

# Annual Report of the Independent Review Committee of the Webb Group of Funds

February 12, 2009

To the Securityholders in the Webb Group of Funds (the "Funds"), as listed at the end of this Report

Dear Securityholder:

In accordance with **National Instrument 81-107 *Independent Review Committee for Investment Funds*** ("NI 81-107" or the "Instrument"), the Manager established an Independent Review Committee (the "Committee" or "IRC") for the Funds. The IRC became fully operational on February 4, 2008 and after that date, has functioned in keeping with the applicable securities laws, including NI 81-107. The IRC is composed of three individuals, each of whom is independent of the Funds, the Manager and each entity related to the Manager (as defined in the Instrument).

In accordance with the Instrument, the mandate of the IRC is to consider and provide recommendations to the Manager on conflicts of interest to which the Manager may be subject when managing the Funds. To this end, the Manager is required, under the Instrument, to identify potential conflicts of interest inherent in its management of the Funds, develop written policies and procedures guiding its management of those conflicts and request input from the IRC on those written policies and procedures (the "Conflict-of-Interest Matters Manual").

When a conflict matter arises, the Manager must refer its proposed course of action in respect of such conflict to the IRC for its review. While certain matters require the IRC's prior approval, in most cases the IRC will provide a recommendation to the Manager as to whether or not, in the opinion of the IRC, the Manager's proposed action provides a fair and reasonable result for the Funds. For recurring conflict of interest matters, the IRC can provide the Manager with Standing Instructions ("SIs") that permit the Manager to proceed with certain matters without having to refer them to the IRC each time, provided the Manager deals with the conflicts in accordance with the SIs.

The IRC is empowered to represent the best interest of the Funds in any matter where the Manager has referred a conflict-of-interest matter to the IRC. In those cases, it will ensure that the Manager's proposed course of action represents a fair and reasonable result for the Funds.

The IRC is pleased to publish its first annual report for the Securityholders, to describe the IRC and its activities for the period from February 4, 2008 to December 31, 2008 (the "Reporting Period").

## **Composition of the IRC**

The current members of the IRC, and their principal occupations, are as follows:

<i>Name and municipality of residence</i>	<i>Principal Occupation</i>	<i>Term of Office</i>
R.W. Law: Chair, Toronto, Ontario	Financial services lawyer	Three years from February 4, 2008
W. William Woods, Toronto, Ontario	Consultant, Lawyer, Independent Director, former CEO of the Bermuda Stock Exchange	Two years from February 4, 2008
Eamonn B.P. McConnell, Toronto, Ontario	Consultant, former Managing Director of Deutsche Bank, Europe and Asia	One year from February 4, 2008

Eamonn McConnell's initial term was for one year from February 4, 2008. His term was renewed on January 29, 2009 for a period of three years with effect from February 4, 2009.

## **Compensation and Indemnification**

### **Members' Fees**

In aggregate the IRC members were paid \$30,000 over the Reporting Period. The IRC has engaged Independent Review Inc. to assist it in its duties in accordance with both the provisions of the Instrument and the IRC's written charter, to provide certain administrative and record keeping functions, and to act as the IRC's independent secretariat.

### **Indemnities Granted**

The Funds and the Manager have provided each IRC Member with a contractual indemnity in keeping with NI 81-107. No indemnities were paid to the IRC Members by the Funds or the Manager during the Reporting Period.

## **Disclosure of IRC Members' Holdings**

As at December 31, 2008, the IRC Members did not beneficially own, directly or indirectly, any:

- units in any of the Funds;
- interests in the Manager; or,
- interests in a company or person that provides services to the Manager or any Fund.

## **Recommendations and Approvals**

The Manager made a referral to the Committee to change a benchmarking index in February, 2008 since the index being used at the time had been terminated by the provider and this index was being used by the Manager to calculate its performance fee. The IRC imposed a condition on its recommendation to approve the change in the index used and this condition was subsequently met by the Manager. The IRC, after reasonable inquiry, believed that the change in the Index achieved a fair and reasonable result for the Fund.

There were no other recommendations given to or approvals requested by the Manager during the Reporting Period.

The IRC is not aware of any instance in which the Manager acted in a conflict-of-interest matter referred to the IRC for which the IRC did not give a positive recommendation or approval during the Reporting Period.

The IRC is not aware of any instance in which the Manager acted in a conflict-of-interest matter but did not meet a condition imposed by the IRC in its recommendation or approval during the Reporting Period.

### **Standing Instructions Approved**

The IRC approved two SIs, which constitute written approvals or recommendations from the IRC that permit the Manager to proceed with the specific action(s) set out in the applicable SI on an ongoing basis, without having to refer the conflict-of-interest matter or its proposed action, in each instance, to the IRC, provided that the Manager complies with the terms and conditions of the SI.

#### **Standing Instruction No. 1: Omnibus.**

The Manager relied on SI No. 1 during the Reporting Period. In each case, the SI required the Manager to comply with its related policy and procedures and to report periodically to the IRC. This SI deals with a number of conflict-of-interest matters including:

1. Expenses charged to the Fund
2. Allocating of expenses
3. Charging a short-term trading fee or redemption penalty
4. Allocation of investments between Funds
5. Correcting Portfolio NAV errors.
6. Correcting other material unitholder transaction errors.
7. Seeking best execution for the portfolios of the Funds.
8. Soft Dollars arrangements.
9. Favouring certain investors
10. Voting proxies
11. Changing Sub-advisors.
12. Monitoring sub-advisors
13. changes to terms, fees and service levels of outsourced
14. Personal Trading.
15. Individual staff of sub advisors and access staff of the Manager investing in the
16. Late trading and market timing.
17. Handling complaints.
18. inter-fund trading
19. Services are provided to a Fund by related parties

The Manager also relied on SI No. 2 during the reporting period. This SI deals with Portfolio Pricing Issues: Fair Valuing Securities.

### **Manager's Report on Standing Instructions**

As required by NI 81-107, the Manager provided written reports to the IRC describing its reliance on the SIs during the Reporting Period.

### **Annual Assessment**

In accordance with NI 81-107, the IRC conducted an annual assessment which consisted of the following elements:

- 1) review of its written charter;
- 2) review of the SIs and the Manager's Conflict-of-Interest Matters Manual; and,
- 3) a self-assessment review.

#### **Review of the Written Charter**

As part of the IRC's annual assessment process, it reviewed the adequacy and effectiveness of its written charter. Several amendments to the written charter were reviewed and adopted on January 29, 2009.

#### **Review of the SIs and the Manager's Conflict-of-Interest Matters Manual**

The annual assessment process with the Manager also consisted of the following:

1. *A review of the adequacy and effectiveness of the Manager's written policies and procedures concerning conflict-of-interest matters;*

As part of its annual assessment process the IRC reviewed three of its written conflict-of-interest policies in detail with the Manager; namely, the i) Monitoring sub-advisors, ii) Fair Valuations and iii) Best Execution policies. At a meeting of the IRC on January 29, 2009 these policies were discussed in detail with the Manager. The Manager's written conflict-of-interest matters policies and procedures were reviewed and several amendments were recommended. As a result of these recommendations, the Manager adopted a revised Conflict-of-Interest Matters Manual on that date.

2. *A review of the adequacy and effectiveness of the SIs that the IRC has provided to the Manager;*

Two SIs were adopted on February 4, 2008. These SIs were reviewed on January 29, 2009 and after consultation with the Manager, several minor amendments were adopted by the IRC on that date.

3. *A review of the adequacy and effectiveness of the Manager's and each Fund's compliance with any conditions imposed by the IRC in a recommendation or approval it has provided to the Manager;*

The Manager has complied with the only condition imposed by the IRC in the SIs granted.

#### **Self-Assessment Review**

The self-assessment review conducted subsequent to the Reporting Period consisted of the following steps;

1. *A review of compensation*

The initial compensation of the IRC had been set by the Manager. At least annually, the IRC is required to review its compensation giving consideration to the following:

- i. the best interests of the Funds;
- ii. that compensation paid to the IRC by each Fund should fairly and reasonably reflect the general and specific benefits accruing to that Fund; and,
- iii. the nature and extent of the workload of each member of the IRC.

The IRC determined that no change to its compensation should be made.

2. *The completion of questionnaires and an annual written declaration of independence.*

Each IRC member completed an individual questionnaire and a group questionnaire related to the performance of the IRC over the Reporting Period and the IRC's interaction with the Manager. The Manager also completed a questionnaire regarding its interaction with the IRC. Each IRC member, moreover,

completed the annual declaration of independence wherein he re-asserted his independence within the meaning of the Instrument.

The self assessment review was conducted at a meeting of the IRC on January 29, 2009. After the completion of all of the above elements, the IRC prepared its annual assessment report to the Manager which set out the results of the IRC's annual assessment review.

If applicable, the IRC's annual assessment report would have included the details of any breaches by the Manager of its Conflict-of-Interest Matters Manual. It would also have included any breaches of any conditions imposed by the IRC, of which the IRC was aware, and the IRC's recommendations for changes in the Manager's Conflict-of-Interest Matters Manual as noted above. The IRC reports that for the Reporting Period, there were no such breaches.

There were no conditions imposed by the IRC other than the one outlined above..

### **Funds served by the IRC**

Webb Enhanced Income Fund  
Webb Enhanced Growth Fund

This Report is available on the Manager's website at [www.wamfunds.com](http://www.wamfunds.com) or you may request a copy, at no cost to you, by contacting the Webb Funds at (416) 646 0975 or toll free at (866) 611 9590 or email the Webb Funds at [info@WAMfunds.com](mailto:info@WAMfunds.com). This document and other information about the Webb Funds are available on [www.sedar.com](http://www.sedar.com).

Yours truly,

A handwritten signature in blue ink, appearing to read 'R.W. Law', with a large, stylized initial 'L'.

R.W. Law, Chair

## **Schedule of IRC Members who sit on IRCs for other Fund Families**

**Eamonn McConnell serves as a member of the Independent Review Committees for the following funds:**

Investment funds that are reporting issuers managed by Integra Capital Limited;  
Investment funds that are reporting issuers managed by Northwest & Ethical Investments L.P.;  
Investment funds that are reporting issuers managed by Gencap Funds LP;  
The Goodwood Capital Fund;  
Investment funds that are reporting issuers managed by Russell Investments Canada Limited;  
and  
Investment funds that are reporting issuers managed by Sprott Asset Management Inc.

**R.W. Law serves as a member of the Independent Review Committees for the following funds:**

Investment funds that are reporting issuers managed by Elliott & Page Limited.

**W. William Woods serves as a member of the Independent Review Committees for the following funds:**

Investment funds that are reporting issuers managed by Integra Capital Limited;  
The Acker Finley Canada Focus Fund;  
Investment funds that are reporting issuers managed by Gencap Funds LP;  
The Goodwood Capital Fund;  
Investment funds that are reporting issuers managed by Russell Investments Canada Limited;  
Investment funds that are reporting issuers managed by The International Scholarship Foundation;  
The Bayshore Floating Rate Senior Loan Fund; and  
Investment funds that are reporting issuers managed by Sprott Asset Management Inc.