



AUDITED FINANCIAL STATEMENTS
BLUMONT HIRSCH PERFORMANCE FUND

DECEMBER 2009



BLUMONT
CAPITAL

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MANAGEMENT'S STATEMENT ON FINANCIAL REPORTING

BluMont Capital Corporation (the "Manager") is responsible for the accompanying financial statements and all information in this report. The financial statements have been approved by the Board of Directors of the Manager. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's judgment and best estimates.

Management has established systems of internal control that provide assurance that assets are safeguarded from loss or unauthorized use and produce reliable accounting records for the preparation of financial information. The systems of internal controls meet management's responsibilities for the integrity of the financial statements.

The Board of Directors of the Manager meets with management and the auditors to discuss the Fund's financial reporting and internal control. The Board of Directors reviews the results of the audits by the auditors and their audit report. The external auditors have unrestricted access to the Board of Directors.

The Manager recognizes its responsibility to conduct the Fund's affairs in the best interest of its unitholders.

Respectfully,

"Victor Koloshuk"

President and Chief Executive Officer
BluMont Capital Corporation
March 26, 2010

AUDITORS' REPORT

TO THE UNITHOLDERS AND TRUSTEE OF BLUMONT HIRSCH PERFORMANCE FUND (THE "FUND")

We have audited the statement of investments and other net assets of the Fund as at December 31, 2009, the statements of net assets as at December 31, 2009 and 2008 and the statements of operations and changes in net assets for the years then ended. These financial statements are the responsibility of the Trustee and the Manager of the Fund. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2009 and 2008 and the results of its operations and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants
Toronto, Canada
March 26, 2010

STATEMENT OF NET ASSETS
As at December 31,

BLUMONT HIRSCH PERFORMANCE FUND

	2009	2008
ASSETS		
Long positions at fair value*		
Canadian equities	\$ 67,161,272	\$ 43,786,540
Canadian bonds	-	630,000
U.S. equities	7,045,065	7,256,022
Global equities	<u>597,672</u>	<u>5,393</u>
	74,804,009	51,677,955
Cash and broker deposits	2,736,996	36,805,661
Accrued investment income	160,397	141,545
Receivable from investment sales	<u>547,504</u>	<u>143,120</u>
Total Assets	<u>78,248,906</u>	<u>88,768,281</u>
LIABILITIES		
Short positions at fair value**		
Canadian equities	222,740	1,321,600
U.S. equities	-	492,710
Global equities	<u>-</u>	<u>87,142</u>
	222,740	1,901,452
Accounts payable:		
Fees and operating expenses	40,683	45,870
Dividends payable	33,570	34,471
Payable for investment purchases	221,799	-
Redemptions payable	<u>286,236</u>	<u>536,903</u>
Total Liabilities	<u>805,028</u>	<u>2,518,696</u>
NET ASSETS REPRESENTING UNITHOLDERS' EQUITY	<u>\$ 77,443,878</u>	<u>\$ 86,249,585</u>
NUMBER OF UNITS OUTSTANDING (Note 4)	<u>3,594,566</u>	<u>5,018,683</u>
NET ASSETS PER UNIT	<u>\$ 21.54</u>	<u>\$ 17.19</u>
*Long positions, at cost	<u>\$ 66,652,809</u>	<u>\$ 78,403,433</u>
**Proceeds on short positions	<u>\$ (193,890)</u>	<u>\$ (1,754,039)</u>

Approved by the Board of Directors of BluMont Capital Corporation

"Veronika Hirsch"

Veronika Hirsch
Director

"Stephen Johnson"

Stephen Johnson
Director

STATEMENT OF OPERATIONS
Year ended December 31,

BLUMONT HIRSCH PERFORMANCE FUND

	2009	2008
INVESTMENT INCOME		
Dividends	\$ 1,157,321	\$ 1,448,563
Less: Foreign withholding taxes	<u>7,080</u>	<u>18,068</u>
	1,150,241	1,430,495
Interest	<u>210,564</u>	<u>1,555,469</u>
	<u>1,360,805</u>	<u>2,985,964</u>
EXPENSES (Notes 6 and 7)		
Performance fees	-	3,849
Dividends paid on investments sold short	53,492	30,382
General operating expenses	541,579	598,301
Audit fees	21,565	25,799
Legal fees	-	243
Trustees' fees	6,264	4,123
Securityholders' reporting costs	4,029	23,921
Interest expense	<u>4,530</u>	<u>44,273</u>
	631,459	730,891
Less: Expenses absorbed by the Manager	<u>113,561</u>	<u>45,711</u>
	<u>517,898</u>	<u>685,180</u>
NET INVESTMENT INCOME	<u>842,907</u>	<u>2,300,784</u>
NET REALIZED LOSS ON INVESTMENT TRANSACTIONS	(16,904,534)	(3,432,676)
TRANSACTION COSTS (Notes 2(II) and 7)	(142,948)	(244,103)
NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS	34,995,242	(53,527,148)
EXCHANGE GAIN (LOSS) ON FOREIGN CURRENCIES AND OTHER NET ASSETS	<u>112,217</u>	<u>(77,958)</u>
NET GAIN (LOSS) ON INVESTMENTS AND TRANSACTION COSTS	<u>18,059,977</u>	<u>(57,281,885)</u>
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ <u>18,902,884</u>	\$ <u>(54,981,101)</u>
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT (Note 2(VII))	\$ <u>4.45</u>	\$ <u>(9.42)</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS
Year ended December 31,

BLUMONT HIRSCH PERFORMANCE FUND

	2009	2008
Net Assets, Beginning of Period	\$ <u>86,249,585</u>	\$ <u>165,700,283</u>
Net Increase (Decrease) in Net Assets from Operations	<u>18,902,884</u>	<u>(54,981,101)</u>
From Capital Unit Transactions: (Note 4)		
Proceeds from issue of units	2,904,197	13,616,313
Consideration paid for redemptions of units	(30,610,015)	(38,072,350)
Reinvestment of distributions	<u>941,168</u>	<u>2,269,551</u>
	<u>(26,764,650)</u>	<u>(22,186,486)</u>
From Distributions to Unitholders:		
From net investment income	<u>(943,941)</u>	<u>(2,283,111)</u>
Net Assets, End of Period	\$ <u>77,443,878</u>	\$ <u>86,249,585</u>

The accompanying notes are an integral part of these financial statements.

BLUMONT HIRSCH PERFORMANCE FUND
STATEMENT OF INVESTMENTS AND OTHER NET ASSETS
As at December 31, 2009

	Number of Shares	Long: Average cost Short: Proceeds	Fair Value	% of Net Assets
LONG POSITIONS				
Canadian Equities				
Energy				
Advantage Oil & Gas Limited	56,000	\$ 371,877	\$ 383,600	
Aztek Energy Limited ²	2,500,000	425,000	887,500	
Bankers Petroleum Limited	160,000	512,451	992,000	
Bonavista Energy Trust	28,600	629,789	636,922	
Calfrac Well Services Limited	8,000	145,907	164,560	
Canadian Natural Resources Limited	14,000	799,932	1,059,100	
Crew Energy Inc.	64,000	526,267	928,000	
Daylight Resources Trust	50,000	458,492	508,500	
EnCana Corporation	46,500	1,888,850	1,583,325	
Enerflex Systems Income Fund	25,000	354,884	362,000	
Nexen Inc.	84,000	2,236,999	2,111,760	
Niko Resources Limited	7,600	575,906	745,636	
Pacific Rubiales Energy Corporation	66,000	709,043	1,016,400	
Petrobank Energy and Resources Limited	24,000	1,010,662	1,224,000	
Talisman Energy Inc.	140,000	2,715,912	2,737,000	
Trilogy Energy Trust	64,000	543,918	547,200	
		13,905,889	15,887,503	20.5
Basic Materials				
Agrium Inc.	12,000	809,743	776,400	
Argonaut Gold Inc. Subscription Receipts ²	300,000	900,000	975,000	
Capstone Mining Corporation	143,000	416,279	401,830	
Centamin Egypt Limited	1,350,000	1,175,451	2,754,000	
Consolidated Thompson Iron Mines Limited	8,000	42,548	53,840	
Detour Gold Corporation	213,000	1,192,144	3,793,530	
Equinox Minerals Limited	295,000	563,595	1,191,800	
Erdene Resource Development Corporation	180,400	269,889	47,806	
Inmet Mining Corporation	14,800	663,913	939,060	
International Tower Hill Mines Limited	97,000	574,061	714,890	
iShares CDN S&P/TSX Global Gold Index Fund	45,000	961,560	933,750	
Kinross Gold Corporation	14,000	295,523	270,620	
Labrador Iron Ore Royalty Trust	53,600	2,413,333	2,326,776	
Lake Shore Gold Corporation	162,000	480,359	660,960	
Leisure Canada Inc. Restricted ²	1,000,000	200,000	270,000	
Leisure Canada Inc. Warrants ²	500,000	-	10,000	
Lundin Mining Corporation	68,000	270,101	289,680	
New Gold Inc.	313,000	1,225,047	1,183,140	
Osisko Mining Corporation	152,000	1,108,353	1,281,360	
Paladin Resources Limited	180,000	874,159	703,800	
Potash Corporation of Saskatchewan Inc.	3,500	362,289	399,385	
Potash One Inc.	69,000	191,587	174,570	
Quadra Mining Limited	58,000	769,773	841,000	
Red Back Mining Inc.	29,000	273,489	430,650	

	Number of Shares	Long: Average cost Short: Proceeds	Fair Value	% of Net Assets
Basic Materials - cont'd				
Redcorp Ventures Limited Warrant	1,261,800	\$ -	\$ 1	
Thompson Creek Metals Limited	84,000	1,217,348	1,033,200	
Ventana Gold Corporation	164,000	1,022,071	1,315,280	
Victoria Gold Corporation	160,000	113,675	107,200	
Volta Resources Inc.	15,000	6,225	12,450	
Yamana Gold Inc.	75,000	962,259	895,500	
		19,354,774	25,787,478	33.3
Industrials				
Aecon Group Inc.	129,400	2,146,003	1,937,118	
Intermap Technologies Corporation	29,000	212,785	52,490	
		2,358,788	1,989,608	2.6
Consumer Discretionary				
Astral Media Inc. 'A'	21,900	650,255	724,890	
Gildan Activewear Inc.	14,000	325,258	357,840	
		975,513	1,082,730	1.4
Consumer Staples				
George Weston Limited	11,900	691,345	795,158	
Metro Inc. 'A'	81,000	2,599,024	3,172,770	
Saputo Inc.	28,000	833,765	861,000	
Viterra Inc.	148,000	1,577,617	1,460,760	
		5,701,751	6,289,688	8.1
Financials				
Bank of Montreal	8,000	427,623	446,160	
Brookfield Asset Management Inc. 'A'	26,000	617,004	606,840	
CI Financial Corporation	65,400	1,173,917	1,429,644	
DundeeWealth Inc.	45,000	618,203	616,500	
Gluskin Sheff + Associates Inc.	116,000	1,707,048	2,383,800	
iShares CDN S&P/TSX Capped Financials Index Fund	29,000	622,992	639,450	
Manulife Financial Corporation	30,000	569,100	579,000	
National Bank of Canada	25,000	1,314,986	1,499,000	
Royal Bank of Canada	9,000	505,379	507,150	
		7,556,252	8,707,544	11.2
Information Technology				
Bridgewater Systems	10,100	82,024	84,941	
Open Text Corporation	16,500	680,127	700,260	
Research In Motion Limited	40,600	3,852,597	2,880,164	
SXC Health Solutions Corporation	4,600	187,264	260,820	
The Descartes Systems Group Inc.	89,800	504,619	565,740	
		5,306,631	4,491,925	5.8

	Number of Shares	Long: Average cost Short: Proceeds	Fair Value	% of Net Assets
Telecommunication Services				
BCE Inc.	88,000	\$ 2,211,101	\$ 2,546,720	
Rogers Communications Inc. 'B'	25,600	816,945	833,536	
		3,028,046	3,380,256	4.4
Utilities				
Fortis Inc.	19,000	495,244	544,540	0.7
Total Canadian Equities - Long		58,682,888	67,161,272	86.8
Canadian Bonds				
Redcorp Ventures Limited 15.5% July 11, 2012	1,469,592	1,530,000	-	
Redcorp Ventures Limited 0.00% Dec 30, 2031	1,800	-	-	
Total Canadian Bonds - Long		1,530,000	-	-
U.S. Equities				
Energy				
Petrohunter Energy Corporation	300,000	331,965	5,965	
Petrohunter Energy Corporation Warrants	300,000	-	-	
		331,965	5,965	-
Basic Materials				
Freeport-McMoRan Copper & Gold Inc.	28,000	1,725,866	2,352,476	
Gran Tierra Energy Inc.	220,000	770,000	1,320,000	
Rio Tinto PLC ADR	4,100	829,454	924,092	
iShares Silver Trust	29,000	486,502	500,712	
		3,811,822	5,097,280	6.6
Information Technology				
International Business Machines Corporation	11,000	1,224,471	1,505,933	
Seagate Technology	22,900	378,522	435,887	
		1,602,993	1,941,820	2.5
Total U.S. Equities - Long		5,746,780	7,045,065	9.1
Global Equities				
Australia				
Blackthorn Resources Limited	100,000	278,351	67,137	
Blackthorn Resources Limited Warrants	500,000	-	-	
		278,351	67,137	0.1

	Number of Shares	Long: Average cost Short: Proceeds	Fair Value	% of Net Assets
United Kingdom				
GlaxoSmithKline PLC ADR	12,000	\$ 487,898	\$ 530,535	0.7
Total Global Equities - Long		766,249	597,672	0.7
Total Long Positions Including Transaction Costs		66,725,917	74,804,009	96.5
Transaction Costs		(73,108)	-	-
Total Long Positions Before Transaction Costs		66,652,809	74,804,009	96.5
SHORT POSITIONS				
Canadian Equities				
Index Equivalents				
iShares CDN S&P/TSX Completion Index Fund	(6,000)	(93,518)	(111,540)	(0.1)
Industrials				
Toromont Industries Limited	(4,000)	(100,140)	(111,200)	(0.1)
Total Canadian Equities - Short		(193,658)	(222,740)	(0.2)
Total Short Positions Including Transaction Costs		(193,658)	(222,740)	(0.2)
Transaction Costs		(232)	-	-
Total Short Positions Before Transaction Costs		(193,890)	(222,740)	(0.2)
TOTAL INVESTMENT PORTFOLIO		\$ 66,458,919	74,581,269	96.3
Other Assets Net of Liabilities ¹			2,862,609	3.7
TOTAL NET ASSETS REPRESENTING UNITHOLDERS' EQUITY			\$ 77,443,878	100.0

¹ This amount is comprised of cash and short-term investments plus accrued investment income plus receivable from investment sales less accounts payable.

² Private and illiquid securities.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

1. THE FUND

BluMont Hirsch Performance Fund (the “Fund”) is an unincorporated open-ended mutual fund trust created under the laws of the Province of Ontario pursuant to a Declaration of Trust, as amended from time to time, dated as of September 11, 1997. The Fund began operations on September 11, 1997.

BluMont Capital Corporation is the manager (the “Manager”) and trustee (the “Trustee”) of the Fund and is responsible for the day-to-day business of the Fund, including management of the Fund’s investment portfolio on the advice of the Fund’s investment advisor.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”).

A summary of the significant accounting policies is summarized below.

(I) Adoption of New Accounting Policies – Amendment to Section 3862, Financial Instruments – Disclosure

The Canadian Institute of Chartered Accountants’ (“CICA”) has issued amendments to CICA 3862, “Financial Instruments – Disclosures” to align with International Financial Reporting Standards (“IFRS”) 7, “Financial Instruments – Disclosures”. The amendments require all financial instruments measured at fair value to be classified into one of three levels that distinguish fair value measurements by the inputs used for valuation (as further discussed in note 3(vi)). The amendments are effective for annual financial statements relating to fiscal years ending after September 30, 2009. The Fund adopted these amendments effective December 31, 2009. Please refer to Note 3 for specific Fund disclosure.

Adoption of the new standards did not impact the daily price of the Fund’s securities for subscription and redemption purposes, nor for the calculation of Net Assets.

(II) Valuation of Investments

Investments are recorded in the accounts at their fair value, determined as follows:

The fair value of financial instruments, which are actively traded, are measured based on the bid price for long positions and ask price for short positions. Prior to January 1, 2007, fair value for GAAP was based on the last traded price for the day, when available. A reconciliation as at December 31, 2009 between the Fund’s net assets for financial reporting (“Net Assets”) and the Fund’s net assets for purposes other than financial reporting, such as purchases and redemptions, (“Net Asset Value”) has been provided in Note 8. The Fund continues to use the last traded price for investments and securities sold short for Net Asset Value valuations.

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are charged to net increase (decrease) in net assets from operations in the year. Accordingly, these costs are expensed and are included in “Transaction costs” in the Statement of Operations.

Securities listed upon a recognized public stock exchange are valued at their bid/ask prices on the financial statement date. Securities with no bid/ask prices are valued at their closing sale prices. Securities not listed upon a recognized public stock exchange are valued using valuation techniques, on such basis and in such manner established by the Manager.

Short-term investments including notes and money market instruments are carried at fair value.

The difference between fair value and the average cost is shown as the net change in unrealized appreciation (depreciation) of investments.

When the Fund sells a security short, it will borrow that security from a broker to complete the sale. The Fund will incur a loss as a result of a short sale if the price of the borrowed security increases between the date of the short sale and the date on which the Fund closes out its short position by buying that security. The Fund will realize a gain if that security declines in price between those dates.

The maximum gain that the Fund can realize on a short position is the proceeds received, while the loss that could be realized is unlimited.

There can be no assurance that the Fund will be able to close out a short position at an acceptable time or price. Until the Fund replaces a borrowed security it will maintain a margin account with a broker containing cash and liquid securities.

Short positions are valued based on the cost that would be incurred to close out the position at the last ask price as of every Valuation Day (as defined below).

(III) Investment Transactions and Income Recognition

Investment transactions are accounted for as of the trade date. Income and expenses are recorded on an accrual basis. Dividend income and expense is recorded on the ex-dividend date. Interest income and expense is recorded daily as it is earned. Realized gains and losses from security transactions are calculated using the average cost basis.

(IV) Valuation of Fund Units

The Fund's units are issued and redeemed at the Net Asset Value per unit, which is determined as of the close of each Valuation Day. A "Valuation Day" is the last trading day of each week on which the Toronto Stock Exchange is open for business or such other trading day or days as the Manager may determine.

The Net Asset Value per unit of the Fund is determined by dividing the total market value of the Fund's Net Asset Value by the number of units outstanding.

For each Fund unit sold, the Fund receives an amount equal to the Net Asset Value per unit on the date of sale, which is included in unitholders' equity. Units are redeemable at the option of the unitholders at their Net Asset Value on any Valuation Day. For each unit redeemed, the number of issued and outstanding units is reduced and the equity in the Fund is reduced by the related Net Asset Value on the date of redemption.

(V) Foreign Currency Translation

Assets including fair value of investments and liabilities denominated in foreign currencies are converted to Canadian dollars at the rates of exchange established on each Valuation Day.

Purchases and sales of investments, dividends and interest income denominated in foreign currencies are converted into Canadian dollars at the rates of exchange prevailing on the respective dates of such transactions.

Realized exchange gains (losses) on investments are included in “Net Realized Gain (Loss) on Investment Transactions” in the Statement of Operations.

Unrealized exchange gains (losses) on investments are included in “Net Change in Unrealized Appreciation (Depreciation) of Investments” in the Statement of Operations.

Realized and unrealized exchange gains (losses) on assets (other than investments), liabilities and investment income denominated in foreign currencies are included in “Exchange Gain (Loss) on Foreign Currencies and Other Net Assets” in the Statement of Operations.

(VI) Use of Estimates

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of certain assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the period. Actual results could differ from these estimates.

(VII) Increase (Decrease) in Net Assets from Operations Per Unit

Increase (Decrease) in Net Assets from Operations per unit amount is determined by dividing the net increase (decrease) in net assets from operations by the average number of units outstanding during the year.

3. FINANCIAL INSTRUMENT RISK MANAGEMENT

In accordance with CICA Handbook Section 3862, “Financial Instruments – Disclosure” and Section 3863, “Financial Instruments – Presentation”, the Fund provides disclosure and presentation of risks associated with financial instruments and how those risks are managed.

In the normal course of business, the Fund is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk) that could result in a reduction in the value of the Fund’s Net Asset Value. The value of investments within the Fund’s portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions and market and company news related to specific securities within the Fund. The level of risk depends on the Fund’s investment objectives and the type of securities it invests in.

The investment objective of the Fund is to strive to deliver consistently positive returns by investing primarily in securities issued by Canadian issuers and mitigating the overall risk of the portfolio by varying market exposure and through the use of option strategies.

To achieve its investment objective, the Fund may employ the following strategies: 1) invest its assets primarily in equities or equity equivalents (such as warrants, rights, options or convertible securities) of Canadian issuers with superior growth prospects; 2) invest in a diversified portfolio, chosen from those industries that the investment advisor believes offer the best opportunity for superior near-term returns at each stage of the economic and market cycle; 3) invest in issuers that have a proven and respected management team, well-defined growth strategies, a distinct competitive advantage and/or are leaders in their respective

industries; 4) search for event driven trading opportunities; 5) invest in issuers encompassing a range of capitalizations including a number of smaller and less liquid issuers which the investment advisor believes to have the potential for significant price appreciation; 6) use option strategies to mitigate risk and enhance returns of the underlying equity positions; 7) establish short positions, up to an aggregate of 15% of the Fund's Net Assets (at the time of investment), in issuers suffering declining business prospects combined with weak balance sheets; and 8) when market conditions warrant, invest in debt obligations and rely on money market instruments for the preservation of capital and the maintenance of liquidity.

The investment advisor will invest most of the portfolio in equities and other securities that are traded on a recognized stock exchange. The investment advisor may also invest in small to mid-cap unlisted stocks which the investment advisor believes has potential for exceptional price appreciation; and listed securities that may be considered more risky than traditional investments. To the extent that the Fund uses leverage, it will leverage to a maximum of 50% (at the time of investment), in the aggregate, of the Fund's Net Asset Value.

The Fund's overall risk management program seeks to minimize the potentially adverse effect of risk on the Fund's financial performance in a manner consistent with the Fund's investment objective. The Manager manages the potential effects of these financial risks on the Fund's performance by employing and overseeing professional and experienced investment advisors that monitor the Fund's investments and market events on a daily basis.

(I) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with a fund.

Where the Fund invests in debt instruments and derivatives, this represents the main concentration of credit risk. The fair value of debt instruments and derivatives includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit risk exposure of the Fund.

All transactions executed by the Fund in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

As at December 31, 2009, and December 31, 2008, the Fund held no derivatives and invested in debt instruments with the following credit ratings:

Debt Instruments by Credit Rating	Percentage of Net Assets (%)	
	2009	2008
Not Rated	-	0.7

(II) Liquidity Risk

Liquidity risk is defined as the risk that a fund may not be able to settle or meet its obligation on time or at a reasonable price.

The Fund is exposed to weekly cash redemptions of redeemable units. Units of the Fund are issued and redeemed weekly at the Fund's Net Asset Value per unit at the option of the unitholder.

Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and can be readily disposed.

The Fund may, from time to time, invest in securities that are not traded in an active market and may be illiquid. Such investments are identified as private and illiquid securities in the Fund's Statement of Investments and Other Net Assets. As at December 31, 2009, the Fund held approximately 2.8% of its investments in private/illiquid securities. (The Fund did not hold any such securities as at December 31, 2008.)

The Fund may employ the use of derivatives to moderate certain risk exposures. There is no guarantee that a market will exist for some derivatives and it is possible that the exchanges may impose limits on trading of derivatives. As at December 31, 2009, and December 31, 2008, the Fund did not invest in derivatives.

The following table outlines cash flows associated with the maturities of the Fund's financial assets and liabilities as of:

December 31, 2009

	Less than 1 year (\$)	1 - 3 years (\$)	3 - 5 years (\$)	Non-Interest Bearing (\$)
Financial Assets				
Equities - Long	-	-	-	74,804,009
Other receivables	707,901	-	-	-
Cash and cash equivalents	2,736,996	-	-	-
Total	3,444,897	-	-	74,804,009
Liabilities				
Equities - Short	-	-	-	(227,740)
Other liabilities	(582,288)	-	-	-
Total	(582,288)	-	-	(227,740)

December 31, 2008

	Less than 1 year (\$)	1 - 3 years (\$)	3 - 5 years (\$)	Non-Interest Bearing (\$)
Financial Assets				
Equities - Long	-	-	-	51,047,955
Bonds	-	-	630,000	-
Other receivables	284,665	-	-	-
Cash and cash equivalents	36,805,661	-	-	-
Total	37,090,326	-	630,000	51,047,955
Liabilities				
Equities - Short	-	-	-	(1,901,452)
Other liabilities	(617,244)	-	-	-
Total	(617,244)	-	-	(1,901,452)

(III) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

Interest rate risk arises when the Fund invests in interest-bearing financial instruments. The Fund is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents, invested at short-term market interest rates.

As at December 31, 2009, and December 31, 2008, the Fund's sensitivity to interest rate changes was not significant.

(IV) Other Price Risk

Other price risk is the risk that the market value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

All investments represent a risk of loss of capital. The Manager of the Fund moderates this risk through a careful selection and diversification of securities and other financial instruments within the limits of the Fund's investment objectives and strategy. The maximum risk resulting from financial instruments is determined by the market value of the financial instruments, unless the Fund holds short positions in financial instruments, as further described below. The Fund's overall market positions are monitored on a daily basis by the Manager. Financial instruments held by the Fund are susceptible to market price risk arising from uncertainties about future prices of the instruments.

The Fund has the ability to take short positions. There are risks associated with short selling, namely that the securities will rise in value or not decline enough to cover the Fund's costs, or that market conditions will cause difficulties in the sale or repurchase of the securities.

The Statement of Investments and Other Net Assets classifies securities by market and geographic segment.

The impact on Net Assets of the Fund due to a 5 percent change in benchmark, using historical correlation between the Fund's return as compared to the return of the Fund's benchmark, as at December 31, 2009, and December 31, 2008, with all other variables held constant, is included in the following table. Regression analysis has been utilized to estimate the historical correlation. The analysis uses 148 data points (2008 – 136 data points) based on the monthly net returns of the Fund.

Benchmark	Impact on Net Assets	
	December 31, 2009	December 31, 2008
S&P/TSX Total Return Index	\$2,646,000	\$1,015,000

The historical correlation may not be representative of the future correlation, and accordingly the impact on Net Assets could be materially different.

(V) Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Fund. The Fund may enter into foreign exchange contracts for hedging purposes to reduce its foreign currency exposure, or to establish exposure to foreign currencies.

Currencies to which the Fund had exposure as at December 31, 2009, and December 31, 2008, are as follows:

Currencies	As at December 31, 2009		As at December 31, 2008	
	Financial Instruments (\$)	Percentage of Net Assets (%)	Financial Instruments (\$)	Percentage of Net Assets (%)
Australian Dollar	67,137	0.09	5,393	0.01
United States Dollar - long	7,464,584	9.64	6,565,434	7.61
United States Dollar - short	-	-	(396,626)	(0.46)

The amounts in the above table are based on the fair value of the Fund's financial instruments (including cash and cash equivalents). Other financial assets and financial liabilities that are denominated in foreign currencies do not expose the Fund to significant currency risk.

As at December 31, 2009, if the Canadian dollar had strengthened or weakened by 5 percent in relation to all currencies represented in the portfolio, with all other variables held constant, Net Assets would have increased or decreased, respectively, by approximately \$377,000 (2008 - \$309,000).

In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

(VI) Fair Value Estimation

The amendments to CICA 3862, "Financial Instruments – Disclosures" require the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Manager. The Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyzes the Fund's financial assets and liabilities within the fair value hierarchy measured at fair value at December 31, 2009.

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Assets				
Equity securities	73,819,009	985,000	-	74,804,009
Total assets	73,819,009	985,000	-	74,804,009
Liabilities				
Equity securities sold short	(222,740)	-	-	(222,740)
Total liabilities	(222,740)	-	-	(222,740)

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Manager does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include corporate bonds, warrants and subscription receipts. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

There were no movements between levels during the year.

4. UNIT TRANSACTIONS

In accordance with CICA Handbook Section 1535, "Capital Disclosures", the Fund discloses information about the Fund's capital and how it is managed.

Units issued and outstanding represent the capital of the Fund. The units authorized for issuance are unlimited in number, have no nominal or par value and are issued and redeemed at their Net Asset Value per unit. Unitholders are entitled to distributions when declared. Distributions on units of the Fund are reinvested in additional units. The characterization of the distributions is based on management's estimate of the actual income for the year. The Fund has no restrictions or specific capital requirements on the subscription and redemption of units, other than minimum subscription requirements. The Statement of Changes in Net Assets identifies changes in the Fund's capital during the period. The Manager manages the capital of the Fund in accordance with the Fund's investment objectives, including managing its liquidity in order to be able to meet redemptions as discussed in Note 3.

The number of units issued and redeemed at the Net Asset Value is summarized as follows:

	2009	2008
Balance at January 1	5,018,683	6,094,684
Units issued for cash	153,840	534,518
Units issued on reinvestment of distributions	43,383	131,690
Units redeemed	<u>(1,621,340)</u>	<u>(1,742,209)</u>
Units issued and outstanding at December 31	<u>3,594,566</u>	<u>5,018,683</u>

5. INCOME TAXES

As at December 31, 2009, the Fund qualified as a mutual fund trust. The Fund is subject to tax under the *Income Tax Act* (Canada) (the "Act") on all of its taxable income for the year (including net taxable capital gains) and is permitted a deduction in computing taxable income for all amounts which are paid or payable in the year to its unitholders. It is the policy of the Fund, to the extent practicable, to distribute to the unitholders all income of the Fund for the year so that it generally will not pay any Canadian federal income tax under Part 1 of the Act. Accordingly no provision for income taxes has been made in these financial statements.

As of December 31, 2009, the Fund had capital or non-capital losses as noted below.

Non-Capital Loss*	Capital Loss**
\$ -	\$20,455,646

* Non-capital losses can be offset against income in future years for up to 20 years.

** Net Capital losses can be carried forward indefinitely for offset against gains in future periods.

6. RELATED PARTY TRANSACTIONS

The Fund does not charge a management fee to unitholders.

The Fund pays the Manager a performance fee payable on a semi-annual basis. The Manager may change the frequency of this payment upon prior notification to unitholders. The performance fee in respect of the Fund is equal to 20% of the increase in Net Asset Value of the investment of each unitholder of the Fund. To the extent that the performance fee in respect of the investment in any period is negative, the negative amount is carried forward and deducted from any positive performance fee in respect of the unitholder's investment in future periods.

The Manager may, on its own accord, pay for certain operating expenses of the Fund in order to maintain the Fund's management expense ratio at a competitive level. The Manager may recover a portion or all of such operating expenses paid for by the Manager within a five-year period. These absorptions may be terminated at any time by the Manager, and at the Manager's direction may be continued indefinitely. The absorbed or recovered amounts are shown in the Statement of Operations.

7. FEES AND OPERATING EXPENSES

The Fund is responsible for the payment of all fees and expenses including, but not limited to, brokerage commissions on portfolio transactions, all regulatory filing fees, registrar and transfer agent fees, audit, accounting, administration (including advertising, marketing and promotional expenses), record keeping and legal fees and expenses, custody and safekeeping charges, all taxes, and all other fees relating to the purchase and sale of the assets of the Fund.

The total brokerage commissions paid by the Fund with respect to security transactions for the period ended December 31, 2009 were \$142,948 (2008 - \$244,103).

There were no soft dollar commissions for the Fund during the period.

8. RECONCILIATION OF NET ASSET VALUE TO NET ASSETS

As at December 31,

	Per Unit (\$)		
	Net Asset Value	Sec. 3855 Adjustment	Net Assets
2009	\$21.65	\$(0.11)	\$21.54
2008	\$17.23	\$(0.04)	\$17.19

9. USE OF LEVERAGE

Leverage is defined as the degree in which a fund is using borrowed money and/or securities. If a fund is said to leverage up to 200%, then for every \$1 of assets, the fund can borrow \$2 of money and/or securities such that there will be a total of \$3 of assets employed by the fund. There was no leverage employed by the Fund for the years ended December 31, 2009 and December 31, 2008.

10. FUTURE ACCOUNTING CHANGE

The CICA Accounting Standards Board ("AcSB") confirmed in February 2008 that IFRS will replace Canadian GAAP in 2011 for profit oriented Canadian publicly accountable enterprises, including investment funds. The Fund will adopt IFRS on January 1, 2011. The Manager has commenced activities to identify key issues and the likely impacts resulting from the adoption of IFRS and is in the process of developing a changeover plan, which will include identifying differences between the Fund's current accounting policies and those it expects to apply under IFRS, as well as any accounting policy and implementation decisions and their resulting impact. Management has presently determined that the impact of IFRS would be limited to additional note disclosures and modifications to the financial statement presentation. It is anticipated that there would be no significant impact to the Fund's Net Assets per unit as a result of the changeover to IFRS. However, this present determination is subject to changes resulting from the issuance of new standards or new interpretations of existing standards.

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