GUARDIAN CANADIAN EQUITY FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2012

March 28, 2013

Independent Auditor's Report

To the Unitholders and Trustee of
Guardian Canadian Equity Fund (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statement of investment portfolio as at December 31, 2012, the statements of net assets as at December 31, 2012 and 2011 and the statements of operations and changes in net assets for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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 the 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 LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2012 and 2011 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 Equity Fund

Statements of Net Assets

As at December 31		**2012**		**2011**
Assets				
Investments, at fair value*	$	226,108,042	$	261,436,313
Cash and short-term securities		6,619,599		13,103,365
Subscriptions receivable		27,319		90,319
Interest and dividends receivable		568,103		617,261
		233,323,063		275,247,258
Liabilities				
Bank overdraft		233,896		-
Redemptions payable		5,932		200
Accrued expenses		132,936		51,378
		372,764		51,578
Net assets representing unitholders' equity (Note 4)	$	232,950,299	$	275,195,680
Net assets per Series I unit (Note 3)	$	120.06	$	119.61
*Investments, at average cost	$	191,561,864	$	227,180,688

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

Approved on behalf of the Manager,
Guardian Capital LP:

Per: **"George Mavroudis"**

Per: **"C. Verner Christensen"**

Guardian Canadian Equity Fund

Statements of Operations

For the years ended December 31		2012		2011
Income:				
Dividends	$	6,245,112	$	8,431,520
Interest		88,924		125,826
Securities lending income (Note 11)		19,721		19,975
Total income		6,353,757		8,577,321
Operating Expenses (Note 5):				
Administration fee		441,203		523,969
Independent review committee costs		19,786		11,489
Interest charges		2,345		3
Total expenses		463,334		535,461
Net investment income		5,890,423		8,041,860
Realized gain on sale of investments		19,753,123		4,470,244
Realized loss on foreign currency transactions		-		(2)
Transaction costs (Note 7)		(189,709)		(295,796)
Change in unrealized appreciation (depreciation) in value of investments		290,863		(42,131,392)
Increase (decrease) in net assets from operations	$	25,744,700	$	(29,915,086)
Increase (decrease) in net assets from operations per Series I unit	$	12.93	$	(13.45)

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

Guardian Canadian Equity Fund

Statements of Changes in Net Assets

For the years ended December 31		2012		2011
Net assets, beginning of year	$	275,195,680	$	300,859,548
Increase (decrease) in net assets from operations		25,744,700		(29,915,086)
Distributions to unitholders from:				
Net investment income		(6,027,973)		(7,935,438)
Realized gain on sale of investments		(19,332,752)		(4,612,548)
		(25,360,725)		(12,547,986)
Capital transactions:				
Proceeds from sale of units		23,601,640		70,841,271
Reinvested distributions		25,228,564		12,547,986
Redemption of units		(91,459,560)		(66,590,053)
		(42,629,356)		16,799,204
Net assets, end of year	$	232,950,299	$	275,195,680

Change in Series I units		
Units issued and outstanding, beginning of year	2,300,707	2,186,350
Number of units issued	192,167	549,345
Number of units reinvested	214,261	104,784
	2,707,135	2,840,479
Number of units redeemed	(766,913)	(539,772)
Units issued and outstanding, end of year	1,940,222	2,300,707

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

Guardian Canadian Equity Fund

Statement of Investment Portfolio
As at December 31, 2012

Number of Shares/Units	Security	Average Cost	Fair Value
	Common Stocks - 97.1%		
	Consumer Discretionary - 8.5%		
74,900	Dollarama Inc.	$ 4,617,090	$ 4,416,104
128,200	Gildan Activewear Inc.	3,286,612	4,653,660
101,800	Magna International Inc. *	4,452,674	5,047,244
120,950	Thomson Reuters Corp. *	4,635,058	3,480,941
47,300	Tim Hortons Inc.	1,637,057	2,307,767
		18,628,491	19,905,716
	Consumer Staples - 5.3%		
93,900	Alimentation Couche-Tard Inc., Class B	2,318,864	4,577,625
62,700	George Weston Ltd.	4,406,501	4,427,247
77,600	Shoppers Drug Mart Corp.	2,854,724	3,314,296
		9,580,089	12,319,168
	Energy - 19.7%		
194,952	Cameco Corp.	4,051,959	3,811,312
169,600	Canadian Natural Resources Ltd.	5,660,307	4,857,344
190,966	Cenovus Energy Inc.	5,314,947	6,357,258
160,300	Crescent Point Energy Corp.	5,536,726	6,011,250
71,152	Enbridge Inc. *	1,522,090	3,059,536
166,300	MEG Energy Corp.	6,715,916	5,062,172
27,400	ShawCor Ltd., Class A	805,376	1,066,134
311,160	Suncor Energy Inc.	8,524,243	10,178,044
156,500	Talisman Energy Inc.	1,817,406	1,757,495
79,054	TransCanada Corp.	2,734,624	3,713,166
		42,683,594	45,873,711
	Financials - 26.3%		
85,100	Bank of Montreal	4,233,077	5,174,931
215,732	Bank of Nova Scotia *	9,358,157	12,387,331
133,750	Brookfield Asset Management Inc., Class A	3,950,907	4,863,150
30,200	Canadian Imperial Bank of Commerce	1,820,489	2,415,094
113,100	Great-West LifeCo Inc. *	2,954,328	2,749,461
94,400	Intact Financial Corp.	3,857,586	6,106,736
88,100	Manulife Financial Corp.	1,139,639	1,187,588
39,400	National Bank of Canada	2,002,491	3,039,710
95,700	Power Corp of Canada	2,118,972	2,422,167
179,000	Royal Bank of Canada	7,793,014	10,709,570
122,752	Toronto-Dominion Bank *	8,018,004	10,268,205
		47,246,664	61,323,943
	Industrials - 7.6%		
430,600	CAE Inc.	4,317,899	4,336,142
82,100	Canadian National Railway Co.	5,079,128	7,416,093
239,800	Finning International Inc.	4,817,851	5,889,488
		14,214,878	17,641,723

** Denotes all or part of securities on loan.*
The accompanying notes are an integral part of these financial statements.

Guardian Canadian Equity Fund

Statement of Investment Portfolio
As at December 31, 2012

Number of Shares/Units	Security	Average Cost	Fair Value
	Information Technology - 4.2%		
218,500	CGI Group Inc., Class A *	$ 5,248,817	$ 5,012,390
84,506	MacDonald, Dettwiler & Associates Ltd.	3,077,382	4,728,111
		8,326,199	9,740,501
	Materials - 17.4%		
115,700	Agnico-Eagle Mines Ltd.	5,977,253	6,018,714
48,800	Agrium Inc.	3,148,481	4,838,032
105,810	Barrick Gold Corp.	4,012,812	3,672,665
123,000	Franco-Nevada Corp.	4,873,625	6,979,020
131,900	Goldcorp Inc.	5,072,738	4,798,522
122,100	Methanex Corp.	3,475,695	3,858,360
118,100	Potash Corp. of Saskatchewan	3,855,718	4,768,878
157,600	Teck Resources Ltd., Class B	6,448,456	5,681,480
		36,864,778	40,615,671
	Royalty and Income Trust Units - 1.0%		
82,600	RioCan Real Estate Investment Trust	2,162,064	2,271,500
	Telecommunication Services - 5.8%		
57,667	BCE Inc.	2,041,702	2,456,614
71,700	Rogers Communications Inc., Class B	1,859,394	3,236,538
138,000	Shaw Communications Inc. *	2,736,178	3,147,780
71,600	TELUS Corp., Non-Voting Shares	3,018,916	4,624,644
		9,656,190	13,465,576
	Utilities - 1.3%		
67,500	Fortis Inc.	1,780,657	2,303,775
18,900	Fortis Inc. - Subscription Receipt	593,460	646,758
		2,374,117	2,950,533
	Total Common Stocks	**191,737,064**	**226,108,042**
	Transaction Costs	**(175,200)**	**-**
	Total Investments - 97.1%	**191,561,864**	**226,108,042**
	Short-Term Securities - 2.8%		
661,960	Guardian Canadian Short-Term Investment Fund, Series I units	6,619,599	6,619,599
	Total Short-Term Securities	**6,619,599**	**6,619,599**
	Other Net Assets - 0.1%		**222,658**
	Total Net Assets - 100.0%		**$ 232,950,299**

** Denotes all or part of securities on loan.*
The accompanying notes are an integral part of these financial statements.

GUARDIAN CANADIAN EQUITY FUND

NOTES TO FINANCIAL STATEMENTS

1. Formation of Fund:

Guardian Canadian Equity Fund (the "Fund") was formed on December 1, 1985 and Guardian Capital LP (the "Manager") is the Manager and trustee of the Fund. The primary objective of the Fund is the achievement of long-term growth of capital while maintaining steady current dividend income, primarily through the investment in common shares or other equity-related investments issued by Canadian companies. Pursuant to an amendment to the Fund's Declaration of Trust, effective March 30, 2012, the Fund was authorized to issue Series A units, in addition to the Series I units previously issued. No Series A units have been issued.

2. Significant accounting policies:

a) Basis of preparation:

These financial statements, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), include estimates and assumptions made by the 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 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 Manager.
iii) Short-term notes and bonds are fair 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.

c) Cash and short-term securities:

Cash includes cash on deposit with the custodian and is carried at the face amount thereof, which is its fair value. Short-term securities include highly liquid short-term investments with terms to maturity of less than 90 days, and the investment in Guardian Canadian Short-Term Investment Fund.

d) Investment transactions and income recognition:

Investment transactions are accounted for on the trade date. Interest income is accrued daily and dividend income is recognized on the ex-dividend date. Discounts arising on the purchase of short-term notes are recognized as interest income over the term to maturity. Securities lending income is accrued daily over the period 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 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.

2. Significant accounting policies (continued):

e) Translation of foreign currency transactions and balances:

The market values of investments and other assets and liabilities in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on each valuation date. Purchases and sales of investments, income and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions. Foreign exchange gains (losses) on completed transactions are included in realized gain (loss) on sale of investments and unrealized gains (losses) are included in change in unrealized appreciation (depreciation) in value of investments.

f) Other assets and liabilities:

For the purposes of categorization in accordance with Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, "Financial Instruments – Disclosures", accrued interest and dividends receivable on investments, amounts due from brokers, subscription receivable and other net assets are designated as loans and receivables, and recorded at cost or amortized cost. Similarly, amounts due to brokers, redemption payable, 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 due to their short term nature.

g) 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 of a series divided by the average number of units of the series outstanding during the year.

3. Comparison of net asset value:

The value of the Fund's net assets of a series per unit for financial statement presentation purposes ("Net Assets per Unit") is calculated by dividing the net assets of the series, calculated in accordance with GAAP by using the bid prices for investments, by the total number of units of the series outstanding. For the net asset value per unit for the purpose of the issuance and redemption of units of a series ("Net Asset Value per Unit"), the series' net assets are valued using the closing traded prices for investments. This difference in the valuation of the series' investments account for the potential 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, 2012		
Series I	**$120.21**	**$120.06**
As at December 31, 2011		
Series I	**$119.75**	**$119.61**

4. Unitholders' equity:

Unitholders' equity includes the amounts representing the net assets of the Fund, which includes any undistributed net income and realized gain (loss) on sale of investments, and unrealized appreciation (depreciation) in value of investments. The Fund is authorized to issue Series I and Series A units. An unlimited number of the Fund's units of each series may be issued, which are redeemable at Net Asset Value per Unit for the series at the unitholder's option in accordance with the provisions of the Declaration of Trust. There are certain minimum purchase amounts for Series A units. The net asset value of the Fund attributable to such units are subject to a management fee charged to the Fund and payable to the Manager. There are no restrictions or special capital requirements on subscriptions and redemptions of Series I 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 9, the Fund invests the subscriptions received in appropriate investments, while maintaining sufficient liquidity to meet redemptions.

5. Operating expenses:

The Manager charges to the Fund a fixed annual management fee of 1.90% of the average daily net asset value of the Fund attributable to Series A units of the Fund, which is accrued daily and paid at the end of the month. The Manager also charges to the Fund a fixed administration fee of 0.16% of the average daily net asset value of the Fund, in return for the payment by the Manager of certain variable operating expenses of the Fund, including audit, custody, transfer agency, fund accounting, filing, securityholder reporting, legal, other related expenses and HST on these expenses. The Fund's expenses consist of the management fee, 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 unitholders. The taxable income of the Fund is allocated and distributed annually to unitholders 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, 2012, no capital losses were available to be carried forward and applied against future capital gains. There were no non-capital losses to be carried forward as at December 31, 2012.

7. Transaction costs:

Total transaction costs (brokerage commissions) paid to dealers in connection with the portfolio transactions of the Fund for the year ended December 31, 2012 amounted to $189,709 (December 31, 2011 - $295,796). There were no soft dollar transactions for the years ended December 31, 2012 and 2011.

8. Concentration of unitholders:

As at December 31, 2012, an affiliate of the Manager held a total of 123,166 units, 55% (December 31, 2011 – 107,404 units, 40%) of the outstanding Series I units. The investment activities of these unitholders could have a material impact on the Fund.

9. Financial risk management:

The Fund's financial instruments principally consist of 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 which includes currency risk, interest rate risk, other price risk and concentration risk, liquidity risk and credit risk. These risks and related risk management practices employed by the Fund are discussed below:

a) Market risk

(i) Currency risk

The Fund may from time to time hold assets valued in currencies other than the Canadian dollar, which is the Fund's functional currency. When it does so, it is exposed to currency risk, as the value of the assets valued in other currencies will fluctuate due to changes in exchange rates. As the Fund generally does not have significant investments in assets valued in foreign currencies, foreign currency risk is not considered to be material to the Fund. As at December 31, 2012 and 2011, the Fund's exposure to foreign currencies was minimal.

9. Financial risk management (continued):

(ii) Interest rate risk

The Fund is exposed to interest rate risk through its investments in short-term securities. The most significant of these investments is the investment in Guardian Canadian Short-Term Investment Fund. Because of the short-term nature of its investments, this risk is not considered to be significant to the Fund.

(iii) Other price risk

Other price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. The investments of the Fund are subject to market fluctuations and the risks inherent in financial markets. The Manager moderates this risk through a careful selection of securities within specified limits, and through diversification of the investment portfolio. The Manager monitors the Fund's overall market positions on a daily basis, and positions are maintained within established ranges. At December 31, 2012 and 2011, the overall equity investment exposure was as follows:

As at December 31, 2012		**Fair value**	**% of net assets**
Common stocks	$	226,108,042	97.1%

As at December 31, 2011		**Fair value**	**% of net assets**
Common stocks	$	261,436,313	95.0%

At December 31, 2012, if the prices on the stock exchanges for the equities held by the Fund increased or decreased by 5%, with all other variables held constant, this would have increased or decreased the net assets of the Fund by approximately $11,305,000, or 4.9% of the Fund's net assets (December 31, 2011 – $13,100,000, 4.8%). In practice, the actual trading results could differ, and the difference could be material.

(iv) Concentration risk

The Fund is exposed to the possible risk inherent in the concentration of the investment portfolio in a small number of industries or investment sectors. The Manager moderates this risk through a careful selection of securities in several investment sectors. At December 31, 2012, the percentages of the Fund's total net assets invested in each investment sector were as follows:

Sector	**2012**	**2011**
Consumer discretionary	8.5%	6.6%
Consumer staples	5.3%	7.0%
Energy	19.7%	23.6%
Financials	26.3%	21.4%
Industrials	7.6%	8.3%
Information technology	4.2%	2.7%
Materials	17.4%	18.0%
Royalty and income trust units	1.0%	-
Telecommunication services	5.8%	6.3%
Utilities	1.3%	1.1%
Short-term securities	2.8%	4.7%
Other net assets	0.1%	0.3%
Total net assets	100.0%	100.0%

9. Financial risk management (continued):

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) Credit risk

The Fund is exposed to credit risk through its investments in short-term securities. The most significant of these investments is the investment in Guardian Canadian Short-Term Investment Fund - 2.8% of total net assets (December 31, 2011 – 4.7%), which held short-term securities which had credit ratings of R-1 High and R-1 Mid as of December 31, 2012 and 2011.

10. 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, 2012 and 2011. During the years ended December 31, 2012 and 2011, there were no securities classified as Levels 2 or 3.

	Financial Assets at fair value as at December 31, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Common stocks	$ 226,108,042	$ -	$ -	$ 226,108,042
Short-term securities	6,619,599	-	-	6,619,599
Total investments and short-term securities	**$ 232,727,641**	**$ -**	**$ -**	**$ 232,727,641**

	Financial Assets at fair value as at December 31, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Common stocks	$ 261,436,313	$ -	$ -	$ 261,436,313
Short-term securities	12,849,638	-	-	12,849,638
Total investments and short-term securities	**$ 274,285,951**	**$ -**	**$ -**	**$ 274,285,951**

Significant transfers between Levels 1 and 2

There were no significant transfers between Levels 1 and 2 for the years ended December 31, 2012 and 2011.

11. Securities lending:

The Fund has entered into a securities lending agreement with its custodian, RBC Investor Services (credit rating: AA-). 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 Investor Services, RBC Investor Services may, at its option, either restore to the Fund securities identical to the loaned securities or 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"). If the collateral is not sufficient to allow RBC Investor Services to pay such market value to the Fund, RBC Investor Services shall

11. Securities lending (continued):

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, 2012, the Fund has loaned approximately $37,748,001 (December 31, 2011 – $26,993,651) in securities and received approximately $39,635,418 (December 31, 2011 – $28,343,334) in collateral. The Fund recognized $19,721 in securities lending income for the year ended December 31, 2012 (December 31, 2011 – $19,975). Securities loaned in the program earn securities lending income at market rates. The securities lending arrangements are revolving, and can be terminated at any time by the borrowers, RBC Investor Services or the Fund.

12. Future changes in accounting standards:

International Financial Reporting Standards (IFRS) have replaced Canadian GAAP for publicly accountable enterprises in Canada, which include investment funds. However, because of decisions made by the Canadian Accounting Standards Board, the adoption of IFRS by investment funds has been deferred, the latest deferral being to January 1, 2014.

The Manager has carried out an assessment of the impact on the Fund of the conversion to IFRS. Based on the Manager's current evaluation of the differences between Canadian GAAP and IFRS, and the standards that are in effect at December 31, 2012, the Manager does not anticipate that there will be any changes to the calculation of the Fund's Net Asset Value or Net Asset Value per Unit, which is used for the issuance and redemption of Fund units. The Manager has, however, identified the following areas in which there may be changes in the presentation of the Fund's financial statements:

a) International Accounting Standards 32, "Financial Instruments: Presentation", allows puttable (redeemable) instruments to be classified as equity, only if certain conditions are met. The manager is currently assessing whether the Fund's units, which are redeemable, meet the definition to be classified as equity, or will be required to be classified as a liability on the Fund's Statement of Net Assets.

b) IFRS 13, "Fair Value Measurements", provides guidance on the measurement of fair value and allows for the use of closing traded prices to value investments. Under Canadian GAAP, the fair value of investments for financial statement purposes is currently required to be measured at closing bid prices for long positions and closing asked prices for short positions. The Manager has assessed the guidance that will apply under IFRS and has determined that the use of closing traded prices is appropriate in valuing the Fund's investments. This change will result in the elimination of the difference between the Fund's Net Assets per Unit and Net Asset Value per Unit, as disclosed in note 3 above.

c) A Statement of Cash Flow will be required for IFRS reporting purposes.

d) There will also likely be requirements for additional note disclosures and modifications to existing financial statement presentation.

The Manager's current assessment of the effect of IFRS may change if new standards are issued or if the interpretations of current standards are revised.