WEBB ASSET MANAGEMENT

Interim Financial Statements

June 30, 2012

Webb Enhanced Growth Fund

Webb Enhanced Income Fund

WEBB ASSET MANAGEMENT

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WEBB ASSET MANAGEMENT

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited annual 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 and have been audited by KPMG LLP, Chartered Accountants, Licensed Public Accountants, on behalf of securityholders. The independent auditors' report outlines the scope of their audit and their opinion on the financial statements.

Derek Webb
President & CEO

INDEPENDENT AUDITORS' REPORT

To the Unitholders of:

Webb Enhanced Growth Fund
Webb Enhanced Income Fund
(collectively the "Funds")

We have audited the accompanying financial statements of the Funds, which comprise the statements of net assets as at December 31, 2011 and 2010, the statements of operations and changes in net assets for the years then ended, the statements of investment portfolio as at December 31, 2011 and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statement in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entities' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the net assets of the Funds as at December 31, 2011 and 2010, the results of their operations and changes in net assets for the years then ended and their investments held at December 31, 2011 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants
March 29, 2012
Toronto, Canada

Statement of Net Assets

As at June 30, 2012 (unaudited) and December 31, 2011

		2012		2011
Assets				
Cash and cash equivalents	$	811,485	$	–
Investments		587,383		2,745,654
Derivatives (note 6)		809		18,654
Amounts receivable relating to portfolio assets sold		–		562,313
Amounts receivable relating to accrued income		250		1,354
		1,399,927		3,327,975
Liabilities				
Accrued expenses		65,637		40,715
Liabilities for securities redeemed		93,146		–
Liabilities for portfolio assets purchased		–		227,823
Bank overdraft		–		733,442
		158,783		1,001,980
Total net assets and securityholders' equity	**$**	**1,241,144**	**$**	**2,325,995**
Total net assets and securityholders' equity, Class A	$	1,065,627	$	2,090,390
Securities outstanding, Class A (note 4)		236,650		407,207
Net assets per security, Class A	$	4.50	$	5.13
Total net assets and securityholders' equity, Class F	$	175,517	$	235,605
Securities outstanding, Class F (note 4)		37,336		44,107
Net assets per security, Class F	$	4.70	$	5.34

(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,

	2012	2011
Investment income		
Dividend revenue	$ 11,395	$ 11,355
Interest revenue	247	4,731
Short-term trading fees	72	509
Less: foreign withholding taxes	(581)	(569)
	11,133	16,026
Expenses		
Management fees (note 7)	16,012	73,950
Audit fees	11,819	11,985
Independent Review Committee fees	10,406	10,422
Custodial fees	844	7,958
Legal fees	11,421	11,390
Securityholder reporting costs	8,878	8,975
Administration fees	46,451	45,860
Other expenses	1,558	7,643
	107,389	178,183
Net investment loss for the period	**(96,256)**	**(162,157)**
Realized and unrealized gain (loss) on investments and transaction costs		
Net realized loss	(134,446)	(38,255)
Change in unrealized gain (loss)	86,516	(991,170)
Change in unrealized foreign exchange loss	(19,167)	(15,938)
Net realized foreign exchange gain (loss)	9,055	(32,741)
Transaction costs (note 2)	(6,177)	(151,499)
Net gain (loss) on investments	**(64,219)**	**(1,229,603)**
Decrease in net assets from operations	**$ (160,475)**	**$ (1,391,760)**
Increase (decrease) in net assets from operations, Class A	$ (137,610)	$ (1,247,984)
Increase (decrease) in net assets from operations per security, Class A	(0.43)	(1.82)
Increase (decrease) in net assets from operations, Class F	$ (22,865)	$ (143,776)
Increase (decrease) in net assets from operations per security, Class F	(0.61)	(1.87)

(See accompanying notes to financial statements)

Statement of Changes in Net Assets *(unaudited)*

For the Periods Ended June 30,

		2012		2011
Net assets at the beginning of the period	**$**	**2,325,995**	**$**	**8,365,441**
Increase (decrease) in net assets from operations		(160,475)		(1,391,760)
Capital transactions				
Proceeds from the issuance of securities of the investment fund		15,810		143,426
Aggregate amounts paid on redemption of securities of the investment fund		(926,371)		(1,514,269)
Net transfer of securities to other funds		(13,815)		(365,788)
Net assets at the end of the period	**$**	**1,241,144**	**$**	**5,237,050**
Net assets at the beginning of the period, Class A	**$**	**2,090,390**	**$**	**7,546,431**
Increase (decrease) in net assets from operations, Class A		(137,610)		(1,247,984)
Capital transactions, Class A				
Proceeds from the issuance of securities of the investment fund		6,600		68,426
Aggregate amounts paid on redemption of securities of the investment fund		(879,939)		(1,384,135)
Net transfer of securities to other funds		(13,815)		(340,333)
Net assets at the end of the period, Class A	**$**	**1,065,626**	**$**	**4,642,405**
Net assets at the beginning of the period, Class F	**$**	**235,605**	**$**	**819,010**
Increase (decrease) in net assets from operations, Class F		(22,865)		(143,776)
Capital transactions, Class F				
Proceeds from the issuance of securities of the investment fund		9,210		75,000
Aggregate amounts paid on redemption of securities of the investment fund		(46,432)		(130,134)
Net transfer of securities from (to) other funds		–		(25,455)
Net assets at the end of the period, Class F	**$**	**175,518**	**$**	**594,645**

(See accompanying notes to financial statements)

Statement of Investment Portfolio *(unaudited)*
As at June 30, 2012

Security	Shares/ Units	Average Cost	Fair Value
U.S. EQUITIES (19.0%)			
Consumer Discretionary (7.1%)			
Dollar Thrifty Automotive Group Inc.	500	$ 36,857	$ 41,197
IAC/InterActiveCorp	1,000	44,972	46,461
		81,829	87,658
Materials (5.8%)			
BE Resources Inc.	1,000,000	88,162	30,000
BE Resources Inc., Warrants, 2013/09/15	500,000	10,000	–
Monsanto Co.	500	39,019	42,175
		137,181	72,175
Information Technology (3.4%)			
Apple Inc.	70	42,691	41,660
Health Care (2.7%)			
Salix Pharmaceuticals Ltd.	600	27,954	33,282
TOTAL U.S. EQUITIES		**289,655**	**234,775**
CANADIAN EQUITIES (15.5%)			
Materials (12.0%)			
Alamos Gold Inc.	2,400	47,957	38,064
Chemtrade Logistics Income Fund	2,500	37,518	38,625
Exploration Orbite V.S.P.A. Inc., Warrants, 2012/07/07	45,000	–	–
Franco-Nevada Corp., Warrants, 2013/07/08	85,000	26,207	15,300
Northern Superior Resources Inc.	105,500	31,301	20,045
Silver Wheaton Corp.	1,400	50,834	38,234
		193,817	150,268
Consumer Discretionary (3.5%)			
Dollarama Inc.	700	36,113	42,805
TOTAL CANADIAN EQUITIES		**229,930**	**193,073**
U.S. FIXED INCOME (11.2%)			
Exchange Traded Funds (11.2%)			
iShares iBoxx $ High Yield Corporate Bond Fund	1,500	137,545	139,520
TOTAL U.S. FIXED INCOME		**137,545**	**139,520**

Statement of Investment Portfolio *(unaudited) (continued)*

As at June 30, 2012

Security	Shares/ Units	Average Cost	Fair Value
GLOBAL EQUITIES (1.6%)			
Energy (1.6%)			
Longreach Oil & Gas Ltd.	26,600	27,959	19,285
Longreach Oil & Gas Ltd., Warrants, 2013/01/29	160,600	–	730
		27,959	20,015
TOTAL GLOBAL EQUITIES		**27,959**	**20,015**
DERIVATIVES (0.1%)			
Currency Forwards (0.1%)			
Currency forward contract to buy CAD $765,375 for USD $750,000 with an exchange rate of 0.9799 maturing July 18, 2012		–	809
TOTAL DERIVATIVES		**–**	**809**
TOTAL INVESTMENTS		**685,089**	**588,192**
Transaction costs (note 2)		(319)	
TOTAL INVESTMENT PORTFOLIO (47.4%)		**$ 684,770**	**$ 588,192**
Cash and cash equivalents (65.4%)			811,485
Other assets less liabilities (-12.8%)			(158,533)
NET ASSETS AT FAIR VALUE (100.0%)			**$ 1,241,144**

(See accompanying notes to financial statements)

Supplementary Schedules

Summary of Fair Valuation Inputs *(note 2c)*

The following table is a summary of the inputs used as of June 30, 2012 and December 31, 2011, 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, 2012			December 31, 2011		
	Level 1 ($)	**Level 2 ($)**	**Level 3 ($)**	**Level 1 ($)**	**Level 2 ($)**	**Level 3 ($)**
Financial Assets						
Equities	587,383	–	–	2,609,717	135,937	–
Currency Forward & Spot Contracts	–	765,375	–	–	18,654	–
Total Financial Assets	**587,383**	**765,375**	**–**	**2,609,717**	**154,591**	**–**
Financial Liabilities						
Currency Forward & Spot Contracts	–	(764,567)	–	–	–	–
Total Financial Liabilities	**–**	**(764,567)**	**–**	**–**	**–**	**–**
Total Financial Assets and Liabilities	**587,383**	**809**	**–**	**2,609,717**	**154,591**	–

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 year. In addition, there were no investments or transactions classified in Level 3 for the period ended June 30, 2012 or for the year ended December 31, 2011.

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.

Supplementary Schedules *(continued)*

During the year, 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.

(b) Currency risk

The table below indicates the foreign currencies to which the Fund had significant exposure as at year 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	Currency Forward	Cash	Total	Impact on Net Assets
U.S. Dollar	$374,295	($764,567)	$354,237	($36,035)	($36.03)
As % of net assets	30.2%	-61.7%	28.6%	2.9%	0.1%

(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 of June 30, 2012, the Fund had no significant investments in debt instruments and therefore, no related credit risk exposure.

As of June 30, 2012, the Fund did have exposure to over-the-counter FX derivative contracts for hedging purposes.

Derivative	$	Rating	Percentage of Net Assets
Forward Agreement*	$764,567	Aa2	61.7%
Total	$764,567		61.7%

*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 of June 30, 2012, the Fund is considered relatively liquid.

Supplementary Schedules *(continued)*

(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 of June 30, 2012, 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	$2,483

Statement of Net Assets

As at June 30, 2012 (unaudited) and December 31, 2011

		2012		2012
Assets				
Cash and cash equivalents	$	371,188	$	211,336
Investments		2,398,167		6,152,125
Unrealized gain on Equity Forward Contract (note 3)		2,766,531		2,850,799
		5,535,886		9,214,260
Liabilities				
Accrued expenses		14,476		56,248
Liabilities for securities redeemed		17,495		22,762
Accrued forward agreement fees		-		18,830
		31,971		97,840
Total net assets and securityholders' equity	**$**	**5,503,915**	**$**	**9,116,420**
Total net assets and securityholders' equity, Class A	$	4,778,778	$	7,750,102
Securities outstanding, Class A (note 3)		986,455		1,349,661
Net assets per security, Class A	$	4.84	$	5.74
Total net assets and securityholders' equity, Class F	$	725,137	$	1,366,318
Securities outstanding, Class F (note 3)		140,872		225,858
Net assets per security, Class F	$	5.15	$	6.05

(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,

	2012	2011
Investment income		
Interest revenue	$ 292	$ 2,693
Short-term trading fees	294	324
	586	3,017
Expenses		
Management fees (note 6)	68,048	139,460
Audit fees	11,821	19,737
Independent Review Committee fees	11,280	11,534
Custodial fees	2,549	4,405
Legal fees	20,057	20,112
Securityholder reporting costs	9,169	9,178
Administration fees	49,130	50,408
Other expenses	1,517	1,512
	173,571	256,346
Net investment loss for the period	**(172,985)**	**(253,329)**
Realized and unrealized gain (loss) on investments and transaction costs		
Net realized loss	(202,050)	(561,360)
Change in unrealized loss	(308,571)	(624,041)
Transaction costs (note 2)	(21,157)	(37,001)
Net gain (loss) on investments	**(531,778)**	**(1,222,402)**
Decrease in net assets from operations	**$ (704,763)**	**$ (1,475,731)**
Increase (decrease) in net assets from operations, Class A	$ (606,409)	$ (1,309,876)
Increase (decrease) in net assets from operations per security, Class A	(0.53)	(0.83)
Increase (decrease) in net assets from operations, Class F	$ (98,354)	$ (165,326)
Increase (decrease) in net assets from operations per security, Class F	(0.54)	(0.77)

(See accompanying notes to financial statements)

Statement of Changes in Net Assets *(unaudited)*

For the Periods Ended June 30,

	2012	2011
Net assets at the beginning of the period	$ 9,113,823	$ 11,403,775
Increase (decrease) in net assets from operations	(704,763)	(1,475,731)
Capital transactions		
Proceeds from the issuance of securities of the investment fund	59,262	6,710,257
Aggregate amounts paid on redemption of securities of the investment fund	(2,836,606)	(1,272,041)
Net transfer of securities from other funds	13,815	365,379
Securities issued on reinvestment of distributions	243,177	314,184
Distributions:		
Net investment income	(384,793)	–
Return of capital	–	(557,148)
Net assets at the end of the period	**$ 5,503,915**	**$ 15,488,675**

	2012	2011
Net assets at the beginning of the period, Class A	$ 7,747,894	$ 9,795,390
Increase (decrease) in net assets from operations, Class A	(606,409)	(1,309,876)
Capital transactions, Class A		
Proceeds from the issuance of securities of the investment fund	35,731	6,082,024
Aggregate amounts paid on redemption of securities of the investment fund	(2,316,111)	(1,114,084)
Net transfer of securities from other funds	33,684	365,669
Securities issued on reinvestment of distributions	215,883	276,857
Distributions:		
Net investment income	(331,894)	–
Return of capital	–	(490,943)
Net assets at the end of the period, Class A	**$ 4,778,778**	**$ 13,605,037**

	2012	2011
Net assets at the beginning of the period, Class F	$ 1,365,929	$ 1,601,445
Increase (decrease) in net assets from operations, Class F	(98,354)	(165,326)
Capital transactions, Class F		
Proceeds from the issuance of securities of the investment fund	23,531	628,233
Aggregate amounts paid on redemption of securities of the investment fund	(520,495)	(157,957)
Net transfer of securities (to) other funds	(19,869)	(290)
Securities issued on reinvestment of distributions	27,294	37,113
Distributions:		
Net investment income	(52,899)	
Return of capital	–	(65,947)
Net assets at the end of the period, Class F	**$ 725,137**	**$ 1,877,271**

	2012	2011
Net assets at the beginning of the period, Class I	$ –	$ 6,940
Increase (decrease) in net assets from operations, Class I	–	(529)
Capital transactions, Class I		
Securities issued on reinvestment of distributions	–	214
Distributions:		
Return of capital	–	(258)
Net assets at the end of the period, Class I	**$ –**	**$ 6,367**

(See accompanying notes to financial statements)

Statement of Investment Portfolio *(unaudited)*
As at June 30, 2012

Security	Shares	Average Cost	Fair Value
Equity Forward Contract (43.6%)			
See supplementary schedule 2		$ –	$ 2,398,167
TOTAL EQUITY FORWARD CONTRACTS		**–**	**2,398,167**
CANADIAN EQUITY PORTFOLIO (50.3%)			
Energy (28.3%)			
Advantage Oil & Gas Ltd.	56,657	399,999	169,971
Angle Energy Inc.	68,702	614,883	221,220
Athabasca Oil Corp.	19,430	299,999	217,227
Bankers Petroleum Ltd.	4,905	47,235	8,633
Celtic Exploration Ltd.	167	2,956	2,286
Legacy Oil + Gas Inc., Class 'A'	30,989	519,995	173,538
MEG Energy Corp.	2,570	103,083	93,240
Petrobank Energy and Resources Ltd.	13,960	299,163	150,908
Precision Drilling Corp.	38,624	550,006	266,506
Tourmaline Oil Corp.	4,691	112,021	125,860
TransGlobe Energy Corp.	13,609	178,142	123,298
		3,127,482	1,552,687
Materials (12.3%)			
Detour Gold Corp.	10,280	299,148	210,740
Kirkland Lake Gold Inc.	4,274	59,879	46,715
New Gold Inc.	9,678	93,586	93,489
Osisko Mining Corp.	38,325	538,466	266,742
Tahoe Resources Inc.	4,396	103,086	61,852
		1,094,165	679,538
Information Technology (8.1%)			
Celestica Inc.	45,022	520,004	332,262
CGI Group Inc., Class 'A'	4,707	103,036	114,804
		623,040	447,066
Health Care (1.6%)			
Valeant Pharmaceuticals International Inc.	1,914	103,088	87,240
		103,088	87,240
TOTAL CANADIAN EQUITY PORTFOLIO (note 3)		**4,947,775**	**2,766,531**
TOTAL INVESTMENT PORTFOLIO (93.9%)		**$ 4,947,775**	**$ 5,164,698**
Cash and cash equivalents (6.7%)			371,188
Other assets less liabilities (-0.6%)			(31,971)
NET ASSETS AT FAIR VALUE (100.0%)			**$ 5,503,915**

(See accompanying notes to financial statements)

Supplementary Schedules

Summary of Fair Valuation Inputs *(note 2c)*

The following table is a summary of the inputs used as of June 30, 2012 and December 31, 2011 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, 2012			December 31, 2011		
	Level 1 ($)	**Level 2 ($)**	**Level 3 ($)**	**Level 1 ($)**	**Level 2 ($)**	**Level 3 ($)**
Financial Assets						
Equities	2,766,531	–	–	6,152,125	–	–
Equity Forward Contracts	–	2,398,167	–	–	2,850,799	–
Total Financial Assets	**2,766,531**	**2,398,167**	**–**	**6,152,125**	**2,850,799**	**–**
Total Financial Liabilities	**–**	**–**	**–**	**–**	**–**	**–**
Total Financial Assets and Liabilities	**2,766,531**	**2,398,167**	**–**	**6,152,125**	**2,850,799**	**–**

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 year. In addition, there were no investments or transactions classified in Level 3 for the period ended June 30, 2012 and December 31, 2011.

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 year, 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 *(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	Currency Forward	Cash	Total	Impact on Net Assets
U.S. Dollar	$1,938,715	($3,000,00)	$905,269	($156,016)	($156.02)
As % of net assets	37.5%	-58.03%	17.5%	3.0%	0.1%

(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 of June 30, 2012, the Fund had no significant investments in debt instruments and therefore no related credit risk exposure.

As of June 30, 2012, the Fund did have exposure to over-the-counter FX derivative contract for hedging purposes.

Derivative	$	Rating	Percentage of Net Assets
Forward Agreement*	$3,000,000	Aa2	58.03%
Total	**$3,000,000**		**58.03%**

*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 of June 30, 2012, the Fund is considered relatively liquid.

Supplementary Schedules *(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 of June 30, 2012, 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	$55,039

Supplementary Schedule 1 *(Underlying Portfolio) (unaudited)*
As at June 30, 2012

Security	Fair Value
CANADIAN EQUITIES (22.2%)	
Materials (9.2%)	
Canexus Corp.	125,926
Centerra Gold Inc.	99,120
Chemtrade Logistics Income Fund	247,200
	472,246
Financials (7.1%)	
Bank of Montreal	168,600
Toronto-Dominion Bank (The)	199,000
	367,600
Industrials (3.0%)	
Genivar Inc.	156,100
Energy (2.9%)	
Pembina Pipeline Corp.	148,314
TOTAL CANADIAN EQUITIES	**1,144,260**
U.S. EQUITIES (26.7%)	
Energy (10.9%)	
Cheniere Energy Partners L.P.	173,569
Enbridge Energy Partners L.P., Class 'A'	78,496
Energy Transfer Partners L.P.	179,810
Regency Energy Partners L.P.	108,387
Targa Resources Partners L.P.	24,750
	565,012
Financials (9.9%)	
AllianceBernstein Holding L.P.	186,226
Ares Capital Corp.	154,516
Mercury General Corp.	169,864
	510,606
Information Technology (3.5%)	
Apple Inc.	178,543
Materials (2.4%)	
SPDR Gold Trust	126,474

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

As at June 30, 2012

Security	Fair Value
TOTAL U.S. EQUITIES	**1,380,635**
U.S. FIXED INCOME (10.8%)	
Exchange Traded Funds (10.8%)	
iShares iBoxx $ High Yield Corporate Bond Fund	558,080
TOTAL U.S. FIXED INCOME	**558,080**
GLOBAL EQUITIES (0.2%)	
Energy (0.2%)	
Longreach Oil & Gas Ltd.	9,035
Longreach Oil & Gas Ltd., Warrants, 2013/01/29	325
	9,360
TOTAL GLOBAL EQUITIES	**9,360**
CURRENCY FORWARDS (0.1%)	
Currency forward Contract to buy CAD $3,061,500 for USD $3,000,000 with an exchange rate of 0.9799 maturing July 18, 2012.	3,234
TOTAL CURRENCY FORWARDS	**3,234**
TOTAL INVESTMENT PORTFOLIO (60.0%)	**$ 3,095,569**
Cash and cash equivalents (40.8%)	2,109,577
Other assets less liabilities (-0.8%)	(40,448)
NET ASSETS AT FAIR VALUE (100.0%)	**$ 5,164,698**

Supplementary Schedule 2 *(Underlying Portfolio)*

As at June 30, 2012

Underlying portfolio, net assets at fair value	$ 5,164,698
Less: Canadian Equity Portfolio, net assets at fair value	2,164,698
Equity Forward Contract	**$ 3,000,00**

(See accompanying notes to financial statements)

Notes to Financial Statements *(unaudited)*
June 30, 2012

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. ("Webb Canada") is the manager and trustee of the Funds.

Webb Canada announced that effective October 19, 2009, JovInvestment Management Inc. ("JovInvestment"), a member of the Jovian Capital Corporation group of companies, was appointed as the portfolio advisor and administrator of the Funds, roles previously performed by the Webb Canada

As portfolio advisor, JovInvestment was responsible for coordinating portfolio management and advisory services to the Funds. As administrator, JovInvestment was responsible for providing marketing and administrative services to the Webb Canada and the Funds, including accounting facilities and clerical staff.

As of October 31, 2011 Webb Canada was re-appointed portfolio advisor and administrator of the Funds, roles previously performed by JovInvestment. As portfolio advisor, Webb Canada is responsible for coordinating portfolio management and advisory services to the Funds. As administrator, Webb Canada is responsible for providing marketing and administrative services to the Funds, including accounting and clerical staff.

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

Notes to Financial Statements *(unaudited) (continued)*

June 30, 2012

(c) Financial reporting dates

The statements of investment portfolio are as of June 30, 2012, and the statements of net assets are as of June 30, 2012 and December 31, 2011. The statements of operations and changes in net assets are for the periods ending June 30, 2012 and 2011.

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) Fair value hierarchy

During the 2012 and 2011 fiscal years, there were no changes in Canadian GAAP accounting policies or disclosure requirements.

CICA Handbook Section 3862 "Financial Instruments – Disclosures" requires 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 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 GAAP 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 use of specific valuation techniques, rather than the use of valuation techniques by virtue of general practice in

Notes to Financial Statements *(unaudited) (continued)*
June 30, 2012

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, 2012 Per Security			As at December 31, 2011 Per Security		
	Net Asset Value ($)	**Section 3855 Adjustment ($)**	**Net Assets ($)**	**Net Asset Value ($)**	**Section 3855 Adjustment ($)**	**Net Assets ($)**
Webb Enhanced Growth Fund						
Series A	4.52	(0.02)	4.50	5.20	(0.07)	5.13
Series F	4.72	(0.02)	4.70	5.41	(0.07)	5.34
Webb Enhanced Income Fund						
Series A	4.85	(0.01)	4.84	5.76	(0.02)	5.74
Series F	5.15	-	5.15	6.07	(0.02)	6.05

(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, 2012

(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 year.

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 year. Actual results could differ from those estimates.

Notes to Financial Statements *(unaudited) (continued)*

June 30, 2012

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, 2012

Summary of purchases/reinvestments and redemptions of securities for the periods ending June 30, 2012 and 2011.

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	2012 2011	407,207 767,322	1,272 8,371	(171,829) (368,486)	236,650 407,207	321,300 590,458
Webb Enhanced Growth Fund - Series F	2012 2011	44,106 80,817	1,574 8,554	(8,344) (45,264)	37,336 44,107	37,605 68,099
Webb Enhanced Growth Fund - Series I	2012 2011	– –	– –	– –	– –	– –
Webb Enhanced Income Fund - Series A	2012 2011	1,349,661 1,171,983	51,296 924,097	(414,502) (746,419)	986,455 1,349,661	1,138,626 1,607,258.00
Webb Enhanced Income Fund - Series F	2012 2011	225,858 184,647	8,622 97,940	(93,608) (56,729)	140,872 225,858	182,761 225,631
Webb Enhanced Income Fund - Series I	2012 2011	– 846	– 32	– (878)	– –	– 859

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

	Total Capital Losses ($)	Non-Capital Losses by Expiry Date ($)			
Fund		2028	2029	2030	2031
Webb Enhanced Growth Fund	3,495,930	199,466	–	263,635	299,260
Webb Enhanced Income Fund	4,905,469	397,574	338,259	117,335	430,463

Notes to Financial Statements *(unaudited) (continued)*

June 30, 2012

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 ending June 30, 2012 and 2011 are as follows:

	Brokerage Commissions	
	2012	2011
Funds	$	$
Webb Enhanced Growth Fund	6,176.69	151,499
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, 2012

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. No performance fees were accrued or paid to the Manager for the periods ending June 30, 2012, 2011 and 2010.

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.

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