



LAWRENCE INDIA FUND

Annual Report

December 31, 2009

LAWRENCE INDIA FUND

CORPORATE INFORMATION

Manager:

Navina Asset Management Inc.
220 Bay Street, Suite 1500
Toronto, On M5J 2W4

Auditor:

Ernst & Young LLP
Ernst & Young Tower, 222 Bay Street
P.O. Box 251, Toronto-Dominion Centre
Toronto, On M5K 1J7

Legal Counsel:

Borden Ladner Gervais LLP
Scotia Plaza
40 King Street West
Toronto, On M5H 3Y4

Custodian:

RBC Dexia Investor Services
155 Wellington Street West, 2nd Floor
Toronto, On M5V 3L3

Transfer Agent:

SGGG Fund Services Inc.
60 Yonge Street, Suite 1200
Toronto, On M5E 1H5

MANAGEMENT REPORT OF FUND PERFORMANCE

This annual Management Report of Fund Performance (“MRFP”) for Lawrence India Fund (the “Fund”) contains financial highlights, but does not contain annual statements of the Fund which are bound with this annual management report of fund performance. You may request a copy of the Fund’s quarterly portfolio disclosure by calling 1.866.404.4999, by writing to us at 220 Bay Street, Suite 1500, Toronto, ON M5J 2W4, by visiting our website at www.navinaasset.com or by visiting the SEDAR website at www.sedar.com

Forward Looking Statements

Included in this MRFP are matters that constitute “forward-looking” information within the meaning of Canadian securities law. Such forward-looking statements may be identified by words such as “plans”, “proposes”, “estimates”, “intends”, “expects”, “believes”, “may” or words of a similar nature. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from such statements. Factors that could cause actual results to differ materially include among others, regulatory risks, risk inherent in foreign operations, commodity prices and competition. These factors are largely outside the control of the Fund. All subsequent forward-looking statements attributable to the Fund or its agents are expressly qualified in their entirety by these cautionary comments. Except as otherwise required by applicable securities statutes or regulation, the Fund expressly disclaims any intent or obligation to update publicly forward-looking information, whether as a result of new information, future events or otherwise.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective And Strategies

The investment objective of the Fund is to seek superior long-term growth of capital. The Fund invests its assets primarily in the Lawrence India (Mauritius) Fund (the “Sub-Fund”). The Sub-Fund is an open-end investment trust organized under the laws of Mauritius. The Sub-Fund was created to facilitate the investment in Indian equity securities by the Fund and has the same investment objectives, strategies and guidelines as the Fund. The balance of the Fund’s assets is invested in Canadian equity securities with a focus on companies doing business in India, debt securities of Canadian issuers and derivatives.

Navina Asset Management Inc. (the “Manager”), a corporation incorporated under the laws of the Province of Ontario, is the manager and trustee of the Fund. The Manager is responsible for investment advisory, portfolio management and all operations of the Fund.

Risk

The overall risk of the Fund is as described in the prospectus dated February 15, 2008. There have been no changes that would significantly affect the risk associated with an investment in the Fund. The success of the Fund depends on the continued services of the Manager and will be influenced by a number of risk factors associated with investments in equities, short sales, options, and other instruments, derivative hedge risk, market liquidity, portfolio turnover, foreign currency exposure, foreign market exposure, interest rate fluctuations and the use of leverage.

As the Fund is invested almost entirely in Indian issuers, the Fund is exposed to foreign investment risk. The Fund does not have investments in other countries that could offset any negative events that affect companies in India. The valuation of such companies may change due to emerging markets and currency risk.

Results of Operations

For the year ended December 31, 2009, the Fund had a net increase in assets from operations of \$586,364 due primarily to net change in unrealized appreciation (depreciation) in the value of investments of \$1,007,493.

Net Asset Value

The net asset value per unit was \$6.90 (2008 - \$4.36) for the Series A and \$7.04 (2008 - \$4.40) for the Series F units, an increase of 58.3% and 60% respectively for the year ended December 31, 2009. The largest factor in this increase was an unrealized appreciation in the value of investments of \$1,001,460.

Distributions

The Fund has not paid any distributions since its inception.

Recent Developments

The key event for Indian markets in 2009 was the election of a majority Congress government which inspired a one day 17% rally in the stock market. This government has proven itself to be highly investor friendly pushing forward hard with economic reform and liberalization. Many of their initiatives were stymied while they ruled through a coalition government. Their current majority position has already led to an acceleration of privatizations of government assets and relaxation of foreign direct investment controls. This has been received warmly by investors domestically and abroad and in general is increasing the appetite among foreigners for Indian debt and equity investments.

With only a brief pause, the Indian economy returned to aggressive infrastructure development. The progress of these large-scale investments has in itself been highly stimulative but the Indian economy has also enjoyed improved availability of power and improved logistics and has benefitted accordingly. We anticipate this trend to continue for many years and even accelerate as capital becomes more readily available for the private sector to develop various projects. The Manager believes that this, combined with the strong consumer demand growth and flourishing

financial services and real estate sectors will continue to act as catalysts for the economy and thus the stock market. While we expect volatility and gains to decline from 2009 levels, we anticipate a continued outperformance in India versus other developing and developed stock markets over the next several years.

In 2010 the Lawrence India Fund will maintain a diversified portfolio focused on large-capitalization companies that are benefiting from the rapid growth of the Indian economy.

Subsequent to the year end, the Manager, Lawrence Asset Management Inc. and Navina Capital Corp. effected an amalgamation of businesses and operations. Effective January 1, 2010 the combined entity is named Navina Asset Management Inc.

Adoption of New Accounting Standards

In June 2009 the Canadian Institute of Chartered Accountants (“CICA”) issued amendments to Handbook Section 3862 Financial Instruments—Disclosures (“Section 3862”) requiring enhanced disclosure around fair value and liquidity risk. This includes classification of the fair value measurements associated with the financial instruments held by a Fund. The classifications use a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy has the following levels: quoted prices in an active market (Level 1—unadjusted inputs); inputs other than quoted prices (Level 2—directly or indirectly derived from observational market data); and inputs not based on observable market data (Level 3—unobservable inputs). In addition to the above disclosure requirements, Section 3862 requires disclosure of significant transfers between Levels 1 and 2 since the prior reporting period, as well as reconciliation of Level 3 assets, disclosing separately changes during the reporting period attributable to i) total gains or losses recognized in net income, and a description of where they are presented in the income statement, ii) purchases, sales, issues and settlements, iii) transfers into or out of Level 3 and the reasons for those transfers. Any significant transfers between Level 1 and Level 2 are disclosed. Further, for fair value measurements in Level 3, if changing one or more type of the inputs to reasonably possible alternative assumptions would change fair value significantly, the entity shall state this fact and disclose both the effect of those changes and how the effect was calculated. The new disclosures are required for annual financial statements for fiscal years ending after September 30, 2009. The adoption of these new standards resulted in increased disclosures but did not affect the Fund’s Net Assets or results of operations.

Effective January 1, 2009, the Fund adopted retrospectively without restatement, the CICA Emerging Issues Committee Abstract EIC-173, Credit Risk and the Fair Value of Financial Assets and Liabilities. EIC-173 requires the Fund’s own credit risk and the credit risk of the counterparty to be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. The adoption of EIC-173 did not have a material impact on the financial position or results of operations of the Fund.

Future Accounting Change

The Canadian Accounting Standards Board has confirmed its plan to adopt all International Financial Reporting Standards (“IFRS”), as published by the International Accounting Standards Board by January 1, 2011. At December 31, 2009 the Manager’s plan for conversion to IFRS includes discussions with the Fund’s accountants and fund administrators on their process for conversion to IFRS. In addition, the Manager has reviewed the potential impact of IFRS on the Fund’s NAV and financial statements. Based on this review, the Manager believes that the impact of IFRS will be primarily the disclosure and presentation of the Fund’s financial statements, with no impact to the Fund’s NAV.

Related Party Transactions

The Manager has exclusive authority to manage the operations and affairs of the Fund, to make all decisions regarding the Fund and to bind the Fund. The Manager has retained Reliance Asset Management (Singapore) Pte. Ltd. (the “Investment Advisor”) to provide portfolio advisory services regarding the investment portfolio of the Fund.

Management Fee

The Fund pays the Manager a management fee of 2.5% and 1.5% on the Series A and Series F units respectively, in return for the services provided to the Fund. In addition, the Manager may earn a performance fee of 20% of the amount by which the series Net Asset Value (the “NAV”) at the end of the fiscal year exceeds the MSCI India Index benchmark NAV. The Management fee is 100% attributable to general administration, investment advice and profit.

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 its inception on December 4, 2007. This information is derived from the Fund's audited financial statements.

The Fund's Net Asset Value per unit ^{(1) (2)}	2009		2008		2007	
	Series A	Series F	Series A	Series F	Series A	Series F
Increase (decrease) from operations:						
Total revenue	-	-	0.02	0.01	0.01	-
Total expenses	(0.80)	(0.76)	(0.64)	(0.59)	(0.16)	(0.17)
Realized losses for the period	(1.00)	(1.01)	(1.02)	(1.01)	-	-
Unrealized gains (losses) for the period	4.22	4.34	(3.73)	(3.70)	-	-
Total increase (decrease) from operations	2.42	2.57	(5.37)	(5.29)	(0.15)	(0.17)
Distributions						
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
Total annual distributions	-	-	-	-	-	-
Net Assets, end of year	\$6.87	\$7.01	\$ 4.36	\$ 4.40	\$ 9.83	\$ 9.84

(1) Net Assets is based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on weighted average number of units outstanding over the financial period. Therefore, the Net Assets, beginning of year, and the increase/decrease from operations will not sum to the Net Assets, at end of year.

(2) This information is derived from the Fund's audited financial statements. The Net Assets per unit presented in the financial statements differs 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 beginning of year for 2007 represents the initial offering price.

Ratios and Supplemental Data	2009		2008		2007	
	Series A	Series F	Series A	Series F	Series A	Series F
Total net asset value (1)	\$1,025,277	\$382,892	\$873,591	\$319,458	\$656,768	\$236,690
Number of units outstanding (1)	148,530	54,388	200,557	72,674	66,847	24,062
Management expense ratio (2)	15.35%	13.90%	10.71%	10.07%	21.01%	20.53%
Management expense ratio before waivers or absorptions (2)	18.51%	16.92%	13.01%	12.36%	21.01%	20.53%
Portfolio turnover rate (3)	47.67%	47.67%	33.58%	33.58%	0.00%	0.00%
Trading expense ratio (4)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

(1) This information is provided as at December 31 of the year shown.

(2) 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 weekly average Net Assets during the year. The decision to waive/absorb management fees and operating expenses is at the discretion of the Manager. The Manager may continue or terminate at anytime without notice.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages 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 the 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 the Fund.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of weekly average net asset value during the period.

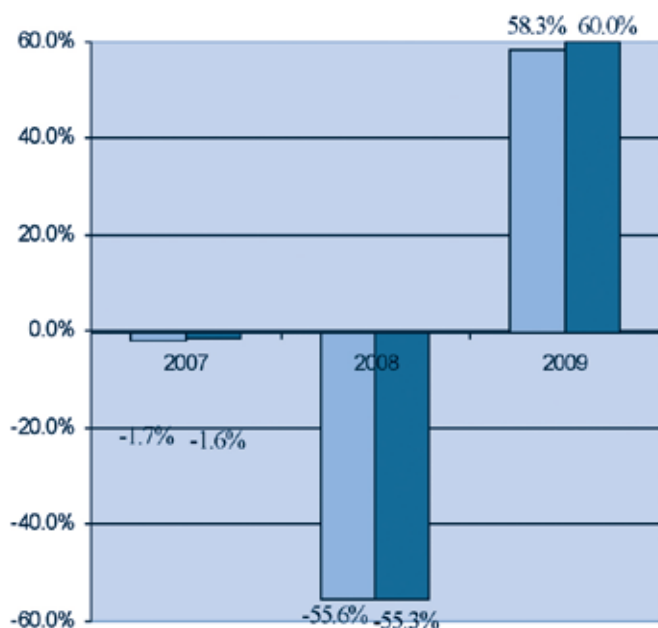
PAST PERFORMANCE

General

The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The bar chart shows the Fund's performance for the year ended December 31, 2009, and illustrates how the Fund's performance has changed from year to year (2007 is for the return from December 4, 2007 to December 31, 2007) since its inception on December 4, 2007. The bar chart shows, in percentage terms, how much an investment made at the beginning of the period has grown or decreased by the last day of the financial year.



Annual Compound Returns

	1-Year	Since Inception ⁽¹⁾
Series A	58.3%	(16.3)%
Series F	60.0%	(15.5)%
Morgan Stanley Capital International India Index	91.5%	(6.5)%

The Morgan Stanley Capital International India Index seeks to represent approximately 85% of the free-float-adjusted market capitalization of equity securities by industry group within India.

SUMMARY OF INVESTMENT PORTFOLIO

This Fund invests in units of its Sub-Fund. You can find the prospectus and additional information about the Sub-Fund, which is filed with Lawrence India Fund, on www.sedar.com.

Portfolio Composition	% of Net Asset Value
Cash	5.6
Investment in Lawrence India (Mauritius) Fund	94.6
Other assets less liabilities	(0.2)
	100.0

Holdings of Lawrence India (Mauritius) Fund	% of Net Asset Value value of Sub-Fund
Tata Consultancy Services Limited	12.75%
Reliance Industries Limited	11.91%
Reliance Infrastructure Limited	9.79%
ICICI Bank Limited	8.02%
Cummins India Limited	5.80%
Aditya Birla Nuvo Limited	5.52%
HCL Infosystems Limited	5.22%
Sobha Developers Limited	5.21%
Gujarat State Fertilizers & Chemicals Limited	5.21%
Indiabulls Financial Services Limited	5.14%
Jaiprakash Associates Limited	4.58%
Indiabulls Real Estate Limited	4.30%
Prakash Industries Limited	2.23%

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. Quarterly updates are available within 60 days of each quarter end by visiting www.navinaasset.com or contacting the Fund at 1.866.404.4999.

MANAGEMENT'S RESPONSIBILITY STATEMENT

The accompanying financial statements have been prepared by Navina Asset Management Inc., the Manager of Lawrence India Fund (the "Fund"), and approved by the Manager. The Manager is responsible for the information and representations contained in these financial statements and other sections of the Annual Report.

The Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Fund are described in Note 2 to the financial statements.

Ernst & Young LLP are the external auditors of the Fund. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements.



Ravi Sood
Chief Executive Officer
Navina Asset Management Inc.



Larry Guy
Chief Financial Officer
Navina Asset Management Inc.

March 26, 2010

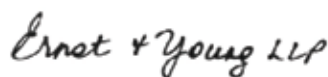
AUDITORS' REPORT

To the Unitholders of
Lawrence India Fund

We have audited the statements of net assets of **Lawrence India Fund** [the "Fund"] as at December 31, 2009 and 2008, the statement of investments as at December 31, 2009 and the statements of operations and changes in net assets for the years then ended. These financial statements are the responsibility of the Fund's management. 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 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 net assets of the Fund as at December 31, 2009 and 2008, investments as at December 31, 2009 and the results of its operations and changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.



Toronto, Canada
March 26, 2010

Chartered Accountants
Licensed Public Accountants

LAWRENCE INDIA FUND

Statements of Net Assets - As at December 31

		2009 \$	2008 \$
ASSETS			
Investments owned, at fair value (Note 2)		\$1,326,323	\$1,180,764
Cash		79,041	63,761
Due from Manager		29,777	24,323
Subscription receivables		3,080	-
Other receivables		21	-
		1,438,242	1,268,848
LIABILITIES			
Accounts payable and accrued liabilities		27,284	60,748
Management fee payable (Note 3)		8,799	8,716
Performance fee payable (Note 3)		23	6,335
		36,106	75,799
NET ASSETS		\$1,402,136	\$1,193,049
Net Assets Per Series	Series A	\$1,020,884	\$873,591
	Series F	\$381,252	\$319,458
Number of Units Outstanding (Note 4)	Series A	148,530	200,557
	Series F	54,388	72,674
Net Assets Per Unit (Note 2 and 8)	Series A	\$6.87	\$4.36
	Series F	\$7.01	\$4.40

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

Approved on behalf of the Manager Navina Asset Management Inc.



Ravi Sood
Director



Andrew Bentley
Director

LAWRENCE INDIA FUND

Statements of Operations - For the years ended December 31

	2009 \$	2008 \$
Investment income		
Interest	\$29	\$1,855
Other	21	2,872
	50	4,727
Expenses		
General and administrative	117,667	84,830
Management fee (Note 3)	30,422	42,341
Custodian fees	26,591	26,815
Audit fees	24,975	25,600
Unitholder reporting fees	15,600	15,900
Performance fees (Note 3)	23	6,335
Legal fees	-	101
Independent Review Committee fees	10,872	10,300
	226,150	212,222
Expenses absorbed by the Manager	(40,872)	(40,300)
Net Investment Loss	(185,228)	(167,195)
Realized and Unrealized Gain (Loss) on Investments		
Net realized loss on sale of investments, including foreign exchange adjustments	(235,901)	(279,543)
Net change in unrealized appreciation (depreciation) in value of investments	1,001,460	(1,017,671)
Net Gain (Loss) on Investments	765,559	(1,297,214)
Increase (Decrease) In Net Assets From Operations	\$580,331	\$(1,464,409)
Increase (Decrease) In Net Assets From Operations Per Series		
	Series A	\$412,268
	Series F	\$(1,133,519)
	Series A	\$168,063
	Series F	\$(330,890)
Increase (Decrease) In Net Assets From Operations Per Unit (Note 2)		
	Series A	\$2.42
	Series F	\$(5.37)
	Series A	\$2.57
	Series F	\$(5.29)

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

LAWRENCE INDIA FUND

Statements of Changes in Net Assets - For the years ended December 31

	2009 \$	2008 \$
Net Assets, beginning of year		
Series A	\$873,591	\$656,768
Series F	319,458	236,690
	1,193,049	893,458
Increase (decrease) in net assets from operations		
Series A	412,268	(1,133,519)
Series F	168,063	(330,890)
	580,331	(1,464,409)
Unit Transactions		
Issuance of Units		
Series A	25,257	1,904,252
Series F	-	557,600
	25,257	2,461,852
Redemption of Units		
Series A	(290,232)	(553,910)
Series F	(106,269)	(143,942)
	(396,501)	(697,852)
Net Assets, End of year		
Series A	1,020,884	873,591
Series F	381,252	319,458
	\$1,402,136	\$1,193,049

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

LAWRENCE INDIA FUND

Statement of Investments - As at December 31, 2009

NUMBER OF SHARES	INVESTMENT OWNED	AVERAGE COST \$	FAIR VALUE \$
154,958	Lawrence India (Mauritius) Fund [Notes 1 and 5]	\$1,342,533	\$1,326,323
	Other assets, net of liabilities		75,813
	NET ASSETS		\$1,402,136
	Summary of Financial Position for Lawrence India (Mauritius) Fund:		
	Investments, at fair value		\$1,138,945
	Other assets, net of liabilities		186,948
	Net assets		1,325,893
	Adjustment from bid to closing prices		430
	Net Asset Value		1,326,323
	Investments held by Lawrence India (Mauritius) Fund:		
	INDIAN EQUITY SECURITIES		AS A % OF INVESTMENTS AT FAIR VALUE
	Tata Consultancy Services Limited		14.88%
	Reliance Industries Limited		13.90%
	Reliance Infrastructure Limited		11.43%
	ICICI Bank Limited		9.36%
	Cummins India Limited		6.77%
	Aditya Birla Nuvo Limited		6.45%
	HCL Infosystems Limited		6.09%
	Sobha Developers Limited		6.08%
	Gujarat State Fertilizers & Chemicals Limited		6.08%
	Indiabulls Financial Services Limited		6.00%
	Jaiprakash Associates Limited		5.35%
	Indiabulls Real Estate Limited		5.01%
	Prakash Industries Limited		2.60%
			100%

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

1. FUND ORGANIZATION AND NATURE OF OPERATIONS

Lawrence India Fund (the “Fund”) is a mutual fund trust created under the laws of the Province of Ontario, pursuant to a Declaration of Trust dated November 9, 2007.

The capital of the Fund is represented by the Net Assets of the Fund. There are no specific external capital requirements imposed on the Fund. The Fund invests its assets primarily in the Lawrence India (Mauritius) Fund (the “Sub-Fund”). The Sub-Fund is an open-end investment trust organized under the laws of Mauritius. The Sub-Fund was created to facilitate the investment in Indian equity securities by the Fund and has the same investment objectives, strategies and guidelines as the Fund. The balance of the Fund’s assets is invested in Canadian equity securities with a focus on companies doing business in India, debt securities of Canadian issuers and derivatives.

Effective January 1, 2010, the Manager, Lawrence Asset Management Inc. and Navina Capital Corp. effected an amalgamation of businesses and operations. The combined entity will be named Navina Asset Management Inc. Navina Asset Management Inc. (the “Manager”), a corporation incorporated under the laws of the Province of Ontario, is the manager and trustee of the Fund. The Manager is responsible for investment advisory, portfolio management and all operations of the Fund.

The success of the Fund depends on the continued services of the Manager and may be influenced by a number of risk factors associated with investments in equities, options, and other instruments and the use of leverage, including derivative hedge risk, market liquidity, short sales, portfolio turnover, foreign currency exposure, foreign market exposure, and interest rate fluctuations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). In applying GAAP, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, investment income and expenses reported during the year. Actual results could differ from these estimates. These estimates are reviewed periodically by management and as adjustments become necessary, they are reported in the Statements of Operations in the year in which they become known.

The Net Assets of a particular series of units is computed by calculating the value of that series’ proportionate share of the assets and liabilities of the Fund common to all series less the liabilities of the Fund attributable only to the series. Expenses directly attributable to a series are charged directly to that series. Income, realized and unrealized gains and losses from investment transactions and other expenses are allocated proportionately to each series based upon the relative Net Assets of each series.

The following summarizes the accounting policies of the Fund:

Adoption of new accounting standards

In June 2009 the Canadian Institute of Chartered Accountants (“CICA”) issued amendments to Handbook Section 3862 Financial Instruments—Disclosures (“Section 3862”) requiring enhanced disclosure around fair value and liquidity risk. This includes classification of the fair value measurements associated with the financial instruments held by a Fund. The classifications use a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy has the following levels: quoted prices in an active market (Level 1—unadjusted inputs); inputs other than quoted prices (Level 2—directly or indirectly derived from observational market data); and inputs not based on observable market data (Level 3—unobservable inputs). In addition to the above disclosure requirements, Section 3862 requires disclosure of significant transfers between Levels 1 and 2 since the prior reporting period, as well as reconciliation of Level 3 assets, disclosing separately changes during the reporting period attributable to i) total gains or losses recognized in net income, and a description of where they are presented in the income statement, ii) purchases, sales, issues and settlements, iii) transfers into or out of Level 3 and the reasons for those transfers. Any significant transfers between Level 1 and Level 2 are disclosed. Further, for fair value measurements in Level 3, if changing one or more type of the inputs to reasonably possible alternative assumptions would change fair value significantly, the entity shall state this fact and disclose both the effect of those changes and how the effect was calculated. The new disclosures are required for annual financial statements for fiscal years ending after September 30, 2009. The adoption of these new standards resulted in increased disclosures but did not affect the Fund’s net assets or results of operations.

The Fund’s only investment is the Sub-Fund, which is considered level 2. The investments held by the Sub-Fund are valued using level 1 valuation technique.

Effective January 1, 2009, the Fund adopted retrospectively without restatement, the CICA Emerging Issues Committee Abstract EIC-173, Credit Risk and the Fair Value of Financial Assets and Liabilities. EIC-173 requires the Fund’s own credit risk and the credit risk of the counterparty to be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. The adoption of EIC-173 did not have a material impact on the financial position or results of operations of the Fund.

Valuation of investments

In accordance with CICA Handbook Section 3855, “Financial Instruments – Recognition and Measurement” (“Section 3855”), investments are deemed to be categorized as held for trading, and accordingly are required to be recorded at fair value by the Fund. The net assets of the Fund for financial reporting purposes (“Net Assets”) are calculated in accordance with Section 3855.

The investment in the Sub-Fund is valued at fair value. The fair value of this investment is considered to be the Net Asset Value of the Sub-Fund.

Commissions and other portfolio transaction costs

Commissions and other portfolio transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Such costs are expensed and are included in "Portfolio transaction costs" in the Statement of Operations.

Cost of investments

The cost of investments represents the amount paid for each security and is determined on an average cost basis excluding commissions and other portfolio transaction costs.

Investment transactions and income

Investment transactions are accounted for on the trade date. Interest income is recorded on an accrual basis. Realized gains and losses from investment transactions are calculated on an average cost basis.

Translation of foreign currency

The financial statements of the Fund are expressed in Canadian dollars.

- (a) Assets including fair value of investments and liabilities denominated in foreign currencies are converted into Canadian dollars at the rates of exchange established on each valuation date.
- (b) Purchases and sales of investments, dividends and interest income denominated in foreign currencies are converted into Canadian dollars at the rates of exchange prevailing on the respective dates of such transactions.
- (c) Realized foreign currency exchange gains (losses) on sale of investments denominated in foreign currencies are included in "Net realized gain (loss) on sale of investments" in the Statements of Operations.
- (d) Unrealized foreign currency exchange gains (losses) on investments denominated in foreign currencies are included in "Change in unrealized appreciation (depreciation) in value of investments" in the Statements of Operations.

Net Assets per unit

The Net Assets per unit is calculated by dividing the Net Assets of a particular series of units by the total number of units of that particular series outstanding at the end of the year.

Increase (Decrease) in Net Assets from operations per unit

Decrease in Net Assets from operations per unit is based on the decrease in Net Assets from operations attributed to each series of units, divided by the weighted average number of units outstanding of that series during the year.

3. RELATED PARTY TRANSACTIONS**Management Fee**

The Fund pays the Manager a management fee for management and administration services in respect of the Series A units at an annualized rate of 2.5%. In the case of the Series F units, the Fund pays an annualized management fee of 1.5%. No management fee is paid in respect of the Series O units as each Series O unitholder pays a negotiated management fee directly to the Manager.

Performance Fee

In respect of the Series A and Series F units, the Fund pays the Manager a performance fee equal to 20% of the amount by which the series NAV at the end of the fiscal year, adding back distributions paid on the units (the "ending NAV") exceeds the target NAV. The target NAV is calculated by multiplying the series NAV, net of the performance fee paid, as at the last performance fee payment date (the "beginning NAV") by the sum of one plus the return of the MSCI India Index over the same period.

The performance fee for Series O units, if applicable, is paid directly by the unitholder to the Manager.

Performance fees will be payable in all circumstances where the performance of the subject series of units of the Fund exceeds that of the applicable benchmark, even in circumstances where the value of the subject series of units of the Fund has declined. Performance fees, if any, are accrued weekly such that, to the extent possible, NAV per series unit on each valuation date will reflect any performance fees payable as at the end of such period. The performance fee is calculated and paid at the end of each fiscal year.

4. UNITS OF THE FUND

The Fund offers three series of units: Series A, Series F and Series O. It is permitted to have an unlimited number of series of units and may issue an unlimited number of units of each series. The Manager may establish additional series of units and may determine the rights as between those series without consent of notice.

Each unit of a series will entitle an investor to:

- (a) receive a pro-rata share of all net income and net capital gains distributions attributable to that series made by the Fund;
- (b) share pro-rata in the Net Assets of that series upon the wind-up or termination of the Fund;
- (c) vote at all meetings of the Fund (where the nature of the business to be transacted at an investor meeting concerns an issue that is relevant only to holders of a particular series, only holders of that series will be entitled to vote); and,
- (d) redeem units on the last business day of each week.

NOTES TO FINANCIAL STATEMENTS (continued)

The following units were issued and redeemed during the year ended December 31:

2009	Series A	Series F
Opening units, beginning of year	200,557	72,674
Units Issued	3,888	-
Units Redeemed	(55,915)	(18,286)
Ending units, end of year	148,530	54,388

2008	Series A	Series F
Opening units, beginning of year	66,847	24,062
Units Issued	234,507	72,825
Units Redeemed	(100,797)	(24,213)
Ending units, end of year	200,557	72,674

Unitholders equity is considered to be the source of capital for the Fund. The Fund's objectives are managing capital to safeguard the Fund's ability to continue as a going concern, to provide financial capacity and flexibility to meet its strategic objectives, to provide an adequate return to unitholders commensurate with the level of risk while maximizing the distributions to shareholders.

The Fund does not have any externally imposed capital requirements. The Fund Manager believes that the current level of distributions, capital and capital structure is sufficient to sustain ongoing operations. The Fund Manager actively monitors the cash position and financial performance of the Fund to ensure there are resources to meet distributions and redemptions.

5. FINANCIAL INSTRUMENTS

Management of Financial Instrument Risks

In the normal course of business, the Fund is exposed to market risk (including other price risk and currency risk). The value of investments within the Fund's portfolio can fluctuate on a daily basis as a result of changes in economic conditions, the market, and, company news related to specific securities within the Fund. The level of risk depends on the Fund's investment objective and the type of securities it invests in.

The Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests, including its indirect exposure to risks of the Sub-Fund. These risks and related risk management practices employed by the Fund are discussed below:

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into. As at December 31, 2009, the Fund and Sub-Fund are not exposed to significant credit risk as they had no investments in fixed income or other debt instruments.

Liquidity Risk

Liquidity risk is defined as the risk that the Fund may not be able to settle or meet its obligation on time or at a reasonable price.

The Fund's exposure to liquidity risk is concentrated in the weekly redemption of units. The Fund primarily invests in the Sub-Fund, which holds securities that are traded in active markets and can be readily disposed of. In addition, the Fund retains sufficient cash and cash equivalent positions to maintain liquidity.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

Interest rate risk arises when the Fund invests in interest-bearing financial instruments. As at December 31, 2009, the Fund and Sub-Fund are not exposed to significant interest rate risk as they do not hold any interest-bearing financial instruments.

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 (other than those arising from interest rate risk or currency risk).

The Manager aims to moderate this risk through a careful selection and diversification of securities and other financial instruments in accordance with the limits of the Fund's and the Sub-Fund's investment objectives and strategy. Except for written options and securities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from written options and securities sold short can be unlimited. The Fund's and the Sub-Fund's overall market positions are monitored on a daily basis by the Manager.

As at December 31, 2009, if the fair value of the investment portfolio increased or decreased by 5%, with all other variables held constant, this would have increased or decreased Net Assets by approximately \$66,618 (2008 - \$59,038).

Currency Risk

The Fund and the Sub-Fund invest in securities denominated in currencies other than the Canadian dollar, their reporting currencies. Consequently, the Fund and the Sub-Fund are exposed to risks that the exchange rate of the Canadian dollar relative to the other currencies may change in a manner that has an adverse effect on the reported value of that portion of their assets. As at December 31, 2009, the Sub-Fund had investments denominated in foreign currencies of 60,149,427 Indian Rupees. A 5% strengthening (weakening) in this currency relative to the Canadian dollar, with all other variables held constant, would have increased (decreased) Net Assets by approximately \$64,828 (2008 - \$56,865).

6. INCOME TAXES

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada) (the "Tax Act"). In accordance with the terms of the Declaration of Trust, all of its net income for tax purposes and sufficient net realized capital gains, determined in Canadian dollars, will be paid or payable to unitholders in the taxation year so that no income tax is payable by the Fund (after taking into account applicable capital gains tax refunds.) Accordingly, no income tax provision has been recorded.

The Sub-Fund is deemed to be a trust resident in Canada for certain purposes under the Tax Act. The Sub-Fund is subject to tax in Canada on its net income and the taxable portion of its net realized capital gains, less the portion of such amounts that is paid or payable to beneficiaries of the Sub-Fund. Generally, this means that the income of the Sub-Fund will be included in the income of the Fund and will be distributed to unitholders of the Fund. Losses of the Sub-Fund will only be available to shelter income of the Sub-Fund.

The Fund has capital losses of \$515,444 and non-capital losses of \$355,387 available to offset future capital gains and income, respectively. If not utilized, the non-capital losses will expire as follows: 2027 - \$11,982, 2028 - \$167,196 and 2029 - \$176,209.

7. COMMISSIONS

No commissions or soft dollar amounts were paid during the year ended December 31, 2009 (2008 - nil) in connection with portfolio transactions.

8. NET ASSET VALUE AND NET ASSETS

The application of CICA Handbook Section 3855 may result in a different value of securities for financial reporting purposes than the value used for pricing unitholder transaction purposes.

The following is the Net Asset Value per unit determined in accordance with Part 14 of the National Instrument and the Net Assets per unit as shown on the Statements of Net Assets.

2009	Series A	Series F
Net Asset Value per unit	\$6.90	\$7.04
Net Assets per unit	\$6.87	\$7.01

2008	Series A	Series F
Net Asset Value per unit	\$4.36	\$4.40
Net Assets per unit	\$4.36	\$4.40



220 Bay Street, Suite 1500, Toronto, ON M5J 2W4 T: 416-362-4999 1-866-404-3999 F: 416-362-0063
www.navinaasset.com