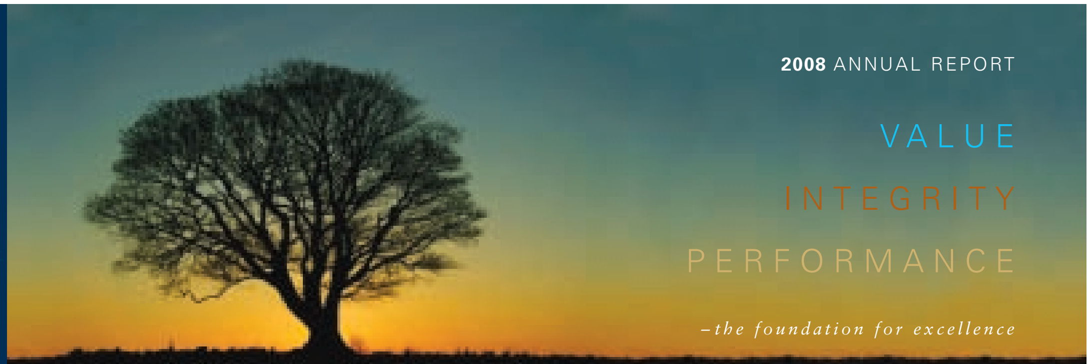
BROMPTON FUNDS



BROMPTON SPLIT BANC CORP.

SBC, SBC.PR.A

Passive, equal weight portfolio of the equity securities of the "Big Six" Canadian banks, using a split share structure. The Preferred shares are rated Pfd-3 by DBRS.

Management Report of Fund Performance

March 12, 2009

This annual management report of fund performance for Brompton Split Banc Corp. (the "Fund") contains financial highlights but does not contain the audited annual financial statements of the Fund. The audited annual financial statements follow this report. You may obtain a copy of the annual financial statements at your request, at no cost, by calling 866-642-6001 or by sending a request to Investor Relations, Brompton Funds, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Suite 2930, P.O. Box 793, Toronto, Ontario, M5J 2T3, or by visiting our website at www.bromptongroup.com or SEDAR at www.sedar.com.

Shareholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, independent review committee's report, or quarterly portfolio disclosure.

The Fund

Brompton Split Banc Corp. is a mutual fund corporation managed by Brompton Funds Management Limited (the "Manager"). The Fund has Class A and Preferred shares outstanding which trade on the Toronto Stock Exchange ("TSX") under the symbols SBC and SBC.PR.A, respectively. The Class A and Preferred shares are RRSP, DPSP, RRIF, RESP and TFSA eligible. The Preferred shares are rated Pfd-3 by Dominion Bond Rating Service Limited ("DBRS"). The Class A and the Preferred shares are scheduled to be redeemed by the Fund on November 30, 2012.

Investment Objectives and Strategies

The Fund's investment objectives are:

i) to provide holders of Preferred shares with quarterly fixed, cumulative, preferential cash distributions in the amount of $0.13125 per share and to return the original issue price to shareholders on November 30, 2012, and

ii) to provide holders of Class A shares with regular monthly cash distributions targeted to be $0.10 per share and with the opportunity for growth in Net Asset Value per share.

To achieve these objectives, the Fund invests in a common share portfolio of the following six Canadian banks on an equally weighted basis at the time of investment and on any subsequent rebalancing:

Bank of Montreal	Royal Bank of Canada
Canadian Imperial Bank of Commerce	The Bank of Nova Scotia
National Bank of Canada	The Toronto-Dominion Bank

Highstreet Asset Management Inc. ("Highstreet") is the Fund's Option Advisor and is responsible for investing the common share portfolio. The portfolio is rebalanced at least annually, to adjust for changes in the market value of investments and to reflect the impact of a merger or acquisition affecting one or more of the banks. In addition, the Fund may sell investments for working capital purposes or replace investments with proceeds from the exercise of covered call options previously written. Highstreet also has the discretion to write covered call options and cash covered put options in respect of the portfolio to generate additional distributable income for the Fund.

Risks

Risks associated with an investment in the shares of the Fund are discussed in the Fund's 2008 annual information form, which is available on the Fund's website at www.bromptongroup.com or on SEDAR at www.sedar.com. There were no changes to the Fund over the period that materially affected the risks associated with an investment in the shares of the Fund.

Recent Developments

Distributions
Distributions to Class A shareholders were suspended for the month of December 2008, as the Net Asset Value per unit (consisting of one Class A share and one Preferred share) was below $15.00. In accordance with the Fund's provisions, normal monthly distributions on the Class A shares are expected to resume when the Net Asset Value per unit exceeds $15.00. Quarterly Preferred share dividends continue to be paid.

Preferred shares rating
As a consequence of the declining equity markets, DBRS announced in February 2009 that the Preferred share rating of the Fund had been lowered from Pfd-2 to Pfd-3.

In accordance with investment fund industry practice, all figures presented in this management report of fund performance are based on the Fund's calculation of its weekly Net Asset Value ("Net Asset Value"), which is exempted from the application of Canadian Institute of Chartered Accountants ("CICA") Section 3855, except for the figures presented in the Net Assets per Class A Share table, which can be found under Financial Highlights. In accordance with National Instrument ("NI") 81-106, the figures in this table must be derived from the financial statements ("Net Assets").

Results of Operations

Distributions
For the year ended December 31, 2008, the Fund declared distributions of $1.10 per Class A share and $0.525 per Preferred share, compared to $1.20 per Class A share and $0.525 per Preferred share in 2007. The lower level of distributions per Class A share in 2008 was due to the suspension of distributions for the month of December, as discussed under Recent Developments. Since inception on November 16, 2005, the Fund has distributed $3.65 per Class A share and $1.64 per Preferred share.

Revenues and Expenses
The Fund's investment portfolio generated dividend income of $0.93 per Class A share for the year ended December 31, 2008, unchanged from 2007. Total expenses were $0.18 per Class A share for 2008, down from $0.26 in 2007. This decline was primarily due to the lower average Net Asset Value, which lowered management fees and service fees on a per Class A share basis. As well, bank interest was not incurred in 2008 as the Fund's credit facility was terminated in October 2007.

Net Asset Value
As a result of the significant global market correction in the fourth quarter of 2008 and the resultant decline in the value of the Fund's investment portfolio, as well as the impact of leverage from the Preferred shares, the Net Asset Value per Class A share decreased over the year by $8.62 per share, or 67.6%, from $12.75 at December 31, 2007 to $4.13 at December 31, 2008. The financials sector was particularly hard hit in 2008. The Net Asset Value of the Fund is determined by taking the total assets of the Fund and deducting the Fund's liabilities. For these purposes, the Preferred shares are not considered a liability of the Fund. The aggregate Net Asset Value of the Fund decreased from $157.5 million at the end of 2007 to $90.2 million at December 31, 2008 as the value of bank stocks declined.

Investment Portfolio
As of December 31, 2008, the Fund's investments included common shares of Bank of Montreal, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada, The Bank of Nova Scotia, and The Toronto-Dominion Bank. Due to the decline in security prices in the Fund's portfolio, the Fund had a net realized and unrealized loss of $53.8 million in 2008. As the Canadian equity market experienced significant volatility during the year, the Fund wrote call options on all six banks held in the portfolio. The Fund had a net realized gain of $1.5 million on the call options.

Liquidity and Capital Resources
To provide liquidity, the Class A shares and Preferred shares of the Fund are listed on the TSX under the symbols SBC and SBC.PR.A, respectively. Over the period, Class A shares and Preferred shares traded at an average combined premium to their combined Net Asset Value per share of 0.2%. Investors may also retract their shares in accordance with the Fund's retraction provisions.

Related Party Transactions

Related party transactions consist of services provided by the Manager pursuant to a management agreement. See the Management Fees section below.

Management Fees

Pursuant to a management agreement, the Manager provides management and administrative services to the Fund, for which it is paid a management fee equal to 0.55% per annum of the Net Asset Value of the Fund. The Manager is responsible for providing management and administrative services to the Fund and for paying the fees to the Option Advisor. All of the management fee is used by the Manager to cover its general administration expenses, the cost of portfolio management services and for profit. The Fund also pays to the Manager a service fee equal to 0.40% per annum of the Net Asset Value of the Class A shares. The service fee is in turn paid by the Manager to the investment dealers based on the proportionate number of Class A shares held by clients of each dealer at the end of each calendar quarter. During the year ended December 31, 2008, management and service fees amounted to $0.8 million and $0.2 million, respectively.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help readers understand the Fund's financial performance for the fiscal periods indicated. This information is derived from the Fund's audited annual financial statements. *The information in the following tables is presented in accordance with NI 81-106 and, as a result, does not act as a continuity of opening and closing Net Assets per share.* The increase (decrease) in Net Assets from operations is based on average shares outstanding during the period, and all other numbers are based on actual shares outstanding at the relevant point in time.

Net Assets per Class A Share[(1)]

For the year/period ended December 31		**2008**		2007		2006		2005[(2)]
Net Assets, beginning of year/period[(3)(4)]	$	**12.71**	$	17.31	$	14.61	$	13.68
Increase (decrease) from operations:[(5)]								
Total revenue		**0.93**		0.94		0.80		0.14
Total expenses		**(0.18)**		(0.26)		(0.26)		(0.04)
Preferred share distributions		**(0.52)**		(0.52)		(0.52)		(0.07)
Realized gain (loss) for the year/period		**(0.34)**		0.81		—		—
Unrealized gain (loss) for the year/period		**(7.42)**		(4.36)		3.82		1.06
Total increase (decrease) in Net Assets from operations	$	**(7.53)**	$	(3.39)	$	3.84	$	1.09
Distributions to Class A shareholders:[(3)]								
Dividends	$	**0.01**	$	0.07	$	—	$	—
Return of capital		**1.09**		1.13		1.20		0.15
Total distributions to Class A shareholders	$	**1.10**	$	1.20	$	1.20	$	0.15
Net Assets, end of year/period[(3)]	$	**4.11**	$	12.71	$	17.32	$	14.61

(1) This information is derived from the Fund's audited annual financial statements. The Net Assets per Class A share presented in the financial statements differ from the Net Asset Value calculated for weekly Net Asset Value purposes. An explanation of these differences can be found in the notes to the financial statements.

(2) Period from November 16, 2005 (commencement of operations) to December 31, 2005.

(3) Net Assets per Class A share and distributions per Class A share are based on the actual number of Class A shares outstanding at the relevant time.

(4) The Net Assets per share for periods prior to 2007 are based on the prior period financial statements and were not adjusted for the new accounting standards adopted in 2007.

(5) The increase (decrease) in Net Assets from operations per Class A share is based on the weighted average number of Class A shares outstanding over the fiscal period.

Ratios and Supplemental Data (based on Net Asset Value)

As at December 31		2008		2007		2006		2005[1]
Net Asset Value (in 000s) – including Preferred shares	$	**90,234**	$	157,475	$	203,388	$	150,960
Number of Class A shares outstanding (in 000s)		**6,384**		6,923		7,445		6,135
Management expense ratio ("MER")[2] – per Class A share		**7.22%**		4.80%		5.15%		14.85%
Trading expense ratio[3]		**0.02%**		0.01%		0.02%		0.05%
Portfolio turnover rate[4]		**4.55%**		0.34%		—		N/A
Net Asset Value per unit	$	**14.13**	$	22.75	$	27.32	$	24.61
Net Asset Value per Class A share	$	**4.13**	$	12.75	$	17.32	$	14.61
Net Asset Value per Preferred share	$	**10.00**	$	10.00	$	10.00	$	10.00
Closing market price – Preferred shares	$	**8.65**	$	9.95	$	10.52	$	10.76
Closing market price – Class A shares	$	**3.59**	$	12.00	$	16.19	$	15.50

(1) Annualized, if applicable, for the period from November 16, 2005 (commencement of operations) to December 31, 2005.

(2) MER for Class A shares is based on the requirements of NI 81-106 and includes the total expenses of the Fund for the stated period, including distributions on Preferred shares and issuance costs, but excluding brokerage commissions on securities transactions, and is expressed as an annualized percentage of the average Net Asset Value of the Fund for Class A shares over the period.

(3) The trading expense ratio represents total commissions expressed as an annualized percentage of daily average Net Asset Value of the Fund during the period. This disclosure was a new requirement in 2005 under NI 81-106 and was not applied retroactively.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's Portfolio Manager 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. The portfolio turnover rate was not provided when the Fund was less than one year old. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities for the period, excluding cash and short-term investments maturing in less than one year, by the average market value of investments during the period.

Expense Ratio

The MER of the Fund, including Class A and Preferred shares, was 3.55% and 7.22% per Class A share as at December 31, 2008, compared to 2.96% per unit and 4.80% per Class A share the previous year. The increase was due to the increased weighting of fixed costs (including fixed distributions paid to Preferred shareholders) on the lower average Net Asset Value of the Class A shares in 2008. In each year, the ratio is exaggerated by the inclusion of distributions paid on the Preferred shares.

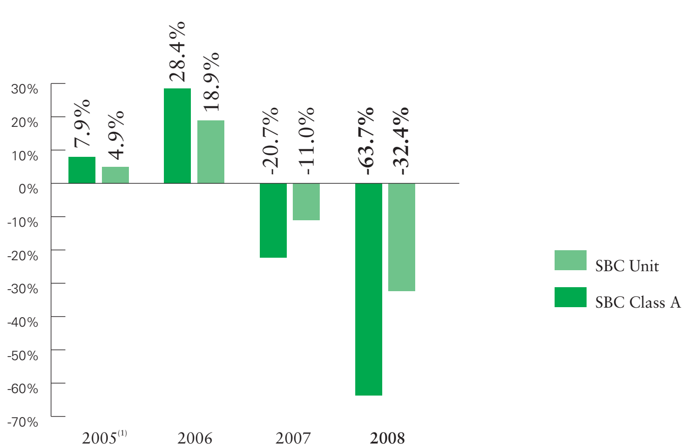
The MER excluding Preferred share distributions was 0.93% per unit and 1.89% per Class A share for 2008, compared to 0.94% per unit and 1.53% per Class A share in 2007. This latter ratio is more representative of the ongoing efficiency of the administration of the Fund.

Past Performance

The following chart and table show the past performance of the Fund. Past performance does not necessarily indicate how the Fund will perform in the future. The information shown is based on Net Asset Value per Class A share/unit and assumes that distributions made by the Fund on the Class A shares/units in the periods shown were reinvested (at Net Asset Value per Class A share/unit) in additional Class A shares/units of the Fund.

The bar chart shows the annual return for a Class A share in each period since inception to December 31, 2008. The chart shows, in percentage terms, how an investment held in a Class A share and a unit (each unit includes one Class A share and one Preferred share) on the first day of each fiscal period would have changed by the last day of the fiscal period.

Year-by-Year Returns



(1) Period from November 16, 2005 (commencement of operations) to December 31, 2005.

The following table shows the Fund's annual compound return for each period indicated, compared with the S&P/TSX Capped Financials Index ("Financials Index") and the S&P/TSX Composite Index ("Composite Index"). The Financials Index is derived from the Composite Index based on the financial sector as determined by the Global Industry Classification Standard and includes real estate companies and real estate investment trusts. The Composite Index tracks the performance, on a market weight basis, of approximately 300 large stocks on the TSX. The Financials Index and the Composite Index are calculated without the deduction of management fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

Annual Compound Returns

	1 Year	3 Year	Since Inception[1]
Brompton Split Banc Corp. – Class A shares[2]	(63.7%)	(28.2%)	(25.5%)
Brompton Split Banc Corp. – Preferred shares[2]	5.4%	5.4%	5.4%
Brompton Split Banc Corp. – units[3]	(32.4%)	(10.6%)	(8.8%)
S&P/TSX Capped Financials Index	(35.8%)	(9.0%)	(7.1%)
S&P/TSX Composite Index	(33.0%)	(4.8%)	(3.0%)

(1) Period from November 16, 2005 (commencement of operations) to December 31, 2008.

(2) Based on the Net Asset Value per Class A share and Preferred share, respectively, and assuming that distributions on the Class A shares and Preferred shares, respectively, made by the Fund in the periods shown were reinvested (at Net Asset Value per Class A share and Preferred share, respectively) in additional Class A shares and Preferred shares, respectively, of the Fund.

(3) Based on the Net Asset Value per unit (each unit includes one Class A share and one Preferred share) and assuming that distributions on the units made by the Fund were reinvested (at the Net Asset Value per unit) in additional units of the Fund.

The Class A shares of the Fund are designed to provide investors with a leveraged investment in the six major banks in Canada. The financial sector was particularly hard hit in 2008 by the ongoing global credit crunch and resulting economic, financial and market crises, causing further declines in the value of the Fund's portfolio. On a per unit basis for the year ended December 31, 2008, the Fund outperformed the Financials Index by 3.4% (-32.4% vs. -35.8%), due both to the gains from the covered call strategy and to the fact that bank shares outperformed other constituents in the Financials Index. Since inception, the Class A shares have underperformed the Financials Index and Composite Index by 18.4% and 22.5%, respectively, due primarily to the negative impact of leverage during a declining market. Class A shares of the Fund generated a negative return of 63.7% for the year ended December 31, 2008, and underperformed the Financials Index by 27.9%. The underperformance was largely due to the impact of the leverage provided by the Preferred shares. This leverage will enhance positive returns on the portfolio and, as in this case, exacerbate negative returns.

Summary of Investment Portfolio

As at December 31, 2008

Total Net Asset Value[1]	$ 90,234,108

Portfolio Composition	**% of Portfolio**	**% of Net Asset Value**
Bank	100.4%	100.7%
Cash and short-term investments	0.2%	0.2%
Call options written	(0.6%)	(0.5%)
Total investment portfolio	100.0%	100.4%
Other net liabilities		(0.4%)
Total Net Asset Value		100.0%

Holdings	**% of Portfolio**	**% of Net Asset Value**
The Bank of Nova Scotia	17.4%	17.5%
The Toronto-Dominion Bank	16.9%	17.0%
Canadian Imperial Bank of Commerce	16.8%	16.9%
Royal Bank of Canada	16.5%	16.6%
Bank of Montreal	16.5%	16.5%
National Bank of Canada	16.2%	16.2%
Cash and short-term investments	0.2%	0.2%

(1) Net Asset Value of the Fund includes the value of the Preferred shares.

The investment portfolio may change due to ongoing portfolio transactions of the investment fund. Quarterly updates are available within 60 days of each quarter end.

2008 Tax Information

The following information is applicable to holders who, for the purpose of the Income Tax Act (Canada), are resident in Canada and hold shares as capital property outside of an RRSP, RRIF or DPSP. Unitholders should receive a T5 slip from their investment dealer providing this information.

T5 supplementary slips will indicate Capital Gains Dividends in Box 18 and Actual Amount of Eligible Dividends in Box 24. Dividend Income is subject to the standard gross-up and federal dividend tax credit rules.

The return of capital component is a non-taxable amount that serves to reduce the adjusted cost base of Fund shares.

The following table outlines the breakdown of the Fund's distributions on Class A and Preferred shares declared in 2008 on a per share basis.

Class A Shares

Record Date	Payment Date	Dividend Income	Return of Capital	Total Distribution
Dec. 31, 2007	Jan. 15, 2008	$ 0.00074	$ 0.09926	$ 0.10
Jan. 31, 2008	Feb. 14, 2008	0.00074	0.09926	0.10
Feb. 29, 2008	Mar. 14, 2008	0.00074	0.09926	0.10
Mar. 31, 2008	Apr. 14, 2008	0.00074	0.09926	0.10
Apr. 30, 2008	May 14, 2008	0.00074	0.09926	0.10
May 30, 2008	Jun. 13, 2008	0.00074	0.09926	0.10
Jun. 30, 2008	Jul. 15, 2008	0.00074	0.09926	0.10
Jul. 31, 2008	Aug. 15, 2008	0.00074	0.09926	0.10
Aug. 29, 2008	Sept. 15, 2008	0.00074	0.09926	0.10
Sept. 30, 2008	Oct. 15, 2008	0.00074	0.09926	0.10
Oct. 31, 2008	Nov. 14, 2008	0.00074	0.09926	0.10
Nov. 28, 2008	Dec. 12, 2008	0.00074	0.09926	0.10
Total		**$ 0.00888**	**$ 1.19112**	**$ 1.20**

Preferred Shares

Record Date	Payment Date	Dividend Income	Total Distribution
Dec. 31, 2007	Jan. 15, 2008	$ 0.13125	$ 0.13125
Mar. 31, 2008	Apr. 14, 2008	0.13125	0.13125
Jun. 30, 2008	Jul. 15, 2008	0.13125	0.13125
Sept. 30, 2008	Oct. 15, 2008	0.13125	0.13125
Total		**$ 0.52500**	**$ 0.52500**

This information is of a general nature only and does not constitute legal or tax advice to any particular investor. Accordingly, investors are advised to consult their own tax advisors with respect to their individual circumstances.

Option Advisor

Highstreet Asset Management Inc.
Highstreet Asset Management is a quantitatively oriented investment manager with over $3.6 billion in assets under management. Highstreet has significant experience in the derivatives and options markets. Highstreet uses its quantitative approach to selectively write covered call and put options from time to time to enhance potential returns.

HIGHSTREET
ASSET MANAGEMENT INC.

Forward-Looking Statements

Some of the statements contained herein including, without limitation, financial and business prospects and financial outlook may be forward-looking statements which reflect management's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as "may," "will," "should," "could," "anticipate," "believe," "expect," "intend," "plan," "potential," "continue" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based on what management believes to be reasonable assumptions, we cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no obligation to update or revise them to reflect new events or circumstances.

Management's Responsibility Statement

The financial statements of Brompton Split Banc Corp. (the "Fund") have been prepared by management and approved by the Board of Directors of the Fund. The Fund is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

The Fund maintains appropriate procedures to ensure that relevant and reliable financial information is produced. Statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgements. The significant accounting policies applicable to the Fund are described in note 2 to the financial statements.

The Board of Directors of the Fund is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Board carries out this responsibility through the Audit Committee, which is comprised of a majority of independent directors.

The Fund, with the approval of its Board of Directors, has appointed the external firm of PricewaterhouseCoopers LLP as the auditors of the Fund. They have audited the financial statements of the Fund in accordance with Canadian generally accepted auditing standards to enable them to express to shareholders their opinion on the financial statements. The auditors have full and unrestricted access to the Audit Committee to discuss their findings.

(Signed)

Mark A. Caranci
President and Chief Executive Officer
Brompton Split Banc Corp.
March 12, 2009

(Signed)

Craig T. Kikuchi
Chief Financial Officer
Brompton Split Banc Corp.

Auditors' Report

To the Shareholders of Brompton Split Banc Corp.:

We have audited the statement of investments of Brompton Split Banc Corp. (the "Fund") as at December 31, 2008, the statements of financial position as at December 31, 2008 and 2007 and the statements of operations and retained earnings (deficit), changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Fund's Manager. 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 the Fund's Manager, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the investments of the Fund as at December 31, 2008, its financial position as at December 31, 2008 and 2007 and the results of its operations and retained earnings (deficit), the changes in its shareholders' equity and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed)

PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants
Toronto, Ontario
March 12, 2009

Statements of Financial Position

As at December 31	2008	2007
Assets		
Investments, at fair value	**$ 90,641,402**	$ 167,731,880
Cash and short-term investments	**170,198**	61,532
Income receivable	**611,886**	903,476
Amounts receivable for investments sold	**7,880,097**	—
Total assets	**99,303,583**	168,696,888
Liabilities		
Option contracts written, at fair value (note 10)	**495,089**	—
Amounts payable for investments purchased	**366,555**	—
Accounts payable and accrued liabilities	**77,764**	136,475
Distributions payable to shareholders (note 7)	**837,878**	1,601,030
Retractions payable to shareholders	**7,474,625**	9,710,168
Preferred shares (note 5)	**63,838,350**	69,233,750
Total liabilities	**73,090,261**	80,681,423
Shareholders' equity		
Class A shares (note 4)	**90,619,435**	98,271,192
Class J shares (note 4)	**100**	100
Contributed surplus (note 4)	**6,137,174**	564,642
Deficit	**(70,543,387)**	(10,820,469)
Total shareholders' equity	**26,213,322**	88,015,465
Liabilities and shareholders' equity	**$ 99,303,583**	$ 168,696,888
Units outstanding (note 4)	**6,383,835**	6,923,375
Net Assets per unit	**$ 14.11**	$ 22.71
Net Assets per Preferred share	**$ 10.00**	$ 10.00
Net Assets per Class A share	**$ 4.11**	$ 12.71

Approved by the Board of Directors of Brompton Split Banc Corp.

(Signed)

Peter A. Braaten
Director

(Signed)

Raymond R. Pether
Director

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

Statements of Operations and Retained Earnings (Deficit)

For the years ended December 31	2008	2007
Income		
Dividends	$ 6,435,644	$ 6,885,989
Securities lending income (note 11)	4,534	23,832
Interest income	2,603	8,015
	6,442,781	6,917,836
Expenses		
Management fees (note 8)	784,822	1,113,380
Service fees (note 8)	227,765	476,075
Audit fees	36,694	31,812
Independent review committee and director fees	30,903	35,938
Custodial fees	10,408	25,184
Legal fees	11,568	17,842
Shareholder reporting costs	41,328	14,396
Other administrative expenses	121,274	104,144
Interest and bank charges	—	86,153
	1,264,762	1,904,924
Net investment income before distributions	5,178,019	5,012,912
Distributions on Preferred shares (note 7)	(3,563,957)	(3,813,440)
Net investment income	1,614,062	1,199,472
Net realized gain (loss) on sale of investments and options (note 9)	(2,329,262)	5,958,209
Transaction costs (note 2)	(20,566)	(11,764)
Net change in unrealized gain/loss on investments and options	(51,371,439)	(32,248,886)
Decrease in Net Assets from operations	(52,107,205)	(25,102,969)
Retained earnings (deficit), beginning of year	(10,820,469)	23,308,633
Excess of stated value paid on retraction of Class A shares	—	(207,888)
Distributions on Class A shares (note 7)	(7,615,713)	(8,818,245)
Deficit, end of year	$ (70,543,387)	$ (10,820,469)
Decrease in Net Assets from operations per Class A share[1]	$ (7.53)	$ (3.39)

[1] Based on the weighted average number of Class A shares outstanding for the year (note 4).

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

Statements of Cash Flows

For the years ended December 31	2008	2007
Cash flows from operating activities:		
Decrease in Net Assets from operations	**$ (52,107,205)**	$ (25,102,969)
Adjustments to reconcile net cash provided by (used in) operations:		
Net realized (gain) loss on sale of investments (note 9)	**2,329,262**	(5,958,209)
Net change in unrealized gain/loss on investments and options	**51,371,439**	32,248,886
Decrease (increase) in income receivable	**291,590**	(7,641)
Increase (decrease) in distributions payable to Preferred shareholders	**(70,815)**	(68,500)
Increase (decrease) in accounts payable and accrued liabilities	**(58,711)**	(187,151)
Purchase of investments and options (note 9)	**(5,872,470)**	(667,269)
Proceeds from sale of investments and options (note 9)	**22,243,794**	35,700,273
Cash provided by operating activities	**18,126,884**	35,957,420
Cash flows from financing activities:		
Refund (payment) of agents' fees and issuance costs (note 4)	**—**	83,936
Amounts paid for retraction of Class A shares	**(5,461,218)**	(13,753,175)
Amounts paid for retraction of Preferred shares	**(4,248,950)**	(8,003,236)
Increase (decrease) in loans payable	**—**	(5,389,010)
Distributions paid to Class A shareholders (note 7)	**(8,308,050)**	(8,870,434)
Cash used in financing activities	**(18,018,218)**	(35,931,919)
Net increase in cash and short-term investments	**108,666**	25,501
Cash and short-term investments, beginning of year	**61,532**	36,031
Cash and short-term investments, end of year	**$ 170,198**	$ 61,532
Supplemental information:		
Interest paid	**$ —**	$ 86,855
Distributions paid on Preferred shares (note 7)	**$ 3,634,772**	$ 3,881,939

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

Statements of Changes in Shareholders' Equity

For the years ended December 31	2008	2007
Shareholders' equity, beginning of year (note 3)	**$ 88,015,465**	$ 128,897,503
Operations:		
Decrease in Net Assets from operations	**(52,107,205)**	(25,102,969)
Shareholder transactions:		
Distributions to shareholders (note 7)		
Net investment income	**(56,234)**	(496,467)
Return of capital	**(7,559,479)**	(8,321,778)
Total	**(7,615,713)**	(8,818,245)
Proceeds from issuance of Class A shares (note 4)	**—**	83,936
Retraction of Class A shares	**(2,079,225)**	(7,044,760)
Net decrease in shareholders' equity	**(61,802,143)**	(40,882,038)
Shareholders' equity, end of year	**$ 26,213,322**	$ 88,015,465
Distributions per Class A share (note 7)	**$ 1.10**	$ 1.20

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

Statement of Investments

As at December 31, 2008		Cost	Fair Value	% of Portfolio
No. of Shares	**Bank**			
477,400	Bank of Montreal	$ 27,730,109	$ 14,904,428	
298,150	Canadian Imperial Bank of Commerce	22,172,138	15,196,706	
468,400	National Bank of Canada	28,291,851	14,656,236	
414,370	Royal Bank of Canada	18,312,710	14,917,320	
472,800	The Bank of Nova Scotia	21,069,705	15,673,320	
352,220	The Toronto-Dominion Bank	20,964,990	15,293,392	
		138,541,503	**90,641,402**	**100.0%**
	Embedded Broker Commission (note 2)	(37,557)	—	
	Total	**$ 138,503,946**	**$ 90,641,402**	**100.0%**

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

Notes to the Financial Statements

December 31, 2008 and 2007

1. OPERATIONS

Brompton Split Banc Corp. (the "Fund") is a mutual fund corporation established under the laws of the Province of Ontario on September 14, 2005. Brompton Funds Management Limited (the "Manager") is responsible for managing the affairs of the Fund. Brompton Capital Advisors Inc. manages the Fund's portfolio and Highstreet Asset Management Inc. is the Option Advisor. RBC Dexia Investor Services Trust is the custodian of the Fund's assets and prepares the weekly valuations of the Fund. The Fund commenced operations on November 16, 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), and they include estimates and assumptions made by management that affect the reported amounts of assets and liabilities at the date of these financial statements and the reported amounts of income and expenses during the periods for which the financial statements report. Actual results could differ from these estimates.

a) Adoption of New Accounting Standards

Section 3862 – Financial Instruments – Disclosures

On January 1, 2008, the Fund adopted the Canadian Institute of Chartered Accountants ("CICA") Section 3862, "Financial Instruments – Disclosures." Section 3862 requires enhanced disclosure of the nature and extent of the risks arising from financial instruments and how the Fund manages those risks. This standard impacts the Fund's disclosure provided but does not affect the Fund's results or financial position.

Section 3863 – Financial Instruments – Presentation

On January 1, 2008, the Fund adopted CICA Section 3863, "Financial Instruments – Presentation." Section 3863 carries forward the presentation requirements of Section 3861 with respect to financial instruments. This standard impacts the Fund's disclosure provided but does not affect the Fund's results or financial position.

Section 3855 – Financial Instruments – Recognition and Measurement

Effective January 1, 2007, the Fund adopted CICA Section 3855, "Financial Instruments – Recognition and Measurement," which establishes standards for the fair valuation of investments as well as the accounting treatment of transaction costs. For investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires that bid prices (for investments held) and ask prices (for investments sold short) be used in determining the fair value of investments. Prior to the adoption of this new standard, fair value was commonly based on the closing price of an investment for the day. For financial reporting purposes, on January 1, 2007, the Fund adopted the amended valuation policy for actively traded securities held by the Fund without retroactive restatement of prior periods. The impact of the initial adoption of the valuation policy on January 1, 2007 has been disclosed in note 3.

Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of investments by the Fund be expensed in the period incurred. Prior to the adoption of Section 3855, transaction costs were capitalized and included in the cost of purchases or proceeds from sale of investments.

Section 1535 – Capital Disclosures

On January 1, 2008, the Fund adopted CICA Section 1535, "Capital Disclosures," which requires that the Fund disclose information about its objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. This standard impacts the Fund's disclosure provided but does not affect the Fund's results or financial position.

b) Valuation of Investments

Investments are deemed held for trading in accordance with Section 3855. The Fund's investments are valued at estimated fair value. Investments held long that are publicly traded are valued at their bid price on the valuation date. Investments held long with no available bid price are valued at their closing price. Short-term investments and bonds are valued at the average bid quotations from recognized investment dealers. The cost of investments is based on their average cost.

c) Cash and Short-term Investments

Cash and short-term investments consist of cash on hand and short-term debt investments with maturities of less than three months on acquisition. Cash and short-term investments are deemed held for trading and therefore are carried at fair value.

d) Investment Transactions and Income Recognition

Investment transactions are recorded on the trade date, and any realized gains or losses are recognized using the average cost of the investments. Interest income is recognized on an accrual basis. Dividend income is recognized on the ex-dividend date. Net realized gains or losses on investments and options include net realized gains or losses from foreign currency changes.

Option premiums paid or received by the Fund are, so long as the options are outstanding, reflected as an asset or liability, respectively, in the Statement of Financial Position and are valued at an amount equal to the current market value of an option that would have the effect of closing the position. Gains or losses realized upon expiration, repurchase or exercise of the option are included in net realized gains or losses on options.

e) Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities are expensed and are recognized in the Statement of Operations and Retained Earnings (Deficit).

f) Income Taxes

The Fund is a mutual fund corporation as defined in the Income Tax Act (Canada) (the "Act") and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. Also, the Fund is generally subject to tax of $33^1/_3$% under Part IV of the Act on taxable dividends received from Canadian corporations in the year. This tax is fully refundable upon payment of sufficient dividends.

The Fund is also a financial intermediary corporation as defined in the Act and, as such, is not subject to tax under Part IV.1 of the Act on dividends received nor is it generally liable for tax under Part VI.1 on dividends paid by the Fund on taxable preferred shares as defined in the Act.

Given the investment and dividend policy of the Fund and taking into account the deduction of expenses and taxable dividends on shares of taxable Canadian corporations, the Fund does not expect to be subject to any appreciable amount of non-refundable Canadian income tax. Accordingly, no income tax provision has been recorded.

g) Securities Lending

The Fund may enter into securities lending transactions. These transactions involve the temporary exchange of securities as collateral with a commitment to deliver the same securities on a future date. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on securities held as collateral. Income earned from these transactions is recognized on an accrual basis and included in the Statement of Operations and Retained Earnings (Deficit).

h) Other Assets and Liabilities

For the purposes of categorization in accordance with Section 3855, income receivable and amounts receivable for investments sold are designated as loans and receivables and recorded at cost or amortized cost. Similarly, accounts payable and accrued liabilities, amounts payable for investments purchased, distributions payable to shareholders, retractions payable to shareholders and Preferred shares are designated as financial liabilities and reported at cost or amortized cost. Cost or amortized cost approximates fair value for these assets and liabilities (other than Preferred shares) due to their short-term nature. The ask price on the Toronto Stock Exchange for the Preferred shares as at December 31, 2008 amounted to $58,986,635.

i) Recent Accounting Pronouncements

The Canadian Accounting Standards Board ("AcSB") has confirmed its plan to adopt all International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board, on or by January 1, 2011. In accordance with Canadian GAAP and AcSB's plan, the Fund will adopt all the IFRS.

At December 31, 2008, the Fund had developed a plan to meet the timetable published by the CICA for changeover to IFRS. Key elements of the plan include the determination of the qualitative impact and the quantitative impact, if any, on the Fund's financial statements in accordance with IFRS. The Fund has presently determined that there will be no impact to Net Assets per share/unit from the changeover to IFRS. The impact of IFRS on accounting policies and implementation decisions will mainly be in the areas of presentation of shareholders' equity and certain items in the financial statements of the Fund.

3. RECONCILIATION OF NET ASSETS TO NET ASSET VALUE

As a result of the adoption of Section 3855 on January 1, 2007, and in accordance with National Instrument ("NI") 81-106, an adjustment was required to the opening Net Assets of the Fund between the Net Assets for financial reporting purposes (the "Net Assets") and the Net Asset Value for reporting other than in the financial statements (the "Net Asset Value").

The adjustment to the Net Assets and retained earnings as at January 1, 2007 as a result of applying Section 3855 was a decrease of $38,130. The reconciliation of the Net Assets to Net Asset Value is as follows:

As at December 31	2008		2007	
	Total	**Per Share**	Total	Per Share
Net Asset Value – Class A shares	**$ 26,395,758**	**$ 4.13**	$ 88,241,717	$ 12.75
Section 3855 adjustment	**(182,436)**	**(0.02)**	(226,252)	(0.04)
Net Assets – Class A shares	**$ 26,213,322**	**$ 4.11**	$ 88,015,465	$ 12.71

Notes to the Financial Statements (continued)

4. SHARE CAPITAL

Units
A unit means a notional unit consisting of one Preferred share and one Class A share. The number of units outstanding at any time will be equal to the sum of the number of Preferred shares and Class A shares then outstanding divided by two.

Class J Shares
The Fund is authorized to issue an unlimited number of Class J shares.

As of December 31, 2008, 100 (2007 – 100) Class J shares were outstanding.

Class J shares are not entitled to receive dividends but are entitled to one vote per share. The Class J shares are redeemable and retractable at a price of $1.00 per share. The Class J shares rank subsequent to both the Preferred shares and the Class A shares with respect to distributions on the dissolution, liquidation or winding-up of the Fund.

Class A Shares

Authorized
The Fund is authorized to issue an unlimited number of Class A shares.

The Fund intends to pay monthly, non-cumulative distributions to the holders of Class A shares. No distributions will be paid on Class A shares if (i) distributions payable on the Preferred shares are in arrears, or (ii) after the payment of the distributions by the Fund, the Net Asset Value per unit would be less than $15.00. A unit means a notional unit consisting of one Preferred share and one Class A share. The Class A shares rank subsequent to the Preferred shares but in priority to the Class J shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation or winding-up of the Fund. Each Class A share is entitled to one vote on certain shareholder matters.

All Class A shares outstanding on November 30, 2012 will be redeemed by the Fund on that date. The redemption price payable by the Fund for a Class A share on that date will be equal to the greater of (i) the Net Asset Value per unit on that date minus the sum of $10.00 plus any accrued and unpaid distributions on the Preferred shares, and (ii) nil.

Class A shares may be surrendered for retraction by the Fund at least 10 business days prior to the second last business day of a month ("Retraction Date"). Holders of Class A shares whose Class A shares are surrendered for retraction will be entitled to receive a price per Class A share equal to 96% of the difference between (i) the Net Asset Value per unit determined as of the relevant Retraction Date, and (ii) the cost to the Fund of the purchase of a Preferred share for cancellation. The cost of the purchase of a Preferred share includes the purchase price of the Preferred share, commission and such other costs, if any, related to the liquidation of any portion of the Fund's portfolio required to fund such purchase. If the Net Asset Value per unit is less than $10.00, the retraction price of a Class A share will be nil.

A holder of Class A shares may concurrently retract an equal number of Class A and Preferred shares on the December Retraction Date of each year at a price per unit equal to the Net Asset Value per unit on that date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the portfolio required to fund such retraction. The Class A shares and the Preferred shares must both be surrendered for retraction at least 10 business days prior to the December Retraction Date.

Issued

		2008		2007
	Number of Shares	**Amount**	Number of Shares	Amount
Class A shares, beginning of year	**6,923,375**	**$ 98,271,192**	7,445,270	$ 105,588,770
Initial public offering, net	**—**	**—**	—	83,936
Shares retracted	**(539,540)**	**(7,651,757)**	(521,895)	(7,401,514)
Class A shares, end of year	**6,383,835**	**$ 90,619,435**	6,923,375	$ 98,271,192

On December 30, 2008, 539,540 Class A shares were retracted at a price of 3.85 per share.

The weighted average number of Class A shares outstanding for the year ended December 31, 2008 was 6,921,901 (2007 – 7,389,791).

As at December 31, 2008, the Fund had accumulated contributed surplus, since inception, of $6,137,174 (2007 – $564,642). Contributed surplus is recorded when shares of the Fund are retracted at prices per share which are below the average cost per share of capital.

5. PREFERRED SHARES

Authorized

The Fund is authorized to issue an unlimited number of Preferred shares.

Holders of Preferred shares are entitled to receive fixed, cumulative, preferential quarterly cash distributions of $0.13125 per share. The Preferred shares rank in priority to the Class A shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation, or winding-up of the Fund. Each Preferred share is entitled to one vote on certain shareholder matters.

All Preferred shares outstanding on November 30, 2012 will be redeemed by the Fund on that date. The redemption price payable by the Fund for a Preferred share will be equal to the lesser of (i) $10.00 plus any accrued and unpaid distributions thereon, and (ii) the Net Asset Value of the Fund on that date divided by the number of Preferred shares then outstanding.

Preferred shares may be surrendered for retraction by the Fund at least 10 business days prior to the second last business day of a month ("Retraction Date"). Shareholders whose Preferred shares are retracted will be entitled to receive a price per share equal to 96% of the lesser of (i) the Net Asset Value per unit determined as of the relevant Retraction Date less the cost to the Fund of the purchase of a Class A share for cancellation, and (ii) $10.00. The cost of the purchase of a Class A share will include the purchase price of the Class A share, commission and other costs, if any, related to the liquidation of any portion of the portfolio required to fund such purchase.

A holder of Preferred shares may also concurrently retract an equal number of Preferred shares and Class A shares on the December Retraction Date of each year, at a price per unit equal to the Net Asset Value per unit on that date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the portfolio required to fund such retraction. The Preferred shares and Class A shares must both be surrendered for retraction at least 10 business days prior to the December Retraction Date.

Issued

	2008		2007	
	Number of Shares	**Amount**	Number of Shares	Amount
Preferred shares, beginning of year	**6,923,375**	**$ 69,233,750**	7,445,270	$ 74,452,700
Shares retracted	**(539,540)**	**(5,395,400)**	(521,895)	(5,218,950)
Preferred shares, end of year	**6,383,835**	**$ 63,838,350**	6,923,375	$ 69,233,750

On December 30, 2008, 539,540 Preferred shares were retracted at a price of $10.00 per share.

The Preferred shares have been presented as financial liabilities in the financial statements in accordance with the requirements of the CICA Handbook.

6. CAPITAL MANAGEMENT

The Fund considers its capital to consist of shareholders' equity, and Preferred shares, contributed surplus and retained earnings.

The Fund's objectives in managing its capital are:

i) to provide holders of Preferred shares with fixed, cumulative, preferential quarterly cash distributions in the amount of $0.13125 per share and to return the original issue price to holders of the shares on November 30, 2012; and

ii) to provide holders of Class A shares with regular monthly cash distributions targeted to be $0.10 per share and the opportunity for growth in Net Asset Value per share.

The Fund manages its capital taking into consideration the risk characteristics of its holdings. In order to manage its capital structure, the Fund may adjust the amount of distributions paid to shareholders or return capital to shareholders.

7. DISTRIBUTIONS TO SHAREHOLDERS

Distributions are made on a quarterly basis on the Preferred shares and on a monthly basis on the Class A shares. Distributions are payable no later than the tenth business day of the following month.

For the year ended December 31, 2008, the Fund declared distributions of $1.10 (2007 – $1.20) per Class A share and $0.525 (2007 – $0.525) per Preferred share, which amounted to $7,615,713 (2007 – $8,818,245) and $3,563,957 (2007 – $3,813,440), respectively.

8. MANAGEMENT AND SERVICE FEES

Pursuant to a management agreement, the Manager provides management and administrative services to the Fund, for which it is paid a management fee equal to 0.55% per annum of the Net Asset Value of the Fund, plus applicable taxes. The Net Asset Value of the Fund is determined by taking the total assets of the Fund and deducting the Fund's liabilities. For these purposes, the Preferred shares are not considered a liability of the Fund. The Manager is responsible for paying fees to Brompton Capital Advisors Inc., the advisor for the Fund, and to Highstreet Asset Management Inc., the Option Advisor for the Fund. These fees are calculated and payable monthly. The Fund also pays to the Manager a service fee equal to 0.40% per annum of the Net Asset Value of the Class A shares. The service fee is in turn paid by the Manager to the investment dealers in proportion to the number of shares held by clients of each dealer at the end of each calendar quarter.

Notes to the Financial Statements (continued)

9. INVESTMENT TRANSACTIONS

Investment transactions for the years ended December 31 were as follows:

	2008	2007
Proceeds from sale of investments	$ 30,123,891	$ 35,700,273
Less cost of investments sold:		
Investments and options at cost, beginning of year	164,596,382	193,671,177
Investments purchased and options written during the year	6,239,025	667,269
Investments and options at cost, end of year	(138,382,254)	(164,596,382)
Cost of investments sold and options written during the year	32,453,153	29,742,064
Net realized gain (loss) on sale of investments and options	$ (2,329,262)	$ 5,958,209

The brokerage commissions paid to dealers included $2,553 (2007 – $2,305) that was available for payment to third party vendors, of which $1,379 (2007 – nil) was used for research and $1,174 (2007 – $1,964) was used for market data services by the Portfolio Manager.

10. OPTION CONTRACTS

The Fund may write covered call and cash covered put options to generate additional income. At December 31, 2008, the Fund had the following option contracts outstanding:

Option Contracts Written

Underlying Interest	No. of Contracts	Option Type	Expiration Date	Strike Price per Contract	Current Price per Contract	Premium Received	Market Value
Bank of Montreal	336	Call	January 2009	$ 31.00	$ 1.40225	$ 18,480	$ 47,116
The Bank of Nova Scotia	325	Call	January 2009	31.00	3.19090	25,675	103,704
Canadian Imperial Bank of Commerce	242	Call	January 2009	52.00	2.11800	18,150	51,256
National Bank of Canada	333	Call	January 2009	26.00	5.25219	24,975	174,897
Royal Bank of Canada	345	Call	January 2009	36.00	1.77641	17,940	61,286
The Toronto-Dominion Bank	237	Call	January 2009	43.00	2.39788	16,472	56,830
						$ 121,692	$ 495,089

There were no option contracts outstanding as at December 31, 2007.

11. SECURITIES LENDING

The Fund entered into a securities lending program in October 2006 with its custodian, RBC Dexia Investor Services Trust. The aggregate market value of all securities loaned by the Fund cannot exceed 50% of the assets of the Fund. The Fund will receive collateral of at least 102% of the value of the securities on loan. Collateral will generally be comprised of cash and obligations of, or guaranteed by, the Government of Canada or a province thereof, or the United States Government or its agencies, or a permitted supranational agency as defined in NI 81-102. The market values of the securities on loan and the related collateral at December 31, 2008, were $0.60 million (2007 – $11.0 million) and $0.64 million (2007 – $11.8 million), respectively.

12. FINANCIAL RISK MANAGEMENT

The Fund's investment activities expose it to a variety of financial risks. The Statement of Investments presents the securities held by the Fund as at December 31, 2008. Significant risks that are relevant to the Fund are discussed below.

The Manager attempts to minimize the potential adverse effects of these risks on the Fund's performance by employing professional, experienced portfolio advisors and by regular rebalancing of the investment portfolio within the constraints of the investment objectives. To assist in managing risks, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and restrictions, internal guidelines, and securities regulations.

The investment portfolio is primarily comprised of Canadian dollar denominated equity securities.

a) Other Price Risk

Other price 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 or its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Option Advisor attempts to moderate this risk through the careful management of securities within the parameters of the investment strategy. Except for options written, the maximum risk of loss resulting from financial instruments is equivalent to their fair value. There were no cash covered put options outstanding as at December 31, 2008. No additional risk is introduced by covered call options written.

The Fund is exposed to other price risk from its investment in equity securities. As at December 31, 2008, had the prices on the respective stock exchanges for these securities increased by 10%, with all other variables held constant, Net Assets would have increased by approximately $8.6 million (approximately 32.7% of Net Assets attributable to Class A shares). Similarly, had the prices on the respective stock exchanges for these securities decreased by 10%, with all other variables held constant, Net Assets would have decreased by approximately $8.8 million (approximately 33.4% of Net Assets attributable to Class A shares). In practice, the actual trading results may differ, and the difference could be material.

b) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund did not have significant credit risk exposure as at December 31, 2008. The carrying amount of income receivable represents the maximum credit risk exposure as it will be settled in the short term.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. The trade will fail if either party fails to meet its obligation.

The Fund has entered a securities lending program with its custodian; see note 11. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient, approved credit rating and the value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned.

c) Liquidity Risk

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund is exposed to liquidity risk through its monthly and annual retractions of Class A shares and Preferred shares. The amount involved in monthly retractions has been minimal. For the annual retractions of Class A shares and Preferred shares, the Fund receives notice at least 10 business days prior to the Retraction Date, which gives the Option Advisor time to sell securities, although there may not be sufficient time to sell the securities at a reasonable price. All Class A shares and Preferred shares outstanding on November 30, 2012 will be redeemed by the Fund on that date.

13. INCOME TAXES

	2008	2007
Future income tax assets:		
Losses carried forward	$ **468,987**	$ —
Share issue expenses	**1,286,916**	2,012,221
Premium received on written options	**25,555**	—
Future income tax assets	**1,781,458**	2,012,221
Less valuation allowance	**(1,781,458)**	(2,012,221)
Net future income taxes	$ **—**	$ —

As at December 31, 2008 and 2007, the Fund had no non-capital loss carry-forwards for income tax purposes.

As at December 31, 2008, the Fund had capital loss carry-forwards of $2,233,273 (2007 – nil). Capital losses may be carried forward indefinitely.

The Fund is subject to Ontario capital tax. No such taxes were payable by the Fund in 2008.

Corporate Information

Independent Review Committee

James W. Davie, BComm, MBA

Arthur R.A. Scace, QC, CM

Ken S. Woolner, BSc, PEng

Directors and Officers

Peter A. Braaten, BA, MBA
Director

Raymond R. Pether, BA, MBA
Director

Mark A. Caranci, BComm, CA
Director, President,
Chief Executive Officer

Craig T. Kikuchi, BA, CA, CFA
Chief Financial Officer

David E. Roode, BA, CA, MBA
Senior Vice President

Moyra E. MacKay, BA
Vice President and Corporate Secretary

Lorne J. Zeiler, BA, MBA, CFA
Vice President

Ann P. Wong, BA, MAcc, CA,
CPA (Delaware), CFA
Vice President and Controller

Christopher Cullen, BASc, MBA, CFA
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