



EdgePoint Canadian Growth & Income Portfolio

Financial Statements

*Year ended December 31, 2009 and period from
November 17, 2008 (date of commencement of operations)
to December 31, 2008*

Management's responsibility for financial reporting

The accompanying financial statements have been prepared by the Manager, EdgePoint Wealth Management Inc., on behalf of EdgePoint Canadian Growth & Income Portfolio (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 assumptions. 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 auditor of the Fund, has audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the Unitholders their opinion on the financial statements. Their report, as auditors, is set forth herein.

The Board of Directors 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 senior management of the Manager. For all series of units of the Fund, the financial statements have been reviewed and approved by the Board of Directors. The independent auditors have direct and full access to the Board of Directors.



Patrick Farmer
Chief Executive Officer and Director
February 26, 2010



Norman Tang
Director of Finance, as Chief Financial Officer
February 26, 2010

Auditors' Report

To the Unitholders of EdgePoint Canadian Growth and Income Portfolio:

We have audited the statements of net assets of EdgePoint Canadian Growth & Income Portfolio (the "Fund") as at December 31, 2009 and 2008, the statement of investments as at December 31, 2009 and the statements of operations and changes in net assets for the year ended December 31, 2009 and 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 audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 as at December 31, 2009 and 2008, its investments as at December 31, 2009, and the results of its operations and the changes in its net assets for the year ended December 31, 2009 and the period from November 17, 2008 (date of commencement of operations) to December 31, 2008 in accordance with Canadian generally accepted accounting principles.



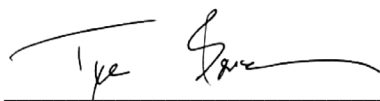
Chartered Accountants, Licensed Public Accountants
Toronto, Canada
February 26, 2010

	2009	2008
Assets		
Investments, at fair value*	\$ 157,269,499	\$ 2,482,076
Net unrealized gain on foreign exchange forward contracts	89,232	–
Cash and cash equivalents	20,116,579	483,140
Receivable for securities sold	274,312	–
Receivable for units subscribed	838,322	162,804
Accrued interest and dividends receivable	567,959	14,931
Other accounts receivable	9,856	–
	179,165,759	3,142,951
Liabilities		
Payable for securities purchased	2,189,052	225,618
Payable for units redeemed	5,461	–
Accounts payable and accrued expenses	166,343	2,505
	2,360,856	228,123
Net assets	\$ 176,804,903	\$ 2,914,828
Net assets, by series:		
Series A	\$ 122,550,357	\$ 2,461,321
Series B	49,169,473	331,208
Series F	4,210,766	84,092
Series I	872,081	38,207
Series O	2,226	–
	\$ 176,804,903	\$ 2,914,828
Number of units outstanding:		
Series A	8,738,147	243,563
Series B	3,499,477	32,608
Series F	297,079	8,269
Series I	60,182	3,750
Series O	203	–
Net assets per unit:		
Series A	\$ 14.02	\$ 10.11
Series B	14.05	10.16
Series F	14.17	10.17
Series I	14.49	10.19
Series O	10.96	–

*Cost of investments is reflected on the statement of investments.

See accompanying notes to financial statements.

ON BEHALF OF THE BOARD:



Tye Bousada, Director



Geoff MacDonald, Director

Statements of Operations

EDGEPOINT Canadian Growth & Income Portfolio *Year ended December 31, 2009 and period from November 17, 2008*
(date of commencement of operations) to December 31, 2008

	2009	2008
Income:		
Dividends	\$ 1,743,471	\$ 8,590
Interest	1,029,400	1,314
	2,772,871	9,904
Less foreign withholding taxes	12,211	95
	2,760,660	9,809
Expenses:		
Management fees (note 3)	1,318,106	2,191
Administration and transfer agent fees	214,554	5,170
Fund accounting	47,318	5,724
Audit	19,928	310
Custody	18,323	3,518
Filing fees	17,332	80
Unitholder reporting	14,149	744
Legal fees	11,511	-
Independent review committee fees	6,843	-
Bank charges	10	-
Goods and services tax/harmonized sales tax	82,537	884
	1,750,611	18,621
Less expenses absorbed by the Manager	184	15,146
	1,750,427	3,475
Net investment income	1,010,233	6,334
Net realized and unrealized gain (loss) and transaction costs:		
Net realized gain (loss) on sale of investments	2,393,062	(2,785)
Net change in unrealized appreciation of investments	23,009,032	111,252
Transaction costs	(196,722)	(4,016)
	25,205,372	104,451
Increase in net assets from operations	\$ 26,215,605	\$ 110,785
Increase in net assets from operations, by series:		
Series A	\$ 17,780,193	\$ 94,285
Series B	7,744,251	13,201
Series F	589,622	2,592
Series I	101,314	707
Series O	225	-
Increase in net assets from operations, per unit:		
Series A	\$ 4.36	\$ 0.98
Series B	4.44	0.77
Series F	4.34	0.57
Series I	4.56	0.19
Series O	1.13	-

See accompanying notes to financial statements.

Statements of Changes in Net Assets

EDGEPOINT Canadian Growth & Income Portfolio *Year ended December 31, 2009 and period from November 17, 2008*
(date of commencement of operations) to December 31, 2008

2009	Series A	Series B	Series F	Series I	Series O	Total
Net assets, January 1, 2009	\$ 2,461,321	\$ 331,208	\$ 84,092	\$ 38,207	\$ –	\$ 2,914,828
Increase in net assets from operations	17,780,193	7,744,251	589,622	101,314	225	26,215,605
Capital transactions:						
Proceeds from issue of units	104,668,304	41,743,773	3,882,085	782,130	2,000	151,078,292
Reinvested distributions	1,447,733	642,001	69,672	12,240	34	2,171,680
Payments on redemption of units	(2,347,666)	(626,872)	(342,452)	(49,569)	–	(3,366,559)
	103,768,371	41,758,902	3,609,305	744,801	2,034	149,883,413
Distributions to unitholders:						
Investment income	(298,639)	(83,246)	(28,682)	(7,275)	(15)	(417,857)
Capital gains	(1,160,889)	(581,642)	(43,571)	(4,966)	(18)	(1,791,086)
	(1,459,528)	(664,888)	(72,253)	(12,241)	(33)	(2,208,943)
Increase in net assets	120,089,036	48,838,265	4,126,674	833,874	2,226	173,890,075
Net assets, December 31, 2009	\$ 122,550,357	\$ 49,169,473	\$ 4,210,766	\$ 872,081	\$ 2,226	\$ 176,804,903
Units issued and outstanding:						
Balance, January 1, 2009	243,563	32,608	8,269	3,750	–	
Units issued for cash, including reinvested distributions	8,679,177	3,515,695	317,827	61,038	203	
Units redeemed	(184,593)	(48,826)	(29,017)	(4,606)	–	
Balance, December 31, 2009	8,738,147	3,499,477	297,079	60,182	203	
2008	Series A	Series B	Series F	Series I	Series O	Total
Net assets, November 17, 2008	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Increase in net assets from operations	94,285	13,201	2,592	707	–	110,785
Capital transactions:						
Proceeds from issue of units	2,369,612	318,007	81,500	37,500	–	2,806,619
Reinvested distributions	–	–	–	–	–	–
Payments on redemption of units	(2,576)	–	–	–	–	(2,576)
	2,367,036	318,007	81,500	37,500	–	2,804,043
Increase in net assets	2,461,321	331,208	84,092	38,207	–	2,914,828
Net assets, December 31, 2008	\$ 2,461,321	\$ 331,208	\$ 84,092	\$ 38,207	\$ –	\$ 2,914,828
Units issued and outstanding:						
Balance, November 17, 2008	–	–	–	–	–	
Units issued for cash, including reinvested distributions	243,825	32,608	8,269	3,750	–	
Units redeemed	(262)	–	–	–	–	
Balance, December 31, 2008	243,563	32,608	8,269	3,750	–	

See accompanying notes to financial statements.

December 31, 2009

Number of Shares or Units	Security	Average Cost (\$)	Fair Value (\$)	% of Net Assets
Equities				
227,450	Tim Hortons Inc.	6,842,999	7,294,322	4.13
102,250	Research in Motion Ltd.	7,004,697	7,253,615	4.10
204,400	Thomson Reuters Corp.	6,841,920	6,929,160	3.92
252,650	Onex Corp.	5,087,976	5,942,328	3.36
82,400	Canadian Imperial Bank of Commerce	4,534,654	5,599,080	3.17
105,700	Bank of Nova Scotia	4,427,686	5,199,383	2.94
132,000	Intact Financial Corp.	4,373,610	4,865,520	2.75
208,600	Calfrac Well Services Ltd.	2,741,043	4,290,902	2.43
137,050	Power Corp. of Canada	3,225,310	3,990,896	2.26
106,650	Toromont Industries Ltd.	2,626,646	2,958,471	1.67
130,010	FirstService Corp. 7% cumulative preference shares, Series 1	2,562,431	2,816,131	1.59
48,550	Royal Bank of Canada	2,234,811	2,735,793	1.55
96,600	Cogeco Inc.	2,182,778	2,734,746	1.54
353,300	ATS Automation Tooling Systems Inc.	1,898,023	2,639,151	1.49
57,200	Atco Ltd. 'I'	2,157,068	2,621,476	1.48
645,000	Exfo Electro-Optical Engineering Inc.	2,533,135	2,586,450	1.46
313,400	Newalta Inc.	1,721,060	2,513,468	1.42
613,500	Boralex Power Income Fund	2,396,671	2,503,080	1.41
128,750	The Progressive Corp.	2,219,980	2,421,035	1.37
99,200	International Rectifier Corp.	1,773,912	2,296,162	1.30
225,000	Daylight Resources Trust	2,028,520	2,288,250	1.29
180,400	Pason Systems Inc.	1,837,473	2,096,248	1.19
268,000	Precision Drilling Trust	1,561,143	2,050,200	1.16
101,000	International Game Technology	1,840,907	1,983,770	1.12
103,350	Zargon Energy Trust	1,673,322	1,976,052	1.12
260,100	International Royalty Corp.	776,957	1,958,553	1.11
465,400	West Energy Ltd.	1,158,355	1,796,444	1.02
60,000	Ryanair Holdings PLC, ADR	1,717,247	1,681,386	0.95
370,500	Aura Minerals Inc.	1,125,563	1,678,365	0.95
171,700	AMN Healthcare Services Inc.	1,552,267	1,627,812	0.92
43,250	Astral Media Inc. 'A'	1,169,592	1,431,575	0.81
50,000	Willis Group Holdings PLC	1,420,084	1,379,180	0.78
141,450	Akita Drilling Ltd. 'A'	929,377	1,325,387	0.75
110,600	Dundee Corp. 'A'	599,143	1,324,988	0.75
66,100	Corus Entertainment Inc. 'B'	940,806	1,305,475	0.74
45,900	Hughes Communications Inc.	804,660	1,246,875	0.71
267,500	Neo Material Technologies Inc.	359,490	1,217,125	0.69
198,500	Gran Tierra Energy Inc.	671,124	1,191,000	0.67
19,000	WellPoint Inc.	941,833	1,157,130	0.65
53,900	Colony Financial Inc.	1,152,758	1,147,217	0.65
25,000	Inverness Medical Innovations Inc.	1,043,516	1,084,875	0.61

December 31, 2009

Number of Shares or Units	Security	Average Cost (\$)	Fair Value (\$)	% of Net Assets
Equities (continued)				
38,600	Mine Safety Appliances Co.	1,036,235	1,071,594	0.61
965,000	Essential Energy Services Trust	932,401	1,032,550	0.58
250,000	Sprott Resource Corp.	795,885	1,010,000	0.57
43,000	Bonavista Energy Trust	646,836	957,610	0.54
130,100	Total Energy Services Inc.	603,784	897,690	0.51
71,000	Marsulex Inc.	606,335	810,110	0.46
868,200	Compton Petroleum Corp.	1,009,152	807,426	0.46
166,300	Vero Energy Inc.	753,014	736,709	0.42
1,273,000	Sandstorm Resources Inc.	485,835	700,150	0.40
46,800	TVA Group Inc. 'B'	286,543	620,100	0.35
299,900	PRT Forest Regeneration Income Fund Trust	395,628	611,796	0.35
131,500	Gennum Corp.	574,190	591,750	0.33
14,900	Boardwalk Real Estate Investment Trust	402,076	548,022	0.31
27,400	Pool Corp.	503,786	547,060	0.31
14,000	Harman International Industries Inc.	260,177	516,261	0.29
9,450	IGM Financial Inc.	262,700	398,129	0.23
768,200	Compton Petroleum Corp., warrants, September 25, 2011	69,138	176,686	0.10
250,000	The Brick Group Income Fund warrants, May 27, 2014	28,750	137,500	0.08
205,200	Sandstorm Resources Inc. warrants, April 23, 2014	31,601	45,144	0.03
40,000	Omni-Lite Industries Canada Inc.	36,336	30,400	0.02
		104,410,949	125,385,763	70.93
Face Value (\$)	Fixed Income			
3,493,000	Sotheby's, 3.125% convertible debentures, June 15, 2013	3,290,214	3,627,357	2.05
3,200,000	Calfrac Holdings LP, 7.75%, February 15, 2015	3,270,243	3,248,760	1.83
2,668,600	The Brick Group Income Fund, 12.00%, May 30, 2014	2,590,351	2,855,402	1.62
2,150,000	Cogeco Cable Inc., 5.95%, June 9, 2014	2,171,410	2,282,268	1.29
1,952,000	Toromont Industries Ltd., 4.92%, October 13, 2015	1,786,764	1,959,437	1.11
1,750,000	DundeeWealth Inc., 5.10%, September 25, 2014	1,749,930	1,756,493	0.99
1,448,000	Loblaw Companies Ltd., 7.10%, June 1, 2016	1,537,391	1,666,054	0.94
1,603,000	Molson Coors Capital Finance ULC, 5.00%, September 22, 2015	1,541,306	1,649,423	0.93
1,504,000	IGM Financial Inc., 6.75%, May 9, 2011	1,583,877	1,595,654	0.90
1,465,000	Trinidad Drilling Ltd. convertible debentures, 7.75%, July 31, 2012	1,152,687	1,486,975	0.84
1,082,500	Newalta Inc., 7.00%, November 30, 2012	1,086,968	1,098,738	0.62
921,000	Boardwalk REIT, 5.31%, January 23, 2012	901,662	923,008	0.52
675,000	Rogers Cable Inc., 7.25%, December 15, 2011	714,336	736,398	0.42

Number of Shares or Units Face Value	Security	Average Cost (\$)	Fair Value (\$)	% of Net Assets
Face Value (\$)	Fixed Income (continued)			
662,000	Cineplex Galaxy convertible debentures, 6.00%, December 31, 2012	630,130	701,720	0.40
590,000	Daylight Resources Trust, convertible debentures, 10.00%, December 31, 2013, Series C	673,438	682,925	0.39
670,000	Daylight Resources Trust, 6.25%, December 31, 2014	670,000	670,000	0.38
593,000	Rogers Wireless Inc., 7.625%, December 15, 2011	632,028	650,889	0.37
570,000	Shaw Communications Inc., 6.50%, June 2, 2014	578,508	624,868	0.35
605,000	Talisman Energy Inc., 4.44%, January 27, 2011	601,469	622,122	0.35
440,000	Shaw Communications Inc., 5.70%, March 2, 2017	410,788	455,330	0.26
346,000	Shaw Communications Inc., 6.15%, May 9, 2016	339,625	369,262	0.21
300,000	Hughes Network Systems, LLC / HNS Finance Corp., 9.5%, April 15, 2014	326,620	323,344	0.18
281,000	Thomson Reuters Corp., 5.25%, July 15, 2011	286,347	295,502	0.17
280,700	Intact Financial Corp., 5.41%, September 3, 2019	280,571	281,452	0.16
246,000	Shoppers Drug Mart Corp., 4.99%, June 3, 2013	248,580	261,316	0.15
205,000	Bell Canada Inc., 6.25%, April 12, 2012	211,430	221,115	0.13
200,000	Rogers Communication Inc., 5.80%, May 26, 2016	199,534	213,802	0.12
161,000	Shaw Communications Inc., 6.10%, November 16, 2012	161,131	173,452	0.10
125,000	Manitoba Telecom Service, 6.65%, May 11, 2016	124,938	136,633	0.08
100,000	Loblaw Companies Ltd., 4.85%, May 8, 2014	99,978	104,920	0.06
90,000	Shaw Communications Inc., 7.50%, November 20, 2013	96,075	101,847	0.06
73,000	Kinetics Concepts Inc., 3.25%, April 15, 2015	50,286	75,776	0.04
12,068	TimberWest Forest Trust debenture, 9.00%, February 11, 2014	12,066	16,344	0.01
15,000	Bonavista Energy Trust, 6.75%, June 30, 2010	14,944	15,150	0.01
		30,025,625	31,883,736	18.04
	Adjustment for transaction costs	(198,118)	–	–
	Total Investments	134,238,456	157,269,499	88.96
	Foreign exchange forward contracts			
	Foreign exchange forward contract to buy Cdn. \$3,178,500 for U.S. \$3,000,000 with an exchange rate of 1.0595, maturing January 8, 2010	–	24,014	0.01
	Foreign exchange forward contract to buy Cdn. \$525,760 for U.S. \$500,000 with an exchange rate of 1.0515, maturing January 27, 2010	–	18	–
	Foreign exchange forward contract to buy Cdn. \$1,187,747 for U.S. \$1,100,000 with an exchange rate of 1.0798, maturing January 28, 2010	–	31,115	0.02

Number of Shares or Units Face Value	Security	Average Cost (\$)	Fair Value (\$)	% of Net Assets
Foreign exchange forward contracts (continued)				
	Foreign exchange forward contract to buy Cdn. \$1,163,987 for U.S. \$1,100,000 with an exchange rate of 1.0582, maturing March 18, 2010	–	7,384	–
	Foreign exchange forward contract to buy Cdn. \$1,225,325 for U.S. \$1,150,000 with an exchange rate of 1.0655, maturing March 18, 2010	–	16,149	0.01
	Foreign exchange forward contract to buy Cdn. \$3,151,356 for U.S. \$3,000,000 with an exchange rate of 1.0505, maturing April 6, 2010	–	(2,946)	–
	Foreign exchange forward contract to buy U.S. \$3,000,000 for Cdn. \$3,151,500 with an exchange rate of 0.9519, maturing January 8, 2010	–	13,498	0.01
		–	89,232	0.05
	Other assets less liabilities		19,446,172	10.99
	Net assets		\$ 176,804,903	100.00

See accompanying notes to financial statements.

1. The Fund

- (a) EdgePoint Canadian 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. The Fund commenced operations on November 17, 2008 with four series of units: Series A, B, F, and I. On September 1, 2009, the Fund began offering Series O units.
- (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 statements 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 and O units are for investors who meet minimum investment thresholds and have entered into a Series I Subscription Agreement or a Series O Subscription Agreement, respectively, with EdgePoint.
- (c) To establish the Series O units of the Fund, EdgePoint made an initial investment. As at December 31, 2009, EdgePoint held Series O units of the Fund with a market value of \$2,234 (2008 – nil).
- (d) The financial statements include the statement of investments at December 31, 2009 and the statements of net assets at December 31, 2009 and 2008 and the statement of operations and the statements of changes in net assets for the year ended December 31, 2009 and period from November 17, 2008 to December 31, 2008 (the “financial statements”).

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 amounts 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, 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 Manager 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 are, 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) or the forward ask rate (for currency sold short), on the valuation date. Upon closing of a contract, the gain or loss is included in net realized gain (loss) on sale of investments.
- (d) Cash and cash equivalents:
Cash and cash equivalents are cash on deposit and short-term notes with maturities less than 90 days and are carried at cost, which approximates their fair value.
- (e) Other assets and liabilities:
Receivable for units subscribed, receivable for securities sold, 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, payable for units redeemed, and accounts payable and accrued expenses are designated as financial liabilities and are reported at their amortized cost, which approximates their fair value.
- (f) Investment transactions and income recognition:
All income, net realized and unrealized appreciation and transaction costs are attributable to investments and derivatives that are deemed held-for-trading. Investment transactions are accounted for on the trade-date; 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 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. 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 statements 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 sales of investments, dividends, and interest income received 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) Fair value measurements:

The Fund adopted the amendments to The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3862, Financial Instruments – Disclosures ("Section 3862") on January 1, 2009. Section 3862 establishes a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability,

either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Fund's investments and derivatives at fair values:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total
Common shares	\$ 110,242,742	\$ –	\$ 110,242,742
Preferred shares	2,816,131	–	2,816,131
Trust units	11,967,560	–	11,967,560
Bonds	–	25,384,759	25,384,759
Convertible debentures	–	6,498,977	6,498,977
Warrants	359,330	–	359,330
Short-term notes	–	18,996,964	18,996,964
Total investments	\$ 125,385,763	\$ 50,880,700	\$ 176,266,463
Derivative assets	\$ –	\$ 92,178	\$ 92,178
Derivative liabilities	\$ –	\$ 2,946	\$ 2,946

During the year ended December 31, 2009, there were no investments that were transferred between levels.

During the year ended December 31, 2009, the Fund held no Level 3 financial instruments.

(j) 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.

(k) Increase in net assets from operations per unit:

Increase in net assets from operations per unit in the statements of operations represents the net increase in the net assets from operations for the period for each Series divided by the average units outstanding for each series during the period.

(l) Future changes in accounting policies:

The Canadian Accounting Standards Board has 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.

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 a potentially different presentation of unitholder interests and certain other items.

3. Management Fees and Expenses

The Fund's units are puttable financial instruments. Under International Accounting Standards ("IAS") IAS 32 Financial Instruments – Disclosure and Presentation, for the Fund to continue to classify the units as equity, the units must meet certain specific criteria. Due to the multi-class structure of the Fund, it is unlikely that the units will meet the criteria as it is currently written, and the units will be classified as a liability upon the adoption of IFRS. This will not impact the net asset value per unit used for unitholders' purchase, switch, or redemption transactions and is a presentation difference only. Certain agreements that refer to net asset value may need to be amended to reflect new terminology that may be adopted; however, calculations for amounts such as management fees will remain the same.

- (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 and O 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, but are not limited to: 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 statements of operations, if any. Such waivers and absorptions can be terminated at any time.
- (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) and, accordingly, is not subject to income taxes 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, 2009, the Fund had capital losses of nil (2008 – \$699)

available, which may be carried forward indefinitely to reduce future net realized capital gains.

Upon the adoption of IFRS, it is unclear whether the Fund will be permitted to continue to recognize the tax effects of distributions before the distribution is recognized. Unlike Canadian GAAP, IAS 12 Income Taxes prohibits this treatment; however, the International Accounting Standards Board (“IASB”) has published an exposure draft that proposes a similar treatment to Canadian GAAP. The issue is currently unresolved. Should the Fund be required to record future income taxes upon the adoption of IFRS, they will be recorded for financial statement purposes only and will not impact the net asset value per unit used for unitholders’ purchases, switches, or redemptions.

5. Brokerage Commissions

Commissions paid to brokers in connection with portfolio transactions are disclosed in the statements 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 2009 and 2008, EdgePoint did not have any “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 Net Asset Value (“NAV”)

Net assets reported in these financial statements are accounted for using 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 on a per unit basis is as follows:

2009	NAV	GAAP Net Assets
Series A	\$ 14.07	\$ 14.02
Series B	14.09	14.05
Series F	14.22	14.17
Series I	14.54	14.49
Series O	11.00	10.96

2008	NAV	GAAP Net Assets
Series A	\$ 10.15	\$ 10.11
Series B	10.20	10.16
Series F	10.22	10.17
Series I	10.24	10.19
Series O	n/a	n/a

7. Financial Instruments

Essentially all of the assets and liabilities of the Fund are financial instruments. These financial instruments are comprised of investments, net unrealized gain on foreign exchange forward contracts, cash, receivable for units subscribed, accrued interest and dividends receivable, receivable for securities sold, other accounts receivable, payable for securities purchased, payable for units redeemed, and accounts payable and accrued expenses. Investments and foreign exchange contracts are recorded at fair value based on the accounting policies described earlier. 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, the Fund is exposed to a variety of financial risks: market risk (comprising market price risk, foreign currency risk and interest rate risk), counterparty credit risk and liquidity risk. The value of investments in the 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 in which it invests.

Risk Management

The Fund seeks to provide a combination of long-term capital appreciation and income generation by investing primarily in Canadian equity and fixed-income securities. The portfolio management team invests in companies that they believe have strong competitive positions, long-term growth prospects, and are run by strong management teams. The team acquires ownership stakes in these companies at prices below their assessment of

each company's true value. The fixed-income approach includes an analysis of macro-economic factors affecting economic growth as well as credit analysis to uncover relative value opportunities both within and across different sectors of the market.

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 and this is weighed against its 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 and Chief Investment Officer are performed to ensure that 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.

(a) Market risk:

(i) 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 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 the 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, 2009, with all other variables held constant, the net assets of the Fund would have increased or decreased, respectively, by

approximately \$6.27 million (approximately 3.5% of total net assets) (2008 – \$0.09 million or 3.2% of total net assets). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

(ii) Foreign currency risk:

Foreign 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 Fund's investments are denominated primarily in Canadian dollars; therefore, the Fund is not subject to any significant foreign currency risk.

(iii) Interest rate risk:

Interest rate risk arises from interest-bearing financial instruments where the values of those instruments fluctuate due to changes in levels of market interest rates. The majority of the Fund's financial assets are equity shares, which are not interest-bearing. The table below summarizes the Fund's exposure to interest rate risks by remaining term to maturity:

2009	Debt instrument	% of net assets
Less than 1 year	\$ 15,150	–
1 – 3 years	8,505,571	4.81
3 – 5 years	13,307,089	7.53
Greater than 5 years	10,055,926	5.69
Total	\$ 31,883,736	18.03

2008	Debt instrument	% of net assets
Less than 1 year	\$ –	0.0
1 – 3 years	265,903	9.1
3 – 5 years	124,420	4.3
Greater than 5 years	237,398	8.1
Total	\$ 627,721	21.5

At December 31, 2009, 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 \$0.56 million (approximately

0.32% of total net assets) (2008 – \$0.01 million or 0.4% of total net assets). The Fund's sensitivity to interest rate changes was estimated using the weighted average modified duration of 3.53 years, not including cash equivalents (2008 – 3.75) (based on the fixed income holdings in the Fund). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

(b) Counterparty credit risk:

Counterparty credit risk is the risk that the counterparty to a financial instrument will fail to honour 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 creditworthiness of the debt issuer. The maximum credit risk of these investments is their carrying value at December 31, 2009. At December 31, 2009, the Fund was invested in debt securities with the following credit ratings:

2009	% of net assets	% of debt instruments
A	1.06	5.89
BBB	8.99	49.84
B	4.11	22.82
NR	3.87	21.45
	18.03	100.00

2008	% of net assets	% of debt instruments
A	2.0	9.3
BBB	13.5	62.7
B	4.0	19.0
NR	2.0	9.0
	21.5	100.00

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.

(c) Liquidity risk:

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

The Fund's most significant potential exposure to financial liabilities is the 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.

9. Comparative Figures

Certain 2008 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2009.