



PRIMEVEST CAPITAL CORP.

COMMENTARIES

Mar 31, 2017 Commentary

Half way through this quarter, your Fund experienced its first meaningful correction in over a year. I suspect it was to be expected after an 85% up year. The associated “risk-off” event that saw some steep declines in a number of the commodity stocks, both large and small, actually generated the most excitement for me in over a year. Two of our top holdings experienced the largest portion of the overall losses as a result of completing major equity financings. Major equity financings are typically conducted at a discount to the market and usually draws away demand from the market for a period of time until the management can demonstrate that it has accretively deployed the capital. We have used this as an opportunity to take the largest concentrated holdings in the history of the Fund, with the top five holdings now approaching half of the portfolio and the top ten holdings representing over two thirds of the portfolio. This highly convicted portfolio structure will likely see a lower correlation to the overall markets and more volatile contributions from individual catalyst events.

In last March’s commentary, I outlined the most obvious commodity opportunity being in the zinc market and how we chose to capture that opportunity through a position in Trevali Mining. Since that position initiation, zinc prices have achieved recent historical highs and the Trevali share price quadrupled. Three weeks ago, Trevali made a transformative acquisition, more than doubling the size of the company, bringing on Glencore as a 25% shareholder, and becoming the largest pure play zinc company that’s publicly traded. With this acquisition, the company could generate in excess of US\$150M in free cash flow this year alone at current zinc prices. The zinc market is so tight that it is likely that zinc prices could crack new highs over the next year: in that case, Trevali could generate multiples of that free cash flow number and should be awarded a premium multiple due to the scarcity value of zinc exposure for investors. This has now become our top holding and I expect that fair value over the next year is at least double that from current levels.

Oil equities have generally been shunned by investors since the beginning of the year, and there have been some unique situations that have emerged that offer large asymmetric payoffs over the next couple of years. The next quarter will provide visibility on how non-US inventories have been impacted by the OPEC cuts, and the typical seasonal strength after refinery maintenance season could provide a renewed interest in allocating capital to the space. This sentiment shift could supplement our individual catalysts opportunities as about one third of the Fund is allocated to this sector.

The weighted average market capitalizations of our top 5 holding are in excess of \$1B and as our thesis proves out, the broad institutional investor appeal of these holdings should value them at significant premiums to their current values.

At the end of the quarter, the Fund holds 0% cash and 22% in short positions.

December 31, 2016 Commentary

When I began to write last year's commentary, I started with "THIS IS THE BOTTOM" as the headline. After further consideration, I retracted the headline as I or no one has been able to forecast markets and it was out of my character to be so bold on a macro call. However, I did attempt to provide the overwhelming evidence of why if we weren't at the bottom, we were very close. In hindsight, the bottom occurred a few weeks later and subsequently there was a violent move to the upside consistent with the "loaded spring" analogy. This led to the best performing year for your Fund of 85%! The following link directs you to our compiled commentaries where you can reference last year's December commentary:
http://www.primevestcapital.ca/PV_Docs/Primevestfund_Quarterly_Commentaries_Compiled.pdf.

Gold equities really lead the rally, followed later by base metals, and then oil and gas in the autumn, with further support from the promised OPEC and Russian production cuts leading in to year-end. While we were expecting M&A to kick in for the gold space, the counter-intuitive Trump rally impacted gold price precipitously, and put a halt to any potential discussions in that regard. While we maintain high quality gold equity holdings in the portfolio, it is now treated as a hedge to the macro market events, as fund flows have seen approximately 7 million ounces withdrawn from gold ETFs since the US election. Our gold holdings have dropped from about a third of the portfolio to about 20% and the oil and gas weightings has increased from below 20% at the beginning of the year to now a third of the Fund. We still maintain non-resource holding of about 25% and even though we hold some very small companies, the weighted market cap of our top 5 holdings has been around historical norm of \$1B, and the overall weighted market cap also at the consistent level of \$500M.

I believe we are about a third of the way through this 9 inning resource recovery and that different sectors within the commodity space will take leads at different times. We expect to adjust our weightings as the opportunities present themselves. Over the last few years of the resource bear, we proved that the portability of our strategy was successful in the non-resource sector. With the combination of our unparalleled access to the Canadian capital markets and deal flow, we expect to continue to look for those special situations that will likely form larger and larger parts of the Fund in a few years.

While we have never focused on marketing or publicity, this year we received some interesting accolades. For the year ending June, the Canadian Hedge Fund Awards awarded the Primevestfund the best performing Fund over one year. Also, Robin Speziale convinced me to speak to him on our strategy. He subsequently published a book entitled *Market Masters: Interviews with Canada's Top Investors*, which included the interview as the only resource-focused investor. A copy of the book or just the excerpt of the interview is available at your request.

At the end of the quarter, the Fund holds 0% cash and 22% in short positions.

Best wishes for a healthy and prosperous 2017!

September 30, 2016 Commentary

The two themes from this quarter are that broad based investor interest continues to increase in the resource sector, and that volatility driven by macro events has returned to the markets with whipsawing reactions, particularly created by the US Fed interest rate outlook.

This volatility has had a direct correlation to the changes in the price of gold and the corresponding equities. These movements are important from the Fund's perspective as approximately a third of the portfolio is currently held in gold equities. The US rate speculation led to the large cap gold indices seeing a decline of almost 20% in the month of August. As the Fund further concentrated our holdings in top names and increased short positions (peaking at 40% of the Fund), we were well insulated from the downturn finishing flat for that month. Canadian balanced funds still maintain a significant underweighting to the sector, and seem stubborn to move from their stance. The next stage of the cycle is M&A: as the industry is starting to feel healthy, reserve growth and replacing reserve depletion will dominate the focus. The sector has only a small number of potentially legitimate high quality targets, and I believe we own half of those top candidates. Once the M&A gets kicked off, the balanced funds will be forced to increase allocations to the sector further fuelling the fire.

While the markets have breathed new life into the resource sector, caution is warranted. While our deal flow has increased dramatically, the overall quality has deteriorated and the word "NO" is a more common occurrence than it has at any time in the past in regards to our participation. Hence, the portfolio concentration to only about 20 names. Having stated this, due to our longevity in the business, we are seeing highly proprietary deal flow and signing Confidentially Agreements to get "first cracks" on opportunities before other capital markets participants have the chance.

The oil and gas sector remains unpredictable as high conviction bull and bear arguments alternate almost on a daily basis. At some point, balancing of fundamentals will occur and profits will be made. The key here is to allocate capital in a discerning way, focusing on high IRR plays and, being very sensitive to valuations. We are investigating a number of names with the anticipation of potentially rotating some of our mining exposure to oil and gas as potential liquidity events occur in the portfolio. At this stage, Parex – our top holding for about the last seven years – is the only significant oil exposure along with a couple of earlier stage Montney (among the highest rate of return hydro-carbon plays in North America) focused companies.

At the end of the quarter, the Fund holds 5% cash and 30% in short positions.

June 30, 2016 Commentary

The US investor is back! Historical commentaries have outlined how the Canadian markets at the margin are influenced heavily by the US institutional investor. The resource sector tends to be the chief beneficiary of these immense fund flows. It started in the first quarter where short covering led to aggressive upside moves of equities from highly depressed values. The second quarter saw the initial allocations deployed and now capital is starting to move downmarket to smaller companies. The Canadian balanced funds typically follow the sustained US interest as they tend to lag the indices and then are forced to get to market weightings from the almost zero allocations over the last few years. After emerging from a punitive 5 year bear market in mining, the historical expectation is to see a 2 to 5 year up cycle. Given the nature of today's market participants, I suspect the up cycle will last at the shorter end of historical norms with larger returns compressed into that shorter duration. The next stage of this cycle which we will experience is the M&A portion, which will play out over the coming quarters and add further fuel to the fire.

Your Fund was well insulated from the Brexit volatility as gold equities currently make up almost a 1/3 of the portfolio. At the end of last year, the inaugural move to large cap resource names which were the obvious first movers were liquidated to make room for smaller names to keep one step ahead of the fund flows. The above allocations led to the Fund's all-time record quarterly performance of 30%. In addition, we have used the activity to reduce the number of holdings and concentrate the portfolio further. Today, about two dozen names make up the holdings, with approximately 35% of the Fund in the top 5 holdings and 60% in the top ten. Most of these holdings are run by world-class entrepreneurs who have access to capital to move their businesses forward and in almost all cases have significant value-creating catalysts upcoming. These companies' attraction to larger entities will require large premium consolidation events due to the scarcity of their differentiated asset bases.

The lithium space continues to generate media and investor interest. While we haven't focused on ancillary minerals historically, we conducted in-depth research into the space about a year and a half ago and concluded that there is a potentially lucrative opportunity over the next couple of years on a selective basis. This last quarter, I visited Tesla's facilities in California and had the opportunity to spend a number of hours with the materials engineers discussing the materials and substitutability of those materials in their batteries, as well as understanding the supply chain. We closed out our first foray into the space with a small investment in a lithium company that was initiated over a year ago with approximately a seven-fold return. We have re-allocated those proceeds into another venture which is widely anticipated to be one of the most exciting names in the space with a public offering projected for next quarter.

At the end of the quarter, the Fund holds 6% cash and 27% in short positions.

March 31, 2016 Commentary

In last quarter's commentary, we offered the thesis that the market was at a point of significant dislocation in relation to the fundamentals of the mining commodity markets on the one hand and respective equity prices on the other. Overall market sentiment was extremely bearish, institutional fund exposure was at historic lows and in most cases with non-existent allocations. There had to be a catalyst, however, to force the attention of the participants to this dislocation. The prime candidate for that catalyst was a weakening of the US dollar from its unprecedented rise.

This is exactly how it has played out; the US dollar did weaken, prompting a positive response from the inversely correlated commodity complex. Short covering ensued which turned in to buying support from underweighted generalist funds to capture index weighted exposure. US institutional investors play a critical role in the Canadian capital markets. Their presence is rarely felt outside of the financial and resource sectors which makes up the majority of the Canadian market. When they do want exposure to resources, they call their broker up North to utilize the expertise in the sector. For the first time in half a decade this fund flow from US investors has arrived and sector rotation has begun. The magic question now is whether it is sustainable. The valuations in the sector are still depressed even with the most recent moves, but some cooling off is a normal market reaction. My view is that the M&A cycle now has to kick in to engage investors further. Our regular survey of investment bankers has suggested that there has been a willingness to transact by both buyer and sellers for some time but that bid/ask spreads have been too wide to consummate deals. With more activity in the sector, it seems that these spreads are narrowing. In fact, this quarter we saw our first takeover of a gold company in the portfolio in a number of years.

The Oil and Gas market has been another story – the Fund has minimal exposure to this sector, with the portfolio's largest holding, Parex Resources Inc., being fully hedged out against a basket. While there have been violent moves from the bottom, this sustainability is questionable as valuations are still not very compelling. Having said this, there looks to be an opportunity on the horizon as the balancing of the oil market approaches. The natural gas market also looks to be arriving at an interesting inflection point which we are watching closely. This sector could see larger exposure in the Fund over the next couple of quarters.

In the base metals complex, the most convincing opportunity lies in the zinc market. The second half of the year should see a major shift in the demand/supply fundamentals which should last for a number of years. There are very few ways to be able to get exposure to the space. While we do own a couple of larger companies that have zinc production, the chief beneficiary of the move will be Trevali Mining Corp., a Peruvian and emerging Canadian producer. This is the first time in approximately ten years – when we were a seed shareholder in the private company – that we have allocated funds to this name. A number of missteps had occurred over this timeframe as the company transitioned from a development company to a producer. The expensive lessons are now behind them and they should see benefit from the macro environment providing a large tailwind.

Our largest non-resource holding, Callidus Capital Corp. had a major catalyst occur on the last day of the quarter. The company announced a Substantial Issuer Bid that resulted in an increase of over 50% in the price of the stock. We had been forecasting this event as management had publicly announced their intention multiple times.

At the end of the quarter, the Fund holds 0% cash and 23% in short positions.

December 31, 2015 Commentary

2015 was another challenging year for the Canadian markets. The TSX was down 11%, the large cap Energy Index was down 27%, the large cap materials index was down 23% and the Canadian dollar was down 19%. The bear market in the mining sector is now completing its 5th year with even companies like Teck Corp. down 92% and First Quantum down 80% over that period. With such depressed valuations, it appears that minimal downside remains and an asymmetric payoff has emerged. While there may be no immediate catalyst visible, there will be a rebound and the catalyst will only be obvious after its occurrence.

The media is constantly reporting on an excessive glut in commodities but this is a simplistic overgeneralization. For instance, while gluts might characterize the current oil and iron ore markets, they are certainly not the case for copper or zinc markets. In addition, we are also in an environment where financial players are using commodities to express macro trades that may not be reflective of the fundamentals of a particular commodity. For example, this year's increase in open interest in the copper futures market has been attributed to Chinese hedge funds shorting copper as a proxy to short the Chinese equity market (as shorting on the Chinese market was restricted). In terms of fundamentals, while the final numbers aren't in yet, it looks like 2015 will see a balanced supply/demand market in copper. The reported exchange inventories have about two weeks of usage, and the Treatment and Refining charges that smelters charge to copper concentrate producers just saw settlements at lower charges than the previous year indicating a tighter market. While consensus forecasts project multi-year deficits beginning in 2018, I believe we'll see another balanced market for 2016. So much for the glut!

The risks? Chinese demand worries and further strength in the US dollar continue to prevail, but the market seems to have already incorporated these. There is additional evidence of a bottoming process. For the first time in this bear market, we've seen a supply response in the last month with announcements of mine closures and hold back of supply. As well, over the last few months, we've seen non-traditional investors target specific companies. Carl Icahn announced buying a reporting position in Freeport McMoran and KKR purchased a reporting position in Australian copper producer Oz Minerals. I've also had a number of calls by non-resource portfolio managers "picking my brain" on the sector.

As a result of the above argument, we have been allocating capital to larger base metal producers from our non-resource allocations, which peaked at above 40% of the Fund this summer (3 of the current top 10 positions are non-resource investments). Names like First Quantum, Lundin Mining and Nevsun Resources are currently part of the portfolio. These stories are so unloved that First Quantum has 80 million of its shares short representing almost 15% of its float (a short squeeze could see an immediate double which we saw at the beginning of October); you're paying just over cash value for Nevsun which is holding US\$450M in cash.

At the end of the year, the Fund holds 11% cash and 13% in short positions. Best wishes for a prosperous and healthy 2016!

September 30, 2015 Commentary

Uncertainty continues to rule the day, with U.S. interest rate policy and China growth concerns the prominent headlines. Most institutional fund managers are sitting on the sidelines trying to navigate through a challenging environment, resulting in low liquidity in the Canadian markets. The majority of the trading volume is driven by program trading and high frequency trading which is exacerbating momentum on a daily and even hourly basis. This quarter saw the TSX Small Cap Index drop 16%, the large cap energy index drop 19%, and the large cap gold index drop 18%.

Within the current context, it appears that the majority of the negativity is priced into equity prices. As a normal course of business, we have been investigating some unique and compelling opportunities. A number of these opportunities have catalysts that we believe, will be well rewarded in this challenging environment, and even more attractive if the macro context stabilizes. For example, although we typically don't focus on ancillary metals, earlier in the year we participated in a financing for a small lithium-focused development company. We were convinced that the geological potential of the resource could translate into robust economics to become a supplier in an exciting and nascent industry. This small allocation has returned a three-fold return in less than a year after Tesla signed an off-take agreement with this company.

A core holding that is taking advantage of cycle bottom opportunities is Pine Cliff Energy. The Fund originally purchased shares in this company five years ago at approximately 40% of the current trading value (down 50% from its high last year). At the outset, the business plan was to build a natural gas company through a counter cyclical strategy with arguably one of the best management teams in the space. George Fink, the founder of Pine Cliff has had a track record of creating extraordinary value for shareholders, including 1,000%+ returns on Bonterra Energy. Since that time, Pine Cliff has added highly accretive acquisitions, generated free cash flows and has achieved some of the lowest break-even costs and decline rates in the industry. The current environment is providing the prime conditions to execute this business plan. If they can successfully close more astutely-priced transactions and build further scale, this should become a core holding for all institutional portfolios that want exposure to the sector. Natural gas stocks have participated equivalently to the downside as oil stocks even though natural gas prices haven't suffered to the same extent as oil prices. As U.S. shale oil production starts to decline, associated gas production from these wells will also decline, improving the natural gas fundamentals correspondingly.

The current strategy is to continue to reduce non-core holdings, increase core holdings, and be nimble enough to take advantage of the unique situations we are seeing. The following is the current profile of the Fund:

Base Metals and Uranium	23%
Gold	14%
Oil and Gas	18%
Non-Resource	33%
Cash	12%
Short	13%

June 30, 2015 Commentary

At the end of June 2015, your Fund is up 4.6% for the quarter, up 9.4% compounded annually since inception of the Fund in July 2005.

Yes, that's right, the date of inception would indicate that we've reached a major milestone – your Fund is now 10 years old! At the outset, my goal was to have a 25 year history of the Primevestfund and now we are well along the way with our first decade under our belt. I would like to thank all of our stakeholders for the immense support that has allowed us to get to this stage. I would express particular gratitude to the investors whose faith in our long term strategy has allowed me to pursue a personal passion that started when I was a teenager. I am pleased to report that over 90% of the original investors are still invested in the Fund. In that time, the investment philosophy in our bottom-up strategy has remained steadfast with the following criteria as core principles in security selection (reiterated from previous commentaries):

Management teams with successful track records and with whom we can build long standing relationships and remain in regular contact;

Assets that require in-depth understanding resulting in a narrow investor base initially;

Companies with access to capital and a management group that is highly vested;

Companies that can grow large enough to garner wide spread institutional investor interest with corresponding multiple expansion.

What we have learned over the last decade is that the macro environment has had more impact on the pricing of our portfolio securities than when we first started. In the earlier environment, we would be able to forecast confidently that our under-followed and inefficiently priced companies would double in price on average every three years as the market understood their prospects, regardless of the macro environment. Today, given the nature of market participants and the increase in the velocity of trading, we can see long periods of underperformance if we do not accept the prevailing environment. In addition, at times we have been overly bullish in our core focus and unique position in the resource sector. The lesson has been to be more nimble and more opportunistic, including having today over a third of the portfolio in non-resources. Having said that, as we continue to experience one of the longest resource bear markets in history, we have maintained a disciplined focus on building further expertise within the sector, so when the fund flows return (as is now already becoming evident in small ways), we will be the premier organization in the country to benefit.

Another major milestone for me is that I just completed my first half marathon. While this may seem like just an above average feat, this has particular significance for me. Last year at this time, I ruptured my Achilles tendon and wasn't able to walk for a number of months without assistance. For those runners, who also happen to be in the investment world, there are obvious correlations between investment discipline and the challenge of training to optimal fitness.

At the end of the quarter, the Fund holds 9% cash and 13% in short positions. Here's to the next decade!

March 31, 2015 Commentary

At the end of March 2015, your Fund is down 9.05% for the quarter, up 9.25% compounded annually since inception of the Fund in July 2005.

Generally speaking, world markets continue to climb higher hitting new all-time highs. The Canadian market is a notable exception with commodity markets and domestic housing-related issues concerning the international investor. In Canada, we are also seeing a bifurcated market in which a handful of names within various sectors are highly valued and liquid while others are lagging behind and illiquid, as institutional investors concentrate on popular names and breadth is limited. We are also now in the fourth year of a bear market for the metals complex, with copper prices dropping 40% over that time. The copper fundamentals, which we follow very closely, are finally improving. At the end of last year, the consensus 2015 forecast was for a 500,000 tonne surplus (approx. 20Mt/year market). By the end of January, that forecast was down to a 150,000 tonne surplus and I believe over the next few weeks the consensus will turn to a deficit for the year. Expecting this dynamic, the fund allocated capital in mid-2014 to a number of new formations of companies within the space with world-class entrepreneurs with whom we have strong relationships. While fully appreciating that the timing may have been a bit early and the resulting illiquidity could create increased volatility in the fund, we decided to take a Private Equity mindset to the allocations with a view to generating multi-bag returns over the next few years. Typically these types of investments lag the market as interest is primarily favoured in the larger companies. Our short positions that insulate the portion of the risk in the macro sector are in the larger companies. So the worst performing environments for the Fund tend to be in the initial period when interest and the accompanying capital returns to the sector and small companies get shunned for the larger. I believe we are now in the midst of precisely this environment.

A large part of the increased volatility that is commonplace nowadays is related to the growth of index funds. Index funds rebalance on a continual basis as new investments or redemptions require the underlying securities to be traded. As a result, my belief that the concept of fair or intrinsic value that we were taught in investment analysis now occurs at just a fleeting moment in the valuation pendulum. That pendulum now swings from extremely under-valued, to under-valued to over-valued to extremely over-valued. The key is to be able to buy at one end of the spectrum and sell at the other while recognizing that you will never get the timing exactly right and that non-fundamental factors will ordinarily and regularly affect the pricing of securities.

When we started the Fund almost ten years ago, we had about two dozen peers following a similar strategy; today there are only a couple. 2008 saw the erosion of a number of our competitors and this current commodity bear market has seen many more casualties including two of the most high-profile managers that managed multi-billion dollars just a few years ago. While sad to see a number of these legendary investors exit, we hope our unitholders will be rewarded in short course in a significant way for their continued support and commitment to our strategy.

At the end of the quarter, the Fund holds 6% cash and 17% in short positions.

December 31, 2014 Commentary

At the end of December 2014, your Fund is up 17.7% for the year, and up 10.6% compounded annually since inception of the Fund in July 2005.

The markets' focus this quarter was squarely on oil prices. Oil prices dropped 40% over the quarter and have had a number of related repercussions, some validly and some not. The obvious oil and gas equities had violent moves to the downside and then the oversold conditions saw an equally aggressive short-term bounce. In the first half of December, the large cap energy index was down 20% and within three trading sessions recovered the losses (small companies did not participate in the upside, which is usual in these in these short term moves). International investors took a stand to suggest everything in Canada is related to oil and the wholesale liquidation of Canada began where anything that wasn't a large cap saw dramatic losses due to extremely low liquidity. Even the Canadian banks were down 10% in the first half of December. The small and mid-capitalization space that we primarily invest in had a significant erosion of liquidity and downside moves as the "Sell Canada" trade was underway. In these environments, everything suffers until stability and a measure of rational thought returns -- including unjustified down ticks on two of our top 5 holdings, in the non-bank financial sector which should see reasonable upside as investors understand their growth profile as financial performance is reported in the New Year. The Fund's only meaningful oil holding, Parex Resources, which has dropped 50% since the summer is a best in class company. Parex has no debt and at current oil prices generates free cash flow should production not grow. As highly levered oil companies (and there are quite a few of them) have challenges with their business models, investors will recognize companies like Parex as prime candidates to allocate oil exposure to. Our gas exposure has been focused in two areas: George Fink's Pine Cliff Energy, which is consolidating high-quality, low decline gas assets in a disciplined accretive value creating methodology in a counter-cyclical strategy; and another in a new resource definition play - the Montney Fairway which likely will have the best economics in the sector, where individual catalysts can create large value to the enterprise. The current oil and gas exposure is about 25% of the Fund, down from 40% at the beginning of the year. Oil prices will likely recover at the second half of 2015 (albeit not as high as they previously were) as capex and production cuts take effect and a balance of supply/demand fundamentals return. One important take-away is that as the oil price declines as we're experiencing now is that it has a large benefit on economic growth.

From the second half of 2013 to the first half of 2014, the Primevestfund was recognized as one of the top performing funds in the country. This was a result of new capital allocation to our investment universe where we saw our high-quality investments finally reflect true value, including a number culminating in take-overs at large premiums. The mobility of capital is the fastest I have seen in my career, and as quickly as it comes, it goes. Hence, we saw capital leave our space and the corresponding declines in prices of our names by the end of the year. For us, the new world order has required committing to certain basic principles: embrace the volatility (which is now commonplace), position well with our proven strategy, and reap the significant benefits when the capital allocation decision shine on us.

The metals complex is now entering its 4th year of a bear market and as the saying goes, “the best cure for low prices is low prices”. The supply/demand picture takes time to adjust due to large capital expenditures in the sector. We expect that the fundamentals will start to look favorable in the 2016 timeframe and the related equities will reflect those fundamentals just before then. We are well positioned in a number of opportunities in small position sizes with proven management teams that will see multi-fold yields when the interest returns. In the interim, about a third of the Fund is allocated to non-resource stories.

At the end of the quarter, the Fund holds 5% cash and 23% in short positions. Best wishes for a prosperous and healthy 2015.

September 30, 2014 Commentary

At the end of September 2014, your Fund is up 2% for the quarter, up 35% year to date, and up 12.6 % compounded annually since inception of the Fund in July 2005.

Previous commentaries identified the possibility of volatility entering the portfolio on a more pronounced basis than we have seen in the last year. And this quarter saw it. August saw a number of our catalysts hit positively resulting in a large outperformance on an absolute and relative basis, but the last two weeks of September saw some of the earlier gains reversed (although still an outperformance on a relative basis, the small cap index was down 10%, energy index down 10% and gold index down 18%) as the risk tolerances took an immediate halt. The later part of September saw liquidity erode in both small and larger companies and some unreasonable market capitalization drops on relatively small trading volumes. Our renewed focus on being aggressively nimble caused us to quickly search out liquidity and liquidate a number of non-core holdings that could be exposed in an illiquid market. This raised cash positions from 3% to 25% in a couple of trading sessions. Some of this cash was reallocated to a few of our core holdings like Parex Resources, and George Fink's Pine Cliff Energy as they dropped +20% in a week. Parex went from \$4 to a high of \$15 over the last year and our original cost on Pine Cliff of \$0.40 to an institutional financing completed at \$2.05 mid-month. We were also fortunate to be a handful of outside investors invited to participate in Ross Beaty's new venture, where the stock saw an immediate 10 fold increase in August and then settle back 40% in September. This opportunity should provide us a multi-bag potential over the next few years.

The portfolio saw the benefits of the M&A cycle picking up in the earlier part of the year; however, the last couple of quarters have seen a muted response. If these new valuation levels persist for any extended period, the expectation would be for opportunistic M&A to pick up again. While we have seen a formidable bounce from the bottom of the resource cycle as evidenced by our strong yearly return, we are in the very early stages of this theme and corrections are a required form of this development.

As I analyze the Fund's holdings on a daily basis, I am excited to see that the majority of our holdings are operated by a unique class of serially successful entrepreneurs that we have particular strong relationships with. Over the year, the Fund has also seen some strong returns from the less weighted short term trading book as well as from the non-resource investments. One of our current top-holdings in the non-resource space that is worth high-lighting is Benev Capital (with a pending name change to Diversified Royalty Corp.). This early investment for the Fund has now seen the first of potentially many top-line royalty acquisitions in diversified multi-location businesses. Operated by a Vancouver based management team whom we know very well, this name could become a market darling quickly.

At the end of the quarter, the Fund holds 20% cash and 17 % in short positions.

June 30, 2014 Commentary

At the end of June 2014, your Fund is up 14.9% for the quarter, up 32.7% year to date, and up 12.71% compounded annually since inception of the Fund in July 2005.

This quarter saw the validation of a number of our top core holdings – names that have been commonplace in previous commentaries. Companies like Parex Resources, Lucara Diamond Corp and Lumina Copper, each at one time holding the top spot and maximum weighting in the Fund, saw our thesis play out with the capital markets bestowing “darling” status to them (previous commentaries detail all these companies). Parex, our Colombian oil company which we added further to at \$4.20 last summer, hit an all-time high of \$13.25 this month; Lucara, the Lundin-backed producing diamond company which we bought aggressively at \$0.90 last fall, hit an all-time high of \$2.60 this month; and Lumina, Ross Beaty’s last asset of the original Lumina group of companies was sold this month, culminating with the \$1 invested in 2003 monetizing in excess of \$45 today. The challenge, of course, in these long-term holdings is the tug-of-war of being careful not to fall in love with a story, on the one hand, and understanding our core expertise in rigorously finding these treasures before other market participants and leaving some upside for the next group of investors, on the other. Hence, we have been crystalizing profits and recycling into a number of new treasures. If this Fund was a Private Equity fund, where monthly mark-to-market isn’t the norm, I’d have graying hair instead of no hair! These investments have contributed handsomely to the Fund’s twelve month return exceeding 50%. And I believe we are still only in the early innings of our proven strategy. While the Fund has achieved excellent recent returns, we have not seen a broad based move in our focus sector. The current fundamentals suggest to me that we likely won’t see the broad based move upwards until approximately 2016, with the caveat that risk tolerances are sustainable and are not extinguished by macro factors. This is our ideal environment for outperformance.

The above three companies were all selected with the following criteria:

1. Management teams with successful track records and ones with which we can build long standing relationships and regular contact;
2. Assets that require in-depth understanding resulting in a narrow investor base initially;
3. Access to capital and a management group that is highly vested;
4. Companies that can grow large enough to garner wide spread institutional investor interest.

These basic requirements, among others, are fundamental to all our core positions.

I am also excited that earlier this year we were able to formally announce that Chris Cumming joined Primevest Capital Corp. as a Principal of the firm. Chris has been an investor in the Primevestfund since inception and a partner in the firm for a number of years. He is managing a newly created fund that has a unique mandate to exploit inefficient pricing aberrations, particularly focused in non-traditional asset classes.

At the end of the quarter, the Fund holds 8% cash and 19% in short positions.

March 31, 2014 Commentary

At the end of March 2014, your Fund is up 15.5% for the quarter, and up 11.32% compounded annually since inception of the Fund in July 2005.

This quarter saw further validation of the thesis that Merger & Acquisition activity is the catalyst that puts the bottom in a cycle. This quarter saw increased M&A activity, particularly some hostile events with larger companies in the resource sector. We also saw three takeovers in our portfolio this quarter, which is significant for a portfolio of approximately 30 stocks. In one particular case, Aurora Oil & Gas, the Fund has increased its holdings subsequent to the offer to take maximum advantage of the merger arbitrage opportunity. Aurora is a U.S. Eagleford shale player we originally owned a number of years ago as it was transitioning from an Australian-listed company to a Canadian-listed one. Over the years, the valuation had too much success priced into the stock but we continued to follow the company closely because of the spectacular asset base, and the general conviction that strong asset bases eventually attract larger players. We met again with the company in the summer of 2013: while the company's growth was highly impressive, the entry valuation still seemed rich. As the valuation dropped by the end of the year, we had another conference call with management in mid-December to confirm our model and took our initial position thereafter. After the market close on February 2nd, Baytex Energy made a \$2.6B takeover offer, amounting to a 52% premium for the company. At the opening of the stock in the Australian market, the Fund increased its position below the bid price out of the belief that Marathon Oil, the operating partner, was the most logical and accretive buyer of Aurora. We'll hope that Marathon is in a position to come over top of the Baytex bid for an un-risked NAV that is still 40% over the current price.

In addition, another of the Fund's significant holdings – a holding that I referenced in last quarter's commentary as a test case for the catalyst investing strategy – concluded its value creating event, resulting in an almost threefold return in four months. We are investigating a number of other companies that may possess comparable characteristics to implement this strategy.

During this part of the cycle, we get exposed to some very unique capital formation opportunities with proven management teams that we have long-term relationships with. As these situations arise, we are allocating capital to them with the understanding that these typically tightly held companies exhibit higher volatility than other investments we are involved in. The trade-off for the volatility should be multi-fold returns over a two year period. A recent Report on Business magazine had the following quote from George Soros that reflected similar thinking:

“Outperforming the market with low volatility on a consistent basis is an impossibility. I outperformed the market for 30-odd years, but not with low volatility.”

At the end of the quarter, the Fund holds 7% cash and 24% in short positions.

December 31, 2013 Commentary

At the end of December 2013, your Fund is up 2.6% for the year, and up 9.8% compounded annually since inception of the Fund in July 2005. It looks as though your Fund is the only resource focused fund in its category to post a positive return for the year, with some comparables losing as much as 50% this year.

The last six months of the year saw consecutive positive months for the Fund, making up the losses earlier in the year. More importantly, we have seen positive catalysts being rewarded fairly and significantly for the first time in three years in our core resource positions. This fact, along with M&A transactions commencing in the sector (also for the first time in the same period) and a reportedly \$100 billion raised in mining private equity funds provide the backdrop to confidently state that the worst in the resource market is behind us. While I do not expect a broad based rally anytime soon, commodity prices should remain relatively stable before seeing a potentially large spike to the upside in late 2015 or 2016 due to supply shock fundamentals from the current lack of spending “in the ground”. This relative stability should provide individual pockets of opportunity to generate outsize returns in specific depressed value situations, including some that we have already captured. The Fund’s strategy is well-positioned to benefit from this environment. In addition, conversations with investment bankers actively engaged in dialogue with the new mining PE funds, suggest that many of the newly formed funds are lacking the expertise to effectively invest in the sector. As a result, many are not closing on deals and if they are pressured to allocate capital as their terminal dates arrive coincident with my view on supply conditions and commodity prices, we could see broad-based large pops in valuations of equities.

One example of a story seeing rewards of its positive catalysts is BNK Petroleum, one of our top five holdings. I met with the CEO at my office in June of this year. At the time, the company had a \$110M market cap with \$100M in cash and no debt. The reason for the large cash position was they had sold their natural gas assets in Oklahoma to Exxon Mobil for \$145M. However, since they weren’t getting any value for two potential oil prone horizons, they excluded them from the sale. During our meeting, we calculated that if they were successful in proving out the Caney horizon, the oil package could be worth between \$325-450M and the timing of the catalyst was underway as they finished drilling their first well and preparing to frac, as well as, spudding their second well. Today, they have drilled six wells and are refining their frac design. The stock has doubled during this time and on top of the Oklahoma play, there is a free call on their European shale gas assets, with an immediate drilling catalyst in Poland in the New Year. This play valued the stock in excess of \$500M in 2011 before the shine came off European shale plays.

The Fund is also experimenting with acting as a catalyst investor. The Fund has recently purchased just below a 10% interest in a company where we believe we can act as a participant in a value creation event. We should have visibility in the success of this strategy in short order. If this opportunity succeeds, we have identified another replicable situation from which the Fund can benefit.

At the end of the quarter, the Fund is sitting on 8.5% cash and 28% in short positions.

Best wishes for a prosperous 2014.

September 30, 2013 Commentary

At the end of September 2013, your Fund is up 11.5% for the quarter, and up 9.4% compounded annually since inception of the Fund in July 2005.

Just before last quarter, the portfolio was slightly restructured. While the core resources position was untouched, the portfolio now includes an increased allocation to non-resource equities and allows for a more opportunistic approach to shorter term opportunities. A similar approach was taken in early 2009. The non-resource picks have had outsized returns, but continue to be generally illiquid – like the majority of the Canadian market. Profits are being realized as these stories are reaching their targets. The quiet summer provided an ideal setting to take advantage of opportunistic situations that were also profitably realized. The most significant shift, by far, has been that for the first time in a couple of years, catalysts on our core resource positions are being positively rewarded. We have seen the first signs of capital being allocated to the sector. Since most of the selling has abated in the sector, and along with those sector investors that have survived and defended their holdings, new capital is required to pay premiums to establish positions. Companies like our top holding, on which I have been sounding like a broken record, Parex Resources, is up 50% over the quarter. The new Athabasca uranium discovery of Fission Uranium and Alpha Minerals, to which I went on a recent site visit, is looking like a world class deposit and is up almost triple in the same time. We also had our first takeover in the portfolio for the first time in over a year: Trioil Resources, which was the only significant domestic energy name in the portfolio over the last couple of years, received a cash take-over bid from a Polish mid-stream company. While the premium was not as large as we were previously accustomed to, the take away here is that M&A has now started (fortunately the Fund has been on the front end of it) and importantly that non-conventional international parties are recognizing the value.

One highlight stock that should have some fanfare over the next quarter is Lucara Diamond Corp. Lucara is a diamond mining company in the Lundin stable. I have followed this company very closely over the last few years. The CEO, for whom I have a great deal of respect, has done a superb job in building this mine in Botswana, on time, within budget and with optimized operations. This business has immense ability to generate cash flow. By the end of year, I believe they will be able to pay down the debt used to finance the mine-build a year ahead of schedule, have a net cash position, as well as, likely trading at about 3.5 times EV/EBITDA multiple. In addition, they are finding some of the highest quality and largest diamonds in the sector today.

At the end of the quarter, the Fund is sitting on 16% cash and 21% in short positions.

June 30, 2013 Commentary

At the end of the last quarter, I outlined a compelling argument for investment in gold equities and increased allocation to the sector. I expressed both a caveat that it may be too early and a promise to be nimble if that was the case. The infamous short call on gold by Goldman Sachs and the subsequent precipitous drop proved it was too early. The new allocations, including Goldcorp, were liquidated soon thereafter. The macro headwinds for gold are just too strong to be constructive as evidenced by most gold funds being down about 50% in the last six months. There continues to be some very interesting value propositions in the space that are being monitored but more stability in bullion will be a prerequisite.

In addition to the volatility in the resource sector, the broad markets continue to exhibit immense volatility; from Japan dropping 7% to Telus and Rogers dropping 8% in a day, and the US markets fluctuating dramatically depending on which words Bernanke uses. Apple's stock is almost half the value it was last fall! Volatility is here to stay and one can only focus either on short term trading (which is a tough game to play) or invest for the long term in fundamentally sound enterprises and try to ignore the short term fluctuations. The liquidity in the Canadian market, and in particular the small and mid-cap sector, continues to be a challenge, further contributing to the volatility. One encouraging sign is that positive company catalysts are initially getting rewarded, however, full follow through is still lacking. A number of positive catalysts that occurred in the portfolio in the month of May lost part if not all their return in June due to the schizophrenic short term nature of the broad markets. I suspect further positive catalysts in these names will have increasingly larger recognition over time.

The resource equities have had an awful couple of years and has not been a fun place to be. Our focus has been in this space due to our unique expertise and access. We have increased the Fund's allocations to non-resources opportunities recently (due to being comfortable with the sponsorship by our close capital market relationships) and the resource allocations over the last number of months have shifted more to the energy side from the mining. The resources positions the Fund holds are historically the cheapest they have been on all metrics (and in some cases ridiculous valuations in my opinion). For example, many Canadian energy producers are trading at less their 2P (Proven and Probable) reserve value, and in some cases less than their 1P (Proven) reserve value. Typically when the market doesn't realize the opportunity, the M&A market usually does. The M&A market has essentially been closed for the last couple of years. Broad based M&A transactions will get investors back to understanding the value opportunity that currently exists. My view is that this could potentially get kicked off this fall by major oil and gas companies entering the Canadian oil and gas space fuelled by the liquefied natural gas (LNG) exporting industry taking shape right now in B.C. I have been diligently researching the potential targets and if there are appropriate hedges to insulate some of the downside in the interim. It is expected that an allocation of the robust cash position of the Fund could be allocated here in the next few weeks if the research concludes successfully. We are definitely bouncing along the bottom of the valuation and multiple compression scale. Whatever the catalyst will be to change that, the conditions are such that it's not just 20% of the upside move that will be missed almost immediately.

At the end of the quarter, the Fund is sitting on 20% cash and 16% in short positions.

March 31, 2013 Commentary

At the end of March 31 2013, your Fund is down 5.51% for the quarter, and up 9.62% compounded annually since inception of the Fund in July 2005.

Going into 2013, a highly constructive argument could be made for the Canadian market. The heavy resource-loaded index saw the international investor essentially exit from the resource sector in the summer of 2012 and nearly all major markets significantly outperformed Canada, including Australia (which is historically highly correlated) and even Greece, whose market was up 33%. Valuations were and are cheap and a host of non-fundamental factors are influencing stock prices. As a result, the Fund was almost fully invested and reduced short positions to about 10% from the usual 20-33% we have held over the last few years. In February, rumours of the liquidation of a levered commodity fund caused another shock within the commodity complex; the rumour precipitated a +\$2 drop in WTI oil prices within minutes. Usually events like these see a rebound, but in some circumstances it can begin a trend. As a prudent measure, the Fund instituted its normal short positions again and raised some cash. Our two largest positions, Parex Resources and B2Gold represented about 40% of our losses in February. I recently met with the management team of Parex and confirmed that this approximately \$500M company should generate between \$300-400M in cash flow this year with up to \$100M in free cash flow. This management team has executed their business plan fabulously, confirming my confidence that when this out-of-favour sector eventually turns, Parex, with growing fundamental value, will get rewarded. B2Gold, is the premier growth company in the gold sector with gold production going from 160,000oz last year to 400,000oz this year to 550,000oz in 2015 and all internally funded. It is trading at 5 times next year's cash flow, has +50% upside to its net asset value and should generate +\$400M in free cash in 2015.

There are a number of non-fundamental factors affecting stock prices today primarily attributed to the proliferation of computer program trading. Much of the program trading is momentum focused and on a daily basis can exaggerate moves up and down particularly in stocks with low liquidity. These programs are industry and size agnostic, so any pressure from buying or selling will call out these programs. This factor explains a great deal of the increased volatility in markets today. In addition, other factors such as in B2Gold's case, speculation of large index removal caused a number of market players to try to game the indexing causing a large part of the market capitalization to get wiped out in a short period of time without any change in the fundamental value of the business. In Parex's case, two insiders transferred holdings from one entity to another but Bloomberg only reported the sell side causing undue concern, resulting in a drop in the share price. These types of movements tend to be short term in nature but sometimes the damage takes time to repair. These momentum trades occur both on the upside and the downside. So we patiently wait on our fundamentally sound growth stories till what seems like one huge pool of capital migrating from one sector to another arrives at our stories.

Gold stocks have lagged the gold price by a large margin over the last two years. The index of large gold producers listed in the US is down over 50% relative to the gold price and the index of junior gold producers and developers is down 75% relative to the gold price. Although the shine is off gold for the moment, the marginal cost of all in production is not far from the current gold price and a significant drop from here would likely not be for an extended time. Valuations of gold equities are the lowest in the last two decades. Over the last few weeks, I have had meetings with board members of a couple of senior gold companies to understand strategic and operational issues from the board level. It seems that if the financial performance can be rectified, there is a very lucrative opportunity to capture investor interest again. The Fund has added further exposure to select names, including Goldcorp, for the first time ever. Some hedges have been put in place – as admittedly the trade may be a little early – alongside the ability to be nimble if we realize it is too early. Our non-resource allocation is now approaching almost 20% of the Fund, selected with the underlying criteria of management track record, growth opportunity, cheap valuation and being under-followed by the “street”. Some of these positions are up 40% in the last six months. We continue to look for unique special situations within this space.

At the end of the quarter, the Fund is sitting on 7% cash and 25% in short positions.

December 31, 2012 Commentary

At the end of December 2012, your Fund is flat for the quarter, down 15.5% year to date and up 10.8% compounded annually since inception of the Fund in July 2005.

2012 represented another challenging year characterized by pervasive risk aversion driven by macroeconomic themes. Even though most commodity prices fluctuated at reasonably high levels, equity prices saw multiple compressions and liquidity dropped drastically as the sector continued to be out of favour. The forced selling and low volumes bottomed in the summer signaling that those wanting out of the sector have now exited.

I celebrate my two decade anniversary of being in the investment business in the early part of 2013, and what I've learned over the years, is that these cycles are typically the same. The U.S. institutional investor greatly influences the Canadian market. When they want exposure, they call their broker and start allocating capital to the best ideas, and then they start taking meetings and further allocate based how the various stories impress them. At the end, when they've made the decision to rotate out of the sector, they sell indiscriminately and as aggressively as they bought in. My daily conversations with institutional trading desks indicate that the U.S. investor continues to be out of the market. It's never clear what the catalyst is that will end or begin the cycle. In hindsight, the catalyst that ended the last cycle was the Fukushima incident in March 2011. We seemed to have reached the bottom, but what catalyst will reignite the cycle is still not clear. Nonetheless, we have started to see a sentiment change, including recent reports by Pimco, UBS and Morgan Stanley favouring the commodity trade. Usually at this stage of the cycle, M&A gets kicked off and, if it's broad enough, multiple expansion occurs. Some of the few transactions that have consummated have reached 70% + premiums, further supporting the notion that fair values across the board are depressed. Being positioned in the bottom of the cycle is the key to capturing the swift early returns at the turn.

I had a series of meetings with senior gold companies in Panama this quarter. While gold prices are up north of 6% for the year, the TSX Gold index is down 16%. The senior gold companies have been plagued with operating issues and cost inflation both on capital cost of new projects as well as operating costs of existing mines. As a result of the disappointments, investors have shunned the equities. My meetings gave me a solid perspective on the sector. Firstly, the companies have received the message loud and clear and are adjusting their business models. I believe for the most part, the companies have put their operating issues behind them and increased their capital discipline. This discipline will allow a sound dividend policy as demanded by the marketplace. Secondly, reserve declines are evident over future years along with a lack of internal human resources to explore for new resources outside the vicinity of their current mining operations. Disciplined acquisitions will be required to continue the growth of reserves and long term attraction of the sector. My continued connections with investment bankers suggest they are busy trying to get deals done and I believe we shall see a number of deals consummate in 2013.

These types of environments can and do provide unique opportunities. For example, we have a position in a spin-off company led by George Fink, the founder of Bonterra Energy. We purchased what is now Pine Cliff Energy at 67 cents on the dollar of the cash and assets while waiting for George to make an acquisition. Today Pine Cliff is in the process of buying long life, low decline assets at 10 cents on the dollar of what they were trading just a year ago, which if they close through a bankruptcy process will give them 4,500 boe/d in production out of the gate at an operating cost of \$1.67/mcf. Incidentally, if you had given George \$0.20/share on the Bonterra IPO in 1998, it would be worth, including dividends, about \$70/share today!

At the end of the quarter, the Fund is sitting on 5% cash, 12% in short positions and about 35% of the portfolio in the top five holdings. Best wishes for a prosperous 2013.

September 30, 2012 Commentary

At the end of September 2012, your Fund is up 7.1% for the quarter, down 15.7% year to date, and up 11.2% compounded annually since inception of the Fund in July 2005.

As Labour Day passed, it was evident the capital market participants went “back to work”. Volumes increased in the markets and politicians played to their captive audiences with more liquidity. Although industry data still show redemptions for Canadian equity funds continue, it seemed like the majority of the selling pressure due to redemptions peaked mid-summer.

Last quarter I talked about how the return of the broad M&A cycle is a major catalyst of the Fund due to our catalyst driven approach. A couple of weeks ago we saw the first meaningful takeover in the gold mining space in over a year (maybe two). B2Gold Corp. made a bid for CGA Mining Limited in a \$1.1B transaction. CGA happens to be the largest holding in the Fund and the only significant gold holding in the portfolio over the last couple of years (the previous significant gold holding was Red Back Mining which got taken out for \$7.2B; our entry price was at a \$300M market value 3.5 years earlier). And while the premium wasn't as large as one in a more robust environment, it none the less had a positive impact on the portfolio and further validates our long term strategy and investing style. We sold a third of our position, hedged off another third against B2Gold and will likely hold the remaining third till closing. The transaction is accretive for the combined company and should recognize further long term value once the deal is closed. While the probability is small for another competitive bid, the value of CGA is still cheap and I wouldn't be surprised if another entity thought so as well.

While the uncertain macro environment will be with us for years, the market is adjusting its base to reward positive catalysts. With U.S. elections, Chinese leadership change, European austerity issues, and Middle Eastern tensions impacting short term focal points, it's important to be secure that fundamental investing will succeed over time. Like the CGA story above, the Fund continues to hold high conviction names that I believe will be rewarded as catalysts arise or as an industry player recognizes it by consolidating at premiums to the prevailing values. In a backdrop of continued coordinated central bank easing and heavy underweighting of equities from institutional and retail investors, the bias of the equity markets looks to be on the upside going into the end of the year.

During the quarter we removed a number of broad market hedges as the correlations to the portfolio reduced. We have also shifted some of the resource allocation from mining to oil and further increased some of our non-resource exposure. At the end of the quarter, the Fund is sitting on 10% cash and 14% in short positions.

June 30, 2012 Commentary

At the end of June 2012, your Fund is down 23.34% for the quarter down 21.25% year to date and up 10.5% compounded annually since inception of the Fund in July 2005.

This has been the most challenging quarter for the Fund in its history. As Unitholders know, the strategy of the Fund has been to hold a concentrated portfolio with the top 5 holding representing up to 40% in the highest conviction names. The opportunity to provide outsized returns has historically been focused on the resource sector, principally in the small and mid-capitalized companies where the largest inefficiencies exist. This last quarter saw an exodus of the international investor from the Canadian markets (typically as a proxy for the resource trade) as a result of the “risk off” trade with world political and financial headlines. The consequence of this has been that the liquidity in these stocks has dried up dramatically. We have seen \$600M dollar companies losing 10% of their value on \$100k worth of trades. We also saw commodities like oil fall from a high of \$108 to a low of \$78 in the quarter and large cap bellwether companies like Suncor and Teck Corp. lose 14% and 16% of their respective values in the month of May alone. The market’s patience is almost nonexistent as company catalysts that are pushed out by even 1-2 quarters get punished. The following data points provide a glimpse of the holding periods of stocks and the proliferation of program trading:

1945:	4	years
2000:	8	months
2008:	2	months
2011:	22	seconds

There has been a lot of chatter of the resource market being “over” and the “super cycle” ending. The “super cycle” argument has been based on the demand side of the equation and in an environment of slowing world growth that argument would seem reasonable. My contention has always been that the long term resource investing opportunity is not one that should be demand focused (although it is important) but rather supply focused. The replacement of depleting resources over the last half decade and into the future has faced numerous road blocks. These items include lower grade deposits, capital cost blow outs, environmental issues, water issues, political and labour issues, to name only a few. Most commodities today are trading at or below the marginal cost of production, except for copper which has its own critical supply issues. These situations can only last so long until they correct themselves. The wealthiest investors I personally know have made their fortunes in the resources market, and did so before we even knew what a “super cycle” was! Having provided this argument, the resources sector is clearly out of favour currently and the Fund has been raising cash from small cap non-core holdings looking for opportunities to deploy into larger cap companies and some non-resources special situations.

We have developed a particular expertise in identifying opportunities with trusted management teams running companies with strategic assets which subsequently have been consolidated by larger players. The value creation of developing these companies (over time) and the premium multiple that eventually is received proves to be a lucrative venture. For example, the very first stock purchased at the opening of the Fund in 2005, Lionore Mining went from a \$100M market cap to \$6.4B takeover over a ten year period. During the 10 years it actually dropped to a \$50M market cap when the sector was out of favour; the majority of the value was created in about 6 months before the bidding war when the sector was hot.

The broad M&A cycle is the probably most important macro catalyst for the Fund and it has been closed for the last year and a half. Evidence is showing that investment bankers are busy and trying to aggressively engage transactions but the volatility in the markets have precluded stock prices standing still long enough to do transactions. In the last few weeks, we have finally seen two meaningful transactions, one with Yamana acquiring Extorre and the other where Petronas acquired Progress Energy. Both of these transactions were completed at 70% premiums over the previous day’s closing prices, evidencing how under-valued the sector really is and that strategic players truly understand the value.

Our top three holdings continue to be CGA Mining, Lumina Copper and Parex Resources. CGA and Parex are trading at about a 2 times cash flow to enterprise value and Lumina trades at 15% of its \$60 net asset value. All these companies have management with significant personal equity stakes, strong track records of building immense value in their enterprises and ultimately providing shareholders with a premium liquidity event.

At the end of the quarter, the Fund is sitting on 26% cash, 25% in short positions and about 40% of the portfolio in the top five holdings.

March 31, 2012 Commentary

At the end of March 2012, your Fund is up 2.74% for the quarter and up 15.35% compounded annually since inception of the Fund in July 2005.

After an exhausting 2011, market participants decided to put the European debt situation on the backburner and with the US economy showing signs of a modest recovery, investors started focusing on investment fundamentals. The US technology sector was the clear winner as the market woke up to the fact that some of the world-leading technology companies with heavy barriers to entry and large competitive advantages were trading at single digit multiples. When obvious realization kicks in, moves tend to be swift and dramatic.

The resources-rich TSX started the year with a positive participation but the announcement of Chinese GDP growth falling to a range of 7-7.5% quickly put a damper on the positive tone. Many are looking for data to be bearish on China but my belief is there is a market disconnect and misunderstanding of what is happening in China. Recall that a little over a year ago China started a tightening cycle particularly to combat the excessive movements in the property sector. By the end of 2011, the tightening was reaching its anticipated goal. Inflation was the major factor impeding a policy shift to loosening which had been tamed by the beginning of 2012. While slowing data should continue, the stage is set for further loosening. Our research from "on the ground" accounts suggest many indicators look as if the bottoming process is being reached, including in the property sector. The government has many tools at its disposal, including cutting the current 20.5% reserve requirement ratio for most large banks. I anticipate easing could occur as early as this upcoming quarter which will send a signal to the markets.

There also is a disconnect between resources equities and commodity prices. While commodity prices have held in and are at high levels, resource equities are outright cheap. Some of our top holdings are trading at two times cash flow on enterprise value. Like the tech sector mentioned above, when the market reacts to these fundamentals the moves will be quick and the first 20%+ will only be achieved by those that have the will to be positioned. Two factors will likely be the catalyst for this move. One is sector rotation out of sectors that have had large moves like US technology and the other is the start of a broad M&A cycle. The latter can have far reaching impacts as those portfolios that have had long term positions receiving liquidity will require new homes for the deployment of capital. My conversations with investment bankers suggest there is lots of pent up activity and significant tire kicking going on.

The long term wealth creation that occurs in the resource business is like none other. Our current largest holding, Lumina Copper Corp. is the last company after multiple spin offs, from Ross Beaty's original vision of assembling 10 copper assets at the bottom of the cycle. The original Lumina in 2003 completed its first financing at a \$9M market capitalization. Today, the combined market cap of all the companies sold amounts to almost \$2B or for every \$1 invested more than \$52 has been returned in the decade long period.

At the end of the quarter, the Fund is sitting on 5% cash, 30% in short positions and about 40% of the portfolio in the top five holdings.

December 31, 2011 Commentary

At the end of December 2011, your Fund is up 1.87% for the quarter, down 24.6% year to date and up 15.5% compounded annually since inception of the Fund in July 2005.

Even though this year's losses were less than 2008, this year was perhaps more difficult. The strategy of the Fund has always been to have a catalyst-rich concentrated portfolio with the top five holdings representing between 25-40%. Historically, our returns have been lumpy typically having positive bumps as catalysts are realized. This is the first year that a number of our stories had lumpy returns on the downside, generally fuelled by onetime non-forecasted events. For example, in the first part of the year, the Fund had a large allocation to the uranium sector as the nuclear renaissance and fundamentals were highly compelling. The Fukushima earthquake eradicated that trade. In addition, our first significant allocation to the domestic oil sector in Saskatchewan became a punishing allocation as the province experienced unprecedented flooding which delayed any drilling. These along with the collapse of some pre-merger arbs in the context of an uncertain macro environment made it a highly challenging year. Manager styles tend to work in a cyclical fashion and I believe another repeat of these types of events happening concurrently again is highly unlikely.

Because of our developed expertise in finding advanced stage development resource assets, every year the Fund has seen a number of takeovers (usually of top holdings; good assets always are in demand in any environment). This year the portfolio saw only one takeover which happened to be a small holding; Peregrine Metals was taken over at an advertised price of U\$3.28. We purchased the stock at \$0.20 in a seed financing four years earlier. The majority of takeovers that have occurred in the resource space this year have seen take-out premiums range from 50-100%, much higher than the standard 30% range. This evidences the depressed valuations occurring in this environment and that suitors are willing to pay closer to fair value.

The biggest win in the portfolio this year has been Lumina Copper, part of the Ross Beaty stable of companies which has gone from \$5 to a high of \$15. Lumina's Taca Taca copper deposit has become one of the world's largest copper development assets not in the control of a major mining company. It hosts in excess of 15 billion pounds of in-situ copper not including by-products like gold and molybdenum. Lumina was a spin out from Northern Peru Copper (also a former top holding), which was purchased by Teck Corp in 2008. In addition, Lumina spun out Lumina Royalty as a private company this summer and subsequently sold to Franco-Nevada before the end of the year. If one had put \$1 in Ross's original Lumina 7 years ago, it would be worth in excess of \$50 today!

In today's uncertain environment, where speculating on politicians' decisions and whether risk is on or off is a fool's game and the only way to have success is to have a longer time horizon. Owning companies that today one can buy for two to three times cash flow with growth and optionality will ultimately lead to successes like the above examples. At \$100 oil prices, oil companies are highly profitable and if we have \$100 prices in today's volatile environment, what happens to oil prices once the world starts to recover?

At the end of the quarter, the Fund is sitting on 15% cash, 20% in short positions and about 40% of the portfolio in the top five holdings. Best wishes for a prosperous 2012.

September 30, 2011 Commentary

At the end of September 2011, your Fund is down 16.23% for the quarter, down 25.97% year to date and up 15.83% compounded annually since inception of the Fund in July 2005.

Most world markets experienced the worst quarterly declines since the fourth quarter of 2008. In Canada, the Energy Index was down 24% and the Global Base Metals Index was down 35% over the quarter. Continued macro concerns in both global growth and fiscal management are dominating the capital markets. Short-term volatility (short term in this instance defined even in minutes) has reached ridiculous proportions with news events changing the value of companies (stocks on the market) by hundreds of millions of dollars and more. This environment is highly reminiscent of 2008. There was no one catalyst that turned the markets around in March 2009 – other than the selling stopped! Today with the dramatic declines, we are only beginning to see forced liquidations from funds affecting the market. I suspect these forced liquidations will not last as long as they did in 2008 and expect that before the end of the year (and likely by November) this typical last stage in the major decline should be complete. As part of this liquidation, the commodity trade was becoming a crowded trade and those fast money hedge funds have been quick to head to the exit. While painful, we have seen this type of behaviour many times in the past.

China's proportion of commodity demand has escalated from about 33% to about 43% in the last three years. While the medium-term prospect of both growth and commodities demand are strongly intact, there are short-term growth concerns. China started tightening monetary policy earlier this year as a tool to control inflation (which continues to be their main economic focus) and hence has created the obvious slowdown in credit availability and related growth factors. Once the inflation control objective is met, China will likely use administrative policies to target domestic consumption. China has been deliberate, decisive and effective with all of its policies. Copper prices have dropped about 25% in the last week; however, fundamentals today are not reflecting the negative pricing. Inventories are low, re-stocking is occurring, scrap prices are trading above refined prices and Treatment and Refining Charges (TC/RCs – the variable cost the smelters charge) have not changed and are at low levels (\$50/t and \$0.05/lbs.) indicating concentrate capacity is constrained. All this is in addition to supply issues faced by the largest producers.

M&A activity is picking up and we have seen a few transactions over the quarter and rumours of other transactions falling apart for non-corporate related reasons. Larger companies are actively looking for assets that can replace depleting reserves and provide growth with their cashed-up balance sheets. We hold a number of core positions with highly incentivised management teams and exceptional track records for creating value in any environment. A number of these companies, I believe, will be well sought after by majors within the next year. This is an environment that one must be cautious but also not throw "the baby out with the bath water". The requirement for energy and metals-intensive demand by the 4.2 billion people in the developing world striving for a better standard of living will ultimately see the realization of immense value within the sector.

At the end of the quarter, the Fund is sitting on 25% cash and 33% in short positions.

June 30, 2011 Commentary

At the end of June 2011, your Fund is down 6.13% for the quarter, down 11.32% year to date and up 20.1% compounded annually since inception of the Fund in July 2005.

This last quarter has presented a highly challenging investment environment as evidenced by the Fund's negative return. In such an environment, one must analyze four factors: 1. Macro Events; 2. Sentiment; 3. Valuations; and 4. Liquidity. From a macro perspective, my view is that the major financial issues facing Europe and the U.S. are issues that will be resolved in due course as the resolutions of countless similar historical examples demonstrate. The bigger macro concern to focus on is the acceleration of inflation in emerging markets and particularly China. While slowing growth to 7-8% is reported to be a headline risk, we must remember this growth is on a larger base than the years before. Since 2008, we have identified a research group with experts on the ground in China and their forecasts have been exceedingly accurate. We are closely monitoring their output to determine any China strategy shifts. Current sentiment has been negative, driven always by uncertainty as well as the summer seasonal lull. Macro events must see resolution or a market adjustment prior to a change in sentiment. Valuations in almost all contexts are attractive. One only gets true undervalued opportunities in negative environments. From a liquidity standpoint, there is significant cash on the sidelines and most institutional money in Canada is waiting for the summer to end before even thinking about deploying cash reserves. Previous environments that exhibit the current characteristics usually see M&A as a value creating factor.

From the commodity perspective, I again want to reiterate the focus must be on the supply side of the equation more than the demand. While long term demand will continue at a reasonable pace the supply side is generally tight and short term events like strikes and weather can have dramatic mid-term consequences. Even though equities have been beaten up, copper for example continues to hold in the low \$4 range which is a very robust price for producers. Market-watchers generally look to the price of copper as a leading indicator of economic growth but I believe this reasonably high price is more reflective of the fundamental demand/supply situation than of underlying economic growth dynamics. I suspect we will see a re-stocking event coming into the fall from a summer slow-down which will provide further upside pressure on copper prices. Zinc will also surprise to the upside next year as the supply currently factored into many forecasts will not be there. Being able to buy companies like Parex Resources, a Colombian and Trinidadian focused oil E&P company at a three times cash flow multiple and blue sky upside for free only occurs in environments like these.

At the end of the quarter, the Fund is sitting on 8% cash, 9% in two merger arbitrage situations and has broad market short positions of 23%.

March 31, 2011 Commentary

At the end of March 2011, your Fund is down 6.7% for the quarter, up 22.4% compounded annually since inception of the Fund in July 2005.

Going into the new year, the Fund's strategy was to reduce the relatively large number of small positions in early stage gold exploration companies and rotate into more concentrated positions in larger companies and a thematic allocation to a number of uranium companies. Uranium had generally lagged some of the other commodities and the nuclear renaissance (which I still believe is a required option) provided a robust backdrop for uranium equities. Due to the Japanese earthquake, the uranium exposure had a negative contribution to our quarterly return and hampered any near term prospects for the sector. In particular, the largest position Mantra Resources, which is subject to a cash bid by the Russian company ARMZ, renegotiated a discount to the A\$8 bid down to A\$7.02. The Fund still maintains this position as a merger arbitrage position, as there is a 25% annualized return potential on the trade and a slight possibility of a competitive bid for this strategic asset. Even though spot uranium prices have recovered substantially, the short term looks bleak for uranium stories and the opportunity cost has increased.

The Fund has further increased concentrated exposure to a number of closely monitored companies. These catalyst driven opportunities may increase the volatility in the short term but the eventual value creating catalysts should see handsome rewards. An example is Anfield Nickel Corp, a Ross Beaty controlled company, which I believe will follow the same path as the four copper companies Ross developed over the last few years (from which the Fund profited significantly). In addition, there are some select value propositions in a number of junior oil and bulk commodities companies. These companies represent unique opportunities to participate at an early stage and have a similar reward/risk profile.

"Black Swan" events seem to be becoming a common occurrence and the electronic trading platforms have drastically increased short term swings. The long term commodity thesis still remains intact albeit with significant volatility. In this type of environment, one has to stick to the long term merits of the core positions, be nimble with the non-core positions, and find opportunistic pockets to enhance core returns.

At the end of the quarter, the Fund is sitting on 10% cash and has broad market short positions of 23%.

December 31, 2010 Commentary

At the end of December 2010, your Fund is up 25.3% for the quarter, up 32.5% for the year and up 24.8% compounded annually since inception of the Fund in July 2005.

The majority of the 2010 return was generated in the last half of the year and, true to the history of the Fund, lumpy monthly returns provided most of the annual return. This fact further evidences the argument against market timing and the validity of catalyst driven investing. Taking concentrated positions in stories which one has significant conviction in usually provides absolute and relative wins.

Further M&A activity occurred in the portfolio this quarter. Another one of our long term core holdings, Mantra Resources Limited, received a \$1.16B all cash offer at \$8/share. Mantra is an advanced stage uranium developer with a world class asset in Tanzania and part of the stable of companies run by the old Lionore management team (another top holding in the Fund that was taken over for \$6B in 2007). The first purchase was in the \$2 range in early 2009, when it only traded in Australia. Investing in serially successful management teams has generated immense amounts of profit: another company that is highly promising from the same group is Coalspur Mines Limited, holding a world class thermal coal asset in Alberta. The Fund holds a position from the \$0.60 range when it also only traded in Australia (it now trades on the TSX at about \$2).

Oilexco was a former top holding which has been reincarnated into a new opportunity for the Fund. Prior to becoming a stock market darling in 2008, the Fund held Oilexco, with acquisition prices ranging from about \$3 to \$12. The Fund profitably liquidated the entire position at \$16 as the company, which had been poorly followed until then, rose in profile with large portfolio managers and the media. Unfortunately, Oilexco's over-leveraged strategy which served the Fund well by accelerating milestones at an earlier stage of development, ultimately proved fatal as the credit crisis culminated and the company went bust in late 2008. Despite the risky capital structure that led to its collapse, Oilexco did achieve some important technical successes in North Sea oil exploration. The management team behind those technical successes has launched a new company, Canadian Overseas Petroleum, with the same focus but with a stronger capital structure. Nonetheless, due to the negative experience with Oilexco, the new company has been met with a cautious investor sentiment – one that we think is overly punitive. This has created a promising opportunistic situation for an investor. The financing of \$120M left an enterprise value of about \$35M, with the potential for Canadian Overseas Petroleum to develop into a multi-billion dollar company with some success in the new exploration and development drilling opportunities in the North Sea. The financing included a warrant position and, therefore, the Fund is also exposed to significant no risk optionality.

At the end of the year, the Fund is reasonably fully invested with a 23% short position with the intention of reducing some smaller company positions in the New Year.

September 30, 2010 Commentary

At the end of September 2010, your Fund is up 14.65% for the quarter, up 5.76% year to date and up 20.84% compounded annually since inception of the Fund in July 2005. Our five year performance still places us in about the top 10 of about 13,000 funds in the country with a five year track record.

This quarter saw the return of some major M&A in our portfolio, further vindicating our long term thesis on consolidation of the resource sector. Two of our top five holdings were Red Back Mining and Continental Minerals, each of which received bids and contributed to the handsome returns experienced this quarter. I've had a long history with both of these companies including site visits to each company's assets. In June 2006, I visited Continental's copper porphyry asset, the Xietongmen deposit in Tibet, China, with the Hunter Dickinson group. This has always been a technically great deposit and now the Jinchuan Group (the largest producer of nickel-cobalt in China) has made a \$436 M bid for the company. In addition to conducting due diligence on the asset, this one week trip was an eye-opening exposure of what was (and still is) happening in China from the east coast to the west. In December of 2007, I visited Red Back's Chirano asset in Ghana and Tasiast asset in Mauritania with the Lundin group. This has been a text book case study on how to build a resource company. At the time of my visit, Red Back had a market capitalization of approximately \$300M and in less than three years, Kinross Gold made a \$7.2B bid for the company. Both these investments are illustrations of why certain management teams are serially successful and why I focus on building strong relationships with these types of groups and being exposed to their deal flow.

Historically the Fund has had virtually no exposure to early stage mineral exploration companies. However, with the depth and breadth of our relationships constantly evolving and the prevailing gold environment so robust, the Fund has allocated a small portion of the portfolio to a number of early stage junior gold companies. Individually, these investments will have little impact on the performance of the Fund if unsuccessful but potentially a meaningful impact if successful, particularly with the associated no risk warrant positions from financings.

We have also made a strategic shift from our Petrominerales (PMG) position to its parent Petrobank (PBG). PBG owns 65% of PMG as well as 58% of PetroBakken. When you back out the value of the two subsidiaries, you get the heavy oil and THAI technology at virtually no cost. The market has been disappointed by the time to commercialize THAI but I believe that success is imminent, and this is exactly the type of technology that has the potential to attract excessive market valuations. In addition, an immediate unlocking of value will occur if and when PBG ultimately decides to spin out the subsidiaries to shareholders.

At the end of the quarter, the Fund is holding about 15% cash and has reduced short positions to 21% as a result of covering some short positions due to the move in the materials sector.

June 30, 2010 Commentary

At the end of June 2010, your Fund is down 9.41% for the quarter, down 7.75% year to date and up 18.69% compounded annually since inception of the Fund in July 2005.

This quarter marks the fifth anniversary of the Fund. Of the 12,294 funds Globefund* tracks, only 3,117 funds have a positive 5 year performance number and only 44 funds (14 of those are different classes or US dollar versions of the same fund) provided greater than a 15% return over that time frame.

This quarter has posed a particularly challenging investment environment with macro events and program trading (now almost 2/3rds of trading in the US) dominating the marketplace. Both the bulls and bears have strongly-held views and extreme market movements have become commonplace every trading day. My daily phone calls to institutional trading desks have provided further insight into the prevailing investor psychology which is marked by a short term focus and general nervousness. My observations lead me to conclude that we will face an environment of directionless, choppy markets with continued volatility for an extended period of time. How does one make money in this environment? One can focus on short term trading, but I believe that can only be successful with a sophisticated trading desk that can be just one step ahead of the program trades, like the Goldman Sachs' of the world. The other way is to focus on catalyst driven situations that when realized will increase the value of the enterprise significantly. If the risk tolerances are not present to capture this shareholder value then they will likely realize that value through consolidation by larger entities. The Fund has always focused on this type of investing and we have a long term record of achieving success this way.

When analyzing the drawdown this quarter, we can plainly see that when we have concentrated positions that lose value, a material impact occurs in the Fund performance. In the last commentary, I wrote about the success of our top holding at the time. That company, Petrominerales (PMG) contributed to a large part of the loss this quarter. PMG lost about \$1B of its market value this quarter from \$3.5B to \$2.5B. PMG is 65% owned by Petrobank and has other long term holders estimated at almost 20%, so the float is reasonably small. When institutions need to liquidate, it can and does have a material impact on the value of the company. Fundamentally, the company is performing very well and has a variety of growth and catalyst prospects that should continue to add much value for shareholders. We added more to this position as it seems too cheap to warrant extended periods at this type of valuation. PMG subsequently announced the initiation of a dividend which is almost unheard of in a growth focused exploration and production oil company, so we now also get a 2% dividend. I expect that we should see a large part of our losses in this name recouped by the end of the year.

Outside of our 33% broad market and individual stock hedges, today the composition of the portfolio resembles a barbell. On one end we have concentrated positions in larger companies (the top three holdings represent about 25% of the fund and have an average market cap of \$5B) and a number of small companies on the other end that have the potential in any market condition to have many multiples of its value over time. One example of the latter is Liquidation World (LW), a broken company that is going through a restructuring with a management group that has a strong track record and is significantly incentivized with a 45% holding. Today LW has about \$170M in sales, \$45M in inventory and net debt of \$15M. The new management has rationalized distributions centres, moved to a SKU-based inventory system, increased gross margins from 24% to 37%, and proven a sustained 20% revenue increase in store re-openings. Even if they do not launch their ambitious 75 new store program, the value could be 3-10 times higher than our initial purchase price.

There are always opportunities in all types of market environments – one just has to be diligent and rigorous in finding them!

March 31 2010 Commentary

At the end of March 2010, your Fund is up 1.84% for the quarter and 22.3% compounded annually since inception of the Fund in July 2005.

We approached the New Year with some caution and increased short positions accordingly; these hedges provided great protection in the first month of the year but hurt us a little by the end of the quarter. A majority of the portfolio is usually invested in catalyst-driven situations which generally reflect their value upon the catalysts being realized. When these catalysts do not occur, the portfolio tends to under-perform the general markets, which explains the flattish return profile this quarter.

This quarter I had the opportunity to spend a couple of days in Bogota, Colombia where I met with a number of senior executives of the oil Exploration and Production (E&P) companies operating domestically. While there we took a field trip to the Rubiales field (partly owned by Petro Rubiales and the state-owned oil company Ecopetrol) which will hit 100,000 barrels per day in production this year; and attended a dinner party with the Minister of Mines, President of the ANH (state hydrocarbon agency), President of Ecopetrol and the front-runner Presidential candidate. I would like to report that the transparency in conducting business and investment opportunities there is quite impressive. Colombia has had a record of success in Foreign Direct Investment as a result of outgoing President Uribe's policies and I believe it will continue to be a favourable and lucrative place to invest over the next half decade. Although the first mover advantage in the oil sector has already occurred (and which we have benefited from greatly), there may still be some very important first mover advantages in the mining side.

The current largest holding in the Fund is Petrominerales, an oil E&P company and former spin out of Petrobank Energy, with very successful operations in Colombia. Even though it has been a long term holding in the Fund, we were buying the company aggressively in the \$5 range a little over a year ago, and it hit \$35 this month (which makes it now a \$3.5B company).

Although the majority of our top holdings are held in larger companies, these last few weeks I have been introduced to some interesting deal flow in the higher return/higher risk categories that has been hard to ignore. The Fund has, therefore, allocated – on a portfolio approach -- small individual weightings of a number of these stories. This may increase short-term volatility in the portfolio, but create real opportunities for hitting a home run from any one of these stories in the longer term.

December 31 2009 Commentary

At the end of December 2009, your Fund is up 15.61% for the quarter, 61.27% for the full year and 23.17% compounded annually since inception of the Fund in July 2005.

It is always important to dissect a headline performance number to determine the quality and ability of stock picking. The Fund's 60% year looks even stronger when one realizes that the Fund had an average 30% short position all year (with a low of 22% and high of 34%) and an average net long position (long positions minus short positions) of 44% (with a low of 9% and a high of 67%). This conservative stance was a result of the explicit goal not to lose any money in any month of 2009 because 2008 was so painful. The goal was narrowly missed due to one losing month in August (-0.45%). For those interested in seeing a composition profile, a table is included at the end of the commentary and provides further evidence of the nimbleness of the Fund.

As many Unitholders know, I travel extensively to conduct due diligence on investments as well as to investigate new opportunities. There is no substitute for "kicking the tires" first hand and talking to people working on the ground. This quarter, I took a three and a half day trip to India to visit Niko Resources and partner Reliance Industries' offshore natural gas operations. Of all of the field trips I have made to various operations, this was the most impressive. With a group of about a dozen sophisticated energy fund managers and analysts, we visited the approximately \$6B D6 natural gas development's onshore terminal, the offshore CRP (Control and Riser Platform) and the FPSO (Floating Production Storage and Offloading) vessel. By the end of the short trip I was convinced that Ed Sampson (Chairman and CEO of Niko) is one of the few managers that I would classify as a Master Strategist. That is, he is and will continue to be a great steward of your investment dollar and will provide an exceptional return on the monies invested. In addition to the company producing in excess of U\$400M in cash flow in the upcoming year and growing in future years, Niko has assembled some of the most promising offshore hydrocarbon exploration blocks worldwide. Success on any one of the many exploration blocks could provide as much value as is already reflected in the company.

Since the launch of the Fund, we have developed a particular expertise in picking advance stage development resource companies that have become takeover targets by major industry players. After going through a drought of takeovers in the portfolio this year, our largest holding Corriente Resources received a bid by the Chinese in the last week of year. So our track record continues.

At the end of the year, the Fund has a handful of small positions in some aggressive opportunities that have upcoming catalysts next quarter. Even though these represent small allocations, they can make significant contributions to performance as their individual catalysts are realized. If broad markets continue to provide stability, the Fund should realize some fine gains from these stories.

Primevestfund Composition Profile

	January 1 2008	April 1 2008	July 1 2008	October 1 2008	January 1 2009	April 1 2009	July 1 2009	October 1 2009	January 1 2010
Number of Securities	38	36	35	24	15	19	33	36	40
% Short	12.00	24.13	36.00	23.00	30.00	24.00	33.11	33.43	25.29
Top 5 Holdings Represent % of Portfolio	26.5	27.70	27.48	22.74	25.92	23.47	19.28	26.48	29.30
Top 5 Weighted Average Market Cap (\$)	1.85 B	1.07 B	1.10 B	1.12 B	821 M	1.5 B	1.8 B	1.7 B	1.4 B
Overall Weighted Average Market Cap (\$)	823 M	663 M	584 M	946 M	640 M	870 M	775 M	836 M	677 M
% Private Companies	9.00	8.27	7.76	7.21	4.29	3.38	2.52	0.52	0.81
% Net Cash	3.26	5.24	4.60	22.00	53.99	45.42	19.75	6.48	0.49

Pictures of Niko Asset Visit



CRP



FPSO



Onshore Terminal

September 30 2009 Commentary

At the end of September 2009, your Fund is up 7.9% for the quarter, 39.5% year to date and 20.5% compounded annually since inception of the Fund in July 2005.

Although the Fund was managed with a cautious view at the beginning of the quarter, it was evident that risk tolerances had increased and money sitting on the sidelines was being allocated to riskier assets. Whether fundamentals justified continued strength in the markets without any sort of meaningful correction, the fund flows argument was overwhelmingly the focus. Rather than forecast where markets were going (which I have never done and believe is a fools game), conditions were present to employ the strategy that has produced the strong returns prior to the downturn of late 2008. That is, we moved back to deploying capital into catalyst driven situations with a longer term view. These investments typically react dramatically when catalysts are realized but don't necessarily participate to the same extent in broad market rallies. This return profile was evident in the quarter.

In normal circumstances the Fund usually has a proportionally large allocation to the resource sector. This is a function of the majority of the Canadian marketplace being composed of resource and financial companies and we believe we can add much more value in pursuing resource investments than in bank stocks. The reason for this is of course, our personal access to management teams and highly originated deal flow that gives us a significant competitive advantage in this sector. Having mentioned this, the Fund is a growth fund and ultimately we are looking to make the best risk adjusted return anywhere it is to be found. To support this thesis, our top holding for most of the last quarter was Brookfield Properties, adding the name in the \$8 range with a 7% dividend yield. We believed this commercial real estate company to be overly beaten up and misunderstood; it holds tremendous assets and backed by cash/asset rich parent Brookfield Asset Management owning 51%. We reduced half the position over \$12.

Over the last few months I have been visited by management teams that have presented stories that have offered ultra-compelling opportunities. These opportunities have had entrepreneurial management teams with exceptional track records and high value developable assets that are not well known by the market and hence have valuations that exhibit low downside (in normal market conditions) and multiples to their upside over time. The reward/risk relationships are the best I've seen in a very long time. Most of these opportunities are in small companies, and in an effort to carefully manage the Fund's exposure to small companies, we have added minimal weightings to the portfolio on some and let others pass (for the time being). These companies should add great return to the portfolio over time but it shall take time for these terrific managers to fully execute their business plans.

At the end of the quarter, the Fund maintained a short interest of 30% in instruments designed to reduce systematic risk in the portfolio. Most of the cash was deployed to leave a 4% cash position and also left with written down (last November) private position holdings of 0.5%.

June 30 2009 Commentary:

At the end of June 2009, your Fund is up 11.5% for the quarter, 29.3% year to date and 19.6% compounded annually since inception. This month also marks the close of the fourth year of the Fund, and I anticipate that our performance should rank us in the top 20 of some 10,000 mutual funds in Canada over this period. Additionally, the Fund has posted six consecutive months of positive returns in a turbulent environment.

At the start of the year, the Fund adopted a very conservative approach to preserve capital yet still produce a positive monthly return. The intention was to maintain this stance until a clear signal was evident, even at the risk of missing the initial turn in the market. Consequently, the Fund had only a marginal return in April when the benchmark index had a large rally. The economic fundamentals may not have justified the rally, but the fund flow arguments were overwhelmingly indicating that risk tolerances were returning to the market and as such, the Fund took on additional risk. This quarter, I was comfortable adding positions from a relatively large cash position for a longer term outlook. Only a few months earlier I was concerned with holding positions on an hourly basis.

One of the two private positions that were not written down last November will have its IPO on July 7th. After this event, just over 1% of the Fund will remain in private company securities leaving large optionality in the portfolio from the written down positions. This IPO should go out with a splash since it was significantly oversubscribed and our seed shareholding in Ross Beaty's Magma Energy is in the topical geothermal energy space.

Last month, the Fund's strategy was to have 25% of the portfolio short for the foreseeable future. However, the subsequent rally prompted that short position to increase to 35% by the latter half of June, with about 20% in cash, a net long position of just under 40%, and the inclusion of some smaller companies than in the previous quarter. In the last month the Fund has also taken positions in longer dated catalyst situations which may have the risk of short term volatility. This was the type of return profile the Fund had prior to the major downturn of late 2008 and this is how significant long term returns are achieved. A flexible mandate will continue to be maintained if a significant shift occurs in market conditions.

March 31 2009 Commentary

At the end of the first calendar quarter of 2009, your Fund is up 15.94% for the quarter and up 17.59% compounded annually since inception.

At the end of the last year, we had a bearish view on the market and, therefore, positioned the Fund to be mostly market neutral and more opportunistic. The goal was to protect downside, produce at least a small monthly positive return, and take a few calculated catalyst-driven positions to create the potential for a larger monthly return. I am pleased to report that the goal was achieved as evidenced by the return to date for 2009. For example, by the end of February our portfolio included 56% cash and had a net long position (long securities minus short positions) of only 9%. Our top holding received a takeover bid and, while it was two months later than expected, it nonetheless added a fine incremental return for February. Even though we more than doubled the net long position in March as the overall market participants were increasing risk appetites, we did not participate in the large rally to the same extent that the market did. However, we also did not experience even one negative performance day on a month to date basis during the quarter.

Gold has been the topical investment story. At the end of the last year, the Fund held 10% of the portfolio in the gold ETF in addition to a good quality intermediate producer, based on many of the safe haven/investment demand arguments that are now common. My thesis was that we would see a reasonably good year for the gold price (+\$800/oz average price) and a significant decline in global cash cost due to reduced costs for fuel and consumables. I expected this to result not only in good earnings and cash flows for producers, but also to create the catalyst for acquisitions of some smaller companies to replace declining reserves. When the gold price appreciated aggressively to \$1000/oz., I made a counter-intuitive risk reduction change in our gold allocation. I sold the two above investments and bought two junior gold companies (cautiously only representing 6% of the portfolio), the first a near term producer and the other an advanced stage explorer. The rationale here was that at these levels we would see much volatility in the gold price and producers' stock prices; moreover, as gold prices fell, these juniors' near term catalyst should continue to justify value protection as well as participate to a certain extent in the upside of gold prices, all while having the blue sky acquisition potential. I could really see only about a handful of junior companies that met the acquisition criteria for the major producers, from which the Fund's two investments have been selected.

The end of the bear market is not yet in sight, and I believe in the next two quarters the market will start focusing more on earnings in determining stock prices and less on political announcements. Until we see more stability in the markets, we will continue to have a reasonable short position. We are also open to taking more risk to pick potential takeover candidates in the resource sector, an approach which has become a core expertise and from which the Fund has benefited a great deal.

This quarter we also had an intensive periodic audit by our principal regulator, the British Columbia Securities Commission. I am happy to report a clean audit with satisfied auditors that spent two weeks in our offices.

December 31 2008 Commentary:

At the end of 2008, your Fund is down 21.48% for the quarter, down 35.88% year to date and up 14.03% compounded annually since inception.

Wow, what a year! We went from being the 6th best performing fund* in Canada in 2007 with a 50% return to losing more than a third of the value in the Fund in 2008. On a relative basis, however, we have performed well. At the end of November, we were ranked the 9th best performing fund* in Canada based on a 3 year return. The same database shows only 24 funds out of 10,237 funds in Canada that have double digit returns over 3 years and only 943 in positive territory over the same period (most being bond funds).

Over the last quarter of 2008, we liquidated many of our non-core small cap positions that did not have short term catalysts as well as writing down a majority of our illiquid investments as indicated in our last commentary. At the end of the year we are re-positioned for the prevailing market conditions with about 50% cash, a majority of our long positions in catalyst situations and marginally more exposed on the short side (which hurt us a little in the last week of December with the 7%+ move in the TSX on thin volume).

At the beginning of 2008, we were still positioned to take advantage of the long term commodity bull market. My thesis was that given the supply/demand fundamentals the focus should be on supply side issues. I traveled the world to provide evidence of the under-investment, difficulty of bringing new deposits on line along with the quality (both technically and political) of these deposits, as well as potentials for supply disruptions. My view on the demand side was that we would see a stable demand growth of a worldwide GDP growth of about 4%, with China and the emerging markets picking up the slack from the OECD countries. While I still believe strongly in my supply thesis, I was clearly wrong on the demand forecast. China was the primary catalyst for the commodity boom but the de-coupling argument did not materialize. My research has shown that residential real estate in China was one of the driving factors in the Chinese down turn. China will also lead the commodity recovery and the residential real estate market will be an important component of that recovery and hence a prime indicator to watch. I expect we will continue to see negative data coming out of China for the first half of 2009. The supply side response to the downturn has been a quick cut to production, the closing of unprofitable operations, and decisions not to proceed with new projects. When Chinese growth resumes, the time lag in the supply response (and the same supply issues outlined above) should cause another violent move in commodity prices to the upside.

I also expect to continue to see negative economic data coming out of both the U.S. and Canada in the near future and remind Unitholders we are still in a bear market. The challenge of course comes in determining how much of the bad news is factored into stock prices. On a positive note we have started to see mass fund liquidations easing, investment banking transactions being successfully completed and the M&A space recovering with a new valuation mentality. World class resources assets are still demanded by long term-focused super-major resource companies and sovereign wealth funds. In the current landscape, our strategy has shifted to a top-down approach from bottom-up and we go into 2009 cautiously positioned. The focus will be on opportunistic situations on both the long and short side of the portfolio with potential blue sky returns expected to come from some of our catalyst driven positions.

This summer at a conference in Boston, I met the author of the first book I read on investing. Peter Lynch, the author of "One up on Wall Street" was the legendary fund manager of the fabled Fidelity Magellan Fund (which he grew from \$18M to \$14B in 13 years at his retirement). After being in an investment meeting together we had a discussion where I asked him what he thought of the current environment. He responded (which you can take as a profound statement or not), "Ryaz, we have had 10 recessions and 10 recoveries".

* Source: Globefund.com

September 30 2008 Commentary:

At the end of the third calendar quarter, your Fund is down 21.85% for the quarter, down 18.34% year to date and up 24.09% compounded annually since inception.

This quarter, and more particularly the past six weeks, has exhibited the most uncertainty in recent decades. We have seen all rules set by conventional wisdom broken and any reasoned rational investment discipline destroyed. As part of the carnage we have seen some of the most blue investment banks in the U.S. with century-long histories virtually disappear, along with some of the most publicized and successful fund managers post their worst performance ever. One of the primary reasons for the volatility in the markets is due to massive de-leveraging where liquidity is the paramount concern, leaving all fundamentals to fall by the wayside.

As Unitholders know, the reason for our strong upside returns has been my long term commodity bullish view and highly selective security acquisitions which have mostly been in the small capitalized resource names. Our view had been that many of the small cap resource companies would get consolidated by larger companies. This view paid us handsome returns with the acquisition of about a dozen companies in the portfolio over the last three years, all being among the top holdings of the Fund at the time. In addition to our small cap long holdings, since the end of January we had taken what we expected to be correlated hedges on broad markets and larger cap stocks to reduce systematic risk in the portfolio, representing about a quarter to a third of the portfolio. These hedges worked well over the past 6 weeks as we have seen the Fund perform well on down days in the market; but our small cap long positions did not participate on rallies in the market due to massive fund liquidations. Hence, we have been experiencing negative gaps on rallies and continue to expect more selling pressure to come into the small caps going in to the end of the year.

While my long term commodity bullish view has not changed, I believe many larger structural issues in the capital markets must be resolved before we resume the commodity bull again. As such, we have changed our strategy accordingly. Outside of immediate catalyst situations and unique non-resource stories, we have been liquidating opportunistically many of our small cap positions and raising cash. With all stocks being indiscriminately sold, it currently does not pay to be holding small cap positions when one can buy larger cap companies that will lead the recovery. Our intention is to continue to sit on these cash positions until stability returns to markets and then position into larger cap stories that we can now purchase for a multiple of less than two times cash flow. We are also focusing on high rate merger arbitrage transactions for short term use of our cash position. We expect that the last remaining non-core small cap liquidations should occur before the end of October and our adjusted strategy will be fully implemented at the same time.

At the end of the quarter we are sitting on about 25% cash and are short approximately 20% of the portfolio. Additionally, I would like to stress the fact that we have not used leverage in the portfolio since the inception of the Fund.

Although I expect it will be sometime before we return to a high return environment, within the next few weeks we will be very well positioned to take advantage of smaller short term returns alongside a couple of blue sky opportunities. These potential opportunities could provide sizeable returns based on major catalysts being realized before year end.

June 30 2008 Commentary:

June 30th 2008 marks the completion of three years of your Fund, with a 15.69% return for the quarter end, 4.49% return year to date and 37.16% compounded annually for the three years.

The investment environment continues to remain quite challenging. The recessionary fears in the U.S., slowing of other Western economies, inflation fears in the developing economies, and the high price of food and energy are providing an uncertain backdrop in the capital markets. This is evidenced by our year to date number as well as by the fact that the majority of other funds have posted negative returns for the year. Even though the TSX index is positive for the year, the overall breadth of the market is narrowly focused. Outside of energy and agricultural stocks, most other sectors are in negative territory. This leads to the question of how does one make money in this environment? Our strategy is to continue to focus on individual stories that are catalyst-driven and could produce sizeable returns, while supplementing with reasonably-sized broad market hedges to protect against market downside. In addition, we are seeing pockets of opportunity in which we are selectively deploying capital with the expectation of multifold returns over the next 18 months, despite little return in the short term. These are investments we rarely see as cheap entry points. Here, I would expect to see a few of the right individual stories provide the majority of the return in the portfolio going into the end of the year.

Additionally, oil prices have broken through record highs this quarter. While a pullback is likely warranted in the shorter term, I believe that oil prices are still low over the longer term. To put this in perspective, when I go to the gas station to fill up gas I see a price of regular gas of \$1.50 a litre in Vancouver but when I go inside to pay for the gas and purchase a litre of bottled water, I pay \$2.00. The value chain for the gas going in my tank is costly and complicated: a simplified version starts with the oil companies taking significant risk to drill for oil (which is becoming much more difficult and expensive to find), then transporting it to a refinery that processes the crude into various products, then transporting it to market. Compare that to the Dasani litre of bottled water which is essentially tap water purified via reverse osmosis and marketed by Coca-Cola. There are countless comparisons, including another favorite about one of the most expensive liquids by volume: perfume. I recently purchased a bottle for my wife at \$100 for 100 ml (that's \$1000 per litre!).

Throughout history when the human race has been faced with challenges it has overcome them with ingenuity and hard work. I believe that over time we will find alternatives for fossil fuels and the higher oil prices go the more attractive alternative technologies will become. In the face of all adversity there is opportunity. Renewable energy is perhaps that opportunity. Some may know that before starting the Fund, I was involved in building a wind farm in Southern Alberta and know this business intimately, including climbing atop a 70 meter wind turbine tower in northern Germany and opening the hatch in the nacelle to hear and see the rotors swish by. I don't believe the wind business to be a compelling enough investment opportunity without significant subsidies and therefore am foregoing any investments there. However, we are conducting intensive research in the geo-thermal space as it is a technology that allows for base load generating capabilities which both wind and solar do not. This theme could prove to be a lucrative space as many bright investment professionals that we have spoken with still haven't understood the opportunity.

Despite growing macro concerns, fundamentals remain strong on our long term commodity outlook and we are still well positioned in a number of our stories to benefit from further consolidation in the sector.

March 31 2008 Commentary:

At the end of the March 2008, your Fund is down 9.68% for the quarter and up 123% since inception of the Fund in July 2005. This quarter has been filled with unprecedented uncertainty. The sub-prime mess and the ensuing contagion effects have created an environment of tremendous unpredictability. It is particularly at these times one has to understand the validity of a long term strategy while not getting caught up in the emotional aspects of the short term swings of the market.

The Fund has always been managed with a relatively small number of securities (<50) with the majority of the assets concentrated in the top holdings. Taking large positions over the long term in stories we can closely monitor has produced exceptional returns. This strategy was further validated by the Globe and Mail's ranking of the Fund as the 6th best performing fund in Canada last year among thousands of mutual funds. The downside of this strategy in the short term is that those top holdings can take large draw downs in the face of dropping broad markets without the company fundamentals changing. These stories typically turn positive with a vengeance when stability returns to the markets. This quarter many of our top stories suffered without much recovery and our broad market hedges didn't provide much protection due to the violent swings in both directions.

We are still focused on our long term bullish stance on commodities and believe with great conviction that three years from now, we will look back and see this as an obvious call just like the sub-prime mess today looks obvious. The fundamentals on the commodity investments have not changed since we started the Fund. Even though some are calling for the end usually citing the slowing world economy, those commentators may be misinformed by the supply side of the equation. Years of exploration under-spending, difficulties in finding new deposits, new sovereign risks, increasing capital costs, and lack of technical expertise among many other factors are contributors to the challenges of getting commodity products to market. We believe our strategy will continue to prevail in generating strong returns for our Unitholders.

December 31 2007 Commentary:

At the end of the December 2007, your Fund is up 3.78% for the quarter, up 49.68% for the year, and up 147% since inception of the Fund in July 2005. This has been a strong year, particularly in comparison to our benchmark S&P/TSX Small Cap Index, which is in negative territory for the year.

As most Unitholders know, I travel extensively gathering first hand experiences to inform investment decisions, as well as building relationships with deal makers who have successful track records to access unique deal flow. This quarter I was in Nevada investigating an investment we have with Bill Sheriff, whom we made almost a ten bagger with while he was Chairman and founder of Energy Metals Corp. I also traveled to West Africa to visit the Lundin Group's gold assets which are held in Red Back Mining Inc. Lastly, for Christmas and New Year's Eve's, I was in Thailand with my family at the invitation of a very successful investment professional.

Bill Sheriff's Golden Predator owns a previously producing Tungsten mine formerly owned by GE. We were invited to participate with the principals at a \$5M valuation – this is exciting when you realize the replacement value of the mill (which is in pristine condition) alone is \$145M and is about 12 months away from production.

One of the surprising things on the Red Back trip to West Africa was the widespread non-acceptance of U.S. dollars. My previous experience in Africa, being born in East Africa, is that people far prefer U.S. dollars over the local currency. However, on this trip even the taxi driver, who was charging us an equivalent of \$3, would not accept dollars. In addition, everywhere we went in Ghana we had to exchange dollars to the local currency. When you see evidence like this at a grassroots level, one can conclude that a major theme is occurring with the debasing of the U.S. dollar as a reserve currency.

In Thailand, we were fortunate to chat with a number of successful investors and principals in a relaxed environment. We gained valuable insight particularly with a couple of businessmen currently conducting business in China and India. These insights from actual operators in these regions continue to underpin our long term bullishness on commodities as an investment strategy, albeit with much volatility as repeatedly mentioned in previous commentaries.

This quarter also brought another takeover of a top holding, Northern Peru Copper. We originally started buying this company based on our major theme and individual selection criteria at the \$3 level. A Chinese partnership bid \$13.75 for the company. This marks about half a dozen major holdings that have been taken over in the Fund this year. When one realizes we typically have around 35 stocks in the portfolio and that the majority of our weight is in our top holdings, the Fund has benefited greatly with the consolidation strategy we have been preaching.

September 30, 2007 Commentary:

At the end of the September 2007, your Fund is up 3.9% for the quarter, up 44.23% year to date and up 138% since inception of the Fund in July 2005.

This quarter included the worst monthly performance in the history of the Fund. The negative performance was a result of precipitous drops in broad markets during mid-August, and was related to the sub-prime debt melt down. This drop did not discriminate between sectors or markets whether justified or not. For the first time in a few years we have seen a fundamental negative event that is material in the bull run in broad markets. This event has effectively changed the pricing of risk and is not yet over. Having said this, we still maintain our long term commodity bull stance but with continued volatility, as has been predicted. It is important not to focus too much on the short term volatility (which is very difficult to forecast) at the expense of long term opportunity.

The result of the re-pricing of risk has two consequences on our commodity focus. First, although we are not expecting a recession in the U.S., the likelihood of such a recession does increase. While this will have a negative impact on the base metal commodities, the demand impact is insignificant on a global scale. As is already evidenced by the fact that over the period of 1996 to 2006, the U.S. share of global copper demand has declined from 21% to 13%*. The slack will likely be picked up by the BRIC (Brazil, Russia, India, and China) countries and emerging markets. Secondly, the cost of capital is increasing (although with the Fed reducing rates, this also maybe marginally impacted). The effect of a rising cost of capital is that marginal resource development projects will not be pursued. Hence, new potential supply of resources are taken away from the future global supply equation and therefore, further bullish for our long term commodity focus.

As the Fund is a concentrated portfolio, about half of our losses come from our top three stories in the month of August. By the end of September, most of our stories recovered and many made new highs. Our focus continues to be on advanced stage mineral assets that will see consolidation by majors and international oil stories. For the last six months we have also been looking for agricultural/fertilizer stories in the small cap market, which are very difficult to find. As such, we have taken our first income trust investment in a little known Canadian agricultural story that we anticipate will see a triple over the next year as it gets more exposure in the capital markets; we anticipate 10% yield in the meantime.

The agriculture argument is even stronger than the base metals argument. When you see a worldwide emerging middle class population, the very first thing that changes as income increases is diet. A shift occurs from a carbohydrate rich diet to additions of proteins. Protein sources require feedstock and with arable land in shorter supply, fertilizers are required to increase yields. We are currently investigating a few opportunities and expect to make a further agriculture investment soon if the due diligence results are favorable.

*Source: BHP Billiton, GMP Securities

June 30, 2007 Commentary:

At the end of the June 2007, your Fund is up 19.13% for the quarter, up 38.84% year to date and up 129% since inception of the Fund in July 2005. In addition, the Fund has had six consecutive positive months.

This quarter saw another record in terms of performance for the Fund. At the end of April, Eurekahedge (the world's largest independent hedge fund research company) ranked your Fund the #1 Long/Short Equity Fund in North America. The strong performance was a result of a record number of takeovers in the portfolio. Our primary uranium position, Energy Metals Corporation received an all stock bid from SXR Uranium One. The bid valued EMC at over \$18 at the time of the bid. We initiated our first position in EMC at below \$3 over a year ago. We maintained our Lionore position, which became subject to a bidding war that looks to be concluded with a cash bid from Norilsk at \$27.50.

In addition to the robust takeover activity, the portfolio saw a significant contribution from the top holding, Oilexco. We were buying the North Sea oil producer and explorer in the \$3 range when only a couple of analysts were covering it. Now Merrill Lynch and UBS cover the story and targets range north of \$20. We continue to hold Oilexco and see significant upside still left in the share price as they work their way to producing 75,000 barrels of oil per day by the end of 2009.

I just came back from the Canadian Association of Petroleum Producers conference in Calgary. The highlight of the trip was having dinner with the management of Petrobank Energy. This is a story we have been following since \$3 and purchased in the Fund at \$8 (currently trading at \$28). This company has a proprietary technology called THAI, used for the extraction of in situ oil sands. This technology will likely be a step change in the oil sands recovery business and as a result could see astronomic multiples applied to its share price. In addition to its oil sands asset and technology, the company has high growth subsidiaries in the conventional oil business in both Canada and Colombia. If they decide to spin out the separate business units, further shareholder value should be created.

We continue to see exceptional deal flow and expect to see a slow summer with the consolidation of the resource sector to continue into the fall. Names in the portfolio such as Northern Dynasty Minerals and Northern Peru Copper could be the next events in the portfolio to be affected by this consolidation.

March 2007 Commentary:

At the end of the March 2007, your Fund is up 16.5% for the quarter and up 92.3% since inception of the Fund in July 2005.

This quarter, the market was very choppy with participants exhibiting a fragile psychology. The 8% overnight drop in the Shanghai stock market and Alan Greenspan's comments about a potential recession in the U.S. precipitated a drop of all world markets. On the surface this may seem concerning, but understanding the context surrounding the events suggests they were less serious: the Shanghai market was up 12% a week earlier and Greenspan's comments were made a number of days before the drop, and actually suggested only a 30% chance of recession potentially occurring by the end of 2007. Nevertheless, investors are feeling very jumpy and looking for any excuse to call the end of a bull run. The other phenomenon that we are seeing is the amount of liquidity that continues to support the market. There is a lot of money looking for a home and after any negative shock the market recovers and continues its upward course. The liquidity is also evident in the oversubscription of new issues. Every new issue that has come across our desk (some which we have participated in) has been at least twice oversubscribed. This choppiness is evidence that returns are going to be generated by skillful stock picking rather than investing in the broad market.

As many of our portfolio stories have started to mature and generate a following by a larger audience, they have contributed nicely to our quarterly return. For example, up until recently our only uranium investment, Energy Metals Corporation, which we were initially buying below \$3 hit over \$14 after Jim Cramer (the gregarious host of Mad Money on CNBC) mentioned it as his top uranium pick. We are still well positioned to take advantage of the consolidation that has been occurring as we predicted in the mining sector. In January, when oil prices took a significant drop, we made an increased allocation to our oil weightings which saw a significant rebound in February. One of our largest wins in the month of March was a power transformer company that is still extremely cheap on a valuation basis. This was a nice diversification return since we have been mildly diversifying outside of the resource sector on select investments that we expect to have similar returns we have seen in the resource sector. In my last commentary I mentioned that we were expecting that a couple of our portfolio names were potential buyout candidates in the next quarter. In the last week of the quarter Lionore Mining become a takeover target at \$18.50 (the market is currently trading above the bid indicating another higher bid is possible). This was the very first stock we bought (at \$6) when we started the Fund and a story I have been following for around 10 years when the market capitalization was around \$30 million; the current bid values the company at just under \$5 billion.

We are very excited about the prospect of our portfolio in the coming months, even with expected volatility in the broad market.

December 2006 Commentary:

At the end of the December 2006, your Fund is up 17% for the quarter and up 36% for the calendar year. This makes it one of the top performing Alternative Strategy mutual funds in Canada. The performance demonstrates that we have captured a great niche in the market. We also continue to see exceptional deal flow, ensuring a foundation for strong long term returns for Unitholders.

As has been mentioned in previous commentaries, our returns have been a result of a concentration in the resource sector. Because of this focus, this year I have traveled the world to get a better understanding of the long term commodity bull argument. I traveled to China (from Beijing on the east coast to Tibet on the west), Fort McMurray (the Canadian Oils Sands capital), Inuvik, Tuktoyaktuk (related to the Mackenzie Valley pipeline), Peru, Chile (the world's largest copper producer) and Dubai (where 20% of the world's cranes reside). The demand side of the commodity argument is related to the growth of the middle class worldwide, especially in developing and emerging economies, that is similar to the growth the developed world underwent during the industrial revolution. The difference is this worldwide growth is happening with a population that is a many times larger than the population of the developed countries. The supply side of the argument is related to the decades of under-investment in the resource sector and the natural depletion of existing resources. In addition to the under-investment, the growing burden of regulatory compliance in getting resources to market has increased the time it takes for developing natural resource assets. Over the last few years, I believe that the demand/supply fundamentals have shifted to more of a supply argument. The worldwide demand should continue to see stable growth, but supply disruptions, including technical problems, labour problems and weather related issues will dominate the pricing of commodities. Commodity prices are also now exhibiting more volatility as a result of speculative forces imputed by institutional fund flows. We expect to see volatility going forward but also further consolidation in the sector from which we are well positioned to benefit.

We have also made investments outside of the resource sector, including in biotech and technology. Irrespective of the sector, our investment criteria remain constant. The most important element is the people running these businesses. We get to know the management well and keep close to the stories. The other criteria include having a sustainable competitive advantage, value that is unrecognized by the broad market, and of course, some catalyst for that exposure.

The upcoming months could be quite exciting for our portfolio as I expect at least a couple of our core holdings to be affected by the continued consolidation in the resource sector.

We wish all our Unitholders prosperity and peace in the New Year.

September 2006 Commentary:

At the end of the September 2006, your Fund is down 1% for the quarter and up 16% year to date. The markets continue the volatility we had predicted. We hold very strong core positions focused on the resource sector which will produce exceptional returns over the longer term. It is therefore essential that we do not get distracted with the short term volatility at the expense of these longer-term gains.

This quarter I made a trip to Peru and Chile to investigate our investment in Northern Peru Copper and to get a better feel of the South American mining business. After this trip we confirmed our view of strong commodity opportunities in the capital markets. Chile, the largest copper producer in the world has already discovered and developed most of the easy deposits. Furthermore, much of the low cost oxide ores from these deposits have been mined and the more expensive deeper sulphide deposits are being mined at higher costs. This fact provides further evidence that the commodities markets are experiencing more of a supply issue than a demand issue. Northern Peru is one of Ross Beaty's companies. It is probably one of the cheaper mining development companies on the market based on peer comparisons. Ross has a strong track record of developing mineral deposits and then selling them to majors, while making shareholders a lot of money in the process (including himself, since he typically owns 25% of his companies).

The way we typically like to play the oil and gas business is through the international oil producers. These companies are usually better valued than the ones in our backyard and underfollowed, which provides great opportunity once they get exposure. This is the case in Pan-Ocean Energy. We owned Pan-Ocean from the initiation of the Fund, first in the low \$20 range and then at \$38 a few months ago. Pan-Ocean was bought out this quarter at \$58.50. We own another international oil company called Oilexco in which our average cost is below \$4. Oilexco will be producing 30,000 barrels of oil per day starting in November and generating cash flow of \$2/share next year. In addition, it has secured an offshore rig until 2010 for drilling through the North Sea on their prospects plus joint venture opportunities on other companies' prospects as a result of a shortage of drilling rigs in the area. We expect this will be another multi-bagger in the portfolio.

We also have made our first private investment in the Fund. Peregrine Metals is Eric Friedland's company with about a dozen base metal exploration properties in South America and Mexico. The equivalent value of a publicly listed company with these assets and a mediocre management team would be in the \$60M range and we participated in the deal at less than 10% of that value. We anticipate that Eric and his exceptional team will prove up the values of the assets and take the company public sometime next year.

I continue to be excited about the prospects of our investments, and am confident of our performance as we maintain a long-term perspective and use these short-term fluctuations as opportunities.

June 2006 Commentary:

As of June 30, 2006 your Fund is down 2.45% for the quarter and up 39.2% for the first full year. The Canadian markets have been quite volatile, with the resource sector leading the charge. As mentioned in previous commentaries, the Fund's heavy weighting in the mining sector and long bias means it has experienced some downside along with this correction in the resource sector. However, the same approach has yielded a yearly return that has been impressive. We continue to maintain our strong bullish stance on the mining sector. Many commodity prices over the quarter hit all time highs, initially driven by the demand-supply fundamentals and then by speculators in the futures market. These highs subsequently declined rapidly again due to speculators but still maintain historically high levels. Although most materials stock experienced run ups as the commodity prices rose, they did not track as high on a levered basis as they should. As a result of this correction we continue to see immense value in a number of names, and believe that these values will eventually be realized either through the market or through the consolidation in the sector.

This quarter I made trips to China, Fort McMurray and the Mackenzie Valley. These trips were extremely informative and confirmed our view of the opportunities over the next few years. It is difficult to understand what is happening in China unless you have seen it first-hand. The Chinese people are determined, efficient and hungry. Even with global interest rates on a rise it is going to be very difficult to curtail the momentum of growth; even if growth curtails, it won't go from 10% to 3% and even if it did, on 1.3 billion people there is still significant upside. Five years ago there were 1 billion farmers; today there are 700 million farmers. That is the equivalent of the whole population of the US urbanizing throughout China. This trend will continue and this urbanized population will create a middle class that will crave amenities and luxuries including cars (which only 3% of the population has), thus underpinning our view of the commodity cycle.

Fort McMurray is the capital of oil sands mining. The size of these operations is mind boggling: the Syncrude facility is a 500,000 tonne/day operation and the developing CNRL Horizon project footprint would fit the downtown of Calgary in it with room left over. The Mackenzie Valley pipeline project looks like it will eventually be approved when the Deh Cho band resolves its dispute. The pipeline group will need to order steel two years in advance and likely before approval to maintain their timelines.

I would happy to discuss the detail of my observations and the anecdotal evidence of these trips on request since it is difficult to detail in this one page commentary.

The Fund will continue to maintain its focus (discussed in previous commentaries) on the resource sector. We will likely continue to observe much volatility in the short term but over the longer term we should be handsomely rewarded for staying the course.

The one major event occurring this quarter in the Fund was that one of world's largest mining companies, Rio Tinto PLC through its Kennecott subsidiary acquired 9.9% of Northern Dynasty Minerals (NDM) at \$10 per share. NDM is the top holding in the fund and this investment demonstrates that we are on the same page as one of the brightest mining investors in the world (although a little earlier). We have been buying NDM since it was just above \$4, and believe this may be the most exciting play by the major mining companies in the next few quarters.

March 2006 Commentary:

As of March 31, 2006 your Fund is up 17.5% for the quarter and up 42.7% since inception in July 2005. The Canadian markets continue to exhibit considerable volatility. This is demonstrated by the fact that the Special Situations Fund saw both its largest historical gain and loss in this quarter; fortunately, our gains have significantly outweighed our loss. As we have previously mentioned, we are in an environment that will be volatile in overall markets and clever stock picking will be essential. We continue to be extremely well positioned in the minerals sector with solid stories and exceptional management of our investee companies. The commodity super-cycle and the consolidation of the sector continue to develop as envisioned since the launching of the Fund.

This quarter marked the first company acquisition in the Fund. Regalito Copper, a Chilean copper development company was acquired by a Japanese joint venture between Nippon Mining & Metals and Mitsui Mining & Smelting. Regalito is a company in the Ross Beatty stable. Ross has done an exceptional job in unlocking value by splitting up Lumina Copper into four separate companies one of which is Regalito. We believe Ross will have success in creating comparable value with these other companies.

This quarter also marks a more significant entry into the Biotech sector. We have taken positions in Chemokine Therapeutics and Response Biomedical in addition to having a position in Stressgen Biotechnologies. After a long bear market in the Canadian biotech sector, it is poised for more interest by the capital markets. The ideal combination for us is to find under-exposed companies with great value. Once stories get the exposure, the markets quickly move to show the value and usually give high growth companies premium multiples. We expect to continue to add to our current biotech positions in the coming quarter.

After the recent financing of Energy Metals Corporation (EMC), it has become the top holding in the Fund. EMC is a uranium exploration and development company with all of its assets in the United States. The company has amassed a large historical resource of uranium with the majority in historical mining districts. Many of their resources are also applicable to the low cost In-Situ Leaching (ISL) mining method. With two recent acquisitions the company has about 230 million pounds of uranium and will be in fast track to production at their Hobson plant in Texas over the next 18 months. The value of EMC is very cheap relative to its peers and we believe firmly that the value will soon catch up as a result of the good work Bill Sheriff and his team are doing.

December 2005 Commentary:

As of December 31, 2005 your fund is up 6.6% for the quarter and up 21.5% for the half year. Although this quarter was a volatile one in the markets, the Special Situations Fund has performed exceptionally well, particularly compared to its peers on a reward to volatility measure. The consolidation in the resource sector continues to proceed as envisaged in our inaugural commentary (July 2005). The Fund is strongly positioned to continue to benefit from this strategy going into 2006.

This quarter has seen some very interesting special situation opportunities, including some arbitrage opportunities with the Australian market.

The fund participated in a private placement of Moto Goldmines, a late stage gold exploration company with assets in The Democratic Republic of Congo. Moto trades on the TSX, the Australian Stock Exchange and on some European exchanges. We found listed warrants on the ASX that were in the money but trading with no time value premium and expiring in May 2006. We sold short our Canadian position (the private placement long position had a hold period restriction) to lock in a 33% profit, and subsequently replaced our full position with the warrant purchase on the ASX at a further discount of 6%. This trade effectively maintained our position in Moto, increased leverage to the upside and provided some downside protection.

We have also taken a very small position in FMF Capital, which is the “broken trust” that was taken public earlier this year at \$10. The units are currently trading in the \$0.50 range. Discussions with management and other informed analysts indicate that FMF presents a very interesting calculated speculative opportunity. As a result of their subordinated debt and equity stapled unit, they must accrue the interest payments on the debt which represents approximately \$0.94 of annual payments. If the cutting of distributions proves to be caused by an exogenous industry shock that can be addressed, as we believe, the value should justify a ten fold return from current levels. If the company survives this is a likely scenario and should represent a meaningful return in the overall portfolio. If the company doesn’t survive then the portfolio will have a negligible effect since it currently represents less than 1% of the portfolio.

Algoma Steel is also a new position in the Fund and represents an immense value play. In addition to the value, an event driven situation should occur over the coming months as the lead shareholder, a New York based hedge fund, has launched a credible shareholder activism event.

We expect the market to continue its volatility through 2006 and therefore individual stock picking will continue to prevail for performance capture. We continue to focus on the current unprecedented time where the right resource stories will create significant wealth creation and again your Special Situations Fund is positioned to capture this opportunity.

September 2005 Commentary:

At the end of the first full quarter, your Fund has produced an impressive return: the Fund is up 14% for the quarter. The inaugural commentary (July 2005) explained the resource cycle and how the fund has positioned itself to capture this opportunity. The majority of the Fund's return is explained by the fact that our forecasts for this cycle have proved highly robust. In addition, the Fund experienced large gains in Australia with a particular emphasis on an arbitrage opportunity being taken over by a Canadian gold company. The Fund is also sitting on approximately 25% cash.

If the theme in real estate is location, location, location, then the theme in the Special Situations Fund is people, people, people. We would rather have a mediocre product with an exceptional management team than the reverse. In the resource sector, we continue to have exposure to the Hunter Dickinson ("HD") and Lundin groups. These groups have exceptional management skill, access to capital and significant track records. We are positioned in the Northern Dynasty Minerals ("NDM"), a HD company. NDM has a proven resource asset in Alaska containing approximately 31 million ounces of gold, 18 billion pounds of copper and almost a billion pounds of molybdenum. As you may recall from the last commentary, we believe companies like this are ripe for consolidation. Major mining companies are rich with cash (as a result of record commodity prices), have access to large debt pools and have declining reserves. As this consolidation process occurs, we will see an unprecedented opportunity to make money in the right stories.

In addition to the resource sector, another one of our people stories is Coastal Contacts Inc. This online retailer of contact lenses continues to see greater than 100% growth in top line, which should continue into the next 18 months, and increasing margins. The last quarterly earnings evidenced this with a 30% increase in share price.

We also profitably closed our position in Intrawest Corporation. We forecasted a shareholder activism event which occurred and is still ongoing, and lifted the stock to new highs. After further analysis, we decided our capital is more productive elsewhere.

We are also looking at initiating some positions in select bio-tech stories as the market sentiment improves, fuelled by recent events like the ID Biomedical takeover by Glaxo SmithKline. This is a local story (which we love) that we are conducting an arbitrage analysis on currently.

July 2005 Commentary:

This is the inaugural commentary for the Asset Logics Special Situations Fund. I would firstly like to thank the initial investors for seeding the fund and launching what is today a unique style of fund in the industry.

As at the first month end, we have invested approximately 1/3 of the assets. The initial investments, while heavily weighted to the resource sector, all have a common theme. This theme being that we are close to the stories either directly or indirectly through our trusted support network. The majority of the companies also happen to be locally based and we have easy access to management.

The initial resource focus of the portfolio is intended on capturing a lucrative part of the resource cycle. This cycle typically starts with a general increase in commodity prices. This is the part of the cycle that excites all resource company stocks and capital flows into these companies. The junior companies that have evidenced progress continue to receive second round financings and the larger companies start seeing significant improvement in their balance sheets. Commodity prices subsequently fall into a trading range and there is a flight to quality to the larger cap and quality juniors (typically being management expertise and track record, as well as asset quality). As the larger companies continue with growing free cash flow (after capital expenditures), they require inorganic acquisitions to add to their reserve base. This is the part of the cycle I believe we are in now. I expect to see consolidation to occur in the industry and these acquisitions will further fuel attention to the quality juniors.

Two of the Fund's core holdings that are positioned to take advantage of this cycle are Lionore Mining and Continental Minerals. Lionore is a mid-tier nickel producer and should become the third largest nickel producer in the world over the next three years. They also have a proprietary hydrometallurgy process called Activox that could represent almost half of the current value of the company and as a result is a prime takeover candidate. Continental is a mineral exploration company focused on exploring a rich copper-gold deposit in China. This company is run by the world-class mining team at the Hunter Dickinson group. As they evidence the massive size of this deposit, I expect this could be the first "home run" in the portfolio.

On the non-resource side of the portfolio the Fund holds positions in local companies like Digital Dispatch, Coastal Contacts and Intrawest Corp. Digital, which provides the electronic dispatching equipment for taxi cabs, has been punished as a result of disappointing "the street" shortly after going public. This company has immense asset value and an impressive growth profile. We believe over the next couple of quarters analysts will wake up and realize the value of this company. We have also initiated a small position in Coastal, who are online retailers of contact lenses. The management of the company has experience in building the same type of company in the past and has expanded their business model on this second go around. The company should double their top line this year as well as next year from about \$30M last year. I expect this growth will get the attention of larger institutional investors over the next year and see the stock price reflect a large premium for growth and management. We have initiated a small position in Intrawest, which also has immense asset value and does not fully reflect the premiums in the two sides of their business. In today's days of shareholder activism, I believe shareholders will recognize this and push for unlocking this value or some other organization may look at unlocking this value by potentially purchasing the whole company.

Even though we have had a good monthly performance number (particularly considering that only 1/3 of the portfolio is invested), we believe a yearly evaluation better reflects the performance expectations of the Fund. We therefore will subsequently publish a quarterly commentary but as always we are available for any communication from our Unitholders at any time.