

**DEANS KNIGHT**  

---

**INCOME CORPORATION**

**ANNUAL MANAGEMENT REPORT  
OF FUND PERFORMANCE FOR 2009**

This annual management report of fund performance (the "Report") contains financial highlights of the Company. This Report should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2009 (the "Financial Statements"), which, if not included with this Report, can be obtained at your request, at no cost by emailing [info@dkincomecorp.com](mailto:info@dkincomecorp.com), visiting our website at [www.dkincomecorp.com](http://www.dkincomecorp.com) for contact details or on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may also contact us to request a free copy of the Company's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

## **A NOTE ON FORWARD-LOOKING STATEMENTS**

This Report contains certain forward-looking statements. These statements relate to future events or future performance, including the Company's targeted dividend payout, investment strategy, behaviour of financial markets and reflect the Company's expectations regarding the growth, results of operations, performance and business prospects and opportunities of the Company and its investments. Such forward-looking statements reflect the Company's current beliefs and are based on information currently available to the Company. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other comparable terminology. With respect to such forward-looking statements, the Company has made assumptions regarding, among other things, what type of debt securities will be included in its investment portfolio. A number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, prospective investors should specifically consider various factors, including the risks outlined under "Risk Factors" in the Prospectus (as defined herein), which may cause actual results to differ materially from any forward-looking statement. Although the forward-looking statements contained in the Prospectus are based upon what the Company believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. Forward-looking statements are made as of the date of this Report and, other than as required by applicable law, the Company assumes no obligation to update or revise them to reflect new events or circumstances.

This Report also contains certain financial and operational information obtained from public sources in respect of certain companies included in the Company's investment portfolio. While management believes this data to be reliable, such information is subject to variations and cannot be verified due to limits on the availability and reliability of data inputs, the nature of the data gathering process and other limitations and uncertainties inherent in such information. Accordingly, the accuracy, currency and completeness of this information cannot be guaranteed. The Company has not independently verified any of the data from third party sources referred to in this Report or ascertained the underlying assumptions relied upon by such sources.

## **Investment Objective and Strategies**

Deans Knight Income Corporation (the “**Company**”) is a closed-end, non-redeemable investment company focused on investing in corporate debt securities. The Company’s assets are actively managed by Deans Knight Capital Management Ltd. (“**Deans Knight**”), a respected British Columbia-based investment firm focused on managing high income and growth mandates for high net worth individuals. Deans Knight, formed in 1992, has an experienced management team and a long history of successful investing in corporate debt securities.

The Company’s investment objectives are to: (i) maximize the total return for Shareholders, consisting of dividend income and capital appreciation; and (ii) provide Shareholders (as defined herein) with monthly dividends, which have been initially set at \$0.0583 per share per month. The Company will achieve these objectives by investing primarily in corporate debt securities rated BBB or below by Standard & Poor’s Rating Services (“**S&P**”) or an equivalent rating by another nationally recognized statistical rating organization. The Company may also invest in investment grade debt securities rated above BBB and non-rated debt securities from time to time.

The Company believes there are attractive investment opportunities today in owning corporate debt of businesses with tangible assets, strong cash flows and reasonable leverage.

When evaluating securities to purchase for the Company, Deans Knight focuses on the following:

- amount of security or collateral within a business to support the value of the securities;
- the position of the debt in the capital structure;
- covenants;
- liquidity;
- the business’s ability to reduce or refinance the debt; and
- the overall term of the debt and yield to bondholders.

Deans Knight intends to employ the above credit-based analysis to identify corporate debt for inclusion in the Company’s investment portfolio with attractive valuations in order to maintain its targeted dividend payment.

## **Risk**

The overall risks of the Company are as described in its prospectus dated March 9, 2009 (the “Prospectus”).

Prior to the reorganization and change in business as discussed in Note 1 of the Financial Statements, the Company has generated significant tax losses and other tax attributes as a

result of its prior businesses and research activities. The Company has recorded, as a tax asset, the full amount of the potential tax benefit of such items to the extent of its projected taxable income. There is uncertainty as to whether the tax authorities will allow the Company to deduct some or all of the tax losses and other attributes. Should the Company be denied the deductions in full, the recorded amount of the tax assets as well as such amounts claimed to date would be recorded as a charge to income. The total tax assets recognized and tax losses and other attributes claimed to date, which are subject to uncertainty, amount to \$15,647,415, representing \$1.48 per common share at December 31, 2009.

Given the type of investments made by the Company, an investment in the Company may be considered to be speculative. An investment in the Company is generally suitable for investors who are looking to receive income, yet are willing to tolerate volatility in the value of their investment.

## Results of Operations

The net assets of the Company at December 31, 2009 were \$128,681,694, or \$12.21 per common share, which consisted of the following components:

	\$	Per common share <sup>(1)</sup>	%
Investments <sup>(2)</sup>	113,245,040	10.74	87.9
Cash and short-term deposits	6,042,756	0.57	4.7
Accrued income	1,670,248	0.16	1.3
Prepaid expenses	89,840	0.01	0.1
Future income tax asset <sup>(3)</sup>	8,200,000	0.78	6.4
Accounts payable and accrued liabilities	<u>(566,190)</u>	<u>(0.05)</u>	<u>(0.4)</u>
	<u>128,681,694</u>	<u>12.21</u>	<u>100.0</u>

(1) Based on 10,537,263 common shares, including 10,191,592 voting common shares and 345,671 non-voting common shares, as outlined in the notes to the Financial Statements.

(2) The details of the investments are outlined in the Summary of Investment Portfolio below.

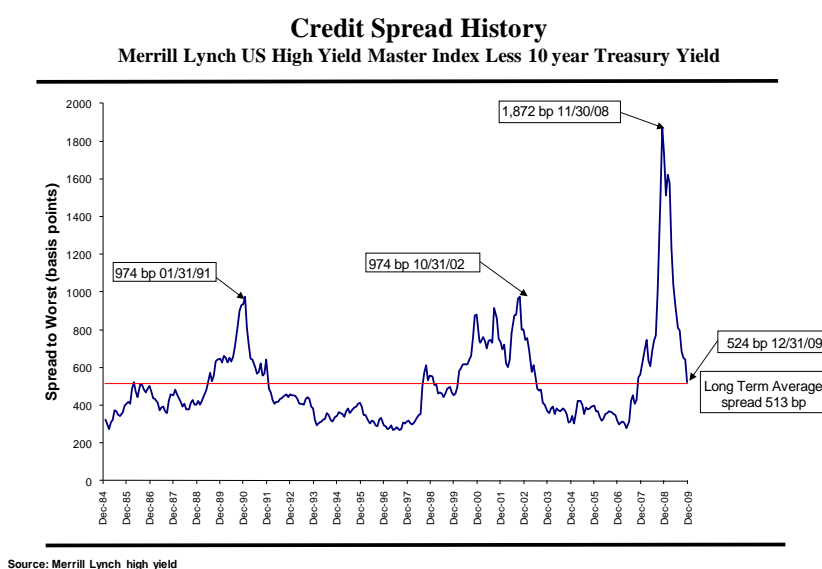
(3) Refer to the Taxation note to the Financial Statements for more detail.

On March 17, 2009, the Company raised \$100,368,900, at \$10 per share, by way of an initial public offering ("IPO"). Since that time the Company has increased the net assets by 22%, to \$12.21 per share. The Company was able to accomplish this by investing in a concentrated portfolio of corporate bonds.

In addition, starting in June 2009, the Company made monthly dividend payments of \$0.0583 per share to holders of voting common shares and non-voting common shares (collectively, the "Shareholders"), resulting in total dividend payments in 2009 of \$0.41 per share. On January 6, 2010, the Company announced it will maintain monthly cash dividends at \$0.0583 per share for the three months ended March 31, 2010.

In late 2008 and early 2009, the world economy experienced the worst recession since the Great Depression. During this time period, the spread between high yield bonds and government bonds widened to historically high levels (see graph below). Corresponding to these widening spreads was a 33% decline in high yield bond prices<sup>1</sup>. Historical data suggests that periods of dramatic spread widening are typically favourable times to buy corporate bonds. As credit markets improve and spreads return to more normal levels, the high yield bond market has the potential to provide equity like returns.

In 2009, the economy showed signs of improvement, corporate credit spreads returned to their long-term historical average (see graph below) and bond prices rose dramatically, resulting in a 22% increase to the Company's net assets per share.



Bonds were generally so undervalued in early 2009 that despite recent price increases, Deans Knight still views the high yield corporate bond market as attractive. Although credit spreads may not narrow further and thus generate higher bond prices, with 10-year Government bonds in Canada and the U.S. below 4%, high yield bonds continue to offer an attractive relative return for investors.

What does the future hold? Although we don't have a crystal ball, we believe bond portfolio returns are generally more predictable than stock returns. Over the long run, the rate of return from investing in bonds should be its current yield to maturity. The average yield on bonds invested in the Company's portfolio is 8.7% versus 10-year Government bonds and investment grade bonds yielding 3.8% and 4.6%<sup>2</sup>, respectively.

<sup>1</sup> Source: Merrill Lynch US High Yield Master II Index

<sup>2</sup> Merrill Lynch & Co.

We concentrate on investing in businesses with tangible assets as collateral, strong cash flows and reasonable leverage that generate an attractive income return for our shareholders.

For example, the Company purchased US\$5.5 million of the secured notes of Harvest Operations Corp. at US\$69 per \$100 of par value and \$5.5 million of the convertible debentures in Harvest Energy Trust at \$66 per \$100 of par value. Harvest is an integrated energy company with upstream operations, currently producing 54,000 barrels of oil equivalent per day (“BOE/D”) weighted at approximately 70% oil; 30% gas. In addition to its upstream operations, Harvest owns a refinery in Come By Chance Newfoundland operating as a standalone business.

On October 21, 2009, Harvest Energy Trust entered into an agreement with Korea National Oil Corporation to sell all of its issued and outstanding trust units at a price of \$10 per unit for total cash consideration of \$1.8 billion, plus the assumption of \$2.3 billion of debt. This transaction resulted in a significant increase in the value of both the secured notes and convertible debentures, which were valued at US\$101 per \$100 of par value and \$102 per \$100 of par value, respectively.

Another large bond position for the Company is Athabasca Oil Sands Corp. debentures, paying a coupon of 13%, which mature on July 31, 2011. On August 28, 2009, Athabasca announced they had entered into a joint venture with PetroChina Company Ltd. on two of its properties. This transaction was approved by shareholders and the respective governments in late 2009. As a result of this transaction, Athabasca will be calling these debentures on March 12, 2010, at a call price of \$107. The Company plans to use these proceeds to reinvest in other bond opportunities that are available today.

In August 2009, the Company purchased \$7.5 million of convertible debentures issued by Whitecap Resources Inc., a private oil and gas producer. Whitecap has a 50% working interest in a Montney oil and gas asset in Alberta, which is currently producing 900 (“BOE/D”) (50% oil). These assets have a reserve life of approximately 15 years with the potential to significantly increase both production and reserves using waterflood development. Whitecap has a proven management team with a history of creating value for its shareholders through exploration, development and acquisitions. The Company believes the assets of Whitecap are able to generate enough cash flow to service all of its debt obligations.

Calfrac Well Services is a specialized oilfield service provider using fracturing equipment to increase production from oil and gas wells. Despite a difficult year for energy services companies in 2009, Calfrac was able to generate EBITDA of \$69 million and increase its capacity by 59% predominantly from acquisitions made during the second half of the year. Given Calfrac’s focus on cost reduction and its increase in capacity, Deans Knight believes Calfrac is well positioned to increase cash flows as the sector improves. As of the end of 2009, Calfrac’s debt less working capital was less than \$150 million. The average cost on the bonds held is roughly US\$84 per \$100 of par value and these bonds were valued at US\$96 per \$100 of par value on December 31, 2009, providing a yield of 8.6%.

The Company purchased Teck Cominco Ltd. 6.125% bonds, due October 31, 2035, at US\$51 in March, 2009. Prior to the credit crunch, Teck acquired Fording Canadian Coal Trust, their partner in the Elk Valley Coal asset, financed almost entirely with short-term bank debt. With falling commodity prices and a strained balance sheet during the credit crunch, Teck became “at-risk” of default. We didn’t know if Teck would default or not, but upon further analysis of the situation, with long term bonds trading at US\$51, we felt investors could make money either way.

Firstly, although Teck had roughly \$12 billion in debt, the senior notes ranked equal to bank debt. As such, Deans Knight believed buying bonds at US\$51 meant we were effectively buying the company at an attractive entry point.

Secondly, we felt Teck had a number of options to sell some assets, reduce debt and renegotiate terms on their bank facilities, giving them a chance to issue equity at a less dilutive price. This is effectively what happened. In 2009, Teck sold assets for net proceeds of \$2.5 billion, including a tax refund. With positive results from selling assets, the banks agreed to renegotiate terms on the bridge facilities. This improved credit quality and allowed Teck to issue US\$4.2 billion in senior notes and raise over \$1.7 billion in a private equity issue. We participated in the new issue of senior notes using proceeds from the sale of our 6.125% bonds at US\$62 and purchased 10.75% bonds due May 15, 2019 at US\$98. This allowed us to shorten the maturity and increased our cash on cash yield. Our 10.75% bonds were trading at US\$119 on December 31, 2009.

## **Recent Developments**

### *Reorganization into the business of investing*

On February 27, 2008, the Company reorganized its corporate structure pursuant to a plan of arrangement under the Canada Business Corporations Act (the “Arrangement”). Pursuant to the Arrangement, all of the Company’s then outstanding common shares, options and warrants were exchanged for common shares, options and warrants of Forbes, a newly formed entity. As a result of the exchange of shares, the Company became a wholly-owned subsidiary of Forbes and the common shares of Forbes began to trade on the TSX and NASDAQ in substitution for the common shares of the Company.

On March 19, 2008, a third party, Forbes and the Company entered into an investment agreement pursuant to which the third party agreed to purchase a convertible debenture for \$2,960,000 (the “Convertible Debenture”) and the Company and Forbes agreed to reorganize the business of the Company (the “Reorganization”).

On May 9, 2008, the Company completed the Reorganization pursuant to which it entered into an asset purchase and sale agreement with Forbes whereby the Company transferred all of its assets and operations to, and its related liabilities were assumed, by Forbes.

The Convertible Debenture was convertible into 20,683,685 voting common shares and 123,818,901 non-voting common shares at the option of the third party. On March 17, 2009, the third party opted to convert the full amount of the Convertible Debenture.

Prior to the Reorganization, the Company was a life sciences company involved in the research, development and commercialization of innovative products for the prevention and treatment of life-threatening diseases. The Company's infrastructure supported a portfolio of discovery and development stage pharmaceutical compounds and nutraceutical products. Forbes continues to carry on the prior business of the Company and in accordance with the asset purchase agreement between the Company and Forbes providing for the Reorganization, Forbes provided an indemnity to the Company with respect to liabilities relating to the Company's assets transferred to Forbes and the Company's prior business. In addition, Forbes obtained, on behalf of the Company, product liability insurance for certain claims that may arise in the future in connection with the Company's prior business. To date, no such claims or potential claims have arisen. There can be no assurance that the above noted guarantee will be sufficient to cover any future claims.

On February 6, 2009, the Company filed articles of amendment to change its name to "Deans Knight Income Corporation". In connection with the reorganization of the Company into an investment company, the Company amended its Articles to, among other things, consolidate the issued and outstanding voting and non-voting common shares on the basis of one voting and non-voting common share for every 382 voting and non-voting common shares held, respectively. Further, the amendments provided for investment objectives and investment restrictions of the Company and redemption feature on the Company's voting and non-voting common shares, as more particularly described in the Prospectus.

In March 2009, the Company completed its IPO, whereby it raised gross proceeds of \$100,368,900 and began operating its new business of investing in corporate debt.

Due to the change in the nature of the Company's business resulting from the corporate reorganization and its subsequent IPO, the comparative statements of net assets, operations, changes in net assets and cash flows for the prior period would not be meaningful and have therefore not been presented in the Financial Statements. Should you wish to review prior year's financial statements, the comparative financial statements can be found in our Prospectus. You can obtain a free copy of the Prospectus by emailing [info@dkincomecorp.com](mailto:info@dkincomecorp.com), visiting our website at [www.dkincomecorp.com](http://www.dkincomecorp.com) for contact details or on SEDAR at [www.sedar.com](http://www.sedar.com).

#### *New accounting policies*

With the new business of investing in corporate debt, the Company has many new accounting policies it has adopted. Most significant are the policies associated with Section 3855, Financial Instruments – Recognition and Measurement; Section 3862, Financial Instruments – Disclosures; and Section 3863, Financial Instruments – Presentation of the Canadian Institute of Chartered Accountants ("CICA") Handbook – Accounting. For a

detailed explanation of these policies and the impact on the Company please refer to our Financial Statements.

#### *Comparison of net asset value and net assets*

National Instrument 81-106 (“NI 81-106”) permits investment companies to have two different net asset values: (i) one for financial statements, which will be prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”) including Section 3855 (and referred to as “net assets”) and (ii) another for all other purposes, including unit pricing for investor transactions (referred to as “net asset value”). The main difference in calculating net assets and net asset value is that GAAP requires bid price to be used in valuing securities traded in an active market where quoted prices are readily and regularly available, rather than the use of a price between the bid and the ask price currently used for determining net asset value. This difference results in an insignificant difference of approximately \$0.02 per common share at December 31, 2009, as outlined in the notes to the Financial Statements.

#### *International Financial Reporting Standards*

The Company is required to adopt international financial reporting standards (“IFRS”) for fiscal periods beginning on or after January 1, 2011. This means the Company’s first set of financial statements to be reported on under IFRS will be for the semi-annual period ending June 30, 2011. These statements will include corresponding comparative financial information for 2010, including an opening statement of net assets as at January 1, 2010.

The Company has established a transition plan to ensure that it is able to meet its reporting requirements. The plan consists of three main elements, which include:

- Identifying differences between the current accounting policies of the Company, which reflect current Canadian GAAP, and those expected to apply under IFRS and the likely financial statement impact resulting from the adoption of IFRS;
- Analyzing the impact of the adoption of IFRS on business and reporting processes;
- Disclosing the qualitative impact in the December 31, 2009 management report of fund performance and disclosing the quantitative impact, if any, in the December 31, 2010 management report of fund performance.

Based on the Company’s analysis of current accounting policies and presentation under GAAP against IFRS the adoption of IFRS is not expected to have a material effect on the Company’s net assets or net assets per share. The primary impact will be in the areas of presentation and note disclosure. Further, the Company does not believe that the changeover to IFRS will materially affect the Company’s existing business arrangements.

However, it should be noted that there are additional changes to IFRS expected during 2010 and this creates some uncertainty regarding the expected accounting standards that will be in place in 2011. As such, the Company cannot conclusively determine the impact that the adoption of IFRS will have.

Throughout the balance of 2010, the Company will continue to monitor new standards and recommendations as they are issued by both the International Accounting Standards Board, who is responsible for the development and publication of IFRS, and the Canadian Accounting Standards Board, to update its analysis as appropriate. By the fourth quarter of 2010, the Company expects to complete its analysis, determine overall financial statement presentation, and complete its assessment. Any changes required with respect to its business arrangements will then be adopted.

#### *Harmonized Sales Tax*

Effective July 1, 2010, British Columbia provincial sales tax (PST) will be replaced with a value-added tax and combined with the federal Goods and Services Tax (GST) to create a Harmonized Sales Tax (HST). The HST will have a combined rate of 12%, of which the provincial portion will be 7% and the federal portion will be 5%. Although management fees and certain other service costs of the Company are currently subject to the 5% GST, but not PST, these services will be subject to the new HST. Since the Company is not able to recover this tax, the 8% difference will represent an additional cost to the Company.

#### **Related Party Transactions**

The officers, and certain directors, of the Company are also employees of the Investment Advisor, Deans Knight Capital Management Ltd. These officers, and directors, are not paid by the Company. Deans Knight provides investment management services to the Company, as well as administration, financial reporting and other ancillary services required by a publicly listed company. Management fees, for the services outlined above, are computed and paid quarterly, at an annual rate of 1.5% of the net asset value plus applicable taxes, and adjusted for certain non-investment related assets.

For the year ended December 31, 2009, management fees totaled \$1,361,226. In calculating the management fee, the net asset value was reduced by the value of the future income tax asset included in the statement of net assets.

A director of the Company is a partner at a law firm that provides legal services to the Corporation. During the year ended December 31, 2009, the Corporation incurred approximately \$355,000 in legal services and disbursements received from this related party, which predominantly related to the Company's IPO. At December 31, 2009, accounts payable and accrued liabilities include \$550 to the law firm for legal fees and disbursements, which had not been billed.

#### **Financial Highlights**

The following tables show selected key financial information about the Company and are intended to help you understand the Company's financial performance since it began operating its new business of investing in corporate debt in March 2009.

## The Company's Net Asset Value per Common Share (1)

	\$
Net asset value, beginning of period (2)(3)	9.12
Increase (decrease) from operations	
Total revenue	0.62
Total expenses	(0.20)
Realized gains (losses) for the period	1.25
Unrealized gains (losses) for the period	1.23
Recovery of future income taxes	0.62
<b>Total increase (decrease) from operations (3)</b>	<b>3.52</b>
Dividends (3)(4)	
From income	(0.41)
<b>Net asset value at December 31, 2009 (5)</b>	<b>12.23</b>

- (1) The information is derived from the Company's audited annual financial statements. Common shares outstanding are 10,537,263, including 10,191,592 voting common shares and 345,671 non-voting common shares.
- (2) Net assets, beginning of the period reflect the net assets in the Company at March 17, 2009, after giving effect to the conversion of the Convertible Debenture and interest owing thereon and the issuance of common shares on the IPO less total share issue expenses.
- (3) Net assets and dividends are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the period from the date the Company began operating its new business to December 31, 2009.
- (4) Dividends were paid in cash.
- (5) The net assets per share presented in the financial statements differs from the net asset value per share calculated for fund pricing purposes due to the provisions of CICA Handbook Section 3855. An explanation of the differences can be found in the notes to the financial statements.

## Ratios and Supplemental Data

Net asset value (000's) (1)	\$128,930
Number of common shares outstanding (000's) (1)	10,537
Management expense ratio before share offering costs (2)	1.71%
Management expense ratio (2) (3)	5.51%
Portfolio turnover rate (4)	36.69%
Trading expense ratio (5)	0.01%
Net asset value per common share	\$12.23
Closing market price – common share	\$11.40

- (1) This information is provided as at December 31, 2009
- (2) Management expense ratio is based on total expenses for the period and is expressed as a percentage of weekly average net asset values over the period from the date the Company began operating its business as an investment fund on March 17, 2009, to December 31, 2009.
- (3) The Management expense ratio includes offering costs for the IPO of \$6,268,800 less the offsetting related future tax benefit of \$1,692,500.
- (4) The Company's portfolio turnover rate indicates how actively the Company manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Company buying and selling all of the securities in its portfolio once in the course of the year. The higher a portfolio turnover-rate in a year, the greater the trading costs payable by the Company in the year. There is not necessarily a relationship between a high turnover rate and the performance of the investment portfolio.
- (5) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. This expense is \$10,050, as the purchasing and selling of bonds do not attract a commission from the buying or selling party.

## Management Fees

Deans Knight provides investment management services to the Company, as well as administration, financial reporting and other ancillary services required by a publicly listed company. Management fees are computed and paid quarterly, at an annual rate of 1.5% of the net asset value plus applicable taxes, and adjusted for certain non-investment related assets.

## Summary of Investment Portfolio

The following is a summary of the Company's investment portfolio as at December 31, 2009. This is a summary only and will change due to ongoing portfolio transactions of the Company. A quarterly update is available at [www.dkincomecorp.com](http://www.dkincomecorp.com).

<b>Top 25 investments</b>	<b>% of Net asset value</b>	<b>Portfolio composition</b>	<b>% of Net asset value</b>
Athabasca Oil Sands Corp. 13.0% 07-31-2011	6.5	<b>Fixed Income</b>	
Paramount Resources 8.5% 01-31-2013	6.3	Canadian denominated in CAD	11.5
Whitecap Resources 8.0% 09-30-2012	5.8	Canadian denominated in USD	37.4
Calfrac Holdings LP 7.75% 02-15-2015	5.6	United States denominated in USD	17.0
Trinidad Drilling 7.75% 07-31-2012	5.4	Other Foreign denominated in USD	1.6
Teck Resources Ltd. 10.75% 05-15-2019	5.4	Other Foreign denominated in AUD	2.4
Harvest Operations 7.88% 10-15-2011	4.6		<u>69.9</u>
Bombardier Inc. 8.00% 11-15-2014	4.5	<b>Convertible Debentures</b>	
CCS Inc. 11.0% 11-15-2011	4.4	Canadian denominated in CAD	<u>18.0</u>
Harvest Energy 7.25% 09-20-2013	4.3		
Chesapeake Energy Co 7.5% 09-15-2013	3.7	<b>Investment Portfolio</b>	87.9
MetroPCS Wireless (AJ9) 9.25% 11-01-2014	3.2	<b>Cash &amp; short-term deposits</b>	4.7
Methanex Corp. 8.75% 08-15-2012	3.2	<b>Other assets less liabilities</b>	7.4
Cott Beverages Inc. 8.38% 11-15-2017	2.8		<u>100.0</u>
Sherritt International Corp. 7.75% 10-15-2015	2.7		
Western Areas NL 8.0% 07-02-2012	2.4	<b>Sector Breakdown</b>	
Provident Energy 6.5% 04-30-2011	2.4	Energy	56.2
CGA Mining Limited 12.0% 11-22-2012	2.2	Materials and metals	16.9
Pacific Rubiales Energy 8.75% 11-10-2016	2.2	Industrial/Manufacturing	4.5
Gibson Energy ULC 11.75% 05-27-2014	1.8	Technology	4.4
FMG FIN PTY LTD 10.63% 09-01-2016	1.6	Consumer goods	2.8
Peak Energy Service 7.5 - 18% 01-31-2010	1.4	Precious metals	2.3
Opti Canada Inc. 7.88% 12-15-2014	1.3	Forestry	0.8
MetroPCS Wireless (AC4) 9.25% 11-01-2014	1.2	<b>Investment Portfolio</b>	87.9
Sherritt International Corp. 7.88% 11-26-2012	1.0	<b>Cash and short-term deposits</b>	4.7
		<b>Other net assets</b>	7.4
			<u>100.0</u>