

**VEGA AMERICAN EQUITY FUND**

**FINANCIAL STATEMENTS**  
**(in United States dollars)**

**DECEMBER 31, 2003**

February 27, 2004

**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, 2003 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, 2003 and the results of its operations and changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Toronto, Ontario

# VEGA AMERICAN EQUITY FUND

## STATEMENTS OF NET ASSETS

As at December 31	2003	2002
<b>Assets</b>		
Investments, at market value	\$ 1,219,178	\$ 807,387
Cash	29,561	32,698
Income receivable	1,103	1,068
	<u>1,249,842</u>	<u>841,153</u>
<b>Liabilities</b>		
Distribution payable	1,735	1,355
Due to broker	33,069	-
Accrued expenses	4,039	3,032
	<u>38,843</u>	<u>4,387</u>
Net assets representing participants' equity (Note 2)	\$ 1,210,999	\$ 836,766
Net asset value per unit	\$ 6.33	\$ 5.08
Investments, at average cost (amortized where applicable)	\$ 1,120,458	\$ 959,403

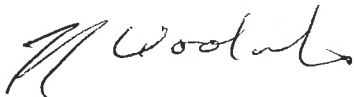
*The accompanying notes are an integral part of these financial statements.*

Approved on behalf of the Investment Manager,  
Guardian Capital Inc.:

Director



Director



**EGA AMERICAN EQUITY FUND**  
**STATEMENT OF INVESTMENT PORTFOLIO**  
**As At December 31, 2003**

<u>Number of Shares/Units</u>	<u>Security</u>	<u>Average Cost</u>	<u>Market Value</u>
<b>Consumer Cyclical-3.8%</b>			
1,600	Cendant Corp.	\$ 23,256	\$ 35,632
600	Limited Inc.	10,359	10,818
		<u>33,615</u>	<u>46,450</u>
<b>Consumer Discretionary-6.0%</b>			
355	Best Buy Co. Inc.	17,631	18,545
595	Home Depot Inc.	22,250	21,116
635	Wal-Mart Stores Inc.	34,630	33,687
		<u>74,511</u>	<u>73,348</u>
<b>Consumer Products-4.5%</b>			
560	Altria Group Inc.	24,942	30,475
300	CVS Corp.	11,220	10,836
800	Ford Motor Co.	8,719	12,800
		<u>44,881</u>	<u>54,111</u>
<b>Consumer Staples-8.3%</b>			
640	Johnson & Johnson	33,475	33,062
520	PepsiCo Inc.	22,738	24,242
260	Procter & Gamble Co.	21,835	25,969
455	Sysco Corp.	14,992	16,931
		<u>93,040</u>	<u>100,204</u>
<b>Electronics-2.4%</b>			
255	Johnson Controls Inc.	21,077	29,611
<b>Energy-4.8%</b>			
220	ChevronTexaco Corp.	18,818	19,006
590	Exelon Corp.	29,937	39,152
		<u>48,755</u>	<u>58,158</u>
<b>Financial Services-22.2%</b>			
180	Aetna Inc.	9,891	12,164
420	Bank of America Corp.	29,577	33,781
570	Citigroup Inc.	25,317	27,668
230	Goldman Sachs Group Inc.	22,919	22,708
700	J.P. Morgan Chase & Co.	23,936	25,711
475	Merrill Lynch & Co. Inc.	25,778	27,859
465	PNC Financial Services Group	24,619	25,449
460	SouthTrust Corp.	14,411	15,060
355	Wachovia Corp.	14,969	16,539
690	Washington Mutual Inc.	25,421	27,683
585	Wells Fargo & Co.	27,774	34,451
		<u>244,612</u>	<u>269,073</u>

<u>Number of Shares/Units</u>	<u>Security</u>	<u>Average Cost</u>	<u>Market Value</u>
	<b>Health Care-9.3%</b>		
230	Baxter Int'l Inc.	\$ 7,001	\$ 7,020
150	Cardinal Health Inc.	9,909	9,174
170	Guidant Corp.	10,151	10,234
520	Merck & Co. Inc.	34,192	24,024
585	Pfizer Inc.	20,730	20,668
180	UnitedHealth Group Inc.	8,253	10,472
320	WellPoint Health Networks Inc.	25,059	31,037
		<u>115,295</u>	<u>112,629</u>
	<b>Industrial Products-1.3%</b>		
170	Northrop Grumman Corp.	19,613	16,252
	<b>Manufacturing-2.2%</b>		
690	Alcoa Inc.	17,841	26,220
	<b>Oil &amp; Gas-1.9%</b>		
555	Exxon Mobil Corp.	21,579	22,755
	<b>Technology-26.9%</b>		
2,495	Cisco Systems Inc.	54,148	60,454
4,020	Corning Inc.	35,514	41,929
690	Dell Computer Corp.	18,438	23,446
920	Hewlett-Packard Co.	20,194	21,132
1,525	Intel Corp.	45,238	48,876
260	International Business Machines Corp.	25,890	24,097
1,250	Microsoft Corp.	45,886	34,213
2,150	Oracle Corp.	33,081	28,445
780	Qualcomm Inc.	30,917	42,065
		<u>309,306</u>	<u>324,657</u>
	<b>Telecommunications-5.1%</b>		
1,225	Nextel Communications Inc. 'A'	24,670	34,374
790	Verizon Communications Inc.	31,357	27,713
		<u>56,027</u>	<u>62,087</u>
	<b>Transportation-2.0%</b>		
340	Union Pacific Corp.	20,306	23,623
	<b>Total investments - 100.7%</b>	<b>1,120,458</b>	<b>1,219,178</b>
	<b>Other net liabilities - (0.7)%</b>	<b>(8,179)</b>	<b>(8,179)</b>
	<b>Total net assets - 100.0%</b>	<b>\$ 1,112,279</b>	<b>\$ 1,210,999</b>

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

# VEGA AMERICAN EQUITY FUND

## STATEMENTS OF OPERATIONS

Year ended December 31	2003	2002
<b>Investment income:</b>		
Dividends	\$ 18,710	\$ 14,109
Less: Withholding taxes	(2,579)	(1,807)
Interest	54	453
	16,185	12,755
<b>Operating expenses (Note 3):</b>		
Administration costs (rebate)	1,831	(959)
Custodian fees	257	345
Audit fees	3,643	3,006
Professional fees	226	99
Goods and Services Tax	417	173
	6,374	2,664
Net investment income	9,811	10,091
<b>Realized and Unrealized Gain (Loss) on Investments</b>		
Proceeds from sale of investments	417,918	836,936
Cost of investments, beginning of year	959,403	1,245,792
Cost of investments purchased during the year	615,025	745,039
	1,574,428	1,990,831
Cost of investments, end of year	1,120,458	959,403
Cost of investments sold during the year	453,970	1,031,428
Net realized loss on sale of investments	(36,052)	(194,492)
Increase (decrease) in unrealized appreciation (depreciation) of investments	250,736	(118,795)
Net realized and unrealized gain (loss) on investments	214,684	(313,287)
Increase (decrease) in net assets from operations	\$ 224,495	\$ (303,196)

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

## VEGA AMERICAN EQUITY FUND

### STATEMENTS OF CHANGES IN NET ASSETS

Year ended December 31	2003	2002
Net assets, beginning of year	\$ 836,766	\$ 1,229,763
Increase (decrease) in net assets from operations	224,495	(303,196)
Distributions to participants:		
From net investment income	9,949	9,853
Capital transactions:		
Issue of fund units (including reinvested distributions)	220,265	222,446
Redemption of fund units	60,578	302,394
	159,687	(79,948)
Net increase (decrease) in net assets for the year	374,233	(392,997)
Net assets, end of year	\$ 1,210,999	\$ 836,766
<b>Summary of changes in number of outstanding units</b>		
Units, beginning of year	164,846	174,077
Number of units issued (including reinvested units)	38,590	38,248
	203,436	212,325
Number of units redeemed	12,239	47,479
Units, end of year	191,197	164,846

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

Capital losses in the amount of \$668,286 are available to be carried forward and applied against future capital gains.

**5. Financial information summary:**

	<b><u>Year Ended December 31</u></b>	
	<b><u>2003</u></b>	<b><u>2002</u></b>
Earnings per unit (based on the weighted average number of units outstanding during the year):		
Net investment income	\$ 0.06	\$ 0.06
Realized loss on sale of investments	(0.21)	(1.25)
	<u>\$ (0.15)</u>	<u>\$ (1.19)</u>
Distributions per unit (based on the number of units outstanding on the dates of the distributions):		
Net investment income	<u>\$ 0.05</u>	<u>\$ 0.06</u>

**6. Comparative figures:**

Certain comparative figures have been restated to conform with the current year's presentation.