WEBB ASSET MANAGEMENT

# Interim Financial Statements

June 30, 2010

Enhanced Growth Fund

Enhanced Income Fund

WEBB ASSET MANAGEMENT

# Contents

## MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements of the Funds (as defined in Note 1(a)) are the responsibility of Webb Asset Management Canada, Inc. (the "Manager"). They have been prepared in accordance with Canadian generally accepted accounting principles using information available and include certain amounts that are based on the Manager's best estimates and judgments.

The Manager has developed and maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to produce relevant, reliable and timely financial information, including the accompanying financial statements.

These financial statements have been approved by the Board of Directors of the Manager.

Derek Webb
President & CEO

## NOTICE TO UNITHOLDERS

**The Auditors of the Funds have not reviewed these Financial Statements.**

Webb Asset Management Canada, Inc., the Manager of the Funds, appoints an independent auditor to audit the Funds' annual financial statements.

The Funds' independent auditors have not performed a review of these interim financial statements in accordance with Canadian generally accepted auditing standards.

## Statement of Net Assets

*As at June 30, 2010 (unaudited) and December 31, 2009*

| | 2010 | 2009 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 1,067,013 | $ – |
| Investments | 10,321,076 | 11,282,376 |
| Accounts receivable relating to securities issued | – | – |
| Amounts receivable relating to portfolio assets sold | 1,260,090 | 5,001,494 |
| Amounts receivable relating to accrued income | 2,421 | 23,504 |
| Prepaid expenses | 41,414 | – |
| | 12,692,014 | 16,307,374 |
| **Liabilities** | | |
| Accrued expenses | 84,296 | 164,902 |
| Derivatives | – | 18,604 |
| Liabilities for securities redeemed | 1,553,039 | 118,214 |
| Liabilities for portfolio assets purchased | 2,378,621 | 298,626 |
| Bank overdraft | – | 1,171,183 |
| | 4,015,956 | 1,771,529 |
| **Total net assets and securityholders' equity** | **$ 8,676,058** | **$ 14,535,845** |
| TTotal net assets and securityholders' equity, Series A | $ 7,128,332 | $ 12,061,402 |
| Securities outstanding, Series A (note 4) | 956,189 | 1,400,610 |
| Net assets per security, Series A | $ 7.45 | $ 8.61 |
| Total net assets and securityholders' equity, Series F | $ 1,547,726 | $ 2,472,459 |
| Securities outstanding, Series F (note 4) | 202,509 | 281,477 |
| Net assets per security, Series F | $ 7.64 | $ 8.78 |
| Total net assets and securityholders' equity, Series I | $ – | $ 1,984 |
| Securities outstanding, Series I (note 4) | – | 267 |
| Net assets per security, Series I | $ – | $ 7.43 |

*(See accompanying notes to financial statements)*

Approved on behalf of the Board of Directors of the Manager:

Derek Webb
President & CEO

## Statement of Operations *(unaudited)*

*For the Periods Ended June 30,*

| | | 2010 | | 2009 |
|---|---|---|---|---|
| **Investment Income** | | | | |
| Dividend revenue | $ | 29,496 | $ | 20,331 |
| Interest revenue | | 660 | | 30,943 |
| Short-term trading fees | | 419 | | 3,424 |
| Less: foreign withholding taxes | | (3,622) | | (1,421) |
| | | 26,953 | | 53,277 |
| **Expenses** | | | | |
| Management fees (note 7) | | 120,627 | | 42,464 |
| Audit fees | | 13,387 | | 5,921 |
| Independent Review Committee fees | | 9,981 | | 5,526 |
| Custodial fees | | 12,392 | | 5,783 |
| Legal fees | | 9,015 | | 3,947 |
| Securityholder reporting costs | | 5,780 | | 4,862 |
| Administration fees | | 35,631 | | 24,965 |
| Dividend expense on short positions | | – | | 8,536 |
| Other expenses | | 30,581 | | 9,834 |
| | | 237,394 | | 111,838 |
| **Net investment loss for the period** | | **(210,441)** | | **(58,561)** |
| **Realized and unrealized gain (loss) on investments and transaction costs** | | | | |
| Net realized gain (loss) | | (460,347) | | 1,097,233 |
| Change in unrealized loss | | (633,419) | | (40,103) |
| Change in unrealized foreign exchange loss | | (103,626) | | – |
| Net realized foreign exchange loss | | (64,467) | | (24,912) |
| Transaction costs (note 2) | | (61,573) | | (22,966) |
| **Net gain (loss) on investments** | | **(1,323,432)** | | **1,009,252** |
| **Increase (decrease) in net assets from operations** | **$** | **(1,533,873)** | **$** | **950,691** |
| Increase (decrease) in net assets from operations, Series A | $ | (1,320,017) | $ | 847,546 |
| Increase (decrease) in net assets from operations per security, Series A | | (1.06) | | 1.35 |
| Increase (decrease) in net assets from operations, Series F | $ | (213,834) | $ | 102,886 |
| Increase (decrease) in net assets from operations per security, Series F | | (0.97) | | 1.29 |
| Increase (decrease) in net assets from operations, Series I | $ | (22) | $ | 259 |
| Increase (decrease) in net assets from operations per security, Series I | | (0.08) | | 1.30 |

*(See accompanying notes to financial statements)*

## Statement of Changes in Net Assets *(unaudited)*

*For the Periods Ended June 30,*

| | 2010 | 2009 |
|---|---|---|
| **Net assets at the beginning of the period** | $ 14,535,845 | $ 4,569,609 |
| **Increase (decrease) in net assets from operations** | (1,533,873) | 950,691 |
| **Capital transactions** | | |
| Proceeds from the issuance of securities of the investment fund | 144,578 | 7,651 |
| Aggregate amounts paid on redemption of securities of the investment fund | (3,473,031) | (1,100,615) |
| Net transfer of securities to other funds | (997,461) | (50,353) |
| **Net assets at the end of the period** | **$ 8,676,058** | **$ 4,376,983** |
| **Net assets at the beginning of the period, Series A** | $ 12,061,402 | $ 4,016,068 |
| **Increase (decrease) in net assets from operations, Series A** | (1,320,017) | 847,546 |
| **Capital transactions, Series A** | | |
| Proceeds from the issuance of securities of the investment fund | 144,578 | 7,336 |
| Aggregate amounts paid on redemption of securities of the investment fund | (3,047,087) | (939,986) |
| Net transfer of securities to other funds | (710,544) | (50,353) |
| **Net assets at the end of the period, Series A** | **$ 7,128,332** | **$ 3,880,611** |
| **Net assets at the beginning of the period, Series F** | $ 2,472,459 | $ 552,552 |
| **Increase (decrease) in net assets from operations, Series F** | (213,834) | 102,886 |
| **Capital transactions, Series F** | | |
| Proceeds from the issuance of securities of the investment fund | – | 315 |
| Aggregate amounts paid on redemption of securities of the investment fund | (423,982) | (160,629) |
| Net transfer of securities to other funds | (286,917) | – |
| **Net assets at the end of the period, Series F** | **$ 1,547,726** | **$ 495,124** |
| **Net assets at the beginning of the period, Series I** | $ 1,984 | $ 989 |
| **Increase (decrease) in net assets from operations, Series I** | (22) | 259 |
| **Capital transactions, Series I** | | |
| Aggregate amounts paid on redemption of securities of the investment fund | (1,962) | – |
| **Net assets at the end of the period, Series I** | **$ –** | **$ 1,248** |

*(See accompanying notes to financial statements)*

## Statement of Investment Portfolio *(unaudited)*
*As at June 30, 2010*

| Security | Shares/ Units | Average Cost | Fair Value |
|---|---|---|---|
| **U.S. EQUITIES (65.3%)** | | | |
| **Industrials (23.6%)** | | | |
| Caterpillar Inc. | 5,400 | $ 382,662 | $ 343,978 |
| Dover Corp. | 8,000 | 372,966 | 354,495 |
| EnPro Industries Inc. | 6,788 | 215,491 | 202,662 |
| Kadant Inc. | 17,000 | 339,391 | 313,725 |
| Quanex Building Products Corp. | 20,000 | 401,268 | 366,755 |
| Sun Hydraulics Corp. | 5,466 | 158,342 | 136,003 |
| Watts Water Technologies Inc., Class 'A' | 11,000 | 362,946 | 333,781 |
| | | 2,233,066 | 2,051,399 |
| **Consumer Discretionary (18.7%)** | | | |
| DineEquity Inc. | 10,000 | 337,172 | 295,589 |
| DIRECTV, Class 'A' | 10,000 | 383,997 | 359,649 |
| Ford Motor Co. | 25,000 | 351,147 | 266,741 |
| Fossil Inc. | 9,000 | 350,402 | 331,225 |
| Whirlpool Corp. | 4,000 | 413,232 | 372,567 |
| | | 1,835,950 | 1,625,771 |
| **Information Technology (13.0%)** | | | |
| Diodes Inc. | 15,958 | 334,619 | 268,600 |
| FARO Technologies Inc. | 8,792 | 226,790 | 174,374 |
| Hittite Microwave Corp. | 6,897 | 330,388 | 327,271 |
| Itron Inc. | 5,400 | 387,754 | 353,771 |
| | | 1,279,551 | 1,124,016 |
| **Financials (4.4%)** | | | |
| Columbia Banking Systems Inc. | 13,000 | 278,120 | 251,489 |
| Och-Ziff Capital Management Group | 9,562 | 130,796 | 127,681 |
| | | 408,916 | 379,170 |
| **Materials (3.8%)** | | | |
| Arch Chemicals Inc. | 10,203 | 351,496 | 332,647 |
| **Energy (1.8%)** | | | |
| Crosstex Energy Inc. | 22,740 | 194,561 | 154,597 |
| **TOTAL U.S. EQUITIES** | | **6,303,540** | **5,667,600** |
| **CANADIAN EQUITIES (43.0%)** | | | |
| **Materials (35.8%)** | | | |
| Barrick Gold Corp. | 9,000 | 430,186 | 433,265 |
| Centerra Gold Inc. | 40,000 | 479,576 | 468,800 |
| Elgin Mining Inc. | 33,333 | 42,700 | 46,000 |

## Statement of Investment Portfolio *(unaudited) (continued)*
*As at June 30, 2010*

| Security | Shares/ Units | Average Cost | Fair Value |
|---|---|---|---|
| Endeavour Silver Corp. | 80,000 | 304,320 | 290,400 |
| Equinox Minerals Ltd. | 100,000 | 387,820 | 370,000 |
| Goldcorp Inc. | 9,000 | 415,607 | 418,088 |
| Guyana Goldfields Inc. | 40,000 | 292,708 | 276,800 |
| Norsemont Mining Inc., Warrants, 2011/04/30 | 45,000 | 15,300 | 16,762 |
| Potash One Inc. | 875 | 1,400 | 1,916 |
| Red Back Mining Inc. | 15,000 | 402,405 | 403,500 |
| Silver Standard Resources Inc. | 20,000 | 423,430 | 377,800 |
| | | 3,195,452 | 3,103,331 |
| **Consumer Discretionary (4.7%)** | | | |
| Magna International Inc., Class 'A' | 5,800 | 373,357 | 405,198 |
| **Energy (2.5%)** | | | |
| Baytex Energy Trust | 6,850 | 235,035 | 217,410 |
| **Financials (0.0%)** | | | |
| Pinetree Capital Ltd., Warrants, 2012/04/16 | 10,000 | 1,650 | 600 |
| **TOTAL CANADIAN EQUITIES** | | **3,805,494** | **3,726,539** |
| **FOREIGN EQUITIES (10.7%)** | | | |
| **Materials (8.5%)** | | | |
| AngloGold Ashanti Ltd., ADR | 8,500 | 385,601 | 388,821 |
| Lihir Gold Ltd., ADR | 9,000 | 345,470 | 343,157 |
| | | 731,071 | 731,978 |
| **Information Technology (2.2%)** | | | |
| Xyratex Ltd. | 13,000 | 248,495 | 194,959 |
| **TOTAL FOREIGN EQUITIES** | | **979,566** | **926,937** |
| **Transaction costs (note 2)** | | (29,914) | – |
| **TOTAL INVESTMENT PORTFOLIO (119.0%)** | | **$ 11,058,686** | **$ 10,321,076** |
| **Cash and cash equivalents (12.3%)** | | | 1,067,013 |
| **Other assets less liabilities (-31.3%)** | | | (2,712,031) |
| **NET ASSETS AT FAIR VALUE (100.0%)** | | | **$ 8,676,058** |

*(See accompanying notes to financial statements)*

# Supplementary Schedules *(unaudited)*

## Summary of Fair Valuation Inputs *(note 2b)*

The following table is a summary of the inputs used as at June 30, 2010 and December 31, 2009, in valuing the Fund's investments and derivatives carried at fair values. Please see note 2b for a complete description of the three level hierarchy used for determining the fair value of investments.

| | June 30, 2010 | | | December 31, 2009 | | |
|---|---|---|---|---|---|---|
| **Classification** | **Level 1 ($)** | **Level 2 ($)** | **Level 3 ($)** | **Level 1 ($)** | **Level 2 ($)** | **Level 3 ($)** |
| **Financial Assets** | | | | | | |
| Equities | 10,303,714 | 17,362 | – | 11,238,121 | 44,255 | – |
| **Total Financial Assets** | **10,303,714** | **17,362** | **–** | **11,238,121** | **44,255** | **–** |
| **Financial Liabilities** | | | | | | |
| Options | – | – | | (18,604) | – | – |
| **Total Financial Liabilities** | **–** | **–** | **–** | **(18,604)** | **–** | **–** |
| **Total Financial Assets and Liabilities** | **10,303,714** | **17,362** | **–** | **11,219,517** | **44,255** | – |

There were no significant transfers made between Levels 1 and 2 as a result of changes in the availability of quoted market prices or observable market inputs during the period. In addition, there were no investments or transactions classified in Level 3 for the period ended June 30, 2010 or for the year ended December 31, 2009.

## Discussion of Financial Risk Management *(note 8)*

***(a) Risk Management***

The Fund's investment activities expose it to a variety of financial risks. The Manager seeks to minimize potential adverse effects of these risks for the Fund's performance by employing professional, experienced portfolio advisors, by daily monitoring of the Fund's positions and market events, by diversifying the investment portfolio within the constraints of the investment objective, and periodically may use derivatives to hedge certain risk exposures. To assist in managing risks, the Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy, internal guidelines and securities regulations.

The Fund's investment objective is to achieve long-term capital growth by investing in equity positions including common shares, preferred shares, investment trust or limited partnership units, derivatives and equity-related securities of companies traded primarily in North America. The Manager, when investing, will consider going long securities that pass the Manager's earnings-based model. The screening process identifies companies with: adequate liquidity, a positive change in the growth rate of earnings, an increase in analysts' consensus expectations for future earnings and a positive surprise in reporting earnings versus analysts' consensus expectation. The portfolio manager will consider going short securities with inadequate liquidity, negative change in growth rate of earnings, a decrease in analysts' consensus expectations for future earnings and a negative surprise in reporting earnings versus the analysts' consensus expectation. Positions are sold or covered accordingly if the company no longer meets the required investment or short selling criteria.

During the period, changes were made to the portfolio in an attempt to capitalize on the purchase of undervalued, highly liquid and broadly diversified stocks. The risks of this Fund remain as discussed in the Fund's prospectus (or most recent Annual Information Form or Simplified Prospectus as appropriate.) Significant risks that are relevant to the Fund are discussed below.

## Supplementary Schedules *(unaudited) (continued)*

***(b) Currency risk***

The table below indicates the foreign currencies to which the Fund had significant exposure as at period end in Canadian dollar terms, including cash. Other financial assets (including dividends and interest receivables and receivables for investments sold) net of financial liabilities (including payable for investments purchased) which are denominated in foreign currencies do not expose the Fund to significant currency risk.

The table also illustrates the potential impact to the Fund's net assets as a result of a 1% change in these currencies relative to the Canadian dollar. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material. The Fund does manage its currency risk through foreign currency hedging strategies.

| Currency In Canadian Dollar Equivalent Value | Financial Instruments | Cash | Total | Impact on Net Assets |
|---|---|---|---|---|
| U.S. Dollar | $8,068,498 | ($6,214,264) | $1,854,234 | $18,542 |
| As % of net assets | 93.0% | -71.6% | 21.4% | 0.2% |

***(c) Interest rate risk***

Other than cash positions, the Fund's assets and liabilities are non-interest bearing. As such, the Fund is not subject to risk due to fluctuations in the prevailing levels of interest rates.

***(d) Credit risk***

Credit risk on financial instruments is the risk of financial loss occurring as a result of the default of a counterparty on its obligation to the Fund. Credit risk typically arises out of exposure to debt instruments, such as bonds, debentures or derivative contracts.

As at June 30, 2010, the Fund had no significant investments in debt instruments and therefore, no related credit risk exposure.

As at June 30, 2010, the Fund did not have an exposure to listed derivative contracts.

***(e) Liquidity risk***

Liquidity risk is the possibility that investments in a fund cannot be readily converted into cash when required. The Fund will endeavour to maintain sufficient liquidity to meet expenses and redemption of securities. However, unexpectedly heavy demand for redemptions of securities could result in the Fund having to dispose of investments at a time when it is not optimal to do so in order to meet such redemption request. The Fund invests the majority of its assets in investments that are traded in an active market that can be readily disposed of. Therefore, as at June 30, 2010, the Fund is considered relatively liquid.

***(f) Other market risk***

Other market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital.

The impact on net assets of the Fund due to a 1% change in a broad market index, using historical correlation between the Fund's return as compared to the return of the index, as at June 30, 2010, with all other variables held constant, is included in the following table. The analysis is based on the returns of the Series A securities of the Fund. The returns of the other series of securities of the Fund are substantially similar to that of the Series A securities save for differences in expense structure.

| Index | Impact on Net Assets |
|---|---|
| S&P/TSX Total Return Index | $67,607 |

## Statement of Net Assets
*As at June 30, 2010 (unaudited) and December 31, 2009*

| | 2010 | 2009 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 1,199 | $ 827,068 |
| Investments | 8,973,773 | 8,210,489 |
| Accounts receivable relating to securities issued | 7,557 | 6,195 |
| Unrealized gain on Equity Forward Contract (note 3) | 2,131,481 | 1,416,806 |
| Prepaid expenses | 12,500 | – |
| | 11,126,510 | 10,460,558 |
| **Liabilities** | | |
| Accrued expenses | 76,126 | 51,981 |
| Liabilities for securities redeemed | 47,039 | – |
| Accrued forward agreement fees | 134,351 | 105,248 |
| Distributions payable | – | 23,388 |
| | 257,516 | 180,617 |
| **Total net assets and securityholders' equity** | **$ 10,868,994** | **$ 10,279,941** |
| Total net assets and securityholders' equity, Series A | $ 8,950,831 | $ 8,742,642 |
| Securities outstanding, Series A (note 4) | 1,207,465 | 1,160,598 |
| Net assets per security, Series A | $ 7.41 | $ 7.53 |
| Total net assets and securityholders' equity, Series F | $ 1,912,336 | $ 1,537,299 |
| Securities outstanding, Series F (note 4) | 250,229 | 199,244 |
| Net assets per security, Series F | $ 7.64 | $ 7.72 |
| Total net assets and securityholders' equity, Series I | $ 5,827 | $ – |
| Securities outstanding, Series I (note 4) | 808 | – |
| Net assets per security, Series I | $ 7.21 | $ – |

*(See accompanying notes to financial statements)*

Approved on behalf of the Board of Directors of the Manager:

Derek Webb
President & CEO

## Statement of Operations *(unaudited)*
*For the Periods Ended June 30,*

| | | 2010 | | 2009 |
|---|---|---|---|---|
| **Investment income** | | | | |
| Interest revenue | | – | | 737 |
| Short-term trading fees | | 648 | | 12 |
| | | 648 | | 749 |
| **Expenses** | | | | |
| Management fees (note 7) | | 103,656 | | 73,331 |
| Audit fees | | 13,405 | | 5,921 |
| Independent Review Committee fees | | 17,854 | | 11,842 |
| Custodial fees | | 5,853 | | 2,374 |
| Legal fees | | 18,658 | | 8,290 |
| Securityholder reporting costs | | 7,803 | | 4,862 |
| Administration fees | | 39,134 | | 29,934 |
| Other expenses | | 494 | | 66 |
| | | 206,857 | | 136,620 |
| **Net investment loss for the period** | | **(206,209)** | | **(135,871)** |
| **Realized and unrealized gain (loss) on investments and transaction costs** | | | | |
| Net realized gain (loss) | | 321,377 | | (2,323,652) |
| Change in unrealized gain | | 156,495 | | 3,796,097 |
| Net realized foreign exchange loss | | – | | (36) |
| Transaction costs (note 2) | | (29,103) | | (24,543) |
| **Net gain on investments** | | **448,769** | | **1,447,866** |
| **Increase in net assets from operations** | **$** | **242,560** | **$** | **1,311,995** |
| Increase in net assets from operations, Series A | $ | 192,194 | $ | 1,082,961 |
| Increase in net assets from operations per security, Series A | | 0.16 | | 1.02 |
| Increase in net assets from operations, Series F | $ | 50,499 | $ | 194,772 |
| Increase in net assets from operations per security, Series F | | 0.20 | | 1.06 |
| Increase (decrease) in net assets from operations, Series I | $ | (133) | $ | 34,262 |
| Increase (decrease) in net assets from operations per security, Series I | | (0.17) | | 1.15 |

*(See accompanying notes to financial statements)*

## Statement of Changes in Net Assets *(unaudited)*

*For the Periods Ended June 30,*

| | 2010 | 2009 |
|---|---|---|
| **Net assets at the beginning of the period** | $ 10,279,941 | $ 8,314,736 |
| **Increase in net assets from operations** | 242,560 | 1,311,995 |
| **Capital transactions** | | |
| Proceeds from the issuance of securities of the investment fund | 1,653,988 | 26,540 |
| Aggregate amounts paid on redemption of securities of the investment fund | (2,092,637) | (1,180,447) |
| Net transfer of securities from other funds | 997,147 | – |
| Securities issued on reinvestment of distributions | 231,105 | 288,437 |
| Distributions: | | |
| Return of capital | (443,110) | (376,687) |
| **Net assets at the end of the period** | **$ 10,868,994** | **$ 8,384,574** |
| **Net assets at the beginning of the period, Series A** | $ 8,742,642 | $ 6,867,535 |
| **Increase in net assets from operations, Series A** | 192,194 | 1,082,961 |
| **Capital transactions, Series A** | | |
| Proceeds from the issuance of securities of the investment fund | 1,257,327 | 26,540 |
| Aggregate amounts paid on redemption of securities of the investment fund | (1,801,150) | (881,216) |
| Net transfer of securities from other funds | 727,203 | – |
| Securities issued on reinvestment of distributions | 199,088 | 242,438 |
| Distributions: | | |
| Return of capital | (366,473) | (313,914) |
| **Net assets at the end of the period, Series A** | **$ 8,950,831** | **$ 7,024,344** |
| **Net assets at the beginning of the period, Series F** | $ 1,537,299 | $ 1,257,192 |
| **Increase in net assets from operations, Series F** | 50,499 | 194,772 |
| **Capital transactions, Series F** | | |
| Proceeds from the issuance of securities of the investment fund | 390,661 | – |
| Aggregate amounts paid on redemption of securities of the investment fund | (291,487) | (299,231) |
| Net transfer of securities from other funds | 269,944 | – |
| Securities issued on reinvestment of distributions | 31,858 | 44,508 |
| Distributions: | | |
| Return of capital | (76,438) | (53,830) |
| **Net assets at the end of the period, Series F** | **$ 1,912,336** | **$ 1,143,411** |
| **Net assets at the beginning of the period, Series I** | $ – | $ 190,009 |
| **Increase (decrease) in net assets from operations, Series I** | (22) | 259 |
| **Capital transactions, Series I** | | |
| Proceeds from the issuance of securities of the investment fund | 6,000 | – |
| Securities issued on reinvestment of distributions | 159 | 1,491 |
| Distributions: | | |
| Return of capital | (199) | (8,943) |
| **Net assets at the end of the period, Series I** | **$ 5,827** | **$ 216,819** |



*(See accompanying notes to financial statements)*

## Statement of Investment Portfolio *(unaudited)*
*As at June 30, 2010*

| Security | Shares | Average Cost | Fair Value |
|---|---|---|---|
| **Equity Forward Contract (19.6%)** | | | |
| See supplementary schedule 2 | | $ – | $ 2,131,481 |
| **TOTAL EQUITY FORWARD CONTRACTS** | | **–** | **2,131,481** |
| **CANADIAN EQUITY PORTFOLIO (82.6%)** | | | |
| **Information Technology (29.1%)** | | | |
| CGI Group Inc., Class 'A' | 90,118 | 1,032,753 | 1,427,470 |
| MacDonald, Dettwiler and Associates Ltd. | 12,011 | 500,018 | 525,241 |
| Open Text Corp. | 12,812 | 570,646 | 512,480 |
| Research In Motion Ltd. | 13,317 | 1,144,080 | 696,879 |
| | | 3,247,497 | 3,162,070 |
| **Materials (17.0%)** | | | |
| Hudbay Minerals Inc. | 35,664 | 293,159 | 398,366 |
| Ivanhoe Mines Ltd. | 8,240 | 64,684 | 113,630 |
| Red Back Mining Inc. | 7,366 | 79,546 | 198,145 |
| Silver Wheaton Corp. | 31,900 | 293,161 | 680,427 |
| Sino–Forest Corp., Class 'A' | 29,806 | 489,116 | 450,965 |
| | | 1,219,666 | 1,841,533 |
| **Industrials (13.2%)** | | | |
| FirstService Corp. | 24,639 | 570,639 | 544,276 |
| Stantec Inc. | 2,234 | 60,386 | 52,655 |
| WestJet Airlines Ltd. | 70,912 | 856,638 | 841,016 |
| | | 1,487,663 | 1,437,947 |
| **Consumer Discretionary (8.9%)** | | | |
| RONA Inc. | 61,175 | 756,492 | 960,448 |
| **Energy (7.3%)** | | | |
| Advantage Oil & Gas Ltd. | 56,657 | 399,998 | 349,007 |
| Celtic Exploration Ltd. | 40,888 | 293,167 | 445,679 |
| | | 693,165 | 794,686 |
| **Consumer Staples (4.2%)** | | | |
| Viterra Inc. | 64,828 | 924,994 | 458,982 |
| **Health Care (2.9%)** | | | |
| MDS Inc. | 35,503 | 300,000 | 318,107 |
| **TOTAL CANADIAN EQUITY PORTFOLIO (note 3)** | | **8,629,477** | **8,973,773** |
| **TOTAL INVESTMENT PORTFOLIO (102.2%)** | | **$ 8,629,477** | **$ 11,105,254** |
| **Cash and cash equivalents (0.0%)** | | | 1,199 |
| **Other assets less liabilities (-2.2%)** | | | (237,459) |
| **NET ASSETS AT FAIR VALUE (100.0%)** | | | **$ 10,868,994** |

*(See accompanying notes to financial statements)*

# Supplementary Schedules *(unaudited)*

## Summary of Fair Valuation Inputs *(note 2b)*

The following table is a summary of the inputs used as at June 30, 2010 and December 31, 2009 in valuing the Fund's investments and derivatives carried at fair values. Please see note 2b for a complete description of the three level hierarchy used for determining the fair value of investments.

| | June 30, 2010 | | | December 31, 2009 | | |
|---|---|---|---|---|---|---|
| **Classification** | **Level 1 ($)** | **Level 2 ($)** | **Level 3 ($)** | **Level 1 ($)** | **Level 2 ($)** | **Level 3 ($)** |
| **Financial Assets** | | | | | | |
| Equities | 8,973,773 | – | – | 8,210,489 | – | – |
| Equity Forward Contracts | – | 2,131,481 | – | – | 1,416,806 | – |
| **Total Financial Assets** | **8,973,773** | **2,131,481** | **–** | **8,210,489** | **1,416,806** | **–** |
| **Total Financial Liabilities** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Total Financial Assets and Liabilities** | **8,973,773** | **2,131,481** | **–** | **8,210,489** | **1,416,806** | **–** |

There were no significant transfers made between Levels 1 and 2 as a result of changes in the availability of quoted market prices or observable market inputs during the period. In addition, there were no investments or transactions classified in Level 3 for the period ended June 30, 2010 or for the year ended December 31, 2009.

## Discussion of Financial Risk Management *(note 8)*

***(a) Risk Management***

The Fund's investment activities expose it to a variety of financial risks. The Manager seeks to minimize potential adverse effects of these risks for the Fund's performance by employing professional, experienced portfolio advisors, by daily monitoring of the Fund's positions and market events, by diversifying the investment portfolio within the constraints of the investment objective, and periodically may use derivatives to hedge certain risk exposures. To assist in managing risks, the Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy, internal guidelines and securities regulations.

The Fund's investment objective is to provide investors, through the Underlying Portfolio, with a stable stream of tax-efficient monthly distributions, consisting of returns of capital gains, and to provide for modest capital growth by investing in dividend-paying common and preferred shares, bonds, debentures, income trusts, equity-related securities and convertible securities issued by issuers anywhere in the world. The portfolio manager, when investing, will consider financial instruments that pass a proprietary value, income or earnings-based investment process for both long and short positions.

During the period, changes were made to the Underlying Portfolio in an attempt to reduce risk and volatility by investing in undervalued, highly liquid and broadly diversified income trusts and stocks. Call options were sold against several of the stock positions to generate income and mitigate downside risk in lieu of some upside potential. The risks of this Fund remain as discussed in the Fund's prospectus (or most recent Annual Information Form or Simplified Prospectus as appropriate.) Significant risks that are relevant to the Fund are discussed below.

The Fund's risk exposures are derived primarily from the Underlying Portfolio by way of the Forward Agreement. Unless otherwise noted, the risk disclosures included below are those related to the Underlying Portfolio.

## Supplementary Schedules *(unaudited) (continued)*

***(b) Currency risk***

Currency risk is the risk that financial instruments, which are denominated in currencies other than the Fund's reporting currency, the Canadian dollar, will fluctuate due to changes in exchange rates.

The table below indicates the foreign currencies to which the Fund (through the Underlying Portfolio) had significant exposure as at period end in Canadian dollar terms, including the underlying principal amount of forward currency contracts, if any. Other financial assets (including dividends and interest receivables and receivables for investments sold) net of financial liabilities (including payable for investments purchased) which are denominated in foreign currencies do not expose the Fund to significant currency risk.

The table also illustrates the potential impact to the Fund's net assets as a result of a 1% change in these currencies relative to the Canadian dollar. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material. The Fund does manage its currency risk through foreign currency hedging strategies.

| Currency In Canadian Dollar Equivalent Value | Financial Instruments | Cash | Total | Impact on Net Assets |
|---|---|---|---|---|
| U.S. Dollar | $2,096,832 | $140,422 | $2,201,254 | $22,013 |
| As % of net assets | 19.3% | 1.0% | 20.3% | 0.2% |

***(c) Interest rate risk***

Other than cash positions, the Fund's assets and liabilities are non-interest bearing. As such, the Fund is not subject to risk due to fluctuations in the prevailing levels of interest rates.

***(d) Credit risk***

Credit risk on financial instruments is the risk of financial loss occurring as a result of the default of a counterparty on its obligation to the Fund. Credit risk typically arises out of exposure to debt instruments, such as bonds or debentures.

As at June 30, 2010, the Fund had no significant investments in debt instruments and therefore no related credit risk exposure.

As at June 30, 2010, the Fund did have exposure to over-the-counter derivative contracts.

| Derivative | $ | Rating | Percentage of Net Assets |
|---|---|---|---|
| Forward Agreement* | 2,131,481 | Aa2 | 19.6% |
| **Total** | **2,131,481** | | **19.6%** |

*The counterparty is National Bank Financial. Credit ratings are obtained by Moody's. This is a credit risk exposure of the Fund directly.

***(e) Liquidity risk***

Liquidity risk is the possibility that investments in a fund cannot be readily converted into cash when required. The Fund will endeavour to maintain sufficient liquidity to meet expenses and redemption of securities. However, unexpectedly heavy demand for redemptions of securities could result in the Fund having to dispose of investments at a time when it is not optimal to do so in order to meet such redemption request. The Fund invests the majority of its assets in investments that are traded in an active market that can be readily disposed of. Therefore, as at June 30, 2010, the Fund is considered relatively liquid.

## Supplementary Schedules *(unaudited) (continued)*

The Fund has the ability to unwind the Forward Contracts at any time, upon notice to the counterparty, National Bank Financial.

***(f) Other market risk***

Other market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital.

The impact on net assets of the Fund due to a 1% change in a broad market index, using historical correlation between the Fund's return as compared to the return of the index, as at June 30, 2010, with all other variables held constant, is included in the following table. The analysis is based on the returns of the Series A securities of the Fund. The returns of the other series of securities of the Fund are substantially similar to that of the Series A securities save for differences in expense structure.

| Index | Impact on Net Assets |
|---|---|
| S&P/TSX Total Return Index | $85,220 |

## Supplementary Schedule 1 *(Underlying Portfolio) (unaudited)*

*As at June 30, 2010*

| Security | | Fair Value |
|---|---|---|
| **CANADIAN EQUITIES (62.6%)** | | |
| **Energy (23.4%)** | | |
| Canadian Oil Sands Trust | $ | 458,830 |
| Fort Chicago Energy Partners L.P. | | 418,000 |
| Paramount Energy Trust | | 217,580 |
| Pembina Pipeline Income Fund | | 357,200 |
| Pengrowth Energy Trust | | 222,817 |
| Provident Energy Trust | | 673,400 |
| Vermilion Energy Trust | | 258,181 |
| | | 2,606,008 |
| **Industrials (13.8%)** | | |
| AG Growth International Inc. | | 252,000 |
| Bird Construction Income Fund | | 3,072 |
| Genivar Income Fund | | 285,600 |
| IBI Income Fund | | 260,253 |
| Superior Plus Corp. | | 383,400 |
| Westshore Terminals Income Fund | | 346,200 |
| | | 1,530,525 |
| **Materials (11.0%)** | | |
| Canfor Pulp Income Fund | | 358,750 |
| Chemtrade Logistics Income Fund | | 312,700 |
| Goldcorp Inc. | | 185,817 |
| Labrador Iron Ore Royalty Income Fund | | 337,330 |
| Norsemont Mining Inc., Warrants, 2011/04/30 | | 27,938 |
| | | 1,222,535 |
| **Consumer Staples (5.6%)** | | |
| Boston Pizza Royalties Income Fund | | 243,432 |
| Keg Royalties Income Fund (The) | | 166,935 |
| North West Co. Fund (The) | | 212,232 |
| | | 622,599 |
| **Telecommunication Services (3.5%)** | | |
| Bell Aliant Regional Communications Income Fund | | 63,550 |
| Manitoba Telecom Services Inc. | | 322,920 |
| | | 386,470 |
| **Financials (2.9%)** | | |
| AGF Management Ltd., Class 'B' | | 317,682 |
| Crombie REIT | | 4,512 |
| | | 322,194 |
| **Utilities (2.4%)** | | |
| Northland Power Income Fund | | 264,989 |
| **TOTAL CANADIAN EQUITIES** | | **6,955,320** |

## Supplementary Schedule 1 *(Underlying Portfolio) (unaudited) (continued)*

*As at June 30, 2010*

| Security | Fair Value |
|---|---|
| **U.S. EQUITIES (11.0%)** | |
| **Utilities (3.6%)** | |
| Pepco Holdings Inc. | 398,616 |
| **Consumer Discretionary (3.6%)** | |
| World Wrestling Entertainment Inc., Class 'A' | 396,070 |
| **Industrials (2.7%)** | |
| Bucyrus International Inc., Class 'A' | 301,889 |
| **Financials (1.1%)** | |
| Citigroup Inc., 8.13%, Preferred, Series 'AA', Perpetual | 123,709 |
| **TOTAL U.S. EQUITIES** | **1,220,284** |
| **FOREIGN EQUITIES (8.2%)** | |
| **Materials (8.2%)** | |
| AngloGold Ashanti Ltd., ADR | 914,873 |
| **TOTAL FOREIGN EQUITIES** | **914,873** |
| **CANADIAN DERIVATIVES (-0.6%)** | |
| **Equity Options (-0.6%)** | |
| Eldorado Gold Corp. Put July 2010, $19.00 USD | (31,182) |
| Yamana Gold Inc. Put July 2010, $11.00 USD | (32,836) |
| | (64,018) |
| **TOTAL CANADIAN DERIVATIVES** | **(64,018)** |
| **U.S. DERIVATIVES (-1.1%)** | |
| **Equity Options (-1.1%)** | |
| Baker Hughes Inc. Put July 2010, $42.00 USD | (20,655) |
| Gannett Co. Inc. Put July 2010, $15.00 USD | (49,636) |
| Whirlpool Corp. Put July 2010, $100.00 USD | (54,303) |
| | (124,594) |
| **TOTAL U.S. DERIVATIVES** | **(124,594)** |
| **FOREIGN DERIVATIVES (-0.3%)** | |
| **Equity Options (-0.3%)** | |

## Supplementary Schedule 1 *(Underlying Portfolio) (unaudited) (continued)*
*As at June 30, 2010*

| Security | Fair Value |
|---|---|
| AngloGold Ashanti Ltd., ADR Call July 2010, $45.00 USD | (11,667) |
| Baidu Inc., ADR Put July 2010, $70.00 USD | (23,863) |
| | (35,530) |
| **TOTAL FOREIGN DERIVATIVES** | **(35,530)** |
| **TOTAL LONG POSITION** | **9,090,477** |
| **TOTAL SHORT POSITION** | **(224,142)** |
| **TOTAL INVESTMENT PORTFOLIO (79.8%)** | **$ 8,866,335** |
| Cash and cash equivalents (20.7%) | 2,294,774 |
| Other assets less liabilities (-0.5%) | (55,855) |
| **NET ASSETS AT FAIR VALUE (100.0%)** | **$ 11,105,254** |

*(See accompanying notes to financial statements)*

**Supplementary Schedule 2** *(Underlying Portfolio) (unaudited)*
*As at June 30, 2010*

| | |
|---|---|
| Underlying portfolio, net assets at fair value | $ 11,105,254 |
| Less: Canadian Equity Portfolio, net assets at fair value | 8,973,773 |
| **Equity Forward Contract** | **$ 2,131,481** |

*(See accompanying notes to financial statements)*

# Notes to Financial Statements *(unaudited)*
*June 30, 2010*

## 1. ORGANIZATION

**(a) Inception dates**
The Webb Funds are comprised of two open-ended unit trusts (the "Funds").

**Series A inception dates are:**

| Fund | Date of Inception |
|---|---|
| Webb Enhanced Growth Fund | January 11, 2008 |
| Webb Enhanced Income Fund | January 11, 2008 |

**Series F inception dates are:**

| Fund | Date of Inception |
|---|---|
| Webb Enhanced Growth Fund | January 11, 2008 |
| Webb Enhanced Income Fund | January 11, 2008 |

**Series I inception dates are:**

| Fund | Date of Inception |
|---|---|
| Webb Enhanced Growth Fund | January 11, 2008 |
| Webb Enhanced Income Fund | January 11, 2008 |

**(b) Legal structure and status**
Webb Enhanced Growth Fund and Webb Enhanced Income Fund (each a "Fund" and collectively, the "Funds") are unincorporated open-ended mutual fund trusts created under the laws of Ontario by a Declaration of Trust dated January 11, 2008. The Declaration of Trust permits the Funds to have one or more series of units and to issue an unlimited number of units of each series. The Funds offer Series A units, Series F units and Series I units.

Webb Asset Management Canada, Inc. is the manager (the "Manager" or "Webb") and trustee of the Funds.

The Manager announced that effective October 19, 2009, JovInvestment Management Inc. ("JovInvestment"), a member of the Jovian Capital Corporation group of companies, has been appointed as the portfolio advisor and administrator of the Funds, roles previously performed by the Manager. As portfolio advisor, JovInvestment will be responsible for coordinating portfolio management and advisory services to the Funds.

Webb Asset Management, Inc. ("Webb USA") was reappointed by JovInvestment as the Funds' portfolio sub-advisor. As portfolio sub-advisor, Webb USA provides portfolio management services in respect of the Funds and is supervised by JovInvestment. The Manager and Webb USA are affiliates.

As administrator, JovInvestment is responsible for providing marketing and administrative services to the Manager and the Funds, including accounting facilities and clerical staff.

**(c) Financial reporting dates**
The statements of investment portfolio are as at June 30, 2010, and the statements of net assets are as at June 30, 2010, and December 31, 2009. The statements of operations and changes in net assets are for the periods ended June 30, 2010 and 2009.

# Notes to Financial Statements *(unaudited) (continued)*
*June 30, 2010*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**(a) Basis of presentation**
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The following is a summary of significant accounting policies followed by the Funds in the preparation of these financial statements.

**(b) Adoption of new accounting standards**
On January 1, 2009, the Funds adopted the Canadian Institute of Chartered Accountants (“CICA”) Emerging Issues Committee Abstract 173 - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities (“EIC-173”). EIC-173 clarifies how a Fund’s own credit risk and counterparty risk should be taken into account in determining the fair value of financial instruments. The adoption of EIC-173 did not have a significant impact on the valuation of the Funds’ financial instruments or their net assets.

On January 1, 2009, the Funds also adopted amendments to CICA Handbook Section 3862 “Financial Instruments – Disclosures” and CICA Handbook Section 3863 “Financial Instruments – Presentation” which require the Funds to present a classification of fair value measurements of each Fund’s investments based on a three level fair value hierarchy and a reconciliation of transactions and transfers within that hierarchy. The hierarchy of fair valuation inputs is summarized as follows:

- Level 1: securities that are valued based on quoted prices in active markets.
- Level 2: securities that are valued based on inputs other than quoted prices that are observable, either directly as prices or indirectly as derived from prices.
- Level 3: securities that are valued with no observable market data.

Changes in valuation methods may result in transfers into or out of an investment’s assigned level. The new reporting standards do not impact the net asset value of the Funds or the net asset value per unit used to process capital unit transactions.

The summary of fair value hierarchy is provided in the Supplementary Schedules following the statement of investment portfolio to the financial statements for each Fund.

**(c) Net Asset Value vs Net Assets Reconciliation**
National Instrument 81-106 (“NI 81-106”) permits investment funds to have two different net asset values: (i) one for financial statements, which is prepared in accordance with Canadian GAAP including CICA Handbook Section 3855 “Financial Instruments – Recognition and Measurement” (“Section 3855”) (and referred to as “net assets”); and (ii) another for all other purposes, including unit pricing for investor transactions (referred to as “net asset value”).

For financial statement reporting purposes, the Fund is required to disclose the differences between net assets per unit and net asset value per unit, including any differences in valuation principles or practices for the purposes of calculating net asset value versus those required under Canadian GAAP.

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) and ask prices (for investments sold short) to be used in the fair valuation of investments, rather than the use of closing sale prices currently used for the purpose of determining net asset value. For investments that are not traded in an active market, Section 3855 requires the

## Notes to Financial Statements *(unaudited) (continued)*
*June 30, 2010*

use of specific valuation techniques, rather than the use of valuation techniques by virtue of general practice in the investment funds industry. The difference between net assets and net asset value for each Series of units of the Funds is as follows:

| | As at June 30, 2010 Per Security | | | As at December 31, 2009 Per Security | | |
|---|---|---|---|---|---|---|
| | **Net Asset Value ($)** | **Section 3855 Adjustment ($)** | **Net Assets ($)** | **Net Asset Value ($)** | **Section 3855 Adjustment ($)** | **Net Assets ($)** |
| **Webb Enhanced Growth Fund** | | | | | | |
| Series A | 7.46 | (0.01) | 7.45 | 8.64 | (0.03) | 8.61 |
| Series F | 7.65 | (0.01) | 7.64 | 8.82 | (0.04) | 8.78 |
| Series I | – | – | – | 7.46 | (0.03) | 7.43 |
| **Webb Enhanced Income Fund** | | | | | | |
| Series A | 7.45 | (0.04) | 7.41 | 7.56 | (0.03) | 7.53 |
| Series F | 7.68 | (0.04) | 7.64 | 7.74 | (0.02) | 7.72 |
| Series I | 7.25 | (0.04) | 7.21 | – | – | – |

**(d) Valuation of financial instruments**

(i) Securities listed upon a recognized public stock exchange are valued at their bid prices on the financial statement date. Securities with no available bid prices are valued at their closing sale prices.

(ii) Any investment for which a market quotation is not readily available shall be valued at cost, in the absence of any subsequent financing, or shall be valued at its fair value as determined by the Fund Manager.

(iii) Investments which are restricted as to transferability are valued at the fair value of the unrestricted investment as provided in paragraphs (i) and (ii) above, less a discount as prescribed by the Manager of the Funds. The process of valuing investments for which no published market exists is inevitably based on inherent uncertainties and the resulting valuation may differ from values that would have been used had a ready market existed for investments.

(iv) Short-term investments are valued at amortized cost, which approximates fair value.

(v) Trust units and investments in limited partnerships are recorded at the closing bid price reported by the principal securities exchange on which the issue is traded on the financial statement date.

(vi) The Funds (as prescribed by the prospectus) may make short sales whereby a security that it does not own is sold in anticipation of a decline in the market value of the security. Securities which are sold short are valued at their asking prices on the financial statement date. Securities with no available asking prices are valued at their closing price reported by the principal securities exchange on the financial statement date. To enter a short sale, the Funds may need to borrow the security for delivery to the buyer. While the transaction is open, the Funds will also incur a liability for any paid dividends or interest which is due to the lender of the security.
(vii) The fair values of other financial assets and liabilities approximate their carrying values due to the short-term nature of these instruments.

## Notes to Financial Statements *(unaudited) (continued)*
*June 30, 2010*

**(e) Transaction costs**
In accordance with Section 3855, portfolio transaction costs are expensed and are included in "Transaction costs" in the statements of operations. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, and levies by regulatory agencies and securities exchanges. The statements of investment portfolio includes only those transaction costs incurred on the acquisition of portfolio investments. The transaction costs of the Underlying Portfolio are included in the statement of operations of Webb Enhanced Income Fund.

**(f) Investment transactions and income**
Investment transactions are accounted for as of the trade date. Realized gains and losses from investment transactions are calculated on an average cost basis. The difference between market value and average cost, as recorded in the financial statements, is included in the statement of operations as part of change in unrealized gain (loss) on investments.

Interest income is accrued daily and dividend income is recognized on the ex-dividend date.

**(g) Foreign currency translation**
Investments and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing on the financial statement date. Investment transactions, income and expenses are translated into Canadian dollars at the exchange rates prevailing on the respective dates of such transactions. Foreign exchange gains and losses on the sale of investments and foreign currencies are included in the statement of operations as part of net realized gain (loss). Unrealized foreign exchange gain and loss on investments held are included in the statement of operations as part of change in unrealized gain (loss) on investments.

**(h) Net assets per security**
Net assets per security by series is computed by dividing the net assets of the Fund at the valuation date attributable to each series of securities (after the deduction of all expenses attributable to the Fund as a whole, and the deduction of any expenses attributable to each series individually) by the total number of securities of each series of the Fund outstanding.

**(i) Increase (decrease) in net assets from operations per security**
The increase (decrease) in net assets from operations per security by series in the statements of operations represents the change in net assets from operations attributable to each series divided by the average number of securities of that series outstanding during the period.

Income, expenses other than management fees, and realized and unrealized gain (loss) are distributed amongst the different series of securities in proportion to the amount of equity invested in them. For management fees and performance fees, refer to note 7.

**(j) Use of estimates**
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the period. Actual results could differ from those estimates.

# Notes to Financial Statements *(unaudited) (continued)*
*June 30, 2010*

## 3. FORWARD AGREEMENT AND CANADIAN EQUITY PORTFOLIO

The Enhanced Income Fund may enter into forward agreement(s) for the purpose of pursuing its investment objective or as a substitute for investing directly in securities.

A forward agreement is a form of a contract with a counterparty (a "Counterparty") to buy or sell an asset at a later time. To obtain exposure to an underlying portfolio of securities (the "Underlying Portfolio"), the Fund will enter into one or more forward agreements under which the Counterparty will agree to purchase all or part of a basket of Canadian common equities (the "Canadian Equity Portfolio") at a purchase price determined by reference to the value of the Underlying Portfolio.

The Enhanced Income Fund has entered into a forward agreement (the "Equity Forward Contract") with National Bank of Canada as the Counterparty, in respect of 100% of the Canadian Equity Portfolio. The Underlying Portfolio may be 100% comprised of securities of non-Canadian issuers. The Fund will partially settle the Equity Forward Contract from time to time in order to fund monthly distributions as well as redemptions of its units and payment of expenses of the Fund. Additional information about the Equity Forward Contract and the Underlying Portfolio are contained in the Fund's annual information form.

The returns of the Canadian Equity Portfolio are delivered to the Counterparty through the Equity Forward Contract in exchange for the returns of the Underlying Portfolio. As such, the Enhanced Income Fund and its securityholders are exposed to the performance of the Underlying Portfolio rather than the Canadian Equity Portfolio. The holdings of the Underlying Portfolio can be found in the Supplementary Schedule 1 of these financial statements.

Securityholders' exposure is to the Underlying Portfolio only. Securityholders have no exposure to the Canadian Equity Portfolio.

## 4. SECURITYHOLDERS' EQUITY

Securities of the Funds, which are redeemable at the option of the holder in accordance with the provisions of the Declaration of Trust, do not have any nominal or par value and the number of securities that may be issued is unlimited. Securities of the Funds are issued or redeemed on a daily basis at the net asset value per security that is determined as at 4:00 p.m. (Eastern Time) each business day.

# Notes to Financial Statements *(unaudited) (continued)*
*June 30, 2010*

**Summary of purchases/reinvestments and redemptions of securities for the periods ended June 30, 2010 and 2009.**

| Funds | Year | Beginning of period | Purchases/ Reinvestments during period | Redemptions during period | End of period | Average number of securities |
|---|---|---|---|---|---|---|
| Webb Enhanced Growth Fund - Series A | 2009<br>2010 | 719,717<br>1,400,610 | 1,313<br>18,723 | (165,256)<br>(463,144) | 555,774<br>956,189 | 625,737<br>1,249,501 |
| Webb Enhanced Growth Fund - Series F | 2009<br>2010 | 97,908<br>281,477 | 54<br>– | (28,134)<br>(78,968) | 69,828<br>202,509 | 79,928<br>219,643 |
| Webb Enhanced Growth Fund - Series I | 2009<br>2010 | 200<br>267 | –<br>– | –<br>(267) | 200<br>– | 200<br>267 |
| Webb Enhanced Income Fund - Series A | 2009<br>2010 | 1,121,353<br>1,160,598 | 41,465<br>280,044 | (138,633)<br>(233,177) | 1,024,185<br>1,207,465 | 1,056,623<br>1,223,521 |
| Webb Enhanced Income Fund - Series F | 2009<br>2010 | 202,833<br>199,244 | 6,757<br>87,214 | (45,824)<br>(36,229) | 163,766<br>250,229 | 184,195<br>253,442 |
| Webb Enhanced Income Fund - Series I | 2009<br>2010 | 29,811<br>– | 205<br>808 | –<br>– | 30,016<br>808 | 29,821<br>799 |

A short-term trading fee of up to 2% may be charged if the securityholder redeems Series A, Series F or Series I of the applicable Funds within 90 days of purchase.

## 5. INCOME TAX STATUS

Generally, the Funds qualify as mutual fund trusts under the Income Tax Act (Canada). All or substantially all of the net income for tax purposes and net taxable capital gains realized in any year are distributed to security holders such that no income tax is payable by the Funds.

### TAX LOSS CARRY FORWARDS

The following Funds have accumulated net realized capital losses/non-capital losses available for utilization against net realized gains or net income for tax purposes in future years as follows. Capital losses have no expiry. Non-capital losses can be carried forward for up to 20 years.

| Fund | Total Capital Losses ($) | Non-Capital Losses by Expiry Date ($) 2028 | 2029 |
|---|---|---|---|
| Webb Enhanced Growth Fund | 998,088 | 199,466 | – |
| Webb Enhanced Income Fund | 2,260,800 | 397,574 | 338,259 |

## Notes to Financial Statements *(unaudited) (continued)*
*June 30, 2010*

### 6. BROKERAGE COMMISSIONS

In allocating brokerage business, consideration may be given by the portfolio managers of the Funds to dealers to furnish research, statistical, and other services to portfolio managers through soft dollar arrangements (the amount ascertained to have been paid for goods and services other than order execution). Total brokerage commissions paid to dealers in connection with investment portfolio transactions and amounts of soft dollar commission (if applicable) for the periods ended June 30, 2010 and 2009 are as follows:

| | Brokerage Commissions | |
|---|---|---|
| | **2010** | **2009** |
| **Funds** | **$** | **$** |
| Webb Enhanced Growth Fund | 61,573 | 22,966 |
| Webb Enhanced Income Fund | – | – |

### 7. RELATED PARTY TRANSACTIONS

**Management fees**

The Funds bear all of the costs and expenses relating to the operation of the business and affairs of the Funds (other than the costs and expenses associated with the Manager providing investment management services to the Funds and the costs and expenses associated with advertising, marketing, sponsoring and promoting the sale of units of the Funds, all of which are borne by the Manager) including legal, audit, registrar and transfer agency fees and taxes.

In consideration for management services and investment advice provided to the Funds, the Manager is entitled to a management fee. The management fee is applied on a daily basis to the net asset value of the Funds. The management fees charged are as follows:

| Funds | Management Fee |
|---|---|
| Webb Enhanced Growth Fund – Series A | 2.00% |
| Webb Enhanced Growth Fund – Series F | 1.00% |
| Webb Enhanced Income Fund – Series A | 2.00% |
| Webb Enhanced Income Fund – Series F | 1.00% |

Of the total management fees of Webb Enhanced Income Fund, 10 basis points (0.1%) is charged to the Underlying Portfolio.

The management fee with respect to Series I securities, where applicable, is separately negotiated with the Manager of the Funds.

In addition, the Webb Enhanced Growth Fund and Webb Enhanced Income Fund pay Webb performance fees equal to 20% of the amount by which the subject Fund outperforms its benchmark (the “Benchmark”). The Benchmark for the Webb Enhanced Growth Fund is a combination of the S&P/TSX Composite Total Return Index (60% weighting), the Russell 3000® Total Return Index (20% weighting) and the MSCI EAFE Gross Total Return Index (20% weighting).

## Notes to Financial Statements *(unaudited) (continued)*
*June 30, 2010*

The Benchmark for the Webb Enhanced Income 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 Index (20% weighting).

Performance fees will be calculated and accrued daily (and payable by the Funds quarterly) such that, to the extent possible, the security price each day will reflect any performance fees payable as at the end of such day.

The Manager, at its discretion, may waive and/or absorb a portion of the operating expenses otherwise payable by the Funds. These waivers may be terminated at any time by the Manager and at the Manager's discretion, may be continued indefinitely.

### 8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

An analysis of each Fund's risks and how they are managed is included in the Discussion of Financial Risk Management Schedule subsequent to the statement of investment portfolio for each of the Funds.

### 9. SUBSEQUENT EVENTS

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 Funds are subject to the new harmonized tax and are 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 will result in an increase in costs borne by the Funds.

### 10. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2010 interim financial statements.

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