



## Brigata Canadian Balanced Fund Series A and Series F

Management Report of Fund Performance  
and Financial Statements  
for the six months ended June 30, 2010

Brigata Capital Management Inc.  
35 Antares Drive  
Ottawa, ON, K2E 8B1  
Tel: 613-288-0572 Fax: 613-288-0574  
Toll Free: 1-888-BRIGATA (1-888-274-4282)  
[www.brigatafunds.com](http://www.brigatafunds.com) [info@brigatafunds.com](mailto:info@brigatafunds.com)

The Brigata Canadian Balanced Fund

The views of the management of Brigata Capital Management Inc. contained in this report are as of the day they were written, and this report is not intended to provide legal, accounting, tax or specific investment advice. Portfolio holdings and allocations are as at June 30, 2010, unless otherwise noted. Views, portfolio holdings and allocations may have changed subsequent to these dates. Securityholders may contact us by writing to us at Brigata Capital Management Inc., 35 Antares Drive, Ottawa, Ontario K2E 8B1 or by calling toll-free 1-888-BRIGATA (1-888-274-4282) or in Ottawa (613) 288-0572 to request a copy of the Fund's quarterly portfolio disclosure, proxy voting policies and procedures or proxy voting disclosure record.

Commissions, trailing commissions, management fees and expenses may all be associated with mutual fund investments. Please read the simplified prospectus before investing. The indicated rates of return are the historical and annual compounded total returns including changes in security value and reinvestment of all dividends/distributions, and do not take into account sales, redemption, dividend/distributions or optional charges, or income taxes payable by any investor, which would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Mutual funds are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer.

This report includes statements that include information concerning possible or assumed future results of the Fund's operations, earnings, liquidity and cash flows, asset levels, merger activities and the effect of completed merger transactions, regulatory developments, demand for and pricing of each Fund, and general economic and securities market conditions. Such statements may be considered "forward-looking statements". When used in this report, words such as "believes," "expects", "anticipates", "intends", "plans", "estimates", "projects", and future or conditional verbs such as "will", "may", "could", "should" and "would", or any other statement that necessarily depends on future events are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Although we make such statements based on assumptions that we believe to be reasonable, there can be no assurance that actual results will not differ materially from our expectations. We caution investors not to rely unduly on any forward-looking statements. In connection with any forward-looking statements, you should carefully consider the areas of risk described in the most recent simplified prospectus of the Funds. You may obtain these documents from the SEDAR website at [www.sedar.com](http://www.sedar.com).

## **I. MANAGEMENT REPORT OF FUND PERFORMANCE**

This management report of fund performance ("MRFP") is intended to provide readers with the financial highlights and an assessment of the performance of Brigata Canadian Balanced Fund (the "Fund") as at and for the six months ended June 30, 2010. All figures in the MRFP are in Canadian dollars unless otherwise indicated.

### ***Investment Objectives and Strategies***

The Fund's investment objective is to provide long-term total investment returns with moderate risk through a combination of long-term capital growth and current income.

The Fund invests primarily in common and preferred shares of large- and mid-capitalization Canadian companies, Canadian federal and provincial bonds, Canadian corporate bonds rated A- or better, and high quality money market instruments. Up to 30% of the assets of the Fund may be held in foreign securities.

The Portfolio Manager uses a disciplined investment process which takes the entire investment universe and narrows investment options to only companies with market leadership, quality management and excellent businesses trading at attractive prices from a valuation standpoint.

### ***Risk***

All mutual funds involve some level of risk. The risks associated with investing in a mutual fund are the risks associated with the securities in which the mutual fund invests.

There have been no changes to the Fund during the six months ended June 30, 2010 which have affected the overall level of risk associated with an investment in the Fund as set forth in the Fund's current simplified prospectus.

The Brigata Canadian Balanced Fund is suitable for investors who are able to accept a low to average level of risk and who intend to hold the Fund for 5 to 10 years.

### ***Results of Operations***

For the six months ended June 30, 2010, the Brigata Canadian Balanced Fund Series A units declined 2.66%, slightly underperforming the 60% S&P/TSX Composite Index (-2.55%), 35% PC Bond Index (4.22%), 5% PC Bond 91-Day Treasury Bill Index (0.17%) blended benchmark, which rose 0.08% for the period.

The equity/fixed income ratio of the Fund at June 30, 2010 was 77.7% equity (including 10.9% of preferred shares), 21.1% fixed income and 1.2% cash equivalents. The equity portion of the portfolio was 90.3% in Canadian securities and 9.7% in foreign securities (7.6% of the total portfolio). The top equity holdings as of June 30, 2010 were Suncor Energy, Toronto Dominion Bank, Royal Bank of Canada, Manulife Financial Corp., Sun Life Financial Inc., Vermilion Energy Trust and TransCanada Corp.

***Results of Operations (continued)***

Our largest foreign holdings were Johnson & Johnson, Vodafone Group, CVS Caremark Corp., International Business Machines and Cisco Systems Inc.

The Fund's equity sector weightings include an overweight position in Financials, Energy, Telecommunication Services and Consumer Staples, and an underweight position in Materials. The overweight position in Telecommunications Services had the largest positive impact on the Fund's performance with the overweight position in Energy hurting performance. Foreign holdings had a negative impact on the Fund this quarter.

Our bond holdings are all rated A- or better. The bonds underperformed slightly in the period as the Fund was underweighted in long dated bonds – which had a very strong quarter. We would expect the Fund to continue to be underweighted in long dated bonds as it is felt that the Fund would not be rewarded for taking on the extra risk should interest rates increase. In addition, the Fund's overweight position in high quality corporate bonds hurt relative performance as spreads widened compared to government bonds.

The Fund's investment strategy had been established using a bottom-up fundamental approach "Great Companies at Great Prices" to both fixed income and stock selections in domestic (Canadian) and foreign securities. The Fund has been built to provide a diversified and balanced portfolio to achieve capital preservation, dividend and interest income, and capital growth.

***Related Party Transactions***

Brigata Capital Management Inc. (BCMI) is the Manager of the Fund pursuant to a management agreement. BCMI is responsible for the daily administration of the Fund and provides the Fund, or makes sure the Fund is provided with, all services (accounting, custody, portfolio management, record maintenance, transfer agent) required to function properly. The Fund pays all its operating expenses, together with all applicable taxes, such as GST/HST. The Fund pays the Manager management fees before GST/HST, calculated daily on the net asset value of the Fund at the annual rate of 1.95% for Series A units and 1.00% for Series F units.

Independent Planning Group Inc. (IPG) acts as the Fund's principal distributor and as such receives no additional fee or commission from the Fund. As at June 30, 2010, IPG owned 75.8% of the issued and outstanding shares of the Manager.

Operating expenses of the Fund are being capped such that the management expenses ratio (MER) will not exceed 2.40% per annum in respect of Series A units and 1.45% per annum in respect of Series F units (exclusive of GST/HST). For the six months ended June 30, 2010, the Manager absorbed \$100,205 of the Fund's operating expenses, of which \$68,615 are shown as a receivable from the Manager as at June 30, 2010. The Manager may amend or remove this cap at its discretion.

**Financial Highlights**

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance since inception.

**Series A****The Fund's Net Assets Per Unit (\$) <sup>(1)</sup>**

<b>Series A*</b>	<b>2010**</b>	<b>2009*</b>	<b>2008*</b>
<b>Net assets, beginning of the period <sup>(2)</sup></b>	9.40	7.79	10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.16	0.32	0.30
Total expenses	(0.11)	(0.21)	(0.23)
Realized gains (losses) for the year	0.02	(0.04)	(0.64)
Unrealized gains (losses) for the year	(0.36)	1.61	(2.17)
<b>Total increase(decrease) from operations <sup>(2)</sup></b>	<b>(0.29)</b>	<b>1.68</b>	<b>(2.74)</b>
<b>Distributions:</b>			
From income	-	-	(0.01)
From dividends	-	(0.02)	(0.05)
From capital gains	-	-	-
Return of capital	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	-	(0.02)	(0.06)
<b>Net assets, end of the period <sup>(4)</sup></b>	<b>9.14</b>	<b>9.40</b>	<b>7.79</b>

**Series F****The Fund's Net Assets Per Unit (\$) <sup>(1)</sup>**

<b>Series F*</b>	<b>2010</b>	<b>2009*</b>	<b>2008*</b>
<b>Net assets, beginning of the period <sup>(2)</sup></b>	9.52	7.83	10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.17	0.32	0.30
Total expenses	(0.07)	(0.12)	(0.15)
Realized gains (losses) for the year	0.02	(0.07)	(0.62)
Unrealized gains (losses) for the year	(0.35)	1.61	(1.69)
<b>Total increase(decrease) from operations <sup>(2)</sup></b>	<b>(0.23)</b>	<b>1.74</b>	<b>(2.16)</b>
<b>Distributions:</b>			
From income	-	-	(0.01)
From dividends	-	(0.04)	(0.09)
From capital gains	-	-	-
Return of capital	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	-	(0.04)	(0.10)
<b>Net assets, end of the period <sup>(4)</sup></b>	<b>9.30</b>	<b>9.52</b>	<b>7.83</b>

(1) This information is derived from the Fund's financial statements. The net assets per unit presented in the financial statements differs from the net asset value calculated for Fund pricing purposes. An explanation of these differences can be found in the notes to the financial statements.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash or re-invested in additional units of the Fund.

(4) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the period. Accordingly totals may not add due to the different basis for computing the per unit amounts.

\* The Series A and Series F units were first issued on January 3, 2008. The financial information is for the period ending December 31, 2008, and the year ending December 31, 2009

\*\* The financial information is for the six month period ending June 30, 2010.

**Ratios and Supplementary Data**

<b>Series A*</b>	<b>2010**</b>	<b>2009*</b>	<b>2008*</b>
Total net asset value <sup>(1)</sup>	\$22,442,530	\$16,942,619	\$3,804,281
Number of units outstanding <sup>(1)</sup>	2,453,519	1,798,895	487,208
Management expense ratio <sup>(2)</sup>	2.52%	2.52%	2.52%
Management expense ratio before waivers or absorption	3.22%	4.50%	8.90%
Trading expense ratio <sup>(3)</sup>	-	0.05	0.11
Portfolio turnover rate <sup>(4)</sup>	3.97%	8.53%	11.31%
Net asset value per unit <sup>(1)</sup>	\$9.15	\$9.42	\$7.81

<b>Series F*</b>	<b>2010**</b>	<b>2009*</b>	<b>2008*</b>
Total net asset value <sup>(1)</sup>	\$1,776,732	\$1,315,814	\$784,444
Number of units outstanding <sup>(1)</sup>	190,905	137,943	99,969
Management expense ratio <sup>(2)</sup>	1.52%	1.52%	1.52%
Management expense ratio before waivers or absorption	2.30%	3.71%	9.23%
Trading expense ratio <sup>(3)</sup>	-	0.05	0.12
Portfolio turnover rate <sup>(4)</sup>	3.97%	8.53%	11.31%
Net asset value per unit <sup>(1)</sup>	\$9.31	\$9.54	\$7.85

(1) The information is provided as at June 30, 2010 and December 31, 2009 and 2008.

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period, and includes GST/HST.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

\* The Series A and Series F units were first issued on January 3, 2008. The financial information is for the period ending December 31, 2008, and the year ending December 31, 2009.

\*\* The financial information is for the six month period June 30, 2010

**Past Performance**

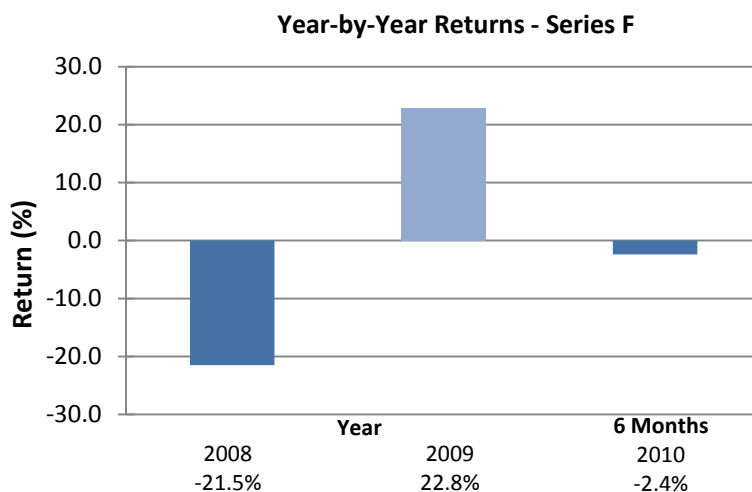
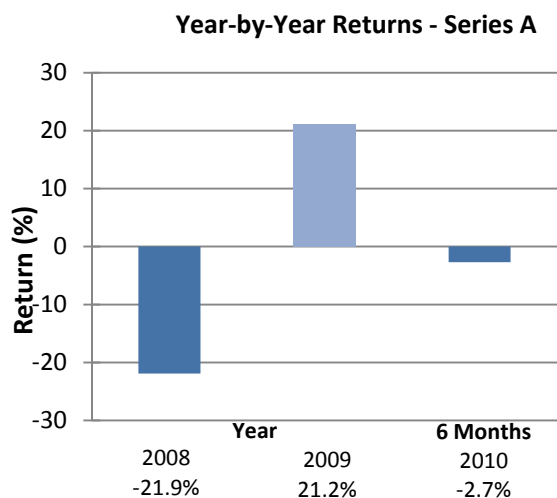
The past performance of the Fund is set out in the Year-by-Year Returns charts. Performance returns:

- are calculated as of June 30, 2010, December 31, 2008 and 2009.
- assume all dividends and distributions made by the Fund were reinvested without charge to purchase additional shares of the Fund; and are not reduced by any income taxes payable by you.
- you will be taxed on the dividends and distributions of net income even if you have reinvested them to purchase additional shares, unless your investment is in a registered tax plan.

The past performance of the Fund does not necessarily indicate how it will perform in the future.

**Year-by-Year Returns**

This bar chart shows the Fund’s performance for the six months ended June 30, 2010 and years ended December 31, 2008 and 2009. The chart shows in percentage terms how an investment made on January 1 would have increased or decreased by December 31, of each year and to June 30, 2010, and how the performance varied during the respective periods.



***Management Fees***

The management fee for Series A and Series F is calculated as a percentage of its daily pricing NAV. The Fund's management fees were used by Brigata Capital Management Inc. to pay costs for managing the investment portfolio, providing investment analysis and recommendations, making investment decisions and providing other services. BCMI also used the management fees to fund trailer fees to Independent Planning Group Inc. (IPG) for units of the Fund bought and held by investors.

For the six months ended June 30, 2010, approximately 47% (2009 - 46%) of the total management fee revenues received from Brigata Funds were used to fund trailer fees to IPG. In comparison, such trailer fee payments for the Fund represented 45% (2009 - 43%) of the management fees paid.

***Future Changes in Accounting Standards***

The Manager has developed a changeover plan to meet the timetable published by the Canadian Institute of Chartered Accountants (CICA) for changeover to International Financial Reporting Standards (IFRS). The Manager has presently determined that the differences between Canadian GAAP and IFRS are not expected to impact on Net Assets or Net Asset Values. The Manager expects that the implementation on the Funds' financial statements will result in additional disclosures and potentially a different presentation of unitholder interests and certain other items. However, this present determination is subject to change if new standards or new interpretations of existing standards are issued.

## II. SUMMARY OF INVESTMENT PORTFOLIO as at June 30, 2010

The *Summary of Investment Portfolio* may change due to ongoing portfolio transactions. Updates are available at [www.brigatafunds.com](http://www.brigatafunds.com) for quarterly periods where an annual or semi-annual report is not published. For more information, please contact us at [info@brigatafunds.com](mailto:info@brigatafunds.com) or 1-888-BRIGATA (1-888-274-4282).

<b>TOP 25 HOLDINGS</b>	1	Suncor Energy Corp. common	4.27%
	2	Toronto-Dominion Bank common	3.84%
	3	Royal Bank of Canada common	3.77%
	4	Manulife Financial Corp. common	3.00%
	5	Sun Life Financial Inc. common	2.89%
	6	Talisman Energy Inc. common	2.73%
	7	TransCanada Corp. common	2.65%
	8	Vermilion Energy Trust units	2.64%
	9	Bank of Montreal Trust units	2.62%
	10	Bank of Nova Scotia common	2.43%
	11	Dorel Industries Class B	1.92%
	12	Shoppers Drug Mart Corp. common	1.90%
	13	Enbridge Inc. common	1.84%
	14	Cenovus Energy Inc. common	1.81%
	15	Canadian Pacific Railway Ltd. common	1.71%
	16	BCE Inc. common	1.67%
	17	Encana Corp. common	1.66%
	18	Reitmans Canada Ltd. common	1.60%
	19	Canadian Pacific Railway Ltd., common	1.51%
	20	Brookfield Asset Management PRF.P 7.0%	1.34%
	21	Johnson & Johnson Inc. common	1.30%
	22	Bank of Nova Scotia 4.10% due 06/05/2017	1.26%
	23	Brookfield Asset Management PRF.R 5.4%	1.26%
	24	Royal bank of Canada 3.66% due 01/25/2017	1.24%
	25	Research in Motion Inc.	1.24%
	<b>Aggregate % of top holdings</b>	<b>54.10%</b>	
<b>ASSET ALLOCATION</b>		Canadian Equity	70.26%
		Fixed Income Securities	21.06%
		U.S. Equity	5.50%
		Foreign Equity	2.03%
		Cash and Cash Equivalents	1.15%
	<b>Total asset allocation</b>	<b>100.00%</b>	
<b>SECTOR ALLOCATION</b>		Financials	31.48%
		Energy	21.11%
		Fixed Income	21.06%
		Consumer Staples	5.82%
		Telecommunications	5.40%
		Industrial	3.82%
		Consumer Discretionary	3.62%
		Information Technology	2.70%
		Materials	1.94%
		Health Care	1.90%
	Cash and Cash Equivalents	1.15%	
	<b>Total sector allocation</b>	<b>100.00%</b>	
<b>GEOGRAPHIC ALLOCATION</b>		Canada	92.16%
		United States	5.82%
		United Kingdom	1.37%
		Other	0.65%
		<b>Total geographic allocation</b>	<b>100.00%</b>

# **Brigata Canadian Balanced Fund**

## **Semi-Annual Financial Statements**

**June 30, 2010**

**(Unaudited)**

## Brigata Canadian Balanced Fund

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### Statements of Net Assets

As at June 30, 2010 (Unaudited) and December 31, 2009 (Audited)

	2010	2009
<b>Assets</b>		
Investments at fair value (Cost: \$23,497,314; 2009 - \$16,446,755)	\$ 23,949,537	\$ 17,757,903
Cash	419,574	360,515
Accrued interest and dividends receivable	87,948	69,462
Due from manager	68,615	70,691
Due from broker	-	11,605
Subscriptions receivable	81,243	28,000
<b>Total Assets</b>	<b>24,606,917</b>	<b>18,298,176</b>
<b>Liabilities</b>		
Management fees payable (note 7)	39,815	29,486
Accounts payable and accrued liabilities	56,617	51,744
Due to broker	316,887	-
<b>Total Liabilities</b>	<b>413,319</b>	<b>81,230</b>
<b>Net Assets representing unitholders' equity</b>	<b>\$ 24,193,598</b>	<b>\$ 18,216,946</b>
<b>Net Assets representing unitholders' equity per series</b>		
Series A	\$ 22,418,749	\$ 16,904,122
Series F	\$ 1,774,849	\$ 1,312,824
<b>Units Outstanding (note 5)</b>		
Series A	2,453,519	1,798,895
Series F	190,905	137,943
<b>Net Assets per unit</b>		
Series A	\$ 9.14	\$ 9.40
Series F	\$ 9.30	\$ 9.52

(See accompanying notes to financial statements)

## Brigata Canadian Balanced Fund

### Statements of Operations

For the six-month periods ended June 30 (Unaudited)

	2010	2009
<b>Investment income</b>		
Dividend income (net of withholding tax: \$2,971; 2009 - \$1,186)	\$ 293,153	\$ 79,384
Interest income	104,782	39,339
Foreign exchange gain (loss)	(6,741)	3,586
Other income	140	10,374
	<b>391,334</b>	<b>132,683</b>
<b>Expenses</b>		
Management fees (note 7)	220,158	64,430
Financial reporting expense	3,039	3,929
Interest expense	15	-
Legal fees	5,711	4,732
Audit fees	9,159	13,515
Custody fees	6,154	6,376
Securityholder reporting costs	34,519	27,253
Trustee fees	4,487	9,148
Operating expenses	26,869	15,822
IRC fees	11,907	11,464
Transaction fees	5,430	4,477
Valuation fees	23,780	23,891
Other expenses	683	7,833
Total expenses	351,911	192,870
Less:		
Expenses absorbed by manager (note 7)	(100,205)	(112,617)
	<b>251,706</b>	<b>80,253</b>
<b>Net investment income (loss)</b>	<b>139,628</b>	<b>52,430</b>
<b>Realized and unrealized gain (loss) on investments and transaction costs</b>		
Net realized gain (loss) on sale of investments	44,333	(127,716)
Transaction costs	(3,431)	(2,323)
Change in unrealized appreciation ( depreciation) on investments	(858,931)	970,848
<b>Net gain (loss) on investments</b>	<b>(818,029)</b>	<b>840,809</b>
<b>Increase (decrease) in Net Assets from operations</b>	<b>\$ (678,401)</b>	<b>\$ 893,239</b>
<b>Increase (decrease) in Net Assets from operations per series</b>		
Series A	\$ (640,102)	\$ 791,587
Series F	\$ (38,299)	\$ 101,652
<b>Increase (decrease) in Net Assets from operations per unit</b>		
Series A	\$ (0.29)	\$ 1.07
Series F	\$ (0.23)	\$ 0.97

(See accompanying notes to financial statements)

## Brigata Canadian Balanced Fund

### Statements of Changes in Net Assets

For the six-month periods ended June 30 (Unaudited)

	Series A	Series F	Total	Series A	Series F	Total
	2010			2009		
<b>Increase (decrease) in Net Assets from operations</b>	<b>\$ (640,102)</b>	<b>\$ (38,299)</b>	<b>\$ (678,401)</b>	\$ 791,587	\$ 101,652	\$ 893,239
<b>Capital unit transactions</b>						
Proceeds from units issued	7,155,165	501,706	7,656,871	4,632,242	139,022	4,771,264
Amounts paid for units redeemed	(1,000,436)	(1,382)	(1,001,818)	(165,117)	(446)	(165,563)
Units issued on reinvestment of distributions	-	-	-	29,656	9,786	39,442
	<b>6,154,729</b>	<b>500,324</b>	<b>6,655,053</b>	4,496,781	148,362	4,645,143
<b>Increase (decrease) in Net Assets for the period</b>	<b>5,514,627</b>	<b>462,025</b>	<b>5,976,652</b>	5,288,368	250,014	5,538,382
<b>Net Assets, beginning of the period</b>	<b>16,904,122</b>	<b>1,312,824</b>	<b>18,216,946</b>	3,794,644	782,447	4,577,091
<b>Net Assets, end of the period (note 4)</b>	<b>\$ 22,418,749</b>	<b>\$ 1,774,849</b>	<b>\$ 24,193,598</b>	\$ 9,083,012	\$ 1,032,461	\$ 10,115,473

(See accompanying notes to financial statements)

## Brigata Canadian Balanced Fund

### Statement of Investments

As at June 30, 2010 (Unaudited)

No. of Shares or Par Value	Description	Coupon Rate (%)	Maturity	Average Cost \$	Fair Value \$	% of Net Assets
<b>SHORT TERM INVESTMENTS</b>						
<b>Bankers' Acceptance</b>						
35,000	HSBC Bank of Canada		16-Jul-10	34,991	34,989	
	<b>Total Short Term Investments</b>			<b>34,991</b>	<b>34,989</b>	<b>0.14</b>
<b>BONDS</b>						
<b>Federal Bonds</b>						
30,000	Canada Housing Trust No. 1	4.800%	15-Jun-12	31,247	31,828	
				31,247	31,828	0.13
<b>Provincial Bonds</b>						
100,000	Province of British Columbia	4.650%	18-Dec-18	105,500	107,017	
150,000	Province of British Columbia	4.100%	18-Dec-19	150,195	153,309	
100,000	Province of Manitoba	5.050%	3-Dec-13	107,948	108,661	
100,000	Province of Manitoba	5.200%	3-Dec-15	111,000	110,843	
150,000	Province of Manitoba	4.150%	3-Jun-20	149,747	152,953	
44,000	Province of New Brunswick	4.300%	3-Dec-15	44,914	46,722	
110,000	Province of New Brunswick	4.400%	3-Jun-19	111,624	114,478	
200,000	Province of New Brunswick	4.500%	2-Jun-20	201,740	208,286	
120,000	Province of Nova Scotia	4.150%	25-Nov-19	119,839	122,119	
100,000	Province of Ontario	3.250%	8-Sep-14	101,802	102,156	
60,000	Province of Ontario	4.200%	8-Mar-18	60,137	62,298	
150,000	Province of Ontario	4.400%	2-Jun-19	152,162	156,215	
30,000	Province of Saskatchewan	4.900%	3-Dec-13	31,398	32,472	
				1,448,006	1,477,529	6.11
<b>Corporate Bonds</b>						
50,000	Bank of Montreal	5.050%	3-Sep-13	50,059	53,626	
40,000	Bank of Montreal	5.180%	10-Jun-15	39,720	43,501	
58,000	Bank of Montreal	5.450%	17-Jul-17	58,577	63,711	
200,000	Bank of Montreal	6.020%	2-May-18	215,635	226,657	
50,000	Bank of Nova Scotia	4.400%	9-May-11	49,725	51,283	
60,000	Bank of Nova Scotia	5.040%	8-Apr-13	60,226	64,028	
300,000	Bank of Nova Scotia	4.100%	8-Jun-17	300,749	304,479	
50,000	Bank of Nova Scotia	4.990%	27-Mar-18	49,575	52,587	
100,000	Bell Canada	6.250%	12-Apr-12	106,950	106,749	
200,000	Bell Canada	4.850%	30-Jun-14	206,391	211,140	
225,000	Bell Canada	4.640%	22-Feb-16	232,694	232,060	
45,000	Canadian Imperial Bank of Commerce	4.400%	7-Mar-11	45,051	45,942	
50,000	Canadian Imperial Bank of Commerce	4.350%	1-Nov-11	49,293	51,702	
50,000	Canadian Imperial Bank of Commerce	5.150%	6-Jun-18	50,076	52,970	
100,000	Enbridge Inc.	5.170%	19-May-16	101,561	107,506	
100,000	Enbridge Inc.	4.770%	2-Sep-19	101,070	102,996	
75,000	EnCana Corp.	4.300%	12-Mar-12	75,649	77,727	
100,000	EnCana Corp.	5.800%	18-Jan-18	99,315	110,070	
100,000	Manulife Financial Corp.	4.896%	2-Jun-14	100,000	105,387	
250,000	Manulife Financial Corp.	5.161%	26-Jun-15	271,282	266,728	
75,000	Manulife Financial Corp.	7.768%	8-Apr-19	75,000	90,695	
50,000	National Bank of Canada	5.550%	15-Nov-18	50,114	53,673	
50,000	Power Corp. of Canada	7.570%	22-Apr-19	50,956	59,423	
50,000	Royal Bank of Canada	4.250%	1-Jun-11	49,994	51,283	
65,000	Royal Bank of Canada	5.200%	15-Aug-12	66,095	69,178	

(See accompanying notes to financial statements)

## Brigata Canadian Balanced Fund

### Statement of Investments

As at June 30, 2010 (Unaudited)

No. of Shares or Par Value	Description	Coupon Rate (%)	Maturity	Average Cost \$	Fair Value \$	% of Net Assets
300,000	Royal Bank of Canada	3.660%	25-Jan-17	299,882	300,469	
50,000	Royal Bank of Canada	5.000%	6-Jun-18	49,985	52,821	
100,000	Shoppers Drug Mart Corp.	4.800%	20-Jan-12	105,290	104,048	
146,000	Shoppers Drug Mart Corp.	4.990%	3-Jun-13	152,899	154,829	
50,000	Shoppers Drug Mart Corp.	5.190%	20-Jan-14	49,992	53,547	
60,000	Suncor Energy Inc.	5.800%	22-May-18	55,140	65,275	
70,000	Thomson Reuters Corp.	5.700%	15-Jul-15	70,716	77,367	
25,000	Toronto-Dominion Bank	5.141%	19-Nov-12	25,590	26,660	
50,000	Toronto-Dominion Bank	4.854%	13-Feb-13	50,282	53,104	
35,000	Toronto-Dominion Bank	5.480%	2-Apr-20	34,836	37,841	
				<u>3,450,369</u>	<u>3,581,062</u>	<u>14.80</u>
	<b>Total Bonds</b>			<b>4,929,622</b>	<b>5,090,419</b>	<b>21.04</b>
	<b>EQUITIES</b>					
	<b>Energy</b>					
16,000	Cenovus Energy Inc.			434,788	438,400	
9,000	Enbridge Inc.			376,025	446,220	
12,500	EnCana Corp.			403,674	403,000	
500	Marathon Oil Corp.			17,043	16,519	
28,000	Nexen Inc.			651,647	586,320	
33,000	Suncor Energy Inc.			999,655	1,033,890	
41,000	Talisman Energy Inc.			677,112	660,100	
18,000	TransCanada Corp.			601,101	640,980	
10,000	TransCanada Corp., Preferred, Series 3			248,922	246,000	
19,000	Vermilion Energy Trust			574,625	637,070	
	<b>Total Energy</b>			<u>4,984,592</u>	<u>5,108,499</u>	<u>21.12</u>
	<b>Materials</b>					
4,000	Labrador Iron Ore Royalty Income Fund			136,135	170,800	
3,250	Potash Corp. of Saskatchewan Inc.			351,217	297,960	
	<b>Total Materials</b>			<u>487,352</u>	<u>468,760</u>	<u>1.94</u>
	<b>Industrials</b>					
458	3M Co.			34,987	38,425	
4,000	ABB Ltd., ADR			67,873	73,366	
6,000	Canadian National Railway Co.			302,006	366,060	
7,250	Canadian Pacific Railway Ltd.			359,242	413,685	
2,250	General Electric Co.			49,122	34,406	
	<b>Total Industrials</b>			<u>813,230</u>	<u>925,942</u>	<u>3.83</u>
	<b>Consumer Discretionary</b>					
14,000	Dorel Industries Inc.			382,953	466,060	
22,500	Reitmans Canada Ltd.			294,651	382,500	
1,238	Reitmans Canada Ltd. Class A			20,559	23,200	
	<b>Total Consumer Discretionary</b>			<u>698,163</u>	<u>871,760</u>	<u>3.60</u>

(See accompanying notes to financial statements)

## Brigata Canadian Balanced Fund

### Statement of Investments

As at June 30, 2010 (Unaudited)

No. of Shares or Par Value	Description	Coupon Rate (%)	Maturity	Average Cost \$	Fair Value \$	% of Net Assets
<b>Consumer Staples</b>						
5,500	CVS Caremark Corp.			196,688	171,188	
650	Diageo PLC, ADR			48,592	43,322	
5,000	Loblaw Cos Ltd.			166,797	193,050	
1,000	Nestle SA, ADR			43,412	51,262	
8,000	North West Co Fund			138,327	152,960	
2,400	SABMiller PLC, ADR			52,798	71,155	
14,000	Shoppers Drug Mart Corp.			580,440	460,740	
2,000	The Coca-Cola Co.			109,018	106,457	
1,700	The Procter & Gamble Co.			103,510	108,210	
1,000	Wal-Mart Stores Inc.			55,705	51,061	
	<b>Total Consumer Staples</b>			<b>1,495,287</b>	<b>1,409,405</b>	<b>5.83</b>
<b>Health Care</b>						
4,000	Dentsply International Inc.			139,382	127,136	
551	GlaxoSmithKline PLC, ADR			25,017	19,914	
5,000	Johnson & Johnson			322,890	313,695	
	<b>Total Health Care</b>			<b>487,289</b>	<b>460,745</b>	<b>1.90</b>
<b>Financials</b>						
400	American Express Co.			8,149	16,858	
9,820	BAM Split Corp.			245,500	254,829	
11,000	Bank of Montreal			540,577	635,140	
2,000	Bank of Montreal			50,000	55,320	
5,000	Bank of Montreal			126,102	134,100	
12,000	Bank of Nova Scotia			514,222	588,480	
10,000	Bank of Nova Scotia			245,030	245,600	
3,000	Bank of Nova Scotia			75,033	82,800	
6,000	Canadian Western Bank			163,490	165,360	
7,500	HSBC Bank Canada			208,488	207,375	
47,000	Manulife Financial Corp.			995,148	726,150	
5,371	Manulife Financial Corp.			134,275	147,864	
5,000	Manulife Financial Corp., Preferred			133,537	132,250	
3,000	National Bank of Canada			75,208	82,530	
24,000	Power Corp. of Canada			673,391	612,240	
3,000	Royal Bank of Canada			75,139	82,050	
18,000	Royal Bank of Canada			902,168	912,600	
25,000	Sun Life Financial Inc.			777,909	699,000	
3,000	Sun Life Financial Inc., Preferred			82,235	80,640	
1,125	The Bank of New York Mellon Corp.			38,583	29,481	
13,500	Toronto-Dominion Bank			839,940	931,229	
3,000	Toronto-Dominion Bank			74,973	83,430	
	<b>Total Financials</b>			<b>6,979,097</b>	<b>6,905,326</b>	<b>28.54</b>
<b>Real Estate</b>						
12,000	Brookfield Asset Management Inc.			300,832	302,640	
12,000	Brookfield Asset Management Inc., Preferred			322,939	325,800	
4,500	RioCan Real Estate Investment Trust			69,325	85,365	
	<b>Total Real Estate</b>			<b>693,096</b>	<b>713,805</b>	<b>2.95</b>

(See accompanying notes to financial statements)

## Brigata Canadian Balanced Fund

### Statement of Investments

As at June 30, 2010 (Unaudited)

No. of Shares or Par Value	Description	Coupon Rate (%)	Maturity	Average Cost \$	Fair Value \$	% of Net Assets
	<b>Information Technology</b>					
12,000	International Business Machines Corp.			151,192	157,332	
1,000	Microsoft Corp.			27,889	24,441	
4,000	Nokia OYJ, Class A, ADR			72,104	34,600	
5,750	Research In Motion Ltd.			316,886	300,898	
	<b>Total Information Technology</b>			<b>568,071</b>	<b>517,271</b>	<b>2.14</b>
	<b>Telecommunication Services</b>					
13,000	BCE Inc.			356,633	403,780	
6,000	Cisco Systems Inc.			143,513	135,807	
16,675	Rogers Communications Inc., Class B			515,101	579,956	
250	TELUS Corp.			8,437	10,043	
3,000	TELUS Corp. Non-Voting shares			114,182	115,440	
9,000	Vodafone Group PLC, ADR			197,907	197,590	
	<b>Total Telecommunication Services</b>			<b>1,335,773</b>	<b>1,442,616</b>	<b>5.96</b>
	<b>Total Equities</b>			<b>18,541,950</b>	<b>18,824,129</b>	<b>77.81</b>
	<b>Total Investments</b>			<b>23,506,563</b>	<b>23,949,537</b>	<b>98.99</b>
	<b>Less: Transaction Costs (note2)</b>			<b>(9,249)</b>		
	<b>Total Investments</b>			<b>23,497,314</b>	<b>23,949,537</b>	<b>98.99</b>
	<b>Other net assets</b>			<b>244,061</b>	<b>244,061</b>	<b>1.01</b>
	<b>Total net assets</b>			<b>23,741,375</b>	<b>24,193,598</b>	<b>100.00</b>

(See accompanying notes to financial statements)

## BRIGATA CANADIAN BALANCED FUND

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### Notes to the Financial Statements

June 30, 2010 (Unaudited)

#### 1. Establishment of Fund

Brigata Canadian Balanced Fund (the "Fund") is an open-end investment trust established under the laws of the Province of Ontario by a Master Declaration of Trust (the "Declaration of Trust"). The Declaration of Trust establishing the Fund was dated as of January 2, 2008. The Manager and Trustee of the Fund is Brigata Capital Management Inc. (the "Manager" and "Trustee") and the custodian of the Fund is RBC Dexia Investor Services Trust (the "Custodian"). The Fund commenced operation on January 3, 2008 with Series A and Series F units.

Series A units are available to all investors. Series F units are only sold to investors in fee based accounts that do not require the payment of trailer fees to dealers.

#### 2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (Canadian GAAP), which include estimates and assumptions by management that may affect the reported amounts of assets, liabilities, income and expenses during the reporting year. Actual results could vary from these estimates.

##### Basis fair value measurement

Effective on January 1, 2009, the Fund adopted the recent amendments to CICA 3862, *Financial Instruments – Disclosures*. The amendment establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows.

Level 1	Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Investment Manager has the ability to access at the measurement date.
Level 2	Inputs other than quoted prices that is observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
Level 3	Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

##### Changes in accounting policies

Effective January 20, 2009, the Fund adopted the Emerging Issues Committee abstract, "EIC-173 - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" ("EIC 173"). The abstract provides further guidance on Section 3855, *Financial instruments – Recognition and Measurement* and concludes that an entity's own credit risk and credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. Adoption of EIC-173 did not have a material effect on the Funds' financial position or earnings.

## **BRIGATA CANADIAN BALANCED FUND**

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### **Notes to the Financial Statements**

*June 30, 2010 (Unaudited)*

## **2. Summary of Significant Accounting Policies (continued)**

### **Valuation of investments**

Investments are categorized as held for trading and are recorded at fair value. The fair value of investments as at the financial reporting period is determined as follows:

- (i) Securities listed upon a recognized public stock exchange are valued at their last bid prices on the valuation date. Securities with no available bid prices are valued at the closing sale prices.
- (ii) Securities not listed upon a recognized public stock exchange are valued using valuation techniques, on such basis and in such manner established by the Manager.
- (iii) Short-term notes, treasury bills and bonds are valued at the average bid quotations from recognized investment dealers.

### **Transaction costs**

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs are expensed and are included in "Transactions costs" in the Statement of Operations.

### **Cost of investments**

The cost of investments represents the amount paid for each security, and is determined on an average cost basis excluding transaction costs.

### **Investment transactions and income**

Investment transactions are accounted for on the trade date. Interest income is accrued daily and dividend income is recognized on the ex-dividend date. Realized gains and losses from investment transactions are calculated on an average cost basis.

### **Cash**

Cash is comprised of cash on deposit and is deemed to be held for trading and carried at fair value.

### **Foreign currency translation**

Assets and liabilities in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the period end. Purchases and sales of investments and income and expenses are translated into Canadian dollars at the rate of exchange prevailing at the transaction date.

### **Unit Valuation**

Units of the Fund are offered for sale on a continuous basis and may be purchased or redeemed on any valuation date at the Net Asset Value per unit. A valuation date is each day on which the Toronto Stock Exchange is open for business. The Net Asset Value per unit of a series for the purposes of subscription or redemption is computed by dividing the Net Asset Value of the Fund attributable to the series (that is, the total market value of the assets of the Fund less its liabilities) by the total number of units of the series of the Fund outstanding at such time. Net Asset Value is calculated in accordance with Section 14.2 of National Instrument 81-106. This differs from Net Assets calculated in accordance with Section 3855 of Canadian GAAP presented on the Financial Statements. For a comparison of Net Asset Value to Net Assets refer to note 4.

## BRIGATA CANADIAN BALANCED FUND

### Notes to the Financial Statements

June 30, 2010 (Unaudited)

## 2. Summary of Significant Accounting Policies (continued)

### Increase (decrease) in net assets from operations per unit

Increase (decrease) in net assets from operations per unit in the statement of operations represents the increase (decrease) in net assets from operations for the period, attributable to the series, divided by the weighted average number of units outstanding in that series during the period, of the respective series.

## 3. Fair value disclosures

The Fund's assets recorded at fair value have been categorised based upon a fair value hierarchy in accordance with the amendments to CICA Handbook Section 3862, "Financial Instruments – Disclosure" ("Section 3862"). See Note 2 for a discussion of the Fund's policies regarding this hierarchy. The following fair value hierarchy table presents information about the Fund's assets measured at fair value on a recurring basis as of June 30, 2010 and December 31, 2009.

	Financial Assets at fair value as at June 30, 2010			
	Level 1	Level 2	Level 3	Total
Cash	\$ 419,574	\$ -	\$ -	\$ 419,574
Equities	18,701,711	122,418	-	18,824,129
Bonds	-	5,090,419	-	5,090,419
Short-term notes	-	34,989	-	34,989
	<b>\$ 19,121,285</b>	<b>\$ 5,247,826</b>	<b>\$ -</b>	<b>\$ 24,369,111</b>

	Financial Assets at fair value as at December 31, 2009			
	Level 1	Level 2	Level 3	Total
Cash	\$ 360,515	\$ -	\$ -	\$ 360,515
Equities	12,716,763	100,254	-	12,817,017
Bonds	-	3,940,929	-	3,940,929
Short-term notes	-	999,957	-	999,957
	<b>\$ 13,077,278</b>	<b>\$ 5,041,140</b>	<b>\$ -</b>	<b>\$ 18,118,418</b>

As of June 30, 2010 and December 31, 2009 there were no transfers on investments between levels.

## 4. Reconciliation of Net Asset Value

Net Asset Value ("NAV") is the value of the total assets of a Fund less the value of its total liabilities at a valuation date for the purpose of processing unitholder transactions. Net assets are determined in accordance with CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement" ("Section 3855"). Section 3855 required the use of bid prices for long positions and ask prices for short positions in the fair valuation of investments, rather than the use of closing prices currently used for the purpose of defining NAV. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques, rather than the use of valuation techniques by virtue of general practice in investment funds industry.

## BRIGATA CANADIAN BALANCED FUND

### Notes to the Financial Statements

June 30, 2010 (Unaudited)

#### 4. Reconciliation of Net Asset Value (continued)

The following is the reconciliation between Net Assets and Net Asset Value.

	Net Asset Value			Net Asset Value Per Unit		
	Net Asset Value	Adjustment	Net Assets	Net Asset Value Per Unit	Adjustment	Net Assets Per Unit
	\$	\$	\$	\$	\$	\$
<b>As at June 30, 2010</b>						
Series A	22,442,530	(23,781)	22,418,749	9.15	(0.01)	9.14
Series F	1,776,732	(1,883)	1,774,849	9.31	(0.01)	9.30
<b>As at December 31, 2009</b>						
Series A	\$ 16,942,619	\$ (38,497)	\$ 16,904,122	\$ 9.42	\$ (0.02)	\$ 9.40
Series F	\$ 1,315,814	\$ (2,990)	\$ 1,312,824	\$ 9.54	\$ (0.02)	\$ 9.52

#### 5. Unitholders' Equity

The Fund currently consists of Series A and Series F units which are available on a daily basis. The number of Series A and Series F units of the Fund that may be issued is unlimited unless the Manager determines otherwise in its sole discretion. Unit transactions of the Fund for the period ended June 30, 2010 and the year ended December 31, 2009 were as follows:

	2010		2009	
	Series A	Series F	Series A	Series F
<b>Units - Beginning of period</b>	1,798,895	137,943	487,208	99,969
Unit issued	761,198	53,105	1,346,687	38,847
Units redeemed	(106,574)	(143)	(43,164)	(2,787)
Units reinvested	-	-	8,164	1,914
<b>Units - End of period</b>	<b>2,453,519</b>	<b>190,905</b>	1,798,895	137,943

#### 6. Brokerage Commissions and Other Transaction costs

The total fees paid to brokers in connection with investment portfolio transactions for the period ended June 30, 2010 were \$3,431 (2009 - \$2,323). There were \$309 (2009 - \$429) soft dollars commissions paid by the Fund during this period. The term "soft dollar" is used to describe a widely acceptable business practice by which the investment advisor receives various benefits from the broker throughout the course of the normal business relationship. Such benefits may be in the form of research, or other materials that aid the investment process, thus contributing to long-term realization of the unit holders.

## **BRIGATA CANADIAN BALANCED FUND**

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### **Notes to the Financial Statements**

*June 30, 2010 (Unaudited)*

#### **7. Management Fees and Expenses**

The Manager is responsible for the day-to-day management of the Fund and its investment portfolio in compliance with the Fund's constating documents. The Manager monitors and evaluates the performance of the Fund, pays for the services of the Portfolio Managers and pays for the investment management services of the Investment Advisors.

Pursuant to the terms of the trust agreement, the Manager receives a management fee from the Fund equal to 1.95% of the net asset value (the "Net Asset Value") of Series A units of the Fund and 1.00% of net asset value (the "Net Asset Value") of Series F units of the Fund, calculated daily in arrears and payable monthly. For the period ended June 30, 2010, management fees incurred by the Brigata Canadian Balanced Fund Series A and Series F were \$211,719 (2009 - \$60,081) and \$8,439 (2009 - \$4,349) respectively.

In addition to the management fee, the fund pays its own operating expenses. These expenses include, but are not limited to audit, accounting and legal fees, custodial, trustee, valuation, recordkeeping, operating, IRC and filing fees, and all costs associated with the qualification for sale of Series A and Series F units of the Fund.

The Management Expense Ratio ("MER") per series of units of each Fund for a fiscal period represents the total expenses of the series of units of the Fund expressed as a percentage of the average daily net asset values for the series of units during the fiscal period.

The Manager may absorb some of the operating expenses generally payable by the Fund. Operating expenses of the Fund will be capped such that the management expense ratio "MER" for the Fund will not exceed 2.40% per annum in respect of the Series A and 1.45% per annum in respect of Series F. These caps are exclusive of GST/HST and the Manager may amend or remove these caps at its discretion.

#### **8. Income Taxes**

The Fund has qualified as a mutual fund trust as defined in the Income Tax Act (Canada) as it meets the number of unitholders requirement. Pursuant to the terms of the Declaration of Trust, the Fund pays or makes payable in the calendar year to the unitholders all the net income and such portion of the net capital gains which will result in the Fund paying no tax under the current provisions of the Act. As a result, under existing tax legislation, the net income and net capital gains are taxable in the hands of the unitholders of the Fund. Accordingly, no provision for Canadian income taxes has been made in these financial statements.

As at December 15, 2009, the Fund's latest taxation year, the Fund had \$268,320 (2008 - \$201,000) in capital losses carried forward and no non-capital losses carried forward.

#### **9. Risks Arising From Financial Instruments**

The Fund's financial instruments consist of cash and investments. As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments, and markets in which it invests. These risks include market risk, currency risk, interest rate risk, credit risk and liquidity risk. The value of investments within a fund's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, market and company news related to specific securities within the fund. The level of risk depends on the Fund's investment objectives and the type of securities it invests in. These risks and related risk management practices employed by the Fund are discussed below:

##### **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The investments of the Fund are subject to normal market fluctuations and the risks

## BRIGATA CANADIAN BALANCED FUND

### Notes to the Financial Statements

June 30, 2010 (Unaudited)

## 9. Risks Arising From Financial Instruments (continued)

### Market risk (continued)

inherent in investment in financial markets. The maximum risk resulting from financial instruments held by the Fund is determined by the fair value of the financial instruments. The Manager moderates this risk through a careful selection of securities within specified limits and the Fund's market price risk is managed through diversification of the investment portfolio. The Investment Manager monitors the Fund's overall market positions on a daily basis and positions are maintained within established ranges.

#### (i) Market Fluctuation Risk

If the market indexes had increased (decreased) by 5% at June 30, 2010, with all other variables held constant, this could have approximately increased (decreased) net assets by \$941,000 (2009 - \$332,000). In practice, actual results may differ from the sensitivity analysis and the difference may be material in respect to the NAV of the Fund.

#### (ii) Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. Equities in foreign markets and foreign bonds are exposed to currency risk as the prices denominated in foreign currencies are converted to the Fund's functional currency in determining fair value.

Exposures to foreign currencies as at June 30, 2010 and December 31, 2009 are presented in the table below:

<b>As at June 30, 2010</b>	Cash and other Foreign Holdings	Investments at Fair Value	Total Foreign Holdings	Percentage of Net Assets
Currency	Cdn \$	Cdn \$	Cdn \$	(%)
US Dollar	2,657	1,822,225	1,824,882	7.54

<b>As at December 31, 2009</b>	Cash and other Foreign Holdings	Investments at Fair Value	Total Foreign Holdings	Percentage of Net Assets
Currency	Cdn \$	Cdn \$	Cdn \$	(%)
US Dollar	3,366	1,129,592	1,132,958	6.22

As at June 30, 2010, if the exchange rate between the Canadian Dollar and the US Dollar increased or decreased by 5%, with all other variables being constant, the increase or decrease respectively in net assets could approximately amount to \$92,000 (2009 - \$41,000). In practice, actual results may differ from the sensitivity analysis and the difference may be material in respect to the NAV of the Fund.

#### (iii) Interest rate risk

Interest rate risk is the risk that the market value of the Fund's interest-bearing investments will fluctuate due to changes in market interest rates. The Fund's exposure to interest rate risk is concentrated in its investment in debt securities (such as bonds, money market instruments and debentures). Other assets and liabilities are short-term in nature and non-interest bearing.

## BRIGATA CANADIAN BALANCED FUND

### Notes to the Financial Statements

June 30, 2010 (Unaudited)

## 9. Risks Arising From Financial Instruments (continued)

### (iii) Interest rate risk (continued)

The Fund attempts to mitigate the interest rate risk by managing the duration of the bond portfolio with an emphasis to minimize interest rate risk.

The table below summarizes the Fund's exposure to interest rate risk. It includes the Fund's assets and trading liabilities at fair values, categorized by the earlier of contractual re-pricing or maturity dates.

Debt Instruments By Maturity Dates	2010		2009	
	Fair Value \$	Percentage (%)	Fair Value \$	Percentage (%)
Less than 1 year	183,497	0.8	1,020,678	5.6
1-4 years	1,304,687	5.4	1,010,135	5.5
5-8 years	2,278,220	9.4	1,494,179	8.2
9-12 years	1,359,004	5.6	1,415,893	7.7
Total Interest Bearing	5,125,409	21.2	4,940,885	27.0
Non-Interest Bearing	19,068,189	78.8	13,276,061	73.0
Net Assets	24,193,598	100.0	18,216,946	100.0

At June 30, 2010, should interest rates have decreased by 25 basis points with all other variables remaining constant, the increase in net assets for the period would amount to approximately \$79,000 (2009 - \$25,000). Conversely, if interest rates had risen by 25 basis points, the decrease in net assets could amount to approximately \$79,000 (2009 - \$25,000). In practice, actual results may differ from the sensitivity analysis and the difference may be material in respect to the NAV of the Fund.

### Credit risk

The Fund's main credit risk concentration is spread on bond and short-term debt securities. The Fund limits its exposure to credit loss by placing its cash and cash equivalents and short-term investments in high credit quality investments. To maximize the credit quality of its investments, the Fund's investment manager performs ongoing credit evaluations based upon factors surrounding the credit risk of customers, historical trends and other information.

The Fund invests in financial assets, which have an investment grade rated primarily by DBRS and Standard & Poor's. Ratings for securities that subject the Fund to credit risk at June 30, 2010 and December 31, 2009 are noted below:

Portfolio by rating category	2010	2009
	As a % of Net Assets	As a % of Net Assets
<b>Bond Rating</b>		
AAA	2.8%	9.0%
AA	7.4%	7.5%
A	6.4%	5.4%
A-	4.6%	5.2%
<b>Total</b>	<b>21.2%</b>	<b>27.1%</b>

## **BRIGATA CANADIAN BALANCED FUND**

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### **Notes to the Financial Statements**

*June 30, 2010 (Unaudited)*

## **9. Risks Arising From Financial Instruments (continued)**

### **Credit risk (continued)**

All transactions in listed securities are settled for upon delivery using approved brokers. The risk of default is considered 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.

### **Liquidity risk**

Liquidity risk is defined as the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund is exposed to daily cash redemptions of redeemable units. The units of the Fund are redeemed on demand at the current Transactional NAV per unit at the option of the unitholder. Liquidity risk is managed by investing the majority of the Funds' assets in investments that are traded in an active market and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity.

The Fund's investments are considered readily realizable and highly liquid, therefore the Fund's liquidity risk is considered minimal.

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**Manager and Trustee****Brigata Capital Management Inc.**

35 Antares Drive  
Ottawa, Ontario K2E 8B1  
Tel: 613-288-0572  
Fax: 613-288-0574  
Toll Free: 1-888-BRIGATA (1-888-274-4282)  
email: [info@brigatafunds.com](mailto:info@brigatafunds.com)  
website: [www.brigatafunds.com](http://www.brigatafunds.com)

**Portfolio Manager****Doherty & Associates Ltd.**

Investment Counsel  
56 Sparks Street, Suite 700  
Ottawa, Ontario K1P 5A9

**Independent Review Committee**

Andrew Billingsley, MBA  
Ottawa, Ontario  
Lisa Johnson, LL.B  
Ottawa, Ontario  
John Lisowski, CA  
Ottawa, Ontario

**Auditors****PricewaterhouseCoopers LLP**

99 Bank Street, Suite 800  
Ottawa, Ontario K1P 1E4

**Legal Counsel****Borden Ladner Gervais LLP**

100 Queen Street, Suite 1100  
Ottawa, Ontario K1P 1J9

**Custodian, Registrar and Transfer Agent****RBC Dexia Investor Services Trust**

155 Wellington Street West, Street Level  
Toronto, Ontario M5V 3L3

**Principal Distributor****Independent Planning Group Inc.**

35 Antares Drive  
Ottawa, Ontario K2E 8B1



Brigata Capital Management Inc.  
35 Antares Drive, Ottawa, Ontario, K2E 8B1  
Tel: 613-288-0572 Fax: 613-288-0574  
Toll Free: 1-888-BRIGATA (1-888-274-4282)  
[www.brigatafunds.com](http://www.brigatafunds.com)  
[info@brigatafunds.com](mailto:info@brigatafunds.com)