GUARDIAN CANADIAN BOND FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2010

PricewaterhouseCoopers LLP
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March 11, 2011

Independent Auditor's Report

To the Unitholders of
Guardian Canadian Bond Fund (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statement of investment portfolio as at December 31, 2010, the statements of net assets as at December 31, 2010 and 2009 and the statements of operations and changes in net assets for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
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 comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PRICEWATERHOUSECOOPERS

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2010 and 2009 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.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Guardian Canadian Bond Fund

Statements of Net Assets

As at December 31		2010		2009
Assets				
Investments, at fair value*	$	50,422,104	$	42,430,284
Cash and short-term securities		4,521,566		2,367,855
Due from broker		918,745		-
Interest receivable		366,576		283,124
Unrealized gain on forward currency contract at fair value		131,118		48,453
		56,360,109		45,129,716
Liabilities				
Accrued expenses		2,295		10,321
Unrealized loss on forward currency contract at fair value		17,240		-
		19,535		10,321
Net assets representing participants' equity (Note 4)	$	56,340,574	$	45,119,395
Net assets per unit (Note 3)	$	10.71	$	10.61
*Investments, at average cost	$	49,682,668	$	41,872,212

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Investment Manager,
Guardian Capital LP:

Per: "George Mavroudis"

Per: "C. Verner Christensen"

Guardian Canadian Bond Fund

Statements of Operations

For the years ended December 31	**2010**	**2009**
Income:		
Interest	$ 2,487,610	$ 2,386,954
Security lending income (Note 10)	675	-
Total income	2,488,285	2,386,954
Expenses (Note 5):		
Custody fees	17,393	16,895
Trustee fees	3,270	3,150
Other administration costs	98,819	123,965
Fees and expenses absorbed by Investment Manager	(92,372)	(116,872)
Net administration costs	27,110	27,138
Interest charges	-	5,324
Net expenses	27,110	32,462
Net investment income	2,461,175	2,354,492
Realized gain on sale of investments	822,701	928,264
Realized gain on forward currency contracts	347,890	1,366,330
Realized loss on sale of foreign currencies	(518,233)	(350,612)
Change in unrealized appreciation (depreciation) in value of investments and forward currency	203,543	(36,452)
Increase in net assets from operations	$ 3,317,076	$ 4,262,022
Increase in net assets from operations per unit	$ 0.69	$ 0.89

The accompanying notes are an integral part of these financial statements.

Guardian Canadian Bond Fund

Statements of Changes in Net Assets

For the years ended December 31	2010	2009
Net assets, beginning of year	$ 45,119,395	$ 53,712,800
Increase in net assets from operations	3,317,076	4,262,022
Distributions to participants from:		
Net investment income	(1,949,404)	(2,360,827)
Realized gain on sale of investments	(1,158,198)	(2,012,948)
	(3,107,602)	(4,373,775)
Capital transactions:		
Proceeds from sale of units	24,695,435	22,856,326
Reinvested distributions	3,107,602	4,373,775
Redemption of units	(16,791,332)	(35,711,753)
	11,011,705	(8,481,652)
Net assets, end of year	$ 56,340,574	$ 45,119,395

Change in Units		
Units issued and outstanding, beginning of year	4,252,770	4,918,816
Number of units issued	2,250,132	1,999,075
Number of units reinvested	289,888	411,844
	6,792,790	7,329,735
Number of units redeemed	(1,533,981)	(3,076,965)
Units issued and outstanding, end of year	5,258,809	4,252,770

The accompanying notes are an integral part of these financial statements.

Guardian Canadian Bond Fund

Statement of Investment Portfolio
As at December 31, 2010

Par Value	Security	Average Cost	Fair Value
	Canadian Bonds		
	Federal & Guaranteed - 32.4%		
80,000	Canada Housing Trust No. 1		
	4.000% due June 15, 2012	$ 84,270	$ 82,681
1,400,000	Canada Housing Trust No. 1		
	3.600% due June 15, 2013	1,446,846	1,454,570
315,000	Canada Housing Trust No. 1		
	3.950% due June 15, 2013	332,600	329,871
750,000	Canada Housing Trust No. 1		
	3.150% due June 15, 2014	770,775	771,731
3,910,000	Canada Housing Trust No. 1		
	1.666% due September 15, 2014	3,942,283	3,953,012
445,000	Canada Housing Trust No. 1		
	1.436% due March 15, 2015	446,113	456,266
1,875,000	Canada Housing Trust No. 1		
	4.100% due December 15, 2018	1,958,153	1,989,216
5,135,000	Canada Housing Trust No. 1		
	3.350% due December 15, 2020	5,232,913	5,071,696
35,000	Government of Canada		
	3.750% due June 01, 2019	35,788	36,893
568,000	Government of Canada		
	8.000% due June 01, 2023	815,730	836,478
746,000	Government of Canada		
	5.750% due June 01, 2029	906,764	973,161
590,000	Government of Canada		
	5.750% due June 01, 2033	749,791	788,505
1,210,000	Government of Canada		
	5.000% due June 01, 2037	1,470,246	1,500,723
		18,192,272	18,244,803
	Provincial & Guaranteed - 14.8%		
940,000	Province of British Columbia		
	8.000% due September 08, 2023	1,288,891	1,310,662
750,000	Province of British Columbia		
	5.700% due June 18, 2029	849,270	894,613
735,000	Province of British Columbia		
	6.350% due June 18, 2031	885,179	944,013
260,000	Province of British Columbia		
	4.700% due June 18, 2037	254,738	275,707
635,000	Province of New Brunswick		
	4.500% due February 04, 2015	644,464	683,061
700,000	Province of Ontario		
	6.250% due September 29, 2020	687,044	681,648
360,000	Province of Ontario		
	8.100% due September 08, 2023	480,891	503,033
118,000	Province of Ontario		
	8.500% due December 02, 2025	169,493	174,916
121,000	Province of Ontario		
	7.600% due June 02, 2027	162,917	169,453
354,000	Province of Ontario		
	5.850% due March 08, 2033	408,037	428,471
387,000	Province of Quebec		
	6.000% due October 01, 2029	441,945	468,866

The accompanying notes are an integral part of these financial statements.

Guardian Canadian Bond Fund

Statement of Investment Portfolio
As at December 31, 2010

Par Value	Security	Average Cost	Fair Value
710,000	Province of Saskatchewan		
	6.350% due January 25, 2030	847,377	904,690
710,000	Province of Saskatchewan		
	6.400% due September 05, 2031	867,403	921,492
		7,987,649	8,360,625
	Corporate - 32.2%		
1,020,000	407 International Inc.		
	7.125% due July 26, 2040	1,241,054	1,285,944
755,000	Bank of Montreal		
	5.180% due June 10, 2015	799,517	818,612
705,000	Bank of Montreal		
	3.103% due March 10, 2016	705,450	696,655
572,000	Bank of Montreal		
	5.100% due April 21, 2021	571,025	612,945
430,000	Bank of Nova Scotia		
	3.350% due November 18, 2014	430,575	435,957
660,000	Bank of Nova Scotia		
	5.300% due January 31, 2018	687,232	696,630
1,350,000	Bank of Nova Scotia		
	4.990% due March 27, 2018	1,382,495	1,418,412
850,000	Bank of Nova Scotia		
	6.000% due October 03, 2018	917,439	922,279
515,000	Manulife Financial Corp.		
	5.161% due June 26, 2015	517,477	541,323
269,000	Newfoundland & Labrador Hydro		
	8.400% due February 27, 2026	380,967	394,291
1,870,000	Ontario Electricity Financial Corp.		
	8.400% due November 06, 2020	2,540,283	2,507,381
1,747,000	RBC Capital Trust Capital Securities		
	4.870% due December 31, 2050	1,721,466	1,837,978
465,000	Royal Bank of Canada		
	5.200% due August 15, 2012	478,872	488,005
432,000	Royal Bank of Canada		
	5.950% due June 18, 2014	412,997	468,616
465,000	Royal Bank of Canada		
	4.710% due December 22, 2014	495,555	497,035
790,000	Royal Bank of Canada		
	3.660% due January 25, 2017	789,817	795,871
360,000	Sun Life Financial Inc.		
	7.900% due March 31, 2019	375,676	406,180
465,000	Sun Life Financial Inc.		
	5.590% due January 30, 2023	470,970	486,559
920,000	Toronto-Dominion Bank		
	5.141% due November 19, 2012	944,989	970,110
220,000	Toronto-Dominion Bank		
	4.854% due February 13, 2013	235,176	231,738
1,177,000	Toronto-Dominion Bank		
	5.763% due December 18, 2106	1,193,591	1,281,298
285,000	TransCanada PipeLines Ltd.		
	6.280% due May 26, 2028	302,257	318,801
		17,594,880	18,112,620
	Total Canadian Bonds - 79.4%	**43,774,801**	**44,718,048**

The accompanying notes are an integral part of these financial statements.

Guardian Canadian Bond Fund

Statement of Investment Portfolio
As at December 31, 2010

Par Value	Security	Average Cost	Fair Value
	Foreign Bonds - 7.9%		
683,000	Bundesobligation		
	3.500% due October 14, 2011	926,787	930,855
783,000	United Kingdom Gilt		
	4.250% due March 07, 2011	1,513,648	1,226,642
745,000	United States Treasury Note/Bond		
	4.750% due May 15, 2014	742,720	826,844
1,320,000	United States Treasury Note/Bond		
	5.000% due May 15, 2037	1,523,757	1,463,478
	Total Foreign Bonds - 7.9%	**4,706,912**	**4,447,819**
	Mortgage Backed - 2.2%		
622,000	Canadian Mortgage Pools		
	5.000% due February 01, 2013	571,874	588,250
760,557	Merrill Lynch Financial Assets Inc.		
	4.642% due January 12, 2040	629,081	667,987
	Total Mortgage Backed - 2.2%	**1,200,955**	**1,256,237**
	Total Investments - 89.5%	**49,682,668**	**50,422,104**
	Short-term notes - 2.0%*	**1,136,415**	**1,122,802**
	Short-term securities - Guardian Canadian Short-Term Investment Fund - 5.2%	**2,925,882**	**2,925,882**
	Forward currency contracts - 0.2% (see Schedule A)		**113,878**
	Other net assets - 3.1%		**1,755,908**
	Total net assets - 100.0%		**$ 56,340,574**

**Short-term notes earn interest rates ranges 0.099% and matures between January 06, 2011 and January 12, 2011.*
The accompanying notes are an integral part of these financial statements.

Guardian Canadian Bond Fund

Statement of Investment Portfolio
As at December 31, 2010

Schedule A
Forward Currency Contracts

Contracts to sell

Amounts Sold	*Currency*	*Amounts Bought In Canadian Dollars*	*Settlement Date*	*Fair Value*	*Unrealized Gain (Loss)*
680,000	Australian	$ 673,200	Jan. 2011	$ 690,440	$ (17,240)
630,000	British Pounds	1,027,139	Jan. 2011	980,408	46,731
740,000	Euro	127,934	Jan. 2011	86,887	41,047
3,060,000	U.S. Dollars	3,089,039	Mar. 2011	3,045,699	43,340
Total contracts to sell		**$ 4,917,312**		**$ 4,803,434**	**$ 113,878**

GUARDIAN CANADIAN BOND FUND

NOTES TO FINANCIAL STATEMENTS

1. Formation of Fund:

Guardian Canadian Bond Fund (the "Fund") was formed on January 3, 1997 and Guardian Capital LP (the "Investment Manager") is the investment manager of the Fund. The primary objective of the Fund is the provision of a high level of current interest income while at the same time preserving capital and seeking opportunities for capital appreciation, primarily through investments in bonds, debentures, notes or other evidence of indebtedness.

2. Significant accounting policies:

a) Basis of presentation:

These financial statements, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), include estimates and assumptions made by the Investment Manager that may affect the reported amounts of assets, liabilities, income and expenses during the reporting year. Actual results could differ from these estimates. The following is a summary of significant accounting policies followed by the Fund.

b) Valuation of investments:

In accordance with Accounting Guideline 18 – Investment Companies, investments are deemed to be categorized as held for trading, and are required to be recorded at fair value as defined in Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, "Financial Instruments – Recognition and Measurement" ("Section 3855"). The fair values of investments as at the financial reporting date are determined as follows:

i) Securities listed upon a recognized public stock exchange are valued at their bid prices on the valuation date. Securities with no available bid prices are valued at the closing sale prices.

ii) Securities not listed upon a recognized public stock exchange are valued using valuation techniques, on such basis and in such manner as may be established by the Investment Manager.

iii) Short-term notes, treasury bills and bonds are valued at the average bid quotations from recognized investment dealers.

iv) Investment funds are valued at the closing net asset value per unit reported by the administrator of such funds.

v) A forward currency contract is an agreement between two parties (the Fund and the counterparty) to purchase or sell a currency against another currency at a set price on a future date. The Fund may enter into forward currency contracts for hedging purposes. This can include the hedging of all or a portion of the currency exposure of an investment or group of investments, either directly or indirectly. The counterparties to all forward currency contracts have a credit rating of at least A. Forward currency contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date.

c) Cash and short-term securities:

Cash includes cash on deposit with the custodian. The short-term securities include highly liquid short-term investments with time to maturities of less than 90 days.

2. Significant accounting policies (continued):

d) Investment transactions and income recognition:

Investment transactions are accounted for on the trade date. Interest income is accrued daily. Discounts arising on the purchase of short-term notes are recognized as income over the term to maturity. Security lending income is accrued daily over the year the securities are loaned.

Distributions received from investment trust units are recorded as income, capital gains or a return of capital, based on the best information available to the Investment Manager. Due to the nature of those investments, actual allocations could vary from this information. Amounts recorded as a return of capital reduce the cost of investment in the trust unit. Realized gains (losses) from investment transactions and unrealized appreciation (depreciation) in value of investments are determined on an average cost basis. Brokerage commissions and other transaction costs are expensed in the year incurred, and are reported as "Transaction costs" in the Statements of Operations.

e) Other assets and liabilities:

For the purposes of categorization in accordance with CICA Handbook Section 3862, "Financial Instruments – Disclosures", accrued interest and dividends receivable on investments, amounts due from brokers and other net assets are designated as loans and receivables, and recorded at cost or amortized cost. Similarly, amounts due to brokers, accounts payable for securities redeemed, accrued expenses and other liabilities are designated as other financial liabilities and reported at cost or amortized cost. Cost or amortized cost approximates fair value for these assets and liabilities.

f) Increase (decrease) in net assets from operations per unit:

Increase (decrease) in net assets from operations per unit is calculated as the increase (decrease) in net assets from operations divided by the average number of units outstanding during the year.

3. Comparison of net asset value:

The value of the Fund's net assets per unit for financial statement presentation purposes ("Net Assets per Unit") is calculated by dividing the net assets of the Fund, calculated in accordance with GAAP, by the total number of units of the Fund outstanding. For the net asset value per unit for the purpose of the issuance and redemption of Fund units ("Net Asset Value per Unit"), the Fund's net assets are valued using the closing ask prices for investments, rather than bid prices, which are used for Net Assets per Unit. This difference in the valuation of the Fund's investments accounts for the difference between Net Assets per Unit and Net Asset Value per Unit.

A comparison of the Net Asset Value per Unit and the Net Assets per Unit is as follows:

	Net Asset Value per Unit	Net Assets per Unit
As at December 31, 2010	**$10.72**	**$10.71**
As at December 31, 2009	**$10.62**	**$10.61**

4. Participants' equity:

Participants' equity includes the amounts representing the Fund's units, any undistributed net income and realized gain (loss) on sale of investments, and unrealized appreciation (depreciation) in value of investments. An unlimited number of the Fund's units may be issued, which are redeemable at Net Asset Value per Unit at the participants' option in accordance with the provisions of the Trust Agreement. There are no restrictions or specific capital requirements on subscriptions and redemptions of units. The changes in the number of issued units are disclosed in the Statement of Changes in Net Assets. In accordance with the Fund’s investment objectives and the risk management policies stated in Note 8, the Fund invests the subscriptions received in appropriate investments, while maintaining sufficient liquidity to meet redemptions.

5. Operating expenses:

Operating expenses include custody fees, trustee fees, other administration costs and interest charges. Other administration costs include audit fees, transfer agency, fund accounting, filing fees, securityholder reporting, legal fees, GST and other related expenses. Except for interest charges, which are paid or payable directly by the Fund, the Investment Manager incurs such expenses on behalf of the Fund and is then reimbursed by the Fund for such expenses. Other administration costs include both direct and indirect expenses of the Fund which are allocated on a reasonable basis as determined by the Investment Manager. During the year ended December 31, 2010, the Investment Manager has borne all of the day-to-day operating costs of the Fund, and has allocated $27,110 (2009 - $27,138) in operating expenses to the Fund.

Effective January 1, 2011, with the approval of the unitholders, the method of charging operating expenses to the Fund was changed. The Investment Manager will charge to the Fund a fixed administration fee of 0.04% of the average daily net assets of the Fund (the “Administration Fee”), in return for the payment by the Investment Manager of all of the variable operating expenses of the Fund, including audit, custody, transfer agency, fund accounting, filing, securityholder reporting, legal, HST on these expenses and other related expenses. The Fund’s expenses will consist of the Administration Fee, interest costs, fees and expenses of the Independent Review Committee, any new costs related to regulatory or legal requirements imposed upon the Fund, the HST on all of these expenses and any income taxes to which the Fund may be subject.

6. Income taxes:

The Fund qualifies as a unit trust under the provisions of the Income Tax Act (Canada) and, as such, is not subject to income taxes on its net taxable capital gains and its net income for the year if it allocates such gains and income (less any applicable losses carried forward) to participants. The taxable income of the Fund is allocated and distributed annually to participants so as to eliminate any income taxes otherwise payable by the Fund. The distributions are automatically reinvested in additional units of the fund. As at December 31, 2010, no capital losses were available to be carried forward indefinitely and applied against future capital gains. There were no non-capital losses for the year ended December 31, 2010 and 2009.

7. Concentration of participants:

Certain participants of the Fund hold a total of 71% (2009 – 51%) of the outstanding units. The investment activities of these participants could have a material impact on the Fund.

8. Financial risk management:

The Fund's financial instruments consist of cash, short-term securities and investments. As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and the markets in which it invests. The most significant risks include market risk, liquidity risk, interest rate risk, credit risk and currency risk. These risks and related risk management practices employed by the Fund are discussed below:

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The investments of the Fund are subject to normal market fluctuations and the risks inherent in investment in financial markets. The maximum risk resulting from financial instruments held by the Fund is determined by the fair value of the financial instruments. The Manager moderates this risk through a careful selection of securities within specified limits, and through diversification of the investment portfolio. The Investment Manager monitors the Fund's overall market positions on a daily basis and positions are maintained within established ranges.

b) Liquidity risk

The Fund is exposed to daily cash needs related to the redemption of units, and to the discharge of financial obligations related to the daily operations of the Fund. The ability to meet these needs is managed by retaining sufficient cash and short-term securities within the Fund, and by investing in securities which are considered readily realizable and highly liquid. All liabilities of the Fund are short-term in nature and are due within 60 days.

c) Interest rate risk

The Fund, which holds mainly interest-bearing financial assets, including an interest in a short-term pooled fund, is subject to interest rate risk. This is due to the fact that fluctuations in the prevailing level of market interest rates could impact the value of the Fund's net assets.

The table below summarizes the Fund's exposure to interest rate risk associated with its investments in fixed income securities and indirectly through its investments in the underlying fund, by remaining term to maturity.

	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years	Total
As at December 31, 2010						
Assets						
Fixed income securities held for trading	$ 1,898,773	$ 2,605,943	$ 1,701,465	$ 13,597,686	$ 34,666,921	$ 54,470,788
Total interest sensitivity value	**$ 1,898,773**	**$ 2,605,943**	**$ 1,701,465**	**$ 13,597,686**	**$ 34,666,921**	**$ 54,470,788**

	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years	Total
As at December 31, 2009						
Assets						
Fixed income securities held for trading	$ 328,760	$ 70,740	$ 1,528,288	$ 12,687,062	$ 29,743,222	$ 44,358,072
Total interest sensitivity value	**$ 328,760**	**$ 70,740**	**$ 1,528,288**	**$ 12,687,062**	**$ 29,743,222**	**$ 44,358,072**

8. Financial risk management (continued):

At December 31, 2010, if interest rates increased or decreased by 0.25%, assuming a parallel shift in the yield curve and with all other variables held constant, the decrease or increase in the Fund's net assets would amount to approximately $836,000 (2009 - $674,000).The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the fixed income securities, including the short-term notes held by the underlying fund. The actual trading results may differ, and the difference could be material.

d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligations and cause the other party to incur a financial loss. The exposure of the Fund is the credit risk associated with the ability of the issuers of the securities in which the Fund and its underlying fund invest, and the counterparties to the over-the-counter derivative instruments held by the Fund, to discharge their obligations. The Investment Manager limits the Fund's exposure to credit loss through ongoing credit evaluation of these issuers and counterparties.

The credit ratings for the securities held by the Fund and its underlying funds, as rated primarily by Standard & Poor's and DBRS as at December 31, 2010 and 2009 are as follows:

As at December 31, 2010 **Rating category (or equivalent)**	**% of fixed income securities** **by rating category**
Bonds	
AAA	50.7%
AA	19.9%
A	22.0%
Short-term securities	
R-1 (High)	5.5%
R-1 (Mid)	1.9%
Total	**100.0%**

As at December 31, 2009 **Rating category (or equivalent)**	**% of fixed income securities** **by rating category**
Bonds	
AAA	54.8%
AA	17.8%
A	23.1%
Short-term securities	
R-1 (High)	3.7%
R-1 (Mid)	0.6%
Total	**100.0%**

All investment transactions carried out by the Fund and the underlying fund are settled upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is made by the custodian coincident with the receipt of payment. On a purchase, payment is made by the custodian coincident with the receipt of the securities.

8. Financial risk management (continued):

e) Currency risk

The Fund holds assets and liabilities that are valued in currencies other than the Canadian dollar, which is the Fund's functional currency. It is therefore exposed to currency risk, as the value of the net assets valued in other currencies will fluctuate due to changes in exchange rates. The following table summarizes the Fund's exposure to currency risks:

	Currency exposure (in Canadian $)				
As at December 31, 2010	**USD**	**GBP**	**EUR**	**Other**	**Total**
Assets					
Cash	$ 1,705	$ 386,250	$ 63,732	$ -	$ 451,687
Fixed income securities held for trading	3,413,125	1,226,642	930,855	681,650	6,252,272
Other net assets	12,848	16,311	6,810	11,354	47,323
Total assets	3,427,678	1,629,203	1,001,397	693,004	6,751,282
Less: hedged by forward contracts	(3,089,039)	(1,027,139)	(1,027,934)	(673,200)	(5,817,312)
Net currency exposure	**$ 338,639**	**$ 602,064**	**$ (26,537)**	**$ 19,804**	**$ 933,970**

	Currency exposure (in Canadian $)				
As at December 31, 2009	**USD**	**GBP**	**EUR**	**Other**	**Total**
Assets					
Cash	$ 5,204	$ 363,981	$ 35,956	$ -	$ 405,141
Fixed income securities held for trading	3,441,755	1,378,976	1,068,099	-	5,888,830
Other net assets	16,769	17,750	7,684	-	42,203
Total assets	3,463,728	1,760,707	1,111,739	-	6,336,174
Less: hedged by forward contracts	(2,732,600)	(1,256,850)	(1,081,745)	-	(5,071,195)
Net currency exposure	**$ 731,128**	**$ 503,857**	**$ 29,994**	**$ -**	**$ 1,264,979**

At December 31, 2010, if the value of the foreign currencies increased or decreased by 5% in relation to the Canadian dollar, with all other variables held constant, this would have increased or decreased the Fund's net assets by approximately $47,000 (2009 - $63,000).

9. Fair value disclosure:

Classification for fair value measurements

The Fund's financial instruments recorded at fair value have been categorized based upon a fair value hierarchy. Fair values, based on quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3), are provided in the following table, as at December 31, 2010 and 2009. During the years 2010 and 2009, there were no securities classified as Level 3.

9. Fair value disclosure (continued):

	Financial Assets at fair value as at December 31, 2010			
	Level 1	Level 2	Level 3	Total
Fixed Income Securities	$ -	$ 50,422,104	$ -	$ 50,422,104
Short-term securities	2,925,882	1,122,802	-	4,048,684
Total Investments & Short-term securities	**$ 2,925,882**	**$ 51,544,906**	**$ -**	**$ 54,470,788**
Unrealized gain on forward currency contracts	$ -	$ 113,878	$ -	$ 113,878

	Financial Assets at fair value as at December 31, 2009			
	Level 1	Level 2	Level 3	Total
Fixed Income Securities	$ -	$ 42,430,284	$ -	$ 42,430,284
Short-term securities	817,451	1,110,337	-	1,927,788
Total Investments & Short-term securities	**$ 817,451**	**$ 43,540,621**	**$ -**	**$ 44,358,072**
Unrealized gain on forward currency contracts	$ -	$ 48,453	$ -	$ 48,453

Significant transfers between Levels 1 and 2

There were no transfers between Levels 1 and 2 for the years 2010 and 2009.

10. Securities lending:

The Fund has entered into a securities lending agreement with its custodian, RBC Dexia. The Fund will receive collateral of at least 105% of the value of the securities on loan. Collateral will generally comprise obligations guaranteed by the Government of Canada or a province thereof, or other governments with appropriate credit ratings. In the event that any of the loaned securities are not returned to RBC Dexia, RBC Dexia at its option, may either restore to the Fund securities identical to the loaned securities or it will pay to the Fund the value of the collateral up to but not exceeding the market value of the loaned securities on the date on which the loaned securities were to have been returned ("Valuation date") to RBC Dexia. If the collateral is not sufficient to allow RBC Dexia to pay such market value to the Fund, RBC Dexia shall indemnify the Fund for the difference between the fair value of the securities and the value of such collateral on the Valuation date.

At December 31, 2010, the Fund has loaned approximately $7,247,419 (2009 - nil) in securities, received approximately $7,609,793 (2009 - nil) in collateral, and recognized $675 (2009 - nil) in securities lending income. Securities loaned in the program earn income at market securities lending rates. The securities lending agreements are revolving and can be terminated at any time by the borrower, the agent or the Fund.

11. Related party participants:

As at December 31, 2010 other funds managed by the Investment Manager held 1,091,474 units (2009 – 1,507,012 units).

12. Future changes in accounting standards:

The CICA recently announced that investment companies, which include the Fund, have an option to defer the adoption of International Financial Reporting Standards ("IFRS") until January 1, 2013. The Investment Manager elected to defer such adoption for the Fund.

The Investment Manager commenced the assessment of the impact of conversion to IFRS in 2009. Based on the Investment Manager's current evaluation of the differences between Canadian GAAP and IFRS, it is not expected that the net assets or the net assets per unit will be impacted by the changeover to IFRS. It is expected, however, that the impact of IFRS on the Fund's financial statements will result in additional disclosures and potentially changes in presentation.

13. Subsequent event:

The Fund filed its initial simplified prospectus on November 29, 2010, and is expected to file its final simplified prospectus on or about March 4, 2011. Upon issuance of a receipt for such simplified prospectus by the Canadian regulatory authorities, the Fund will become a reporting issuer and will be subject to National Instrument 81-106.