



Lincluden Balanced Fund

Semi-Annual Management Report of Fund Performance For the six months ended June 30, 2010

Dear Investor,

This semi-annual management report of fund performance contains financial highlights but does not contain the complete semi-annual (unaudited) financial statements of the Fund. An *annual* management report of fund performance for the period ended December 31, 2009 and the Fund's annual audited financial statements for the same period are accessible on our website (www.lincluden.com) or through SEDAR at www.sedar.com.

You may receive a copy of the annual or semi-annual financial statements, at your request, and at no cost, by calling 905-825-9000 (1-800-532-7071), by writing to us at Lincluden Management Limited, 1275 North Service Road West, Suite 607, Oakville, Ontario, L6M 3G4 or by visiting our website at www.lincluden.com or SEDAR at www.sedar.com.

You may request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure by contacting us using one of the methods offered above.

*Lincluden Management Limited
Manager of the Lincluden Balanced Fund*

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The objective of the Lincluden Balanced Fund is to create long-term wealth for the Fund's investors using value-based, risk managed disciplines. Success at achieving the Fund's objective requires disciplined asset allocation and security selection approaches.

The development of tactical asset mix policy is an approach that has balanced inputs. It reflects a marrying of top down with bottom up inputs. We consider the valuation of equity markets relative to a risk free rate; which for purposes of the valuation represents long term Government of Canada bond yields. We give consideration to inflation and corporate profitability and the valuation of the bond market itself in this process.

Equally important in final asset allocation policy, and particularly so in the allocation of equities between Canadian equities and foreign equities, is the opportunity set of attractively priced equities that we're identifying on a global basis.

Our portfolio managers screen a broad universe of Canadian, U.S. and international stocks in our ongoing search for undervalued securities. Investment decisions are based on a thorough financial assessment of corporations and their management teams to identify securities that are trading at a substantial discount to our appraisal of their fair value.

Our fixed income portfolios are structured to achieve the most efficient combination of duration, credit, yield curve and foreign exposure from a long-term, risk-reward perspective.

In searching for the best value opportunities in fixed income markets, we consider both domestic and foreign securities. When we find better value opportunities in foreign markets, our preference is to eliminate foreign exchange risk through the use of hedging.

Risk

The overall level of risk of an investment in the Fund remained unchanged throughout the six months ended June 30, 2010 relative to that in 2009 and consistent with the risk discussion in the Fund's simplified prospectus dated April 27, 2010.

Results of Operations

With strong fourth quarter growth continuing into 2010 the first quarter saw equity markets globally march higher as investors reacted favourably to the Fed's holding pattern and signs of life in U.S. labour markets. However, the first quarter's positive momentum drew to a grinding halt in the second quarter and moved sharply into reverse. What didn't change though was volatility with risk on/risk off sentiment changing on almost a daily basis. Mixed economic data in North American was offset by on-going sovereign debt concerns in Europe.

Non-Canadian equity markets fared worse than the Canadian market and our slight tilt toward non-Canadian equities vs. Canadian relative to the benchmark allocation negatively impacted relative performance results. Equity asset class performance was in line with comparative market indices.

For the period, the Canadian equity portfolio benefitted from an overweight to and positive security selection within the Financial sector, led by Intact Financial Corp. and Brookfield Properties. Telecommunications Services was also very positive for the portfolio with Telus and Rogers contributing handsomely. An overweight to Shoppers Drug Mart and CML Healthcare Income Fund weighed on relative results.

In the foreign equity portfolio, an underweight to the Materials sector combined with a positive contribution from security selection helped relative results. Consumer Staples, led by Walgreen, and Health Care detracted from the relative results.

After a positive first quarter, the fixed income portfolio gave back some of the positive momentum it had built up over the past couple of years. A sustained overweight to the corporate sector had a short term negative impact as a flight to quality brought a general widening of corporate spreads relative to Canadas.

The Fund size decreased during the six months from \$42.5 million to \$42.1 million. Operations decreased net assets by \$0.8 million and \$2.4 million of units were redeemed. Subscriptions for new units were \$3.6 million.

Recent Developments

We continue to manage the Fund with equity exposure at the neutral mix and bonds modestly underweight in favour of a small cash position. Within equities we continue to find valuations of companies outside Canada more favourable and maintain a tilt to foreign markets over Canadian with the currency exposure above policy benchmarks being hedged. Although the equity market correction in the second quarter was significant we still believe that equity markets are not fully reflecting the slow outlook and, thus, have not increased our equity weight.

With the correction in corporate bonds during the second quarter, we did add to the sector finding opportunities within the banks' capital structure. With rates declining through the first half we reduced duration, moving to a position of half a year below the benchmark duration, improving the risk characteristics of the portfolio.

Inmet Mining was added to the Canadian equity portfolio with the stock price having come under the general pressure affecting base metals producer, plus feeling investors' wrath over operational setbacks at a new mine in Spain. We took profits in Telus and Rogers Communications, adding to Research in Motion. In the Financial

sector with better price performance from Bank of Montreal we took some profits, reinvesting proceeds into Royal Bank and TD Bank.

BP plc was eliminated from the foreign equity portfolio early in the second quarter; a prudent sale with the stock price falling an additional 40% by the end of the period as investors became increasingly concerned with the fallout from the Gulf of Mexico oil spill.

Dell was eliminated based on strong price movement to the point where return to target became less attractive relative to other opportunities. Accenture, a leading competitor in the highly fragmented information technology industry was added.

Eli Lilly was added. The defensive nature of the stock combined with a good dividend yield, our forecast for a stable dividend, plus an attractive valuation even allowing for upcoming patent expiries makes for an attractive investment opportunity.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Lincluden Balanced Fund and are intended to help you understand the Fund's financial performance for the six-month period ended June 30, 2010 and for the past 5 financial years ended December 31. This information is derived from the Fund's unaudited interim financial statement and the audited annual financial statements.

Series A (Series A units established July 20, 2007)

| | Interim (June 2010) | 2009 | 2008 | 2007 | | |
|--|------------------------|---------|---------|---------|--|--|
| Net Assets, beginning of period | \$11.92 | \$10.57 | \$12.35 | \$13.66 | | |
| Increase (decrease) from operations: | | | | | | |
| Total revenue | \$0.21 | \$0.39 | \$0.47 | \$0.19 | | |
| Total expenses | -\$0.12 | -\$0.22 | -\$0.23 | -\$0.12 | | |
| Realized gains (losses) for the period | \$0.05 | -\$0.42 | -\$0.22 | \$0.41 | | |
| Unrealized gains (losses) for the period | -\$0.48 | \$1.66 | -\$1.82 | -\$0.86 | | |
| Total increase (decrease) from operations ¹ | -\$0.34 | \$1.41 | -\$1.80 | -\$0.38 | | |
| Distributions: | | | | | | |
| From income (excluding dividends) | \$0.04 | \$0.08 | \$0.26 | \$0.51 | | |
| From dividends | \$0.05 | \$0.09 | \$0.11 | \$0.10 | | |
| From capital gains | \$0.00 | \$0.00 | \$0.00 | \$0.58 | | |
| Return of capital | NIL | NIL | NIL | NIL | | |
| Total distributions ^{2,3} | \$0.09 | \$0.17 | \$0.37 | \$1.19 | | |
| Net assets, end of period | \$11.51 | \$11.92 | \$10.57 | \$12.35 | | |

Series O

| | Interim (June 2010) | 2009 | 2008 | 2007 | 2006 | 2005 |
|--|------------------------|---------|---------|---------|---------|---------|
| Net Assets, beginning of period | \$12.37 | \$10.98 | \$12.66 | \$13.63 | \$12.72 | \$12.57 |
| Increase (decrease) from operations: | | | | | | |
| Total revenue | \$0.21 | \$0.41 | \$0.47 | \$0.45 | \$0.41 | \$0.37 |
| Total expenses | -\$0.01 | -\$0.02 | -\$0.02 | -\$0.02 | -\$0.02 | -\$0.02 |
| Realized gains (losses) for the period | \$0.05 | -\$0.44 | -\$0.23 | \$0.42 | \$0.92 | \$0.39 |
| Unrealized gains (losses) for the period | -\$0.47 | \$1.84 | -\$1.42 | -\$1.10 | \$0.32 | -\$0.08 |
| Total increase (decrease) from operations ¹ | -\$0.22 | \$1.79 | -\$1.20 | -\$0.25 | \$1.63 | \$0.66 |

| Distributions: | Interim (June 2010) | 2009 | 2008 | 2007 | 2006 | 2005 |
|------------------------------------|------------------------|---------|---------|---------|---------|---------|
| From income (excluding dividends) | \$0.16 | \$0.30 | \$0.36 | \$0.35 | \$0.33 | \$0.25 |
| From dividends | \$0.06 | \$0.11 | \$0.08 | \$0.06 | \$0.08 | \$0.05 |
| From capital gains | \$0.00 | \$0.00 | \$0.00 | \$0.35 | \$0.29 | \$0.23 |
| Return of capital | NIL | NIL | NIL | NIL | NIL | NIL |
| Total distributions ^{2,3} | \$0.21 | \$0.41 | \$0.44 | \$0.76 | \$0.70 | \$0.53 |
| Net assets, end of period | \$11.94 | \$12.37 | \$10.98 | \$12.66 | \$13.63 | \$12.72 |

¹Net asset value 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 number of units outstanding over the financial period.

²Distributions were reinvested in additional units of the Fund.

³The Fund's prospectus provides that, "Each calendar year, the Fund distributes net income and net realized capital gains to Unitholders of the Fund to the extent necessary to ensure the Fund does not pay ordinary income tax. Distributions of income may be made periodically throughout the year on a schedule to be determined by the Manager. Distributions of capital gains are normally made in December of each year. At a minimum, the Fund will effect a distribution on the last business day of the year. Distributions from the Fund will be automatically reinvested in Units of the Fund." Currently net income is distributed on a quarterly basis and net capital gains during the month of December.

Ratios and Supplemental Data – Series A (Series A units established July 20, 2007)

| | Interim (June 2010) | 2009 | 2008 | 2007 | | |
|--|------------------------|---------|---------|---------|--|--|
| Net asset value (000s) | \$2,541 | \$2,562 | \$2,428 | \$1,249 | | |
| Number of units outstanding | 220,726 | 214,905 | 229,775 | 101,218 | | |
| Management expense ratio (%) ¹ | 2.00% | 1.99% | 2.01% | 1.98% | | |
| Management expense ratio before absorptions (%) ¹ | 2.38% | 2.35% | 2.51% | 2.69% | | |
| Portfolio turnover rate (%) ² | 24.09% | 62.32% | 50.70% | 58.78% | | |
| Trading expense ratio (%) ³ | 0.05% | 0.08% | 0.06% | 0.05% | | |
| Net asset value per unit | 11.52 | 11.96 | 10.61 | 12.36 | | |

Ratios and Supplemental Data – Series O

| | Interim (June 2010) | 2009 | 2008 | 2007 | 2006 | 2005 |
|--|------------------------|-----------|-----------|-----------|-----------|-----------|
| Net asset value (000s) | \$39,600 | \$39,905 | \$37,807 | \$51,505 | \$47,504 | \$55,727 |
| Number of units outstanding | 3,316,703 | 3,225,227 | 3,443,116 | 4,068,864 | 3,479,774 | 4,382,041 |
| Management expense ratio (%) ¹ | 1.99% | 1.99% | 2.01% | 1.99% | 1.99% | 2.02% |
| Management expense ratio before absorptions (%) ¹ | 2.37% | 2.36% | 2.50% | 2.31% | 2.12% | 2.11% |
| Portfolio turnover rate (%) ² | 24.09% | 62.32% | 50.70% | 58.78% | 61.38% | 42.36% |
| Trading expense ratio (%) ³ | 0.05% | 0.08% | 0.06% | 0.05% | 0.09% | 0.09% |
| Net asset value per unit | 11.95 | 12.41 | 11.03 | 12.67 | 13.63 | 12.72 |

¹ Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. It assumes the maximum management fee allowed for in the Fund's Simplified Prospectus.

² The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor 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 gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period. The calculation of the trading expense ratio is a more recent requirement, therefore data has not been provided prior to 2004 as it is not readily available.

PAST PERFORMANCE

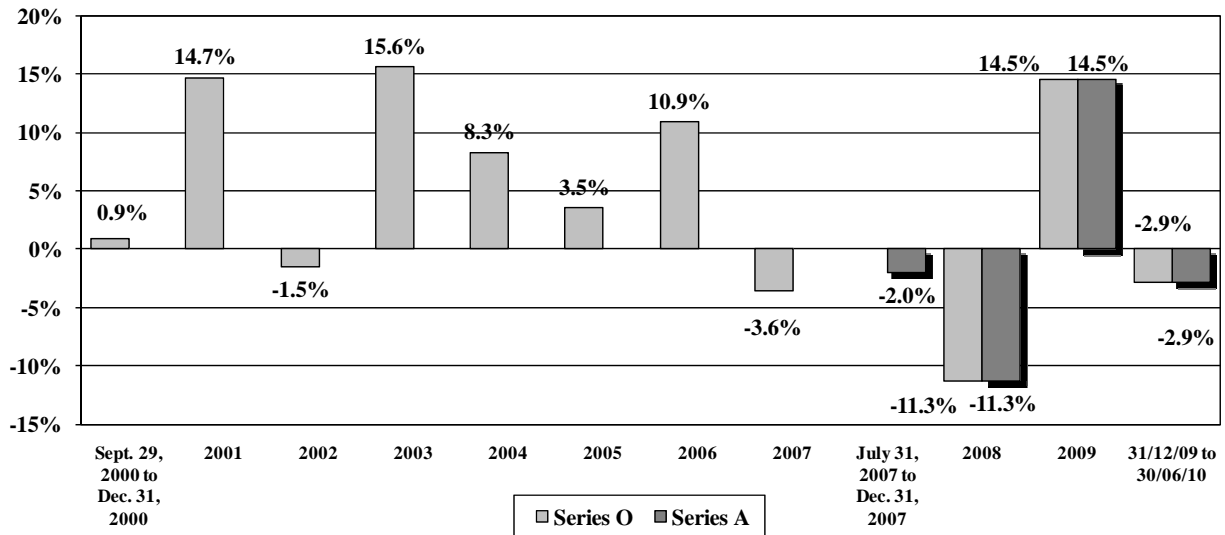
The performance information shown below assumes that all distributions made by the Fund were reinvested in additional units of the Fund. It does not take into account sales, redemption, distribution or other optional charges that, if applicable, would have reduced returns or performance. The returns are presented net of the maximum management fee that may be charged to an investor. Therefore, the net returns to some investors will be higher than that presented below.

The return on mutual funds is not guaranteed. How the Fund performed in the past does not necessarily indicate how it will perform in the future.

Although the start-up date of the Fund was March 3, 2000, the Fund did not start trading in securities until September 29, 2000.

Year-by-Year Returns

The following bar chart shows the Fund’s performance for each of the periods shown, and illustrates how the Fund’s performance has changed from year to year. The chart shows, in percentage terms, how much an investment in the Fund held on the last day of the prior period would have grown or decreased by the last day of each period.



| |
|---|
| SUMMARY OF INVESTMENT PORTFOLIO as at June 30, 2010 |
|---|

| Sector Mix | % of Fund's Net Asset Value ¹ | |
|----------------------------------|--|-------|
| Cash & Short Term | 1.9% | |
| Fixed Income | 37.9% | |
| Canadian | 37.9% | |
| Federal | | 12.7% |
| Provincial | | 8.3% |
| Corporate | | 16.9% |
| Equities | 59.4% | |
| Canadian | 27.4% | |
| Energy | | 6.7% |
| Materials | | 2.8% |
| Industrials | | 1.9% |
| Consumer Discretionary | | 1.9% |
| Consumer Staples | | 0.9% |
| Health Care | | 0.5% |
| Financials | | 9.0% |
| Information Technology | | 1.1% |
| Telecommunication Services | | 2.5% |
| U.S. | 16.3% | |
| Energy U.S. | | 1.9% |
| Materials U.S. | | 0.9% |
| Industrials U.S. | | 2.1% |
| Consumer Discretionary U.S. | | 1.5% |
| Consumer Staples U.S. | | 1.2% |
| Health Care U.S. | | 2.7% |
| Financials U.S. | | 1.8% |
| Information Technology U.S. | | 2.7% |
| Telecommunications Services U.S. | | 0.7% |
| Utilities U.S. | | 0.7% |
| International | 15.7% | |
| Finland | | 0.5% |
| France | | 2.1% |
| Germany | | 1.6% |
| Hong Kong | | 0.6% |
| Ireland | | 0.6% |
| Japan | | 3.3% |
| Netherlands | | 1.0% |
| South Korea | | 0.7% |
| Switzerland | | 1.3% |
| United Kingdom | | 4.2% |
| Other Net Assets | 0.8% | |
| | <u>100.0%</u> | |

¹ This refers to transactional Net Asset Value; therefore weightings presented in the Statement of Investments will differ from the ones disclosed above.

| Top 25 Issues as at June 30, 2010 | % of Fund's Net Asset Value |
|--|--------------------------------|
| Canada Housing Trust, Series '23', 4.100%, 15/12/18 | 3.5% |
| Canada Housing Trust, Series '27', Variable Rate, 1.229%, 15/09/14 | 3.3% |
| Province of Quebec, 4.500%, 01/12/18 | 2.3% |
| Government of Canada Treasury Bill, 0.500%, 02/09/10 | 1.9% |
| Canada Housing Trust No. 1, 4.550%, 15/12/12 | 1.8% |
| Royal Bank of Canada | 1.7% |
| Canada Housing Trust No. 1, 3.950%, 15/12/11 | 1.7% |
| Barrick Gold Corp. | 1.7% |
| Bank of Montreal, 5.450%, 17/07/17 | 1.6% |
| Suncor Energy Inc. | 1.5% |
| Toronto-Dominion Bank (The) | 1.4% |
| Province of Manitoba, 5.700%, 05/03/37 | 1.3% |
| Province of Ontario, 4.700%, 02/06/37 | 1.2% |
| Manulife Financial Corp. | 1.2% |
| Province of Ontario, Series 'KJ', 7.600%, 02/06/27 | 1.1% |
| Thomson Reuters Corp. | 1.1% |
| Intact Financial Corp. | 1.1% |
| Canada Housing Trust No. 1, Series '25', Variable Rate, 1.359%, 15/03/14 | 1.1% |
| Research In Motion Ltd. | 1.1% |
| Canada Housing Trust No. 1, 3.750%, 15/03/20 | 1.0% |
| Canadian Natural Resources Ltd. | 1.0% |
| Bank of Nova Scotia | 1.0% |
| BCE Inc. | 1.0% |
| Bank of Montreal | 1.0% |
| Manulife Financial Corp., Callable, 5.505%, 26/06/18 | 0.9% |

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. Quarterly updates on the Fund's holdings may be obtained free of charge by calling us at 905-825-9000 (1-800-532-7071), or by writing us at Lincluden Management Limited, 1275 North Service Road West, Suite 607, Oakville, Ontario, L6M 3G4, or by visiting our website at www.lincluden.com.