



WEBB ASSET MANAGEMENT

## **Management Report of Fund Performance**

June 30, 2009

Webb Enhanced Income Fund



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## Webb Enhanced Income Fund

### Management Report of Fund Performance

This interim management report of fund performance contains fiscal highlights but does not contain the complete unaudited interim financial statements for the investment fund. You may request a copy of the unaudited interim or audited annual financial statements at your request, and at no cost, by calling (toll free) 1-866-611-9590, or (416) 646-0975, by writing to us at Webb Asset Management Canada, Inc. (“WAM Funds”, “Webb” or the “Manager”), 26 Wellington Street East, Suite 920, Toronto, Ontario, M5E 1S2, by visiting our website at [www.WAMfunds.com](http://www.WAMfunds.com) or through SEDAR at [www.sedar.com](http://www.sedar.com).

Unitholders may also contact us using one of these methods to request a copy of the investment fund’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure relating to the investment fund.

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance, or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements.

Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the fund may invest and the risks detailed from time to time in the fund’s Simplified Prospectus. We caution that the foregoing list of factors is not exhaustive, and that when relying on forward-looking statements to make decisions with respect to investing in the fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the fund company does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

## Management Discussion of Fund Performance

### Investment Objective and Strategies

The objective of the Webb Enhanced Income Fund (the “Fund”) is to provide investors with a stable stream of tax-efficient monthly distributions, consisting of returns of capital and capital gains, and to provide for modest capital growth.

In order to achieve its objectives, the Fund invests primarily in equity securities of Canadian issuers (the “Canadian Equity Portfolio”). To produce tax-efficient distributions, the Fund will also enter into one or more forward agreements to obtain exposure to an underlying portfolio (the “Underlying Portfolio”), which includes dividend-paying common and preferred shares, bonds, debentures, income trusts, equity-related securities and convertible securities issued by issuers anywhere in the world. The objective of the Fund is to provide investors with returns based on the Underlying Portfolio and not the Canadian Equity Portfolio.



## Webb Enhanced Income Fund

### Management Report of Fund Performance *(continued)*

The Underlying Portfolio will be invested in a manner consistent with meeting the objectives of the Fund. Unitholders will receive the performance of the Underlying Portfolio, not the Canadian Equity Portfolio. This strategy is necessary to recharacterize all realized income and dividends of the Underlying Portfolio as returns of capital and capital gains for unitholders of the Fund.

In selecting equity securities for the Underlying Portfolio, Webb Asset Management, Inc., (the “Portfolio Sub-advisor”) focuses primarily on securities that offer (i) an attractive expected dividend yield as an indication of value, (ii) low price betas as an indication of risk and volatility, and (iii) earnings acceleration, earnings surprises and growth in earnings estimates as an indication of growth. The Portfolio Sub-advisor may also purchase equities, against which call options are written and may also short sell equities, against which put options are written. The fund is permitted a maximum 100% gross long exposure and a 20% gross short exposure.

#### **Risk**

Through the period, the Fund was invested in accordance with the Fund’s objectives and investment strategies. The Fund remained diversified across sectors and securities throughout the period and was exposed to both Canadian and U.S. securities.

Equity markets continued to experience a rare and significant amount of volatility through the first half of 2009. Much of the volatility continued to be driven by a decline in the amount of capital available in the global financial markets. As capital remained scarce, markets sold off materially and indiscriminately without regard to company fundamentals through to early March 2009. In such an environment, traditional and proven investment strategies often fail, including the process favoured by Webb. In the opinion of Webb, continued use of its investment process, which was proving ineffective, exposed Unitholders to an increased level of risk. In response, Webb allocated some of the Fund’s assets to a strategy that relied on technical indicators and more frequent trading. Webb’s intent in using these strategies was to reduce the market, sector and security risk to which the Fund was exposed, and to improve the opportunity for realizing gains.

A rather significant rebound in equity markets began in March and continued through to the end of June 2009. Signs of economic recovery and improvement in the capital markets served to reduce some uncertainty and perceived risk fueling new flows into the equity markets. Webb was able to capitalize on this rebound by allocating the Fund’s capital to the available opportunities. The overall level of risk to the Fund was no greater at the end of the period as it was when the rebound began. By the end of the period, Webb’s favoured investment process began to produce positive results again allowing the Fund to end its allocation to other strategies that relied on technical indicators and more frequent trading.

Any changes in the risks associated with an investment in the fund had no affect on the suitability or investor risk tolerance stated in the prospectus.

#### **Results of Operations**

Performance of the Fund is directly linked to the Underlying Portfolio through the forward agreements. The Underlying Portfolio was invested in accordance with the objectives and strategies of the Fund throughout the reporting period.

Relative to the period ending December 31, 2008, the Underlying Portfolio of the Fund increased its weighting of Canadian equities at the expense of U.S. and foreign equities. As well, more capital was allocated to industrials, energy, financials and consumer stocks, while capital was reduced in the materials and utilities sectors.



## Webb Enhanced Income Fund

### Management Report of Fund Performance *(continued)*

There were no unusual trends in redemptions during the period. The Fund experienced net redemptions through the period, but they were immaterial relative to the size of the Fund. The Fund was unable to accept purchases between February and the end of the period because it was out of distribution as a result of the Fund's Simplified Prospectus having lapsed. The Fund's Simplified Prospectus has since been renewed and the fund is again able to accept new purchases.

The most significant components to expenses throughout the entire period were: management fees of \$73,331; independent review committee fees of \$11,842, administration fees (includes fund accounting and recordkeeping among other things) of \$29,934 and forward agreement fees of \$24,543.

The most significant event that affected past performance was the continued decline of equity markets in the first part of the period, caused by economic uncertainty and financial market instability, followed by a rather large rebound in equity markets as signs of stability began to emerge.

Although the Fund declined in sympathy with the markets in the first part of the period, it was able to participate in much of the subsequent upside while keeping volatility at acceptable levels.

#### Recent Developments

The Fund, through the underlying portfolio, remains invested in accordance with the objectives and strategies of the Fund.

The Manager fully expects the Fund to be able to meet all of its distribution requirements through the end of the next reporting period. The Fund is generating enough cashflow from its investment strategy to meet its distribution obligations and pay the Fund's expenses.

In light of continued economic and financial market uncertainty, the Fund has maintained a more conservative stance and remains less than fully invested. The Fund has few short positions given the current market rebound.

In February, the Fund did not seek renewal of its Simplified Prospectus and annual information form pending the results of a review by the Ontario Securities Commission. As such, the Fund was out of distribution, meaning it could not issue new units. The Manager has since filed a Simplified Prospectus and annual information form with the Ontario Securities Commission. The Fund is now in a position to accept purchases and issue new units.

The Fund remains relatively small, which has imposed cost burdens on Unitholders. There is little expectation that, in the near future, the Fund can grow to a size that will meaningfully offset these expenses. The Manager has sought and received price concessions and payment deferrals from many of the Fund's service providers to help offset these expenses.

#### Other Information

The Fund was required to revise and refile its 2008 Management Report on Fund Performance (MRFP). The revised MRFP can be found at [www.sedar.com](http://www.sedar.com), [www.WAMfunds.com](http://www.WAMfunds.com) or from Webb Asset Management Canada, Inc. by calling 1-866-611-9590.



# Webb Enhanced Income Fund

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance since inception on January 11, 2008. This information is derived from the Fund's annual audited financial statements and the current unaudited interim financial statements. Please see the front page for information on how you may obtain the fund's annual or interim financial statements.

### The Fund's Net Assets per Unit

#### Series A

<i>Period</i>	<b>2009</b>	<b>2008</b>
<b>Net assets, beginning of period<sup>(1)</sup></b>	\$ 6.12	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	–	0.02
Total expenses	(0.13)	(0.43)
Realized losses for the period	(1.82)	(2.03)
Unrealized gains (losses) for the period	2.97	(2.89)
<b>Total increase (decrease) from operations<sup>(3)</sup></b>	1.02	(5.33)
<b>Distributions:</b>		
Return of capital	(0.30)	(0.60)
<b>Total annual distributions<sup>(4)</sup></b>	(0.30)	(0.60)
<b>Net assets, end of period<sup>(2)(5)</sup></b>	\$ 6.86	6.12

#### Series F

<i>Period</i>	<b>2009</b>	<b>2008</b>
<b>Net assets, beginning of period<sup>(1)</sup></b>	\$ 6.20	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	–	0.03
Total expenses	(0.10)	(0.34)
Realized losses for the period	(1.85)	(2.07)
Unrealized gains (losses) for the period	3.01	(2.82)
<b>Total increase (decrease) from operations<sup>(3)</sup></b>	1.06	(5.20)
<b>Distributions:</b>		
Return of capital	(0.30)	(0.60)
<b>Total annual distributions<sup>(4)</sup></b>	(0.30)	(0.60)
<b>Net assets, end of period<sup>(2)(5)</sup></b>	\$ 6.98	6.20



# Webb Enhanced Income Fund

## Financial Highlights *(continued)*

### Series I

<i>Period</i>	<b>2009</b>	<b>2008</b>
<b>Net assets, beginning of period<sup>(1)</sup></b>	\$ 6.37	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	—	0.03
Total expenses	(0.07)	(0.06)
Realized losses for the period	(1.91)	(6.53)
Unrealized gains for the period	3.13	3.16
<b>Total increase (decrease) from operations<sup>(3)</sup></b>	1.15	(3.40)
<b>Distributions:</b>		
Return of capital	(0.30)	(0.60)
<b>Total annual distributions<sup>(4)</sup></b>	(0.30)	(0.60)
<b>Net assets, end of period<sup>(2)(5)</sup></b>	\$ 7.22	6.37

- (1) This information is derived from the Fund's unaudited interim financial statements for the period ended June 30, 2009 and from the audited annual financial statements as at December 31, 2008. Series A units, Series F units and Series I units list their initial offering price of \$10.00 per unit as the opening net asset value although such units may not have actually been issued at the beginning of the period. The inception date for Series A, F and I units was January 11, 2008.
- (2) The net assets per unit presented in the financial statements may differ from the net asset value calculated for Fund pricing purposes. An explanation of these differences can be found in the notes to the financial statements.
- (3) Net assets per security and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the average number of units outstanding over the financial period.
- (4) Distributions, if any, were paid in cash/reinvested in additional units of the Fund, or both.
- (5) The Financial Highlights are not intended to act as a continuity of the opening and closing net assets per unit.



# Webb Enhanced Income Fund

## Financial Highlights *(continued)*

### Ratios and Supplemental Data

#### Series A

<i>Period</i> <sup>(1)</sup>	<b>2009</b>	<b>2008</b>
Net asset value <sup>(2)</sup> (000's)	\$ 7,049	6,893
Number of units outstanding	1,024,185	1,121,353
Management expense ratio <sup>(3)</sup>	4.15%	5.42%
Management expense ratio before waivers or absorptions <sup>(4)</sup>	4.15%	6.63%
Trading expense ratio <sup>(5)</sup>	0.00%	0.00%
Portfolio turnover rate <sup>(6)</sup>	56.47%	77.01%
Net asset value per unit, end of period <sup>(2)</sup>	\$ 6.88	6.15

#### Series F

<i>Period</i> <sup>(1)</sup>	<b>2009</b>	<b>2008</b>
Net asset value <sup>(2)</sup> (000's)	\$ 1,147	1,262
Number of units outstanding	163,766	202,833
Management expense ratio <sup>(3)</sup>	3.09%	4.29%
Management expense ratio before waivers or absorptions <sup>(4)</sup>	3.09%	5.47%
Trading expense ratio <sup>(5)</sup>	0.00%	0.00%
Portfolio turnover rate <sup>(6)</sup>	56.47%	77.01%
Net asset value per unit, end of period <sup>(2)</sup>	\$ 7.01	6.22



# Webb Enhanced Income Fund

## Financial Highlights *(continued)*

### Series I

<i>Period</i> <sup>(1)</sup>	<b>2009</b>	<b>2008</b>
Net asset value <sup>(2)</sup> (000's)	\$ 218	191
Number of units outstanding	30,016	29,811
Management expense ratio <sup>(3)</sup>	2.16%	0.72%
Management expense ratio before waivers or absorptions <sup>(4)</sup>	2.16%	1.70%
Trading expense ratio <sup>(5)</sup>	0.00%	0.00%
Portfolio turnover rate <sup>(6)</sup>	56.47%	77.01%
Net asset value per unit, end of period <sup>(2)</sup>	\$ 7.25	6.40

- (1) *This information is provided as at June 30, 2009 and December 31, 2008. The inception date for Series A, F and I units was January 11, 2008.*
- (2) *The impact of the adoption of the accounting policy Section 3855 on net assets may result in a different valuation of securities held by the Fund, for financial reporting purposes, than the market value used to determine the net asset value of the Fund for the purchase and redemption of the Fund's units. As a result, the net assets and the net assets per unit presented may differ from the net asset value and net asset value per unit as of December 31, 2008 and onward.*
- (3) *Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Out of its management fees, the Manager pays for such services to the Fund as portfolio advisor compensation, service fees and marketing.*
- (4) *The Manager, at its discretion, waived and/or absorbed a portion of the fees and/or expenses otherwise payable by the Fund. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at anytime, or continued indefinitely, at the discretion of the Manager. Management expense ratio is inclusive of performance fees.*
- (5) *The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.*
- (6) *The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.*



## Webb Enhanced Income Fund

### Financial Highlights *(continued)*

#### Management Fees

The following table shows the Fund's annual management fee rates and the maximum trailer fee rates for each series of units. Webb pays trailer fees to dealers out of management fees. The trailer fees are a percentage of the average daily value of the units of the Fund held by the dealer's clients. The fees depend on the series of units held.

SERIES OF UNIT	MANAGEMENT FEE	TRAILER FEES	PERFORMANCE FEE
Series A Units	2.00%	1.00%	20.00% of performance over benchmark
Series F Units	1.00%	N/A	20.00% of performance over benchmark
Series I Units	Negotiable	Negotiable	Negotiable

#### Past Performance

The performance information shown assumes that all distributions made by the Fund in the period shown were reinvested in additional units of the Fund. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Past performance of the Fund does not necessarily indicate its future performance.



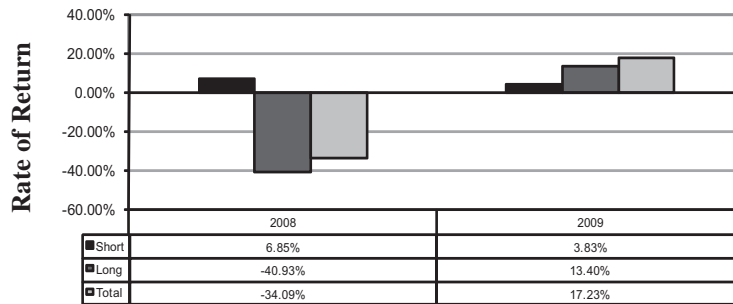
# Webb Enhanced Income Fund

## Past Performance *(continued)*

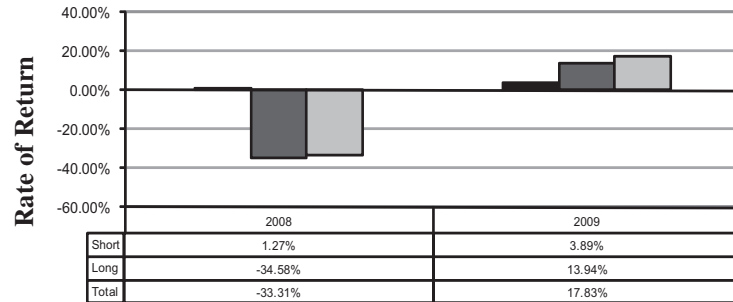
### Year-by-Year Returns

The following charts show the investment Fund's performance for each of the years shown, and illustrate how the investment Fund's performance has changed year to year. In percentage terms, the charts show how much an investment made on the first day of the financial period would have grown or decreased by the last day of the financial period.

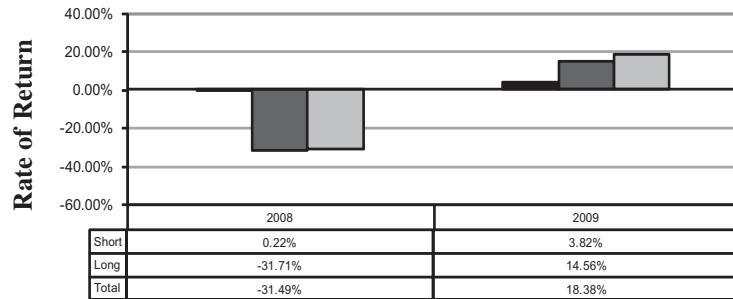
**Webb Enhanced Income Fund Series A**



**Webb Enhanced Income Fund Series F**



**Webb Enhanced Income Fund Series I**



The returns indicated for 2008 represent the period from inception to December 31, 2008 only. Series A, Series F, and Series I start to price on January 25, 2008.

The returns indicated for 2009 represent the period from January 1, 2009 to June 30, 2009.

The performance shown for short positions is based on pure performance of such positions, while the performance shown for long positions is comprehensive of all fees and expenses, as is the performance for each Series of the Fund as a total.



## Webb Enhanced Income Fund

### Summary of Investment Portfolio *(Underlying Portfolio)*

As at June 30, 2009

Asset Mix	Net Asset Value	% of Fund's Net Asset Value
<b>Long Positions</b>		
Canadian Equities	\$ 6,898,568	81.9%
Foreign Equities	605,151	7.2%
Net Other Assets	385,402	4.6%
U.S. Equities	338,470	4.0%
Cash and Cash Equivalents	232,380	2.8%
Cash and Cash Equivalents, Canadian Equity Portfolio	87,071	1.0%
Net Other Assets, Canadian Equity Portfolio	(70,900)	-0.8%
<b>Short Positions</b>		
Foreign Derivatives	(3,664)	0.0%
Canadian Derivatives	(58,970)	-0.7%
	<b>\$ 8,413,508</b>	<b>100.0%</b>

Sector Mix	Net Asset Value	% of Fund's Net Asset Value
<b>Long Positions</b>		
Industrials	\$ 2,431,310	28.8%
Energy	1,279,076	15.2%
Financials	1,255,088	14.9%
Materials	1,123,510	13.4%
Utilities	725,270	8.6%
Information Technology	578,570	6.9%
Net Other Assets	385,402	4.6%
Consumer Discretionary	373,965	4.4%
Cash and Cash Equivalents	232,380	2.8%
Cash and Cash Equivalents, Canadian Equity Portfolio	87,071	1.0%
Consumer Staples	75,400	0.9%
Net Other Assets, Canadian Equity Portfolio	(70,900)	-0.8%
<b>Short Positions</b>		
Equity Options	(62,634)	-0.7%
	<b>\$ 8,413,508</b>	<b>100.0%</b>



## Webb Enhanced Income Fund

### Summary of Investment Portfolio (Underlying Portfolio) (continued)

As at June 30, 2009

<b>Top 25 Holdings</b>	<b>% of Underlying Portfolio's Net Asset Value</b>
<b>Long Positions</b>	
Potash Corporation of Saskatchewan Inc.	9.0%
DryShips Inc.	7.2%
Northland Power Income Fund	7.0%
Research in Motion Limited	6.9%
Barrick Gold Corporation	6.5%
H&R Real Estate Investment Trust	6.3%
Goldcorp Inc.	5.8%
Provident Energy Trust	5.2%
IBI Income Fund	4.9%
Yellow Pages Income Fund	4.4%
Ferrellgas Partners Limited Partnership	4.0%
Pembina Pipeline Income Fund	3.7%
AGF Management Limited	3.4%
Davis + Henderson Income Fund	2.9%
Vermilion Energy Trust	2.7%
Innergex Power Income Fund	2.4%
Crombie Real Estate Investment Trust	2.3%
Fort Chicago Energy Partners Limited Partnership	2.2%
Boralex Power Income Fund	2.2%
Inter Pipeline Fund	1.4%
Chemtrade Logistics Income Fund	1.1%
Rogers Sugar Income Fund	0.9%
The Data Group Income Fund	0.8%
<b>Short Positions</b>	
Goldcorp Inc. Call Options	0.0%
DryShips Inc. Call Options	0.0%

The summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund. The most recent annual report or semi-annual report is available at no cost by calling 1-866-611-9590, by writing to us at 26 Wellington Street East, Suite 920, Toronto, Ontario, M5E 1S2, by visiting our website at [www.WAMfunds.com](http://www.WAMfunds.com).







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