



WEBB ASSET MANAGEMENT

Management Report of Fund Performance

December 31, 2011

Webb Enhanced Income Fund



Contents

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**MANAGEMENT REPORT OF FUND PERFORMANCE**

This management report of fund performance contains fiscal highlights but does not contain the complete audited interim financial statements for the investment fund. You may request a copy of the audited annual financial statements at your request, and at no cost, by calling (toll free) 1-866-611-9590, or (416) 646-0975, by writing to us at Webb Asset Management Canada, Inc. (“WAM Funds”, “Webb” or the “Manager”), 26 Wellington Street East, Suite 700, Toronto, Ontario, M5E 1S2, by visiting our website at www.WAMfunds.com or through SEDAR at www.sedar.com.

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

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance, or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements.

Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the fund may invest and the risks detailed from time to time in the fund’s Simplified Prospectus. We caution that the foregoing list of factors is not exhaustive, and that when relying on forward-looking statements to make decisions with respect to investing in the fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the fund company does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

Management Discussion of Fund Performance**Investment Objective and Strategies**

The objective of the Webb Enhanced Income Fund (the “Fund”) is to provide investors with a stable stream of tax-efficient monthly distributions, consisting of returns of capital and capital gains, and to provide for modest capital growth.

In order to achieve its objectives, the Fund invests primarily in equity securities of Canadian issuers (the “Canadian Equity Portfolio”). To produce tax-efficient distributions, the Fund will also enter into one or more forward agreements to obtain exposure to an underlying portfolio (the “Underlying Portfolio”), which includes dividend-paying common and preferred shares, bonds, debentures, income trusts, equity-related securities and convertible securities issued by issuers anywhere in the world. The objective of the Fund is to provide investors with returns based on the Underlying Portfolio and not the Canadian Equity Portfolio.

The Underlying Portfolio will be invested in a manner consistent with meeting the objectives of the Fund. Unitholders will receive the performance of the Underlying Portfolio, not the Canadian Equity Portfolio. This strategy is necessary to recharacterize all realized income and dividends of the Underlying Portfolio as returns of capital and capital gains for unitholders of the Fund.

In selecting equity securities for the Underlying Portfolio, Webb Asset Management, Inc., (the “Portfolio Sub-advisor”) focuses primarily on securities that offer (i) an attractive expected dividend yield as an indication of



Management Discussion of Fund Performance *(continued)*

value, (ii) low price betas as an indication of risk and volatility, and (iii) earnings acceleration, earnings surprises and growth in earnings estimates as an indication of growth. The Portfolio Sub-advisor may also purchase equities, against which call options are written and may also short sell equities, against which put options are written. The fund is permitted a maximum 100% gross long exposure and a 20% gross short exposure.

Risk

The risks to which an investment in the Fund is subject have not changed from the description found in the Fund's offering documents. There have not been any changes to the Fund during the period that would have affected the overall level of risk associated with an investment in the Fund.

The Fund is suitable for investors who seek an ongoing source of tax-efficient monthly distributions and who want a diversified fund with potential for modest capital growth. This Fund is suitable for investors with a medium risk tolerance level.

The Fund is exposed to the following risks which are described in detail in the prospectus:

- | | |
|--|---|
| <ul style="list-style-type: none">• Stock market risk• Reliance on historical data• Specific issuer risk• Interest rate risk• Credit risk• Exchange traded funds risk• Regulatory risk• Foreign security risk• Currency risk | <ul style="list-style-type: none">• Multiple series risk• Derivatives risk• Securities lending, repurchase and reverse repurchase transaction risk• Short selling risk• Investment trust risk• Timing risk• Capital depletion risk• Commodity risk |
|--|---|

Throughout the year the Fund was invested in accordance with its investment objectives and investment strategies. The Fund remained diversified across sectors and securities throughout the year and was exposed to both Canadian and U.S. securities.

Any changes in the risks associated with an investment in the Fund had no affect on the suitability or investor risk tolerance stated in the prospectus.

Results of Operations

The Fund was invested in accordance with the objectives and strategies of the Fund throughout the reporting period.

For the twelve-month period ended December 31, 2011, Class A and Class F units of the Fund returned -26.1% and -25.3% respectively. The Fund's blended benchmark index (the "Benchmark"), comprised of the S&P/TSX Preferred Share Total Return Index™ (40%), the Bloomberg/EFFAS Canadian Government Bond Index (20%) and the MSCI World High Dividend Yield USD Gross Total Return Index (40%), returned +6.2% for the same period.

It was a tumultuous year for the financial markets with the following headlines: the Japanese tsunami, the Greek bailout, the massive deficits in Ireland, Italy, Spain, Portugal, England, Japan and the USA, and rising unemployment rates globally. On top of all of this, growth and cyclical stocks declined -20% to -50% in during the summer months as markets feared a double dip recession.

With all of the terrible financial headlines in 2011, surprisingly the blended benchmark was resilient, up +6.2%. Even though many 'risk assets' like growth and cyclical stocks declined -50% during the summer,



Management Discussion of Fund Performance *(continued)*

'non-risk assets' like bonds, REITs, high dividend stocks, and conservative stocks appreciated. This allowed the benchmark to mask the substantial carnage in risk assets.

The performance of the Fund was significantly below the benchmark due to the decline in 'risk assets' from August to September.

We made a conscious decision in the 1st quarter that we would reduce our exposure in straight yield securities (pipelines, legacy income trusts, real estate investment trusts, and utilities) and put those funds in growth/momentum buy write stocks. Our rationale was that yield securities would most likely have little capital appreciation. Thus we felt it was better to increase our exposure to growth stocks and write options on these positions.

Though we were receiving option premiums of over 4% monthly this was not enough to offset the significant declines in the underlying during the summer months.

The only good news is that when the funds' NAV declines the funds' yield increases. The fund is currently yielding 10% and this yield is fully covered by income generated from the fund.

Recent Developments

The Fund, through the underlying portfolio, remains invested in accordance with the objectives and strategies of the Fund.

The Manager fully expects the Fund to be able to meet all of its distribution requirements through the end of the next reporting period. The Fund is generating enough cash flow from its investment strategy to meet its distribution obligations and pay the Fund's expenses.

Harmonized Sales Tax

Effective July 1, 2010, the provinces of Ontario and British Columbia have implemented their previously announced plan to harmonize their existing provincial sales tax with the federal goods and services tax ("GST"). The Fund is subject to the new harmonized tax and is required to pay the harmonized sales tax on expenses such as management fees and other operating expenses, rather than the previously imposed 5% GST. This resulted in an increase in costs borne by the Fund.

Future Accounting Standards

In February 2008, the Canadian Accounting Standards Board (the "AcSB") originally confirmed January 1, 2011 as the date International Financial Reporting Standards ("IFRS") would replace current Canadian standards and interpretations as Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises such as investment funds and other reporting issuers.

The AcSB announced that the implementation of IFRS for investment funds be postponed and instead be adopted for all fiscal years beginning on or after January 1, 2014.

The Canadian Securities Administrators (the "CSA") has issued CSA Staff Notice 52-320, which requires the Manager to provide progress updates on the changeover plan to the new reporting standards at each interim and annual reporting period up until the changeover date.

For the Fund, IFRS will be effective for the interim and annual periods starting January 1, 2014, including the preparation and reporting of one year of comparative figures. In order to prepare for the transition to IFRS, the

**Management Discussion of Fund Performance** *(continued)*

Manager has developed an implementation plan and has commenced assessing the impact of significant accounting differences between IFRS and Canadian GAAP. The Manager has presently determined that there will be no material impact to the net asset value per unit from the changeover to IFRS as it is currently drafted. The impact of IFRS on accounting policies and implementation decisions will mainly be in the areas of presentation and additional note disclosures in the financial statements of the Fund.

Further updates on implementation progress and potential reporting impact from the adoption of IFRS will be provided during the implementation period. The Manager's current assessment is subject to change resulting from the issuance of new standards or new interpretations of existing standards.



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 inception on January 11, 2008. This information is derived from the Fund's annual audited financial statements. Please see the front page for information on how you may obtain the fund's annual financial statements.

The Fund's Net Assets per Unit

Class A					
<i>Year</i>		2011	2010	2009	2008
Net assets, beginning of year ⁽¹⁾	\$	8.36	7.53	6.12	10.00
Increase (decrease) from operations:					
Total revenue		–	–	–	0.02
Total expenses		(0.35)	(0.29)	(0.39)	(0.38)
Realized gains (losses)		(0.20)	0.66	(1.73)	(2.03)
Unrealized gains (losses)		(1.72)	0.99	4.10	(2.94)
Total increase (decrease) from operations ⁽³⁾		(2.27)	1.36	1.98	(5.33)
Distributions:					
From return of capital		(0.60)	(0.60)	(0.60)	(0.60)
Total annual distributions ⁽⁴⁾		(0.60)	(0.60)	(0.60)	(0.60)
Net assets, end of year ⁽²⁾⁽⁵⁾	\$	5.74	8.36	7.53	6.12

Class F					
<i>Year</i>		2011	2010	2009	2008
Net assets, beginning of year ⁽¹⁾	\$	8.67	7.72	6.20	10.00
Increase (decrease) from operations:					
Total revenue		–	–	–	0.03
Total expenses		(0.27)	(0.21)	(0.32)	(0.29)
Realized gains (losses)		(0.21)	0.68	(1.75)	(2.07)
Unrealized gains (losses)		(1.72)	0.87	4.13	(2.87)
Total increase (decrease) from operations ⁽³⁾		(2.20)	1.34	2.06	(5.20)
Distributions:					
From return of capital		(0.60)	(0.60)	(0.60)	(0.60)
Total annual distributions ⁽⁴⁾		(0.60)	(0.60)	(0.60)	(0.60)
Net assets, end of year ⁽²⁾⁽⁵⁾	\$	6.05	8.67	7.72	6.20

**Financial Highlights** *(continued)*

Class I Year	2011	2010	2009	2008
Net assets, beginning of year ⁽¹⁾	\$ 8.21	–	6.37	10.00
Increase (decrease) from operations:				
Total revenue	–	–	–	0.03
Total expenses	(0.22)	(0.11)	(0.13)	(0.02)
Realized gains (losses)	(0.23)	0.56	(1.53)	(6.53)
Unrealized gains (losses)	(0.17)	0.70	3.41	3.12
Total increase (decrease) from operations ⁽³⁾	(0.62)	1.15	1.75	(3.40)
Distributions:				
From return of capital	(0.30)	(0.55)	(0.55)	(0.60)
Total annual distributions ⁽⁴⁾	(0.30)	(0.55)	(0.55)	(0.60)
Net assets, end of year ⁽²⁾⁽⁵⁾	\$ –	8.21	–	6.37
Net assets, end of period ⁽²⁾⁽⁵⁾	\$ 7.29	8.21	–	6.37

- (1) This information is derived from the Fund's audited annual financial statements as at December 31 of the years shown. Series A units, Series F units and Series I units list their initial offering price of \$10.00 per unit as the opening net asset value although such units may not have actually been issued at the beginning of the period. The inception date for Series A, F and I units was January 11, 2008. There were no Series I units issued or outstanding as at December 31, 2009. However, Series I was never closed to purchase and units were issued during the current period.
- (2) The application of CICA Handbook Section 3855 "Financial Instruments – Recognition and Measurement" may result in a different fair valuation of securities held by the Fund for financial reporting purposes under Canadian GAAP, than the market value used to determine the net asset value of the Fund for the purchase and redemption of the Fund's units. As a result, the net assets per unit presented in the financial statements may differ from the net asset value per unit presented in these Financial Highlights.
- (3) Net assets per security and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the average number of units outstanding over the financial period.
- (4) Distributions, if any, were paid in cash/reinvested in additional units of the Fund, or both.
- (5) The Financial Highlights are not intended to act as a continuity of the opening and closing net assets per unit.

**Financial Highlights** *(continued)***Ratios and Supplemental Data****Class A**

Year ⁽¹⁾	2011	2010	2009	2008
Net asset value ⁽²⁾ (000's)	\$ 7,750	9,823	8,769	6,893
Number of units outstanding	1,349,661	1,171,983	1,160,598	1,121,353
Management expense ratio ⁽³⁾	4.81%	3.70%	5.57%	4.79%
Management expense ratio before waivers or absorptions ⁽⁴⁾	4.81%	3.70%	5.57%	6.00%
Trading expense ratio ⁽⁵⁾	0.63%	0.60%	0.59%	0.63%
Portfolio turnover rate ⁽⁶⁾	73.57%	52.34%	60.95%	77.01%
Net asset value per unit, end of year ⁽²⁾	\$ 5.74	8.38	7.56	6.15

Class F

Year ⁽¹⁾	2011	2010	2009	2008
Net asset value ⁽²⁾ (000's)	\$ 1,366	1,606	1,542	1,262
Number of units outstanding	225,858	184,647	199,244	202,833
Management expense ratio ⁽³⁾	3.65%	2.61%	4.56%	3.63%
Management expense ratio before waivers or absorptions ⁽⁴⁾	3.65%	2.61%	4.56%	4.81%
Trading expense ratio ⁽⁵⁾	0.63%	0.60%	0.59%	0.63%
Portfolio turnover rate ⁽⁶⁾	73.57%	52.34%	60.95%	77.01%
Net asset value per unit, end of year ⁽²⁾	\$ 6.05	8.70	7.74	6.22

**Financial Highlights** *(continued)*

Class I Year ⁽¹⁾	2011	2010	2009	2008
Net asset value ⁽²⁾ (000's)	\$ —	7	—	191
Number of units outstanding	—	846	—	29,811
Management expense ratio ⁽³⁾	5.14%	1.69%	2.18%	0.21%
Management expense ratio before waivers or absorptions ⁽⁴⁾	5.14%	1.69%	2.18%	1.19%
Trading expense ratio ⁽⁵⁾	0.63%	0.60%	0.59%	0.63%
Portfolio turnover rate ⁽⁶⁾	73.57%	52.34%	60.95%	77.01%
Net asset value per unit, end of year ⁽²⁾	\$ —	8.23	—	6.40

- (1) This information is provided for the years ended December 31.
- (2) The impact of the adoption of the accounting policy Section 3855 on net assets may result in a different valuation of securities held by the Fund, for financial reporting purposes, than the market value used to determine the net asset value of the Fund for the purchase and redemption of the Fund's units. As a result, the net assets and the net assets per unit presented may differ from the net asset value and net asset value per unit as of December 31, 2007 and onward.
- (3) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year and is expressed as an annualized percentage of daily average net assets during the year. Out of its management fees, the Manager pays for such services to the Fund as portfolio manager compensation, service fees and marketing. Management expense ratio is inclusive of performance fees.
- (4) The Manager, at its discretion, waived and/or absorbed a portion of the fees and/or expenses otherwise payable by the Fund. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager. Management expense ratio is inclusive of performance fees.
- (5) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the year.
- (6) The Fund's portfolio turnover rate indicates how actively the Sub-Advisor trades the Fund's 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 the 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 the Fund.

**Financial Highlights** *(continued)***Management Fees**

The following table shows the Fund’s annual management fee rates and the maximum trailer fee rates for each series of units. Webb pays trailer fees to dealers out of management fees. The trailer fees are a percentage of the average daily value of the units of the Fund held by the dealer’s clients. The fees depend on the series of units held.

In addition, the Fund pays to the Manager a performance fee equal to 20% of the amount by which the Fund outperforms its benchmark (the “Benchmark”). The Benchmark for the Fund is a combination of the S&P/TSX Preferred Share Total Return Index (40% weighting), the MSCI World High Dividend Yield USD Gross Total Return Index (40% weighting) and the Bloomberg/EFFAS Canadian Government Bond Total Return Index (20% weighting).

Performance fees will be payable in all circumstances where the performance of the Fund exceeds its Benchmark (even in circumstances where the overall performance of the Fund has declined, but is still positive relative to its Benchmark). Performance fees will be calculated and accrued daily (and payable by the Fund quarterly) such that, to the extent possible, the unit price each day will reflect any performance fees payable as at the end of such day. If at any time the performance of a Fund is less than its Benchmark (a “Return Deficiency”), then no performance fees will be payable for any subsequent period until the performance of such Fund relative to its Benchmark has exceeded the amount of the Return Deficiency. For the year ended December 31, 2010, the Fund did not pay a performance fee.

SERIES OF UNIT	MANAGEMENT FEE	TRAILER FEES	PERFORMANCE FEE
Series A Units	2.00%	1.00%	20.00% of performance over benchmark
Series F Units	1.00%	0%	20.00% of performance over benchmark
Series I Units	Negotiable	Negotiable	Negotiable

The Manager of fund is Webb Asset Management Canada, Inc. The Manager is responsible for the payment of the portfolio management fees to the portfolio manager and sub-advisor Webb Asset Management, USA. Additionally, as disclosed in the Ratios and Supplemental Data charts, the Manager may absorb or waive other fees and expenses of the Fund. The Manager is responsible for the marketing, managerial and operational functions of the Fund. In addition, the Manager will monitor the performance of the portfolio manager to ensure compliance with the investment guidelines.

Fully 100% of the Fund’s management fees are used for portfolio management fees, trailer fees, general administrative costs and profit.

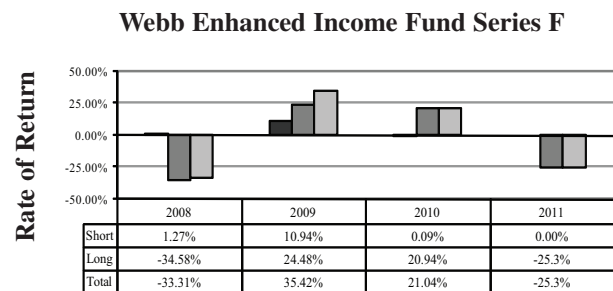
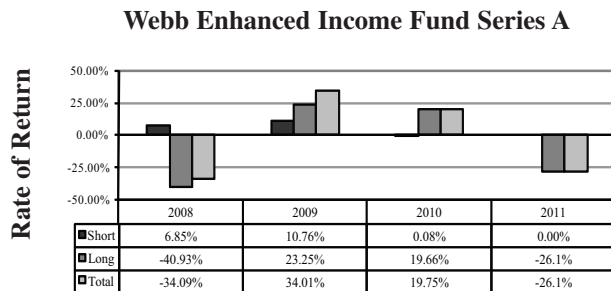


Past Performance

Sales commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any investor that would have reduced returns. Mutual funds are not guaranteed. Their values change frequently and past performance may not be repeated. The Fund's performance numbers assume that all distributions are reinvested in additional units of the Fund. If you hold this Fund outside of a registered plan, income and capital gains distributions that are paid to you increase your income for tax purposes whether paid to you in cash or reinvested in additional units. The amount of the 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.

Year-by-Year Returns

The following charts show the investment Fund's performance for each of the periods shown, and illustrate how the investment Fund's performance has changed year to year. In percentage terms, the charts show how much an investment made on the first day of the financial period would have grown or decreased by the last day of the financial period.



The returns indicated for 2008 represent the period from inception to December 31, 2008 only. Series A, Series F, and Series I started to price on January 25, 2008. There were no Series I units issued or outstanding as at December 31, 2009 through February 22, 2010, therefore, no performance information has been presented for 2009 for Series I units and the 2010 performance data is for the period from February 23 to December 31, 2010.

The performance shown for short positions is based on pure performance of such positions, while the performance shown for long positions is comprehensive of all fees and expenses, as is the performance for each Series of the Fund as a total.

**Summary of Investment Portfolio**

As at December 31, 2011

Asset Mix	Net Asset Value	% of Fund's Net Asset Value
Long Positions		
Canadian Equities	\$ 4,193,399	46%
U.S. Equities	3,488,166	38.3%
U.S. Fixed Income	809,813	8.9%
Global Equities	213,150	2.3%
Currency Forward Contracts	93,273	1.0%
Cash and Cash Equivalents	562,359	6.2%
Cash and Cash Equivalents, Canadian Equity Portfolio	211,336	2.3%
Short Positions		
Canadian Derivatives	(1,040)	0.0%
U.S. Derivatives	(33,751)	-0.4%
Canadian Equities	(310,545)	-3.4%
Net Other Assets	(12,080)	-0.1%
Net Other Assets, Canadian Equity Portfolio	(97,840)	-1.1%
	\$ 9,116,420	100.0%

Sector Mix	Net Asset Value	% of Fund's Net Asset Value
Long Positions		
Energy	\$ 2,700,421	29.6%
Financials	1,399,139	15.3%
Utilities	1,325,824	14.5%
Corporate Bond	634,161	7.00%
Telecommunications Services	718,337	7.9%
Information Technology	609,895	6.7%
Materials	310,026	3.4%
Consumer Discretionary	288,747	3.2%
Industrials	275,327	3.0%
Exchange Traded Funds	419,890	4.6%
Currency Forward Contracts	93,273	1.0%
Consumer Staples	22,771	0.2%
Cash and Cash Equivalents	562,359	6.2%
Cash and Cash Equivalents, Canadian Equity Portfolio	211,336	2.3%
Short Positions		
Equity Options	(34,611)	-0.4%
Industrials	(310,545)	-3.4%
Net Other Assets	(12,080)	-0.1%
Net Other Assets, Canadian Equity Portfolio	(97,840)	-1.1%
	\$ 9,116,420	100.0%

**Summary of Investment Portfolio** *(continued)**As at December 31, 2011*

Top 25 Holdings	% of Fund's Net Asset Value
iShares iBoxx \$ High Yield Corporate Bond Fund	7.0%
Pembina Pipeline Corp.	5.9%
Capstone Infrastructure Corp.	5.8%
Enbridge Energy Partners L.P.	4.6%
Apple Inc.	4.5%
El Paso Electric Co.	4.2%
AltaGas Ltd.	3.5%
TC Pipelines L.P.	3.5%
Bank of Montreal	3.4%
Toronto-Dominion Bank (The)	3.3%
ARC Resources Ltd.	3.3%
Primaris Retail REIT	3.3%
Veresen Inc.	3.2%
Foot Locker Inc.	3.2%
CenterPoint Energy Inc.	3.1%
Atlantic Tele-Network Inc.	3.0%
Deere & Co.	3.0%
Canadian Imperial Bank of Commerce	2.9%
Bell Aliant Inc.	2.8%
Canexus Corp.	2.7%
Discover Financial Services	2.4%
Microsoft Corp.	2.2%
Provident Energy Ltd.	2.2%
France Télécom SA, ADR	2.1%
Pimco High Income Fund	1.9%

The summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund. The most recent interim and annual reports are available at no cost by calling 1-866-611-9590, by writing to us at 26 Wellington Street East, Suite 700, Toronto, Ontario, M5E 1S2, by visiting our website at www.WAMfunds.com or through SEDAR at www.sedar.com.



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