NAVINA ASSET MANAGEMENT

NAVINA/LAZARD U.S. HIGH YIELD BOND FUND

Annual Report

December 31, 2009

NAVINA/LAZARD U.S. HIGH YIELD BOND 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:
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199 Bay Street
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Toronto, ON M5L 1A9

Custodian:
State Street Trust Company Canada
30 Adelaide Street East, Suite 1100
Toronto, On M5C 3G6

Transfer Agent:
SGGG Fund Services Inc.
60 Yonge Street
Suite 1200
Toronto, ON M5E 1H5

This annual Management Report of Fund Performance ("MRFP") for Navina/Lazard U.S. High Yield Bond Fund (the "Fund") contain financial highlights and does not contain the complete annual audited financial statements in the annual report of the Fund. You may request a copy of the Fund's unaudited interim or audited financial statements, interim or annual MRFP, current proxy voting policies and procedures, or quarterly portfolio disclosure at no cost from Navina Asset Management Inc., by calling 1-800-513-3868, by writing to us at 220 Bay Street, Suite 1500, Toronto, Ontario, M5J 2W4, or by visiting our website at www.navinaasset.com or SEDAR at www.sedar.com.

The annual MRFP and accompanying financial statements have been prepared by the manager and trustee of the Fund, Navina Asset Management Inc. and approved by the Board of Directors of the Manager. The financial statements were audited by Ernst & Young LLP, the external auditors of the Fund.

The Fund's proxy voting disclosure record for the period ending June 30, 2010 will be available free of charge upon request at any time after August 31, 2010, by visiting our website at www.navinaasset.com.

Navina Asset Management Inc. is the manager (the "Manager") and trustee (the "Trustee") of the Fund.

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

Forward Looking Statements

Included in this annual 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 markets, 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 REPORT OF FUND PERFORMANCE

Navina/Lazard U.S. High Yield Bond Fund is a closed-end investment trust. The Fund effectively began operations on June 9, 2009 ("Commencement of Operations") when it completed an initial public offering of 1,047,312 Class A units and 223,300 Class F units, each at $10.00 per unit, for gross proceeds of $12.7 million. Each Fund unit consisted of one redeemable, transferable fund unit ("Fund Unit").

To provide investors with liquidity, Fund Units of each class may be redeemed on the last business day of each week, for a redemption price equal to the net asset value per Unit of that class on that date less any costs of funding the redemption and any applicable redemption charges. Redemption of Fund Units may only be affected through FundSERV by the book-entry only system administered by SGGG Fund Services Inc.

Investment Objectives and Strategies

The Fund's investment objectives are to provide holders of Fund Units with:

(i) monthly tax-efficient distributions initially targeted to $0.058 per Fund Unit ($0.70 per annum to yield 7.0% on the $10.00 per unit issue price); and
(ii) the opportunity for capital appreciation

In order to achieve its investment objectives, the Fund will obtain economic exposure to the returns of Navina/Lazard Strategic Trust (the "Strategic Trust") by investing the net proceeds of its initial public offering in a portfolio of common shares (the "Common Share Portfolio") and entering into a forward purchase and sale agreement (the "Forward Agreement") with BMO Capital Markets Inc. (the "Counterparty"). The Fund does not invest directly in the Strategic Trust. As a result of the Forward Agreement, the returns of the Fund are intended to correlate with an investment in the Strategic Trust. The Strategic Trust portfolio will be comprised primarily of U.S. dollar denominated high yield corporate bonds (the "Portfolio") actively managed by Lazard Asset Management (Canada), Inc. (the "Portfolio Advisor"). The Portfolio Advisor will appoint Lazard Asset Management LLC ("LAM" and, together with the Portfolio Advisor, "Lazard") as its sub-advisor.

Under the terms of the Forward Agreement, the Fund will be entitled to sell securities in the Common Share Portfolio from time to time to fund monthly distributions, redemptions, its operating expenses and other liabilities and general liquidity requirements. The purchase price payable by the Counterparty is calculated by reference to the redemption proceeds of a notional investment (the "Notional Investment") in units of the Strategic Trust at the time of the closing of the offering of an amount equal to the net proceeds of the offering. The Notional Investment is reduced proportionately to reflect the redemption of Fund Units.

Risk

The Fund's investment objectives and strategy expose it to various types of risk associated with the financial instruments in which it invests directly. In addition to general market risks, the Fund is subject to other risks, including the following:

- Interest rate risk
- Credit risk
- Foreign currency and market risk
- Liquidity risk

For a detailed disclosure of risks associated with an investment in the Fund please refer to the Fund's prospectus.

RESULTS OF OPERATIONS

Portfolio

As at December 31, 2009, the Fund held 13 equity securities in the Common Share Portfolio which are used as the collateral of the Forward Agreement.

Market Review

High-yield market spreads tightened by about 150 basis points during the fourth quarter and by 1,175 basis points for the year. BB spreads tightened by 100 basis points for the fourth quarter, while CCC tightened by 230 basis points. The CCC index sector credit spread is now narrower than its long-term average, while the BB index spread is modestly wider than its long-term average. High-yield market flows were very healthy during the fourth quarter and for the year. New high-yield bond issuance in the U.S. market was a record $38 billion in the fourth quarter and $127 billion for all of 2009. Mutual Fund investors started the high-yield rally late in 2008 and invested approximately $30 billion in 2009. The Moody's trailing twelve-month issuer default rate, as of December 2009, was 13.2%, down from a peak of 13.8% in November 2009. The portfolio experienced no defaults in 2009.

Outlook & Strategy

High-yield performance in 2009 was exceptional by any measure and is likely not to be repeated in 2010. Even so, we are more constructive and positive on the market today than we have been in several years. We believe 2010 will be a year of high single digit returns for the U.S. high-yield market and that such returns will represent very good value for investors. In 2009, many of the near term refinancing and liquidity issues were resolved by new capital flows into high yield, particularly mutual funds. This leads us to believe high-yield default rates have peaked and that default rates will decline over the next year into the 4% to 6% range. Retail investors will likely continue to invest in high yield given the attractive return potential and the prospect of lower default rates. Any incremental demand for high yield securities is likely to further tighten high-yield credit spreads. We expect new issue flow to be vibrant in 2010 and, perhaps, at times to overwhelm the market, creating attractive entry points. As always, we expect to maintain a strong core of better-quality holdings.

Net Asset Value

The net asset value per unit of the Fund as at December 31, 2009 was $10.64 for Class A units and $10.66 for Class F units. Net asset value for Class A and Class F units at the end of 2009 were $10.3 million and $1.2 million, respectively.

Distributions

For the period June 9, 2009 to December 31, 2009, the Fund distributed $445,265 to unitholders.

Redemptions

Commencing 30 days following the closing of the offering, Fund Units of Class A and Class F were eligible to be surrendered for redemption on the last business day of each week (the "Redemption Date"), for a redemption price per Fund Unit of a class (the "Redemption Amount") equal to the net asset value per Fund Unit of that class less any costs of funding the redemption and any redemption charges then outstanding. The Redemption Amount will be paid to the Manager by the Fund and the unitholder will receive payment on or before the 3rd business day following the Redemption Date. Redemption of Fund Units may only be affected through FundSERV by the book-entry only system administered by SGGG Fund Services Inc.

During the period ended December 31, 2009, there were 81,317 Class A units redeemed for proceeds of $859,527 and 106,150 Class F units redeemed for proceeds of $1,060,512, for total gross proceeds of $1,920,039.

Revenue and Expenses

For the period ended December 31, 2009, the Fund generated $9,271 in income from investments in the form of interest, and $382,480 from net realized gains on the Common Share Portfolio and the Forward Agreement. The Fund had $1,163,191 unrealized gains on the Common Share Portfolio and the Forward Agreement for the period ended December 31, 2009.

The Fund paid management fees and operating expenses of $368,179. The management expense ratio ("MER") for the Fund was 5.43% and 5.01% for Class A Shares and Class F Shares, respectively.

Recent Developments

In June 2009 the Canadian Institute of Chartered Accountants ("CICA") issued amendments to Handbook Section 3862 Financial Instruments – Disclosures ("Section 3862") requiring the addition of enhanced disclosure of the 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 quoted prices); and inputs not based on observable market data (Level 3 – unobservable inputs). Any significant transfers between Level 1 and Level 2 are disclosed. 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.

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 Trust'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 provides all administrative services required by the Fund, including the appointment of the Portfolio Advisor and LAM. The Manager receives a monthly fee at the annual rate of 2.10%, plus applicable taxes, of the net asset value of the Fund, calculated and accrued daily and payable monthly in arrears. The Fund pays to the Manager a service fee equal to 0.40% per annum plus applicable taxes of the net asset value of Class A Shares. The service fee is used by the Manager to compensate investment dealers in proportion to the number of Class A Shares held by clients of the sales representatives of such dealers, calculated and payable quarterly in arrears. The Manager is responsible for payment of the investment management fee of the Fund to the Portfolio Advisor out of its annual management fees. For additional information, see Management Fees.

The Manager reimbursed the Fund for the expenses of the initial public offering which amounted to $790,673 and consists of agents' fees and other offering expenses. The obligation is evidenced by a Note which was issued on closing, June 9, 2009. The repayments are made in quarterly installments equal to one quarter of 1.00% of the Fund's net asset value over a period of eight years beginning on September 30, 2009. The Note will bear interest from the date of issue at the prime rate of interest. The Note will be reduced proportionately if Fund Units are redeemed or retracted. On the maturity date, any unpaid principal amount of the Note will be due and payable by the Manager. The balance owing to the Fund as at December 31, 2009 was $658,469.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help in understanding the Fund's financial performance since its commencement of operations on June 9, 2009. This information is derived from the Fund's audited annual financial statements.

THE FUND'S NET ASSETS PER UNIT (CLASS A UNITS)	2009
Net Assets per unit, beginning of period(1)	$10.00
Increase (decrease) from operations:	
Total revenue	0.02
Total expenses	(0.32)
Realized gains for the period	0.33
Unrealized gains for the period	1.00
Total increase (decrease) from operations(2)	**1.03**
Distributions:	
From income (excluding dividends)	-
From dividends	-
From capital gains	-
From return of capital	0.39
Total annual distributions(3)	**0.39**
Net Assets per unit, end of period(4) (5)	**$10.64**

(1) Net asset value, beginning of period for 2009 represents the original investment amount as at June 9, 2009, the date of closing of the initial public offering of the Fund.
(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period.
(3) Distributions were paid in cash.
(4) This information is provided as at December 31 of the period shown.
(5) The Financial Highlights are not intended to act as a continuity of the opening and closing net asset value per unit.

RATIOS AND SUPPLEMENTAL DATA (CLASS A UNITS)	2009
Net asset value (000's)(1)	10,279
Number of units outstanding (000's)(1)	966
Management expense ratio(2)	5.43%
Management expense ratio before waivers or absorptions	5.43%
Portfolio turnover rate(3)	55.88%
Trading expense ratio(4)	0.00%
Transaction net asset value per unit	$10.64

(1) This information is provided as at December 31 of the period shown.
(2) Management expense ratio ("MER") 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. For the 2009 period, the management expense ratio is annualized from the date of inception to December 31, 2009.
(3) The Fund's portfolio turnover rate indicates how actively the Portfolio Advisor manages the Fund's 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 period. The higher the Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving capital gains in the period. 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 daily average net asset value during the period.

THE FUND'S NET ASSETS PER UNIT (CLASS F UNITS)	2009
Net Assets per unit, beginning of period[1]	$10.00
Increase (decrease) from operations:	
Total revenue	0.01
Total expenses	(0.29)
Realized gains for the period	0.29
Unrealized gains for the period	0.92
Total increase (decrease) from operations[2]	**0.93**
Distributions:	
From income (excluding dividends)	-
From dividends	-
From capital gains	-
From return of capital	0.39
Total annual distributions[3]	**0.39**
Net Assets per unit, end of period[4] [5]	**$10.66**

(1) Net asset value, beginning of period for 2009 represents the original investment amount as at June 9, 2009, the date of closing of the initial public offering of the Fund.
(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period.
(3) Distributions were paid in cash.
(4) This information is provided as at December 31 of the period shown.
(5) The Financial Highlights are not intended to act as a continuity of the opening and closing net asset value per unit.

RATIOS AND SUPPLEMENTAL DATA (CLASS F UNITS)	2009
Net asset value (000's)[1]	1,249
Number of units outstanding (000's)[1]	117
Management expense ratio[2]	5.01%
Management expense ratio before waivers or absorptions	5.01%
Portfolio turnover rate[3]	55.88%
Trading expense ratio[4]	0.00%
Transaction net asset value per unit	$10.66

(1) This information is provided as at December 31 of the period shown.
(2) Management expense ratio ("MER") 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. For the 2009 period, the management expense ratio is annualized from the date of inception to December 31, 2009.
(3) The Fund's portfolio turnover rate indicates how actively the Portfolio Advisor manages the Fund's 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 period. The higher the Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving capital gains in the period. 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 daily average net asset value during the period.

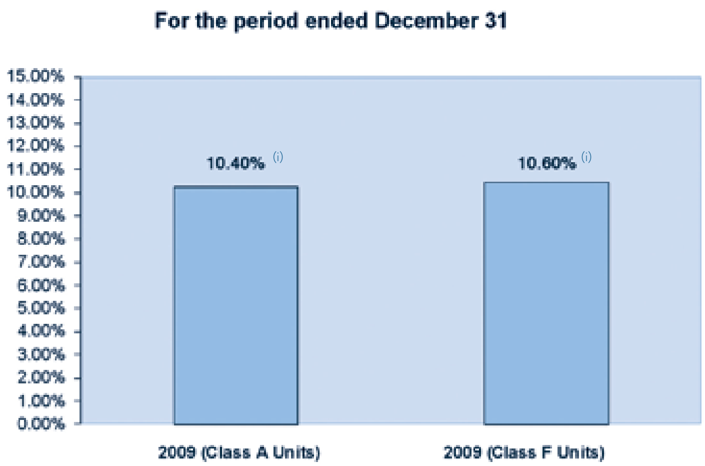
PAST PERFORMANCE

General

The performance information shown assumes that all distributions made by the Fund in the period shown were reinvested in additional securities of the Fund. The Fund's past performance is no guarantee of how it will perform in the future. All performance information is calculated using Net Asset Value per Unit.

Year-by-Year Returns

The following bar chart shows the Fund's annual performance for the period shown, and illustrates how the Fund's performance has changed from inception. The chart shows in percentage terms how an investment made at inception would have increased or decreased by December 31 for the period.



(i) Return from June 9, 2009 to December 31, 2009.

Annual Compound Returns

The following table shows the Fund's annual compound return for the period ended December 31, 2009 as indicated. As a basis for comparison, the annual compound return is compared to the Merrill Lynch U.S. High Yield Cash Pay Index on the same compound basis.

Percentage Return:	Since Inception(1)
Navina/Lazard U.S. High Yield Bond Fund - Class A Unit	10.4%
Navina/Lazard U.S. High Yield Bond Fund - Class F Unit	10.6%
Merrill Lynch U.S. High Yield Cash Pay Index	40.7%

(1) Return from June 9, 2009.

The Merrill Lynch U.S. High Yield Cash Pay Index is an unmanaged index which tracks the performance of non-investment-grade corporate bonds. The index reflects the reinvestment of dividends and distributions, if any.

The Fund, both Class A Units and Class F Units, via its exposure to the Navina/Lazard Strategic Trust through the forward agreement, underperformed its benchmark index for the period ended December 31, 2009. This is a result of a focus on the higher end of the credit quality scale within the high yield bond market for the Fund. The lower grade bonds in the high yield market, particularly the CCC credits, saw a significant compression in spreads over U.S. Treasury notes, which resulted in significant price appreciation in the value of these bonds. Due to the relative underweighting of this part of the high yield market for the Fund, it underperformed the benchmark index.

SUMMARY OF INVESTMENT PORTFOLIO

Below is a summary of the Fund's investment portfolio as at December 31, 2009. This is a summary only and subject to change due to on-going portfolio activity in the Fund. An update is available quarterly at www.navinaasset.com.

The Fund has entered into a Forward Agreement whereby the Fund gets economic exposure to the returns of Strategic Trust. The Common Share Portfolio is used as collateral for the Forward Agreement. The positions of the Strategic Trust are shown below.

TOP POSITIONS - Common Share Portfolio	% of Net Asset Value
Celestica Inc. Sub. Voting	7.9
CGI Group Inc. Cl. A Sub. Voting	9.0
Eldorado Gold Corporation	9.5
Fairborne Energy Ltd.	7.3
HudBay Minerals Inc.	9.5
Ivanhoe Mines Ltd.	14.1
Nuvista Energy Ltd.	7.3
Red Back Mining Inc.	10.2
Research In Motion Limited	5.0
RONA inc.	7.8
Teck Cominco Limited Cl. B Sub. Voting	11.9
Thompson Creek Metals Company, Inc.	6.8
Viterra, Inc.	6.4
Top Positions	**112.7**
Cash and Cash Equivalents	0.2
Other assets less liabilities	(12.9)
Total Net Asset Value	**100.00**

Net asset value includes the value of the assets of the Fund less liabilities of the Fund.

Below is a summary of the Strategic Trust's investment portfolio as at December 31, 2009. This is a summary only and subject to change due to on-going portfolio activity in the Strategic Trust. An update is available quarterly at www.navinaasset.com.

TOP POSITIONS - Strategic Trust	% of Net Asset Value
SPDR Barclays Capital High Yield Bond ETF	9.8
Citizens Communications Company 9.00% Aug 15/31	3.3
Plains Exploration & Production Company 10.00% Mar 01/16	3.1
El Paso Corporation 12.00% Dec 12/13	2.8
Kansas City Southern Railway	2.8
Atlas Energy Operating Co. LLC 12.13% Aug 01/17	2.7
Sprint Capital Corp. 8.75% Mar 15/32	2.7
Terex Corporation 10.88% Jun 01/16	2.7
Masco Corporation 7.75% Aug 01/29	2.7
Wyndham Worldwide Corporation 9.88% May 01/14	2.6
Chesapeake Energy Corporation 9.50% Feb 15/15	2.6
HEALTHSOUTH Corporation 10.75% Jun 15/16	2.6
HCA, Inc. 9.25% Nov 15/16	2.6
Levi Strauss & Company 9.75% Jan 15/15	2.5
Tesoro Corporation 9.75% Jun 01/19	2.5
Hughes Network Systems LLC 9.50% Apr 15/14	2.5
Community Health Systems Inc. 8.88% Jul 15/15	2.5
USG Corporation 9.50% Jan 15/18	2.5
Royal Caribbean Cruises Ltd. 7.25% Jun 15/16	2.3
Level 3 Financing, Inc. 9.25% Nov 01/14	2.3
Domtar Corporation 10.75% Jun 01/17	2.2
Ford Motor Credit Company LLC 12.00% May 15/15	2.2
Liberty Media Corporation 8.25% Feb 01/30	2.2
Edison Mission Energy 7.20% May 15/19	2.1
Mariner Energy Inc. 11.75% Jun 30/16	2.1
Top 25 Positions	**70.9**
Other Investments	22.4
Cash and Cash Equivalents	4.0
Other Assets Less Liabilities	2.7
Total Net Asset Value	100.0

Portfolio Composition	% of Net Asset Value
Exchange Traded Funds	
United States	9.8
Total Exchange Traded Funds	**9.8**
Fixed Income	
United States	79.1
Liberia	2.3
Bermuda	2.1
Total Fixed Income	**83.5**
Cash and Cash Equivalents	4.0
Other Assets Less Liabilities	2.7
Total Net Asset Value	**100.0**

Net asset value includes the value of the assets of the Strategic Trust less liabilities of the Strategic Trust.

MANAGEMENT'S RESPONSIBILITY STATEMENT

The accompanying financial statements have been prepared by Navina Asset Management Inc., the Manager of Navina/Lazard U.S. High Yield Bond 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.

Andrew Bentley
President
Navina Asset Management Inc.

March 26, 2010

AUDITORS' REPORT

To the Unitholders of
Navina/Lazard U.S. High Yield Bond Fund

We have audited the statements of net assets and investments of **Navina/Lazard U.S. High Yield Bond Fund** [the "Fund"] as at December 31, 2009 and the statements of operations and changes in net assets for the period from June 9, 2009 to December 31, 2009. 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 audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2009 and the results of its operations and changes in its net assets for the period from June 9, 2009 to December 31, 2009 in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Toronto, Canada
March 26, 2010

Chartered Accountants
Licensed Public Accountants

NAVINA/LAZARD U.S. HIGH YIELD BOND FUND

Statement of Net Assets - As at December 31

	2009
Assets	
Common share portfolio, at fair value	12,987,088
Cash and cash equivalents	19,839
Prepaid expenses	14,329
Note Receivable (Note 3)	658,469
	13,679,725
Liabilities	
Unrealized loss on forward agreement, at fair value (Note 5)	1,959,955
Distributions payable	62,822
Accounts payable and accrued liabilities	129,369
	2,152,146
Net Assets representing unitholders' equity	**11,527,579**
Net Assets representing unitholders' equity - Class A	**10,278,735**
Number of units outstanding - Class A (Note 10)	**965,995**
Net Assets per unit - Class A	**$10.64**
Net Assets representing unitholders' equity - Class F	**1,248,844**
Number of units outstanding - Class F (Note 10)	**117,150**
Net Assets per unit - Class F	**10.66**

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors of the Manager:

Ravi Sood
Director

Andrew Bentley
Director

NAVINA/LAZARD U.S. HIGH YIELD BOND FUND

Statement of Operations - For the period from June 9, 2009 to December 31, 2009

	2009
Investment income	
Interest	9,271
	9,271
Expenses	
Management fees (Note 8)	175,520
Forward fees (Note 8)	47,004
Fund valuation fees	29,486
Audit fees	26,250
Transfer agent fees	21,817
Directors' fees	18,000
Filing fees	16,115
Custody fees	8,827
Unitholder reporting costs	7,001
Legal fees	5,616
Independent Review Committee fees	5,000
Administration and insurance fees	7,543
Total expenses	368,179
Net investment loss	(358,908)
Net realized and unrealized gain (loss) on investments	
Net realized gain on common share portfolio and forward agreement	382,480
Change in unrealized appreciation on common share portfolio and forward agreement	1,163,191
Net gain on investments	1,545,671
Increase in Net Assets from Operations	**1,186,763**
Increase in Net Assets from Operations - Class A	**1,064,154**
Increase in Net Assets from Operations per unit - Class A	**1.03**
Increase in Net Assets from Operations - Class F	**122,609**
Increase in Net Assets from Operations per unit - Class F	**0.93**

See accompanying notes to financial statements.

NAVINA/LAZARD U.S. HIGH YIELD BOND FUND

Statement of Changes in Net Assets - For the period from June 9, 2009 to December 31, 2009

	CLASS A 2009
Net Assets, beginning of period	-
Increase in net assets from operations	1,064,154
Capital transactions (Note 10)	
Proceeds from issue	10,473,120
Payments on redemption	(859,527)
	9,613,593
Distributions to unitholders	
Return of capital	(399,012)
	(399,012)
Increase in Net Assets	10,278,735
Net Assets, end of period	**10,278,735**

	CLASS F 2009
Net Assets, beginning of period	-
Increase in net assets from operations	122,609
Capital unit transactions (Note 10)	
Proceeds from issue	2,233,000
Payments on redemption	(1,060,512)
	1,172,488
Distributions to unitholders	
Return of capital	(46,253)
	(46,253)
Increase in Net Assets	1,248,844
Net Assets, end of period	**1,248,844**

See accompanying notes to financial statements.

NAVINA/LAZARD U.S. HIGH YIELD BOND FUND

Statement of Investments - As at December 31, 2009

SHARES OR UNITS HELD	SECURITY	AVERAGE COST $	FAIR VALUE $
EQUITIES			
	Common Share Portfolio (Note 5)		
91,828	Celestica Inc. Sub. Voting	746,562	914,607
72,770	CGI Group Inc. Cl. A Sub. Voting	740,799	1,036,245
73,345	Eldorado Gold Corporation	740,785	1,094,307
177,226	Fairborne Energy Ltd.	740,805	845,368
80,633	HudBay Minerals Inc.	902,283	1,094,190
104,782	Ivanhoe Mines Ltd.	740,809	1,625,169
67,715	Nuvista Energy Ltd.	740,802	845,083
78,392	Red Back Mining Inc.	740,804	1,175,880
8,058	Research In Motion Limited	740,772	572,360
7,875	RONA inc.	740,800	894,169
37,318	Teck Cominco Limited Cl. B Sub. Voting	740,762	1,374,049
63,507	Thompson Creek Metals Company, Inc.	807,174	783,041
74,227	Viterra, Inc.	740,785	732,620
		9,863,942	**12,987,088**
TOTAL INVESTMENTS		**$9,863,942**	**12,987,088**
Unrealized loss on forward agreement (Note 5)			(1,959,955)
Cash and cash equivalents			19,839
Other assets, net of liabilities			480,607
NET ASSETS			**11,527,579**

See accompanying notes to financial statements.

1. THE FUND

Navina/Lazard U.S. High Yield Bond Fund (the "Fund") is a mutual fund trust governed by the laws of the Province of Ontario by a Declaration of Trust dated May 22, 2009. Navina/Lazard Strategic Trust (the "Strategic Trust", and together with the Fund, the "Trusts") is an investment trust established under the laws of the Province of Ontario by a Declaration of Trust dated May 22, 2009. The Fund effectively began operations on June 9, 2009 ("Commencement of Operations") when it completed an initial public offering of 1,047,312 Class A units and 223,300 Class F units, each at $10.00 per unit, for gross proceeds of $12.7 million. Each Fund unit consisted of one redeemable, transferable fund unit ("Fund Unit"). The Trust effectively began operations on June 10, 2009 ("Commencement of Operations").

When referencing "period ended December 31, 2009", the Fund's period is from June 9, 2009 to December 31, 2009 and the Startegic Trust's period is from June 10, 2009 to December 31, 2009.

Navina Asset Management Inc. is the manager (the "Manager") and trustee (the "Trustee") of the Trusts.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The following is a summary of significant accounting policies followed by the Trusts in the preparation of their financial statements:

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 or Trust. 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 did not have an impact on Net Assets or increase/decrease in Net Assets from Operations.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term, interest bearing notes with a term to maturity of less than three months from the date of purchase. Cash and cash equivalents are deemed to be held for trading and therefore recorded at fair value.

Valuation of investments

Investments are deemed to be classified as held-for-trading in accordance with Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, Financial Instruments – Recognition and Measurement ("Section 3855") and therefore are recorded at fair value.

Investments pledged under the forward agreement are valued at closing market prices. Any other investments in publicly traded securities are valued at fair value, that being the bid price for securities purchased long and ask price for securities sold short, from the relevant exchange on which such securities are principally traded.

Written options are valued at ask prices, and purchased options are valued at bid prices as reported on recognized exchanges.

Exchange-traded funds ("ETFs") are valued at bid prices as reported on recognized exchanges.

Securities for which reliable quotations are not readily available or not traded in an active market are valued at fair value as determined by the Manager. The difference between fair value and average cost, as recorded in the accounts, is shown as change in unrealized appreciation (depreciation) on investments. Short-term investments and bonds are recorded at fair value using bid price market quotations.

Other assets and liabilities

For the purpose of categorization in accordance with the CICA Handbook Section 3862, Financial Instruments – Disclosures ("Section 3862"), accrued investment income and prepaid expenses designated as loans and receivables are recorded at cost or amortized cost. Similarly, payables for securities purchased, distributions payable and accounts payable and accrued liabilities are deemed to be other financial liabilities and reported at amortized cost.

Investment transactions and income recognition

All investment transactions are accounted for on the trade date. Realized gains and losses from investment transactions and unrealized appreciation or depreciation in the value of investments are calculated on an average cost basis, excluding transaction costs and effect of foreign exchange, which is disclosed separately.

Interest income and expenses are recognized daily on an accrual basis.

Dividend income is recognized on the ex-dividend date.

Transaction costs

Transaction costs, such as brokerage commissions incurred in the purchase and sale of securities by the Trusts, are expensed and are included in transaction costs in the Statement of Investments. 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.

Foreign currency translation

Investments at fair value and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange applicable on the valuation date. Investment transactions and income and expenses are translated at the rate of exchange on the date of such transactions.

Forward foreign currency contracts

Forward foreign currency contracts (see Note 11) are valued at current market value on each valuation date. The value is determined as the gain or loss that would be realized, if on the valuation date, the position of the forward foreign currency contracts were closed out. Gains or losses incurred when forward foreign currency contracts entered into by the Strategic Trust, which are of the nature of a general hedge of the currency exposure of the underlying portfolio of investments, mature or are closed out are included in "Net realized gain (loss) on foreign exchange" in the Statement of Operations.

Forward Agreement

The Forward Agreement is valued to the gain or loss that would be realized on the valuation date if the contract were closed out or expired. The amount to be received (or paid) on the Forward Agreement as at the valuation date is recognized as Unrealized loss on forward agreement on Statement of Net Assets. All gains (losses) arising from the Forward Agreement are recorded as part of "Change in unrealized appreciation on common share portfolio and forward agreement" in the Statements of Operations.

Accounting estimates

The preparation of the financial statements in accordance with Canadian GAAP requires the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Net asset value per unit

The net asset value per unit of the Fund is computed by dividing the net asset value of each of Class A Units and Class F Units of the Fund by the total number of units outstanding for Class A Units and Class F Units, respectively. The increase (decrease) in Net Assets from operations for period is based on the weighted average number of units outstanding during the period.

The net asset value per unit of the Strategic Trust is computed by dividing the net asset value of the Strategic Trust by the total number of units outstanding for the Strategic Trust on the valuation date. The increase (decrease) in Net Assets from operations for the period is based on the weighted average number of units outstanding during the period.

3. NOTE RECEIVABLE

The Manager reimbursed the Fund for the expenses of the initial public offering which amounted to $790,673 and consist of agents' fees and other offering expenses. The obligation is evidenced by a Note which was issued on closing, June 9, 2009. The repayment will be made in quarterly installments equal to one quarter of 1.00% of the Fund's net asset value over a period of eight years, and began on September 30, 2009. The Note bears interest from the date of issue at the prime rate of interest. The Note is reduced proportionately if units are purchased for cancellation by the Fund, redeemed or retracted. On the maturity date, any unpaid principal amount of the Note will be due and payable by the Manager.

4. 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. The difference between these amounts represents the valuation difference of securities resulting from the application of CICA Handbook Section 3855.

Navina/Lazard U.S. High Yield Bond Fund

December 31, 2009	Net Asset Value per unit	Net Assets per unit
Class A	$10.64	$10.64
Class F	$10.66	$10.66

Navina/Lazard Strategic Trust

	December 31, 2009
Net Asset Value per unit	$10.74
Net Assets per unit	$10.70

5. FORWARD AGREEMENT

In order to achieve its investment objectives, the Fund obtains economic exposure to the returns of Navina/Lazard Strategic Trust by investing the net proceeds of its initial public offering in a portfolio of common shares (the "Common Share Portfolio") and entering into a forward purchase and sale agreement (the "Forward Agreement") with BMO Capital Markets Inc. (the "Counterparty"). The Fund does not invest directly in the Strategic Trust. As a result of the Forward Agreement, the returns of the Fund are intended to correlate with the investment in the Strategic Trust.

The Fund will partially settle the Forward Agreement prior to the Forward Agreement termination date in order to fund monthly distributions as well as redemptions of Fund Units by unitholders from time to time and for payment of expenses of the Fund and Strategic Trust.

The Fund will also pay to the counterparty a fee under the Forward Agreement equal to 0.45% per annum of the net asset value of the Common Share Portfolio plus a fee, which may vary, based on the value of the Common Share Portfolio, calculated and payable monthly in arrears. This fee, which may vary, is intended to compensate the counterparty for the costs of hedging its exposure under the Forward Agreement.

The Forward Agreement has a termination date of June 10, 2012.

As at December 31, 2009, the Common Share Portfolio of the Fund, which is used as collateral for the forward agreement, was as follows:

Number of Shares	Description	Fair Value $
91,828	Celestica Inc. Sub. Voting	914,607
72,770	CGO Group Inc. Cl.A Sub. Voting	1,036,245
73,345	Eldorado Gold Corporation	1,094,307
117,226	Fairborne Energy Ltd.	845,368
80,633	Hudbay Minerals Inc.	1,094,190
104,782	Ivanhoe Mines Ltd.	1,625,169
67,715	Nuvista Energy Ltd.	845,083
78,392	Red Back Mining Inc.	1,175,880
8,058	Research In Motion Limited	572,360
57,875	RONA Inc.	894,169
37,318	Teck Cominco Limited Cl.B Sub. Voting	1,374,049
63,507	Thompson Creek Metals Company, Inc.	783,041
74,227	Viterra, Inc.	732,620
Value of Common Share Portfolio		**$12,987,088**

6. FINANCIAL INSTRUMENTS

Management of financial risks

Through the Forward Agreement described in Note 5, the Fund is exposed to the risks through the holding of the Navina/Lazard Strategic Trust, which invests primarily in U.S. dollar denominated high yield bonds. As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and the markets in which it invests.

The Fund and the Strategic Trust are exposed to various financial risks, including market risk (consisting of currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Fund's and Strategic Trust's overall risk management programme seeks to minimize potentially adverse effects of those risks on the Strategic Trust's financial performance. The Strategic Trust may use derivative financial instruments to mitigate certain risk exposures.

The Fund is an actively managed investment fund. The investment objectives are to provide unitholders with monthly distributions and to achieve capital appreciation through an actively managed portfolio comprised primarily of U.S. dollar denominated high yield corporate bonds.
The Strategic Trust is an actively managed investment trust. The Strategic Trust's investment objectives are to provide the Counterparty to the Forward Agreement with distributions and the opportunity for capital appreciation in order for the Fund to meet its investment objectives.

Market risk

Although the Fund's Common Share Portfolio is comprised of equity securities that are subject to market price risk and the value of the Forward Agreement will fluctuate as a result of changes in market conditions, the Fund itself is not exposed to the market price risk of the equity securities as they are collaterals for the Forward Agreement.

The Strategic Trust may take positions in traded instruments, which may include derivatives. Therefore, within defined limits, the Strategic Trust may buy or sell call or put options and financial futures or other derivatives.

All investments in securities present a risk of loss of capital. The Portfolio Advisor mitigates this risk through careful selection of securities and other financial instruments, within specified limits. The maximum risk for financial instruments held by the Strategic Trust is determined by the fair value thereof.

The Strategic Trust's overall market positions are monitored on a daily basis by the Portfolio Advisor, weekly by the Manager, and are reviewed semi-annually by the Board of Directors of the Manager.

As at December 31, 2009, the Fund's market risk is potentially affected by two main components, being changes in actual market prices and changes in foreign currency rates. The Fund's sensitivity to foreign currency movements is reported below under currency risk.

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.

As at December 31, 2009, the Fund held no short-term deposit notes or other interest-bearing securities. The Fund also has no interest-bearing liabilities. As a result of this, the Fund had minimal risk due to the changes in prevailing market interest rates.

Through its investment in the Strategic Trust, the Fund is exposed to interest rate risk from the Strategic Trust's holding in fixed-rate debt instruments, the value which fluctuates due to changes in prevailing levels of market interest rates.

As at December 31, 2009, the Fund's and the Strategic Trust's exposure to interest rate risks by remaining term to maturity was as follows:

Debt Instruments		% of Net Assets
Less than 1 year	-	0.00
1 to 3 years	-	0.00
3 to 5 years	1,854,447	16.88
Greater than 5 years	7,311,542	66.55
Total	9,165,989	83.43

At December 31, 2009, if the prevailing interest rates had risen or declined by 0.25%, assuming a parallel shift in the yield curve, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately $102,888. The Strategic Trust's sensitivity to interest rate changes was estimated using the weighted average duration of the bonds. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Credit risk

Credit risk is the risk of non-payment of scheduled interest and/or principal payments. Credit risk is also the risk that one or more investments in the portfolio of the Fund or Strategic Trust will decline in price, or fail to pay interest or principal when due, because the issuer of the security experiences a decline in its financial status.

As at December 31, 2009, the Fund held no short-term deposit notes or other interest-bearing securities. The Fund was exposed to credit risk through the counterparty of the Forward Agreement. BMO Capital Market Inc. had an A+ credit rating, as at December 31, 2009, according to S&P rating agency. As a result of this, the Manager believes the Fund had minimal credit risk.

The Fund's ability to pay distributions is dependent upon the performance of the Strategic Trust's assets. That performance, in turn, is subject to a number of risks, and in particular, the credit risk of the U.S. dollar denominated high yield bonds of the Strategic Trust. The value of the U.S. dollar-denominated high yield bonds is affected by the creditworthiness of borrowers and by general economic and specific industry conditions.

At December 31, 2009, the Strategic Trust was invested in debt securities with the following credit ratings:

Debt securities by S&P rating	% of Net Assets
BBB+ or better	0.0%
BBB	2.7%
BBB-	4.7%
BB+	2.5%
BB	13.8%
BB-	14.8%
B+	18.7%
B	11.1%
B-	6.3%
CCC+ or lower	8.9%
Not rated	0.0%
Total	83.4%

Liquidity risk

Liquidity risk is the possibility that investments in the Fund cannot be readily converted into cash when required.

The Fund maintains sufficient liquidity from the partial settlement of the Forward Agreement and, therefore, has minimal liquidity risk.

The Strategic Trust is exposed to liquidity risk as the resale, or secondary market, for high yield bonds held by the Strategic Trust is less liquid and less transparent than publicly-traded markets. However, the Strategic Trust does seek to invest the majority of its assets in companies whose bond issues are large and in investments that are traded in active markets and can be readily disposed of. In addition, the Strategic Trust retains a significant portion of its Net Assets in an exchange-traded fund to maintain liquidity.

Currency risk

Net asset value is measured in Canadian dollars and payments to unitholders are made in Canadian dollars. The Fund itself is not directly exposed to the fluctuations in the value of the Canadian dollar relative to other currencies as a result of the Forward Agreement.

Through its investment in the Strategic Trust, the Fund is exposed to currency risks as the Strategic Trust may hold assets or have liabilities denominated in currencies other than in Canadian dollars. Therefore, the Strategic Trust is exposed to currency risk, as the value of any assets or liabilities denominated in currencies other than the Canadian dollar will vary due to changes in foreign exchange rates. The following summarizes the Strategic Trust's exposure to currency risks, as at December 31, 2009:

December 31, 2009	Financial Assets	Other Assets	Foreign Forward Currency Contract	Financial Liabilities	Other Liabilities	Total Exposure	% of Net Assets
US Dollar	10,674,436	299,227	(10,580,030)	-	-	393,633	3.41%

As at December 31, 2009, had the Canadian dollar strengthened or weakened by 1% against each of the other currencies with all other variables remaining constant, net assets of the Strategic Trust for the period would have decreased or increased by $3,936.

Other market risk

Other market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital.

If prices of each of the investments in the Strategic Trust had strengthened or weakened by 1% with all other variables remaining constant, including prices of each of the investments in the Fund, Net Assets of the Fund and the Strategic Trust for the period would have increased or decreased by $102,445.

If prices of each of the investments in the Fund had strengthened or weakened by 1% with all other variables remaining constant, including prices of each of the investments in the Strategic Trust, Net Assets of the Fund for the period would have remained the same due to the fact that the common share portfolio is held as collateral thus not subject to market risk.

Fair Value Measurements

The following is a summary of the inputs used as of December 31, 2009 in valuing the Fund's and the Strategic Trust's investments carried at fair value:

Navina/Lazard U.S. High Yield Bond Fund

	Level One	Level Two	Level Three	Totals
Financial Assets				
EQUITIES				
COMMON STOCK	12,987,088	0	0	12,987,088
TOTAL EQUITIES	12,987,088	0	0	12,987,088
Total Financial Assets	**12,987,088**	**0**	**0**	**12,987,088**
Financial Liabilities				
UNREALIZED LOSS ON FORWARD AGREEMENT	0	1,959,955	0	1,959,955
Total Financial Liabilities	**0**	**1,959,955**	**0**	**1,959,955**

Navina/Lazard Strategic Trust

	Level One	Level Two	Level Three	Totals
Financial Assets				
EQUITIES				
EXCHANGE TRADED FUNDS	1,078,469	0	0	1,078,469
TOTAL EQUITIES	1,078,469	0	0	1,078,469
FIXED INCOME				
CORPORATE BONDS	0	9,165,989	0	9,165,989
TOTAL FIXED INCOME	0	9,165,989	0	9,165,989
Total Financial Assets	**1,078,469**	**9,165,989**	**0**	**10,244,458**
Other Financial Instruments				
FORWARD FOREIGN CURRENCY CONTRACTS	0	86,459	0	86,459
Total Other Financial Instruments	**0**	**86,459**	**0**	**86,459**

7. TAXATION

The Fund qualifies as a "mutual fund trust" within the meaning of the Income Tax Act (Canada). The Fund is subject to applicable federal and provincial taxes on the amount of its net income for tax purposes for the period, including net realized taxable capital gains, to the extent such net income for tax purposes has not been paid or made payable to unitholders in the period.

The Strategic Trust is subject to applicable federal and provincial taxes on the amount of its net income for tax purposes for the period, including net realized taxable capital gains, to the extent such net income for tax purposes has not been paid or made payable to unitholders in the period.

No provision for income taxes has been recorded in the accompanying financial statements as all income and net realized capital gains are distributed to the unitholders. Capital losses realized in excess of those utilized to offset realized capital gains in the current taxation year can be carried forward indefinitely and may be applied against future years' capital gains. Non-capital losses may be carried forward for a period of 20 years and applied against future years' taxable income. As at December 31, 2009, the Fund had a non-capital loss carry forward balance of $77,018 (expiring in 2029). As at December 31, 2009, the Strategic Trust had $nil capital loss carry forward balance.

8. EXPENSES OF THE TRUSTS

Management fees

Pursuant to the Declaration of Trust, the Manager provides all administrative services required by the Trusts, including the appointment of Portfolio Advisors to the Strategic Trust.

In return, the Manager receives a monthly fee at the annual rate of 2.10%, plus applicable taxes, of the net asset value of the Fund, calculated and payable monthly in arrears. The Manager is responsible for payment of the investment management fees of the Trust's Portfolio Advisor out of its annual management fees.

The Class A Units of the Fund also pay to the Manager an annual service fee equal to 0.40% annually of the net asset value of units held by clients of the sales representatives of such dealers, calculated and payable quarterly in arrears. Dealer service fees for the year were $25,354.

Other expenses

The Fund is responsible for all other expenses incurred in connection with its operation and administration, such as custodian, valuation, transfer agent, reporting, audit and legal fees. Brokerage commissions paid on securities transactions are expensed in the period in which the transaction occurred and are not considered to be part of total expenses. These commissions are included in the cost of purchasing, or netted out of the proceeds from selling securities. For the period ended December 31, 2009, brokerage commissions for the Fund were $nil, and for the Strategic Trust were $308. There were no soft dollar amounts included in these payments.

The Fund will also pay to the counterparty a fee under the Forward Agreement equal to 0.45% per annum of the net asset value of the Common Share Portfolio plus a fee, which may vary, based on the value of the Common Share Portfolio, calculated and payable monthly in arrears. This fee, which may vary, is intended to compensate the counterparty for the costs of hedging its exposure under the Forward Agreement.

9. UNITHOLDERS' EQUITY

The Fund is authorized to issue an unlimited number of voting, transferable, redeemable Fund Units of one class, each of which represents an equal, undivided interest in the net assets of the Fund. On termination of the Fund, unitholders will be entitled to receive their pro-rata share of all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses.

The Fund may be terminated at any time upon not less than 90 days' written notice to the Trustee provided that the prior approval of unitholders has been obtained by a majority vote at a meeting of unitholders called for that purpose. In addition, the Trustee may, in its discretion, on 60 days' notice to unitholders, terminate the Fund without the approval of unitholders if, in its opinion, the net asset value of the Fund is reduced as a result of redemptions or otherwise so that it is no longer economically feasible to continue the Fund or the Trustee determines to terminate the Fund in connection with a permitted merger. In case the Fund is terminated, the Fund shall, to the extent possible, convert its assets to cash and, after paying or making adequate provision for all of the Fund's liabilities, distribute the net assets of the Fund, on a pro-rata basis, to the unitholders.

Commencing 30 days following the closing of the offering, Fund Units of a class were eligible to be surrendered for redemption on the last business day of each week (the "Redemption Date"), for a redemption price per Fund Unit of a class (the "Redemption Amount") equal to the net asset value per Fund Unit of that class less any costs of funding the redemption and any redemption charges then outstanding. The Redemption Amount will be paid to the Manager by the Fund and the unitholder will receive payment on or before the 3rd business day following the Redemption Date. Redemption of Fund Units may only be affected through FundSERV by the book-entry only system administered by SGGG Fund Services Inc.

The Strategic Trust is authorized to issue an unlimited number of units of a single class of transferrable, redeemable units of beneficial interest, each of which represents an equal undivided interest in the net assets of the Strategic Trust.

The Strategic Trust does not have a fixed termination date. However, the Strategic Trust may be terminated at any time upon not less than 90 days' written notice by the Trustee provided that the approval of unitholders has been obtained by a majority vote at a meeting of unitholders called for the purpose (the "Termination Date") provided, however, that the Trustee may, in its discretion, on 60 days' notice to unitholders, terminate the Strategic Trust without the approval of unitholders if, in the opinion of the Trustee, the Net Asset Value of the Strategic Trust is reduced as a result of redemptions or otherwise so that it is no longer economically feasible to continue the Strategic Trust .

Units of the Strategic Trust may be redeemed for a redemption price per unit (the "Redemption Amount") equal to the Net Asset Value per unit as at any business day (each a "Redemption Date"). Units surrendered for redemption by a unitholder on or before 4:00 p.m. (Toronto time) on any Redemption Date will be redeemed as at such Redemption Date and the unitholder will receive payment in respect of any units surrendered for redemption on the second business day after the Redemption Date

10. NET CAPITAL TRANSACTIONS

Net capital transactions for the Fund for the period ended December 31, 2009 consisted of the following:

	Class A	Class F
Number of units outstanding, beginning of period	-	-
Issuance of Units	1,047,312	223,300
Redemption of Units	(81,317)	(106,150)
Number outstanding, end of period	965,995	117,150

Net capital transactions for the Strategic Trust for the period ended December 31, 2009 consisted of the following:

Number of units outstanding, beginning of period	-
Issuance of Units	1,270,612
Redemption of Units	(244,305)
Number outstanding, end of period	1,026,307

Capital Management

Unitholders equity is considered to be the source of capital for the Fund and the Strategic Trust. The Trusts' objectives are managing capital to safeguard the Trusts' 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 unitholders.

Since both revenues and expenses of the Trusts are reasonably predictable and stable and since the Trusts do not have any externally imposed capital requirements, the Manager believes that the current level of distributions, capital and capital structure is sufficient to sustain ongoing operations. The Manager monitors the cash position and financial performance of the Trusts weekly to ensure there are resources to meet current distribution levels.

11. FORWARD FOREIGN CURRENCY CONTRACTS

As at December 31, 2009, the Fund had not entered into forward foreign currency contracts to deliver currencies at specified future dates.

As at December 31, 2009, the Strategic Trust had entered into forward foreign currency contracts to deliver currencies at specified future dates as follows:

Contracts		Sold $		Bought $	Settlement Date	Unrealized Gain (Loss)	Counterparty	Credit Rating
1	CAD	120,000	USD	114,262	Mar 17, 2010	$(214)	State Street	AA-
1	CAD	240,000	USD	224,521	Mar 17, 2010	(4,625)	State Street	AA-
1	CAD	140,000	USD	133,151	Mar 17, 2010	(412)	State Street	AA-
1	USD	300,000	CAD	312,870	Mar 17, 2010	(1,633)	State Street	AA-
1	USD	10,181,615	CAD	10,767,160	Mar 17, 2010	93,343	State Street	AA-
Totals						**$86,459**		

12. DISTRIBUTIONS

The Fund endeavours to make monthly cash distributions to unitholders consisting primarily of distributions received on securities in the investment portfolio and, in certain circumstances, of net realized capital gains from the investment portfolio. The Fund will not have a fixed monthly distribution but will determine and announce each May, commencing in December 2010, an expected distribution amount for the following twelve months. Monthly distributions will be paid to unitholders on or about the 15th of each month following the month in which they are declared. The monthly distribution declared to unitholders of record, at the end of each month in the period, was $0.058 per unit for Class A and $0.058 per unit for Class F. For the year ending December 31, 2009, the Fund paid $0.3867 per Fund Unit for Class A and $0.3867 per Fund Unit for Class F.

The Strategic Trust endeavours to make monthly distributions to its unitholders in accordance with its investment objectives. For the year ending December 31, 2009, the Strategic Trust distributed and reinvested $1.50083 per Strategic Trust Unit without the issuance of additional Strategic Trust Units.

NAVINA
ASSET MANAGEMENT

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