

VEGA AMERICAN EQUITY FUND

FINANCIAL STATEMENTS
(in United States Dollars)

DECEMBER 31, 2005

February 24, 2006

Auditors' Report

To the Participants of Vega American Equity Fund

We have audited the statements of net assets and investment portfolio of **Vega American Equity Fund** (the Fund) as at December 31, 2005 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Fund's Investment Manager. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2005 and the results of its operations and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Toronto, Ontario


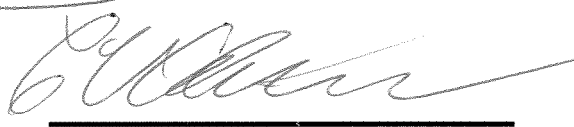
Vega American Equity Fund

STATEMENTS OF NET ASSETS (In United States Dollars)

As at December 31	2005		2004	
Assets				
Cash	\$	12,972	\$	16,185
Investments, at market		1,172,349		1,435,733
Dividends receivable		1,871		1,061
		<u>1,187,192</u>		<u>1,452,979</u>
Liabilities				
Distribution payable to unitholders		-		2,315
Accrued expenses		4,249		4,084
		<u>4,249</u>		<u>6,399</u>
Net assets representing participants' equity (Note 2)	\$	1,182,943	\$	1,446,580
Net asset value per unit	\$	7.62	\$	6.88
Investments, at average cost	\$	895,923	\$	1,254,766

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

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

Per: 
Per: 

Vega American Equity Fund

STATEMENTS OF OPERATIONS

(In United States Dollars)

For the year ended December 31	2005	2004
Investment income:		
Dividends	\$ 24,086	\$ 28,341
Interest	133	106
Foreign withholding taxes	(3,311)	(3,730)
	20,908	24,717
Operating expenses (Note 3):		
Administration costs	2,671	2,464
Custodian fees	2,483	1,449
Audit fees	4,169	3,825
	9,323	7,738
Income before income taxes	11,585	16,979
Less: Income taxes	114	-
Net investment income	11,471	16,979
Realized and Unrealized Gain (Loss) on Investments		
Gain on sale of investments	50,452	29,687
Loss on sale of foreign currencies	(838)	(573)
Net realized gain on sale of investment	49,614	29,114
Change in unrealized appreciation (depreciation) of investments	95,459	82,247
Net realized and unrealized gain on sale of investments	145,073	111,361
Increase in net assets from operations	\$ 156,544	\$ 128,340
Increase in net assets from operations per unit	\$ 0.80	\$ 0.63

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

Vega American Equity Fund

STATEMENTS OF CHANGES IN NET ASSETS (In United States Dollars)

For the year ended December 31	2005	2004
Net assets, beginning of year	\$ 1,446,580	\$ 1,210,999
Increase in net assets from operations	156,544	128,340
Distributions to participants:		
From net investment income	(10,873)	(16,916)
Capital transactions:		
Issue of fund units	55,482	138,980
Reinvested distributions	10,873	14,602
Redemption of fund units	(475,663)	(29,425)
	(409,308)	124,157
Net increase (decrease) in net assets for the year	(263,637)	235,581
Net assets, end of year	\$ 1,182,943	\$ 1,446,580

Summary of changes in number of outstanding units		
Units outstanding, beginning of year	210,281	191,197
Number of units issued	7,759	21,589
Number of units reinvested	1,427	2,122
	219,467	214,908
Number of units redeemed	(64,262)	(4,627)
Units outstanding, end of year	155,205	210,281

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

Vega American Equity Fund

STATEMENT OF INVESTMENT PORTFOLIO

As at December 31, 2005

(In United States Dollars)

<u>Number of Shares/Units</u>	<u>Security</u>	<u>Average Cost</u>	<u>Market Value</u>
Consumer Discretionary - 6.2%			
820	J.C. Penney Company, Inc.	\$ 30,685	\$ 45,592
700	Pulte Homes, Inc.	23,922	27,552
		<hr/>	<hr/>
		54,607	73,144
Consumer Staples - 10.7%			
560	Altria Group Inc.	24,941	41,843
1,100	CVS Corporation	29,991	29,062
510	Procter & Gamble Company, (The)	23,180	29,519
555	Wal-Mart Stores, Inc.	31,199	25,974
		<hr/>	<hr/>
		109,311	126,398
Energy - 13.9%			
640	Chevron Corporation	28,513	36,333
540	ConocoPhillips	20,281	31,417
870	Duke Energy Corporation	23,823	23,882
730	Exelon Corporation	18,521	38,792
430	Occidental Petroleum Corporation	20,216	34,348
		<hr/>	<hr/>
		111,354	164,772
Financials - 22.3%			
805	Bank of America Corporation	31,360	37,151
365	Bear Stearns Companies Inc., (The)	39,537	42,168
375	Chubb Corporation, (The)	30,503	36,619
460	Hartford Financial Services Group, Inc., (The)	29,651	39,509
320	Lehman Brothers Holdings Inc.	25,168	41,014
490	St. Paul Travelers Companies, Inc., (The)	20,186	21,888
555	Wachovia Corporation	24,522	29,338
265	Wells Fargo & Company	12,581	16,650
		<hr/>	<hr/>
		213,508	264,337
Health Care - 14.3%			
400	Aetna Inc.	30,112	37,724
200	CIGNA Corporation	15,722	22,340
400	Johnson & Johnson	21,253	24,040
710	UnitedHealth Group Incorporated	20,333	44,119
510	WellPoint Inc.	27,820	40,693
		<hr/>	<hr/>
		115,240	168,916
Industrials - 17.4%			
720	Caterpillar Inc.	36,353	41,594
360	Centex Corporation	19,913	25,736
2,550	Corning Incorporated	31,478	50,133
525	FedEx Corp.	42,727	54,280
490	PACCAR Inc.	35,553	33,923
		<hr/>	<hr/>
		166,024	205,666

<u>Number of Shares/Units</u>	<u>Security</u>		<u>Average Cost</u>		<u>Market Value</u>
	Information Technology - 14.3%				
625	Apple Computer Inc.	\$	25,333	\$	44,931
500	Broadcom Corporation Class A		20,282		23,575
46	Lucent Technologies Inc., Warrants		-		26
1,465	Motorola, Inc.		25,216		33,094
960	NVIDIA Corporation		24,574		35,098
1,010	Texas Instruments Incorporated		30,474		32,392
			<u>125,879</u>		<u>169,116</u>
	Total investments - 99.1%		895,923		1,172,349
	Other net assets - 0.9%		<u>10,594</u>		<u>10,594</u>
	Total net assets - 100.0%	\$	<u>906,517</u>	\$	<u>1,182,943</u>

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

VEGA AMERICAN EQUITY FUND

NOTES TO FINANCIAL STATEMENTS (IN UNITED STATES DOLLARS)

1. Significant accounting policies:

These financial statements, prepared in accordance with generally accepted accounting principles in Canada, include estimates and assumptions by the Investment Manager that may effect the reported amounts of assets, liabilities, income and expenses during the reporting period. Actual results could differ from these estimates. Certain prior period balances were reclassified to conform with the current presentation. The following is a summary of significant accounting policies followed by the Fund.

Valuation of investments:

- a) Investments are valued at market values which are determined for each security by the latest available sale price on the recognized stock exchange on which the security is listed or principally traded.
- b) Warrants for which the exercise price exceeds the current price of the underlying portfolio investment are valued at nil.

Investment transactions and income recognition:

Investment transactions are accounted for on the trade date. Dividend income is recognized on the ex-dividend date. Realized gains (losses) from investment transactions and unrealized appreciation (depreciation) of investments are determined on an average cost basis.

Translation of foreign currency transactions and balances :

The market value of other assets and liabilities in foreign currencies are translated into United States dollars at the rate of exchange prevailing on each valuation date. Income and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions.

Increase in net assets from operations per unit:

Increase in net assets from operations per unit is based on the increase (decrease) in net assets from operations divided by the average number of units outstanding during the period.

2. 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) of investments. An unlimited number of the Fund's units may be issued, which are redeemable at the participants' option in accordance with the provisions of the Trust Agreement. Unrealized appreciation of investments as at December 31, 2005 was \$276,426 (2004 - \$180,967).

3. Operating expenses:

The Fund is responsible for the payment of its custodian fees and expenses, and other reasonable out-of-pocket expenses incurred in the administration of the Fund. Administration costs, including participant transfer costs, are incurred by the Investment Manager and allocated to this and other funds on an equitable basis.

4. Income taxes:

The Fund is not subject to income taxes on its net taxable capital gains and its net income for the year if it allocates all of the net income for tax purposes and sufficient net taxable capital gains, determined in Canadian dollars, (less any applicable loss carry forwards) to participants.

Alternative maximum tax of \$114 arose in 2005 because non-capital losses and excess expenses were applied against taxable gains during 2004.

Capital losses in the amount of \$982,177 (in Canadian dollars) are available to be carried forward indefinitely and applied against future capital gains.

5. Brokerage commissions:

Total brokerage commissions paid to dealers in connection with the portfolio transactions of the Fund for the year ended December 31, 2005 amounted to \$1,921 (2004 – \$2,816).