

SciVest Funds Commentary – 2009 Review

What a year 2009 was – a complete flush-out of the stock markets through March 9, and then an astonishing rally for the rest of the year. In hindsight, the March 9th market lows seemed obvious – however, most professionals did not buy into the rally until they were already well behind their performance benchmarks. As a result, buying begat more buying, and to a large degree it was focused on low priced, high beta, highly leveraged, low quality stocks in an effort for these trailing money managers to catch up.

In October I ran across an interesting piece of analysis produced by Twin Capital Management Inc., which showed the performance of lower priced stocks versus higher priced stocks within the S&P 500 Index. Specifically, they ranked all the stocks within the S&P 500 Index by price as of March 9, 2009 (again the low of the market), from lowest price to highest price. They then aggregated the price ranked S&P 500 universe into equal-weighted quintiles, and then tracked the performance of these quintiles from March 9 through the end of April, June and September. Their shocking results are below:

S&P 500 Price Quintile Performance

| 3/9/2009 Price Quintile | Average Price March 9 | Average Return Starting 3/10/09 Through: | | |
|----------------------------|--------------------------|--|-----------|-----------|
| | | 4/30/2009 | 6/30/2009 | 9/30/2009 |
| 1 | 4.77 | 97.44 | 120.55 | 211.65 |
| 2 | 12.23 | 56.94 | 64.18 | 107.59 |
| 3 | 19.13 | 42.52 | 45.24 | 72.80 |
| 4 | 22.98 | 27.71 | 34.24 | 54.91 |
| 5 | 56.86 | 21.23 | 27.33 | 44.05 |
| ALL S&P 500 | 24.32 | 49.17 | 58.31 | 98.20 |

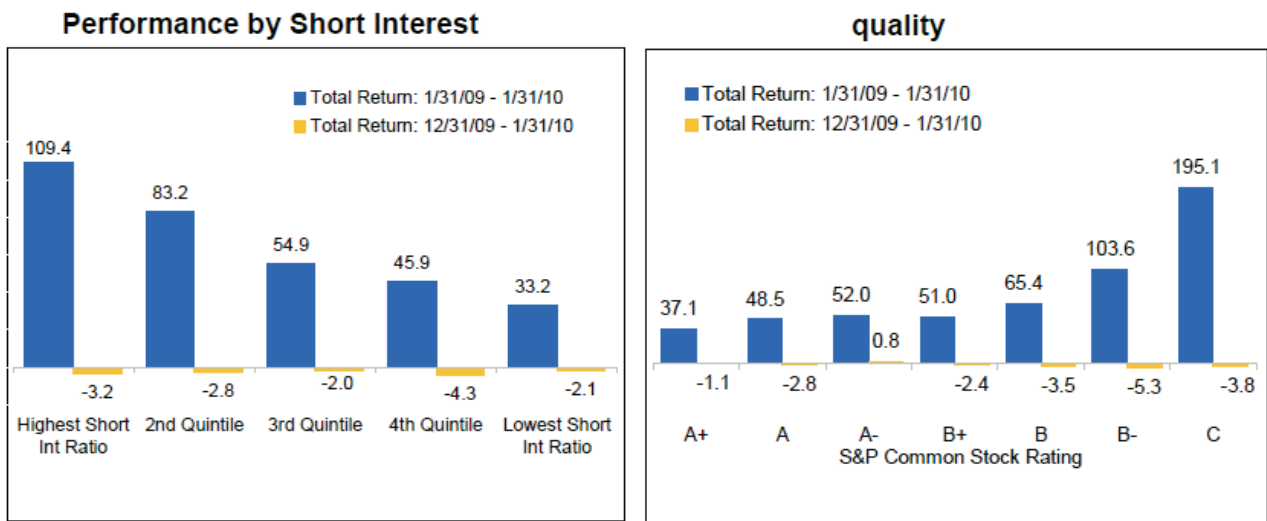
As illustrated above, the lowest priced quintile of stocks within the S&P 500 Index massively outperformed the highest priced quintile of stocks. In particular, from March 9 through September 30, the lowest priced 100 stocks within the S&P 500 Index outperformed the highest priced 100 stocks by an absolutely incredible 167.6%. Importantly, returns were lower for each quintile of 100 stocks as the price increased for each time period, and the return spreads between low priced stocks and high priced stocks increased consistently from April through September. Thus, these shocking results are not the result of a small number of stocks, nor a specific short time period. In addition, note that the S&P 500 Index is a large cap index and represents over 40% of the entire world stock market capitalization. Consequently, these results provide important insights into what characterized most of last year.

These results suggest the following: first, since stock price is highly and negatively correlated to stock quality, low quality stocks significantly outperformed high quality stocks during the bulk of last year; and second, active

fundamental stock selection likely did not produce good relative results last year, and in fact likely produced negative returns relative to benchmarks.

The following two charts from Morgan Stanley go further to confirm this theory. First, examine short interest ratios (i.e., the percentage of a stock’s total shares outstanding held short by short sellers), which are generally considered to be inversely correlated to overall stock quality. The highest quintile of short interest stocks within the US produced a return of 109.4% over the past twelve months, while the lowest quintile of short interest stocks produced a much lower return of 33.2%. Short interest ratio is strongly and negatively correlated with overall stock quality and, as such, high short interest stocks generally underperformed low short interest stocks. In addition, “shorts” (those who short-sell stocks) are generally viewed as the “smart money” within the market. However, in the last year the highest quintile of short interest stocks outperformed the lowest quintile of short interest stocks by a stunning 76.2%.

The second chart shows the returns of US stocks in each of the S&P Common Stock Quality Ratings group. Again, the chart clearly shows that low quality stocks over the last year hugely outperformed high quality stocks. For example, “C” rated stocks outperformed “A+” rated stocks by an incredible 158.0%.

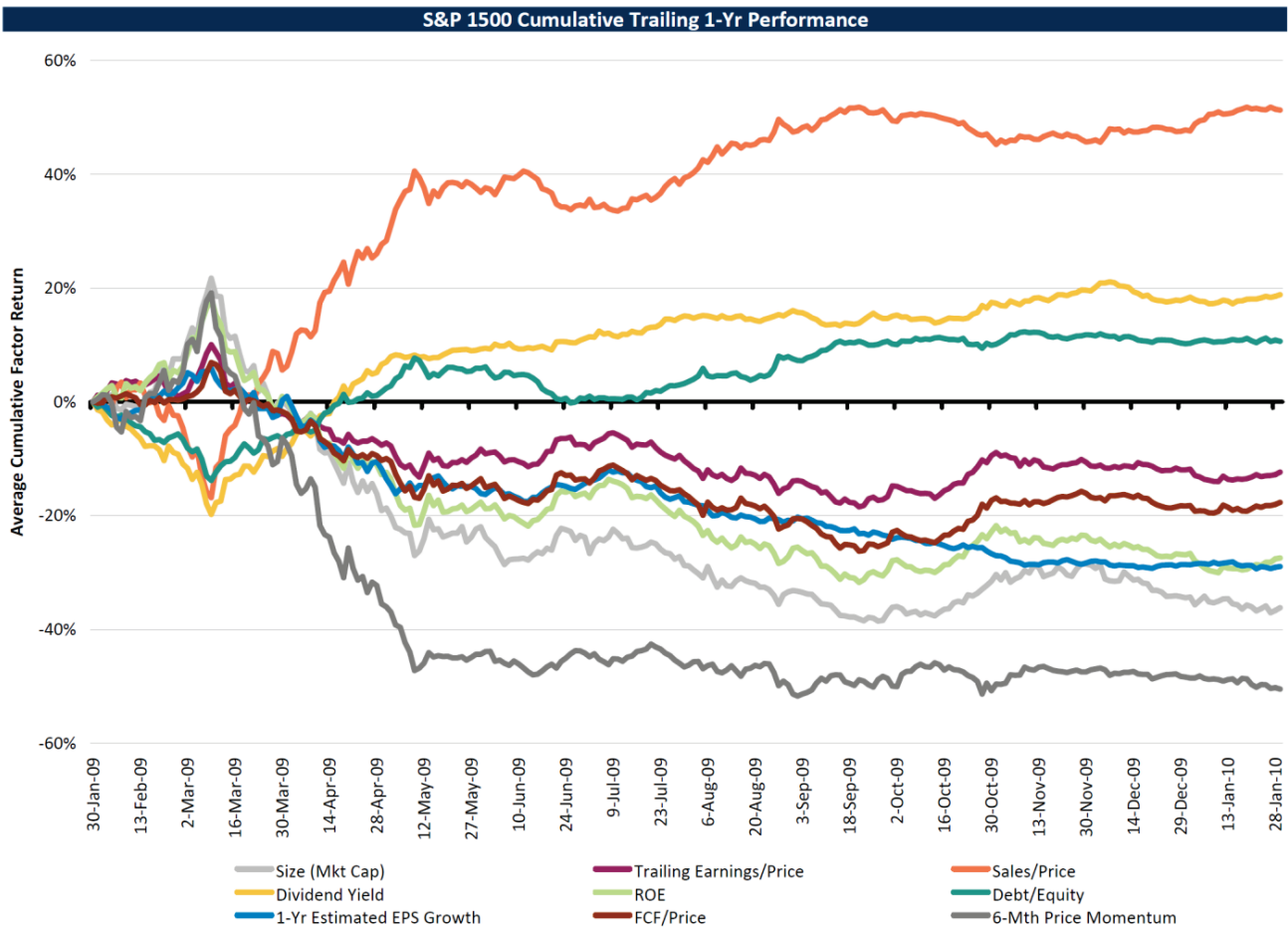


Source: Factset, Thomson Financial, Compustat, Morgan Stanley Research.

Looking more specifically at factors that drove stock returns during the past year, the graph below produced by Morgan Stanley shows the cumulative long-short returns of being long the equal weighted top quintile of stocks within the S&P 1500 Index and being short the equal weighted bottom quintile of stocks within the S&P 1500 for nine individual stock selection factors.

S&P 1500 Longer-Term Factor Performance

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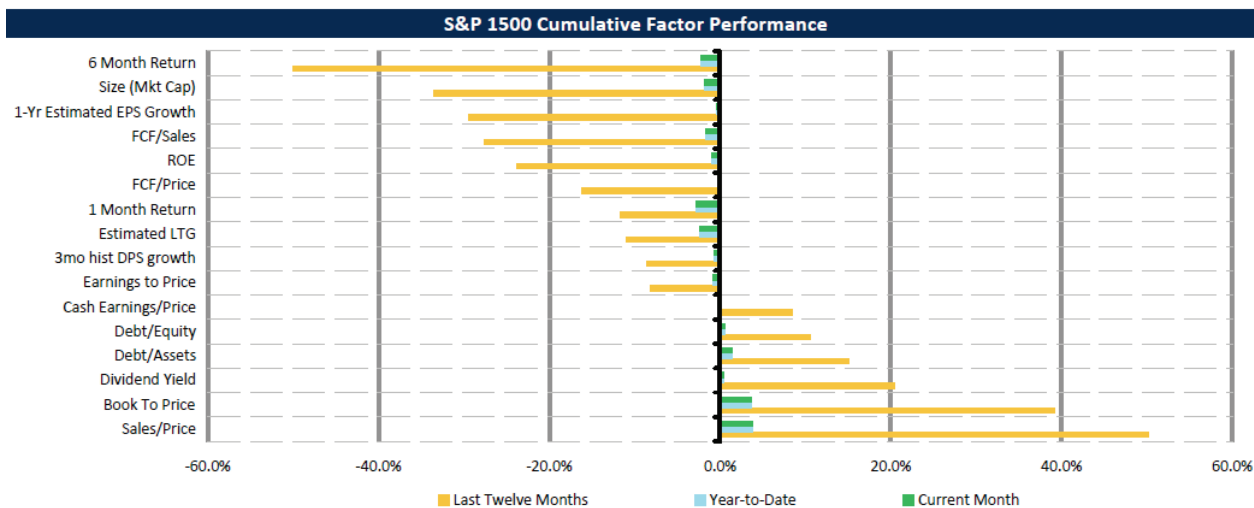
Source: Morgan Stanley Quantitative and Derivative Strategies.

The first point to note is the large factor reversal that took place starting at the March 9th market bottom, with all nine factors showing extreme return reversals. This sharp reversal would be difficult, if not impossible, for most quantitative factor-based stock selection approaches to navigate. This is because most dynamic factor-based models rely to a large extent on medium term factor pricing momentum. Either the manager could do well prior to the market bottom and poorly after, or poorly going into the market bottom and well after – the latter being the case for SciVest. The second point to note is that the initial reversals in factor returns were very extreme, producing very large positive and negative returns, for about two months until mid-May – after which factor returns tended to drift in the same direction, but at a much less pronounced pace. This type of factor return action would also be difficult for most dynamic factor-based managers, as their models would be rotating into the best performing factors only after the majority of their returns had been earned. The final point to note is that most profitability, cash-flow, quality, momentum and growth factors produced extremely strong negative returns, often more than 20% unleveraged. This would make it extremely difficult for a manager who believes in, or is constrained to, betting on good over bad fundamentals – as does SciVest.

The following table and chart digs deeper into the performance of specific factors during the past twelve months.

S&P 1500 Factor Breakdown: January 29, 2010

| S&P 1500 | | | | | |
|------------------------|-----------|---------|--------|--------|--------------|
| Factors | Style | LTM | YTD | MTD | Jan 29, 2010 |
| Earnings/Price | Value | -8.13% | -0.77% | -0.77% | 0.44% |
| Book/Price | Value | 39.14% | 3.67% | 3.67% | -0.03% |
| Cash Earnings/Price | Value | 8.36% | -0.28% | -0.28% | 0.34% |
| Sales/Price | Value | 50.11% | 3.74% | 3.74% | -0.18% |
| Dividend Yield | Value | 20.36% | 0.47% | 0.47% | 0.29% |
| ROE | Quality | -23.86% | -1.00% | -1.00% | 0.15% |
| Est. Long-Term Growth | Growth | -11.03% | -2.36% | -2.36% | -0.07% |
| 1-Yr Est. EPS Growth | Growth | -29.41% | -0.35% | -0.35% | 0.11% |
| 3-Mth Hist. DPS growth | Growth | -8.57% | -0.74% | -0.74% | 0.11% |
| FCF/Sales | Cash Flow | -27.57% | -1.67% | -1.67% | 0.18% |
| FCF/Price | Cash Flow | -16.22% | 0.14% | 0.14% | 0.32% |
| 1-Mth Price Momentum | Momentum | -11.76% | -2.82% | -2.82% | -0.19% |
| 6-Mth Price Momentum | Momentum | -50.12% | -2.32% | -2.32% | -0.26% |
| Debt/Equity | Leverage | 10.57% | 0.54% | 0.54% | -0.20% |
| Debt/Assets | Leverage | 15.07% | 1.45% | 1.45% | -0.09% |



Source: Morgan Stanley Quantitative and Derivative Strategies.

This analysis is quite interesting, because it highlights my prior discussions that most factor groups generated substantial negative returns over the last twelve months (“LTM”). Although, there are two glaring exceptions to this rule: “traditional Value” factors book-to-price and sales-to-price, both generated extremely strong and fundamentally consistent returns of 39.1% and 50.1% respectively, over the last twelve months. (Note, however, that these factor returns are not sector or industry neutral, and would likely have substantial sector and industry exposures built into them, likely towards being long financials and cyclicals.) Interestingly, despite these two specific traditional value factors working very well, most other value and valuation factors performed extremely poorly, with for example earnings-to-price, free-cash-flow-to-price and free-cash-flow-to-sales generating returns of -8.1%, -16.2% and -27.6%, respectively. It is very rare for there to be a large dispersion in the returns generated from book-to-price and sales-to-price relative to earnings-to-price and

cash-flow-to-price. This dispersion also demonstrates that last year the market did not care at all about cash-flow and earnings, presumably assuming that cash-flow and earnings would take care of themselves when the economy recovered.

Interestingly, and painfully for fundamental managers, profitability as measured by ROE generated an incredible unleveraged return of -23.9%. Also taken out to the woodshed, was momentum and growth factors (including dividend growth). Investing in an unleveraged 6-month price momentum factor would have somewhat surprisingly lost you -50.1%, and investing in an unleveraged 1-year ahead expected earnings growth factor would have lost you -29.4%. This is interesting because I suspect many investors thought that the past year could be characterised as a momentum and/or growth year – yet nothing could be farther from the truth.

So we are back to where we started – last year was characterised by the “re-risking” trade; the buying of low priced, high risk, highly leveraged, low quality stocks with fairly perverse valuation, profitability, momentum and growth characteristics. In fact, it appears that the only redeeming quality of the outperforming stocks in the past twelve months was decent relative value based solely on the book-to-price and sales-to-price ratios. To say the past year was a difficult environment for active stock pickers, be they value managers, momentum managers, growth managers or GARP managers, is an extreme understatement. Only deep value managers and short-term traders, both of whom care little about quality, cash-flow, momentum and growth, could have outperformed last year.

In this context, how did we at SciVest perform last year? Very well - given what we do (market neutral equity) and how we do it (fundamentally-based). Specifically, the detailed performance (net of all fees and expenses) and risk characteristics of the Class F Units of our flagship SciVest Market Neutral Equity Fund (“SMNEF”) are reported below.

| Monthly Performance [†] | | | | | | | | | | | | | |
|--|---------|----------|----------|-------------|------------------------|-------|-------|------------|----------|---------------------------|---|--------|--------|
| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
| 2010 | 5.1% | | | | | | | | | | | | 5.1% |
| 2009 | -5.4% | -4.0% | 3.2% | 0.5% | 3.0% | 1.2% | -1.0% | 3.5% | 0.1% | 3.4% | -3.9% | -0.8% | -0.8% |
| 2008 | -2.7% | 0.9% | 0.3% | 1.6% | 2.2% | 2.9% | -4.0% | 2.1% | -2.9% | 5.2% | 1.0% | 0.9% | 7.3% |
| 2007 | 0.7% | -2.3% | 1.0% | 3.3% | 0.9% | 1.8% | 2.0% | -12.1% | 2.4% | 4.0% | 4.1% | 4.4% | 9.3% |
| 2006 | 3.7% | -4.0% | 0.1% | 3.0% | -1.0% | 1.0% | 3.0% | -5.1% | -0.5% | 2.7% | -0.9% | 5.4% | 7.1% |
| 2005 | 3.3% | 2.0% | -0.2% | -0.1% | -1.8% | -0.3% | 3.2% | -0.5% | 0.8% | 0.8% | -2.3% | -3.0% | 1.6% |
| 2004 | -2.1% | 1.1% | -2.0% | -4.6% | -2.1% | 1.7% | 0.6% | -4.2% | -0.1% | -1.9% | 2.8% | -1.4% | -11.8% |
| 2003 | 3.9% | 1.2% | -0.3% | 1.5% | 1.3% | -1.5% | 0.1% | -1.8% | 2.6% | 0.1% | 2.9% | 1.9% | 12.4% |
| 2002 | 7.4% | -2.3% | 4.3% | 0.0% | 2.7% | 1.8% | -3.0% | 3.2% | 3.7% | -4.2% | -6.3% | 2.1% | 9.0% |
| 2001 | | | | | 1.2% | -1.7% | 4.1% | 3.6% | 6.9% | -3.4% | 3.5% | 2.0% | 17.0% |
| Performance to January 31, 2010 [†] | | | | | Risk | | | | | | | | |
| | 6 Month | 12 Month | 24 Month | Since Incpt | | | | Volatility | Drawdown | Alpha * | Alpha** | Beta** | |
| SciVest MNE Fund | 7.4% | 10.4% | 15.0% | 68.2% | SciVest MNE Fund | | | 10.6% | -13.0% | 3.9% | 3.8% | -0.05 | |
| HFRX MNE Invstble Indx | -1.3% | -5.8% | -4.3% | 1.7% | HFRX MNE Invest Indx | | | n/a | -10.5% | -2.4% | -2.4% | -0.04 | |
| CSFB MNE Invstble Indx | 26.6% | 5.7% | -35.5% | -13.8% | CSFB MNE Invstble Indx | | | n/a | -56.6% | -2.8% | -2.2% | 0.50 | |
| MSCI World Index (TR) | 7.9% | 31.2% | -17.9% | 2.2% | MSCI World Index (TR) | | | 15.5% | -50.4% | n/a | 0.0% | 1.00 | |
| | | | | | | | | | | [†] w/ Beta=0.00 | ^{**} vs. MSCI World Index (TR) | | |

The 2009 calendar year was slightly negative at -0.8% – only our second negative year in almost a decade. Looking at the month-by-month returns, last year was sandwiched between a terrible beginning in January and February, and a bad ending in November and December. The middle of this calendar year sandwich was very strong from March through October, but unfortunately the losses in January and February of 2009 were simply too large to overcome during the calendar year. Nevertheless, with a strong January already booked for this year, we are currently once again well into the black over all trailing time periods.

| Fund and Benchmarks | Trailing Total Performance (Performance Through January 31, 2010) | | | | | | | Annual Performance | | | | | Risk | |
|---|---|--------------|-------------|--------------|---------------|---------------|---------------|--------------------|--------------|---------------|--------------|--------------|--------------|---------------|
| | 1 Month | 3 Month | 6 Month | 12 Month | 24 Month | 36 Month | Since Incept | YTD | 2009 | 2008 | 2007 | 2006 | Volatility | Beta/Mkt |
| | Return | Return | Return | Return | Return | Return | Return | | | | | | Risk | Risk |
| SciVest Market Neutral Equity Fund - CI F | 5.1% | 0.2% | 7.4% | 10.4% | 15.0% | 21.5% | 68.2% | 5.1% | -0.8% | 7.3% | 9.3% | 7.1% | 10.6% | (0.05) |
| GlobeFund Alternative Strategies Peer Index | n/a | 2.3% | 7.9% | 10.6% | n/a | -8.7% | n/a | n/a | 10.6% | -21.3% | 5.0% | 8.7% | n/a | n/a |
| CSFB AllHedge Market Neutral Eqty Investable Index | 0.1% | 7.9% | 7.7% | -5.3% | -27.4% | -25.2% | -1.1% | 0.1% | -7.2% | -22.8% | 4.9% | 6.1% | 8.7% | 0.24 |
| CSFB Broad Mkt Neutral Eqty Non-Investable Index | 0.1% | -0.7% | 1.2% | 3.0% | -38.3% | -32.5% | 1.7% | 0.1% | 4.1% | -40.3% | 9.3% | 11.2% | 14.2% | 0.20 |
| HFRX Mkt Neutral Eqty Investable Index | -0.5% | -0.2% | -1.5% | -6.0% | -4.5% | -6.5% | 1.5% | -0.5% | -5.6% | -1.2% | 3.1% | 4.8% | 3.4% | (0.04) |
| HFRI Mkt Neutral Eqty Non-Investable Index | -0.5% | 0.0% | 0.7% | 1.1% | -3.8% | -0.6% | 28.5% | -0.5% | 1.7% | -5.9% | 5.3% | 7.3% | 2.6% | 0.04 |
| MSCI World Index (Total Return) | -3.6% | 3.1% | 7.9% | 31.2% | -17.9% | -22.3% | 2.2% | -3.6% | 26.5% | -38.3% | 5.2% | 16.1% | 15.5% | 1.00 |
| S&P 500 Index (Total Return) | -3.6% | 4.2% | 9.9% | 33.1% | -18.3% | -20.2% | 1.5% | -3.6% | 26.5% | -37.0% | 5.5% | 15.8% | 15.6% | 0.99 |
| S&P/TSX Composite Index (Total Return) | -5.3% | 2.4% | 4.3% | 31.7% | -10.1% | -7.0% | 70.2% | -5.3% | 35.1% | -33.0% | 9.8% | 17.3% | 15.2% | 0.84 |
| SciVest Commodity Index PLUS Fund - CI F | -2.3% | -0.9% | 5.8% | 19.9% | -30.9% | -15.7% | -23.2% | -2.3% | 9.4% | -34.5% | 18.7% | -7.7% | 24.9% | 0.67 |
| S&P/Goldman Sachs Commodity Index | -7.9% | -5.7% | -2.4% | 14.6% | -44.8% | -28.3% | -43.6% | -7.9% | 13.3% | -47.3% | 26.8% | -19.1% | 28.6% | 0.74 |
| S&P/Goldman Sachs Lite Energy Commodity Index | -7.1% | -2.6% | 0.8% | 13.7% | -37.9% | -23.4% | -28.1% | -7.1% | 15.2% | -40.4% | 17.2% | -3.8% | 22.6% | 0.63 |
| DJ/UBS Commodity Index | -7.3% | -2.1% | 2.0% | 16.3% | -32.9% | -22.3% | -24.6% | -7.3% | 18.7% | -36.6% | 11.1% | -2.7% | 21.4% | 0.57 |
| SciVest Global Multiple Strategy Fund - CI F | 2.3% | | | | | | | 2.3% | | | | | | |
| GlobeFund Alternative Strategies Peer Index | n/a | | | | | | | n/a | | | | | | |
| CSFB AllHedge Multi-Strategy Investable Index | 0.6% | | | | | | | 0.6% | | | | | | |
| CSFB Broad Multi-Strategy Non-Investable Index | 0.6% | | | | | | | 0.6% | | | | | | |
| HFRX Absolute Return Investable Index | 0.1% | | | | | | | 0.1% | | | | | | |
| HFRI Fund-of-Funds Composite Non-Investable Index | 0.0% | | | | | | | 0.0% | | | | | | |
| MSCI World Index (Total Return) | -3.6% | | | | | | | -3.6% | | | | | | |
| S&P 500 Index (Total Return) | -3.6% | | | | | | | -3.6% | | | | | | |
| S&P/TSX Composite Index (Total Return) | -5.3% | | | | | | | -5.3% | | | | | | |

Notes and Disclaimers: Sales commissions, management fees and other expenses all may be associated with pooled fund investments. Please read the Offering Memorandum before investing. The indicated rates of return are the historical compounded total returns including changes in share value and reinvestment of all distributions and do not take into account any sales, redemptions, distributions, or optional charges, or income taxes payable by any shareholder, all of which would have reduced returns. The indicated rates of return are used only to illustrate the effects of the compound growth rate and are not intended to reflect future values of the Fund or returns on investment in the Fund. All rates of return are calculated on the stated class of each Fund, net of all management fees and fund expenses.

The table above shows the trailing total performance of the Class F units of the three primary funds advised by SciVest Capital Management Inc., as well as each fund’s primary performance benchmarks. Over almost all trailing time periods the SciVest Funds have performed well against their benchmarks. During calendar 2009, the SMNEF materially outperformed both of the “investable” market neutral equity indexes, and only marginally underperformed the “non-investable” market neutral indexes (note that the “investable” indexes do not suffer from survivorship and selection biases, unlike the “non-investable” self-report indexes, and thus the investable indexes are more reflective benchmarks of the general performance of the market neutral space).

The SciVest Commodity Index Plus Fund somewhat underperformed its commodity index benchmarks last year. Since the market neutral “plus” overlay strategy was flat last year, and the commodity indexes are captured perfectly in US dollars through swap contracts, we attribute the relative underperformance of this Fund to unusual US dollar versus Canadian dollar currency effects and their impact on the commodity swap contracts.

So what do we expect for the market neutral strategy in 2010? First, I must note that I was wrong last year in calling for a strong rebound in performance factor-based quant strategies. I had expected that stock picking would have begun to yield nice returns sometime last year as the market stabilized. However, that was not the case – the initial sell-off in the first quarter was too intense, and the subsequent rebound was too intense – a “baby with the bathwater” type of thing, resulting in the overall perverse factor performances discussed above.

Nevertheless, many are now calling for 2010 to be the “year of the stock picker” (including Jim Cramer on CNBC, as well as more credible sources such as Morgan Stanley and CSFB), and we at SciVest are optimistic. It does make sense that stock picking would become more important this year, as the market starts re-focusing on company fundamentals and core earning power, as opposed to pure macro and risk trading. This is also being reflected in the volatility index (“VIX”) – down substantially over the past 10 months, but still decently higher than the mid-2000’s – hopefully in most quant fundamental managers’ sweet spot: not too high, and

not too low. The VIX too high usually means high individual stock return correlations – that is, “a market of one,” with macroeconomic factors and events driving large up and down swings in the overall market with little differential in individual stock returns; and the VIX too low means not much opportunity from accurately predicting differentiated returns between individual stocks.

The VIX is only one piece of the puzzle though. Overall factor, or fundamental, efficacy is the other – that is, do fundamentals matter across a large enough universe of stocks, and across a large enough set of factors or fundamentals. As discussed in detail above, last year most fundamental factors were perverse, with more profitable, higher ROE, lower risk, lower leveraged, lower growth stocks largely underperforming the opposite. Since our models are dynamic, and look at factors from a micro perspective, we are able to rotate and push into specific factors (which largely allowed us to outperform most market neutral equity managers from March through the end of the year); but our models’ overall fundamental bias towards solid companies prevented us from generating any higher returns. That is, we are always biased towards fundamentals across a much broader definition of “good”, and in general we will not explicitly push against theoretically sound fundamentals (like good cash-flow and EPS).

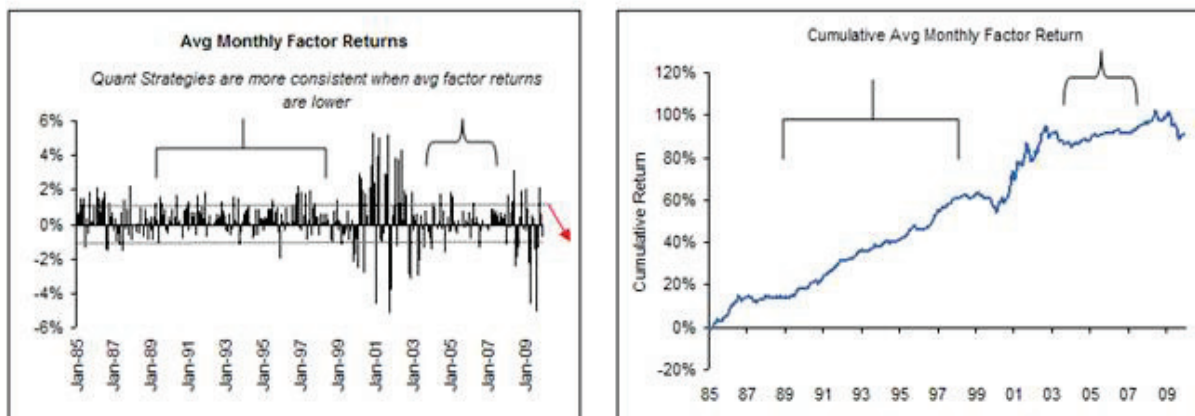
So the two questions for 2010 are: will the VIX remain relatively high, but not too high; and will a large enough set of fundamental factors perform properly across a large enough universe of stocks. A number of commentators believe that both questions can be answered in the affirmative. As an example of some of this thinking, the box below is an extract from some recent Morgan Stanley research.

Morgan Stanley Morning Update – January 8, 2010

Factor based quant strategies will likely do well because of the ongoing re-normalization occurring within the quant space. I expect the re-normalization to continue in the near future. The average of 24 different factor returns has been reducing and is now within the +/- one standard deviation band since the past few months (Exhibit 1). The standard deviation between the same 24 different factor returns has also been reducing (Exhibit 2). This is similar to the 1989-1997 period and the 2003-2006 period when standard deviations and average factor returns were in a relatively tight band.

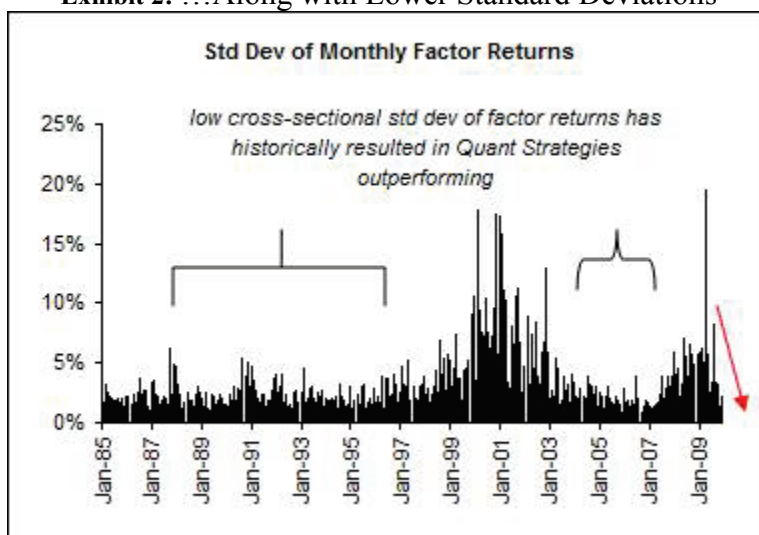
–Parin Gandhi, Equity Trading Strategy, Morgan Stanley

Exhibit 1: Factor Returns Have Flattened after the mid 2007-mid 2009 levels



Note: Average Factor Returns are computed as the average of 24 different factor returns for each month. The cumulative return is the arithmetic addition of monthly average returns. Factor Returns are computed for the top 1000 stocks by market capitalization. Source: Morgan Stanley Trading.

Exhibit 2: ...Along with Lower Standard Deviations



Note: Std Dev of Factor Returns are computed as the standard of 24 different monthly factor returns for each month. Factor Returns are computed for the top 1000 stocks by market capitalization. Source: Morgan Stanley Trading.

At SciVest we believe in continuous improvement, and to this end, we are continually evolving our investment models and processes. For example, we have been doing some work on the best way to allocate our capital across the eight country/regional models that we run and manage within the SMNEF (recall we treat each country/region as a separate portfolio within the Fund – each being market neutral to their relevant country/region). Capital has been allocated primarily on a risk and universe size basis – for example, the US and Japan have always been by far the largest allocations within the SMNEF, due to their large stock universe sizes and thus our ability to diversify within each of these sub-portfolios. Canada, Hong Kong and Australia, on the other hand, have always been much smaller allocations within the Fund because of their small universe sizes. We have found, however, that moving to more of an equal-weighted approach produces much better returns, with no extra volatility cost at the overall Fund level. That is, we can achieve a higher Sharpe ratio, with the ratio getting higher for the reason we seek: from higher returns. As a result, beginning with our January 2010 rebalance we moved closer to an equal-weighted country/region capital allocation approach.

In addition, in December we added a small allocation to a new US large cap statistical arbitrage strategy, created and overseen by a new quant portfolio manager that has joined our team. This strategy is pure market neutral pairs trading, with an average multi-week hold period. The pairs are strictly matched companies within the same industries – pure neutral (e.g., Pepsi versus Coke – this was a position held last month). The strategy looks for short-term mispricing between these like companies, and plays for mean reversion. In true quant fashion, it is very systematic and well diversified, investing in approximately 45 pairs at any given time. The strategy has been very successful over the past 1.5 years (it was traded at another fund over that period) as it does not rely on fundamentals having to work – and, importantly, it is totally uncorrelated to our fundamental market neutral models. While only 12% of the SMNEF, we do expect this new model to diversify our “fundamentals risk” and also add to our overall returns, thereby further increasing our risk-adjusted performance.

These are two among a number of improvements that we have implemented within the SMNEF over the past year. We are working on more improvements to be implemented in the near future as we strive to stay ahead of the pack within the market neutral equity space.

On the news front, the manager and distributor of the SciVest Funds, Ark Fund Management Ltd., recently merged with Redwood Asset Management Inc. and effective January 2010 will be operating under the Redwood name. This merger of Ark and Redwood has created a management and distribution firm with approximately \$180 million of assets under administration and the scale to compete effectively with almost all firms within the Canadian retail marketplace.

As a progressive start to 2010, SciVest and Redwood launched the SciVest Global Multiple Strategy Fund on December 31, 2009. This new Fund is categorized as a “multi-strategy hedge fund” and as such the Fund is characterized by its ability to allocate capital based on perceived opportunities among a number of different hedge fund strategies. Through the diversification of capital among several different strategies, we seek to deliver consistently positive returns regardless of the directional movement in equity, interest rate, commodity or currency markets. Initially, we expect that the Fund’s assets will be deployed to four distinct hedge fund strategies: global quantitative market neutral equity, US equity statistical arbitrage, closed-end fund arbitrage and global managed futures. These four investment strategies are expected to be approximately uncorrelated to each other, producing significant diversification benefits within the Fund, while at the same time offering the capacity to generate meaningful returns regardless of overall market direction. As the Fund grows in size, we expect to add more lowly correlated investment strategies to the Fund. We will send out marketing materials for this new Fund within the next few weeks.

In closing, we would like to thank all of our investors for their continued support. We continue to strive to deliver consistent returns regardless of market direction, and thereby provide a solid value driver for your overall investment portfolio.

John J. Schmitz

Commissions, trailing commissions, management fees and expenses all may be associated with pooled fund investments. Please read the offering memorandum before investing. The indicated rates of return are the historical annual total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemptions, distributions or optional charges or income taxes payable by any security holder that would have reduced returns. The rates of return are net of all fees and expenses and are used only to illustrate the effects of the compound growth rate and are not intended to reflect future values of the pooled fund or returns on investment in the pooled fund. Pooled funds are not guaranteed, their values change frequently and past performance may not be repeated.