

Sceptre Pooled Investment Fund - Equity Section

Financial Statements

December 31, 2008

February 19, 2009

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Auditors' Report

To the Unitholders of Sceptre Pooled Investment Fund - Equity Section

We have audited the statements of investment portfolio and net assets of the Sceptre Pooled Investment Fund – Equity Section (the Fund) as at December 31, 2008 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the fund manager. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Sceptre Pooled Investment Fund - Equity Section

Statements of Net Assets

As at December 31

	2008	2007
	\$	\$
Assets		
Investments at fair value	14,047,062	20,870,081
Short-term investments at fair value	17,363	103,706
Cash	79,770	53,442
	<u>14,144,195</u>	<u>21,027,229</u>
Subscriptions receivable	15,000	31,835
	<u>14,159,195</u>	<u>21,059,064</u>
Liabilities		
Redemptions payable	46,612	-
Accounts payable	7,707	8,195
	<u>54,319</u>	<u>8,195</u>
Net Assets and Unitholders' Equity	<u>14,104,876</u>	<u>21,050,869</u>
Number of units outstanding	<u>27,692</u>	<u>27,512</u>
Net Assets per unit	<u>\$ 509.35</u>	<u>\$ 765.15</u>

Sceptre Pooled Investment Fund - Equity Section

Statements of Operations

For the years ended December 31

	2008	2007
	\$	\$
Income	131	146
Expenses		
Audit fees	2,543	3,789
Custodial fees	2,500	2,429
Trustee fees	1,500	1,590
Other expenses	29,754	28,314
	<u>36,297</u>	<u>36,122</u>
Net investment loss for the year	<u>(36,166)</u>	<u>(35,976)</u>
Realized and unrealized gain (loss) on investments		
Net realized gain on investments	410,955	622,830
Change in unrealized appreciation (depreciation) in value of investments during the year	<u>(7,305,316)</u>	<u>758,125</u>
Net gain (loss) on investments	<u>(6,894,361)</u>	<u>1,380,955</u>
Increase (decrease) in net assets from operations	<u>(6,930,527)</u>	<u>1,344,979</u>
Increase (decrease) in net assets from operations per unit	<u>\$ (253.96)</u>	<u>\$ 47.89</u>

Sceptre Pooled Investment Fund - Equity Section

Statements of Changes in Net Assets

For the years ended December 31

	2008	2007
	\$	\$
Net assets at beginning of year	<u>21,050,869</u>	<u>20,708,282</u>
Increase (decrease) in net assets from operations	<u>(6,930,527)</u>	<u>1,344,979</u>
Capital		
Issue of 2,138 units (2007 - 1,558 units) on subscription	1,343,963	1,182,905
Redemption of 1,958 units (2007 - 2,873 units)	(1,359,429)	(2,185,297)
Capitalized distributions	<u>348,748</u>	<u>622,830</u>
Net capital unit transactions	<u>333,282</u>	<u>(379,562)</u>
Distributions to unitholders		
Net realized gain on investments	<u>(348,748)</u>	<u>(622,830)</u>
Increase (decrease) in net assets for the year	<u>(6,945,993)</u>	<u>342,587</u>
Net assets at end of year	<u><u>14,104,876</u></u>	<u><u>21,050,869</u></u>

Number of Units

	2008	2007
Balance - beginning of year	27,512	28,827
Units issued during the year	2,138	1,558
Units redeemed during the year	<u>(1,958)</u>	<u>(2,873)</u>
Balance - end of year	<u><u>27,692</u></u>	<u><u>27,512</u></u>

SCEPTRE POOLED INVESTMENT FUND - EQUITY SECTION

STATEMENT OF INVESTMENT PORTFOLIO

As at December 31, 2008

	NUMBER OF SHARES/ UNITS/FACE VALUE	AVERAGE COST (\$)	FAIR VALUE (\$)	% OF TOTAL
Cash		79,770	79,770	0.56
Short-Term Investments				
Pooled Fund Units				
Sceptre Pooled Investment Fund - Money Market Section	120	17,245	17,363	0.12
Pooled Funds				
Sceptre Pooled Investment Fund - Canadian Equity Section	52,249	8,251,400	10,555,905	
Sceptre Pooled Investment Fund - Foreign Equity Section	61,109	4,960,473	3,491,157	
Total Pooled Funds		13,211,873	14,047,062	99.31
Total Investment Portfolio Including Cash and Short-Term Notes		13,308,888	14,144,195	100.00

See accompanying notes to the financial statements

Sceptre Pooled Investment Fund - Equity Section

Notes to Financial Statements

December 31, 2008

1. Organization

The Sceptre Pooled Investment Fund (the "Fund") was established under a Declaration of Trust dated May 4, 1983, as amended, with RBC Dexia Investor Services Trust as Trustee as a means by which assets of certain of the clients of Sceptre Investment Counsel Limited are pooled and jointly managed. Since fees are charged to the participants, no fees are charged to the fund by Sceptre Investment Counsel Limited, although the fund does bear certain administrative costs.

The Equity Section of the Fund (the "Section") commenced operations on October 1, 1987 with a net asset value of \$100 per unit.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which include estimates and assumptions by management that may affect the reported amounts of assets, liabilities, income and expenses during the reporting periods. Actual results could vary from these estimates.

Adoption of New Accounting Standards

On January 1, 2008, the Fund adopted CICA Handbook Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation". The new standards replaced Section 3861, "Financial Instruments – Disclosure and Presentation". These sections establish standards for the comprehensive disclosure and presentation requirements for financial instruments. The standards include new requirements to quantify certain risk exposures and to provide sensitivity analysis for certain risks. This standard will impact the Fund's disclosures provided but will not affect the Fund's net assets. Refer to Note 8 for new disclosures relating to adoption of the new requirements.

On January 1, 2007, the Fund adopted CICA Section 3855, "Financial Instruments – Recognition and Measurement" which establishes standards for the fair valuation of investments as well as the accounting treatment of transaction costs. For investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires that bid prices (for investments held) and ask prices (for investments sold short) be used in determining the fair value of investments. Prior to the adoption of this standard, fair value was commonly based on the closing price of an investment for the day. For financial reporting purposes, on January 1, 2007, the Fund adopted the amended valuation policy for actively traded securities held by the Fund without retroactive restatement of prior periods.

Sceptre Pooled Investment Fund - Equity Section

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Valuation of Investments

As a result of amendments made to National Instrument 81-106 by the Canadian Securities Administrators effective September 8, 2008, the Fund continues to use the close or last trade price as fair value of securities to determine the daily transactional Net Asset Value for purchases and redemptions by clients. This means the valuation method used to calculate the daily Net Asset Value to transact units of the Fund is not identical to the accounting policies used to determine the financial statement. Since this Section invests only in other Pooled Fund Sections, there would not be any difference between the Net Asset Value per unit and the Net Assets per unit.

The market value of investments as at the financial reporting period end is determined as follows:

- (i) Securities traded in an active market are valued at their bid prices through recognized public stock exchanges or through recognized investment dealers, on the valuation date. Securities with no available bid prices are valued at their closing sale prices.
- (ii) Securities not traded in an active market are valued using valuation techniques, on such basis and in such manner as established by the Manager.
- (iii) Short-term notes, treasury bills, bonds, asset backed securities and other debt instruments are valued at the bid quotations from recognized investment dealers.
- (iv) Underlying funds are valued each business day at the price calculated by the manager of such underlying fund in accordance with the relevant documents of such underlying fund.

Financial Instruments

The Section classifies their financial assets and financial liabilities in the following categories: available-for-trading, loans and receivables and other financial liabilities at amortized cost.

The Section's financial instruments consist of cash, investments, receivables and payables. The carrying values of cash, receivables and payables approximate fair value due to their short term nature. The Section is exposed to various types of risks that are associated with its investment strategies, financial instruments, and markets in which it invests.

Transaction Costs

Transaction costs are expensed. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

Sceptre Pooled Investment Fund - Equity Section

Notes to Financial Statements

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Investment Transactions

Investment transactions are accounted for on the trade date.

Income Recognition

Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. Realized gains and losses on investments and unrealized appreciation or depreciation of investments are calculated with reference to the average cost of the related investments. The unrealized gain of short-term investments valued on mark-to-market basis is recorded as interest income. Income includes income received from other pooled fund units.

Unit Valuation and Valuation Date

Units are issued and redeemed on a continuous basis at their net asset value per unit. Net asset value per unit is determined daily as of the close of business on each day on which The Toronto Stock Exchange is open for trading. The unit valuation is made by dividing the total value of net assets by the total number of units outstanding. Units are not issued upon reinvestment of distributions to unitholders due to unit consolidation.

Foreign Exchange

Currency conversions are made at the relevant daily rate based on London 4:00 PM GMT, as quoted by Reuters. The market value of investments in foreign funds is translated into Canadian dollars at the exchange rate prevailing at the period-end date. Purchases and sales of investment securities and income and expense transactions are translated at the rate of exchange prevailing on the date of such transactions.

Increase (Decrease) in Net Assets from Operations Per Unit

Increase (decrease) in net assets from operations per unit in the Statements of Operations represents the net increase (decrease) in net assets from operations for the year, divided by the weighted average number of units outstanding during the year.

3. Income Taxes

The Section qualifies as a Unit Trust as defined in the Income Tax Act (Canada). Pursuant to the terms of The Declaration of Trust establishing the Fund, the Section is deemed to distribute annually to the unitholders all of the net taxable income, including net realized gains on investment transactions and such distributions are immediately recontributed to the Section without any increase in the number of units outstanding. As the net income, including net realized gains, is paid or payable to the unitholders, under existing tax legislation it is taxable in the hands of the unitholders and not in the Section. Accordingly, no provision for Canadian income taxes on such income has been included in these financial statements.

Sceptre Pooled Investment Fund - Equity Section

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4. Related Party Transactions

The Section invests in other sections of the Fund. All sections of the Fund are under common control. As at December 31, 2008 and 2007 these investments were as follows:

Name	Fair Value	
	2008	2007
Sceptre Pooled Investment Fund -	\$	\$
Foreign Equity Section	3,491,157	4,922,726
Canadian Equity Section	10,555,905	15,947,355
Money Market Section	17,363	103,706
Total	14,064,425	20,973,787

5. Commissions and Other Transaction Costs

No commissions or soft dollar commissions were paid in 2008 and 2007.

6. Loss Carryforwards

As at December 31, 2008, the Section had no accumulated non-capital losses or net capital losses to carry forward.

7. Filing Exemption

National Instrument 81-106 Investment Fund Continuous Disclosure (the "rule") allows for Investment Funds categorized as non-reporting issuers to take advantage of an exemption to file annual and interim financial statements with the relevant regulatory authority as per Section 2.11 of the rule. The Fund, as a non-reporting issuer, is relying on this exemption and therefore does not make such filings.

8. Financial Instrument Risk

The Section's financial instruments consist of cash, investments, receivables and payables. As a result, the Section is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include market risk, credit risk, liquidity risk and underlying fund risk. These risks and related risk management practices employed by the Section are discussed below.

Market risk is comprised of three components: market price risk, interest rate risk and foreign currency risk.

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As at December 31, 2008, the Section's market risk is affected by two main components: market price risk and foreign currency risk.

(a) Market Price Risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The investments of the Section are subject to normal market fluctuations and the risks inherent in investment in financial markets. The maximum risk resulting from financial instruments held by the Section is determined by the fair value of the financial instruments. The Manager moderates this risk through a careful selection of securities within specified limits and the Section's market price risk is managed through diversification of the investment portfolio. The Investment Manager monitors the Section's overall market positions on a daily basis and positions are maintained within established ranges.

If the following index had increased (decreased) by 5% at December 31, 2008, with all other variables held constant, this could have increased (decreased) the Section's net assets approximately as follows:

Index	5%	5%
	Increase	Decrease
S&P/TSX Composite Index	\$ 632,000	\$ (632,000)

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

(b) Currency Risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of the Section, will fluctuate due to changes in foreign exchange rates.

The Section is exposed to foreign currency risk from its investment in the Sceptre Pooled Investment Fund – Foreign Equity Section.

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The table below summarizes the Section's exposure to currency risks. Amounts shown are based on the fair value of the Sections financial instruments.

	<u>Currency Exposure (\$)</u>	<u>Percentage of Net Assets (%)</u>
United States Dollar	1,912,621	13.56%
Euro	580,021	4.11%
British Pound	329,862	2.34%
Japanese Yen	246,798	1.75%
Swiss Franc	124,368	0.88%
Australian Dollar	94,180	0.67%
Swedish Krona	52,534	0.37%
Hong Kong Dollar	29,490	0.21%
South Korean Won	27,180	0.19%
Taiwan Dollar	22,142	0.16%
Brazil Real	14,901	0.11%
Norwegian Krone	13,999	0.10%
Mexican Peso	13,419	0.10%
South African Rand	12,094	0.09%
Thailand Baht	6,991	0.05%
Singapore Dollar	3,535	0.03%

As at December 31, 2008, if the exchange rate between the Canadian Dollar and the foreign currencies the Section is exposed to increased or decreased by 1%, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$35,000. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

(c) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when the Fund invests in interest-bearing financial instruments and indirectly in interest-bearing securities held in underlying Sections of the Fund. The Section is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. The Section's exposure to interest rate risk is related to its holdings in underlying Sections of the Fund, which represent only 1.86% of the value of the Section. Therefore, this risk is considered minimal.

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Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Section is subject to credit risk from its money market investments. However, since these investments represent only 1.86% of the value of the Section at December 31, 2008, this risk is considered minimal.

All portfolio transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities are received by the broker. The trade will not settle if either party fails to meet its obligation.

Liquidity Risk

Liquidity risk is the risk that the Section will encounter difficulty in raising funds to meet cash-flow commitments associated with financial instruments. The Section is exposed to daily cash redemptions of redeemable units. The units of the Section are redeemed on demand at the current Transactional NAV per unit at the option of the unitholder. Liquidity risk is managed by investing the majority of the Section's assets in investments that are traded in an active market and can be readily disposed of. In addition, the Section aims to retain sufficient cash and cash equivalent positions to maintain liquidity.

The Section's investments are considered readily realizable and highly liquid, therefore the Section's liquidity risk is considered minimal.

Underlying Fund Risk

Underlying fund risk is the risk that the securities of underlying fund may be held in significant percentages by the Section (a "top fund"). In order to meet redemption requests by the Section, the underlying fund may have to alter its portfolio significantly to accommodate large fluctuations in assets and sell their investments at unfavorable prices. This can reduce the returns of the underlying fund. However, the Section's investments in underlying funds at December 31, 2008 are not significant in relation to the size of the underlying funds and therefore, underlying fund risk is considered minimal.

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9. Future changes in accounting standards

In February 2008, the Canadian Accounting Standards Board confirmed that the International Financial Reporting Standards (“IFRS”) will replace current Canadian standards and interpretations as Canadian GAAP for publicly accountable enterprises effective January 1, 2011, which includes investment funds. Management has commenced activities to identify key issues and the likely impacts resulting from the adoption of IFRS and is in the process of developing a changeover plan, which will include identifying differences between the Section’s current accounting policies and those it expects to apply under IFRS, as well as any accounting policy and implementation decisions and their resulting impact, if any, on NAV of the Section. Management has presently determined that there will be no significant impact to Net Assets per Unit as a result of the changeover to IFRS.