

SCEPTRE INVESTMENT COUNSEL

Quarterly Investment Review
of the Bond Pooled Fund
for the period ending

June 30, 2010



SCEPTRE

INVESTMENT COUNSEL LIMITED

CONTENTS

MANAGEMENT REPORT

Introduction	1
Economic Summary	2

FUND PERFORMANCE

Performance Review	4
--------------------	---

PORTFOLIO REVIEW

Bond Analysis	6
---------------	---

COMPLIANCE REPORT	7
-------------------	---

APPENDIX

Implications for Clients of a Sceptre Fiera Merger	8
Sceptre's Brokerage Commission Policies	9



SCEPTRE INVESTMENT COUNSEL BOND POOLED FUND

MANDATE

Sceptre Investment Counsel Limited manages a pooled fund portfolio of bonds for <<COMPANY NAME>>

INCEPTION DATE

<<INCEPTION>>

CURRENT BENCHMARK

DEX Universe Bond Index 100%

SCEPTRE CONTACTS

John Brophy
416-866-2389

David Pennycook
416-866-2479

Portfolio Administrator

Ofelia Duffy
416-866-2382

July 15, 2010

The global economic recovery has begun to falter as nations move away from massive stimulation of their economies and toward the implementation of austerity measures designed to reduce annual deficits and rising total indebtedness. Without increased participation by consumers and corporations to take up the slack left by governments gradual withdrawing of support programmes, the outlook is for more modest global growth. With consumer confidence weakening and with corporations continuing to hoard their substantial cash holdings, the near term outlook remains worrisome. With all the problems that persist in Europe, with evidence that the Chinese economy is slowing and with the US recording only a modest recovery, investors have become increasingly skeptical about the future and are employing risk averse strategies to protect their portfolios. Consequently, equity markets have come under pressure, the highest quality bonds are greatly sought after and the risk of deflation in the US and many other nations has escalated.

In the second quarter, the S&P/TSX Composite Index declined 5.5% while the Morgan Stanley World ex-Canada Index was off 8.6%. With bond yields continuing to decline, the DEX Bond Universe increased 2.9%.

In this environment, the second quarter return for your Fund was 2.6%.

We look forward to the opportunity to discuss your report with you in more detail.



ECONOMIC SUMMARY

Although the global economy has begun its recovery from the worst recession since the Second World War, the headwinds against which it is struggling remain daunting. The massive stimulation undertaken by governments to counter the recessionary forces has begun to work its magic, but at what cost? Annual deficits and total indebtedness particularly among European nations have reached unsustainable levels and are going to have to be addressed over the next several years. At the recent G20 meetings in Canada, most advanced nations with the exception of Japan pledged to halve their deficits by 2013 and stabilize their debt/GDP ratios by 2016. Such fiscal austerity measures are bound to negatively impact future economic growth unless the consumer and corporate sectors of the market are able to step forward and fill the gap. As employment growth remains muted and consumers continue to deleverage, this may prove to be a difficult transition.

Although the focus of investors is currently on Europe's debt problems and the risk of financial contagion and a second global credit crisis leading to a double dip recession, in reality, Europe is far less important to the global economy than in the past. Europe currently accounts for only 14% of global GDP versus 20% several years ago. As long as

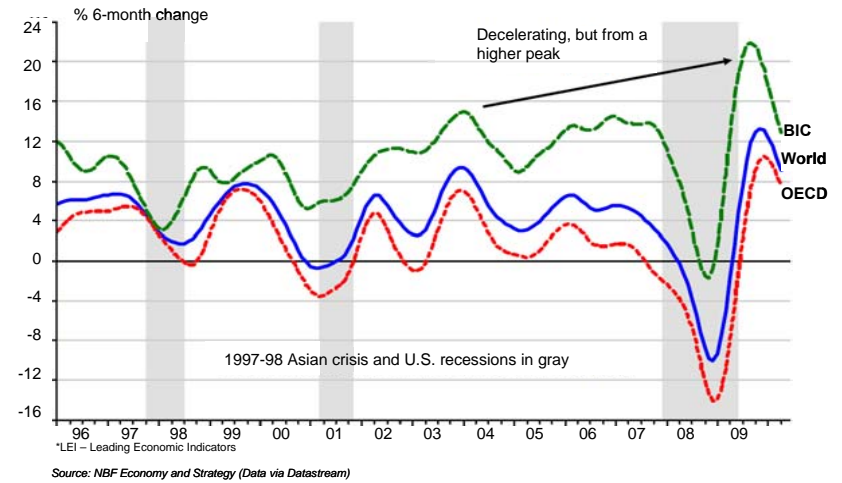
there is no financial contagion, weak economic growth in the Euro zone will not be enough to derail the current global economic recovery. Emerging Asia is now a much bigger participant in the global economy and despite signs that China is attempting to moderate its pace of expansion, this region is still expected to record high levels of growth in 2010 which in turn will assist the recovery of many other nations. Global trade flows are currently up 15% year over year and are now only 7% off their peak of April 2008.

Following two significant quarters of economic growth in the fourth quarter of 2009 and first quarter of 2010, the economic recovery appears to be faltering. As the stimulus spending by governments has begun to unwind, it appears that the recovery in consumer and corporate spending is, as yet, not sufficiently strong to offset the impact of reduced government participation.

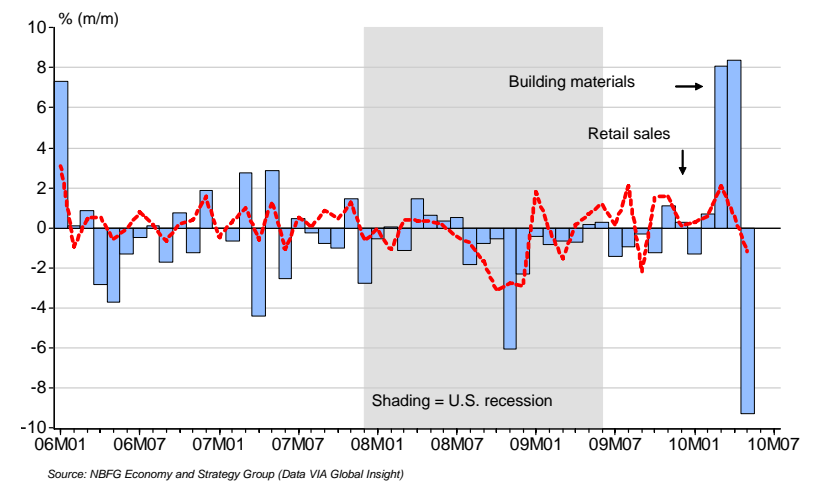
The US economy is forecast to record reasonable growth in 2010 of approximately 3.3%. The manufacturing and machinery and equipment sectors are performing well and corporate profits have rebounded strongly. The difficulty in the US lies with consumers as the crucial housing and auto sectors are falling once again as incentives are removed. With employment showing only modest improvement, consumers remain cautious

WORLD: LEI GROWTH PEAKS, GDP GROWTH WILL CONTINUE*

Composite leading indicators: World, OECD, BIC countries



UNITED STATES: RETAIL SALES PULL BACK IN MAY
 Retail sales and building materials, garden equipment and supplies



ECONOMIC SUMMARY (cont'd)

and are continuing to concentrate on debt reduction. The Conference Board's consumer confidence index declined 9.8 points in June to a three month low of 52.9. Retail sales in May declined 1.2%. Another worry for the United States is the housing market. Until the end of April, sales were positively impacted by the tax incentives available to first time home buyers. With the cessation of these incentives, sales of existing and new homes declined 4.4% in May. Foreclosures continue to weigh on the market and without an improvement on the job front, there is little likelihood of a significant recovery in this important sector.

The outlook for the US in 2011 is for growth of marginally above 2%. As core inflation declines to less than 1%, the spectre of deflation has raised its ugly head. The Fed Funds Rate is expected to remain on hold for an extended period. Despite the many problems that the US government faces in dealing with its soft economy and mounting deficits and debts, the US dollar remains strong relative to the Euro as US treasuries become the asset of choice for risk-averse investors seeking a safe haven.

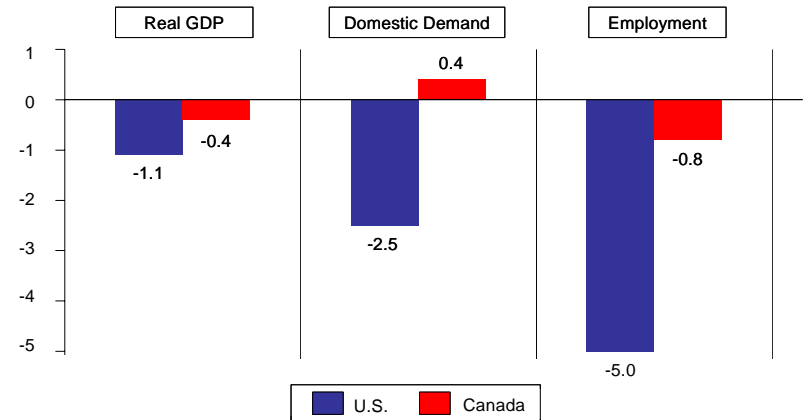
Although Canada entered the recession later than many other nations and has enjoyed a faster, more buoyant pace of

recovery, we are also seeing evidence of a faltering in the pace of expansion. The housing market which has been on fire is expected to cool in coming months as higher mortgage rates, the introduction of the HST in Ontario and B.C. and reduced affordability weigh on the market. Both the housing and auto sectors have shown signs of weakness in May. Retail sales declined in April and following an incredible 6.1% annualized growth of real GDP in the first quarter of 2010, growth was flat in the month of April. With domestic savings less than 3%, the domestic sector of the economy is unlikely to offset the effects on our trade of weaker global growth. The Bank of Canada raised its Overnight Target Interest Rate on June 1 by 25 basis points to 0.5% but will likely go slow on further increases if the pace of our recovery continues to falter. Despite all this, Canada remains in a favourable position relative to most other developed nations.

Although the initial pace of global economic recovery was quite good, it appears that we are now moving to a slower but hopefully more sustainable pace of growth. The risks of financial contagion and deflation within North America have increased and will remain a cause of concern to investors in coming quarters. This will likely result in continued high levels of volatility within both equity and currency markets.

A TALE OF TWO ECONOMIES

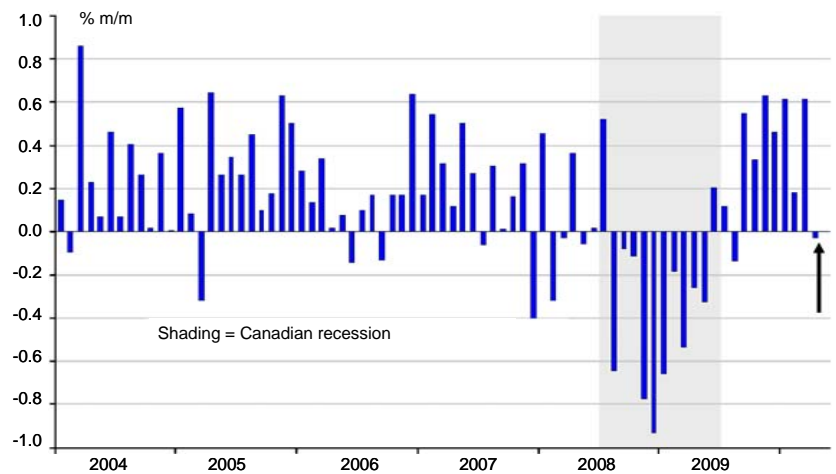
Distance from pre-recession peaks, U.S. and Canada



Source: NBF Economy and Strategy

CANADIAN ECONOMY TAKES A BREAK IN APRIL

Real GDP (chained dollars)



Source: NBF Economy and Strategy (Data VIA Global Insight)



PERFORMANCE REVIEW

Substantially lower government bond yields helped the DEX Universe Index produce a healthy return of 2.9% in the quarter, as risk aversion once more infiltrated the market. Despite this shift in attitude, corporate bond yields held in fairly well with positive returns, albeit returns that were less than for government bonds.

Our overweight to the corporate sector, in particular the financial area, was the prime reason for our underperformance in the quarter.

PORTFOLIO PERFORMANCE

Periods Ending June 30, 2010

	Current Quarter	Year to Date	One Year	Two Years	Three Years	Four Years
Total Fund	2.6%	4.3%	8.5%	6.6%	6.3%	6.0%
DEX Universe*	2.9%	4.2%	6.9%	7.0%	6.9%	6.4%
91-day T-Bills	0.1%	0.2%	0.3%	1.2%	2.1%	2.7%
CPI (May)	0.6%	1.0%	1.4%	0.7%	1.2%	1.5%

* Benchmark (100% DEX Universe)

PORTFOLIO ASSET MIX

	Mar 31 '10	Jun 30 '10
Short-Term	0.1%	0.4%
Bonds	99.9	99.6
Total Fund	100.0%	100.0%
Your Market Value	\$	\$
Unit Value	638.0	654.4



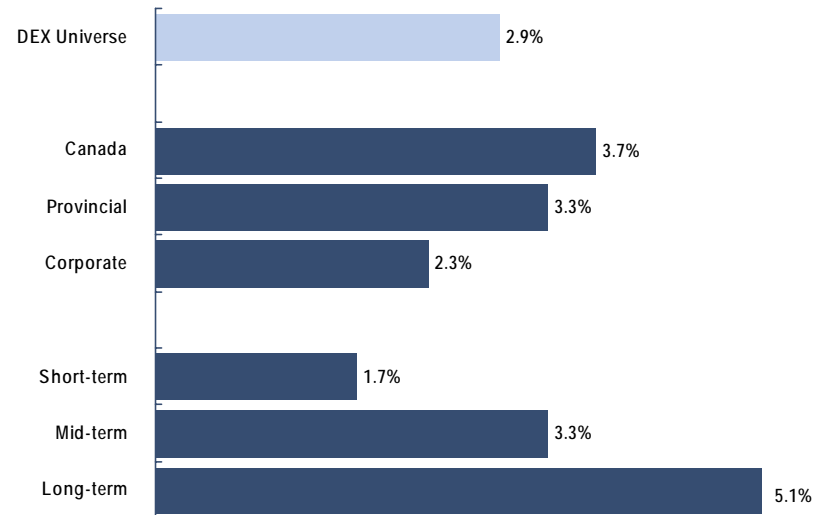
**FIXED INCOME:
 MARKET OVERVIEW**

Strong demand for yield and concern about the global economy, specifically sovereign risk, remained the dominant themes for the Canadian fixed income market during the second quarter. This resulted in broad strength throughout the bond market. Corporate bonds underperformed the broader bond market as corporate yield spreads widened in sympathy with weakness in the equity markets. Provincial bond spreads widened less than corporate bond spreads, but their relative performance has been weaker for the first half of the year due to elevated concerns that remain regarding the size of provincial funding requirements over the next few years.

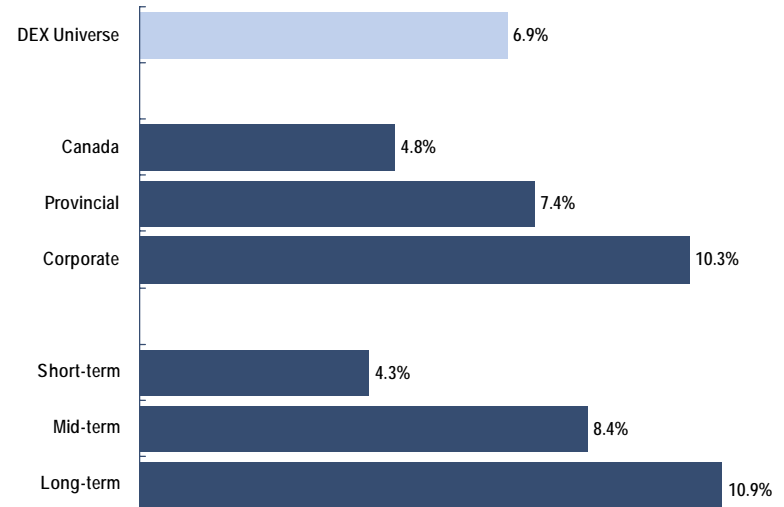
At this time, economic growth and core inflation in Canada are trending largely in line with the Bank of Canada’s own forecasts and the need for the current emergency level of monetary accommodation appears to be waning. However, despite the single 25bp rate hike by the Bank of Canada in June, the bond market has dramatically reduced its expectations for any meaningful further increases, especially against the backdrop of both a US Federal Reserve that appears unlikely to raise rates until at least 2011 and a global macroeconomic recovery that appears tentative. Two-year Government of Canada yields, which peaked at over 2.0% recently, ended the second quarter at 1.4%, 7 basis points lower than at the end of 2009.

BOND MARKET RETURNS

Second Quarter 2010



12 Months Ending June 30, 2010



**FIXED INCOME:
 REVIEW & STRATEGY**

During the second quarter of 2010, the duration of the portfolio was maintained fairly close to the index, except for two occasions. On each occasion (in May and June), we employed a tactical strategy that took advantage of a temporary rise in short term bond yields. A marginal reduction in duration was effected by selling short-dated bonds and buying even shorter-dated securities and floating rate notes. Portfolio duration was returned to close to the index by the end of the quarter, with the outcome of this strategy proving beneficial to performance. Currently, Government of Canada bond yields appear to be much less compelling at these lower levels relative to our expectations for further – albeit modest – Bank of Canada rate hikes over the next 12 months.

Although our overweight position in corporate bonds negatively impacted performance in the second quarter of 2010, we have maintained this overweight in order to generate higher portfolio yield than the index.

BOND ANALYSIS

Sector Commitments	Portfolio Weights		DEX Universe Bond Index
	Mar 31 '10	Jun 30 '10	Jun 30 '10
Government of Canada	20.1%	25.5%	47.3%
Provincial	28.1%	22.1%	24.8%
Municipal	3.5%	3.5%	1.4%
Corporate	48.3%	48.9%	26.5%
Quality & Characteristics ¹			
AAA	25.6%	29.6%	52.4%
AA	30.2%	26.3%	22.1%
A	35.2%	35.1%	19.5%
BBB	9.0%	9.0%	6.0%
Average Term	9y 1m	9y 1m	8y 11m
Duration (yrs)	6.2	6.3	6.2
Yield to Maturity	3.7%	3.4%	3.1%

¹ Using the same rating basis as the DEX Universe



COMPLIANCE REPORT: SCEPTRE INVESTMENT COUNSEL BOND POOLED FUND

As part of our service to our clients, please find below confirmation that we were in compliance with our operating guidelines as of June 30, 2010.

		Guidelines	Actual
ASSET MIX			
	Governments	40% – 90%	51.1%
	Corporates	10% – 50%	48.9%
QUALITY	Short term Bond grade	R1 or equivalent 85% A or higher	Yes 91.0%
OTHER CONSTRAINTS	Duration	DEX Universe ± 1 Year	DEX Universe + 0.1 Years
REPORTING		Quarterly	Yes
PERFORMANCE	Over 4 years	Exceed Total Return on DEX Universe	6.0% vs. 6.4%

Voting: We have voted all proxies received.

Soft Dollar: We are compliant with the CFA Institute Soft Dollar Standards. Details are available upon request.

Conflict of Interest: To the best of our knowledge, there has been no conflict of interest situation in the latest quarter.



.....
 Sunil Shah, Managing Director



APPENDIX

PROPOSED MERGER OF SCEPTRE INVESTMENT COUNSEL LIMITED & FIERA CAPITAL INC.

IMPLICATIONS FOR SCEPTRE CLIENTS

Sceptre Investment Counsel Limited and Fiera Capital Inc. recently announced the proposed merger of the two firms which, when approved by Sceptre shareholders at a meeting on August 24, 2010, will create a leading, publicly traded, fast growing independent money manager with \$30 billion dollars in assets under management. The terms of the transaction and information about Fiera and Sceptre and the merged entity are outlined in a press release and an investor presentation contained within Sceptre's web site at www.sceptre.ca.

As this is a major development for both firms, many of our clients are asking how this transaction will affect them and their relationship with existing Sceptre personnel. The short answer is that we feel that the merger will prove to be a significant positive for our clients.

The expertise of the two firms is complementary and supportive. There are currently no intended changes in either investment or client service personnel or in the style or philosophy governing the management of our clients' portfolios. From a Sceptre clients' perspective, it is business as usual-but with pluses. Fiera Capital Inc. has an enviable track record in the Fixed Income sector where a significant portion of their assets under management are invested. The expertise of their people in combination with our Fixed Income professionals will strengthen this segment of your portfolio.

The strength of the firm will be enhanced with increased investment management depth and dedicated operating management.

Fiera Capital has demonstrated an expertise in a broad range of other product offerings such as structured fixed income products, market neutral portfolios and non-traditional investment strategies including an infrastructure fund. For more information on these products and a discussion of how these services may benefit your Fund, please contact your client service manager.

The merger of Fiera and Sceptre will result in a much stronger entity with expanded investment and service capabilities. The two firms share the same entrepreneurial values and business culture and employ one of the larger and stronger teams of investment professionals to provide the solid long-term investment returns required by our clients.

We look forward to continuing to work closely with you. If you would like to further discuss the implications of this merger, please do not hesitate to contact us.



SCEPTRE'S BROKERAGE COMMISSION POLICIES

REQUIRED DISCLOSURES REGARDING USE OF CLIENT BROKERAGE COMMISSIONS UNDER NATIONAL INSTRUMENT 23-102

It is Sceptre's policy to select dealers to effect securities transactions in a manner that serves the best interests of the firm's clients. Brokerage commissions are paid for both order execution and research goods and services. As part of the process of allocating brokerage transactions, both trading and research personnel vote on which dealers contribute the most to the firm's investment management process. The specific aim is to leverage our research knowledge and to acquire the best execution when trading securities. The firm has no affiliated trading operation.

The nature of the services provided by dealers used by Sceptre to effect securities transactions ranges from order execution only to trading commissions for full service brokers who provide order execution as well as research. The firm also participates in third party "soft dollar" arrangements whereby a portion of the commission paid to the dealer is allocated to a third party independent research house or data provider. The independent services provided are covered by contractual arrangements between Sceptre and the provider. The cost of these services is paid directly by "soft dollar" dealers who set aside part of the trading commission for such purpose. The names of dealers and third parties providing research services will be provided upon request.

The type of goods and services provided in addition to order execution services includes dealer research and dealer sponsored research conferences, company financial data, market data, risk analysis, economic and strategy analysis and market and trading information.

Sceptre receives high quality execution and research in return for brokerage commissions paid to dealers. Sceptre has determined that the overall value of order execution and research services received is reasonable considering the total amount of client brokerage commissions paid. This determination was made based on the industry experience and expertise of the Sceptre personnel involved, taking into account the total commission dollars generated by Sceptre in managing its clients' portfolios, relative to the research services received. Since Sceptre's management style is generally consistent across all of its clients, all clients incur approximately similar amounts of brokerage commission on a proportional basis (relative to the size of the account). Sceptre utilizes the value of research received, that was funded by brokerage commissions, across all of its clients with similar mandates.



