

Annual Report

for the period ended December 31, 2010

Nordea International Equity Fund

Class O Units, Class P Units

Managed by: SEI INVESTMENTS CANADA COMPANY

Management's Responsibility for Financial Reporting

The accompanying financial statements have been prepared by SEI Investments Canada Company (the "Manager"), in its capacity as Manager of the Nordea International Equity Fund (the "Fund"). The Manager is responsible for the information and representations contained in these financial statements.

The Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been produced in accordance with accounting principles generally accepted in Canada and include certain amounts based on estimates and judgments. The significant accounting policies which the Manager believes are appropriate for the Fund are described in the notes to the financial statements.

PricewaterhouseCoopers LLP are the external auditors of the Fund. They have 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 is included on the following page.

A handwritten signature in black ink, appearing to read 'Roy Borzellino', with a long horizontal flourish extending to the right.

Roy Borzellino
Vice President

March 28, 2011

March 28, 2011

Independent Auditor's Report

To the Unitholders of Nordea International Equity Fund
(the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statement of investment portfolio as at December 31, 2010, the statements of net assets as at December 31, 2010 and 2009 and the statements of operations and changes in net assets for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2010 and 2009, and the results of its operations and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

PricewaterhouseCoopers LLP

Nordea International Equity Fund

Statement of Investment Portfolio

AS AT DECEMBER 31, 2010

	Number of Shares	Average Cost \$	Fair Value \$
EQUITIES – 99.1%			
Australia – 2.5%			
Rio Tinto Ltd.	110,325	7,213,639	9,603,185
		7,213,639	9,603,185
Brazil – 2.0%			
Banco Santander (Brasil) SA, ADR	578,642	7,105,678	7,813,810
		7,105,678	7,813,810
Denmark – 8.3%			
Danske Bank AS	358,173	8,406,255	9,155,587
FLSmidth & Co. AS	73,276	5,814,043	6,960,130
NeuroSearch AS	114,898	3,378,226	1,931,975
Novo Nordisk AS, Series 'B'	85,192	6,074,868	9,585,407
Vestas Wind Systems AS	143,352	8,507,830	4,515,691
		32,181,222	32,148,790
Finland – 1.5%			
Outokumpu Technology OYJ	90,571	3,511,967	5,581,531
		3,511,967	5,581,531
France – 9.8%			
CFAO	82,736	3,533,219	3,580,003
Danone	138,346	8,043,582	8,671,406
Pernod-Ricard SA	64,983	5,613,923	6,094,890
Société Générale	137,482	9,028,411	7,371,030
Technip SA	67,056	5,641,561	6,176,693
Vallourec SA	57,390	5,492,679	6,013,109
		37,353,375	37,907,131
Germany – 5.6%			
Continental AG	111,666	7,786,787	8,782,401
GEA Group AG	208,151	3,364,054	5,986,453
Linde AG	46,129	5,398,922	7,006,944
		16,549,763	21,775,798
Hong Kong – 2.0%			
Genting Singapore PLC	4,682,000	7,677,730	7,916,904
		7,677,730	7,916,904
India – 7.0%			
Housing Development Finance Corp. Ltd.	815,944	9,091,731	13,148,263
Jet Airways (India) Ltd.	435,118	6,847,895	7,358,205
Yes Bank Ltd.	948,117	7,833,189	6,580,875
		23,772,815	27,087,343
Italy – 1.4%			
Prismian SPA	331,526	6,370,610	5,568,374
		6,370,610	5,568,374
Japan – 17.3%			
Bridgestone Corp.	376,700	7,053,667	7,236,482
Japan Tobacco Inc.	2,305	8,889,165	8,471,845
Komatsu Ltd.	259,600	5,305,161	7,811,220
Mitsubishi UFJ Financial Group Inc.	1,675,200	11,035,080	9,009,839
Mitsui & Co. Ltd.	523,400	7,565,774	8,599,007
Nippon Electric Glass Co. Ltd.	594,000	8,640,589	8,514,480
Rakuten Inc.	2,788	1,718,937	2,312,423
Shin-Etsu Chemicals Co. Ltd.	95,100	5,089,534	5,120,651
Suzuki Motor Corp.	207,600	4,385,008	5,079,152
Toyota Motor Corp.	129,000	5,061,792	5,088,988
		64,744,707	67,244,087

	Number of Shares	Average Cost \$	Fair Value \$
Netherlands – 1.6%			
Koninklijke Vopak NV	134,437	3,767,368	6,328,756
		3,767,368	6,328,756
South Korea – 1.8%			
Hyundai Mobis	28,781	4,907,956	7,169,089
		4,907,956	7,169,089
Switzerland – 15.8%			
ABB Ltd., Registered	370,217	6,679,599	8,189,274
Compagnie Financière Richemont SA	165,070	6,799,946	9,590,375
Credit Suisse Group AG	203,905	10,835,231	8,183,965
Nestlé SA, Registered, Series 'B'	280,824	12,890,111	16,390,389
Roche Holding AG Genusscheine	38,498	6,686,805	5,622,503
Swatch Group Ltd. (The)	11,254	3,378,654	4,957,220
Temenos Group AG, Registered	204,421	5,406,622	8,400,803
		52,676,968	61,334,529
United Kingdom – 22.5%			
Acergy SA	284,507	5,686,803	6,930,719
Autonomy Corp. PLC	303,023	7,261,660	7,094,801
BG Group PLC	436,081	7,628,385	8,792,255
British American Tobacco PLC	379,786	14,456,462	14,555,249
Carnival PLC	122,255	3,494,541	5,671,558
John Wood Group PLC	689,844	3,919,503	5,988,433
Tullow Oil PLC	269,938	5,267,108	5,295,503
Vedanta Resources PLC	223,509	7,500,520	8,751,981
Vodafone Group PLC	3,023,845	6,511,822	7,799,597
Wolseley PLC	189,185	4,686,324	6,021,718
Xstrata PLC	443,497	6,837,921	10,387,226
		73,251,049	87,289,040
Total Equities		341,084,847	384,768,367
Less: Transaction cost included in average cost		(895,923)	—
Total Investments – 99.1%		340,188,924	384,768,367
Other Assets and Liabilities, Net – 0.9%			3,405,164
Net Assets – 100.0%			388,173,531

Nordea International Equity Fund

Summary of Investment Portfolio

AS AT DECEMBER 31

All portfolio categories are included in the following table.

Portfolio by Category	Percentage of Net Assets (%)	
	2009	2010
Australia	6.6	2.5
Bermuda	0.8	—
Brazil	—	2.0
China	5.2	—
Denmark	2.6	8.3
Finland	—	1.5
France	7.2	9.8
Germany	1.4	5.6
Hong Kong	1.4	2.0
India	7.2	7.0
Ireland	1.7	—
Italy	—	1.4
Japan	15.8	17.3
Netherlands	7.0	1.6
Norway	1.7	—
South Korea	—	1.8
Spain	3.8	—
Sweden	1.7	—
Switzerland	16.6	15.8
Taiwan	1.5	—
United Kingdom	16.2	22.5
Other Assets and Liabilities, Net	1.6	0.9
	100.0	100.0

Nordea International Equity Fund

Statements of Net Assets

AS AT DECEMBER 31

(in thousands of dollars except per unit data)

	2010	2009
ASSETS		
Investments at fair value	\$ 384,768	\$ 339,262
Cash including foreign currency holdings, at fair value	2,237	2,724
Accrued dividends receivable	1,306	969
Receivable for portfolio securities sold	—	2,640
	<u>388,311</u>	<u>345,595</u>
LIABILITIES		
Accrued liabilities	137	66
Payable for portfolio securities purchased	—	826
	<u>137</u>	<u>892</u>
NET ASSETS REPRESENTING UNITHOLDERS' EQUITY	\$ 388,174	\$ 344,703
NET ASSETS PER CLASS		
(Class O)	\$ 388,061	\$ 344,593
(Class P)	\$ 113	\$ 110
NET ASSETS PER UNIT (note 7)		
(Class O)	\$ 6.02	\$ 5.80
(Class P)	\$ 5.98	\$ 5.83
INVESTMENTS AT AVERAGE COST	\$ 340,189	\$ 313,795

Statements of Operations

FOR THE YEARS ENDED DECEMBER 31

(in thousands of dollars except per unit data)

	2010	2009
INVESTMENT INCOME		
Dividends	\$ 6,272	\$ 6,890
Interest	(6)	(7)
	<u>6,266</u>	<u>6,883</u>
Foreign withholding taxes	(762)	(759)
	<u>5,504</u>	<u>6,124</u>
EXPENSES		
Custodian and administration fees	366	7
Legal fees	32	2
Audit fees	7	1
Management fees	396	323
Trustee fees	9	—
Independent Review Committee fees	1	—
Security holder reporting costs	16	—
	<u>827</u>	<u>333</u>
NET INVESTMENT INCOME (LOSS)	4,677	5,791
REALIZED AND UNREALIZED GAIN (LOSS)		
ON INVESTMENTS		
Net realized gain (loss) on sale of investment	4,466	(30,568)
Net realized gain (loss) on foreign exchange	(1,271)	(1,567)
Transaction costs on purchase and sale of investment	(1,514)	(1,181)
Unrealized appreciation (depreciation) on investments	19,113	79,269
NET GAIN (LOSS) ON INVESTMENTS	20,794	45,953
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 25,471	\$ 51,744
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
(Class O)	\$ 25,468	\$ 51,730
(Class P)	\$ 3	\$ 14
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT*		
(Class O)	\$ 0.41	\$ 0.89
(Class P)	\$ 0.17	\$ 0.72

* Based on the weighted average number of units outstanding during the period.

Nordea International Equity Fund

Statements of Changes in Net Assets

FOR THE YEARS ENDED DECEMBER 31

(in thousands of dollars except per unit data)

	Fund Total		Class O	
	2010	2009	2010	2009
NET ASSETS – BEGINNING OF PERIOD	\$ 344,703	\$ 278,458	\$ 344,593	\$ 278,362
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	25,471	51,744	25,468	51,730
DISTRIBUTIONS TO UNITHOLDERS				
Out of net investment income	(4,506)	(5,439)	(4,506)	(5,439)
	(4,506)	(5,439)	(4,506)	(5,439)
CAPITAL UNIT TRANSACTIONS				
Proceeds from issue of units	68,100	14,501	68,100	14,501
Payments on redemption of units	(50,100)	—	(50,100)	—
Reinvestment of distributions	4,506	5,439	4,506	5,439
	22,506	19,940	22,506	19,940
CHANGES IN NET ASSETS	43,471	66,245	43,468	66,231
NET ASSETS, END OF PERIOD	\$ 388,174	\$ 344,703	\$ 388,061	\$ 344,593
	Class P			
	2010	2009		
NET ASSETS – BEGINNING OF PERIOD	\$ 110	\$ 96		
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	3	14		
CHANGES IN NET ASSETS	3	14		
NET ASSETS, END OF PERIOD	\$ 113	\$ 110		

(See accompanying notes)

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Notes to Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2010

1. ESTABLISHMENT OF FUND

The Nordea International Equity Fund (the “Fund”) is an open-ended investment trust under the laws of the Province of Ontario. SEI Investments Canada Company (the “Manager”) is the Fund’s Manager and CIBC Mellon Trust Company is the Trustee of the Fund. Class O and Class P units commenced as follows:

Fund	Status of Fund	Date of Declaration of Trust	Date Class O Commenced	Date Class P Commenced
Nordea International Equity Fund	Mutual Fund	October 7, 2004	October 8, 2004	December 29, 2004

The statement of investment portfolio is as at December 31, 2010; the statements of net assets are as at December 31, 2010 and 2009, and the statements of operations and changes in net assets are for the years then ended.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), which require the use of estimates and assumptions by management that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of the significant accounting policies followed by the Fund:

- (a) Units of each class are issued and redeemed at their net asset value per unit, which is determined at the close of each business day. The net asset value per unit for each class is determined by dividing the total net asset value of each class by the total number of units outstanding of that class. Management fees directly attributable to a class are charged to that class. Fund operating expenses, income, and realized and unrealized capital gains and losses are allocated proportionately to each class based upon the relative net asset value of each class.
- (b) Investments held that are traded in an active market through recognized public stock exchanges, over the counter markets, or through recognized investment dealers, are valued at their bid prices for securities held long and ask prices for securities sold short. Investments held with no available bid prices are valued at their closing sale prices. Investments held include equities.

Investments held that are not traded in an active market are valued based on the results of valuation techniques using observable market inputs if available, on such basis and in such manner established by the Manager. The fair value of certain securities may be estimated using valuation techniques based on assumptions that are not supported by observable market inputs.

The Fund utilizes 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:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- 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) (Level 2);
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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

Notes to Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2010

- (c) The fair value of foreign investments and other assets and liabilities are translated into Canadian dollars at the exchange rate prevailing on the valuation date. Purchases and sales of foreign securities and the related income are translated into Canadian dollars at the exchange rate prevailing on the respective dates of such transactions.
 - (d) The cost of investments represents the amount paid for each security and is determined on an average cost basis excluding commissions and other transaction costs.
 - (e) Commissions and other transaction costs are incremental costs that are directly attributable to the acquisition, issue, or disposal of an investment, which include fees and commissions paid to agents, advisors, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Commissions and transaction costs are included as expenses in the Statements of Operations.
 - (f) Income and expenses are recorded on an accrual basis. Dividends are recorded on the ex-dividend date. Security transactions are recorded on the trade date for financial reporting purposes. The unrealized appreciation (depreciation) in the value of a security represents the difference between its fair value and its average cost. A realized gain (loss) is recognized when a security is sold. The realized gain (loss) is the difference between the proceeds received and the average cost of the security.
 - (g) Increase (decrease) in Net Assets from Operations Per Unit of a class in the Statements of Operations represents the increase (decrease) in net assets from operations attributable to the class, divided by the weighted average number of units of the class outstanding during the period.
 - (h) For each mutual fund unit sold, the Fund receives an amount equal to the net asset value per unit on the date of sale, which is included in unitholders' equity. Units are redeemable at the option of the unitholders at their net asset value on the redemption date. For each unit redeemed, the number of issued and outstanding units is reduced and the equity in the Fund is reduced by the related net asset value as of the date of redemption.
 - (i) The Fund's financial instruments include investments and derivatives, accrued dividends receivable and accrued liabilities. Investments and derivatives are classified as held for trading and carried at fair value. All other financial instruments are classified as loans and receivables or financial liabilities, as applicable, and carried at amortized cost.
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Notes to Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2010

3. UNITHOLDERS' EQUITY

The capital of the Fund is represented by issued redeemable units with no par value. Unitholders are entitled to distributions, if any, and to payment of a proportionate share based on the Fund's net asset value per unit upon redemption. The Fund has no restrictions or specific capital requirements on the subscription and redemption of units other than minimum subscriptions. Capital movements are shown on the Statements of Changes in Net Assets. In accordance with its investment strategies and risk management policies, the Fund endeavours to invest its subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions. The following table summarizes the changes in the number of units for the periods ended December 31, 2010 and 2009:

	Balance – beginning of the period		Units issued during the period		Units redeemed during the period		Units reinvested during the period		Balance – end of the period	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Class O	59,460,568	55,183,299	13,045,504	3,327,247	(8,771,056)	–	742,678	950,022	64,477,694	59,460,568
Class P	18,848	18,848	–	–	–	–	–	–	18,848	18,848

A unitholder of the Fund is entitled by giving notice to the Manager to require payment of the net asset value per unit of the Fund for all or any of the units of such unitholder. Such notice must be received no later than 4:00 p.m., EST, on any valuation day upon which the units are to be redeemed. The notice must be irrevocable and the signature thereon must be guaranteed by a Canadian chartered bank, a trust company or an investment dealer acceptable to the Manager.

4. INCOME TAXES

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) (the "Act"). The Fund is not subject to tax on its net income, including net realized capital gains for the year, which is paid or payable to its unitholders as at the end of the year. However, such part of the Fund's net income and net realized capital gains that is not so paid or payable will be taxable to the Fund. Income tax on net realized capital gains not paid or payable will be generally recoverable by virtue of the refunding provisions contained in the Act and provincial income tax legislation, as redemptions occur. The Fund is required by the Trust Agreement governing the Fund to pay all net taxable income and sufficient net realized capital gains so that the Fund will not be subject to income taxes. Accordingly, no provision for income tax has been made in these financial statements.

There are capital loss carry-forwards available:

\$

Nordea International Equity Fund

77,484,749

Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years.

There are no non-capital loss carry-forwards available in the Fund.

5. MANAGEMENT FEES AND EXPENSES

- (a) Under the terms of the Trust Agreement governing the Fund, all expenses of the Fund, are payable by the Fund. The Manager's management fees for services provided to Class O unitholders are pursuant to separate agreements entered between the Manager and each Class O unitholder.
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Notes to Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2010

- (b) The Manager's compensation for management services is calculated daily as a percentage of the net asset value of the Class using the following percentage:

	<u>Class O</u>	<u>Class P</u>
Nordea International Equity Fund	0.10%	2.30%

The management fee stated includes GST (January to June 2010) and HST (July to December 2010).

The Manager may, at its discretion terminate the waiver or absorption at any time. The amount waived, if any, is shown in the Statements of Operations.

6. SOFT DOLLAR COMMISSIONS

The Fund had no soft dollar commissions for 2010 and 2009.

7. COMPARISON OF NET ASSETS PER UNIT AND NET ASSET VALUE PER UNIT

National Instrument 81-106 ("NI 81-106"), Investment Fund Continuous Disclosure, requires investment funds to value their investments using fair value measures as defined in NI 81-106. The method by which the net assets are calculated for financial reporting purposes may be different from the method for which the net asset value for subscriptions or redemptions is calculated. A comparison between the net asset value per unit calculated for subscriptions and redemptions ("net asset value") and the net assets per unit calculated for financial reporting ("net assets") is required to be disclosed in the financial statements.

	December 31, 2010		December 31, 2009	
	Net asset value per unit (\$)	Net assets per unit (\$)	Net asset value per unit (\$)	Net assets per unit (\$)
Class O	6.03	6.02	5.81	5.80
Class P	5.99	5.98	5.84	5.83

8. FINANCIAL RISKS

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

The Fund's overall risk management program seeks to minimize the potentially adverse effect of risk on the Fund's financial performance in a manner consistent with the Fund's investment objectives. The risk management practices include monitoring compliance to investment guidelines. The Manager manages the potential effects of these financial risks on the Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's positions and market events, and diversify investment portfolios within the constraints of the investment guidelines.

Currency Risk

Currency risk is the risk that the value of investments will fluctuate due to changes in foreign exchange rates. This risk arises when financial instruments (including cash and cash equivalents) are denominated in a currency other than Canadian dollars, which represents the Fund's functional currency.

Notes to Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2010

The table below indicates the currencies to which the Fund had exposure as at December 31, 2010 and 2009, on both its trading monetary and non-monetary assets and liabilities.

	Currency risk exposed holdings*		Forward foreign exchange contracts		Total Exposure		As a % of Net Assets	
	2010	2009	2010	2009	2010	2009	2010	2009
Euro Currency Unit	77,823,501	67,274,633	—	—	77,823,501	67,274,633	20.05%	19.52%
British Pound	80,385,688	59,088,250	—	8,464	80,385,688	59,096,714	20.71%	17.14%
Japanese Yen	67,259,643	54,374,715	—	—	67,259,643	54,374,715	17.33%	15.77%
Swiss Franc	61,344,248	57,157,639	—	—	61,344,248	57,157,639	15.80%	16.58%
Indian Rupee	27,556,293	25,052,743	—	—	27,556,293	25,052,743	7.10%	7.27%
Danish Krone	32,158,690	8,976,120	—	—	32,158,690	8,976,120	8.28%	2.60%
U.S. Dollar	8,758,844	16,355,699	—	—	8,758,844	16,355,699	2.26%	4.74%
Australian Dollar	9,604,012	22,887,909	—	—	9,604,012	22,887,909	2.47%	6.64%
Hong Kong Dollar	1,187	9,208,334	—	—	1,187	9,208,334	0.00%	2.67%
Swedish Krona	682	5,898,266	—	—	682	5,898,266	0.00%	1.71%
South Korean Won	7,169,089	—	—	—	7,169,089	—	1.85%	0.00%
Singapore Dollar	7,935,346	3,265,740	—	—	7,935,346	3,265,740	2.04%	0.95%
Taiwan Dollar	1,412	5,323,603	—	—	1,412	5,323,603	0.00%	1.54%
Norwegian Krone	6,930,903	5,783,635	—	—	6,930,903	5,783,635	1.79%	1.68%

*Amounts include monetary and non-monetary items.

As at December 31, 2010, had the Canadian dollar strengthened or weakened by 5% (2009 – 5%) in relation to all currencies, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$19,346,477 (2009 – \$17,032,788). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when the Fund invests in interest bearing financial instruments. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates.

As at December 31, 2010 and 2009, the interest rate risk is minimal given that the majority of the Fund's financial instruments are non-interest bearing.

Other Price Risk

Other price risk is the risk that the fair value of future cash flows financial statements will fluctuate as a result of changes in market prices (other than those arising from interest rate risk and currency risk), whether caused by factors specific to and individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

The maximum risk resulting from financial instruments held long is determined by the fair value of the instrument. The maximum risk resulting from financial instruments sold short is unlimited.

As at December 31, 2010, a 10% (2009 – 10%) increase or decrease in equity prices would have increased or decreased the Fund's Net Assets by \$38,476,837 (2009 – \$33,926,172).

In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Notes to Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2010

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The main concentration of credit risk would be where a fund invests in debt instruments and derivatives. The fair value includes consideration of the credit worthiness of the issuer and therefore represents the maximum credit exposure of the Fund.

All transactions executed by the Fund in listed securities are settled upon delivery using approved brokers. The risk of default is minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

As at December 31, 2010 and 2009, the credit risk is minimal given that the Fund had no significant investments in debt instruments or derivatives.

Liquidity Risk

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price. This is concentrated in the daily cash redemptions of units. Units are issued and redeemed on demand at the then current net asset value per unit at the option of the unitholder. The Fund invests primarily in securities that are actively traded and can be readily liquidated. In addition, the Fund retains sufficient cash and cash equivalent positions to maintain liquidity. 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 can be readily sold). This also helps the Manager manage the Fund's exposure to daily cash redemptions of redeemable units. All liabilities of the Fund will mature in one year or less.

9. FAIR VALUE MEASUREMENTS

The following table summarizes the inputs used as at December 31, 2010 and 2009, in valuing the Fund's investments and derivatives carried at fair values:

2010	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Common shares	\$ 384,768,367	\$ —	\$ —	\$ 384,768,367
Preferred shares	—	—	—	—
Short term notes	—	—	—	—
Bonds	—	—	—	—
Investments in funds	—	—	—	—
Total Investments	\$ 384,768,367	\$ —	\$ —	\$ 384,768,367
Derivative assets	—	—	—	—
Derivative liabilities	—	—	—	—
2009				
Common shares	\$ 339,261,719	\$ —	\$ —	\$ 339,261,719
Preferred shares	—	—	—	—
Short term notes	—	—	—	—
Bonds	—	—	—	—
Investments in funds	—	—	—	—
Total Investments	\$ 339,261,719	\$ —	\$ —	\$ 339,261,719
Derivative assets	—	112	—	112
Derivative liabilities	—	—	—	—

During the years ended December 31, 2010 and 2009, no investments were transferred between Level 1 and Level 2.

Notes to Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2010

During the years ended December 31, 2010 and 2009, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	2010	2009
Beginning Balance	\$ —	\$ 49,013
Purchases	—	—
Sales	—	(1)
Net transfers into and/or out of Level 3	—	—
Realized gains/(losses)	—	1
Change in unrealized appreciation/depreciation	—	(49,013)
Ending Balance	\$ —	\$ —
Total change in unrealized appreciation during the year for assets held at December 31	\$ —	\$ (49,013)

10. INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

The Canadian Accounting Standards Board (“CASB”) previously confirmed January 1, 2011 as the date IFRS would replace Canadian GAAP for publicly accountable enterprises, which include investment funds and other reporting issuers.

On January 12, 2011, the CASB amended the requirement to prepare financial statements in accordance with IFRS as issued by the International Accounting Standards Board, permitting investment companies, which include investment funds, to defer adoption of IFRS to fiscal years beginning on or after January 1, 2013. The Fund has elected to defer adoption of IFRS to January 1, 2013.

In preparing to meet the requirements, the Manager has taken the following steps in managing the transition to IFRS:

- Established a working group to identify key differences between Canadian GAAP and IFRS and to coordinate the implementation of the transition plan,
- Identified areas where changes in disclosure will be required under IFRS standards,
- Evaluated current information technology & reporting systems for readiness in IFRS implementation,
- Assessed the likely impacts on business activity and operational areas such as internal controls, staffing and training requirements.

The major changes identified for IFRS financial statements include the addition of a statement of cash flows and the classification of unitholders’ equity (puttable instruments) as a liability within the statement of net assets, unless certain conditions are met.

Based on the current evaluation of the differences between Canadian GAAP and IFRS, the adoption of IFRS is expected to have no impact on the calculation of net assets or net asset value. IFRS is expected to affect the overall presentation of financial statements and result in additional disclosure in the accompanying notes. However, the Manager’s assessment may change if new standards are issued or if the interpretations of current standards are revised.

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