

Sceptre Pooled Investment Fund - Equity Section

Financial Statements
December 31, 2009

February 18, 2010

**To the Unitholders of
Sceptre Pooled Investment Fund - Equity Section**

We have audited the statement of investment portfolio of **Sceptre Pooled Investment Fund - Equity Section** as at December 31, 2009, the statements of net assets as at December 31, 2009 and 2008 and the statements of operations and changes in net assets for the years then ended. These financial statements are the responsibility of Sceptre Investment Counsel Limited (the Manager). Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the 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, 2009 and 2008 and the results of its operations and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Sceptre Pooled Investment Fund - Equity Section

Statements of Net Assets

As at December 31

	2009	2008
	\$	\$
Assets		
Investments at fair value	16,152,003	14,047,062
Short-term investments at fair value	101,765	17,363
Cash	83,178	79,770
	<u>16,336,946</u>	<u>14,144,195</u>
Subscriptions receivable	-	15,000
	<u>16,336,946</u>	<u>14,159,195</u>
Liabilities		
Redemptions payable	9	46,612
Accounts payable	12,565	7,707
	<u>12,574</u>	<u>54,319</u>
Net Assets and Unitholders' Equity	<u>16,324,372</u>	<u>14,104,876</u>
Number of units outstanding	<u>25,265</u>	<u>27,692</u>
Net Assets per unit	<u>646.13</u> \$	<u>509.35</u>

Sceptre Pooled Investment Fund - Equity Section

Statements of Operations

For the years ended December 31

	2009	2008
	\$	\$
Income		
Interest	48	131
	<u>48</u>	<u>131</u>
Expenses		
Audit fees	3,200	2,543
Custodial fees	2,500	2,500
Trustee fees	1,500	1,500
Other expenses	34,824	29,754
	<u>42,024</u>	<u>36,297</u>
Net investment income (loss) for the year	<u>(41,976)</u>	<u>(36,166)</u>
Realized and unrealized gain (loss) on investments		
Net realized gain (loss) on investments	417,311	410,955
Change in unrealized appreciation (depreciation) in value of investments during the year	3,370,539	(7,305,316)
	<u>3,787,850</u>	<u>(6,894,361)</u>
Net gain (loss) on investments	<u>3,787,850</u>	<u>(6,894,361)</u>
Increase (decrease) in net assets from operations	<u>3,745,874</u>	<u>(6,930,527)</u>
Increase (decrease) in net assets from operations per unit	<u>\$ 135.90</u>	<u>\$ (253.96)</u>

Sceptre Pooled Investment Fund - Equity Section

Statements of Changes in Net Assets

For the years ended December 31

	2009	2008
	\$	\$
Net assets at beginning of year	<u>14,104,876</u>	<u>21,050,869</u>
Increase (decrease) in net assets from operations	<u>3,745,874</u>	<u>(6,930,527)</u>
Capital		
Proceeds from units issued	929,567	1,343,963
Value of units redeemed	(2,455,945)	(1,359,429)
Capitalized distributions	<u>802,892</u>	<u>348,748</u>
Net capital unit transactions	<u>(723,486)</u>	<u>333,282</u>
Distributions to unitholders		
Net investment income	(385,581)	-
Net realized gain on investments	<u>(417,311)</u>	<u>(348,748)</u>
Total Distributions	<u>(802,892)</u>	<u>(348,748)</u>
Increase (decrease) in net assets for the year	<u>2,219,496</u>	<u>(6,945,993)</u>
Net assets at end of year	<u><u>16,324,372</u></u>	<u><u>14,104,876</u></u>
Number of Units		
Balance - beginning of year	27,692	27,512
Units issued during the year	1,686	2,138
Units redeemed during the year	<u>(4,113)</u>	<u>(1,958)</u>
Balance - end of year	<u><u>25,265</u></u>	<u><u>27,692</u></u>

SCEPTRE POOLED INVESTMENT FUND - EQUITY SECTION

STATEMENT OF INVESTMENT PORTFOLIO

As at December 31, 2009

	NUMBER OF UNITS	AVERAGE COST (\$)	FAIR VALUE (\$)	% OF TOTAL
Cash		83,178	83,178	0.51
Short-Term Notes				
Sceptre Pooled Investment Fund - Money Market Section	699	101,507	101,765	0.62
Total Short-Term Notes		101,507	101,765	0.62
Pooled Funds				
Sceptre Pooled Investment Fund - Canadian Equity Section	46,795	7,390,067	12,429,852	
Sceptre Pooled Investment Fund - Foreign Equity Section	56,482	4,556,349	3,722,151	
Total Pooled Funds		11,946,416	16,152,003	98.87
Total Investment Portfolio Including Cash and Short-Term Notes		12,131,101	16,336,946	100.00

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

Sceptre Pooled Investment Fund - Equity Section

Notes to Financial Statements

December 31, 2009

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 (the "Manager") 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 ("GAAP"), 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.

(a) Adoption of new accounting standards

On January 20, 2009, The Canadian Institute of Chartered Accountants (CICA) Accounting Standards Board issued Emerging Issues Committee Abstract 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities (EIC-173). EIC-173 supplements CICA Handbook Section 3855, wherein it states that fair value takes into account the credit quality of a financial instrument. The EIC-173 affirms that an entity's own credit risk (in the case of financial liabilities) and counterparty's credit risk (in the case of financial assets) should be taken into account in determining the fair values of financial assets and financial liabilities, including derivative instruments.

The Manager has reviewed its policies for valuation of assets and liabilities and believes that the fair values ascribed to the financial assets and financial liabilities in these financial statements incorporate appropriate levels of credit risk.

Effective January 1, 2009, the Section adopted the recent amendments to CICA 3862, "Financial Instruments – Disclosures".

These amendments establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows.

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities.

Sceptre Pooled Investment Fund - Equity Section

Notes to Financial Statements

December 31, 2009

- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.
- Level 3 Inputs that are based on unobservable market data and which require significant management judgment or estimation.

(b) Financial Instruments and Capital Disclosures

On January 1, 2008, the Section adopted CICA Handbook Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation". The standard 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 requirements to quantify certain risk exposures and to provide sensitivity analysis for certain risks. Refer to Financial Instrument Risk (note 8) for disclosures relating to the adoption of the requirements.

The Section's financial instruments consist of cash, available-for-trading 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.

On January 1, 2008 the Section also adopted CICA Section 1535, "Capital Disclosures", which requires that the Sections disclose information about their objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. This standard impacts the Sections' disclosure provided but does not affect the Sections' results or financial position.

(c) Valuation of investments

Investments are deemed as held for trading in accordance with CICA Section 3855 and Accounting Guideline 18 and the fair 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. 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, using observable market inputs where possible 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.

Sceptre Pooled Investment Fund - Equity Section

Notes to Financial Statements

December 31, 2009

- (iv) Underlying funds are valued each business day at the price calculated by the manager of such underlying funds in accordance with the relevant documents of such underlying fund.

(d) Transaction costs

Transaction costs are expensed as incurred. 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.

(e) Unit valuation and valuation date

Units are issued and redeemed on a continuous basis at their Net Asset Value per unit which is determined on each day that the Toronto Stock Exchange is open for business. The unit valuation is determined by dividing the aggregate market value of the net assets by the total number of units outstanding at the close of business on the valuation day.

(f) Investment transactions

Investment transactions are accounted for on the trade date. The cost of investments represents the amount paid for each security, and is determined on the average cost basis.

(g) Revenue recognition

- (i) Interest income is recorded on an accrual basis.
- (ii) Realized gains and (losses) on investments and unrealized appreciation (depreciation) in value of investments are calculated with reference to the average cost of the related investments.
- (iii) Income includes distributions received from other pooled fund units.

(h) Foreign exchange

Foreign currency amounts are expressed in Canadian dollars on the following basis:

- (i) Market value of investments, other assets and liabilities at the rate of exchange prevailing on December 31.
- (ii) Value of investment transactions, income and expenses at the rates prevailing on the respective dates of such transactions.

(i) 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 increase (decrease) in net assets from operations attributable to each class for the year, divided by the weighted average units outstanding during the year.

Sceptre Pooled Investment Fund - Equity Section

Notes to Financial Statements

December 31, 2009

3. Fair Value Disclosure

The Section's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the amendment to CICA 3862. See note 2(a) for a discussion of the Section's policies regarding this hierarchy. The Section's financial assets, measured at fair value on a recurring basis as at December 31, 2009, were all Level 1 and comprised of \$16,253,768 in Pooled Funds.

4. 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.

As at December 31, 2009, the Section had no accumulated non-capital losses or net capital losses to carry forward.

5. 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, 2009 and 2008 these investments were as follows:

Name	Fair Value	
	2009	2008
Sceptre Pooled Investment Fund -		
Foreign Equity Section	\$ 3,722,151	\$ 3,491,157
Canadian Equity Section	\$ 12,429,852	\$ 10,555,905
Money Market Section	\$ 101,765	\$ 17,363
Total	\$ 16,253,768	\$ 14,064,425

6. Commissions and Other Transaction Costs

No commissions or soft dollar commissions were paid in 2009 and 2008.

Sceptre Pooled Investment Fund - Equity Section

Notes to Financial Statements

December 31, 2009

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

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

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.

Utilizing a predicted beta of 0.99 (2008 – 0.90), if the S&P/TSX Composite index had increased or decreased by 5% at December 31, 2009, with all other variables held constant, the Section's net assets could have increased or decreased, respectively, by approximately \$495,000 (2008 - \$632,000). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Sceptre Pooled Investment Fund - Equity Section

Notes to Financial Statements

December 31, 2009

(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.

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

	December 31, 2009		December 31, 2008	
	Currency Exposure (\$)	Percentage of Net Assets (%)	Currency Exposure (\$)	Percentage of Net Assets (%)
United States Dollar	1,555,913	9.53%	1,912,621	13.56%
Euro	698,209	4.28%	580,021	4.11%
British Pound	442,691	2.71%	329,862	2.34%
Japanese Yen	179,565	1.10%	246,798	1.75%
Australian Dollar	134,135	0.82%	94,180	0.67%
Hong Kong Dollar	114,656	0.70%	29,490	0.21%
Swiss Franc	111,663	0.68%	124,368	0.88%
South Korean Won	57,287	0.35%	27,180	0.19%
Norwegian Krone	30,894	0.19%	13,999	0.10%
Danish Kroner	28,025	0.17%	-	-
Brazil Real	27,241	0.17%	14,901	0.11%
Taiwan Dollar	24,680	0.15%	22,142	0.16%
Swedish Krona	18,054	0.11%	52,534	0.37%
South African Rand	13,526	0.08%	12,094	0.09%
Turkish Lira	7,908	0.05%	-	-
Israeli Shekel	7,499	0.05%	-	-
Thailand Baht	217	-	6,991	0.05%
Czech Koruna	172	-	-	-
Mexican Peso	-	-	13,419	0.10%
Singapore Dollar	-	-	3,535	0.03%
Total	<u>3,452,335</u>	<u>21.14%</u>	<u>3,484,135</u>	<u>24.72%</u>

Sceptre Pooled Investment Fund - Equity Section

Notes to Financial Statements

December 31, 2009

As at December 31, 2009, 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 (2008: \$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 Section 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 0.62% (2008: 1.86%) of the value of the Section. Therefore, this risk is considered minimal.

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 0.62% (2008: 1.86%) of the value of the Section at December 31, 2009, 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.

Sceptre Pooled Investment Fund - Equity Section

Notes to Financial Statements

December 31, 2009

Underlying Fund Risk

Underlying fund risk is the risk that the securities of underlying fund may be held in significant percentages by the Section. 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, 2009 and 2008 are not significant in relation to the size of the underlying funds and therefore, underlying fund risk is considered minimal.

9. Unitholders' Equity

Units of the Section, which are redeemable at the option of the unitholder in accordance with the provisions of the Declaration of Trust, do not have any nominal or par value and the number of units which may be issued is unlimited. Units of the Section are issued or redeemed on a daily basis at the NAV per unit next determined after the purchase order of redemption request, respectively, is received by the Manager.

Units issued and outstanding represent the capital of the Section. Changes in the Section's capital during the year are reflected in the Statements of Changes in Net Assets. The Manager is responsible for managing the capital of the Section in accordance with their investment objectives and in managing its liquidity in order to meet redemption requests.

10. Future changes in accounting standards

In February 2008, the Canadian Accounting Standards Board confirmed that 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. The Section will adopt IFRS on January 1, 2011. 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 Sections' 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 NAV per Unit as a result of the changeover to IFRS. Management is continuing to assess the impact to NAV of the Section of future accounting changes relating to the convergence of IFRS with US GAAP.