



WEBB ASSET MANAGEMENT

Annual Financial Statements

December 31, 2011

Webb Enhanced Growth Fund
Webb Enhanced Income Fund



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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.

KPMG LLP

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



Statement of Net Assets

As at December 31,

	2011	2010
Assets		
Cash and cash equivalents	\$ —	\$ 180,890
Investments	2,745,654	8,301,945
Derivatives (note 3)	18,654	—
Amounts receivable relating to portfolio assets sold	562,313	973,290
Amounts receivable relating to accrued income	1,354	7,713
	3,327,975	9,463,838
Liabilities		
Accrued expenses	40,715	53,183
Liabilities for securities redeemed	—	50,689
Liabilities for portfolio assets purchased	227,823	994,525
Bank overdraft	733,442	—
	1,001,980	1,098,397
Total net assets and securityholders' equity	\$ 2,325,995	\$ 8,365,441
Total net assets and securityholders' equity, Series A	\$ 2,090,390	\$ 7,546,431
Securities outstanding, Series A (note 4)	407,207	767,322
Net assets per security, Series A (note 2 (c))	\$ 5.13	\$ 9.83
Total net assets and securityholders' equity, Series F	\$ 235,605	\$ 819,010
Securities outstanding, Series F (note 4)	44,107	80,817
Net assets per security, Series F (note 2 (c))	\$ 5.34	\$ 10.13

(See accompanying notes to financial statements)

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

Derek Webb
President & CEO

**Statement of Operations**

For the Years Ended December 31,

	2011	2010
Investment income		
Dividend revenue	\$ 14,289	\$ 69,422
Interest revenue	10,233	17,965
Short-term trading fees	512	587
Less: foreign withholding taxes	(1,046)	(6,280)
	23,988	81,694
Expenses		
Management fees (note 7)	114,109	205,853
Audit fees	27,065	15,346
Independent Review Committee fees	14,355	20,544
Custodial fees	9,795	16,001
Legal fees	16,102	26,543
Securityholder reporting costs	17,349	21,347
Administration fees	106,106	86,809
Other expenses	(425)	52,695
	304,456	445,138
Net investment loss for the year	(280,468)	(363,444)
Realized and unrealized gain (loss) on investments and transaction costs		
Net realized gain (loss)	(1,245,036)	88,871
Change in unrealized gain (loss)	(1,132,968)	1,053,256
Change in unrealized foreign exchange loss	(67,389)	87,138
Net realized foreign exchange loss	(25,945)	(28,801)
Transaction costs (note 2)	(247,784)	(87,526)
Net gain (loss) on investments	(2,719,122)	1,112,938
Increase (decrease) in net assets from operations	\$ (2,999,590)	\$ 749,494
Increase (decrease) in net assets from operations, Series A	\$ (2,670,792)	\$ 692,190
Increase (decrease) in net assets from operations per security, Series A	(4.52)	0.66
Increase (decrease) in net assets from operations, Series F	\$ (328,798)	\$ 57,326
Increase (decrease) in net assets from operations per security, Series F	(4.83)	0.34
Increase (decrease) in net assets from operations, Series I	\$ —	\$ (22)
Increase (decrease) in net assets from operations per security, Series I	—	(0.08)

(See accompanying notes to financial statements)

**Statement of Changes in Net Assets***For the Years Ended December 31,*

	2011	2010
Net assets at the beginning of the year	\$ 8,365,441	\$ 14,535,845
Increase (decrease) in net assets from operations	(2,999,590)	749,494
Capital transactions		
Proceeds from the issuance of securities of the investment fund	160,626	192,208
Aggregate amounts paid on redemption of securities of the investment fund	(2,718,004)	(5,771,988)
Net transfer of securities to other funds	(482,478)	(1,340,118)
Net assets at the end of the year	\$ 2,325,995	\$ 8,365,441
Net assets at the beginning of the year, Series A	\$ 7,546,431	\$ 12,061,402
Increase (decrease) in net assets from operations, Series A	(2,670,792)	692,190
Capital transactions, Series A		
Proceeds from the issuance of securities of the investment fund	75,626	192,208
Aggregate amounts paid on redemption of securities of the investment fund	(2,403,852)	(4,369,484)
Net transfer of securities to other funds	(457,023)	(1,029,885)
Net assets at the end of the year, Series A	\$ 2,090,390	\$ 7,546,431
Net assets at the beginning of the year, Series F	\$ 819,010	\$ 2,472,459
Increase (decrease) in net assets from operations, Series F	(328,798)	57,326
Capital transactions, Series F		
Proceeds from the issuance of securities of the investment fund	85,000	–
Aggregate amounts paid on redemption of securities of the investment fund	(314,152)	(1,400,542)
Net transfer of securities to other funds	(25,455)	(310,233)
Net assets at the end of the year, Series F	\$ 235,605	\$ 819,010
Net assets at the beginning of the year, Series I	\$ –	\$ 1,984
Increase (decrease) in net assets from operations, Series I	–	(22)
Aggregate amounts paid on redemption of securities of the investment fund	–	(1,962)
Net transfer of securities to other funds	–	–
Net assets at the end of the year, Series I	\$ –	\$ –

(See accompanying notes to financial statements)

**Statement of Investment Portfolio**

As at December 31, 2010

Security	Shares/ Units	Average Cost	Fair Value
U.S. EQUITIES (74.0%)			
Exchange Traded Funds (36.7%)			
Direxion Daily Financial Bear 3X Shares	9,600	375,064	363,777
ProShares UltraPro Short QQQ	9,200	194,918	183,947
ProShares UltraPro Short Russell 2000	14,300	200,434	191,242
UltraShort Semiconductor ProShares	2,500	125,438	114,031
		895,854	852,997
Health Care (13.3%)			
ABIOMED Inc.	3,500	66,589	64,000
Cambrex Corp.	11,300	64,061	82,513
Questcor Pharmaceuticals Inc.	2,500	110,941	105,031
United Therapeutics Corp.	1,200	51,154	57,640
		292,745	309,184
Consumer Discretionary (11.9%)			
CSS Industries Inc.	2,800	56,736	55,984
Goodyear Tire & Rubber Co. (The)	4,000	52,336	57,399
Sturm, Ruger & Co. Inc.	2,600	87,268	88,475
VOXX International Corp.	8,700	62,737	74,499
		259,077	276,357
Financial Services (6.2%)			
Bank Mutual Corp.	17,688	56,658	57,024
Columbia Banking Systems Inc.	4,450	78,394	87,209
		135,052	144,233
Energy (3.2%)			
Darling International Inc.	3,600	81,196	74,286
Consumer Staples (2.7%)			
Seneca Foods Corp., Class 'A'	2,534	55,216	63,680
		55,216	63,680
TOTAL U.S. EQUITIES		1,719,140	1,720,737
CANADIAN EQUITIES (42.8%)			
Materials (23.0%)			
BE Resources Inc.	1,000,000	90,000	40,000
BE Resources Inc., Warrants, 2013/09/15	500,000	10,000	–
Cream Minerals Ltd.	333,000	92,740	69,930
Exploration Orbite V.S.P.A. Inc., Warrants, Restricted	45,000	–	88
Franco-Nevada Corp., Warrants, 2013/07/08	185,000	57,039	49,025
Mega Uranium Ltd., Warrants, 2012/02/12	238,000	35,277	–
Northern Superior Resources Inc.	236,500	70,168	67,402
Quadra FNX Mining Ltd., Warrants, 2012/09/09	65,000	125,635	123,500
Rio Alto Mining Ltd.	27,100	81,964	85,907

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

As at December 31, 2010

Security	Shares/ Units	Average Cost	Fair Value
Yamana Gold Inc.	6,700	102,397	100,366
		665,220	536,218
Energy (9.2%)			
Canyon Services Group Inc.	4,100	49,989	48,995
PHX Energy Services Corp.	7,100	76,413	75,260
Poseidon Concepts Corp.	7,200	83,061	89,640
		209,463	213,895
Financial Services (4.6%)			
Fairfax Financial Holdings Ltd.	245	103,013	107,065
Consumer Discretionary (3.1%)			
Cogeco Cable Inc.	1,400	66,584	71,890
Industrials (2.9%)			
PFB Corp.	12,200	74,549	67,710
TOTAL CANADIAN EQUITIES		1,118,829	996,778
GLOBAL EQUITIES (1.2%)			
Energy (1.2%)			
Longreach Oil & Gas Ltd.	90,600	95,230	28,086
Longreach Oil & Gas Ltd., Warrants, 2013/01/29	160,600	–	53
		95,230	28,139
TOTAL GLOBAL EQUITIES		95,230	28,139
DERIVATIVES (0.8%)			
Currency Forwards (0.8%)			
Currency forward Contract to buy USD \$1,000,000 for CAD \$1,035,947 with an exchange rate of 0.9653 maturing January 19, 2012.		–	18,654
TOTAL DERIVATIVES		–	18,654
TOTAL INVESTMENTS		2,933,199	2,764,308
Transaction costs (note 2)		(3,641)	
TOTAL INVESTMENT PORTFOLIO (118.8%)		\$ 2,929,558	\$ 2,764,308
Other assets less liabilities (12.7%)			295,129
Cash and cash equivalents (-31.5%)			(733,442)
NET ASSETS AT FAIR VALUE (100.0%)			\$ 2,325,995

(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 at December 31, 2011 and 2010, 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.

Classification	December 31, 2011			December 31, 2010		
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
Financial Assets						
Equities	2,609,717	135,937	–	8,301,945	–	–
Currency Forwards	–	18,654	–	–	–	–
Total Financial Assets	2,609,717	154,591	–	8,301,945	–	–
Financial Liabilities						
Total Financial Liabilities	–	–	–	–	–	–
Total Financial Assets and Liabilities	2,609,717	154,591	–	8,301,945	–	–

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 year ended December 31, 2011 or for the year ended December 31, 2010.

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 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.

**Supplementary Schedules** (continued)**(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	\$1,720,737	(\$1,017,345)	(\$493,928)	\$209,464	\$2.095
As % of net assets	74.0%	-43.7%	-21.2%	9.0%	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, debentures or derivative contracts.

As at December 31, 2011, the Fund had no significant investments in debt instruments and therefore, no related credit risk exposure.

As at December 31, 2011, the Fund did have exposure to over-the-counter FX derivative contracts for hedging purposes.

Derivative	\$	Rating	Percentage of Net Assets
Forward Agreement*	1,017,345	Aa2	43.7%
Total	1,017,345		43.7%

*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 at December 31, 2011, the Fund is considered relatively liquid.



Supplementary Schedules

(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 December 31, 2011, 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	\$15,831

**Statement of Net Assets**

As at December 31,

	2011	2010
Assets		
Cash and cash equivalents	\$ 211,336	\$ 399,282
Investments	6,152,125	7,563,203
Accounts receivable relating to securities issued	–	26,657
Unrealized gain on Equity Forward Contract (note 3)	2,850,799	3,485,649
	<u>9,214,260</u>	<u>11,474,791</u>
Liabilities		
Accrued expenses	56,248	55,744
Liabilities for securities redeemed	22,762	–
Accrued forward agreement fees	18,830	15,272
	<u>97,840</u>	<u>71,016</u>
Total net assets and securityholders' equity	\$ 9,116,420	\$ 11,403,775
Total net assets and securityholders' equity, Series A	\$ 7,750,102	\$ 9,795,390
Securities outstanding, Series A (note 4)	1,349,661	1,171,983
Net assets per security, Series A (note 2 (c))	<u>\$ 5.74</u>	<u>\$ 8.36</u>
Total net assets and securityholders' equity, Series F	\$ 1,366,318	\$ 1,601,445
Securities outstanding, Series F (note 4)	225,858	184,647
Net assets per security, Series F (note 2 (c))	<u>\$ 6.05</u>	<u>\$ 8.67</u>
Total net assets and securityholders' equity, Series I	\$ –	\$ 6,940
Securities outstanding, Series I (note 4)	–	846
Net assets per security, Series I (note 2 (c))	<u>\$ –</u>	<u>\$ 8.21</u>

(See accompanying notes to financial statements)

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

Derek Webb
President & CEO

**Statement of Operations**

For the Years Ended December 31,

	2011	2010
Investment income		
Interest revenue	\$ 3,682	\$ 334
Short-term trading fees	1,277	1,711
	4,959	2,045
Expenses		
Management fees (note 7)	267,038	207,477
Audit fees	45,920	12,942
Independent Review Committee fees	29,765	19,957
Custodial fees	7,050	8,690
Legal fees	61,713	40,500
Securityholder reporting costs	26,950	21,382
Administration fees	182,461	79,594
Other expenses	354	460
	621,251	391,002
Net investment loss for the year	(616,292)	(388,957)
Realized and unrealized gain (loss) on investments and transaction costs		
Net realized gain (loss)	(277,663)	1,006,979
Change in unrealized gain (loss)	(3,158,255)	1,364,468
Net realized foreign exchange loss	(1)	–
Transaction costs (note 6)	(84,472)	(66,373)
Net gain (loss) on investments	(3,520,391)	2,305,074
Increase (decrease) in net assets from operations	\$ (4,136,683)	\$ 1,916,117
Increase (decrease) in net assets from operations, Series A	\$ (3,640,063)	\$ 1,619,494
Increase (decrease) in net assets from operations per security, Series A	(2.27)	1.36
Increase (decrease) in net assets from operations, Series F	\$ (496,088)	\$ 295,683
Increase (decrease) in net assets from operations per security, Series F	(2.20)	1.34
Increase (decrease) in net assets from operations, Series I	\$ (532)	\$ 940
Increase (decrease) in net assets from operations per security, Series I	(0.62)	1.15

(See accompanying notes to financial statements)

**Statement of Changes in Net Assets**

For the Years Ended December 31,

	2011	2010
Net assets at the beginning of the year	\$ 11,403,775	\$ 10,279,941
Increase (decrease) in net assets from operations	(4,136,683)	1,916,117
Capital transactions		
Proceeds from the issuance of securities of the investment fund	6,961,999	3,130,478
Aggregate amounts paid on redemption of securities of the investment fund	(5,255,093)	(4,978,334)
Net transfer of securities from other funds	482,065	1,339,803
Securities issued on reinvestment of distributions	761,325	559,956
Distributions:		
Return of capital	(1,100,968)	(844,186)
Net assets at the end of the year	\$ 9,116,420	\$ 11,403,775
Net assets at the beginning of the year, Series A	\$ 9,795,390	\$ 8,742,642
Increase (decrease) in net assets from operations, Series A	(3,640,063)	1,619,494
Capital transactions, Series A		
Proceeds from the issuance of securities of the investment fund	6,281,319	2,602,418
Aggregate amounts paid on redemption of securities of the investment fund	(4,871,794)	(3,750,158)
Net transfer of securities from other funds	482,355	806,100
Securities issued on reinvestment of distributions	667,353	488,437
Distributions:		
Return of capital	(964,458)	(713,543)
Net assets at the end of the year, Series A	\$ 7,750,102	\$ 9,795,390
Net assets at the beginning of the year, Series F	\$ 1,601,445	\$ 1,537,299
Increase (decrease) in net assets from operations, Series F	(496,088)	295,683
Capital transactions, Series F		
Proceeds from the issuance of securities of the investment fund	680,680	522,060
Aggregate amounts paid on redemption of securities of the investment fund	(376,891)	(1,228,176)
Net transfer of securities from (to) other funds	(290)	533,703
Securities issued on reinvestment of distributions	93,714	71,071
Distributions:		
Return of capital	(136,252)	(130,195)
Net assets at the end of the year, Series F	\$ 1,366,318	\$ 1,601,445
Net assets at the beginning of the year, Series I	\$ 6,940	\$ –
Increase (decrease) in net assets from operations, Series I	(532)	940
Capital transactions, Series I		
Proceeds from the issuance of securities of the investment fund	–	6,000
Aggregate amounts paid on redemption of securities of the investment fund	(6,408)	–
Securities issued on reinvestment of distributions	258	448
Distributions:		
Return of capital	(258)	(448)
Net assets at the end of the year, Series I	\$ –	\$ 6,940

(See accompanying notes to financial statements)

**Statement of Investment Portfolio**

As at December 31, 2011

Security	Shares	Average Cost	Fair Value
Equity Forward Contract (31.3%)			
See supplementary schedule 2		\$ —	\$ 2,850,799
TOTAL EQUITY FORWARD CONTRACTS		—	2,850,799
CANADIAN EQUITY PORTFOLIO (67.5%)			
Energy (27.8%)			
Advantage Oil & Gas Ltd.	56,657	399,998	239,093
Angle Energy Inc.	68,702	614,883	436,258
Athabasca Oil Sands Corp.	19,430	299,999	242,681
Bankers Petroleum Ltd.	53,998	520,001	238,131
Celtic Exploration Ltd.	167	2,956	3,803
Legacy Oil + Gas Inc.	30,989	519,995	324,765
Petrobank Energy and Resources Ltd.	13,960	299,163	147,697
Precision Drilling Corp.	38,624	550,006	404,007
Tourmaline Oil Corp.	4,691	112,021	124,921
TransGlobe Energy Corp.	45,837	600,006	368,988
		<u>3,919,028</u>	<u>2,530,344</u>
Materials (19.4%)			
Detour Gold Corp.	10,280	299,148	257,720
Harry Winston Diamond Corp.	44,966	546,787	485,633
Kirkland Lake Gold Inc.	35,689	500,004	547,826
New Gold Inc.	9,678	93,586	98,909
Osisko Mining Corp.	38,325	538,466	375,585
		<u>1,977,991</u>	<u>1,765,673</u>
Information Technology (13.2%)			
Celestica Inc.	45,022	520,004	336,765
Open Text Corp.	12,812	570,646	666,736
Research In Motion Ltd.	13,754	750,006	203,009
		<u>1,840,656</u>	<u>1,206,510</u>
Industrials (7.1%)			
FirstService Corp.	5,586	129,372	150,431
Flint Energy Services Ltd.	34,591	549,997	437,576
Stantec Inc.	2,234	60,386	61,591
		<u>739,755</u>	<u>649,598</u>
TOTAL CANADIAN EQUITY PORTFOLIO (note 3)		8,477,430	6,152,125
TOTAL INVESTMENT PORTFOLIO (98.8%)		\$ 8,477,430	\$ 9,002,924
Cash and cash equivalents (-2.3%)			211,336
Other assets less liabilities (-1.1%)			(97,840)
NET ASSETS AT FAIR VALUE (100.0%)			\$ 9,116,420



Supplementary Schedules

Summary of Fair Valuation Inputs (note 2c)

The following table is a summary of the inputs used as at December 31, 2011 and 2010 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.

	December 31, 2011			December 31, 2010		
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
Financial Assets						
Equities	6,152,125	–	–	7,563,203	–	–
Equity Forward Contracts	–	2,850,799	–	–	3,485,649	–
Total Financial Assets	6,152,125	2,850,799	–	7,563,203	3,485,649	–
Total Financial Liabilities	–	–	–	–	–	–
Total Financial Assets and Liabilities	6,152,125	2,850,799	–	7,563,203	3,485,649	–

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 years ended December 31, 2011 and 2010.

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	\$4,264,408	(\$5,086,727)	(\$3,241,709)	(\$4,064,028)	(\$40,640)
As % of net assets	46.8%	-55.8%	-35.6%	-44.6%	-0.4%

(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 December 31, 2011, the Fund had no significant investments in debt instruments and therefore no related credit risk exposure.

As at December 31, 2011, the Fund did have exposure to over-the-counter FX derivative contract for hedging purposes.

Derivative	\$	Rating	Percentage of Net Assets
Forward Agreement*	2,850,799	Aa2	31.2%
Total	2,850,799		31.2%

*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

**Supplementary Schedules** *(continued)*

of. Therefore, as at December 31, 2011, the Fund is considered relatively liquid.

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 December 31, 2011, 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	\$64,980

**Supplementary Schedule 1 (Underlying Portfolio)**

As at December 31, 2011

Security	Fair Value
CANADIAN EQUITIES (46.6%)	
Energy (19.7%)	
AltaGas Ltd.	\$ 318,400
ARC Resources Ltd.	299,880
Freehold Royalties Ltd.	143,634
Pembina Pipeline Corp.	539,812
Provident Energy Ltd.	197,000
Veresen Inc.	295,097
	<u>1,793,823</u>
Financials (13.1%)	
Bank of Montreal	312,648
Canadian Imperial Bank of Commerce	265,500
Primaris Retail REIT	296,784
Toronto-Dominion Bank (The)	304,626
	<u>1,179,558</u>
Utilities (7.3%)	
Capstone Infrastructure Corp.	532,000
Northland Power Inc.	121,312
	<u>653,312</u>
Materials (3.4%)	
Canexus Corp.	243,432
Chemtrade Logistics Income Fund	65,340
Detour Gold Corp.	1,254
	<u>310,026</u>
Telecommunication Services (2.9%)	
Bell Aliant Inc.	256,680
	<u>256,680</u>
TOTAL CANADIAN EQUITIES	<u>4,193,399</u>
U.S. EQUITIES (38.7%)	
Energy (9.8%)	
Enbridge Energy Partners L.P.	417,796
Hornbeck Offshore Services Inc.	150,645
TC Pipelines L.P.	316,000
	<u>884,441</u>
Utilities (7.5%)	
CenterPoint Energy Inc.	285,330
El Paso Electric Co.	387,182
	<u>672,512</u>



Supplementary Schedule 1 (Underlying Portfolio) (continued)
As at December 31, 2011

Security	Fair Value
Information Technology (6.8%)	
Apple Inc.	411,875
Microsoft Corp.	198,010
	<u>609,885</u>
Consumer Discretionary (3.2%)	
Foot Locker Inc.	288,747
Industrials (3.1%)	
Deere & Co.	275,327
Telecommunication Services (3.0%)	
Atlantic Tele-Network Inc.	270,664
Exchange Traded Funds (2.7%)	
SPDR Gold Trust	123,643
VelocityShares Daily Inverse VIX Short-Term ETN	120,595
	<u>244,238</u>
Financials (2.4%)	
Discover Financial Services	219,581
Consumer Staples (0.3%)	
Hansen Natural Corp.	22,771
TOTAL U.S. EQUITIES	<u>3,488,166</u>
U.S. FIXED INCOME (9%)	
Exchange Traded Funds (9%)	
iShares iBoxx \$ High Yield Corporate Bond Fund	634,161
Pimco High Income Fund	175,652
	<u>809,813</u>
TOTAL U.S. FIXED INCOME	<u>809,813</u>
GLOBAL EQUITIES (2.4%)	
Telecommunication Services (2.1%)	
France Télécom SA, ADR	190,993
	<u>190,993</u>
Energy (0.2%)	
Longreach Oil & Gas Ltd.	22,134
Longreach Oil & Gas Ltd., Warrants, 2013/01/29	23
	<u>22,157</u>

**Supplementary Schedule 1** (*Underlying Portfolio*) (*continued*)*As at December 31, 2011*

Security	Fair Value
TOTAL GLOBAL EQUITIES	213,150
TOTAL EQUITIES	8,704,528
CURRENCY FORWARDS (1.0%)	
Currency forward Contract to buy USD \$5,180,000 for CAD \$5,000,000 with an exchange rate of 0.9653 maturing January 19, 2012.	93,273
TOTAL CURRENCY FORWARDS	93,273
SHORT POSITIONS (-3.9%)	
CANADIAN DERIVATIVES (0.0%)	
Equity Options (0.0%)	
Bank of Nova Scotia (The), Put Options at CAD\$48.00 January 2012	(1,040)
	(1,040)
TOTAL CANADIAN DERIVATIVES	(1,040)
U.S. DERIVATIVES (-0.4%)	
Equity Options (-0.4%)	
Walgreen Co., Put Options at US\$32.00 January 2012	(5,044)
Discover Financial Services, Call Options at US\$25.00 January 2012	(3,661)
Apple Inc., Call Options at US\$385.00 January 2012	(24,866)
	(33,571)
TOTAL U.S. DERIVATIVES	(33,571)
CANADIAN EQUITIES (-3.4%)	
Industrials (-3.4%)	
Canadian Pacific Railway Ltd.	(310,545)
	(310,545)
TOTAL CANADIAN EQUITIES	(310,545)
TOTAL LONG POSITION	8,797,801
TOTAL SHORT POSITION	(345,156)
TOTAL INVESTMENT PORTFOLIO (93.8%)	\$ 8,452,645
Cash and cash equivalents (6.2%)	562,359
Other assets less liabilities (-0.1%)	(12,080)
NET ASSETS AT FAIR VALUE (100.0%)	\$ 9,002,924

(See accompanying notes to financial statements)



Supplementary Schedule 2 (*Underlying Portfolio*)

As at December 31, 2011

Underlying portfolio, net assets at fair value	\$ 9,002,924
Less: Canadian Equity Portfolio, net assets at fair value	6,152,125
Equity Forward Contract	<u>\$ 2,850,799</u>

(See accompanying notes to financial statements)



Notes to Financial Statements

For the Years Ended December 31, 2011 and 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. ("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 *(continued)*

For the Years Ended December 31, 2011 and 2010

(c) Financial reporting dates

The statements of investment portfolio are as at December 31, 2011, and the statements of net assets are as at December 31, 2011 and December 31, 2010. The statements of operations and changes in net assets are for the years ended December 31, 2011 and 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) Fair value hierarchy

During the 2011 and 2010 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 *(continued)*

For the Years Ended December 31, 2011 and 2010

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 December 31, 2011			As at December 31, 2010		
	Per Security			Per Security		
	Net Asset Value (\$)	Section 3855 Adjustment (\$)	Net Assets (\$)	Net Asset Value (\$)	Section 3855 Adjustment (\$)	Net Assets (\$)
Webb Enhanced Growth Fund						
Series A	5.20	(0.07)	5.13	9.85	(0.02)	9.83
Series F	5.41	(0.07)	5.34	10.15	(0.02)	10.13
Webb Enhanced Income Fund						
Series A	5.76	(0.02)	5.74	8.38	(0.02)	8.36
Series F	6.07	(0.02)	6.05	8.70	(0.03)	8.67
Series I	—	—	—	8.23	(0.02)	8.21

(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 *(continued)*

For the Years Ended December 31, 2011 and 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 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 *(continued)*

For the Years Ended December 31, 2011 and 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** *(continued)**For the Years Ended December 31, 2011 and 2010***Summary of purchases/reinvestments and redemptions of securities for the years ended December 31, 2011 and 2010.**

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	2010	1,400,610	26,803	(660,091)	767,322	1,050,023
	2011	767,322	8,371	(368,486)	407,207	590,458
Webb Enhanced Growth Fund - Series F	2010	281,477	2,871	(203,531)	80,817	166,683
	2011	80,817	8,554	(45,264)	44,107	68,099
Webb Enhanced Growth Fund - Series I	2010	267	–	(267)	–	267
	2011	–	–	–	–	–
Webb Enhanced Income Fund - Series A	2010	1,160,598	526,074	(514,689)	1,171,983	1,191,849
	2011	1,171,983	924,097	(746,419)	1,349,661	1,607,258
Webb Enhanced Income Fund - Series F	2010	199,244	138,933	(153,530)	184,647	221,068
	2011	184,647	97,940	(56,729)	225,858	225,631
Webb Enhanced Income Fund - Series I	2010	–	846	–	846	816
	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.

Fund	Total Capital Losses (\$)	Non-Capital Losses by Expiry Date (\$)			
		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 *(continued)*

For the Years Ended December 31, 2011 and 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 years ended December 31, 2011 and 2010 are as follows:

Funds	Brokerage Commissions	
	2011	2010
	\$	\$
Webb Enhanced Growth Fund	247,784	87,526
Webb Enhanced Income Fund	84,472	66,373

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 *(continued)*

For the Years Ended December 31, 2011 and 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. No performance fees were accrued or paid to the Manager for the years ended December 31, 2011, 2010 and 2009.

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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