

Financial Statements

Lincluden Balanced Fund

December 31, 2009

To the Unitholders of
Lincluden Balanced Fund

We have audited the statements of investments of **Lincluden Balance Fund** [the “Fund”] as at December 31, 2009, the statements of net assets as at December 31, 2009 and 2008 and the statements of operations and changes in net assets for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the investments of the Fund as at December 31, 2009, its net assets as at December 31, 2009 and 2008 and the results of its operations and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
March 24, 2010.

Ernst + Young LLP

Chartered Accountants
Licensed Public Accountants

Lincluden Balanced Fund

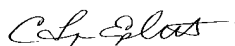
STATEMENT OF NET ASSETS

As at December 31

	2009	2008
	\$	\$
ASSETS		
Investments	41,552,150	38,659,027
Cash	710,101	793,148
Accrued investment income	168,617	232,707
Subscriptions receivable	1,790	139,467
Receivable for securities sold	-	490,435
Net unrealized gain on foreign exchange forward contracts <i>[note 4]</i>	44,002	-
	42,476,660	40,314,784
LIABILITIES		
Accrued expenses	9,316	9,739
Net unrealized loss on foreign exchange forward contracts <i>[note 4]</i>	-	70,002
	9,316	79,741
Net assets representing unitholders' equity	42,467,344	40,235,043
Total net assets per Class		
Class A	2,562,162	2,427,978
Class O	39,905,182	37,807,065
Units outstanding by Class <i>[note 3]</i>		
Class A	214,905	229,775
Class O	3,225,227	3,443,117
Net Assets per unit per Class <i>[note 8]</i>		
Class A	\$ 11.92	\$ 10.57
Class O	\$ 12.37	\$ 10.98

See accompanying notes

On behalf of the Fund Manager,
Lincluden Management Limited, as Trustee:



C. Lynn Eplett
Vice President



Richard Wong
Vice President

Lincluden Balanced Fund

STATEMENT OF OPERATIONS

For the year ended December 31

	2009	2008
	\$	\$
INCOME		
Interest	687,458	1,145,481
Dividends	798,295	696,352
	1,485,753	1,841,833
EXPENSES <i>[note 5]</i>		
Management fees	42,641	34,272
Custodian	28,710	25,755
Audit	58,805	53,148
Operating	160,965	186,526
Goods and Services Tax	11,903	12,290
	303,024	311,992
Expenses waived or absorbed by manager <i>[note 5]</i>	(195,679)	(196,539)
	107,345	115,453
Net investment income	1,378,408	1,726,380
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND TRANSACTION COSTS		
Net realized loss on sale of investments	(1,805,536)	(1,045,686)
Net realized gain on foreign exchange forward contracts	309,605	25,464
Net realized and unrealized gain (loss) on foreign exchange	(57,639)	137,270
Transaction costs <i>[note 6]</i>	(32,997)	(29,593)
Change in unrealized appreciation (depreciation) in the value of investments	6,490,179	(5,549,160)
Change in unrealized appreciation (depreciation) on foreign exchange forward contracts <i>[note 4]</i>	114,004	(87,462)
Net gain (loss) on investments and transaction costs	5,017,616	(6,549,167)
Increase (decrease) in net assets resulting from operations	6,396,024	(4,822,787)
Increase (decrease) in net assets from operations per Class		
Class A	312,428	(308,724)
Class O	6,083,596	(4,514,063)
Increase (decrease) in net assets from operations per unit per Class		
Class A	\$ 1.41	\$ (1.80)
Class O	\$ 1.79	\$ (1.20)

See accompanying notes

Lincluden Balanced Fund

STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31

Class A

	2009	2008
	\$	\$
Net assets, beginning of year	2,427,978	1,249,981
Increase (decrease) in net assets resulting from operations	312,428	(308,724)
DISTRIBUTIONS TO INVESTORS		
From net investment income	(39,079)	(71,406)
	(39,079)	(71,406)
CAPITAL UNIT TRANSACTIONS [note 3]		
Proceeds from subscriptions	616,554	1,641,359
Reinvested distributions	39,079	71,406
Payments on redemptions	(794,798)	(154,638)
	(139,165)	1,558,127
Increase in net assets for the year	134,184	1,177,997
Net assets, end of year	2,562,162	2,427,978

See accompanying notes

Class O

	2009	2008
	\$	\$
Net assets, beginning of year	37,807,065	51,505,155
Increase (decrease) in net assets resulting from operations	6,083,596	(4,514,063)
DISTRIBUTIONS TO INVESTORS		
From net investment income	(1,376,380)	(1,644,284)
	(1,376,380)	(1,644,284)
CAPITAL UNIT TRANSACTIONS [note 3]		
Proceeds from subscriptions	4,865,802	2,887,608
Reinvested distributions	1,363,258	1,633,353
Payments on redemptions	(8,838,159)	(12,060,704)
	(2,609,099)	(7,539,743)
Increase (decrease) in net assets for the year	2,098,117	(13,698,090)
Net assets, end of year	39,905,182	37,807,065

See accompanying notes

Lincluden Balanced Fund

STATEMENT OF INVESTMENTS

As at December 31, 2009

	Number of Shares	Average Cost \$	Fair Value \$
COMMON AND PREFERRED SHARES — 60.74%			
CANADIAN EQUITIES — 28.52%			
Capital Goods — 1.30%			
Bombardier Inc., Class 'B'	57,030	315,954	273,174
CAE Inc.	31,760	211,855	276,947
		527,809	550,121
Consumer Discretionary — 2.15%			
Shaw Communications Inc.	18,800	367,646	406,080
Thomson Reuters Corp.	14,945	556,510	506,636
		924,156	912,716
Consumer Staples — 0.88%			
Shoppers Drug Mart Corp.	8,250	355,465	374,468
		355,465	374,468
Energy — 8.63%			
ARC Energy Trust	17,255	330,622	344,065
Cameco Corp.	8,080	193,601	273,185
Canadian Natural Resources Ltd.	5,655	267,604	427,914
Cenovus Energy Inc.	7,440	189,765	196,862
EnCana Corp.	7,440	208,565	253,332
Husky Energy Inc.	8,780	245,986	263,576
Penn West Energy Trust	19,460	405,784	360,399
Suncor Energy Inc.	17,510	572,826	649,796
Talisman Energy Inc.	22,420	315,443	438,311
TransCanada Corp.	12,670	393,691	458,020
		3,123,887	3,665,460
Financials — 9.94%			
Bank of Montreal	12,470	535,811	695,701
Bank of Nova Scotia	9,690	356,876	476,651
Brookfield Properties Corp.	25,760	358,135	327,925
Intact Financial Corp.	12,670	418,518	467,270
Manulife Financial Corp.	32,780	784,130	632,654
Royal Bank of Canada	11,760	475,022	662,794
Sun Life Financial Inc.	13,760	511,624	415,139
Toronto-Dominion Bank (The)	8,250	454,288	544,005
		3,894,404	4,222,139
Health Care — 0.73%			
CML Healthcare Income Fund	22,295	303,682	307,894
		303,682	307,894
Information Technology — 0.48%			
March Networks Corp.	7,395	145,354	29,358
Research In Motion Ltd.	2,480	130,793	175,981
		276,147	205,339

Materials — 1.04%			
Barrick Gold Corp.	10,618	367,265	439,585
		367,265	439,585
Telecommunication Services — 2.71%			
BCE Inc.	14,025	312,079	406,024
Rogers Communications Inc., Class 'B'	13,245	434,529	431,257
Telus Corp.	9,215	350,497	313,679
		1,097,105	1,150,960
Transportation — 0.66%			
WestJet Airlines Ltd.	22,740	267,168	280,612
		267,168	280,612
TOTAL CANADIAN EQUITIES — 28.52%		11,137,088	12,109,294
UNITED STATES EQUITIES — 16.74%			
Consumer Discretionary — 1.87%			
Comcast Corp., Class 'A'	17,622	452,378	311,472
eBay Inc.	9,380	183,790	231,284
Lowes Cos. Inc.	10,184	322,720	249,614
		958,888	792,370
Consumer Staples — 1.38%			
Coca-Cola Co.	4,503	232,106	268,939
Walgreen Co.	8,255	263,187	317,433
		495,293	586,372
Energy — 1.76%			
Chevron Corp.	3,329	246,683	268,587
Devon Energy Corp.	3,195	210,395	246,187
ExxonMobil Corp.	3,270	243,023	233,522
		700,101	748,296
Financials — 1.58%			
Aon Corp.	2,180	73,159	87,622
Bank of America Corp.	12,840	170,902	202,720
MetLife Inc.	6,735	311,194	249,594
Wells Fargo & Co.	4,624	133,957	130,594
		689,212	670,530
Health Care — 2.80%			
Johnson & Johnson	2,841	209,321	191,598
Pfizer Inc.	13,145	312,609	250,668
Quest Diagnostics Inc.	3,860	215,854	244,295
Thermo Fisher Scientific Inc.	4,976	235,401	248,518
Zimmer Holdings Inc.	4,103	254,399	254,083
		1,227,584	1,189,162
Industrials — 1.99%			
3M Co.	2,073	165,766	179,487
Brink's Co. (The)	5,120	142,822	130,646
Danaher Corp.	3,347	214,239	263,864
Honeywell International Inc.	6,595	282,141	270,885
		804,968	844,882

Information Technology — 3.41%

Applied Materials Inc.	18,180	283,057	265,492
Cisco Systems Inc.	11,382	248,019	285,660
Dell Inc.	12,645	222,902	190,097
Microsoft Corp.	11,664	323,206	372,708
Oracle Corp.	13,056	274,508	335,885
		1,351,692	1,449,842

Materials — 0.50%

E.I. du Pont de Nemours & Co.	6,058	253,871	213,771
		253,871	213,771

Telecommunications Services — 0.77%

Verizon Communications Inc.	9,418	341,074	327,104
		341,074	327,104

Utilities — 0.68%

Southern Co. (The)	8,275	280,549	288,794
		280,549	288,794

TOTAL UNITED STATES EQUITIES — 16.74%

7,103,232 **7,111,123**

INTERNATIONAL EQUITIES — 15.48%**Finland — 0.38%**

Nokia OYJ, ADR	12,064	221,114	162,391
		221,114	162,391

France — 2.40%

AXA, ADR	8,588	273,509	212,566
Carrefour SA	4,090	210,330	206,456
France Télécom SA, ADR	6,281	171,655	161,852
Sanofi-Aventis, ADR	5,696	260,935	229,959
TOTAL SA, ADR	3,146	198,576	205,934
		1,115,005	1,016,767

Germany — 1.79%

BASF SE	4,110	190,640	260,878
Munchener Rueckversicherungs-Gesellschaft AG, Registered	2,040	319,734	324,146
Siemens AG, ADR	1,894	189,977	176,220
		700,351	761,244

Japan — 3.60%

Keyence Corp.	1,393	295,265	300,400
Nintendo Co. Ltd.	1,330	384,881	329,948
NTT DoCoMo Inc., ADR	22,326	373,411	313,399
Panasonic Corp., ADR	20,959	372,688	314,425
Toyota Motor Corp.	3,139	281,574	270,041
		1,707,819	1,528,213

Netherlands — 1.20%

ING Groep NV, ADR	23,417	367,288	233,218
Koninklijke Philips Electronics NV, ADR	8,963	266,943	276,629
		634,231	509,847

South Korea — 0.56%

Samsung Electronics Co. Ltd., GDR	665	217,189	238,426
		217,189	238,426

Switzerland — 1.53%

ABB Ltd., ADR	14,510	254,202	290,541
Nestlé SA, ADR, Registered	7,108	270,605	360,288
		524,807	650,829

United Kingdom — 4.02%

Barclays PLC, ADR	7,361	219,171	135,818
BG Group PLC	13,285	225,501	252,231
BP PLC, ADR	2,899	214,005	176,180
Diageo PLC, ADR	2,540	141,692	184,692
GlaxoSmithKline PLC, ADR	5,935	322,576	262,878
HSBC Holdings PLC, ADR	3,875	270,104	231,636
Standard Life PLC	78,545	346,807	287,749
Wolseley PLC	8,324	324,034	175,585
		2,063,890	1,706,769

TOTAL INTERNATIONAL EQUITIES — 15.48%		7,184,406	6,574,486
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TOTAL EQUITIES — 60.74%		25,424,726	25,794,903
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	Par Value \$	Average Cost \$	Fair Value \$
BONDS — 35.69%			
Government of Canada — 12.97%			
Canada Housing Trust No. 1, 3.950%, 15/12/11	2,220,000	2,337,732	2,320,352
Canada Housing Trust No. 1, 4.550%, 15/12/12	595,000	625,483	634,255
Canada Housing Trust, Series '23', 4.100%, 15/12/18	1,590,000	1,650,094	1,618,801
Government of Canada, 3.500%, 15/12/18	130,000	135,148	135,175
Government of Canada, 4.500%, 01/06/15	320,000	346,784	345,784
Government of Canada, 5.000%, 01/06/37	394,000	458,874	453,396
		5,554,115	5,507,763

Provincial Government — 7.98%

Province of Manitoba, 5.700%, 05/03/37	460,000	533,956	521,818
Province of New Brunswick, 4.550%, 26/03/37	195,000	188,653	185,089
Province of Ontario, 4.500%, 08/03/15	224,000	239,275	238,073
Province of Ontario, 4.300%, 08/03/17	330,000	319,490	341,595
Province of Ontario, 4.200%, 08/03/18	160,000	163,496	162,275
Province of Ontario, 4.700%, 02/06/37	330,000	326,302	325,139
Province of Ontario, Series 'KJ', 7.600%, 02/06/27	340,000	468,202	448,179
Province of Quebec, 4.500%, 01/12/18	855,000	848,726	873,658
Province of Quebec, 5.000%, 01/12/38	290,000	298,320	295,110
		3,386,420	3,390,936

Municipal Government — 0.08%

Greater Toronto Airport Authority, Series '2004-1', 6.470%, 02/02/34	30,000	33,561	32,588
		33,561	32,588

Corporate — 13.72%

407 International Inc., Series '07-A2', Callable, 4.900%, 04/10/10	130,000	132,093	133,780
Bank of Montreal, 5.450%, 17/07/17	482,000	479,288	527,095
Bank of Nova Scotia, 5.040%, 08/04/13	160,000	159,971	171,097
Bank of Nova Scotia, 4.560%, 30/10/13	192,000	186,732	202,602
Bank of Nova Scotia, 6.650%, 22/01/21	100,000	99,983	113,454

	Par Value \$	Average Cost \$	Fair Value \$
Bank of Nova Scotia, Callable, Variable Rate, 4.940%, 15/04/19	110,000	109,966	116,377
Bell Canada, Callable, 4.850%, 30/06/14	160,000	162,891	167,921
Cameco Corp., Series 'D', Callable, 5.670%, 02/09/19	50,000	50,212	50,834
Canadian Imperial Bank of Commerce, Callable, 4.750%, 22/12/14	150,000	154,800	159,034
Canadian Tire Corp. Ltd., Callable, 5.650%, 01/06/16	25,000	24,990	26,945
Cards II Trust, Class '4A', Series '2005-5', 3.870%, 15/10/10	250,000	242,295	255,404
Citigroup Finance Canada Inc., 4.900%, 13/11/12	90,000	89,896	91,575
Citigroup Finance Canada Inc., 6.750%, 22/09/14	90,000	89,921	96,181
CU Inc., Callable, 4.800%, 22/11/21	70,000	64,561	68,269
Enbridge Inc., Callable, 5.000%, 09/08/16	200,000	194,998	210,432
Enbridge Pipelines Inc., Callable, 4.490%, 12/11/19	140,000	139,888	139,489
Golden Credit Card Trust, Series '2008-1', 5.110%, 15/04/11	70,000	70,000	72,999
Honda Canada Finance Inc., 5.680%, 26/09/12	100,000	100,000	106,752
Hydro One Inc., 6.400%, 01/12/11	100,000	103,250	108,454
Hydro One Inc., Callable, 6.350%, 31/01/34	60,000	61,221	66,277
Hydro One Inc., Callable, 5.490%, 16/07/40	50,000	49,934	49,523
Loblaw Cos. Ltd., 6.150%, 29/01/35	100,000	105,570	92,734
Master Credit Card Trust, Class 'A', Series '2006-2', 4.444%, 21/11/11	100,000	99,473	104,424
Nova Scotia Power Inc., Series 'U', Callable, 4.220%, 17/05/10	300,000	299,961	303,521
Rogers Communications Inc., Callable, 5.800%, 26/05/16	125,000	124,709	133,509
Royal Bank of Canada, 4.530%, 07/05/12	100,000	97,385	105,283
Royal Bank of Canada, 5.950%, 18/06/03	100,000	101,648	107,607
Scotiabank Tier I Trust, Variable Rate, Callable, 7.802%, 30/06/08	35,000	35,000	41,219
Shaw Communications Inc., Callable, 5.650%, 01/10/19	160,000	159,493	160,875
Telus Corp., Series 'CD', 4.950%, 15/03/17	200,000	199,072	202,875
Telus Corp., Series 'CG', Callable, 5.050%, 04/12/19	125,000	124,274	121,866
Thomson Reuters Corp., Callable, 5.250%, 15/07/11	100,000	99,765	105,239
Toronto-Dominion Bank (The), Variable Rate, Callable, 4.970%, 30/10/04	100,000	94,633	102,699
Toronto-Dominion Bank (The), Variable Rate, Callable, 4.779%, 14/12/05	100,000	86,276	99,909
TransAlta Corp., Callable, 6.900%, 01/06/11	250,000	282,915	263,270
TransCanada PipeLines Ltd., 11.100%, 20/06/14	200,000	263,778	257,234
TransCanada PipeLines Ltd., 7.900%, 15/04/27	80,000	93,008	97,100
TransCanada PipeLines Ltd., Series 'W', 9.450%, 20/03/18	100,000	131,318	131,585
Wells Fargo Financial Canada Corp., Callable, 4.330%, 06/12/13	310,000	297,092	319,646
Westcoast Energy Inc., Series 'W', 7.300%, 18/12/26	125,000	122,360	143,255
		5,584,620	5,828,344
United States Bonds — 0.54%			
American International Group Inc., 4.900%, 02/06/14	35,000	34,996	26,950
Bank of America Corp., 5.450%, 17/09/14	100,000	99,908	104,125
Bank of America Corp., 4.360%, 21/09/15	100,000	93,319	98,000
		228,223	229,075
International Bonds — 0.40%			
Kreditanstalt fuer Wiederaufbau (KfW), 4.300%, 24/05/12	160,000	159,843	168,698
		159,843	168,698
TOTAL BONDS — 35.69%		14,946,782	15,157,404

SHORT-TERM NOTES — 1.41%

Government of Canada Treasury Bill, 0.370%, 18/02/10	600,000	599,706	599,843
		599,706	599,843

TRANSACTION COSTS**(27,334)****TOTAL INVESTMENT PORTFOLIO — 97.84%****40,943,880****41,552,150****TOTAL UNREALIZED GAIN ON FORWARD CONTRACTS — 0.11%****44,002****OTHER ASSETS, NET OF LIABILITIES — 2.05%****871,192****NET ASSETS — 100.00%****42,467,344**

SUMMARY OF INVESTMENT PORTFOLIO
as at December 31, 2008

The following is a summary of the Fund's investment portfolio as at December 31, 2008:

Sector Mix	% of Fund's Net Assets	
Cash & Short Term	2.0%	
Fixed Income	33.0%	
Federal	7.2%	
Provincial	8.7%	
Corporate	17.1%	
Equities	63.1%	
Canadian	29.1%	
Capital Goods	0.9%	
Consumer Discretionary	3.5%	
Energy	6.9%	
Financials	9.6%	
Health Care	1.1%	
Info Tech	0.1%	
Materials	2.0%	
Telecom. Services	4.0%	
Transportation	1.0%	
United States	18.7%	
Consumer Discretionary	2.8%	
Consumer Staples	1.4%	
Energy	1.4%	
Financials	2.0%	
Health Care	3.5%	
Industrials	2.0%	
Info Tech	3.5%	
Materials	1.5%	
Telecom. Services	0.6%	
International	15.3%	
Finland	0.8%	
France	2.5%	
Germany	0.8%	
Ireland	0.6%	
Japan	2.6%	
Mexico	0.3%	
Netherlands	1.0%	
South Korea	0.6%	
Switzerland	0.9%	
United Kingdom	5.2%	
Other Net Assets	1.9%	
	<u>100.0%</u>	

Lincluden Balanced Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

1. ESTABLISHMENT OF THE FUND

The Lincluden Balanced Fund (the "Fund") is an open-end mutual fund trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated February 23, 2000. The Fund commenced operations on September 29, 2000. Lincluden Management Limited acts as the Trustee and Investment Manager of the Fund (the "Fund Manager").

The investment objective of the Fund is to generate both capital appreciation and income, while maintaining a relatively low level of risk. To achieve its objectives, the Fund invests in a diverse portfolio of stocks, government and corporate bonds, and short-term instruments such as Government of Canada treasury bills.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and include estimates and assumptions by management that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. The following is a summary of the significant accounting policies followed by the Fund.

The Canadian Accounting Standards Board issued an amendment to the Canadian Institute of Chartered Accountants ["CICA"] Section 3862, Financial Instruments - Disclosures ["Section 3862"], which applies to fiscal years ending after September 30, 2009. The amendment introduces a fair value hierarchy in the classification of the Fund's assets and liabilities based on the relative observable inputs used to value the Fund's assets and liabilities. Such disclosure is provided in Note 7. It has no impact on the Net Assets or the Net Asset Value of the Fund.

Investments

Investments are recorded in the accounts at their fair value in Canadian currency with the difference between this amount and the average cost being shown as unrealized appreciation (depreciation) of investments. The realized gain or loss on sale of investments is calculated with reference to the average cost of the related investments.

The fair value of investments is determined as follows:

Investments in securities listed on a public securities exchange or traded on an over-the-counter market are valued at the last sale or closing bid price for long positions and ask price for short positions. Securities with no available closing bid prices are valued at the last sale or close price. In respect of any unlisted or non-exchange traded securities, or securities for which a closing bid price or last sale or close price are unavailable or securities for which market quotations are, in the Fund Manager's opinion, inaccurate, unreliable, or not reflective of all available material information, such securities are valued at their fair value as determined by the Fund Manager. Short-term notes are valued at closing bid price. If the closing bid price is not available, such short-term notes are valued at cost plus accrued interest, which approximates fair value.

Investment transactions and income recognition

The Fund follows the accrual method of recording investment income and expenses. Security transactions are recorded on the trade date. Dividends are accrued as of the ex-dividend date. Stock dividends are recorded in income based on the fair value of the security on the ex-dividend date.

Commissions and other transaction costs

Commissions and other transaction costs are incremental costs that are directly attributable to the acquisition, issue, or disposal of an investment, which include fees and commissions paid to agents, advisors, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Commissions and transaction costs are included as expenses in the 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 commissions and other transaction costs.

Foreign currency translation

The fair values of foreign currency denominated investments are translated into Canadian dollars using the prevailing rate of exchange on each valuation date. Income, expenses and investment transactions in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on the respective dates of such transactions. Foreign currency gains and losses resulting from these translations are separately disclosed in the statement of operations.

Income taxes

The Fund presently qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada), and accordingly, is not taxed on the portion of its taxable income, which is paid or payable to unitholders at the end of the taxation year. The Fund pays out sufficient net income and net realized capital gains so that it will not be subject to income taxes. Accordingly, no provision for income taxes has been made in these financial statements.

Capital losses incurred by the Fund cannot be allocated to unitholders but may be carried forward indefinitely to reduce future realized capital gains. As at December 31, 2009, the Fund has no non-capital losses (2008 – nil) and has approximate capital losses carrying forward of \$1,810,892 (2008 - \$163,439).

Unitholders

For each Fund unit sold, the Fund receives an amount equal to the Net Asset Value per unit at the date of sale, which amount is included in unitholders' equity. Units are redeemable at the option of unitholders at their Net Asset Value on the redemption date. For each unit redeemed, unitholders' equity is reduced by the Net Asset Value of the unit at the date of redemption.

3. UNITHOLDERS' EQUITY

Unitholders' equity consists of amounts paid for units, unrealized appreciation (depreciation) of investments, undistributed realized net capital gains and income, less amounts paid for redemptions.

Unit transactions for the years ended December 31, 2009 and 2008 are as follows:

	Class A			
	December 31, 2009		December 31, 2008	
	Number of units	Amount \$	Number of units	Amount \$
Subscriptions	56,542	616,554	136,764	1,641,359
Distributions reinvested	3,549	39,079	6,287	71,406
Redemptions	74,961	794,798	14,494	154,638

The number of issued and outstanding Class A units as at December 31, 2009 is 214,905 [December 31, 2008 – 229,775].

	Class O			
	December 31, 2009		December 31, 2008	
	Number of units	Amount \$	Number of units	Amount \$
Subscriptions	439,182	4,865,802	244,476	2,887,608
Distributions reinvested	116,887	1,363,258	137,257	1,633,353
Redemptions	773,959	8,838,159	1,007,479	12,060,704

The number of issued and outstanding Class O units as at December 31, 2009 is 3,225,227 [December 31, 2008 – 3,443,117].

4. FOREIGN EXCHANGE FORWARD CONTRACTS

The Fund may utilize foreign exchange forward contract hedging in the management of currency risk associated with its investment in foreign securities. The objective is to protect the Fund from the possibility of capital losses on foreign currency denominated investments due to increases in the value of the Canadian dollar. However, credit and currency risks associated with foreign exchange forward contracts potentially expose the Fund to losses.

In order to minimize the possibility of loss arising from credit risk, the Fund deals only with financial institutions whose debt is rated a minimum of A by 2 of the 3 rating agencies, DBRS, S&P or Moody's.

Currency risks relate to the possibility that foreign exchange forward contracts change in value due to fluctuations in currency prices. The foreign exchange forward contracts are marked-to-market daily and the resulting unrealized gains or losses are recognized in the statement of net assets.

The result of employing foreign exchange forward contracts is that the foreign exchange gains and losses in the securities portfolio move substantially in opposite directions from the gains and losses in the hedging portfolio.

As at December 31, 2009, the Fund held one foreign exchange forward contract:

Currency to purchase	Amount \$	Market value to purchase \$	Currency to deliver	Amount \$	Market value to deliver \$	Unrealized Gain \$	Expiry date
CAD	3,870,387	3,826,385	USD	3,650,000	3,650,000	44,002	Feb 10
Net unrealized gain on foreign exchange forward contract						44,002	

As at December 31, 2008, the Fund held one foreign exchange forward contract:

Currency to purchase	Amount \$	Market value to purchase \$	Currency to deliver	Amount \$	Market value to deliver \$	Unrealized Loss \$	Expiry date
CAD	2,461,230	2,531,232	USD	2,050,000	2,050,000	70,002	Feb 09
Net unrealized loss on foreign exchange forward contract						70,002	

5. EXPENSES

Each class of the Fund is allocated its own expenses and its proportionate share of the Fund's expenses that are common to all classes. Operating expenses may include legal fees, audit fees, custodial fees, taxes, brokerage commissions and servicing costs. The Manager may absorb some or all of these expenses. The absorbed expenses are reflected in the statement of operations. The Fund Manager may cease to absorb expenses at any time.

For Class A, the management fee is 1.75% plus GST and it is charged directly to the Fund. For Class O, the Fund Manager receives no management fees directly from the Fund for management of the Fund, but instead charges management fees directly to unitholders. As such, the management fee is not an expense of the Fund.

6. BROKERAGE COMMISSIONS

The total brokerage fees and commissions paid on the purchase and sale of investments for the period December 31, 2009 amounted to \$32,997 [December 31, 2008 – \$29,593]. The Fund Manager recognizes that it has a duty to its clients to seek the most favourable execution terms that are reasonably available given the circumstances of each trade. While the ability to trade at the best price is normally the most important consideration in determining best execution consideration is also given to the full range and quality of a broker's services in placing brokerage including, among other things, the value of research provided as well as execution capability, commission rate, financial responsibility, and responsiveness. The Fund Manager does not use any of the commission dollars to pay for any of the services required for the operation of the fund or the firm ("soft dollars").

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Fund's investment activities expose it to various types of risks associated with the financial instruments in which it invests directly. In addition to the risks of investing in equity and bond markets generally, the Fund is also subject to other risks, including the following:

Currency risk

The Fund invests in securities denominated in currencies other than its reporting currency, the Canadian dollar. Consequently, the Fund is exposed to risks that the exchange rate of the Canadian dollar relative to the other currencies may change in a manner which has an adverse effect on the reported value of that portion of the Fund's assets.

The table below indicates the currencies to which the Fund had significant exposure at year end, on its trading monetary assets and liabilities as well as the underlying principal amount of forward currency contracts.

December 31, 2009:

	Currency risk exposed holdings	Forward foreign exchange contracts	Total Exposure	As a % of Net Assets
U.S. Dollar	11,826,185	(3,826,385)	7,999,800	18.95%
British Pounds	1,067,271	-	1,067,271	2.53%
Euro Currency Unit	791,480	-	791,480	1.87%
Japanese Yen	633,698	-	633,698	1.50%

December 31, 2008:

	Currency risk exposed holdings	Forward foreign exchange contracts	Total Exposure	As a % of Net Assets
U.S. Dollar	12,262,852	(2,531,232)	9,731,620	24.40%
British Pounds	1,247,919	-	1,247,919	3.13%
Japanese Yen	446,030	-	446,030	1.12%
Euro Currency Unit	243,463	-	243,463	0.61%

As at December 31, 2009, had the Canadian dollar strengthened or weakened by 5% (December 31, 2008 – 5%), in relation to all currencies, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$524,612 (December 31, 2008 - \$583,452). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

Interest rate risk

The Fund invests in interest-bearing securities. The income of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of management being unable to secure similar returns on the sale of securities.

Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates.

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

December 31, 2009:

	Less than 1 year	1-3 years	3-5 years	> 5 years	Total
Bonds	692,705	4,081,301	1,747,572	8,635,826	15,157,404

December 31, 2008:

	Less than 1 year	1-3 years	3-5 years	> 5 years	Total
Bonds	180,000	3,511,993	2,251,247	7,351,405	13,294,645

As at December 31, 2009, had the prevailing interest rates raised or lowered by 1% (December 31, 2008 – 1%), with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$985,454 (December 31, 2008 - \$888,587).

Credit risk

Credit risk on financial instruments is the risk of a financial loss occurring as a result of the default of counterparty on its obligation to the Fund. Credit risk is managed by dealing with counterparties the Fund believes to be creditworthy and by regular monitoring of credit exposures.

See note 4 for counterparty exposure from foreign currency forward contracts.

The Fund manages credit risk within its debt portfolio by: complementing the research of rating agencies by its own internal analysis, diversifying the portfolio by issuer, controlling exposure to individual issues and maintaining exposure across industry sectors.

As at December 31, 2009 and 2008, the Fund invested in debt securities with the following credit:

Bond Ratings	2009	2008
AAA	13.99%	9.17%
AA	9.64%	11.90%
A	7.82%	8.72%
BBB	4.24%	2.81%
Below BBB (O)	0.00%	0.45%
Unrated (U)	0.00%	0.00%
Total	35.69%	33.05%

Other market risk

Other market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk and currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. This risk is managed through careful selection of securities and other financial instruments within specified limits. The Fund's overall market positions are monitored on a daily basis.

The impact on the net assets of the Fund at December 31, 2009 due to a 5% (December 31, 2008 – 5%), increase or decrease in the Fund's benchmark index components (TSX, MSCI-World and DEX Universe Bond Indices), with all other variables held constant, would be \$1,858,617 (December 31, 2008 - \$1,827,576). This calculation is based on the beta of each of the Fund's asset classes relative to the asset class's comparative index, over the past 96 months. In practice, the actual results may differ from the sensitivity analysis indicated above and the difference could be material.

Liquidity risk

The Fund is exposed to daily cash redemptions of securities. It therefore invests its assets in investments that are traded in an active market and can be readily disposed of. The Fund's listed securities are considered readily realizable.

The Fund's liquidity position is monitored on a daily basis.

Fair Value Hierarchy

Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, Financial Instruments – Disclosures, establishes a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments. The hierarchy of inputs are summarized below:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and.
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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

The following is a summary of the inputs used as of December 31, 2009 in valuing the Fund's investments carried at fair values:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)	Total
Equities	\$ 25,794,903	\$ -	\$ -	\$ 25,794,903
Short-term Investments	-	599,843	-	599,843
Bonds	-	15,157,404	-	15,157,404
Investment funds	-	-	-	-
Total Investments	\$ 25,794,903	\$ 15,757,247	\$ -	\$ 41,552,150
Derivatives	-	44,002	-	44,002
				<u>41,596,152</u>

8. COMPARISON OF NET VALUE AND NET ASSETS

National Instrument 81-106 ["NI 81-106"], Investment Fund Continuous Disclosure, issued by the Canadian Securities Administrators ["CSA"] require investment funds to value their investments using fair value measures as defined in NI 81-106. NI 81-106 requires that fair value be based on bid prices, whereas subscriptions and redemptions from the Fund are based on closing prices. Consequently, the method by which the net asset value is calculated for subscription and redemption purposes will be different from the net assets calculated for financial reporting purposes. In accordance with NI 81-106, a comparison of net assets, calculated in accordance with Section 3855 of an investment fund, and net asset value, calculated in accordance with the Fund Manager's fair value policies and procedures for unit pricing, are as follows:

As at December 31, 2009:

Fund	Net asset value per unit	Net assets per unit
Lincluden Balanced Fund – Class A	\$11.96	\$11.92
Lincluden Balanced Fund – Class O	\$12.41	\$12.37

As at December 31, 2008:

Fund	Net asset value per unit	Net assets per unit
Lincluden Balanced Fund – Class A	\$10.61	\$10.57
Lincluden Balanced Fund – Class O	\$11.03	\$10.98

9. CAPITAL MANAGEMENT

The capital of the Fund is represented by issued redeemable units with no par value. The units of the Fund are entitled to distributions, if any, and any redemptions are based on the Fund's net asset value per unit. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units. The relevant movements are shown on the

Statement of Changes in Net Assets. The Fund endeavours to invest its subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions.

10. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Canadian Accounting Standard Board has confirmed January 1, 2011 as the date International Financial Reporting Standards (“IFRS”) will replace Canadian GAAP for publicly accountable enterprises, which include investment funds and other reporting issuers. Accordingly, the Fund will adopt IFRS for their fiscal period beginning January 1, 2011.

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

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

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