



**Sceptre U.S. Equity Fund**  
Annual Management Report of Fund Performance

For the period ended December 31, 2009





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**ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**  
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*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](http://www.sceptre.ca) or SEDAR at [www.sedar.com](http://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 U.S. Equity Fund (the "Fund") is to achieve the highest possible long-term return that is consistent with a fundamental investment philosophy through investment primarily in U.S. equity securities.

The Fund employs a fundamental approach to investing. In-depth stock and industry analysis is conducted by a team of investment professionals and is supplemented with quantitative value/growth and financial quality screens to monitor the universe of U.S. based companies. The Fund invests in high quality companies with valuations or growth profiles that compare favourably to the Fund's comparable benchmark.

The Fund's investment portfolio is constructed using an integrated approach to investing, considering each security based on its own investment merits as well as its potential impact on the overall risk/reward profile of the Fund. Risk is carefully monitored with all holdings examined for their impact on the total portfolio. Economic factors and industry exposure are carefully considered and reviewed in constructing the portfolio.

### Risk

No material changes were made which affected the overall level of risk associated with an investment in the Fund for the period ending 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

Global equity markets performed well in the second half of 2009 as signs of an economic recovery became evident in many parts of the world. Fiscal and monetary stimulus put in place by most governments in late 2008 and early 2009 aided the upturn in the global economy. Since March 2009, markets have rallied strongly in anticipation of an earnings recovery. Earnings trends have become quite positive although primarily on the basis of strong cost-cutting by companies rather than revenue growth. Going forward, sales growth driving operating leverage will be critical for the market to continue to perform. Over the course of the year, the Canadian dollar strengthened against most major currencies, appreciating roughly 18% relative to the U.S. dollar.

Overall, U.S. equity market returns were positive in Canadian dollars with the S&P 500 up 7.4% for the year. The U.S. Equity Fund Class O Unit returns of 12.4% outperformed the S&P 500 Index. Good stock selection was the primary driver of positive relative performance. The most significant positive contributor to the Fund's performance was Healthcare. This sector was one of the worst performing sectors in the S&P 500 for the year but the Fund benefited from strong stock selection including overweight positions in Cerner (+82.1%), Medco Health Solutions (+29.5%), and Thermo Fisher Scientific (+18.9%). The Technology sector was the largest detractor from performance due to poor stock selection.

At the end of 2009, total net assets of the Fund were \$11.1 million compared to \$10.4 million in 2008.

## Management Discussion of Fund Performance – continued

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### Recent Developments

Looking forward, we expect a continued recovery, albeit at a modest pace. In the next 6-12 months, equity performance will be driven by positive corporate earnings revisions and recovery in global GDP growth but may be restrained by a reduction in government stimulus measures and compression in valuation multiples.

The emerging Asian economies have been much more resilient than the Western economies and we continue to expect them to lead global GDP growth. In the near term, we expect that the U.S. and Europe will recover; however, in the long-term, we think the GDP growth rate of these two regions will remain slow relative to the emerging world.

We remain relatively neutral by sector with underweights in Utilities, Technology and Consumer Discretionary and modest overweights in Healthcare and Industrials.

### 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 1.3% of Class O 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.

Sceptre U.S. Equity Fund – Class O		
The Fund's Net Assets per Unit		
	2009	2008
<b>Net Assets, beginning of period<sup>(1)(3)†</sup></b>	<b>\$ 8.47</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>		
total revenue	0.06	0.39
total expenses	(0.05)	(0.02)
realized gains (losses) for the period	(0.15)	(0.29)
unrealized gains (losses) for the period	1.19	(0.98)
<b>Total increase (decrease) from operations<sup>(1)</sup></b>	<b>1.05</b>	<b>(0.90)</b>
<b>Distributions:</b>		
from income (excluding dividends)	(0.01)	(0.27)
from dividends	–	–
from capital gains	–	–
return of capital	(0.02)	–
<b>Total Annual Distributions<sup>(2)</sup></b>	<b>(0.03)</b>	<b>(0.27)</b>
<b>Net Assets, end of period</b>	<b>\$ 9.50</b>	<b>\$ 8.47</b>

(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 security 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	2008
Net Asset Value (\$ 000's) <sup>(1)</sup>	11,069	10,407
Number of units outstanding <sup>(1)</sup>	1,164,848	1,226,744
Management expense ratio (%) <sup>(2)</sup>	0.51	0.50
Management expense ratio before waivers or absorptions (%)	0.72	0.50
Portfolio turnover rate (%) <sup>(3)</sup>	39.30	15.98
Trading expense ratio (%) <sup>(4)</sup>	0.09	0.09
Net Asset Value per unit	\$9.50	\$8.48

(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 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.

† The Sceptre U.S. Equity Fund was created on September 2, 2008.

## 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

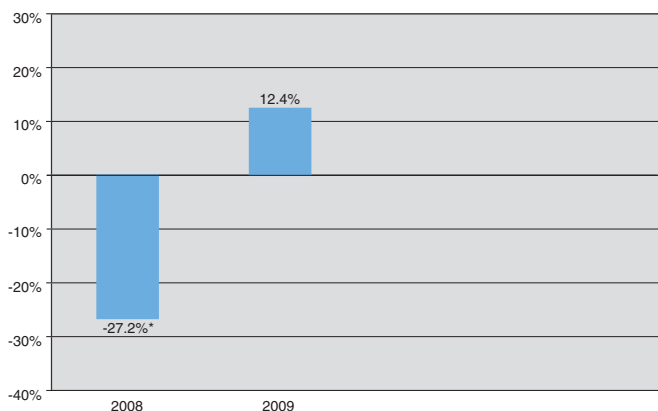
The performance information shown below assumes that all distributions made by the Fund were reinvested in additional units of the Fund. The performance information does not take into account sales, redemption, distribution or other optional charges that, if applicable, would have reduced returns or 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 performance for the period shown, and illustrate how the Fund has performed since inception. The chart shows, in percentage terms, how much an investment in the Fund made on the first day of inception would have grown or decreased by the last day of the period.

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



\* From August 31, 2008 to December 31, 2008

### Annual Compound Returns

The following table compares the compound total return of Class O units of the Fund with the S&P 500 Index (the S&P Index reflects the performance of stocks of 500 large publicly held companies that trade on either of the two largest American stock markets, the New York Stock Exchange and the NASDAQ).

The Class O units outperformed the Index during all periods.

	Since inception (August 31, 2008)	Past 1 year
Sceptre U.S. Equity Fund – Class O	-1.1%	12.4%
S&P 500 Index	-8.4%	7.4%

## Summary of Investment Portfolio as at December 31, 2009

Sector Mix	% of Fund's Transactional Net Assets
Energy	11.36
Materials	4.63
Industrials	10.96
Consumer Discretionary	8.56
Consumer Staples	11.97
Health Care	14.91
Financials	13.94
Information Technology	17.62
Telecommunications Services	2.99
Utilities	0.20
Cash and Cash Equivalents	2.88
Net Other Liabilities	(0.02)
	100.00

Top 25 Investments	% of Fund's Transactional Net Assets
1. Microsoft Corp.	5.40
2. SPDR Trust Series I	5.38
3. Oracle Corp.	4.18
4. Medco Health Solutions Inc.	4.12
5. Thermo Fisher Scientific Inc.	4.07
6. CVS Caremark Corp.	3.66
7. JPMorgan Chase & Co.	3.53
8. Celgene Corp.	3.16
9. Anadarko Petroleum Corp.	3.07
10. Yum! Brands Inc.	3.01
11. Cerner Corp.	2.89
12. Verizon Communications Inc.	2.82
13. CSX Corp.	2.76
14. Honeywell International Inc.	2.75
15. Time Warner Inc.	2.73
16. Google Inc., Class A	2.64
17. Hess Corp.	2.64
18. Exxon Mobil Corp.	2.52
19. Marathon Oil Corp.	2.51
20. Philip Morris International	2.37
21. Kraft Foods Inc., Class A	2.32
22. Time Warner Cable Inc.	2.30
23. Cisco Systems Inc.	2.27
24. CME Group Inc., Class A	2.23
25. State Street Corp.	2.19
	77.52

Total Net Asset Value: \$11,069,099

The summary of investment portfolio may change due to ongoing portfolio transactions of the investment fund.

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](http://www.sceptre.ca), or SEDAR at [www.sedar.com](http://www.sedar.com).

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