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## **EdgePoint Global Growth & Income Portfolio**

### **Financial Statements**

*For the Period Ended December 31, 2008*

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## Management's responsibility for financial reporting

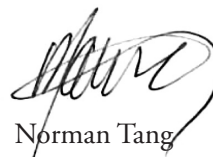
The accompanying financial statements have been prepared by the Manager, EdgePoint Wealth Management Inc. ("EdgePoint"), on behalf of the Fund. Management is responsible for the information and representations contained in these financial statements. Management has maintained appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgements. The significant accounting policies that management believes are appropriate for the Fund are described in note 2 to the financial statements.

KPMG LLP, the external auditors of the Fund, has audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the Securityholders their opinion on the financial statements. Their report, as auditors, is set forth herein.

The Board of Directors of EdgePoint, as Trustee, is responsible for reviewing and approving the financial statements of the Fund, overseeing management's performance of its financial reporting responsibilities, and engaging the independent auditors. The Board of Directors is composed of no members who are independent of management. The Board of Directors of EdgePoint review the financial statements, the adequacy of internal controls, the audit process and financial reporting with management and the external auditors. Financial statements for the Fund have been reviewed and approved by the Board of Directors of EdgePoint, as Manager and Trustee. The independent auditors have direct and full access to the Board of Directors.



Patrick Farmer  
Chief Executive Officer and Director  
March 13, 2009



Norman Tang  
Director of Finance  
March 13, 2009

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## Auditors' Report

To the Unitholders of EdgePoint Global Growth and Income Portfolio:

We have audited the statements of net assets and investments of EdgePoint Global Growth and Income Portfolio as at December 31, 2008 and the statements of operations and changes in net assets for the period from November 17, 2008 (date of commencement of operations) to December 31, 2008. These financial statements are the responsibility of the Fund's management. 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 management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets of the Fund and the investments held as at December 31, 2008 and the results of its operations and the changes in its net assets for the period from November 17, 2008 (date of commencement of operations) to December 31, 2008 in accordance with Canadian generally accepted accounting principles.



Chartered Accountants, Licensed Public Accountants

Toronto, Canada  
February 27, 2009

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**EdgePoint Global Growth & Income Portfolio****Statement of Net Assets**

As at December 31, 2008

**ASSETS**

|   |                  |
|---|------------------|
| Investments at fair value*                | \$ 5,901,447     |
| Cash                                      | 721,973          |
| Receivable for units subscribed           | 476,842          |
| Accrued interest and dividends receivable | 21,952           |
| Other accounts receivable                 | 57               |
|   | <u>7,122,271</u> |

**LIABILITIES**

|                                       |                |
|---------------------------------------|----------------|
| Payable for securities purchased      | 598,468        |
| Accounts payable and accrued expenses | 5,294          |
|                                       | <u>603,762</u> |

**NET ASSETS** \$ 6,518,509**NET ASSETS, BY SERIES**

|          |                     |
|----------|---------------------|
| Series A | \$ 4,961,387        |
| Series B | \$ 1,042,893        |
| Series F | \$ 475,259          |
| Series I | \$ 38,970           |
|          | <u>\$ 6,518,509</u> |

**NUMBER OF UNITS OUTSTANDING**

|          |         |
|----------|---------|
| Series A | 479,030 |
| Series B | 100,655 |
| Series F | 45,811  |
| Series I | 3,750   |

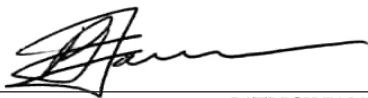
**NET ASSETS PER UNIT**

|          |          |
|----------|----------|
| Series A | \$ 10.36 |
| Series B | \$ 10.36 |
| Series F | \$ 10.37 |
| Series I | \$ 10.39 |

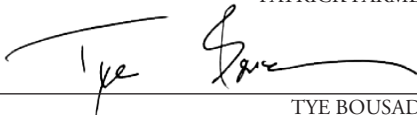
\* Cost of investments is reflected on the statement of investment portfolio.

See accompanying notes to financial statements.

APPROVED ON BEHALF OF EdgePoint Wealth Management Inc.



PATRICK FARMER, Director



TYE BOUSADA, Director

**EdgePoint Global Growth & Income Portfolio****Statement of Operations**

For the period ended December 31, 2008

**INCOME**

|                                 |              |
|---------------------------------|--------------|
| Dividends                       | \$ 5,837     |
| Interest                        | 2,483        |
|                                 | <u>8,320</u> |
| Less: Foreign withholding taxes | (489)        |
|                                 | <u>7,831</u> |

**EXPENSES**

|   |               |
|---|---------------|
| Management fees (note 3)                        | 4,614         |
| Custody and fund accounting                     | 8,989         |
| Audit   | 660           |
| Filing fees                                     | 81            |
| Unitholder reporting                            | 1,415         |
| Administration and transfer agent fees          | 10,315        |
|   | <u>26,074</u> |
| Less: Expenses absorbed by the Manager (note 3) | (19,086)      |
| Net Expenses                                    | <u>6,988</u>  |

**NET INVESTMENT INCOME  
FOR THE PERIOD**

843

**NET REALIZED AND UNREALIZED GAIN  
(LOSS) AND TRANSACTION COSTS**

|  |               |
|--|---------------|
| Net realized gain on sale of investments and<br>foreign exchange | (459)         |
| Net change in unrealized appreciation of<br>investments          | 84,357        |
| Transaction costs  | (9,345)       |
|  | <u>74,553</u> |

**INCREASE IN NET ASSETS  
FROM OPERATIONS**

\$ 75,396

**INCREASE IN NET ASSETS  
FROM OPERATIONS**

|          |           |
|----------|-----------|
| Series A | \$ 60,073 |
| Series B | \$ 11,094 |
| Series F | \$ 2,759  |
| Series I | \$ 1,470  |

**INCREASE IN NET ASSETS  
FROM OPERATIONS, PER UNIT**

|          |         |
|----------|---------|
| Series A | \$ 0.35 |
| Series B | \$ 0.27 |
| Series F | \$ 0.20 |
| Series I | \$ 0.39 |

**EdgePoint Global Growth & Income Portfolio****Statement of Changes in Net Assets**

For the period ended December 31, 2008

|  | <b>SERIES A</b>     | <b>SERIES B</b>     |
|--|---------------------|---------------------|
| <b>NET ASSETS, beginning of the period</b> | \$ –                | \$ –                |
| Increase in net assets from operations     | 60,073              | 11,094              |
| Capital transactions                       |                     |                     |
| Proceeds from issue of units               | 4,902,114           | 1,031,799           |
| Reinvested distributions                   | –                   | –                   |
| Payments on redemption of units            | (800)               | –                   |
|  | <u>4,961,387</u>    | <u>1,042,893</u>    |
| Distributions to unitholders               |                     |                     |
| Investment income                          | –                   | –                   |
| Capital gains                              | –                   | –                   |
|  | <u>–</u>            | <u>–</u>            |
| Increase in net assets for the period      | <u>4,961,387</u>    | <u>1,042,893</u>    |
| <b>NET ASSETS, end of the period</b>       | <u>\$ 4,961,387</u> | <u>\$ 1,042,893</u> |

**UNITHOLDERS' EQUITY****UNITS ISSUED AND OUTSTANDING**

|  |                |                |
|--|----------------|----------------|
| Balance, beginning of period                             | –              | –              |
| Units issued for cash including reinvested distributions | 479,106        | 100,655        |
| Units redeemed   | (76)           | –              |
| <b>BALANCE, END OF PERIOD</b>                            | <u>479,030</u> | <u>100,655</u> |

|  | <b>SERIES F</b>   | <b>SERIES I</b>  | <b>FUND TOTAL</b>   |
|--|-------------------|------------------|---------------------|
| <b>NET ASSETS, beginning of the period</b> | \$ –              | \$ –             | \$ –                |
| Increase in net assets from operations     | 2,759             | 1,470            | 75,396              |
| Capital transactions                       |                   |                  |                     |
| Proceeds from issue of units               | 472,500           | 37,500           | 6,443,913           |
| Reinvested distributions                   | –                 | –                | –                   |
| Payments on redemption of units            | –                 | –                | (800)               |
|  | <u>475,259</u>    | <u>38,970</u>    | <u>6,518,509</u>    |
| Distributions to unitholders               |                   |                  |                     |
| Investment income                          | –                 | –                | –                   |
| Capital gains                              | –                 | –                | –                   |
|  | <u>–</u>          | <u>–</u>         | <u>–</u>            |
| Increase in net assets for the period      | <u>475,259</u>    | <u>38,970</u>    | <u>6,518,509</u>    |
| <b>NET ASSETS, end of the period</b>       | <u>\$ 475,259</u> | <u>\$ 38,970</u> | <u>\$ 6,518,509</u> |

**UNITHOLDERS' EQUITY****UNITS ISSUED AND OUTSTANDING**

|  |               |              |
|--|---------------|--------------|
| Balance, beginning of period                             | –             | –            |
| Units issued for cash including reinvested distributions | 45,811        | 3,750        |
| Units redeemed   | –             | –            |
| <b>BALANCE, END OF PERIOD</b>                            | <u>45,811</u> | <u>3,750</u> |

See accompanying notes to financial statements.

**EdgePoint Global Growth & Income Portfolio**  
**Statement of Investments**

As at December 31, 2008

| Number of<br>Shares or Units | Security  | Average<br>Cost (\$) | Fair<br>Value (\$) | % of Net<br>Assets |
|------------------------------|---|----------------------|--------------------|--------------------|
| <b>Equities</b>              |   |                      |                    |                    |
| 14,200                       | The Progressive Corp.   | 250,010              | 256,137            | 3.93               |
| 11,450                       | Pool Corp.  | 233,590              | 247,839            | 3.80               |
| 10,070                       | Moody's Corp.   | 262,371              | 246,565            | 3.78               |
| 16,700                       | International Game Technology                                     | 223,954              | 241,799            | 3.71               |
| 4,800                        | Research in Motion Ltd.   | 235,768              | 236,051            | 3.62               |
| 7,750                        | Willis Group Holdings Ltd.  | 224,721              | 234,531            | 3.60               |
| 14,300                       | International Rectifier Corp.                                     | 216,702              | 234,412            | 3.60               |
| 9,950                        | Kinetic Concepts Inc.   | 237,844              | 231,864            | 3.56               |
| 12,600                       | Grupo Televisa S.A. de C.V., ADR                                  | 233,284              | 228,965            | 3.51               |
| 4,300                        | WellPoint Inc.  | 201,901              | 220,791            | 3.39               |
| 30,950                       | WPP PLC   | 213,314              | 218,827            | 3.36               |
| 6,150                        | Ryanair Holdings PLC  | 216,983              | 218,042            | 3.34               |
| 58,400                       | Grupo Modelo S.A.B. de C.V., Series C                             | 212,392              | 217,972            | 3.34               |
| 11,000                       | Cisco Systems Inc.  | 221,954              | 216,917            | 3.33               |
| 3,950                        | Schindler Holding AG  | 209,667              | 210,929            | 3.24               |
| 17,200                       | AMN Healthcare Services Inc.                                      | 174,054              | 177,555            | 2.72               |
| 16,000                       | Taiwan Semiconductor Manufacturing Co. Ltd.                       | 151,303              | 154,052            | 2.36               |
| 6,600                        | American Express Co.  | 163,589              | 149,375            | 2.29               |
| 6,250                        | Harman International Industries Inc.                              | 118,775              | 127,361            | 1.95               |
| 4,550                        | BorgWarner Inc.   | 120,838              | 120,335            | 1.85               |
| 3,950                        | Mine Safety Appliances Co.  | 116,485              | 114,047            | 1.75               |
| 5,350                        | DCC PLC   | 94,027               | 93,142             | 1.43               |
| 24,100                       | TimberWest Forest Trust Units                                     | 74,667               | 84,350             | 1.29               |
| 1,500                        | FirstService Corp. 7.00%<br>Cumulative Preference Shares Series 1 | 26,746               | 25,594             | 0.39               |
|                              |   | 4,434,939            | 4,507,452          | 69.14              |

**Face Value**

|                     |   |         |         |      |
|---------------------|---|---------|---------|------|
| <b>Fixed Income</b> |   |         |         |      |
| 157,000             | Thomson Reuters Corp. 5.25% July 15, 2011                 | 156,467 | 156,571 | 2.40 |
| 158,000             | Talisman Energy Inc. 4.44% January 27, 2011               | 154,544 | 154,902 | 2.38 |
| 172,000             | Molson Coors Capital Finance ULC 5.00% September 22, 2015 | 155,479 | 154,843 | 2.38 |
| 147,000             | Rogers Wireless Inc. 7.625% December 15, 2011             | 152,254 | 152,523 | 2.34 |
| 157,000             | Toromont Industries Ltd. 4.92% October 13, 2015           | 143,324 | 144,697 | 2.22 |
| 190,000             | Kinetic Concepts Inc. 3.25% April 15, 2015                | 130,881 | 130,309 | 2.00 |
| 134,000             | Shaw Communications Inc. 6.15% May 9, 2016                | 124,421 | 123,769 | 1.90 |
| 120,000             | IGM Financial Inc. 6.75% May 9, 2011                      | 123,187 | 123,400 | 1.89 |
| 123,000             | Shoppers Drug Mart Corp. 4.99% June 3, 2013               | 124,011 | 123,279 | 1.89 |

**EdgePoint Global Growth & Income Portfolio**  
**Statement of Investments (continued)**

As at December 31, 2008

| Number of<br>Shares or Units | Security  | Average<br>Cost (\$) | Fair<br>Value (\$) | % of Net<br>Assets |
|------------------------------|---|----------------------|--------------------|--------------------|
| <b>Face Value</b>            |   |                      |                    |                    |
| <b>Fixed Income</b>          |   |                      |                    |                    |
| 124,000                      | Shaw Communications Inc. 6.10% November 16, 2012      | 120,623              | 121,772            | 1.87               |
| 10,000                       | Sotheby's 3.125% Convertible Debentures June 15, 2013 | 6,289                | 7,930              | 0.12               |
|                              |   | 1,391,480            | 1,393,995          | 21.39              |
|                              | Adjustment for transaction costs                      | (9,329)              | -                  | -                  |
|                              | <b>Total Investments</b>                              | 5,817,090            | 5,901,447          | 90.53              |
|                              | <b>Other Assets less Liabilities</b>                  |                      | 617,062            | 9.47               |
|                              | <b>NET ASSETS</b>                                     |                      | 6,518,509          | 100.00             |

See accompanying notes to financial statements.

## 1. The Fund

- (a) EdgePoint Global Growth & Income Portfolio (the "Fund") is an open-ended mutual fund trust created on November 10, 2008 by declaration of trust under the laws of the Province of Ontario. EdgePoint Wealth Management Inc. ("EdgePoint") is the manager ("Manager") and trustee of the Fund, and EdgePoint Investment Management Inc. is the Investment Advisor. EdgePoint Global Growth & Income Portfolio commenced operations on November 17, 2008 with four series of units - Series A, B, F, and I.
- (b) The authorized capital of the Fund consists of an unlimited number of units and series without par value. The number of units of each series outstanding is disclosed in the Statement of Net Assets. Series A and Series B units are available to retail investors. Series F units are available to all investors who participate in fee-based programs through an investment dealer and whose investment dealer has signed an agreement with EdgePoint. Series I units are for large investors with minimum investments who have entered into a Series I Subscription Agreement with EdgePoint.
- (c) To establish the Fund, EdgePoint made an initial investment of \$150,000 in the Fund. EdgePoint, as the initial investor, cannot redeem its investment until an additional \$500,000 has been received from other investors in the Fund. As at December 31, 2008, EdgePoint held investments at market value in the Fund in the amount of \$156,301.
- (d) The financial statements of the Fund include the statement of investments and the statement of net assets at December 31, 2008 and the statement of operations, and the statement of changes in net assets for the period from November 17, 2008 to December 31, 2008.

## 2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), and reflect the following policies:

- (a) Accounting estimates  
The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amount reported in the financial statements. Actual results could differ from those estimates.
- (b) Valuation of investments  
Investments are categorized as held for trading and are therefore recorded at fair value. Investments in securities

listed on a public securities exchange or traded on an over-the-counter market are valued at the closing bid price. Securities with no available closing bid prices are valued at the last sale or close price. Securities for which a closing bid price or last sale or close price are unavailable or securities for which market quotations are unreliable or not reflective of all available material information, are valued at their fair value as determined by the Investment Advisor using available sources of information and commonly accepted industry valuation techniques including valuation models. Short-term investments, including short-term debt instruments maturing within less than 90 days from the date of acquisition, are deemed to be held for trading and therefore stated at fair value, using amortized cost which approximates fair value.

- (c) Valuation of foreign exchange contracts  
The Fund may enter into foreign exchange contracts for hedging purposes or to establish an exposure to a particular currency. Foreign exchange contracts are valued based on the difference between the contract forward rate and the forward bid rate (for currency held) and the forward ask rate (for currency sold short), on valuation date. Upon closing of a contract, the gain or loss is included in "Net realized gain (loss) on sale of investments."
- (d) Cash  
Cash is cash on deposit and is carried at cost which approximates their fair value.
- (e) Other assets and liabilities  
Receivable for units subscribed, accrued interest and dividends receivable, and other accounts receivable are designated as receivables and shown as other assets. They are recorded at amortized cost which approximates their fair value. Similarly, payable for securities purchased and accounts payable and accrued expenses are designated as financial liabilities and reported at amortized cost which approximates their fair value.
- (f) Investment transactions and income recognition  
All income, net realized and unrealized gains (losses) and foreign exchange, and transaction costs are attributable to investments and derivatives that are deemed held for trading. Investment transactions are accounted for on a trade date basis, that is, on the day that a buy or sell order is executed. The cost of investments represents the amount paid for each security, and is determined on an average cost basis excluding transaction costs. Realized gains and losses on investment transactions are computed as proceeds of disposition less their average cost. The unrealized appreciation or depreciation of investments

represents the difference between their average cost and fair value at the period end date. Dividend income, including stock dividends, is recorded on the ex-dividend date along with withholding taxes on foreign dividends, if any, and interest income is recorded daily on an accrual basis.

Income and realized and unrealized capital gains (losses) are distributed amongst the different series of securities in proportion to the amount of equity invested in them. For management fees and expenses, refer to note 3.

(g) Transaction costs

Transactions costs, such as brokerage commissions incurred in the purchase and sale of portfolio securities and other trade execution costs paid to external third parties, such as stamp duty and exchange fees, are recognized as expenses in the Statement of Operations based on trade date.

(h) Translation of foreign currencies

The fair value of investments and other assets and liabilities, denominated in foreign currencies, are translated into Canadian dollars at the rate of exchange prevailing on each business day, except for the historical costs of investments, which are translated at the rate of exchange prevailing on the date of purchase. The proceeds from sale of investments, dividends and interest income in foreign currencies are translated into Canadian dollars at the approximate rate of exchange prevailing on the dates of such transactions. Gains and losses from transactions, and the translation of foreign currencies are considered to be investment transactions and accordingly, are included in the net realized gain or loss on sale of investments or in the net change in unrealized appreciation of investments.

(i) Capital management

The Manager manages the capital of the Fund, which consists of the net assets of the Fund, in accordance with the investment objectives set out in the Fund's simplified prospectus and annual information form.

(j) Increase (decrease) in Net Assets from operations per unit  
Increase (decrease) in Net Assets from operations per unit in the Statement of Operations represents the net increase (decrease) in the Net Assets from operations for the period for each Series divided by the average units outstanding for each Series during the period.

(k) Future changes in accounting policies

The Canadian Accounting Standards Board ("AcSB") recently confirmed the plan to adopt the International

Financial Reporting Standards ("IFRS") in 2011. All publicly accountable enterprises will be required to implement IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

As at December 31, 2008, the Manager was in the process of developing a changeover plan to meet the timetable published by the Canadian Institute of Chartered Accountants for changeover to IFRS. The key elements of the plan will include disclosures of the qualitative impact in the December 31, 2008, 2009 and 2010 financial statements, disclosures of the quantitative impact, if any, in the December 31, 2010 financial statements and the preparation of the December 31, 2011 financial statements in accordance with IFRS.

Based on the Manager's current evaluation of the differences between Canadian GAAP and IFRS, the Manager does not expect that net assets attributable to unitholders or net asset value per unit will be impacted by the changeover to IFRS. Currently, the Manager expects that the impact of IFRS on the Fund's financial statements will result in additional disclosures and potentially different presentation of unitholder interests and certain other items.

### 3. Management Fees and Expenses

- (a) EdgePoint, the Manager, provides investment management, distribution and administrative services to the Fund. In consideration for the services provided, EdgePoint receives a monthly management fee based on the daily average net assets of each series. The management fee differs among series of units as outlined in the table below. The Fund pays EdgePoint an aggregate management fee. Management fees for Series I units are negotiated and paid directly by the investor, not by the Fund. These fees will not exceed the Series A management fees of the Fund.

|          |        |
|----------|--------|
| Series A | 1.70 % |
| Series B | 1.90 % |
| Series F | 0.70 % |

- (b) In addition to management fees, the Fund is responsible for the payment of all expenses relating to its operations. Operating expenses incurred by the Fund may include taxes; accounting, legal and audit fees; costs relating to the Fund's Independent Review Committee; trustee and custodial fees; portfolio transaction costs; administrative costs excluding any salaries to the principal shareholders of the Manager; investor servicing costs; and costs of

reports and prospectuses. Each series is responsible for the payment of operating expenses that can be specifically attributed to that series. Except for interest and bank charges which are paid or payable directly by the Fund, the Manager incurs such expenses on behalf of the Fund and is then reimbursed by the Fund for such expenses. Common operating expenses of the Fund are allocated amongst the series based on the average number of unitholders or the average daily net assets of each series, depending on the type of operating expenses being allocated. All operating expenses of Series I units are the responsibility of EdgePoint.

- (c) At its sole discretion, EdgePoint may waive management fees or absorb expenses of the Fund. The expenses absorbed are shown on the Statement of Operations. Such waivers and absorptions can be terminated at any time, but can be expected to continue until such time as the Fund is of sufficient size to reasonably absorb all management fees and expenses incurred in its operations.
- (d) From time to time, EdgePoint may reduce the effective management fee payable by some unitholders, by reducing the management fee it charges to the Fund and directing the Fund to make management fee distributions to these unitholders in amounts equal to the management fee reduction. Management fee distributions are automatically reinvested in additional units of the Fund and are accounted for as distributions for financial statement reporting purposes.

#### 4. Income Taxes

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada) (the "Tax Act") and, accordingly, is not subject to income tax on the portion of its net income, including net realized gains, which is paid or payable to unitholders. Such distributed income is taxable in the hands of the unitholders.

Temporary differences between the carrying value of assets and liabilities for accounting and income tax purposes give rise to future income tax assets and liabilities. The most significant temporary difference is that between the reported fair value of the Fund's investment portfolio and its adjusted cost base for income tax purposes. Since the Fund's distribution policy is to distribute all net realized capital gains, future tax liabilities with respect to unrealized capital gains and future tax assets with respect to unrealized capital losses will not be realized by the Fund and are therefore not recorded by the Fund. Unused realized capital losses represent future tax assets to the Fund but due to the uncertainty that they will be realized

by offsetting future capital gains, no net tax benefit is recorded by the Fund.

As at the most recent taxation year end of December 15, 2008, the Fund had no capital losses available. Any capital losses may be carried forward indefinitely to reduce future net realized capital gains.

#### 5. Brokerage Commissions

Commissions paid to brokers in connection with portfolio transactions are disclosed in the Statement of Operations of the Fund. Brokerage business is allocated to brokers based on an assessment as to which broker can deliver the Fund with the best results. Subject to these criteria, EdgePoint may allocate business to brokers that provide or pay for, in addition to transaction execution, investment research, statistical or other similar services which may or may not be used by EdgePoint in its investment decision making process. In 2008, EdgePoint had no "soft dollar" arrangements where third party services were paid for by brokers. Other proprietary research services are offered on a "bundled" basis with transaction execution and as a result, EdgePoint is not able to reasonably ascertain the value of these investment research services.

#### 6. Reconciliation of NAV

Net assets reported in these financial statements are accounted for under Canadian GAAP (GAAP Net Assets) and use the closing bid price for the fair value of investments traded in an active market. The Net Asset Value (NAV) for purposes of unitholders' purchases, switches and redemptions is calculated in accordance with the valuation rules as set out in the Fund's simplified prospectus and annual information form and uses last trade price to value investments traded in an active market. The Canadian Securities Administrators require reconciliation between NAV and GAAP Net Assets.

The difference between NAV and GAAP Net Assets as at the period ended December 31, 2008 on a per unit basis is as follows:

|          | NAV      | GAAP Net Assets |
|----------|----------|-----------------|
| Series A | \$ 10.41 | \$ 10.36        |
| Series B | \$ 10.41 | \$ 10.36        |
| Series F | \$ 10.42 | \$ 10.37        |
| Series I | \$ 10.44 | \$ 10.39        |

#### 7. Financial Instruments

Essentially all of the assets and liabilities of the Funds are financial instruments. These financial instruments comprise investments, foreign exchange contracts, cash

on deposit, bank indebtedness, accrued interest and dividends receivable, receivable from securities sold, other receivables and payable for securities purchased, and other payables. Investments and foreign exchange contracts are recorded at fair value based on the accounting policies described above. All other financial instruments are carried at cost or amortized cost, which, given their short-term nature, closely approximates their fair values.

## 8. Financial Instrument Risk

In the normal course of business each Fund is exposed to a variety of financial risks: market risk (comprised of market price risk, currency risk and interest rate risk), credit risk and liquidity risk. The value of investments in a Fund's portfolio can fluctuate on a daily basis as a result of changes in interest rates, market and economic conditions and factors specific to individual securities within the Fund. The level of risk depends on the Fund's investment objectives and the type of securities it invests in.

### *Risk Management*

The Portfolio seeks to provide long-term capital appreciation by investing primarily in global companies that have strong competitive positions, long-term growth prospects, and are run by strong management teams. The portfolio management team acquires ownership stakes in these companies at prices below their assessment of each company's true value.

The investment team takes a conservative approach to risk management by applying in-depth thorough research to each investment idea in order to understand the risks of the individual business. The team then weighs the company-specific risks versus the return potential.

Risk is further managed by investing in a diversified portfolio of companies. The team believes that investing in businesses that have competitive advantages in each of their respective industries is a more effective approach to diversification than focusing on traditional sector allocations. The team takes a common-sense approach to risk by assessing how much money can be lost and the probability of losing it. While this approach may seem overly simplistic, it provides vital clarity about the true investment risks.

The Manager employs a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy, internal guidelines, and securities regulations. Monthly reviews by the Chief Compliance Officer (CCO) and

Chief Investment Officer (CIO) are performed to ensure pre-trade and post-trade compliance rules are followed. The Governance and Oversight Committee conducts reviews on a quarterly basis to monitor activity within the portfolio to ensure compliance with applicable rules.

### *Market Price Risk*

Market price risk arises primarily from uncertainties about future market prices of the instruments held. Market price fluctuations may be caused by factors specific to an individual investment, or all factors affecting all securities traded in a market or industry sector. All investments present a risk of loss of capital. The maximum risk resulting from financial instruments is equivalent to their fair value. The most significant exposure to market price risk for this Fund arises from its investment in equity securities. If equity prices on the respective stock exchanges for these securities had increased or decreased by 5% as at December 31, 2008, with all other variables held constant, the net assets of the Fund would have increased or decreased, respectively, by approximately \$0.2 million (approximately 3.5 % of total net assets). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

### *Foreign Currency Risk*

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar, which is the Fund's functional currency. The Fund is exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. The table below indicates the currencies to which the Fund had significant exposure on its financial instruments as at period end in Canadian dollar terms, including the underlying principal of forward exchange contracts, if any.

| Currency               | Investments<br>\$(000's) | Cash<br>\$(000's) | Other<br>Net Assets<br>\$(000's) | Total*<br>\$(000's) |
|------------------------|--------------------------|-------------------|----------------------------------|---------------------|
| British Pound          | 219                      | 65                | (65)                             | 219                 |
| Euro                   | 93                       | —                 | —                                | 93                  |
| Mexican Peso           | 218                      | 17                | (17)                             | 218                 |
| Swiss Franc            | 211                      | 36                | (36)                             | 211                 |
| US Dollar              | 3,820                    | 1                 | (251)                            | 3,570               |
| <b>Total</b>           | <b>4,561</b>             | <b>119</b>        | <b>(369)</b>                     | <b>4,311</b>        |
| <b>% of Net Assets</b> | <b>70.0%</b>             | <b>1.8%</b>       | <b>(5.7%)</b>                    | <b>66.1%</b>        |

\*Includes both monetary and non-monetary financial instruments

As at December 31, 2008, if the Canadian dollar had strengthened or weakened by 1% in relation to all foreign currencies, with all other variables held constant, the Fund's net assets would have increased or decreased, respectively, by approximately \$0.04 million (approximately 0.7% of total net assets). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

### ***Interest Rate Risk***

Interest rate risk arises on interest-bearing financial instruments where the values of those instruments fluctuate due to changes in levels of market interest rates. The table below summarizes the Fund's exposure to interest rate risks by remaining term to maturity.

|                      | Debt Instrument<br>\$ | % of Net<br>Assets |
|----------------------|-----------------------|--------------------|
| Less than 1 year     | –                     | 0.0                |
| 1 to 3 years         | 587,396               | 9.0                |
| 3 to 5 years         | 252,981               | 3.9                |
| Greater than 5 years | 553,618               | 8.5                |
| Total                | 1,393,995             | 21.4               |

At December 31, 2008, if the prevailing interest rates had risen or declined by 0.50%, assuming a parallel shift in the yield curve, with all other variables held constant, the net assets of the Fund would have decreased or increased, respectively, by approximately \$0.03 million (approximately 0.4 % of total net assets). The Fund's sensitivity to interest rate changes was estimated using the weighted average modified duration of 3.77 of the bonds in the Fund. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

### ***Counterparty Credit Risk***

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

The Fund's greatest concentration of credit risk is in its holdings of fixed-income debt instruments. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The maximum credit risk of these investments is their carrying value at December 31, 2008.

At December 31, 2008, the Fund was invested in debt securities with the following credit ratings:

|       | % of Net<br>Assets | % of Debt<br>Instruments |
|-------|--------------------|--------------------------|
| A     | 1.9                | 8.9                      |
| BBB   | 13.6               | 63.6                     |
| BB    | 3.8                | 17.6                     |
| B     | 2.1                | 9.9                      |
| Total | 21.4               | 100.0                    |

The Fund also has exposure to credit risk from its trading of listed securities. It minimizes the concentration of credit risk by trading with a large number of brokers and counterparties on recognized and reputable exchanges. The risk of default is considered minimal as all transactions are settled and paid for upon delivery using approved brokers.

The Fund may enter into foreign exchange contracts to buy and sell currencies for the purpose of settling foreign securities transactions. These are short term spot settlements carried out with counterparties with a credit rating of at least "A". The exposure to credit risk on these contracts is considered minimal as there are few contracts outstanding at any one time and the transactions are settled and paid for upon delivery.

### ***Liquidity Risk***

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Aside from financial liabilities that arise from normal-course investing activities, the Fund has no other significant financial liabilities.

The Fund is exposed to daily cash redemptions of redeemable units. In accordance with securities regulations, the Fund must maintain at least 90% of its assets in liquid investments (i.e., investments that are traded in an active market and that can be readily sold). The Fund also has the ability to borrow up to 5% of its net assets for the purposes of funding redemptions. No such borrowings occurred during the year.

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## EdgePoint Wealth Management Inc.

1000 Yonge Street, Suite 200

Toronto, ON M4W 2K2

Website: [www.edgepointwealth.com](http://www.edgepointwealth.com)

Email: [info@edgepointwealth.com](mailto:info@edgepointwealth.com)

Tel: 416-963-9353 or Toll Free 1-866-757-7207

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