

Sceptre Bond Fund

Annual Management Report of Fund Performance

For the year ended December 31, 2009



Sceptre Bond Fund

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2009

This annual management report of Fund performance contains financial highlights but does not contain the complete annual financial statements of the Fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-800-265-1888, by writing to us at Sceptre Investment Counsel Limited, 26 Wellington Street East, Suite 1200, Toronto, Ontario M5E 1W4 or by visiting our website at www.sceptre.ca or SEDAR at www.sedar.com.

Securityholders may also contact us using one of these methods to request a copy of the investment Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The objective of the Sceptre Bond Fund (the "Fund") is to provide safety of capital and high current income primarily through investment in Canadian income securities. These may include short and long-term debt securities issued or guaranteed by Federal, Provincial and Municipal governments, as well as those issued by Canadian companies.

A three-pronged strategy to enhance value is employed in managing this Fund. The Fund invests in Canadian corporate and municipal bonds to obtain higher yields, government securities to adjust the overall bond mix and duration call, and global bonds for foreign currency and rate exposure. Allocation between the various sectors, as well as security selection, is influenced by various factors including: interest rate movements, inflation, economic developments and credit/quality ratings.

Risk

No material changes were made which affected the overall level of risk associated with an investment in the Fund for the one-year period ended December 31, 2009. The overall level of risk associated with an investment in the Fund remains as discussed in the simplified prospectus dated August 26, 2009.

Results of Operations

For the year ended December 31, 2009, the Sceptre Bond Fund returned 5.9% for Class A units and 7.1% for Class O units compared to the DEX Universe Bond Index return of 5.4% for the same period.

While the year 2008 will be remembered for a collapse in confidence in the global financial system and an associated spike in risk premiums, the year 2009 can be characterized as a period of confidence renewal and a return to more rational risk premiums. A potent combination of effective government backing of large, global financial institutions, huge fiscal stimulus packages and extremely accommodative global monetary conditions has fostered this transition in spite of a still-fragile global economic backdrop. Although some risk repricing in debt capital markets occurred during the fourth quarter of 2009, most of this phenomenon occurred during the second and third quarters. Mid to large size investment grade corporations are once again able to borrow in the debt capital markets due to much improved liquidity and demand for credit products and at credit spreads that are meaningfully lower than during the credit crisis. Availability of and economic access to capital remains a critical underpinning to the durability of the current economic recovery. Accordingly, global central banks generally appear reluctant to remove monetary accommodation in advance of confirmation of economic traction and/or inflationary signals. As such, North American central bank overnight target lending rates, which touched historical lows early in 2009, have been left unchanged heading into 2010.

Canadian government bond yields rose during 2009 as investors left the safe haven status of this asset sub-class for higher risk securities and also in anticipation of future central bank rate hikes. As a result, Government of Canada bonds returned -0.2% in 2009. Corporate and provincial bonds provided total returns of 16.3% and 4.7%, respectively, reflecting a very substantial reduction in their yields relative to Government of Canada bonds.

The duration of the portfolio was maintained close to the index until the fourth quarter of the year, as the prospect for higher interest rates considering the historical lows achieved early in the year, was substantially offset by diminished concerns around inflationary pressures and strong economic revival.

Our overweight position in corporate and provincial bonds during 2009 was a substantial factor that positively impacted the portfolio as a result of their strong relative risk-adjusted value. The portfolio continues to overweight very high quality Canadian corporate and provincial bond issues in order to generate a higher portfolio yield than the index.

Management Discussion of Fund Performance – continued

The Fund's net assets increased to \$142.1 million at the end of the year from \$130.2 million at the beginning of the year. The increase was attributed to net subscriptions of \$9.0 million and positive market performance, offset by distributions of \$6.3 million made in the year.

Recent Developments

In recent weeks, Government of Canada bond yields have declined from their year-end levels with the decline being more pronounced in the shorter-end of the curve. We expect to see rising yields as we anticipate a gradual removal of excess monetary accommodation beginning in 2010 consistent with our outlook for near-term economic recovery. As such, the strategy of being slightly lower duration than the index is expected to benefit the portfolio as interest rates increase later this year. Additionally, we continue to believe that the Fund's overweight position in corporate bonds will continue to provide the opportunity for outperformance over the next few years. Although we do not expect the same degree of corporate bond price performance as in 2009, high quality corporate bonds continue to provide a substantial yield benefit to the portfolio.

Related Party Transactions

Sceptre Investment Counsel Limited ("Sceptre") is the Trustee, Portfolio Advisor and Manager of the Fund.

Sceptre provides or arranges for the provision of all general management and administrative services required by the Fund in its day to day operations, including establishment of brokerage arrangements relating to the purchase and sale of the investment portfolio and recordkeeping. Sceptre receives a fee for these services as detailed in the supplemental data following.

Sceptre adopted the practice of funding seed capital for funds that it promotes. Sceptre held 100% of Class D units at December 31, 2009.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past 5 years, where applicable.

Sceptre Bond Fund – Class A					
The Fund's Net Assets per Unit					
	2009	2008	2007	2006	2005
Net Assets, beginning of year⁽¹⁾⁽³⁾	\$ 12.12	\$ 12.31	\$ 12.51	\$ 12.58	\$ 12.39
Increase (decrease) from operations:					
total revenue	0.60	0.61	0.61	0.60	0.64
total expenses	(0.18)	(0.18)	(0.16)	(0.13)	(0.13)
realized gains (losses) for the year	(0.13)	0.02	(0.08)	(0.04)	0.12
unrealized gains (losses) for the year	0.40	(0.19)	(0.20)	(0.08)	0.04
Total increase (decrease) from operations⁽¹⁾	0.69	0.26	0.17	0.35	0.67
Distributions:					
from income (excluding dividends)	(0.43)	(0.45)	(0.38)	(0.43)	(0.48)
from dividends	—	—	—	—	—
from capital gains	—	—	—	—	—
return of capital	—	—	—	—	—
Total Annual Distributions⁽²⁾	(0.43)	(0.45)	(0.38)	(0.43)	(0.48)
Net Assets, end of year	\$ 12.39	\$ 12.12	\$ 12.31	\$ 12.52	\$ 12.58

(1) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period.

(2) Distributions were paid in cash/reinvested in additional units of the Fund, or both.

(3) This information is derived from the Fund's audited annual financial statements. The net assets per unit presented in the financial statements differ from the net asset value calculated for fund pricing purposes. For investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires bid prices (for investments held) or ask prices (for investments sold short) to be used in the fair valuation of investments, rather than the use of closing sale prices currently used for the purpose of determining Transactional NAV. The provisions of Section 3855 have been applied retroactively without restatement of prior periods. Accordingly, the net assets at the beginning of 2007 have been adjusted.

Ratios and Supplemental Data

	2009	2008	2007	2006	2005
Net Asset Value (\$ 000's) ⁽¹⁾	9,000	9,274	10,347	11,601	12,350
Number of units outstanding ⁽¹⁾	725,222	764,314	840,025	926,421	981,978
Management expense ratio (%) ⁽²⁾	1.27	1.30	1.32	1.08	1.07
Management expense ratio before waivers or absorptions (%)	1.27	1.30	1.32	1.11	1.15
Portfolio turnover rate (%) ⁽³⁾	253.80	108.39	89.03	145.29	73.72
Trading expense ratio (%) ⁽⁴⁾	0.02	0.03	—	0.01	0.01
Net Asset Value per unit	\$12.41	\$12.13	\$12.32	\$12.52	\$12.58

(1) The information is provided as at December 31 of the year shown.

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year and is expressed as an annualized percentage of daily average net assets during the period.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

Management Fees

An annual management fee of 0.75% of Class A net asset value is accrued daily, is attributable only to the Class A units, and is paid to Sceptre monthly in arrears.

Management fees are used by Sceptre to pay for the costs of managing and promoting the Fund. The major components of such costs include portfolio advisor compensation, transaction

compliance, regulatory fees, insurance, and development and marketing costs. In addition, to assist dealers with their distribution, administration and other client service costs in relation to Class A units of the Fund, we pay dealers a trailer fee at the end of each quarter out of the management fees at the rate of 0.25% of the total NAV held by each dealer's clients at the quarter end.

FINANCIAL HIGHLIGHTS – continued

Sceptre Bond Fund – Class D

The Fund's Net Assets per Unit

	2009
Net Assets, beginning of period⁽¹⁾⁽³⁾	\$ 12.15
Increase (decrease) from operations:	
total revenue	0.44
total expenses	(0.15)
realized gains (losses) for the period	0.07
unrealized gains (losses) for the period	0.29
Total increase (decrease) from operations⁽¹⁾	0.65
Distributions:	
from income (excluding dividends)	(0.46)
from dividends	–
from capital gains	–
return of capital	–
Total Annual Distributions⁽²⁾	(0.46)
Net Assets, end of period	\$ 12.33

(1) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period. Class D units were created April 1, 2009.

(2) Distributions were paid in cash/reinvested in additional units of the Fund, or both.

(3) This information is derived from the Fund's audited annual financial statements. The net assets per unit presented in the financial statements differ from the net asset value calculated for fund pricing purposes. For investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires bid prices (for investments held) or ask prices (for investments sold short) to be used in the fair valuation of investments, rather than the use of closing sale prices currently used for the purpose of determining Transactional NAV.

Ratios and Supplemental Data

	2009
Net Asset Value (\$ 000's) ⁽¹⁾	1
Number of units outstanding ⁽¹⁾	85
Management expense ratio (%) ⁽²⁾	1.20
Management expense ratio before waivers or absorptions (%)	2.29
Portfolio turnover rate (%) ⁽³⁾	253.80*
Trading expense ratio (%) ⁽⁴⁾	0.02
Net Asset Value per unit	\$12.36

(1) The information is provided as at December 31 of the period shown.

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net assets during the period.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

* Annualized

Management Fees

An annual management fee of 1.00% of Class D net asset value is accrued daily, is attributable only to the Class D units, and is paid to Sceptre monthly in arrears.

Management fees are used by Sceptre to pay for the costs of managing and promoting the Fund. The major components of such costs include portfolio advisor compensation, transaction

compliance, regulatory fees, insurance, and development and marketing costs. In addition, to assist dealers with their distribution, administration and other client service costs in relation to Class D units of the Fund we pay dealers a trailer fee at the end of each quarter out of the management fee at the rate of 0.50% of the total NAV held by each dealer's clients at the quarter end.

FINANCIAL HIGHLIGHTS – continued

Sceptre Bond Fund – Class O

The Fund's Net Assets per Unit

	2009	2008	2007	2006	2005
Net Assets, beginning of year⁽¹⁾⁽³⁾	\$ 11.24	\$ 11.42	\$ 11.61	\$ 11.66	\$ 11.46
Increase (decrease) from operations:					
total revenue	0.56	0.57	0.56	0.56	0.60
total expenses	(0.01)	(0.01)	(0.01)	(0.02)	(0.03)
realized gains (losses) for the year	(0.12)	–	(0.07)	(0.05)	0.06
unrealized gains (losses) for the year	0.35	(0.18)	(0.13)	0.04	(0.02)
Total increase (decrease) from operations⁽¹⁾	0.78	0.38	0.35	0.53	0.61
Distributions:					
from income (excluding dividends)	(0.54)	(0.57)	(0.49)	(0.49)	(0.51)
from dividends	–	–	–	–	–
from capital gains	–	–	–	–	–
return of capital	–	–	–	–	–
Total Annual Distributions⁽²⁾	(0.54)	(0.57)	(0.49)	(0.49)	(0.51)
Net Assets, end of year	\$ 11.48	\$ 11.24	\$ 11.42	\$ 11.62	\$ 11.66

(1) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period.

(2) Distributions were paid in cash/reinvested in additional units of the Fund, or both.

(3) This information is derived from the Fund's audited annual financial statements. The net assets per unit presented in the financial statements differ from the net asset value calculated for fund pricing purposes. For investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires bid prices (for investments held) or ask prices (for investments sold short) to be used in the fair valuation of investments, rather than the use of closing sale prices currently used for the purpose of determining Transactional NAV. The provisions of Section 3855 have been applied retroactively without restatement of prior periods. Accordingly, the net assets at the beginning of 2007 have been adjusted.

Ratios and Supplemental Data

	2009	2008	2007	2006	2005
Net Asset Value (\$ 000's) ⁽¹⁾	133,383	121,130	126,917	59,346	30,719
Number of units outstanding ⁽¹⁾	11,597,248	10,766,887	11,105,823	5,107,473	2,634,151
Management expense ratio (%) ⁽²⁾	0.12	0.11	0.12	0.19	0.29
Management expense ratio before waivers or absorptions (%)	0.12	0.11	0.12	0.22	0.36
Portfolio turnover rate (%) ⁽³⁾	253.80	108.39	89.03	145.29	73.72
Trading expense ratio (%) ⁽⁴⁾	0.02	0.03	–	0.01	0.01
Net Asset Value per unit	\$11.50	\$11.25	\$11.43	\$11.62	\$11.66

(1) The information is provided as at December 31 of the year shown.

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year and is expressed as an annualized percentage of daily average net assets during the period.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

Management Fees

Class O unitholders are discretionary clients of Sceptre. Management fees related to Class O net asset value are handled outside of the Fund and are paid directly to Sceptre from assets held by Class O unitholders.

Management fees are used by Sceptre to pay for the costs of managing and promoting the Fund. The major components of such costs include portfolio advisor compensation, transaction compliance, regulatory fees, insurance, and development and marketing costs.

Past Performance

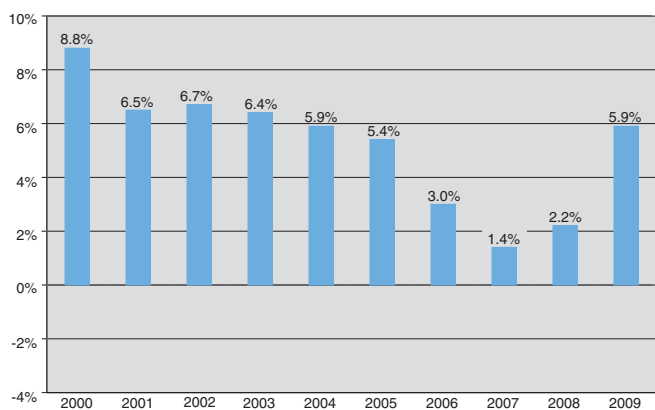
The performance information shown below assumes that all distributions made by the Fund were reinvested in additional units of the Fund. The performance information shown does not take into account sales, redemption, distribution or other optional charges that, if applicable, would have reduced returns or performance.

Mutual funds are not guaranteed. How the Fund performed in the past does not necessarily indicate how it will perform in the future.

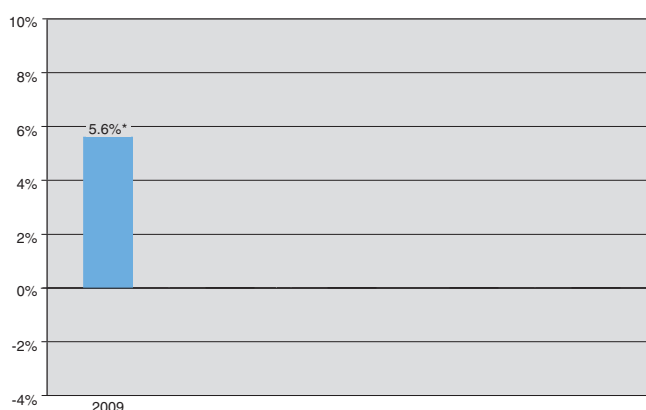
Year-by-Year Returns

The following bar charts show the Fund's annual performance for each of the years shown, and illustrate how the Fund's performance has changed from year to year. The chart shows, in percentage terms, how much an investment in the Fund made on the first day of each financial year would have grown or decreased by the last day of each financial year.

Class A Units – Annual Returns
For the year ended December 31

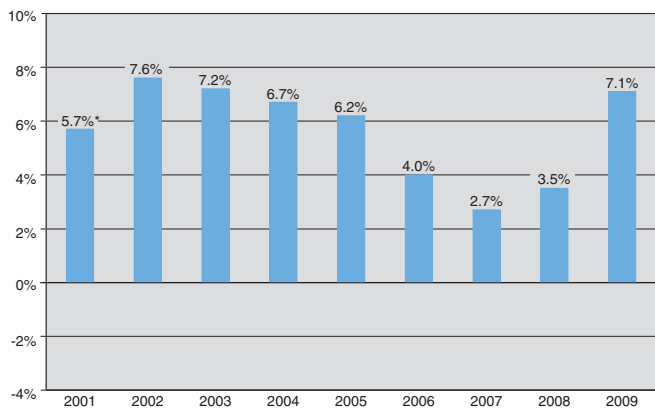


Class D Units – Annual Returns
For the year ended December 31



* From March 31, 2009 to December 31, 2009

Class O Units – Annual returns
for the year ended December 31



* From July 13, 2001 to December 31, 2001

Annual Compound Returns

The following table compares the historical annual compound total returns of Class A, D and O units of the Fund with the DEX Universe Bond Index (the Index measures the total return of Canadian bonds maturing in more than one year).

The Class A units outperformed the Index over the 1 year period and underperformed during the 3, 5 and 10 year periods. The Class D units outperformed the Index for the period. The Class O units outperformed the Index for the 1 year period, however underperformed the Index during the 3, 5 and since inception periods.

	Past 10 years	Past 5 years	Past 3 years	Past 1 year
Sceptre Bond Fund – Class A	5.2%	3.6%	3.2%	5.9%
DEX Universe Bond Index	6.7%	5.2%	5.2%	5.4%
	Since inception (March 31, 2001)			
Sceptre Bond Fund – Class D	5.6%			
DEX Universe Bond Index	3.8%			
	Since inception (July 13, 2001)	Past 5 years	Past 3 years	Past 1 year
Sceptre Bond Fund – Class O	5.9%	4.7%	4.4%	7.1%
DEX Universe Bond Index	6.5%	5.2%	5.2%	5.4%

Summary of Investment Portfolio as at December 31, 2009

Sector Mix	% of Fund's Transactional Net Assets
Government and Guaranteed Bonds	49.75
Corporate Bonds	49.22
Mortgage Backed Securities	0.31
Cash and Cash Equivalents	0.32
Other Net Assets	0.40
	100.00

Top 25 Investments	% of Fund's Transactional Net Assets
1. Canada Housing Trust No. I 4.60% Sep 15, 2011	8.02
2. Canada Housing Trust No. I 4.80% Jun 15, 2012	4.07
3. Province of Ontario 4.75% Jun 2, 2013	3.48
4. Province of Ontario FRN Oct 28, 2014	3.06
5. Canada Housing Trust No. I 2.75% Dec 15, 2014	2.58
6. Province of Quebec 4.50% Dec 1, 2018	2.56
7. Province of Quebec 5.00% Dec 1, 2041	1.82
8. Brookfield Asset Management Inc 8.95% Jun 2, 2014	1.59
9. Province of Ontario 5.85% Mar 8, 2033	1.53
10. Bank of Montreal 4.96% Jul 14, 2011	1.52
11. Winnipeg Airport Authority Inc. 4.57% Nov 20, 2019	1.48
12. Government of Canada 9.00% Jun 1, 2025	1.48
13. Province of Manitoba 5.20% Dec 3, 2015	1.41
14. Government of Canada 8.00% Jun 1, 2023	1.30
15. Province of British Columbia 5.70% Jun 18, 2029	1.30
16. Government of Canada 5.00% Jun 1, 2037	1.28
17. Province of Ontario 6.50% Mar 8, 2029	1.27
18. CI Financial Corp. 3.30% Dec 17, 2012	1.20
19. Financement-Quebec 5.25% Jun 1, 2034	1.19
20. Royal Bank of Canada 5.00% Jun 6, 2013	1.18
21. Bank of Nova Scotia 4.94% Apr 15, 2014	1.14
22. Wells Fargo Financial Canada Corp. 3.97% Nov 3, 2014	1.02
23. Canada Capital Auto Receivables Asset Trust 4.58% Apr 17, 2010	1.00
24. RBC Capital Trust 7.18% Jun 30, 2011	0.99
25. Manulife Financial Capital Trust II 7.41% Dec 31, 2019	0.98
	48.45

Total Net Asset Value: \$142,383,155

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. You may obtain quarterly updates to the Fund's holdings free of charge by calling us at 1-800-265-1888, or by writing us at Sceptre Investment Counsel Limited, 26 Wellington St. East, Suite 1200, Toronto ON M5E 1W4, or by visiting our website at www.sceptre.ca, or SEDAR at www.sedar.com.

Responsibly creating wealth since 1955.



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Suite 1200 · 26 Wellington St. E. · Toronto · ON · Canada M5E 1W4 · Tel: 416-360-4826 · Fax: 416-367-5938
www.sceptre.ca · Toll Free: 1-800-265-1888 · Toll Free Fax: 1-877-367-5938