



Interim Financial Statements

Lincluden Balanced Fund

Unaudited

June 30, 2010

Notice to Investors

The following semi-annual financial statements have not been reviewed by the independent external auditors of the Fund, Ernst & Young.

STATEMENTS OF NET ASSETS (unaudited)

	As at	June 30, 2010	Dec. 31, 2009
		\$	\$
ASSETS			
Investments		41,799,610	41,552,150
Cash		196,797	710,101
Accrued investment income		184,043	168,617
Subscriptions receivable		56,894	1,790
Net unrealized gain on foreign exchange forward contract <i>[note 4]</i>		-	44,002
		42,237,344	42,476,660
LIABILITIES			
Distributions payable		2,715	-
Redemptions payable		73,423	-
Management fee payable		3,723	-
Accrued expenses		5,757	9,316
Net unrealized loss on foreign exchange forward contract <i>[note 4]</i>		10,707	-
		96,325	9,316
Net assets representing unitholders' equity		42,141,019	42,467,344
Total net assets per Series			
Series A		2,540,872	2,562,162
Series O		39,600,147	39,905,182
Units outstanding per Series [note 3]			
Series A		220,726	214,905
Series O		3,316,703	3,225,227
Net Assets per unit per Series [note 8]			
Series A	\$	11.51	\$ 11.92
Series O	\$	11.94	\$ 12.37

STATEMENTS OF CHANGES IN NET ASSETS (unaudited)

	For the period ended June 30, 2010			2009		
	Series A	Series O	Total	Series A	Series O	Total
Net assets, beginning of period	2,562,162	39,905,182	42,467,344	2,427,978	37,807,065	40,235,043
Increase (decrease) in net assets resulting from operations	\$ (79,952)	\$ (735,346)	\$ (815,298)	\$ 110,312	\$ 2,388,421	\$ 2,498,733
DISTRIBUTIONS TO INVESTORS						
Distributions of net investment income	(19,595)	(694,414)	(714,009)	(23,125)	(757,532)	(780,657)
	(19,595)	(694,414)	(714,009)	(23,125)	(757,532)	(780,657)
CAPITAL UNIT TRANSACTIONS [note 3]						
Proceeds from subscriptions	563,232	2,337,770	2,901,002	538,117	2,773,806	3,311,923
Reinvested distributions	19,571	689,147	708,718	13,360	380,434	393,794
Payments on redemptions	(504,546)	(1,902,192)	(2,406,738)	(692,116)	(4,214,004)	(4,906,120)
	78,257	1,124,725	1,202,982	(140,639)	(1,059,764)	(1,200,403)
Increase (decrease) in net assets for the period	(21,290)	(305,035)	(326,325)	(53,452)	571,125	517,673
Net assets, end of period	\$ 2,540,872	\$ 39,600,147	\$ 42,141,019	\$ 2,374,526	\$ 38,378,190	\$ 40,752,716

STATEMENTS OF OPERATIONS (unaudited)

	For the period ended June 30,	2010	2009
		\$	\$
INCOME			
Interest		357,550	332,385
Dividends		383,208	425,501
		740,758	757,886
EXPENSES [note 5]			
Management fees		23,490	20,560
Custodian		10,658	15,996
Audit		21,185	19,000
Operating		77,056	91,711
Goods and Services Tax		6,948	5,585
		139,338	152,852
Expenses waived or absorbed by manager [note 5]		(81,059)	(100,235)
		58,279	52,617
Net investment income		682,479	705,269
REALIZED AND UNREALIZED GAIN (LOSS)			
ON INVESTMENTS AND TRANSACTION COSTS			
Net realized gain (loss) on sale of investments		114,426	(1,865,731)
Net realized gain on foreign exchange forward contracts		167,995	143,767
Net realized and unrealized loss on foreign exchange		(56,140)	(50,995)
Transaction costs [note 6]		(10,128)	(22,110)
Change in unrealized appreciation (depreciation) in the value of investments		(1,659,221)	3,606,778
Change in unrealized depreciation on foreign exchange forward contracts [note 4]		(54,709)	(18,245)
Net gain (loss) on investments and transaction costs		(1,497,777)	1,793,464
Increase (decrease) in net assets resulting from operations		(815,298)	2,498,733
Increase (decrease) in net assets from operations per Series			
Series A		(79,952)	110,312
Series O		(735,346)	2,388,421
Increase (decrease) in net assets from operations per unit per Series			
Series A	\$	(0.34)	\$ 0.48
Series O	\$	(0.22)	\$ 0.69

STATEMENT OF INVESTMENTS (unaudited)

As at June 30, 2010

	Number of Shares	Average Cost \$	Fair Value \$
COMMON AND PREFERRED SHARES — 59.37%			
CANADIAN EQUITIES — 27.38%			
Capital Goods — 1.31%			
Bombardier Inc., Class 'B'	54,830	303,765	265,377
CAE Inc.	31,015	206,886	286,268
		510,651	551,645
Consumer Discretionary — 1.92%			
Shaw Communications Inc.	18,800	367,646	360,396
Thomson Reuters Corp.	11,745	437,351	447,484
		804,997	807,880
Consumer Staples — 0.86%			
Shoppers Drug Mart Corp.	11,060	477,532	363,985
		477,532	363,985
Energy — 6.74%			
Cameco Corp.	10,465	266,607	236,928
Canadian Natural Resources Ltd.	12,225	302,192	431,909
EnCana Corp.	9,960	287,726	321,110
Husky Energy Inc.	14,185	391,009	358,029
Penn West Energy Trust	12,000	250,226	243,600
Suncor Energy Inc.	20,510	667,656	642,578
Talisman Energy Inc.	22,420	315,443	360,962
TransCanada Corp.	6,950	215,955	247,420
		2,696,814	2,842,536
Financials — 9.05%			
Bank of Montreal	7,260	311,947	419,192
Bank of Nova Scotia	8,690	320,047	426,158
Brookfield Properties Corp.	24,560	341,452	366,681
Intact Financial Corp.	9,955	328,836	446,980
Manulife Financial Corp.	31,580	755,425	487,911
Royal Bank of Canada	14,160	616,133	717,912
Sun Life Financial Inc.	13,260	493,033	370,750
Toronto-Dominion Bank (The)	8,360	473,739	576,673
		3,640,612	3,812,257
Health Care — 0.52%			
CML Healthcare Income Fund	22,295	303,418	221,389
		303,418	221,389
Information Technology — 1.06%			
Research In Motion Ltd.	8,500	509,000	444,805
		509,000	444,805
Materials — 2.81%			
Barrick Gold Corp.	14,408	513,391	696,195
Inmet Mining Corp.	5,270	280,597	221,972
Yamana Gold Inc.	24,420	251,654	266,666
		1,045,642	1,184,833
Telecommunication Services — 2.49%			
BCE Inc.	13,525	300,954	420,086
Rogers Communications Inc., Class 'B'	10,465	343,326	363,973
Telus Corp.	6,595	250,844	264,855
		895,124	1,048,914
Transportation — 0.62%			
WestJet Airlines Ltd.	22,040	258,944	261,394
		258,944	261,394
TOTAL CANADIAN EQUITIES — 27.38%		11,142,734	11,539,638

	Number of Shares	Average Cost \$	Fair Value \$
UNITED STATES EQUITIES — 16.32%			
Consumer Discretionary — 1.54%			
Comcast Corp., Class 'A'	13,572	339,052	250,881
eBay Inc.	10,040	198,753	209,524
Lowes Cos. Inc.	8,614	269,057	187,099
		806,862	647,504
Consumer Staples — 1.20%			
Coca-Cola Co.	4,793	247,874	255,495
Walgreen Co.	8,785	280,229	249,525
		528,103	505,020
Energy — 1.91%			
Chevron Corp.	3,569	264,591	257,589
Devon Energy Corp.	3,415	225,360	221,253
ExxonMobil Corp.	5,400	390,257	327,331
		880,208	806,173
Financials — 1.75%			
Bank of America Corp.	20,553	308,678	314,089
MetLife Inc.	7,155	328,184	287,366
Wells Fargo & Co.	4,924	142,630	133,937
		779,492	735,392
Health Care — 2.71%			
Eli Lilly and Co.	5,760	206,687	205,348
Johnson & Johnson	3,031	221,033	190,439
Pfizer Inc.	17,865	390,657	270,920
Quest Diagnostics Inc.	4,160	232,227	220,335
Zimmer Holdings Inc.	4,393	270,554	252,685
		1,321,158	1,139,727
Industrials — 2.12%			
Brink's Co. (The)	5,440	149,842	110,169
Danaher Corp.	7,074	229,564	279,294
Honeywell International Inc.	7,065	302,056	293,074
Pitney Bowes Inc.	9,100	221,805	212,665
		903,267	895,202
Information Technology — 2.71%			
Applied Materials Inc.	19,390	298,707	248,031
Cisco Systems Inc.	12,102	265,360	274,322
Microsoft Corp.	12,414	342,977	303,853
Oracle Corp.	13,846	292,534	316,064
		1,199,578	1,142,270
Materials — 0.92%			
E. I. du Pont de Nemours & Co.	6,458	268,728	237,723
Monsanto Co.	3,080	215,912	151,431
		484,640	389,154
Telecommunications Services — 0.72%			
Verizon Communications Inc.	10,108	361,145	301,302
		361,145	301,302
Utilities — 0.74%			
Southern Co. (The)	8,805	298,784	311,656
		298,784	311,656
TOTAL UNITED STATES EQUITIES — 16.32%		7,563,237	6,873,400

	Number of Shares	Average Cost \$	Fair Value \$
INTERNATIONAL EQUITIES — 15.68%			
Finland — 0.45%			
Nokia OYJ, ADR	22,044	352,078	190,958
		352,078	190,958
France — 2.05%			
AXA, ADR	9228	283,400	149,762
Carrefour SA	4480	226,614	190,970
France Télécom SA, ADR	6711	179,947	123,268
Sanofi-Aventis, ADR	6056	271,810	190,121
TOTAL SA, ADR	4466	274,015	212,019
		1,235,786	866,140
Germany — 1.64%			
BASF SE	4,350	203,757	255,974
Munchener Rueckversicherungs-Gesellschaft AG, Registered	1,810	281,251	243,078
Siemens AG, ADR	2,014	200,995	190,003
		686,003	689,055
Hong Kong — 0.54%			
China Mobile Ltd., ADR	4,430	230,412	229,309
		230,412	229,309
Ireland — 0.56%			
Accenture PLC, Class 'A'	5,715	241,913	234,883
		241,913	234,883
Japan — 3.26%			
Keyence Corp.	1,153	246,259	285,961
Nintendo Co. Ltd.	810	233,625	256,549
NTT DoCoMo Inc., ADR	15,916	265,932	254,067
Panasonic Corp., ADR	21,484	379,668	289,893
SECOM Co. Ltd.	5,990	275,447	285,084
		1,400,931	1,371,554
Netherlands — 0.96%			
ING Groep NV, ADR	23,417	367,288	183,912
Koninklijke Philips Electronics NV, ADR	6,883	205,100	221,795
		572,388	405,707
South Korea — 0.69%			
Samsung Electronics Co. Ltd., GDR	865	280,016	291,578
		280,016	291,578
Switzerland — 1.33%			
ABB Ltd., ADR	13,629	238,790	255,150
Nestlé SA, ADR, Registered	5,968	233,374	305,808
		472,164	560,958
United Kingdom — 4.20%			
Barclays PLC, ADR	14,411	357,402	243,539
BG Group PLC	11,305	190,892	180,862
Diageo PLC, ADR	2,700	152,137	177,457
GlaxoSmithKline PLC, ADR	6,345	337,058	228,229
HSBC Holdings PLC, ADR	4,115	281,642	199,297
Standard Life PLC	70,935	307,894	196,835
Vodafone Group PLC, ADR	13,180	303,861	289,780
Wolseley PLC	11,979	394,648	255,018
		2,325,534	1,771,017
TOTAL INTERNATIONAL EQUITIES — 15.68%		7,797,225	6,611,159
TOTAL EQUITIES — 59.38%		26,503,196	25,024,197

	Par Value \$	Average Cost \$	Fair Value \$
BONDS — 37.91%			
Government of Canada — 12.67%			
Canada Housing Trust No. 1, 3.950%, 15/12/11	690,000	726,593	715,738
Canada Housing Trust No. 1, 4.550%, 15/12/12	695,000	739,570	739,118
Canada Housing Trust No. 1, 3.75%, 15/03/20	430,000	421,213	436,745
Canada Housing Trust No. 1, Series '25', Variable Rate, 1.359%, 15/03/14	440,000	446,804	445,944
Canada Housing Trust, Series '27', Variable Rate, 1.229%, 15/09/14	1,375,000	1,393,209	1,387,774
Canada Housing Trust, Series '23', 4.100%, 15/12/18	1,405,000	1,456,032	1,476,709
Government of Canada, 3.500%, 01/06/13	130,000	135,148	136,070
		5,318,569	5,338,098
Provincial Government — 8.25%			
Province of Manitoba, 5.700%, 05/03/37	460,000	533,956	541,539
Province of New Brunswick, 4.550%, 26/03/37	195,000	188,653	191,441
Province of Ontario, 4.300%, 08/03/17	230,000	222,675	242,264
Province of Ontario, 4.200%, 08/03/18	250,000	255,179	259,577
Province of Ontario, 4.700%, 02/06/37	480,000	474,478	488,134
Province of Ontario, Series 'KJ', 7.600%, 02/06/27	340,000	468,202	464,810
Province of Quebec, 4.500%, 01/12/18	920,000	915,416	965,213
Province of Quebec, 5.000%, 01/12/38	310,000	318,670	324,553
		3,377,229	3,477,531
Municipal Government — 0.61%			
Greater Toronto Airport Authority, Series '2004-1', 6.470%, 02/02/34	30,000	33,561	34,503
Greater Toronto Airports Authority, Series '2009-1', 5.960%, 20/11/19	200,000	218,590	223,468
		252,151	257,971
Corporate — 15.50%			
407 International Inc., Callable, 5.990%, 16/06/20	85,000	84,947	88,285
407 International Inc., Series '07-A2', Callable, 4.900%, 04/10/10	130,000	132,093	131,266
Bank of Montreal, 5.450%, 17/07/17	602,000	608,304	661,275
Bank of Nova Scotia, 5.040%, 08/04/13	160,000	159,971	170,742
Bank of Nova Scotia, 4.560%, 30/10/13	192,000	186,732	203,073
Bank of Nova Scotia, 4.100%, 08/06/17	100,000	99,988	101,493
Bank of Nova Scotia, Variable Rate, Callable, 4.940%, 15/04/19	110,000	109,966	115,930
Bell Canada, Callable, 4.850%, 30/06/14	160,000	162,891	168,912
Cameco Corp., Series 'D', Callable, 5.670%, 02/09/19	50,000	50,212	52,803
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 4.110%, 30/04/20	315,000	317,338	320,926
Canadian Tire Corp. Ltd., Callable, 5.650%, 01/06/16	25,000	24,990	27,200
Cards II Trust, Class '4A', Series '2005-5', 3.870%, 15/10/10	250,000	242,295	251,957
Citigroup Finance Canada Inc., 4.900%, 13/11/12	90,000	89,896	91,744
Citigroup Finance Canada Inc., 6.750%, 22/09/14	90,000	89,921	96,421
CU Inc., Callable, 4.800%, 22/11/21	70,000	64,561	72,275
Enbridge Inc., Callable, 5.000%, 09/08/16	200,000	194,998	212,342
Enbridge Pipelines Inc., Callable, 4.490%, 12/11/19	140,000	139,888	143,371
Golden Credit Card Trust, Series '2008-1', 5.110%, 15/04/11	70,000	70,000	71,933
Honda Canada Finance Inc., 5.680%, 26/09/12	100,000	100,000	106,897
Husky Energy Inc., Callable, 5.000%, 12/03/20	60,000	59,780	61,454
Hydro One Inc., 6.400%, 01/12/11	100,000	103,250	106,368
Hydro One Inc., Callable, 6.350%, 31/01/34	60,000	61,221	69,326
Hydro One Inc., Callable, 5.490%, 16/07/40	50,000	49,934	52,316
Loblaw Cos. Ltd., 6.150%, 29/01/35	100,000	105,570	100,209
Manulife Financial Corp., Callable, 5.505%, 26/06/18	350,000	370,997	373,862
Master Credit Card Trust, Class 'A', Series '2006-2', 4.440%, 21/11/11	100,000	99,473	103,546
NAV Canada, Floating Rate, 1.099%, 29/04/13	90,000	90,000	89,791
Nova Scotia Power Inc., Series 'X', Callable, 5.610%, 15/06/40	40,000	39,965	41,305
Rogers Communications Inc., Callable, 5.800%, 26/05/16	125,000	124,709	135,854
Royal Bank of Canada, 4.530%, 07/05/12	100,000	97,385	104,726
Royal Bank of Canada, 5.950%, 18/06/14	100,000	101,648	108,455
Royal Bank of Canada, Variable Rate, Callable, 4.350%, 15/06/20	120,000	119,957	122,936
Scotiabank Tier I Trust, Variable Rate, Callable, 7.802%, 30/06/08	35,000	35,000	42,164
Shaw Communications Inc., Callable, 5.650%, 01/10/19	160,000	159,493	165,663
Telus Corp., Series 'CD', 4.950%, 15/03/17	200,000	199,072	206,765
Telus Corp., Series 'CG', Callable, 5.050%, 04/12/19	125,000	124,274	126,493
Thomson Reuters Corp., Callable, 5.250%, 15/07/11	100,000	99,765	103,587
Toronto-Dominion Bank (The), Variable Rate, Callable, 5.480%, 02/04/20	100,000	106,798	108,116
TransAlta Corp., Callable, 6.900%, 01/06/11	250,000	282,915	259,772
TransCanada PipeLines Ltd., 11.100%, 20/06/14	200,000	263,778	254,070
TransCanada PipeLines Ltd., 7.900%, 15/04/27	80,000	93,008	101,243
TransCanada PipeLines Ltd., Series 'W', 9.450%, 20/03/18	100,000	131,318	133,178
Wells Fargo Financial Canada Corp., Callable, 4.330%, 06/12/13	310,000	297,092	321,782
Westcoast Energy Inc., Series 'W', 7.300%, 18/12/26	125,000	122,360	151,127
		6,267,753	6,532,953

	Par Value \$	Average Cost \$	Fair Value \$
United States Bonds — 0.48%			
Bank of America Corp., 5.450%, 17/09/14	100,000	99,908	103,253
Bank of America Corp., 4.360%, 21/09/15	100,000	93,319	98,041
		193,227	201,294
International Bonds — 0.40%			
Kreditanstalt fuer Wiederaufbau (KFW), 4.300%, 24/05/12	160,000	159,843	168,256
		159,843	168,256
TOTAL BONDS — 37.91%		15,568,772	15,976,103
SHORT-TERM NOTES — 1.90%			
Government of Canada Treasury Bill, 0.500%, 02/09/10	800,000	799,080	799,310
		799,080	799,310
TRANSACTION COSTS		(20,580)	
TOTAL INVESTMENT PORTFOLIO — 99.19%		42,850,468	41,799,610
TOTAL UNREALIZED LOSS ON FORWARD CONTRACTS — (0.03%)			(10,707)
OTHER ASSETS, NET OF LIABILITIES — 0.84%			352,116
NET ASSETS — 100.00%			42,141,019

SUMMARY OF INVESTMENT PORTFOLIO (unaudited)
As at December 31, 2009

Portfolio by Category	Percentage of Net Assets (%)
Canadian Equities:	
Capital Goods	1.30
Consumer Discretionary	2.15
Consumer Staples	0.88
Energy	8.63
Financials	9.94
Health Care	0.73
Information Technology	0.48
Materials	1.04
Telecommunication Services	2.71
Transportation	0.66
	<hr/> 28.52 <hr/>
United States Equities:	
Consumer Discretionary	1.87
Consumer Staples	1.38
Energy	1.76
Financials	1.58
Health Care	2.80
Industrials	1.99
Information Technology	3.41
Materials	0.50
Telecommunication Services	0.77
Utilities	0.68
	<hr/> 16.74 <hr/>
International Equities:	
Finland	0.38
France	2.40
Germany	1.79
Japan	3.60
Netherlands	1.20
South Korea	0.56
Switzerland	1.53
United Kingdom	4.02
	<hr/> 15.48 <hr/>
Bonds:	
Government of Canada	12.97
Provincial Government	7.98
Municipal Government	0.08
Corporate	13.72
United States Bonds	0.54
International Bonds	0.40
	<hr/> 35.69 <hr/>
Short-term Notes	1.41
Unrealized gain on forward contract	0.11
Other Assets, net of Liabilities	2.05
	<hr/> 100.00 <hr/>

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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 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 Seriesification 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 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 closing bid price. 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 Lincluden Management Limited's ("Lincluden") opinion, inaccurate, unreliable, or not reflective of all available material information, such securities are valued at their fair value as determined by Lincluden. 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 Statements 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 Funds 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 and has approximate capital losses carrying forward of \$1,810,892.

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 periods ended June 30, 2010 and 2009 are as follows:

	Series A			
	June 30, 2010		June 30, 2009	
	Number of units	Amount \$	Number of units	Amount \$
Subscriptions	47,353	563,232	49,940	538,117
Distributions reinvested	1,663	19,571	1,332	13,360
Redemptions	43,195	504,546	66,141	692,116

The number of issued and outstanding Series A units as at June 30, 2010 is 220,726 [June 30, 2009 – 214,906].

	Series O			
	June 30, 2010		June 30, 2009	
	Number of units	Amount \$	Number of units	Amount \$
Subscriptions	188,187	2,337,770	260,438	2,773,805
Distributions reinvested	56,244	689,147	36,517	380,434
Redemptions	152,955	1,902,192	391,648	4,214,004

The number of issued and outstanding Series O units as at June 30, 2010 is 3,316,703 [June 30, 2009 – 3,348,424].

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 June 30, 2010, 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	361,788	361,788	USD	350,000	372,495	(10,707)	Jul 10
Net unrealized loss on foreign exchange forward contract						(10,707)	

As at June 30, 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 Loss \$	Expiry date
CAD	3,220,696	3,220,696	USD	2,850,000	3,308,943	(88,247)	Aug 09
Net unrealized loss on foreign exchange forward contract						(88,247)	

5. EXPENSES

Each Series of the Fund is allocated its own expenses and its proportionate share of the Fund's expenses that are common to all Series. 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 Manager may cease to absorb expenses at any time.

For Series A, the management fee is 1.75% plus GST and it is charged directly to the Fund. For Series 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 June 30, 2010 amounted to \$10,128 [June 30, 2009 – \$22,110]. 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 risk 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 period end, on its trading monetary assets and liabilities as well as the underlying principal amount of forward currency contracts.

June 30, 2010:

	Currency risk exposed holdings	Forward foreign exchange contracts	Total Exposure	As a % of Net Assets
U.S. Dollar	11,392,138	(372,495)	11,019,643	26.15%
Japanese Yen	837,714		837,714	1.99%
Euro	716,495		716,495	1.70%
British Pound	661,390		661,390	1.57%

June 30, 2009:

	Currency risk exposed holdings	Forward foreign exchange contracts	Total Exposure	As a % of Net Assets
U.S. Dollar	12,493,456	(3,308,943)	9,184,513	22.54%
British Pounds	1,027,046		1,027,046	2.52%
Euro	451,952		451,952	1.11%
Japanese Yen	215,733		215,733	0.53%

As at June 30, 2010, had the Canadian dollar strengthened or weakened by 5% (June 30, 2009 – 5%), in relation to all currencies, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$661,762 (June 30, 2009 - \$543,962). 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.

June 30, 2010:

	Less than 1 year	1-3 years	3-5 years	> 5 years	Total
Bonds	714,928	2,636,583	3,089,684	9,534,908	15,976,103

June 30, 2009:

	Less than 1 year	1-3 years	3-5 years	> 5 years	Total
Bonds	450,567	3,148,375	2,354,784	8,983,310	14,937,036

As at June 30, 2010, had the prevailing interest rates raised or lowered by 1% (June 30, 2009 – 1%), with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$957,351 (June 30, 2009 - \$1,008,111).

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 June 30, 2010 and 2009, the Fund invested in debt securities with the following credit:

Bond Ratings	2010	2009
AAA	14.08%	15.25%
AA	9.94%	9.94%
A	10.09%	7.74%
BBB	3.80%	3.38%
Below BBB (O)	0.00%	0.35%
Unrated (U)	0.00%	0.00%
Total	37.91%	36.65%

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 June 30, 2010 due to a 5% (June 30, 2009 – 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 \$2,050,015 (June 30, 2009 - \$1,238,219). 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 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 June 30, 2010 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	\$ 25,024,197	\$ -	\$ -	\$ 25,024,197
Short-term Investments	-	799,310	-	799,310
Bonds	-	15,976,103	-	15,976,103
Investment funds	-	-	-	-
Total Investments	\$ 25,024,197	\$ 16,775,413	\$ -	\$ 41,799,610
Derivatives	-	(10,707)	-	(10,707)
				<u>41,788,903</u>

8. RECONCILIATION OF NET ASSETS TO NET ASSET VALUE

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 Manager's fair value policies and procedures for unit pricing, are as follows:

As at June 30, 2010:

	Net asset value per unit	Net assets per unit
Lincluden Balanced Fund – Series A	\$11.52	\$11.51
Lincluden Balanced Fund – Series O	\$11.95	\$11.94

As at June 30, 2009:

	Net asset value per unit	Net assets per unit
Lincluden Balanced Fund – Series A	\$11.07	\$11.05
Lincluden Balanced Fund – Series O	\$11.49	\$11.46

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 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 & 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.