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## **EdgePoint Global Portfolio**

### **Financial Statements**

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

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## Auditors' Report

To the Unitholders of EdgePoint Global Portfolio:

We have audited the statements of net assets of EdgePoint Global 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, the investments held 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

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	2009	2008
<b>Assets</b>		
Investments, at fair value*	\$ 296,453,898	\$ 27,472,289
Net unrealized gain on foreign exchange forward contracts	152,519	-
Cash and cash equivalents	25,174,940	971,782
Receivable for units subscribed	1,844,908	2,855,828
Accrued interest and dividends receivable	207,146	29,400
Other accounts receivable	65,296	14,387
	323,898,707	31,343,686
<b>Liabilities</b>		
Payable for securities purchased	2,444,142	2,895,956
Payable for units redeemed	63,705	125
Accounts payable and accrued expenses	278,438	20,660
	2,786,285	2,916,741
<b>Net assets</b>	<b>\$ 321,112,422</b>	<b>\$ 28,426,945</b>
<b>Net assets, by series:</b>		
Series A	\$ 195,193,933	\$ 15,360,036
Series B	65,597,664	1,980,448
Series F	28,418,048	11,045,228
Series I	31,161,128	41,233
Series O	741,649	-
	\$ 321,112,422	\$ 28,426,945
<b>Number of units outstanding:</b>		
Series A	14,009,967	1,400,224
Series B	4,717,619	180,664
Series F	2,015,692	986,906
Series I	2,213,783	3,750
Series O	73,369	-
<b>Net assets per unit:</b>		
Series A	\$ 13.93	\$ 10.97
Series B	13.90	10.96
Series F	14.10	11.19
Series I	14.08	11.00
Series O	10.11	-

\*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

	2009	2008
<b>Income:</b>		
Dividends	\$ 2,080,421	\$ 32,482
Interest	138,738	497
	2,219,159	32,979
Less foreign withholding taxes	131,888	2,836
	2,087,271	30,143
<b>Expenses:</b>		
Management fees (note 3)	2,601,701	16,548
Administration and transfer agent fees	441,520	34,002
Fund accounting	52,894	5,889
Audit	42,594	2,674
Filing fees	37,047	82
Unitholder reporting	27,669	3,828
Legal fees	24,605	-
Custody fees	23,148	2,828
Independent review committee fees	14,625	-
Bank charges	1,467	-
Interest expense	394	-
Goods and services tax/harmonized sales tax	161,438	3,289
	3,429,102	69,140
Less expenses absorbed by the Manager (note 3)	12,970	41,663
	3,416,132	27,477
Net investment income (loss)	(1,328,861)	2,666
Net realized and unrealized gain (loss) and transaction costs:		
Net realized gain on sale of investments and foreign exchange	10,556,847	62,756
Net change in unrealized appreciation of investments	27,653,349	368,982
Transaction costs	(595,620)	(54,272)
	37,614,576	377,466
Increase in net assets from operations	\$ 36,285,715	\$ 380,132
<b>Increase in net assets from operations, by series:</b>		
Series A	\$ 22,426,036	\$ 256,621
Series B	6,921,800	40,822
Series F	4,907,933	78,956
Series I	2,024,203	3,733
Series O	5,743	-
<b>Increase in net assets from operations, per unit:</b>		
Series A	\$ 2.90	\$ 0.48
Series B	3.02	0.58
Series F	3.33	0.26
Series I	2.43	1.00
Series O	0.15	-

See accompanying notes to financial statements.

2009	Series A	Series B	Series F	Series I	Series O	Total
Net assets, January 1, 2009	\$ 15,360,036	\$ 1,980,448	\$ 11,045,228	\$ 41,233	\$ –	\$ 28,426,945
Increase in net assets from operations	22,426,036	6,921,800	4,907,933	2,024,203	5,743	36,285,715
Capital transactions:						
Proceeds from issue of units	165,255,346	57,312,150	32,050,872	29,427,993	739,781	284,786,142
Reinvested distributions	2,684,111	823,777	904,107	821,791	5,391	5,239,177
Payments on redemption of units	(7,815,068)	(609,585)	(19,556,511)	(298,975)	–	(28,280,139)
	160,124,389	57,526,342	13,398,468	29,950,809	745,172	261,745,180
Distributions to unitholders:						
Capital gains	(2,716,528)	(830,926)	(933,581)	(855,117)	(9,266)	(5,345,418)
Increase in net assets	179,833,897	63,617,216	17,372,820	31,119,895	741,649	292,685,477
Net assets, December 31, 2009	\$ 195,193,933	\$ 65,597,664	\$ 28,418,048	\$ 31,161,128	\$ 741,649	\$ 321,112,422
Units issued and outstanding:						
Balance, January 1, 2009	1,400,224	180,664	986,906	3,750	–	
Units issued for cash, including reinvested distributions	13,187,453	4,582,041	2,474,379	2,232,056	73,369	
Units redeemed	(577,710)	(45,086)	(1,445,593)	(22,023)	–	
Balance, December 31, 2009	14,009,967	4,717,619	2,015,692	2,213,783	73,369	
2008	Series A	Series B	Series F	Series I	Series O	Total
Net assets, November 17, 2008	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Increase in net assets from operations	256,621	40,822	78,956	3,733	–	380,132
Capital transactions:						
Proceeds from issue of units	15,145,317	1,980,780	11,096,937	37,500	–	28,260,534
Payments on redemption of units	(41,902)	(41,154)	(130,665)	–	–	(213,721)
	15,103,415	1,939,626	10,966,272	37,500	–	28,046,813
Increase in net assets, being net assets, December 31, 2008	\$ 15,360,036	\$ 1,980,448	\$ 11,045,228	\$ 41,233	\$ –	\$ 28,426,945
Units issued and outstanding:						
Balance, November 17, 2008	–	–	–	–	–	
Units issued for cash, including reinvested distributions	1,404,041	184,414	998,825	3,750	–	
Units redeemed	(3,817)	(3,750)	(11,919)	–	–	
Balance, December 31, 2008	1,400,224	180,664	986,906	3,750	–	

See accompanying notes to financial statements.

December 31, 2009

Number of Shares or Units	Security	Average Cost (\$)	Fair Value (\$)	% of Net Assets
<b>Equities</b>				
876,400	International Rectifier Corp.	\$ 15,455,676	\$ 20,285,848	6.32
1,021,200	The Progressive Corp.	17,638,863	19,202,800	5.98
683,000	Ryanair Holdings PLC	21,020,891	19,139,781	5.96
972,950	International Game Technology	17,414,073	19,109,991	5.95
293,950	WellPoint Inc.	14,996,573	17,902,024	5.58
580,300	Willis Group Holdings Ltd.	16,553,555	16,006,768	4.99
371,100	Kinetic Concepts Inc.	11,738,259	14,620,479	4.55
659,450	Pool Corp.	13,196,691	13,166,366	4.10
383,600	Thomson Reuters Corp.	13,273,917	13,004,040	4.05
183,250	Research in Motion Ltd.	12,023,708	12,945,468	4.03
592,900	Grupo Televisa S.A. de C.V., ADR	10,920,345	12,867,551	4.01
1,236,800	Interface Inc. 'A'	7,175,863	10,754,895	3.35
392,300	Hughes Communications Inc.	8,175,205	10,656,846	3.32
358,800	Wells Fargo & Co.	10,202,661	10,114,763	3.15
510,500	Team Inc.	9,517,353	10,032,219	3.12
1,954,500	Grafton Group PLC	9,464,136	8,471,826	2.64
861,500	AMN Healthcare Services Inc.	7,801,532	8,167,500	2.54
208,500	Harman International Industries Inc.	4,313,829	7,688,607	2.39
168,200	Inverness Medical Innovations Inc.	6,818,423	7,299,039	2.27
152,600	JPMorgan Chase & Co.	6,778,875	6,654,014	2.07
259,600	Cisco Systems Inc.	5,661,458	6,503,311	2.03
165,000	BorgWarner Inc.	4,905,344	5,735,737	1.79
198,600	Mine Safety Appliances Co.	5,232,976	5,513,434	1.72
720,200	Connaught PLC	4,881,565	4,336,500	1.35
272,800	Grupo Aeroportuario del Centro Norte S.A.B. de C.V.	3,626,258	3,790,951	1.18
758,500	Exfo Electro-Optical Engineering Inc.	2,880,704	3,041,585	0.95
2,739,000	Travelsky Technology Ltd. 'H'	2,073,900	2,864,734	0.89
71,800	Makita Corp.	1,918,944	2,558,421	0.80
455,000	Advanced Analogic Technologies Inc.	1,732,201	1,866,393	0.58
192,400	LCA-Vision Inc.	758,226	1,030,815	0.32
21,100	Calfrac Well Services Ltd.	396,782	434,027	0.15
		268,548,786	295,766,733	92.13
<b>Face Value (\$)</b>	<b>Fixed Income</b>			
505,000	Sotheby's 3.125% convertible debentures, June 15, 2013	419,739	524,426	0.16
120,165	TimberWest Forest Trust debenture, 9.00% February 11, 2014	120,144	162,739	0.05
		539,883	687,165	0.21
	Adjustment for transaction costs	(509,266)	—	—
	<b>Total Investments</b>	\$ 268,579,403	296,453,898	92.34

See accompanying notes to financial statements.

Number of Shares or Units	Security	Average Cost (\$)	Fair Value (\$)	% of Net Assets
<b>Foreign exchange forward contracts</b>				
	Foreign exchange forward contract to buy Cdn. \$6,035,725 for U.S. \$5,740,000 with an exchange rate of 1.0515, maturing January 27, 2010	–	206	–
	Foreign exchange forward contract to buy Cdn. \$3,995,149 for U.S. \$3,700,000 with an exchange rate of 1.0798, maturing January 28, 2010	–	104,659	0.03
	Foreign exchange forward contract to buy Cdn. \$3,883,068 for U.S. \$3,665,000 with an exchange rate of 1.0595, maturing February 25, 2010	–	29,398	0.01
	Foreign exchange forward contract to buy Cdn. \$1,385,150 for U.S. \$1,300,000 with an exchange rate of 1.0655, maturing March 18, 2010	–	18,256	0.01
		–	152,519	0.05
	Other assets less liabilities		24,506,005	7.61
	<b>Net assets</b>		<b>\$ 321,112,422</b>	<b>100.00</b>

See accompanying notes to financial statements.

## 1. The Fund

- (a) EdgePoint Global 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, Series B, Series F and Series 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 Series 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 \$2,050 (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 statements 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.

## 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 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 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 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 on sale of investments and foreign exchange.
- (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, 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 recorded at amortized cost, which approximates their fair value.
- (f) Investment transactions and income recognition:  
All income, net realized and unrealized appreciation, foreign exchange 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 on sale of investments and foreign exchange, or in the net change in unrealized appreciation of investments.

(i) Fair value measurements:

The Fund adopted amendments to The Canadian Institute of Chartered Accountants' 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:

- (i) Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) 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

- (iii) 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 at 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	\$ 295,766,733	\$ –	\$ 295,766,733
Bonds	–	162,739	162,739
Convertible debentures	–	524,526	524,526
Short-term notes	–	24,179,413	24,179,413
<b>Total investments</b>	<b>\$ 295,766,733</b>	<b>\$ 24,866,678</b>	<b>\$ 320,633,411</b>
Derivative assets	\$ –	\$ 152,519	\$ 152,519

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 statement 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.

The Fund's units are puttable financial instruments. Under International Accounting Standards ("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.

### 3. Management Fees and Expenses

- (a) EdgePoint 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 Series 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	1.80 %
Series B	2.00 %
Series F	0.80 %

- (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 – nil)

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 IAS Board 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 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	\$ 13.95	\$ 13.93
Series B	13.92	13.90
Series F	14.12	14.10
Series I	14.10	14.08
Series O	10.12	10.11

  

2008	NAV	GAAP Net Assets
Series A	\$ 11.04	\$10.97
Series B	11.03	10.96
Series F	11.27	11.19
Series I	11.07	11.00
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 comprise investments, unrealized gain on foreign exchange forward contracts, cash and cash equivalents, receivable for units subscribed, accrued interest and dividends receivable, 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 long-term capital appreciation by investing primarily in global companies that the portfolio management team believes 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 that are 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 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 \$14.79 million (approximately 4.6% of total net assets) (2008 – \$1.4 million or 4.9% 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 table below indicates the currencies (excluding the Canadian dollar) to which the Fund had exposure as at period end in Canadian dollar terms, including the underlying principal of forward exchange contracts, if any:

2009				
Currency	Investments \$(000's)	Cash \$(000's)	Foreign exchange contracts \$(000's)	Total \$(000's)
British pound	4,337	184	–	4,521
Euro	8,472	121	–	8,593
Hong Kong dollar	2,865	–	–	2,865
Japanese yen	2,558	–	–	2,558
U.S. dollar	261,580	984	(15,147)	247,417
	279,812	1,289	(15,147)	265,954
% of net assets	87.1%	0.4%	(4.7%)	82.8%

2008				
Currency	Investments \$(000's)	Cash \$(000's)	Foreign exchange contracts \$(000's)	Total \$(000's)
British pound	1,372	171	–	1,543
Euro	527	52	–	579
Mexican peso	1,368	135	–	1,503
Swiss franc	1,322	155	–	1,477
U.S. dollar	22,516	(375)	–	22,141
	27,105	138	–	27,243
% of net assets	95.3%	0.5%	–	95.8%

As at December 31, 2009, 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 \$2.66 million (approximately 0.8% of total net assets) (2008 – \$0.25 million or 0.9% of total net assets). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

## (iii) 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 majority of the Fund's financial assets are equity shares, which are not interest-bearing. The Fund's financial liabilities are primarily short-term in nature and generally not interest-bearing. Therefore, the Fund's exposure to interest rate risk is considered insignificant.

## (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 main exposure to credit risk is 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.

## (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 periods.

**9. Comparative Figures**

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

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