September 29, 2008, to create the Fund. The Fund was originally qualified for distribution to the public by prospectus on December 17, 2008. Subsequently, the Corporation amended its articles on August 6, 2009, to change the name of the Fund from "MFfi Canadian Equity Focused Growth Fund" to "MFfi Small Cap Fund". Shares of the Fund were issued March 2010. The Fund's net assets increased over the past six months to \$8.3 Million at June 30, 2011. Within the period there was a net loss of investment of \$0.6 Million attributable to investment performance. The Fund's performance is discussed below.

During the past six months, the Fund made no material changes in overall asset mix and experienced no unusual trends in redemptions or sales.

For the past six months, the Fund's Series F units returned -7.5%. This compares with the -5.6% return of the benchmark index, the Nesbitt Burns Small Cap 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.

Reviewing the market, the Nesbitt Burns Small Cap Index finished off the first half of the year in negative territory – down 5.6%. Following a positive 1st quarter, the index significantly tumbled 8.2% in the second quarter as investors moved from a "risk on" to a "risk off" trade. In the first quarter, the index benefited from strong contribution of the financial, energy and info tech sectors. As worries about sovereign debt escalated and challenges to speed of the economic recovery thesis appeared, the second quarter was characterized by a "rush to the exits". Commodity centric sectors of energy and materials exhibited some of the strongest selling while the typical defensive sectors also provided little solace – in the first half of the year consumer staples -8.6%, telecoms -5.2% and utilities -2.4%.

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 Nesbitt Burns Small Cap Total Return Index.

Individual securities that contributed positively to performance for the first half of 2011 included Open Text (+35.2%), SXC Health Solutions (+33.7%), Zarlink Semiconductors (27.9%), Dundee Corp (+24.0%), and Canyon Services Group (+22.9%). The largest negative contributors were TransGlobe Energy (-30.8), Ithaca Energy (-23.5%), C&C Energia (-21.6%), and Grand Cache Coal (-16.0%).

Recent Developments

As noted, there has been a tremendous tug of war between behavior finance and the market fundamentals. Although the market fundamentals continue to improve, worries about sovereign debt continue to stoke the volatility in the market. We continue to closely monitor the liquidity of the market for any similar spikes of stress like 2008. We are happy to report there have been none.

As for the market fundamentals, the year over year change in the GDP finished the first half at 2.8%. On the consumer side, retail sales have been fairly consistent and finished the first half at +3.6% growth (year over year). Unemployment finished the quarter at 7.4% with an overall declining trend since September of 2009. Inflation this quarter ticked up again to finish off the quarter at 3.6%, above the Bank of Canada's target.



Reviewing Canada’s corporate earnings, we continue to note the recovery in earnings both reported and the forward expectations. Year over year earnings continue to show recovery. Corporately, the overall earnings of Canada finished off 2010 at 673 (up from 599 in 2009). Looking forward to 2011, analysts’ expect the composite to produce 854 in earnings up from 844 at last year end. We continue to monitor the top and both line recovery of corporate Canada along with individual companies as we approach earnings season.

The valuations of the S&P/TSX composite compressed this quarter as the composite index value (numerator) declined in tandem with rising earnings (denominator). At 18.3 times earnings, we still consider this to be reasonably priced relative to previous post recession periods.

We continue to target a diversified portfolio of equities with strong profitability, reasonable multiples and a propensity to distribute earnings in the form of a dividend yield while reinvesting the excess to grow the companies larger. We currently are targeting low cash balances while searching for “out of favour” income and growth companies that will complement our key investment characteristics. Overall we remain optimistic for the market in the second half 2011 and in particular high quality companies. We will use any short term setbacks in the market as buying opportunities. Our investment focus remains on positioning the fund for the long-term and we are confident in delivering strong risk-adjusted returns in the future.

Source: BMO, CPMS

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 2011, the Fund paid Matco management fees of \$ 6,036 (2010 \$2,811) and accrued a performance fee of \$nil (2010-\$1,449) (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 | 2.25 % | 1.25 % |
| Serving Commission (included in management rate fee) | 1.25% | Nil |
| Front Load (FL) sales commission – up to 6% | | |

Other Transactions

Administration Services

The Fund paid \$ 36,172 (2010-\$15,774) 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 \$21,424 (2010-\$7,981) 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

MFi Small Cap Fund

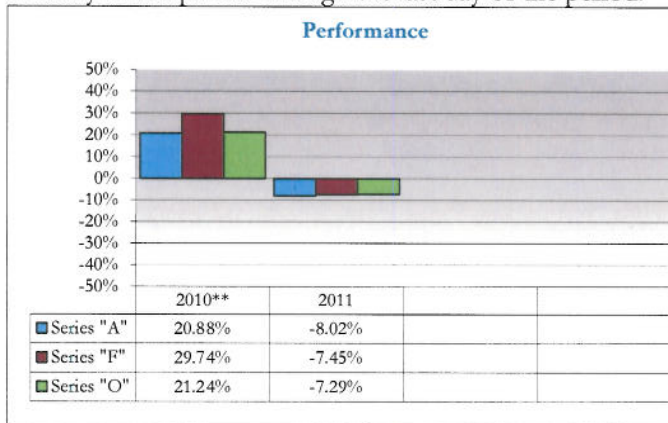
Interim Management Report of Fund Performance
For the Period Ended June 30, 2011



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, 2011. The charts show, in percentage terms, the performance you would have received if you invested in the fund on the first day of the period through the last day of the period.



** Rate of return represents the total rate of return for the period indicated, assuming reinvestment of all distributions at net asset value. The Fund was prospectus qualified as at December 17, 2008, but was not funded until March 1, 2010.

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, 2011)

Effective Equity Sector Allocation

| | |
|------------------------|---------------|
| Energy | 29.0% |
| Materials | 22.7% |
| Industrials | 11.1% |
| Cash | 10.4% |
| Information technology | 9.0% |
| Financials | 7.2% |
| Consumer staples | 4.1% |
| Consumer discretionary | 3.4% |
| Healthcare | 3.1% |
| TOTAL | 100.0% |

Top 25 Holdings

| | % of NAV |
|----------------------------------|----------|
| 1 Neo Material Technologies Inc. | 5.3 |
| 2 B2Gold Corp. | 5.1 |
| 3 Copper Mountain Mining Corp. | 4.1 |
| 4 Black Diamond Group Ltd. | 3.8 |

| | |
|-----------------------------------|-----|
| 5 Canyon Services Group Inc. | 3.8 |
| 6 Canaccord Financial Inc. | 3.7 |
| 7 Grande Cache Coal Corp. | 3.7 |
| 8 The Jean Coutu Group PJC Inc. | 3.6 |
| 9 Badger Daylighting Ltd. | 3.5 |
| 10 Bonterra Energy Corp. | 3.5 |
| 11 SXC Health Solutions Corp. | 3.4 |
| 12 Parex Resources Inc. | 3.4 |
| 13 Epsilon Energy Ltd. | 3.4 |
| 14 Garda World Security Corp. | 3.3 |
| 15 Zarlink Semiconductor Inc. | 3.2 |
| 16 Breakwater Resources Ltd. | 3.2 |
| 17 Bellatrix Exploration Ltd. | 3.1 |
| 18 Ithaca Energy Inc. | 2.9 |
| 19 C&C Energia Ltd. | 2.8 |
| 20 Transglobe Energy Corp. | 2.8 |
| 21 Arcan Resources Ltd. | 2.7 |
| 22 Alamos Gold Inc. | 2.5 |
| 23 Essential Energy Services Ltd. | 2.5 |
| 24 Dundee Corp. | 2.4 |
| 25 Torstar Corp. | 2.3 |

TOTAL **84.0**

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.

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.

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 over the last couple of years. This information is derived from the Fund's audited annual and unaudited interim financial statements.

MFi SMALL CAP FUND - Series A

Net Assets per Share

| | 2011 | 2010 |
|--|----------|----------|
| Net Assets, beginning of period ^{(1) (3)} | \$ 12.05 | \$ 10.00 |
| Increase (decrease) from operations: | | |
| total revenue | 0.02 | 0.04 |
| total expenses | (0.16) | (0.30) |
| realized gains (losses) for the year | (0.65) | 0.19 |
| unrealized gains (losses) for the year | (0.24) | 2.83 |
| Total increase (decrease) from operations ⁽¹⁾ | (0.93) | 2.76 |
| Distributions: | | |
| from income (excluding dividends) | - | - |
| from dividends | - | (0.01) |
| from capital gains | - | - |
| return of capital | - | - |
| Total annual distributions ⁽²⁾ | - | (0.01) |
| Net Assets, end of period | \$ 11.08 | \$ 12.05 |

Ratios and Supplemental Data

| | 2011 | 2010 |
|---|---------|---------|
| Net asset value end of period ⁽¹⁾ | 169,100 | 119,818 |
| Number of shares outstanding ⁽¹⁾ | 16,227 | 9,924 |
| Management expense ratio (%) ⁽²⁾ | 2.59 | 2.35 |
| Management expense ratio before waivers or absorptions (%) ⁽⁶⁾ | 3.55 | 3.75 |
| Portfolio turnover rate (%) ⁽³⁾ | 23.44 | 34.70 |
| Trading expense ratio (%) ⁽⁴⁾ | 0.64 | 0.60 |
| Net asset value per share end of period ⁽⁵⁾ | 11.11 | 12.07 |

MFi SMALL CAP FUND - Series F

Net Assets per Share

| | 2011 | 2010 |
|--|----------|----------|
| Net Assets, beginning of period ^{(1) (3)} | \$ 12.93 | \$ 10.00 |
| Increase (decrease) from operations: | | |
| total revenue | 0.02 | 0.04 |
| total expenses | (0.16) | (0.27) |
| realized gains (losses) for the year | (0.65) | 0.31 |
| unrealized gains (losses) for the year | (0.34) | 2.74 |
| Total increase (decrease) from operations ⁽¹⁾ | (1.02) | 2.82 |
| Distributions: | | |
| from income (excluding dividends) | - | - |
| from dividends | - | (0.02) |
| from capital gains | - | - |
| return of capital | - | - |
| Total annual distributions ⁽²⁾ | - | (0.02) |
| Net Assets, end of period | \$ 11.96 | \$ 12.93 |

Ratios and Supplemental Data

| | 2011 | 2010 |
|---|-----------|-----------|
| Net asset value end of period ⁽¹⁾ | 2,664,425 | 2,531,494 |
| Number of shares outstanding ⁽¹⁾ | 221,339 | 195,358 |
| Management expense ratio (%) ⁽²⁾ | 1.35 | 1.85 |
| Management expense ratio before waivers or absorptions (%) ⁽⁶⁾ | 2.59 | 3.38 |
| Portfolio turnover rate (%) ⁽³⁾ | 23.44 | 34.70 |
| Trading expense ratio (%) ⁽⁴⁾ | 0.64 | 0.60 |
| Net asset value per share end of period ⁽⁵⁾ | 11.99 | 12.96 |

MFi SMALL CAP FUND - Series O

Net Assets per Share

| | 2011 | 2010 |
|--|----------|----------|
| Net Assets, beginning of period ^{(1) (3)} | \$ 12.08 | \$ 10.00 |
| Increase (decrease) from operations: | | |
| total revenue | 0.01 | 0.04 |
| total expenses | (0.07) | (0.19) |
| realized gains (losses) for the year | (0.64) | 0.17 |
| unrealized gains (losses) for the year | (0.31) | 3.30 |
| Total increase (decrease) from operations ⁽¹⁾ | (0.91) | 3.32 |
| Distributions: | | |
| from income (excluding dividends) | - | - |
| from dividends | - | (0.01) |
| from capital gains | - | - |
| return of capital | - | - |
| Total annual distributions ⁽²⁾ | - | (0.01) |
| Net Assets, end of period | \$ 11.20 | \$ 12.08 |

Ratios and Supplemental Data

| | 2011 | 2010 |
|---|-----------|-----------|
| Net asset value end of period ⁽¹⁾ | 5,489,006 | 4,586,782 |
| Number of shares outstanding ⁽¹⁾ | 488,960 | 378,785 |
| Management expense ratio (%) ⁽²⁾ | 0.99 | 1.32 |
| Management expense ratio before waivers or absorptions (%) ⁽⁶⁾ | 1.28 | 1.93 |
| Portfolio turnover rate (%) ⁽³⁾ | 23.44 | 34.70 |
| Trading expense ratio (%) ⁽⁴⁾ | 0.64 | 0.60 |
| Net asset value per share end of period ⁽⁵⁾ | 11.23 | 12.11 |

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, 2011, and December 31 for the preceding 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 May 2010, Matco reduced the monthly management fee it charges for the A and F series of the Fund's shares to 0%. On March 1, 2011 Matco started charging a management fee of 0.5% for the A and F series. Matco may waive or reduce the monthly management fee at its discretion and stop waiving such management fee at any time. Furthermore, professional fees related to the AIF and the Audit for 2010 and 2011 are absorbed by Matco.