Annual Report 2008

Pinnacle Program Funds

The Pinnacle Portfolios

Pinnacle Program Funds

Money Market Fund

Pinnacle Short Term Income Fund

Bond Funds

Pinnacle Income Fund
Pinnacle High Yield Income Fund
Pinnacle American Core-Plus Bond Fund

Real Estate Fund

Pinnacle Global Real Estate Securities Fund

Balanced Fund

Pinnacle Strategic Balanced Fund

Canadian Equity Funds

Pinnacle Canadian Value Equity Fund
Pinnacle Canadian Mid Cap Equity Fund
(formerly Pinnacle Canadian Mid Cap Value Equity Fund)
Pinnacle Canadian Growth Equity Fund
Pinnacle Canadian Small Cap Equity Fund

Foreign Equity Funds

Pinnacle American Value Equity Fund
Pinnacle American Mid Cap Value Equity Fund
Pinnacle American Large Cap Growth Equity Fund
Pinnacle American Mid Cap Growth Equity Fund
Pinnacle International Equity Fund
Pinnacle International Small to Mid Cap Value Equity Fund
Pinnacle Global Equity Fund

The Pinnacle Portfolios

Pinnacle Balanced Income Portfolio
Pinnacle Conservative Balanced Growth Portfolio
Pinnacle Balanced Growth Portfolio
Pinnacle Conservative Growth Portfolio
Pinnacle Growth Portfolio

ScotiaMcLeod™

ScotiaMcLeod:
A Tradition of Trust
and Performance

For more than 75 years, ScotiaMcLeod has been providing professional service and expert investment advice to Canadians. In today's complex financial markets, that service and advice is more important than ever. At ScotiaMcLeod, we offer our clients the best of both worlds – the strength and security of one of Canada's largest financial institutions; and the insight and personal attention of our well-respected advisors.

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Message to Clients

2008 in the financial markets will likely be remembered as the worst year for equity and credit markets since the 1930's. As we look ahead to 2009, financial markets are expected to remain volatile as they continue to be challenged by two ongoing issues – the credit crisis and the economic crisis.

While these markets have tested the most patient of investors, it is more important than ever to maintain a long-term perspective and stay committed to your investment plan. History has shown that investors with a well-thought out financial strategy and who stick to their long-term plan will likely enjoy more positive results.

With this in mind, the Pinnacle Program and the Pinnacle Portfolios were created as well diversified, long-term investment solutions, which are designed to assist you in all market conditions. As always, the foundation of the Pinnacle Program and the Pinnacle Portfolios is their highly disciplined investment process, which is designed to increase potential returns while managing risk. Key steps in this process include the construction and monitoring of a portfolio that is designed to provide multi-faceted diversification by asset class, market capitalization, country and investment manager. It then continues with portfolio reviews and rebalancing to help you move closer to achieving your long-term goals.

While you and your advisor work to ensure that your portfolio reflects your unique needs, ScotiaMcLeod and Northern Trust Global Advisors (NTGA), a leading third party investment management consulting firm, conduct ongoing due diligence in respect of the investment managers in the Pinnacle Program. Where appropriate, ScotiaMcLeod, together with NTGA may make manager changes to improve a portfolio's risk/return potential. This due diligence process ensures that we continue to offer you among the world's most skilled investment managers.

As you review year-end performance of the specific Pinnacle Funds and the Pinnacle Portfolios within your portfolio, it is important to keep in mind your unique objectives, time horizon and tolerance for risk, as established by you and your ScotiaMcLeod advisor. We would encourage you to contact your advisor if there have been any changes to your investment objectives or risk profile, as it may affect your current asset mix. In the absence of any asset mix changes, rebalancing your portfolio will ensure you stay on track with your investment strategy.

During these difficult markets, ongoing advice from your ScotiaMcLeod advisor, along with the expertise of Northern Trust Global Advisors and investment managers in the Program, can help you cope with the current market downturn while positioning you to achieve your long-term investment objectives.

We strongly value your commitment to the Pinnacle Program and the Pinnacle Portfolios and are pleased to present you with the 2008 Annual Report.

We wish you all the best for a successful 2009.

Best regards,

Hamish Angus
Managing Director
ScotiaMcLeod

Statement of Net Assets as at December 31,

	2008	2007
Assets		
Investments at fair value	$17,602,192	$11,262,661
Cash	112,486	43,301
Subscriptions receivable	23,210	10,110
Accrued investment income	33,945	11,089
Prepaid expense	2,872	–
Accounts receivable	617	–
	17,775,322	11,327,161
Liabilities		
Redemptions payable	12,533	–
Distributions payable	804	1,063
Accrued expenses	34,846	26,416
	48,183	27,479
Net assets representing unitholders' equity	$17,727,139	$11,299,682
Number of units outstanding	1,772,694	1,129,960
Net assets per unit	$ 10.00	$ 10.00

Statement of Operations for the years ended December 31,

	2008	2007
Investment Income		
Interest	$400,613	$527,426
Securities lending	341	68
	400,954	527,494
Expenses		
Legal fees	2,116	2,948
Audit fees	12,975	11,855
Custody fees	2,176	6,798
Filing fees	19,532	17,396
Directors' fees	2,269	1,389
Unitholder reporting costs	10,779	11,902
Unitholder administration, service fees and GST	46,729	48,149
	96,576	100,437
Rebated and absorbed expenses	(32,708)	(37,243)
Net expenses	63,868	63,194
Net investment income (loss)	337,086	464,300
Increase (Decrease) in Net Assets from Operations	$337,086	$464,300
Increase (decrease) in net assets from operations per unit	$ 0.28	$ 0.40

Statement of Changes in Net Assets for the years ended December 31,

	2008	2007
Net Assets, Beginning of Period	$ 11,299,682	$ 10,941,038
Increase (decrease) in net assets from operations	337,086	464,300
Distributions to unitholders		
Investment income	(336,972)	(464,300)
	11,299,796	10,941,038
Unit Transactions:		
Proceeds from issue	17,308,671	14,166,080
Reinvested distributions	335,989	459,687
Payments on redemption	(11,217,317)	(14,267,123)
	6,427,343	358,644
Increase (decrease) in net assets	6,427,457	358,644
Net Assets, End of Period	$ 17,727,139	$ 11,299,682

Portfolio Advisor: Scotia Cassels Investment Counsel Limited

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

Statement of Investment Portfolio as at December 31, 2008

Face Amount	Issuer	Maturity Date	Average Cost ($)	Fair Value ($)
$ 600,000	Alberta Treasury Branches DN 2.93%	01/17/2009	599,182	599,182
300,000	American Express Canada Credit Corp. 4.24%	01/27/2009	299,897	299,897
400,000	Bank of Montreal BDN 1.44%	03/23/2009	398,708	398,708
175,000	Bank of Montreal BDN 3.04%	01/30/2009	174,563	174,563
100,000	Bank of Montreal BDN 3.43%	09/08/2009	97,696	97,696
575,000	Canada Housing Trust 3.55%	03/15/2009	575,833	575,833
100,000	Canadian Imperial Bank of Commerce BA 1.48%	03/27/2009	99,652	99,652
100,000	Canadian Imperial Bank of Commerce BA 1.56%	03/09/2009	99,711	99,711
300,000	Canadian Imperial Bank of Commerce BA 1.66%	03/12/2009	299,034	299,034
200,000	Canadian Imperial Bank of Commerce BA 3.12%	02/12/2009	199,268	199,268
2,530,000	Canadian Wheat Board, The 1.01%	02/17/2009	2,526,656	2,526,656
100,000	Caterpillar Financial Services Ltd. DN 2.40%	02/26/2009	99,626	99,626
300,000	Caterpillar Financial Services Ltd. DN 2.63%	02/13/2009	299,052	299,052
200,000	Enbridge Gas Distribution Inc. DN 2.31%	03/11/2009	199,116	199,116
100,000	Enbridge Inc. DN 2.31%	03/11/2009	99,558	99,558
200,000	Enbridge Inc. DN 2.45%	03/23/2009	198,907	198,907
200,000	Encana Corp. DN 1.82%	03/02/2009	199,394	199,394
200,000	GE Capital Canada Funding Company DN 1.80%	03/16/2009	199,262	199,262
510,000	GE Capital Canada Funding Company DN 2.98%	01/12/2009	509,500	509,500
225,000	Government of Canada Treasury Bills 2.70%	04/16/2009	223,251	223,251
200,000	Greater Toronto Airport Authority 4.45%	02/04/2009	200,056	200,056
150,000	Honda Canada Finance Inc 2.20%	02/13/2009	149,603	149,603
100,000	Honda Canada Finance Inc 2.23%	03/27/2009	99,478	99,478
200,000	Honda Canada Finance Inc 2.74%	02/27/2009	199,132	199,132
100,000	John Deere Credit Inc. 2.34%	02/10/2009	99,738	99,738
300,000	John Deere Credit Inc. 3.85%	04/29/2009	300,251	300,251
300,000	Manulife Canada DN 1.78%	01/28/2009	299,591	299,591
100,000	National Bank of Canada BA 1.45%	03/23/2009	99,675	99,675
100,000	National Bank of Canada BA 2.88%	04/27/2009	99,085	99,085
160,000	National Bank of Canada BA 3.05%	03/18/2009	158,976	158,976
200,000	Omers Realty Corporation DN 1.54%	03/04/2009	199,471	199,471
200,000	Omers Realty Corporation DN 2.45%	01/20/2009	199,732	199,732
330,000	Province of British Columbia 2.19%	01/22/2009	329,565	329,565
200,000	Province of Manitoba 0.87%	03/11/2009	199,668	199,668
714,000	Province of Ontario 0.87%	03/23/2009	712,608	712,608
1,000,000	Province of Ontario 0.98%	02/23/2009	998,549	998,549
800,000	Province of Ontario 6.20%	11/19/2009	827,718	827,718
600,000	Province of Prince Edward Island 1.03%	03/09/2009	598,847	598,847
400,000	Province of Prince Edward Island 1.29%	05/08/2009	398,200	398,200
400,000	Province of Quebec 0.94%	03/31/2009	399,077	399,077
400,000	Province of Quebec 2.00%	02/13/2009	399,040	399,040
300,000	Province of Quebec 5.45%	04/01/2009	301,880	301,880
100,000	Royal Bank of Canada 1.51%	03/10/2009	99,716	99,716
200,000	Royal Bank of Canada 1.69%	03/05/2009	199,409	199,409
300,000	Royal Bank of Canada 2.71%	04/24/2009	297,480	297,480
200,000	Toronto-Dominion Bank BA, The 1.42%	03/23/2009	199,363	199,363
200,000	Toronto-Dominion Bank BA, The 2.03%	06/08/2009	198,244	198,244
200,000	Toronto-Dominion Bank BA, The 2.08%	05/29/2009	198,315	198,315
100,000	Toronto-Dominion Bank BA, The 3.13%	03/16/2009	99,361	99,361
700,000	Toyota Credit Canada 2.52%	03/13/2009	696,540	696,540
200,000	TransCanada PipeLines Limited 2.22%	03/31/2009	198,909	198,909
100,000	TransCanada PipeLines Limited 2.31%	03/05/2009	99,597	99,597
200,000	TransCanada PipeLines Limited 4.10%	02/20/2009	200,088	200,088
150,000	Woodbridge Finance Corp. 1.85%	02/12/2009	149,673	149,673
300,000	Woodbridge Finance Corp. 2.23%	05/07/2009	297,691	297,691
	Total Investment Portfolio (99.3%)		17,602,192	17,602,192
	Other Assets, Less Liabilities (0.7%)			124,947
	Total Net Assets (100.0%)			**17,727,139**
	Net Assets Per Unit			**$10.00**

BA – Banker's Acceptance
BDN – Banker's Deposit Note
CP – Commercial Paper
DN – Deposit Note

Portfolio Advisor: Scotia Cassels Investment Counsel Limited

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

Discussion of Financial Instrument Risk
As at December 31, 2008

A. Risk management

The investment objective of Pinnacle Short Term Income Fund (the "Fund") is to preserve investment capital while providing interest income and maintaining liquidity by investing primarily in highly liquid, senior investment grade money market instruments (i.e. federal and provincial treasury bills and bonds) and bankers acceptances with a minimum credit rating of R-1 (low) or A-1 (low).

Managing risk is among the most important factors in the portfolio management process, guiding investment decisions made for the Fund. The Fund's investment practice includes portfolio monitoring to ensure compliance with stated investment guidelines. The Manager seeks to minimize potential adverse effects of risks on the Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's securities and financial market developments.

B. Liquidity risk

The Fund's exposure to liquidity risk arises from the daily cash redemption of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions. All liabilities are short term in nature.

C. Currency risk

Currency risk is the risk that financial instruments which are denominated in a currency other than Canadian dollars, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. As at December 31, 2008, the Fund had no significant exposure to foreign currencies.

D. Interest rate risk

Interest rate risk arises from interest-bearing financial instruments. The Fund is exposed to insignificant interest rate risk as the overall average term to maturity of its investments is less than a year.

The table below summarizes the Fund's exposure to interest rate risks by remaining term to maturity of the Fund's portfolio of short term notes and bonds as of December 31, 2008.

($)	Less than 1 year	1-3 years	3-5 years	5-10 years	>10 years	Total
Bonds and short term notes	17,602,192	—	—	—	—	17,602,192

E. Credit risk

Credit risk is the risk that the counterparty to a financial interest will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund's main credit risk is concentrated in debt instruments. 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. Payment is made on a purchase once the securities have been received by the broker.

Where the Fund invests in debt instruments this represents the main concentration of credit risk. The market value of debt instruments includes consideration of the creditworthiness of the issuer, and accordingly, represents the maximum credit risk exposure to the fund.

As of December 31, 2008, debt securities held by the Fund have credit ratings as follows:

	Percentage of Total Debt Securities (%)	Percentage of Net Assets (%)
Short-Term Rating		
R1– High	51.6	51.2
R1– Middle	21.1	21.0
R1– Low	13.0	12.9
Bond Credit Rating		
A– to AAA+	14.2	14.1
Total	100.0	99.3

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

Discussion of Financial Instrument Risk
As at June 30, 2008

The Fund enters into securities lending transactions with counterparties whereby the Fund temporarily exchanges securities for collateral with a commitment by the counterparty to deliver the same securities on a future date. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient, approved credit rating and the market value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, as disclosed in Note 9.

F. Other price risk

There are no other significant price risks.

Statement of Net Assets as at December 31,

	2008	2007
Assets		
Investments at fair value	$281,853,007	$328,673,394
Cash	3,274	9,537
Subscriptions receivable	73,465	722,410
Receivable for securities sold	5,806,443	–
Accrued investment income	1,451,671	1,919,724
Prepaid expense	2,872	–
	289,190,732	331,325,065
Liabilities		
Payable for securities purchased	6,202,266	–
Redemptions payable	208,020	322,642
Accrued expenses	75,071	65,190
	6,485,357	387,832
Net assets representing unitholders' equity	$282,705,375	$330,937,233
Number of units outstanding	26,508,211	31,071,274
Net assets per unit	$ 10.66	$ 10.65

Statement of Operations for the years ended December 31,

	2008	2007
Investment Income		
Interest	$15,038,523	$14,680,067
Securities lending	36,661	40,197
	15,075,184	14,720,264
Expenses		
Legal fees	2,118	2,948
Audit fees	16,575	13,103
Custody fees	35,927	45,178
Filing fees	22,812	13,396
Directors' fees	2,269	1,389
Unitholder reporting costs	30,624	41,948
Unitholder administration, service fees and GST	133,984	142,049
	244,309	260,011
Net investment income (loss)	14,830,875	14,460,253
Net realized gain (loss) on investments sold	6,544,732	(3,370,673)
Change in unrealized appreciation (depreciation) of investments	(4,602,836)	2,084,920
Net gain (loss) on investments and transaction costs	1,941,896	(1,285,753)
Increase (Decrease) in Net Assets from Operations	$16,772,771	$13,174,500
Increase (decrease) in net assets from operations per unit	$ 0.57	$ 0.45

Statement of Changes in Net Assets for the years ended December 31,

	2008	2007
Net Assets, Beginning of Period	$ 330,937,233	$256,625,578
New accounting policy adjustment (Note 2)	–	(81,968)
Increase (decrease) in net assets from operations	16,772,771	13,174,500
Distributions to unitholders		
Investment income	(14,961,554)	(14,289,121)
Capital gains	(1,630,586)	–
	331,117,864	255,428,989
Unit Transactions:		
Proceeds from issue	71,882,983	124,382,263
Reinvested distributions	16,542,853	14,246,755
Payments on redemption	(136,838,325)	(63,120,774)
	(48,412,489)	75,508,244
Increase (decrease) in net assets	(48,231,858)	74,311,655
Net Assets, End of Period	$ 282,705,375	$330,937,233

Portfolio Advisor: Fiera Capital Inc.

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

Statement of Investment Portfolio as at December 31, 2008

Face Amount	Issuer	Maturity Date	Average Cost ($)	Fair Value ($)
	Federal Government (43.3%)			
$25,000,000	Canada Housing Trust 3.95%	06/15/2013	25,423,500	26,843,175
6,000,000	Government of Canada 2.75%	12/01/2010	6,187,800	6,187,425
3,000,000	Government of Canada 3.50%	06/01/2013	3,165,600	3,229,750
25,850,000	Government of Canada 3.75%	06/01/2012	26,712,479	27,769,235
5,000,000	Government of Canada 3.75%	09/01/2011	5,297,450	5,315,249
6,149,000	Government of Canada 4.25%	06/01/2018	6,566,807	6,944,681
30,350,000	Government of Canada 5.00%	06/01/2014	32,723,074	35,110,811
8,510,000	Government of Canada 5.00%	06/01/2037	10,168,054	10,880,567
			116,244,764	122,280,893
	Provincial Government (13.8%)			
14,635,000	Province of Quebec 4.50%	12/01/2018	14,585,547	14,725,487
7,700,000	Province of Quebec 5.50%	12/01/2014	8,229,991	8,537,666
14,090,000	Province of Quebec 5.75%	12/01/2036	15,681,002	15,737,641
			38,496,540	39,000,794
	Corporate (39.1%)			
300,000	407 International Inc. 5.96%	12/03/2035	299,790	261,709
267,672	Alliance Pipeline LP 5.55%	12/31/2023	267,672	266,669
1,155,348	Alliance Pipeline LP 7.22%	12/31/2025	1,155,348	1,274,272
529,179	Blue Water Bridge Authority 6.41%	07/09/2027	529,178	696,692
1,100,000	British Columbia Ferry Services Inc. 5.02%	03/20/2037	1,100,000	784,712
860,000	British Columbia Ferry Services Inc. 5.74%	05/27/2014	875,032	860,006
1,022,000	Electricity Distributors Financial Corp. 6.45%	08/15/2012	1,052,743	1,088,324
170,000	Enbridge Inc. 3.95%	02/15/2010	167,484	169,106
1,200,000	Enbridge Inc. 7.20%	06/18/2032	1,218,300	1,065,367
200,000	Enbridge Inc. 7.22%	07/24/2030	245,800	178,608
1,500,000	FortisAlberta Inc. 5.33%	10/31/2014	1,499,400	1,509,268
2,600,000	Glacier Credit Card Trust 4.27%	11/20/2009	2,567,682	2,615,670
4,900,000	Glacier Credit Card Trust 4.27%	11/18/2011	4,759,990	4,798,855
800,000	Glacier Credit Card Trust 4.67%	11/20/2009	800,000	798,246
5,491,000	Greater Toronto Airports Authority, The 6.45%	12/03/2027	6,053,512	5,020,737
2,548,169	Greater Toronto Airports Authority, The 6.45%	07/30/2029	2,435,176	2,488,693
1,600,000	Greater Toronto Airports Authority, The 6.47%	02/02/2034	1,916,197	1,448,461
3,700,000	HSBC Canada Asset Trust 7.78%	12/31/2010	3,842,500	3,884,238
2,600,000	Instituto de Credito Oficial 4.53%	03/17/2016	2,514,044	2,736,877
500,000	Investors Group Inc. 6.58%	03/07/2018	501,985	504,165
2,600,000	Kommunalbanken AS 4.48%	02/15/2019	2,461,030	2,612,168
4,100,000	Landwirtschaftliche Rentenbank 4.25%	11/16/2012	3,970,235	4,318,347
1,000,000	Loblaw Companies Limited 7.10%	06/01/2016	1,004,400	987,323
2,050,000	Merrill Lynch Financial Assets Inc. 5.74%	11/12/2034	2,096,248	2,027,097
1,700,000	Merrill Lynch Financial Assets Inc. 6.14%	04/12/2034	1,762,900	1,707,988
3,074,268	Merrill Lynch Financial Assets Inc. 6.67%	05/07/2021	3,221,000	3,015,416
2,950,000	Merrill Lynch Mortgage Loans Inc. 6.75%	11/15/2032	3,063,943	3,007,433
2,482,656	Merrill Lynch Mortgage Loans Inc. 7.14%	03/15/2032	2,583,899	2,525,326
814,189	Merrill Lynch Mortgage Loans Inc. 7.37%	05/10/2022	914,904	819,353
200,000	Merrill Lynch Mortgage Loans Inc. 7.77%	09/05/2021	199,998	193,424
678,338	Milit-Air Inc. 5.75%	06/30/2019	735,095	753,296
900,000	N 45 Degrees First Issuer Corporation 5.67%	11/15/2020	917,796	909,490
900,000	N 45 Degrees First Issuer Corporation 7.34%	07/15/2015	967,630	934,418
1,956,874	New Brunswick FM Project Inc. 6.47%	11/30/2027	1,897,444	2,173,274
402,000	NOVA Gas Transmission Ltd. 11.20%	06/01/2014	543,504	500,249
1,400,000	Ontario Infrastructure Projects Corp. 4.70%	06/01/2037	1,401,862	1,337,922
716,646	Ontario School Boards Financing Corp. 5.80%	11/07/2028	714,180	758,296
1,404,391	Ontario School Boards Financing Corp. 5.90%	10/11/2027	1,419,371	1,455,341
1,972,926	Ontario School Boards Financing Corp. 6.55%	10/19/2026	1,964,403	2,217,429
3,975,102	Ontario School Boards Financing Corp. 7.20%	06/09/2025	4,620,677	5,313,976
3,100,000	Royal Bank of Canada 4.97%	06/05/2014	3,052,663	3,193,559
3,900,000	Royal Bank of Scotland Group PLC, The 6.67%	10/05/2017	3,964,468	1,934,444
10,983,252	Royal Office Finance LP 5.21%	11/12/2032	10,983,142	10,862,449
1,400,000	TCHC Issuer Trust 4.88%	05/11/2037	1,400,000	1,316,910
8,500,000	Toronto-Dominion Bank, The 4.78%	12/14/2105	7,968,070	6,582,593
4,700,000	Toronto-Dominion Bank, The 5.38%	11/01/2017	4,700,000	4,632,633
8,600,000	Toronto-Dominion Bank, The 5.76%	12/18/2106	8,600,000	6,927,694
900,000	Toronto-Dominion Capital Trust 7.60%	12/31/2009	948,885	909,107
1,026,304	Toronto Hospital 5.64%	12/08/2022	1,010,024	1,099,500
700,000	TransCanada PipeLines Limited 7.90%	04/15/2027	734,489	690,550
300,000	TransCanada PipeLines Limited 8.21%	04/25/2030	366,030	298,279
1,152,000	Union Gas Ltd. 10.75%	07/31/2009	1,365,265	1,196,145
1,000,000	York Region District School Board 6.55%	04/12/2023	995,850	1,113,945
			116,351,238	110,776,049
	Short-Term Notes (Schedule 1) (3.5%)		9,795,271	9,795,271
	Total Investment Portfolio (99.7%)		280,887,813	281,853,007
	Other Assets, Less Liabilities (0.3%)			852,368
	Total Net Assets (100.0%)			**282,705,375**
	Net Assets Per Unit			**$10.66**

Schedule 1
Short-Term Notes

Face Amount	Issuer	Maturity Date	Average Cost ($)	Fair Value ($)
$3,960,000	Government of Canada Treasury Bills 0.82%	02/05/2009	3,956,786	3,956,786
3,160,000	Government of Canada Treasury Bills 1.51%	02/19/2009	3,153,485	3,153,485
2,685,000	Royal Bank of Canada 1.45%	01/02/2009	2,685,000	2,685,000
Total Short-Term Notes			9,795,271	9,795,271

Portfolio Advisor: Fiera Capital Inc.

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

Discussion of Financial Instrument Risk
As at December 31, 2008

A. Risk management

The investment objective of Pinnacle Income Fund (the "Fund") is to preserve investment capital while seeking to achieve increased income by investing primarily in a portfolio of Canadian government and corporate bonds, preferred shares of Canadian corporations and loans of supranational organizations.

Managing risk is among the most important factors in the portfolio management process, guiding investment decisions made for the Fund. The Fund's investment practice includes portfolio monitoring to ensure compliance with stated investment guidelines. The Manager seeks to minimize potential adverse effects of risks on the Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's securities and financial market developments.

B. Liquidity risk

The Fund's exposure to liquidity risk arises from the daily cash redemption of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in securities that are not traded in an active market. Such securities are identified in the Statement of Investment Portfolio. All liabilities are short term in nature.

C. Currency risk

Currency risk is the risk that financial instruments which are denominated in a currency other than Canadian dollars, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. As at December 31, 2008, the Fund had no significant exposure to foreign currencies.

D. Interest rate risk

Interest rate risk arises from interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. As at December 31, 2008, had prevailing interest rates increased or decreased by 0.25%, assuming a parallel shift in the yield curve and all other variables held constant, net assets would have decreased or increased by approximately $4,305,314 (approximately 1.5% of the Fund's net assets). The Fund's sensitivity to interest rate fluctuations was estimated using the weighted average duration of the bond portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

The table below summarizes the Fund's exposure to interest rate risks by remaining term to maturity of the Fund's portfolio of bonds as of December 31, 2008.

($)	Less than 1 year	1-3 years	3-5 years	5-10 years	>10 years	Total
Bonds	14,405,331	16,470,635	63,248,831	81,177,143	106,551,067	281,853,007

E. Credit risk

Credit risk is the risk that the counterparty to a financial interest will fail to discharge an obligation or commitment that it has entered into with the Fund. 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. Payment is made on a purchase once the securities have been received by the broker.

Where the Fund invests in debt instruments this represents the main concentration of credit risk. The market value of debt instruments includes consideration of the creditworthiness of the issuer, and accordingly, represents the maximum credit risk exposure to the fund.

Discussion of Financial Instrument Risk
As at December 31, 2008

As of December 31, 2008, debt securities, excluding cash and cash equivalents, held by the Fund have credit ratings as follows:

	Percent of Total Bonds (%)	Percentage of Net Assets (%)
A– to AAA+	96.0	92.3
B– to BBB+	4.0	3.9
Total	100.0	96.2

The Fund enters into securities lending transactions with counterparties whereby the Fund temporarily exchanges securities for collateral with a commitment by the counterparty to deliver the same securities on a future date. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient, approved credit rating and the market value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, as disclosed in Note 9.

F. Other price risk

There are no other significant price risks.

Statement of Net Assets as at December 31,

	2008	2007
Assets		
Investments at fair value	$105,965,299	$148,555,168
Cash	5,635	65,105
Receivable on open forward contracts	–	265,224
Subscriptions receivable	21,050	226,342
Accrued investment income	2,490,746	2,249,966
Prepaid expense	2,872	–
	108,485,602	151,361,805
Liabilities		
Payable on open forwards contracts	378,941	–
Payable for securities purchased	–	21,413
Redemptions payable	61,462	189,706
Accrued expenses	73,315	65,230
	513,718	276,349
Net assets representing unitholders' equity	$107,971,884	$151,085,456
Number of units outstanding	15,162,148	16,861,609
Net assets per unit	$ 7.12	$ 8.96

Statement of Operations for the years ended December 31,

	2008	2007
Investment Income		
Dividends	$ –	$ (708)
Interest	11,357,167	10,983,094
Securities lending	1,284	2,097
Less: Foreign withholding taxes	(5,873)	(11,707)
	11,352,578	10,972,776
Expenses		
Legal fees	2,116	2,948
Audit fees	16,574	13,104
Custody fees	18,984	30,963
Filing fees	16,188	13,396
Directors' fees	2,269	1,389
Unitholder reporting costs	30,360	41,545
Unitholder administration, service fees and GST	121,926	134,864
	208,417	238,209
Net investment income (loss)	11,144,161	10,734,567
Net realized gain (loss) on investments sold	(5,899,602)	(4,744,206)
Net realized gain (loss) on foreign exchange	(3,376,026)	4,200,094
Change in unrealized appreciation (depreciation) of investments	(21,442,741)	(18,964,145)
Change in unrealized appreciation (depreciation) of foreign exchange	(567,573)	683,196
Transaction costs (Note 2)	–	(7,065)
Net gain (loss) on investments and transaction costs	(31,285,942)	(18,832,126)
Increase (Decrease) in Net Assets from Operations	$(20,141,781)	$ (8,097,559)
Increase (decrease) in net assets from operations per unit	$ (1.22)	$ (0.50)

Statement of Changes in Net Assets for the years ended December 31,

	2008	2007
Net Assets, Beginning of Period	$151,085,456	$144,833,723
New accounting policy adjustment (Note 2)	–	(522,198)
Increase (decrease) in net assets from operations	(20,141,781)	(8,097,559)
Distributions to unitholders		
Investment income	(11,221,366)	(10,702,478)
Capital gains	–	(394,803)
	119,722,309	125,116,685
Unit Transactions:		
Proceeds from issue	42,131,618	52,151,370
Reinvested distributions	11,186,465	11,066,803
Payments on redemption	(65,068,508)	(37,249,402)
	(11,750,425)	25,968,771
Increase (decrease) in net assets	(43,113,572)	6,251,733
Net Assets, End of Period	$107,971,884	$151,085,456

Portfolio Advisor: Guardian Capital LP

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

Statement of Investment Portfolio as at December 31, 2008

Face Amount	Issuer	Maturity Date	Average Cost ($)	Fair Value ($)
	Bonds (97.5%)			
	****Corporate (97.5%)**			
$2,100,000	Abitibi-Consolidated Inc. 8.38%	04/01/2015	2,369,860	239,802
1,500,000	Advanced Micro Devices Inc. 7.75%	11/01/2012	1,395,354	805,511
3,000,000	Ahern Rentals Inc. 9.25%	08/15/2013	3,616,484	740,700
3,100,000	Allied Waste North America Inc. 7.25%	03/15/2015	3,501,084	3,559,063
1,000,000	Amscan Holdings Inc. 8.75%	05/01/2014	1,164,240	722,183
3,400,000	Athabasca Oil Sands Corp. 13.00%*	07/30/2011	3,400,000	2,856,000
3,320,000	Avenor Inc. 10.85%	11/30/2014	3,519,840	1,988,804
1,100,000	Bell Aliant Regional Communications LP 6.17%	02/26/2037	1,090,920	752,421
2,000,000	Bombardier Inc. 7.35%	12/22/2026	2,025,000	1,452,644
1,000,000	Bombardier Inc. 7.37%	11/15/2013	1,452,834	1,184,051
1,000,000	Brookfield Power 5.45%*	12/18/2017	1,157,300	1,280,917
3,000,000	Brookfield Renewable Power Inc. 5.25%	11/05/2018	2,998,920	2,015,325
3,973,000	Canadian Tire Corporation Limited 5.61%	09/04/2035	3,621,065	2,743,666
3,900,000	CanWest Media Inc. 8.00%	09/15/2012	4,457,903	2,214,693
2,200,000	CanWest MediaWorks Inc. 9.25%	08/01/2015	2,338,050	1,032,042
2,000,000	Cascades Inc. 7.25%	02/15/2013	2,244,631	1,259,190
2,000,000	CCS Inc. 11.00%	11/15/2015	1,814,914	1,407,330
2,490,000	Chesapeake Energy Corporation 6.38%	06/15/2015	2,733,624	2,382,276
500,000	Chesapeake Energy Corporation 6.88%	01/15/2016	504,206	490,714
3,000,000	Clear Channel Communications Inc. 10.75%	08/01/2016	2,245,845	870,323
2,500,000	Couche-Tard U.S. LP 7.50%	12/15/2013	2,864,499	2,515,294
2,250,000	Dole Food Company Inc. 7.25%	06/15/2010	2,813,138	1,937,393
1,000,000	Domtar Inc. 7.13%	08/15/2015	1,210,937	802,425
750,000	Domtar Inc. 9.50%	08/01/2016	838,353	604,133
400,000	EchoStar DBS Corporation 6.38%	10/01/2011	498,121	459,234
2,500,000	El Paso Corporation 6.88%	06/15/2014	2,657,808	2,499,863
400,000	El Paso Corporation 7.25%	06/01/2018	407,146	387,633
950,000	Enbridge Income Fund 5.25%	12/22/2014	949,924	954,483
1,500,000	ERAC Canada Finance Ltd. 5.38%	02/26/2016	1,498,980	1,410,050
4,198,000	Fairfax Financial Holdings Limited 7.38%	04/15/2018	4,430,920	3,653,614
4,000,000	Ford Floorplan Auto Securitization Trust 4.58%	11/15/2009	4,000,000	3,979,165
2,150,000	Freeport-McMoran Copper & Gold Inc. 8.38%	04/01/2017	2,100,404	2,183,059
1,900,000	Husky Energy Inc. 6.15%	06/15/2019	2,115,567	2,046,317
2,500,000	Idearc Inc. 8.00%	11/15/2016	2,313,873	262,331
2,625,000	Iron Mountain Canada Corporation 7.50%	03/15/2017	2,586,250	2,467,944
2,700,000	KIMCO North Trust III 5.18%	08/16/2013	2,692,629	2,128,576
2,850,000	Kingsway 2007 General Partnership 6.00%	07/11/2012	2,570,180	2,136,995
700,000	Kingsway America Inc. 7.50%	02/01/2014	902,563	560,071
1,000,000	Las Vegas Sands Corp. 6.38%	02/15/2015	1,083,881	716,010
1,000,000	Mariner Energy Inc. 8.00%	05/15/2017	1,119,939	629,595
2,080,000	Masonite International Corporation 11.00%	04/06/2015	2,372,414	205,421
2,940,000	Massey Energy Company 6.88%	12/15/2013	3,413,331	2,712,999
500,000	Merrill Lynch & Co. Inc. 1.84%	11/09/2009	480,000	490,821
3,000,000	Merrill Lynch & Co. Inc. 4.50%	01/30/2012	2,997,330	2,884,757
1,000,000	Merrill Lynch Financial Assets Inc. 6.45%	10/12/2013	952,460	924,921
599,000	Merrill Lynch Financial Assets Inc. 6.45%	11/12/2014	527,959	505,373
500,000	Merrill Lynch Financial Assets Inc. 6.65%	11/12/2034	492,950	445,816
3,000,000	Millar Western Forest Products Ltd. 7.75%	11/15/2013	3,153,359	1,777,680
1,650,000	Catalyst Paper Corporation 7.38%	03/01/2014	2,117,695	814,770
500,000	Norske Skog Canada Limited 8.63%	06/15/2011	555,912	273,133
3,750,000	Nortel Networks Ltd. 9.00%	07/15/2011	3,809,433	1,157,344
2,400,000	North American Energy Partners Inc. 8.75%	12/01/2011	2,602,736	2,251,728
1,135,000	NOVA Chemcials Corporation 6.50%	01/15/2012	1,188,024	581,480
1,350,000	OPTI Canada Inc. 8.25%	12/15/2014	1,198,746	916,616
1,193,366	Paragon Gaming 12.50%*	04/15/2012	1,193,366	1,145,631
2,040,000	Paramount Resources Ltd. 8.50%	01/31/2013	2,470,276	1,939,153
3,000,000	RioCan Real Estate Investment Trust 5.70%	09/11/2012	2,992,980	2,828,510
2,500,000	RONA Inc. 5.40%	10/20/2016	2,494,800	1,877,029
3,000,000	Royal Bank of Scotland Group PLC, The 6.67%	10/05/2017	2,741,310	1,488,034
667,000	Sealy Mattress Co. 8.25%	06/15/2014	816,414	491,988
3,500,000	Sherritt International Corporation 7.75%	10/15/2015	3,500,000	2,663,367
3,500,000	Sherritt International Corporation 8.25%	10/24/2014	3,500,000	2,960,630
1,500,000	Sobeys Inc. 7.16%	02/26/2018	1,673,535	1,418,215
572,755	SR Telecom Inc. 1.00%*	10/01/2020	606,661	7,071
867,302	SR Telecom Inc. 19.42%*	10/01/2011	1,052,698	10,707
1,500,000	Superior Plus Income Fund 5.75%	12/31/2012	1,500,000	1,275,000
1,250,000	TransCanada PipeLines Ltd 5.05%	08/20/2013	1,248,362	1,246,756
3,500,000	YPG Holdings Inc. 5.25%	02/15/2016	3,204,730	3,120,752
1,500,000	YPG Holdings Inc. 5.50%	08/01/2011	1,500,000	1,230,000
4,000,000	YPG Holdings Inc. 5.85%	11/18/2019	3,865,000	3,272,277
			147,529,667	105,249,819

No. of Shares	Issuer	Average Cost ($)	Fair Value ($)
	Equity Investments (0.0%)		
	Health Care (0.0%)		
44,000	Insight Health Services Holdings*	580,992	950
	Short-Term Notes – (Schedule 1) (0.7%)	714,530	714,530
	Total Investments (98.2%)	148,825,189	105,965,299
	Foreign Currency Forwards Contracts – (Schedule 2) (-0.4%)	–	(378,941)
	Total Investment Portfolio (97.8%)	148,825,189	105,586,358
	Other Assets, Less Liabilities (2.2%)		2,385,526
	Total Net Assets (100.0%)		**107,971,884**
	Net Assets Per Unit		**$7.12**

* This security is not actively traded.

Schedule 1
Short-Term Notes

Face Amount	Issuer	Maturity Date	Average Cost ($)	Fair Value ($)
$715,000	Province of Ontario 0.80%	01/30/2009	714,530	714,530
Total Short-Term Notes			714,530	714,530

** Corporate bonds are comprised of 47% U.S. denominated bonds, 52% Canadian denominated bonds, and 1% Euro denominated bonds.

Portfolio Advisor: Guardian Capital LP

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

For equities, all common shares unless otherwise noted.

Statement of Investment Portfolio as at December 31, 2008

Schedule 2

Foreign Currency Forwards Contracts Value

Contracts	Pay		Receive		Due Date	Credit Rating(1)	Fair Value ($)
1	8,803,433	Canadian Dollar	7,310,000	U.S. Dollar	02/12/2009	AA–	224,004
1	3,716,550	Canadian Dollar	3,000,000	U.S. Dollar	02/12/2009	AA–	(11,719)
1	1,845,000	Canadian Dollar	1,500,000	U.S. Dollar	02/24/2009	AA–	7,062
1	1,104,579	Canadian Dollar	890,000	U.S. Dollar	02/24/2009	AA–	(5,689)
1	31,060,000	U.S. Dollar	37,495,632	Canadian Dollar	02/12/2009	AA–	(861,714)
1	21,120,000	U.S. Dollar	26,346,144	Canadian Dollar	02/24/2009	AA–	269,115
Total Foreign Currency Forwards Contracts Value							(378,941)

(1) Credit rating refers to the credit worthiness of the counteryparty, not the contract.

Portfolio Advisor: Guardian Capital LP

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

Statement of Investment Portfolio as at December 31, 2008
Discussion of Financial Instrument Risk
As at December 31, 2008

A. Risk management

The investment objective of Pinnacle High Yield Income Fund (the "Fund") is to achieve superior long term returns and to provide income as well as capital growth by investing primarily in high yield, lower rated Canadian corporate bonds, preferred shares and short term money market securities.

Managing risk is among the most important factors in the portfolio management process, guiding investment decisions made for the Fund. The Fund's investment practice includes portfolio monitoring to ensure compliance with stated investment guidelines. The Manager seeks to minimize potential adverse effects of risks on the Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's securities and financial market developments.

B. Liquidity risk

The Fund's exposure to liquidity risk arises from the daily cash redemption of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in securities that are not traded in an active market. Such securities are identified in the Statement of Investment Portfolio. All liabilities are short term in nature.

C. Currency risk

Currency risk is the risk that financial instruments which are denominated in a currency other than Canadian dollars, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. As at December 31, 2008, the Fund's financial instruments were exposed to the following currencies:

Currency	Financial Instruments ($)	Percentage of Net Assets (%)
European Euro	1,184,051	1.1
U.S. Dollar	651,601	0.6
Total	1,835,652	1.7

The amounts in the above table are based on the fair value of the Fund's financial instruments (including cash and cash equivalents as well as the underlying principal amounts of forward currency contracts). Other financial assets (including dividends and interest receivable and receivables for investments sold) and financial liabilities that are denominated in foreign currencies do not expose the Fund to significant currency risk.

As at December 31, 2008, if the Canadian dollar had strengthened or weakened by 10% in relation to all currencies, with all other variables held constant, the Fund's net assets would have decreased or increased, respectively by approximately $183,565 (approximately 0.2% of the Fund's net assets). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

D. Interest rate risk

Interest rate risk arises from interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. As at December 31, 2008, had prevailing interest rates increased or decreased by 0.25%, assuming a parallel shift in the yield curve and all other variables held constant, net assets would have decreased or increased by approximately $1,184,071 (approximately 1.1% of the Fund's net assets). The Fund's sensitivity to interest rate fluctuations was estimated using the weighted average duration of the bond portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

The table below summarizes the Fund's exposure to interest rate risks by remaining term to maturity of the Fund's portfolio of bonds as of December 31, 2008 as of December 31, 2008.

($)	Less than 1 year	1-3 years	3-5 years	5-10 years	>10 years	Total
Bonds	5,184,516	10,175,539	30,301,898	48,094,151	12,208,245	105,964,349

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

Discussion of Financial Instrument Risk
As at December 31, 2008

E. Credit risk

Credit risk is the risk that the counterparty to a financial interest will fail to discharge an obligation or commitment that it has entered into with the Fund. 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. Payment is made on a purchase once the securities have been received by the broker.

Where the Fund invests in debt instruments this represents the main concentration of credit risk. The market value of debt instruments includes consideration of the creditworthiness of the issuer, and accordingly, represents the maximum credit risk exposure to the fund. Credit risk may also exist in relation to counterparties of currency forwards contracts.

As of December 31, 2008, debt securities, excluding cash and cash equivalents, held by the Fund have credit ratings as follows:

	Percent of Total Bonds (%)	Percentage of Net Assets (%)
A– to AAA+	9.5	9.3
B– to BBB+	66.6	64.9
C– to CCC+	8.7	8.4
NR or other	15.2	14.9
Total	100,0	97.5

The Fund enters into securities lending transactions with counterparties whereby the Fund temporarily exchanges securities for collateral with a commitment by the counterparty to deliver the same securities on a future date. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient, approved credit rating and the market value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, as disclosed in Note 9.

F. Other price risk

There are no other significant price risks.

Statement of Net Assets as at December 31,

	2008	2007
Assets		
Investments at fair value	$45,469,504	$69,825,641
Cash	1,933,211	1,670,643
Receivable on open forwards contracts	–	33,231
Subscriptions receivable	20,832	138,449
Receivable for securities sold	536,730	383,264
Accrued investment income	694,663	764,490
Prepaid expense	4,153	–
	48,659,093	72,815,718
Liabilities		
Payable on open forwards contracts	185,265	–
Payable for securities purchased	5,252,287	5,983,877
Redemptions payable	7,356	51,068
Accrued expenses	64,377	64,495
	5,509,285	6,099,440
Net assets representing unitholders' equity	$43,149,808	$66,716,278
Number of units outstanding	5,887,464	9,592,846
Net assets per unit	$ 7.33	$ 6.95

Statement of Operations for the years ended December 31,

	2008	2007
Investment Income		
Dividends	$ 22,597	$ 44,908
Interest	5,070,080	1,822,126
Securities lending	359	–
Less: Foreign withholding taxes	(6,833)	(6,410)
	5,086,203	1,860,624
Expenses		
Legal fees	2,115	2,948
Audit fees	15,223	11,855
Custody fees	110,568	99,923
Filing fees	14,756	13,396
Directors' fees	2,269	1,389
Unitholder reporting costs	16,456	20,523
Unitholder administration, service fees and GST	166,090	98,278
	327,477	248,312
Net investment income (loss)	4,758,726	1,612,312
Net realized gain (loss) on investments sold	(635,042)	(4,688,351)
Net realized gain (loss) on foreign exchange	176,387	948,292
Change in unrealized appreciation (depreciation) of investments	3,427,162	(5,873,825)
Change in unrealized appreciation (depreciation) of foreign exchange	(252,818)	399,115
Net gain (loss) on investments	2,715,689	(9,214,769)
Increase (Decrease) in Net Assets from Operations	$7,474,415	$(7,602,457)
Increase (decrease) in net assets from operations per unit	$ 0.87	$ (0.84)

Statement of Changes in Net Assets for the years ended December 31,

	2008	2007
Net Assets, Beginning of Period	$ 66,716,278	$ 58,956,596
New accounting policy adjustment (Note 2)	–	(72,137)
Increase (decrease) in net assets from operations	7,474,415	(7,602,457)
Distributions to unitholders		
Investment income	(4,725,984)	(1,667,774)
	69,464,709	49,614,228
Unit Transactions:		
Proceeds from issue	10,986,981	30,935,553
Reinvested distributions	4,721,243	1,666,533
Payments on redemption	(42,023,125)	(15,500,036)
	(26,314,901)	17,102,050
Increase (decrease) in net assets	(23,566,470)	7,759,682
Net Assets, End of Period	$ 43,149,808	$ 66,716,278

Portfolio Advisor: Logan Circle Partners, L.P.

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

Statement of Investment Portfolio as at December 31, 2008

Face Amount	Issuer	Maturity Date	Average Cost ($)	Fair Value ($)
	**Bonds (105.2%)			
	Australian Dollar (0.2%)			
$ 87,000	Asian Development Bank 0.50%	10/09/2012	53,169	64,096
	Brazilian Real (0.6%)			
550,000	Federative Republic of Brazil 6.40%	01/10/2028	272,236	262,048
	British Pound (1.5%)			
77,000	United Kingdom Treasury 5.00%	03/07/2025	144,976	154,664
145,000	United Kingdom Treasury 5.00%	03/07/2018	298,272	297,905
95,000	United Kingdom Treasury 5.00%	09/07/2014	193,139	188,219
			636,387	640,788
	European Euro (9.2%)			
705,000	Federal Republic of Germany 3.50%	01/04/2016	1,019,321	1,268,103
585,000	Federal Republic of Germany 3.75%	01/04/2017	897,526	1,064,061
255,000	Federal Republic of Germany 4.00%	01/04/2037	346,958	468,845
350,000	Federal Republic of Germany 4.25%	07/04/2018	550,067	663,609
200,000	Government of France 4.00%	10/25/2038	303,660	361,567
75,000	Republic of Korea 4.25%	12/07/2021	113,401	87,879
50,000	Resona Bank Limited 4.13%	09/27/2012	74,018	45,775
			3,304,951	3,959,839
	Japanese Yen (2.2%)			
13,000,000	ASIF III Jersey Ltd. 0.95%	07/15/2009	107,096	163,629
30,000,000	Development Bank of Japan, The 1.70%	09/20/2022	258,183	417,104
10,000,000	Japan Finance Corporation for Municipal Enterprises 1.90%	06/22/2018	94,315	139,953
10,000,000	Kreditanstalt fuer Wiederaufbau 2.60%	06/20/2037	100,858	139,285
7,000,000	Procter & Gamble Company, The 2.00%	06/21/2010	70,870	96,047
			631,322	956,018
	Norwegian Krone (0.2%)			
500,000	General Electric Capital Corporation 6.78%	02/02/2011	91,176	85,046
	Swedish Krona (0.2%)			
500,000	General Electric Capital Corporation 5.13%	01/28/2014	82,727	74,110
	U.S. Dollar (91.1%)			
31,000	Abbott Laboratories 5.60%	11/30/2017	30,022	41,226
137,455	Adjustable Rate Mortage Trust 5.42%	01/25/2036	140,594	167,090
25,000	Aetna Inc. 6.50%	09/15/2018	26,864	29,928
270,000	Aetna Inc. 6.75%	12/15/2037	264,978	280,560
75,000	ALLTEL Corporation 6.80%	05/01/2029	71,750	78,699
75,000	ALLTEL Corporation 7.88%	07/01/2032	81,269	88,884
140,000	Altria Group Inc. 9.70%	11/10/2018	162,589	187,225
30,000	AMB Property L.P. 6.30%	06/01/2013	30,907	23,041
65,000	American Express Credit Corporation 7.30%	08/20/2013	68,149	82,578
225,000	American International Group Inc. 6.25%	03/15/2037	189,806	104,161
100,000	American Real Estate Partners L.P. 8.13%	06/01/2012	96,135	95,056
35,000	Ameriprise Financial Inc. 5.35%	11/15/2010	37,225	38,725
330,000	Ameriprise Financial Inc. 7.52%	06/01/2066	335,902	224,445
50,000	Amgen Inc. 5.85%	06/01/2017	53,681	63,643
160,000	Anadarko Petroleum Corporation 5.95%	09/15/2016	182,310	173,175
40,000	Appalachian Power Company 5.65%	08/15/2012	42,463	47,888
20,000	AT&T Corp. 7.30%	11/15/2011	21,521	26,317
31,000	AT&T Corp. 8.00%	11/15/2031	41,348	49,517
115,000	AVA Capital Trust III 6.50%	04/01/2034	150,535	139,483
60,000	Banc of America Commercial Mortgage Inc. 5.18%	09/10/2047	59,847	42,000
130,000	Banc of America Commercial Mortgage Inc. 5.32%	06/10/2039	137,613	136,958
330,000	Banc of America Commercial Mortgage Inc. 5.63%	07/10/2046	378,606	317,617
115,000	Banc of America Commercial Mortgage Inc. 5.63%	04/10/2049	125,311	110,075
139,885	Banc of America Mortgage Securities 4.92%	08/25/2035	135,219	142,413
29,035	Banc of America Mortgage Securities 5.50%	09/25/2035	29,013	35,711
51,688	Bank of America Alternative Loan Trust 5.50%	04/25/2020	65,388	49,751
73,778	Bank of America Alternative Loan Trust 6.00%	12/25/2033	100,377	82,734
44,523	Bank of America Alternative Loan Trust 6.00%	03/25/2034	61,330	49,698
25,850	Bank of America Alternative Loan Trust 6.00%	11/25/2034	33,407	28,767
48,079	Bank of America Alternative Loan Trust 6.00%	12/25/2034	60,802	54,665
58,279	Bank of America Alternative Loan Trust 6.00%	06/25/2035	74,577	41,683
95,000	Bank of America Commercial Mortgage Inc. 6.35%	02/10/2051	96,910	87,656
140,000	Bank of America Corporation 8.00%	01/30/2018	140,479	123,573
172	Bank of America Mortgage Securities Inc. 5.37%	05/25/2033	252	99
166,184	Bank of America Mortgage Securities Inc. 6.00%	09/25/2037	162,312	129,119
210,000	Baxter Internatinoal Inc. 4.63%	03/15/2015	203,779	260,482
35,000	Baxter International Inc. 5.38%	06/01/2018	34,613	44,788
79,945	Bear Stearns ALT-A Trust 6.14%	05/25/2036	94,233	47,850
82,705	Bear Stearns Asset Backed Securities Inc. 5.50%	11/25/2035	94,662	76,288
82,000	Bear Stearns Companies Inc., The 4.91%	07/16/2009	85,829	99,772
45,000	Bear Stearns Companies Inc., The 6.40%	10/02/2017	44,985	57,721
20,000	Bear Stearns Companies Inc., The 7.25%	02/01/2018	20,075	27,073
40,000	BellSouth Corporation 4.20%	09/15/2009	47,245	49,658
70,000	Berkshire Hathaway Finance Corp. 4.85%	01/15/2015	70,783	90,068
185,000	BF Saul REIT 7.50%	03/01/2014	170,947	205,544
45,000	Boston Scientific Corporation 6.40%	06/15/2016	41,773	47,497
95,000	Bowater Incorporated 9.00%	08/01/2009	91,807	28,147
80,000	BP Capital Markets Plc 5.25%	11/07/2013	92,128	103,881
120,000	Capital One Multi Asset Execution Trust 5.75%	07/15/2020	120,073	116,405
170,000	Capmark Financial Group Inc 3.04%	05/10/2010	89,715	105,982
55,000	Capmark Financial Group Inc 5.88%	05/10/2012	40,254	23,425
100,000	Casella Waste Systems Inc. 9.75%	02/01/2013	111,151	98,760
45,000	Caterpillar Financial Asset Trust 5.34%	06/25/2012	46,381	54,441
30,000	Caterpillar Inc. 6.05%	08/15/2036	34,130	36,370
20,000	Centennial Communications Corp. 9.63%	01/01/2013	23,463	23,949
150,000	Centex Home Equity Loan Trust 5.27%	10/25/2035	155,042	181,198
143,000	Charter Communications Holdings LLC 13.50%	01/15/2011	118,419	104,944

Portfolio Advisor: Logan Circle Partners, L.P.

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

Statement of Investment Portfolio as at December 31, 2008

Face Amount	Issuer	Maturity Date	Average Cost ($)	Fair Value ($)
150,000	Charter Communications Holdings LLC 13.50%	01/15/2014	157,260	8,333
306,876	Chase Mortgage Finance Corporation 5.00%	09/25/2018	358,964	348,375
185,000	Citigroup Capital XXI 8.31%	12/21/2057	177,769	175,837
20,000	Citigroup Inc. 5.50%	04/11/2013	19,745	24,136
145,000	Citigroup Inc. 6.50%	08/19/2013	153,906	180,740
35,000	Citigroup Inc. 8.40%	04/30/2018	35,247	29,165
515,382	Citigroup Mortgage Loan Trust Inc. 5.61%	03/25/2037	542,892	472,498
537,342	Citigroup Mortgage Securities Inc. 5.50%	01/25/2022	553,438	619,696
60,000	CNH Equipment Trust 5.40%	10/17/2011	62,224	71,790
190,000	Comcast Corporation 6.30%	11/15/2017	196,598	231,648
60,000	Comcast Corporation 6.50%	11/15/2035	60,920	73,266
50,000	Commercial Mortgage Pass-Through Certificates 5.69%	06/10/2046	55,645	53,120
55,000	Commonwealth Edison Company 5.80%	03/15/2018	55,496	61,021
105,000	Commonwealth Edison Company 6.15%	09/15/2017	110,241	121,863
155,000	Constellation Brands Inc. 8.13%	01/15/2012	156,719	180,823
85,000	Continental Airlines Inc. 6.50%	06/15/2011	104,101	84,208
40,000	Cooper-Standard Automotive Inc. 8.38%	12/15/2014	35,318	9,876
1,602	Countrywide Alternative Loan Trust 4.67%	08/25/2034	1,970	1,970
67,704	Countrywide Alternative Loan Trust 5.50%	03/25/2036	78,028	54,435
133,410	Countrywide Alternative Loan Trust 5.89%	11/25/2035	149,332	83,957
49,532	Countrywide Alternative Loan Trust 6.00%	01/25/2035	61,003	52,497
127,687	Countrywide Asset Backed Certificates 5.73%	08/25/2036	147,686	50,830
200,000	Countrywide Asset-Backed Certificates 5.71%	11/25/2035	229,168	35,390
61,238	Countrywide Home Loans 6.00%	03/25/2036	70,235	50,604
76,159	Countrywide Home Loans 6.10%	05/20/2036	89,871	84,334
43,199	Countrywide Home Loans Inc. 4.60%	09/20/2034	41,908	36,766
60,000	Countrywide Home Loans Inc. 4.13%	09/15/2009	54,646	73,237
85,000	Cox Communications Inc. 4.63%	01/15/2010	95,208	101,446
75,000	CP&L Inc. 6.30%	04/01/2038	74,690	100,636
30,000	Credit Suisse First Boston Mortgage Corp. 5.55%	02/15/2039	33,524	29,253
12,818	Credit Suisse First Boston Mortgage Corp. 7.00%	12/25/2033	17,798	14,538
5,282	Credit Suisse First Boston Mortgage Corp. 7.00%	02/25/2034	7,368	6,287
100,000	Credit-Based Asset Servicing and Securitization LLC 5.72%	01/25/2037	117,985	64,516
50,000	CVS Caremark Corporation 4.88%	09/15/2014	47,265	56,094
50,000	Darden Restaurants Inc. 6.80%	10/15/2037	48,667	42,371
60,000	Delta Air Lines Inc. 7.57%	11/18/2010	60,864	62,589
60,000	Developers Diversified Realty Corporation 4.63%	08/01/2010	58,664	54,868
25,000	Developers Diversified Realty Corporation 5.38%	10/15/2012	24,598	12,521
175,000	Discover Financial Services 2.63%	06/11/2010	154,282	176,496
25,000	Duke Energy Carolinas LLC 6.05%	04/15/2038	25,411	30,919
15,000	E*Trade Financial Corporation 12.50%	11/30/2017	8,796	8,611
39,865	Elwood Energy LLC 8.16%	07/05/2026	49,199	34,449
215,000	Fannie Mae Zero Coupon	10/09/2019	120,822	154,924
195,000	Fannie Mae 4.00%	07/25/2023	178,424	230,644
165,000	Fannie Mae 4.00%	08/25/2023	150,309	194,667
55,000	Fannie Mae 4.50%	08/25/2023	50,553	64,733
31,346	Fannie Mae 4.50%	02/25/2028	38,299	38,903
100,000	Fannie Mae 5.00%	10/25/2024	96,199	123,166
72,064	Fannie Mae 5.00%	11/01/2033	93,483	91,893
71,695	Fannie Mae 5.00%	11/01/2034	85,341	91,313
112,390	Fannie Mae 5.00%	01/01/2036	124,706	143,056
200,000	Fannie Mae 5.26%	05/25/2020	230,152	269,844
25,774	Fannie Mae 5.41%	09/26/2033	29,506	23,539
107,208	Fannie Mae 5.50%	04/01/2029	146,982	136,732
97,998	Fannie Mae 5.50%	03/01/2029	134,681	124,986
88,852	Fannie Mae 5.50%	09/25/2035	107,012	112,740
33,438	Fannie Mae 6.50%	02/25/2044	47,269	42,617
1,801	Fannie Mae 7.00%	06/01/2035	2,299	2,324
25,397	Fannie Mae 7.50%	11/25/2026	36,289	33,113
5,609	Fannie Mae 7.50%	06/01/2031	8,994	7,305
7,953	Fannie Mae 7.50%	04/01/2032	11,551	10,358
7,685	Fannie Mae 7.50%	12/25/2041	11,078	9,962
21,247	Fannie Mae 9.50%	07/25/2041	32,872	27,602
95,000	Fannie Mae 4.50%	TBA	117,909	119,000
1,075,000	Fannie Mae 5.00%	TBA	1,375,110	1,359,396
2,425,000	Fannie Mae 5.50%	TBA	3,181,814	3,070,375
15,689	Federal Home Loan Mortgage Corporation 4.00%	02/01/2014	19,555	19,403
65,795	Federal Home Loan Mortgage Corporation 6.50%	06/15/2031	85,573	83,793
80,000	Federal National Mortgage Association 5.25%	08/01/2012	79,375	101,313
26,798	Federal National Mortgage Association 6.50%	08/01/2017	34,536	34,489
48,098	Federal National Mortgage Association 6.50%	05/25/2044	63,087	64,842
15,710	Federal National Mortgage Association 7.50%	06/01/2034	20,655	20,369
131,222	First Horizon Alternative Mortgage Securities 5.40%	09/25/2035	118,518	74,363
50,944	First Horizon Mortgage Pass-Through Trust 5.70%	10/25/2034	65,386	59,490
240,950	First Horizon Mortgage Pass-Through Trust 6.31%	11/25/2037	252,633	241,743
17,127	First Horizon Mortgage Pass-Through Trust 8.00%	07/25/2033	25,716	19,984
215,000	Ford Motor Company 7.45%	07/16/2031	172,577	70,336
185,000	Ford Motor Credit Company 5.80%	01/12/2009	215,299	226,099
30,000	Ford Motor Credit Company 7.38%	10/28/2009	31,779	32,961
200,000	Ford Motor Credit Company 7.57%	01/13/2012	223,070	167,892
655,000	Ford Motor Credit Company 9.88%	08/10/2011	655,562	610,491
105,000	FPL Group Capital Inc. 5.63%	09/01/2011	118,895	134,198
175,000	Freddie Mac 4.50%	07/15/2019	170,868	215,130
63,270	Freddie Mac 4.50%	10/15/2031	75,947	78,668
35,000	Freddie Mac 4.50%	12/15/2033	33,778	38,290
71,815	Freddie Mac 5.00%	06/01/2018	72,145	91,780
100,000	Freddie Mac 5.00%	12/14/2018	87,898	120,685
100,000	Freddie Mac 5.00%	10/15/2024	97,350	123,351
105,170	Freddie Mac 5.00%	09/01/2033	143,266	133,338
55,000	Freddie Mac 5.00%	05/15/2036	50,155	66,930
105,000	Freddie Mac 5.50%	07/15/2030	104,989	132,423
75,659	Freddie Mac 5.68%	07/01/2036	80,073	95,246
85,000	Freddie Mac 6.00%	04/15/2035	90,476	109,789
33,055	Freddie Mac 6.50%	09/25/2043	47,591	41,762
8,542	Freddie Mac 6.95%	04/01/2034	11,155	10,607
28,063	Freddie Mac 7.00%	05/15/2024	36,700	36,166
13,460	Freddie Mac 7.00%	11/01/2033	18,799	17,476
25,000	Freeport-McMoran Copper & Gold Inc. 8.25%	04/01/2015	29,391	26,542
85,000	Freeport-McMoran Copper & Gold Inc. 8.38%	04/01/2017	77,793	86,307
110,000	Freescale Semiconductor Inc. 8.88%	12/15/2014	91,853	59,750

Portfolio Advisor: Logan Circle Partners, L.P.

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

Statement of Investment Portfolio as at December 31, 2008

Face Amount	Issuer	Maturity Date	Average Cost ($)	Fair Value ($)
50,000	General Electric Capital Commercial Mortgage Corporation 6.53%	05/15/2033	51,667	57,086
175,000	General Electric Captial Commercial Mortgage Corporation 6.27%	12/10/2035	226,403	196,046
15,000	General Electric Capital Corporation 5.63%	05/01/2018	14,926	18,640
95,000	General Electric Capital Corporation 5.88%	01/14/2038	91,177	116,293
20,000	General Electric Company 5.25%	12/06/2017	19,772	24,891
480,000	General Motors Acceptance Corporation 5.85%	01/14/2009	525,571	589,597
15,000	General Motors Acceptance Corporation 6.88%	08/28/2012	13,749	14,073
260,000	General Motors Acceptance Corporation 8.00%	11/01/2031	256,924	189,372
50,000	General Motors Corporation 8.38%	07/15/2033	42,953	11,111
75,258	Ginnie Mae 7.00%	12/15/2034	92,058	97,697
5,011	Ginnie Mae 7.50%	02/15/2032	7,308	6,527
730,632	GMAC Mortgage Corporation Loan Trust 5.18%	05/25/2035	769,095	571,676
60,000	Goldman Sachs Group Inc. 5.13%	01/15/2015	51,736	67,193
30,000	Goldman Sachs Group Inc. 6.75%	10/01/2037	28,829	30,418
93,000	Harrah's Operating Company Inc. 6.50%	06/01/2016	91,441	17,795
18,000	Harrah's Operating Company Inc. 10.00%	12/15/2018	41,389	8,666
35,000	HCA Inc. 9.13%	11/15/2014	33,572	39,751
100,000	Health Net Inc. 6.38%	06/01/2017	110,488	49,066
60,000	HEALTHSOUTH Corporation 8.32%	06/15/2014	59,047	57,775
60,000	HEALTHSOUTH Corporation 10.75%	06/15/2016	63,631	67,774
75,000	HRPT Properties Trust 5.75%	02/15/2014	72,462	53,751
100,000	HSN Inc. 11.25%	08/01/2016	99,526	90,736
45,000	Hyundai Auto Receivables Trust 5.04%	01/17/2012	45,668	53,959
28,000	Idearc Inc. 8.00%	11/15/2016	29,474	2,938
80,926	IndyMac INDX Mortgage Loan Trust 5.84%	12/25/2035	95,832	52,433
100,000	International Business Machines Corporation 5.70%	09/14/2017	102,556	130,947
65,000	International Lease Finance Corp. 5.88%	05/01/2013	67,852	52,960
100,000	Intertape Polymer U.S. Inc. 8.50%	08/01/2014	93,303	85,180
90,000	Invesco Limited 5.38%	02/27/2013	88,453	101,137
135,000	Invesco PLC 5.63%	04/17/2012	153,828	168,019
20,000	JC Penney Corp Inc. 6.38%	10/15/2036	19,865	15,191
55,000	JC Penney Corp Inc. 8.00%	03/01/2010	62,831	63,632
50,000	JPMorgan Chase & Company 5.75%	01/02/2013	50,162	62,155
70,000	JPMorgan Chase & Company 6.40%	05/15/2038	69,223	103,027
80,000	JPMorgan Chase & Company 7.90%	04/30/2018	79,347	81,971
125,000	JPMorgan Chase Commercial Mortgage Securities Corp. 4.99%	01/12/2037	153,951	129,225
210,000	JPMorgan Chase Commercial Mortgage Securities Corp. 5.13%	05/15/2047	210,602	205,614
85,000	JPMorgan Chase Commercial Mortgage Securities Corp. 5.38%	07/12/2037	109,680	91,627
99,546	JPMorgan Mortgage Trust 4.78%	02/25/2035	114,738	116,043
110,000	JPMorgan Mortgage Trust 5.14%	09/25/2035	129,549	64,234
52,952	JPMorgan Mortgage Trust 5.40%	07/25/2035	58,228	63,813
175,954	JPMorgan Mortgage Trust 6.04%	10/25/2036	174,154	190,481
160,000	John Deere Capital Corporation 5.75%	09/10/2018	169,333	192,193
100,000	Kansas City Southern de Mexico 9.38%	05/01/2012	104,877	113,574
35,000	Kansas City Southern Railway 13.00%	12/15/2013	38,329	43,208
90,000	Kraft Foods Inc. 6.13%	08/23/2018	87,617	110,547
60,000	Kraft Foods Inc. 6.75%	02/19/2014	72,671	76,535
175,000	Kroger Co., The 6.40%	08/15/2017	177,666	216,982
145,000	LaBranche & Co Inc. 11.00%	05/15/2012	149,839	150,810
100,000	LB-UBS Commerical Mortgage Trust 6.46%	03/15/2031	122,918	110,377
25,000	Lehman Brothers Holdings Inc. 6.63%	01/18/2012	21,741	3,009
40,000	Lehman Brothers Holdings Inc. 6.88%	05/02/2018	40,417	4,716
64,547	Lehman Mortgage Trust 5.50%	12/25/2035	76,762	67,365
155,000	M&I Marshall & Ilsley Bank 2.05%	06/16/2010	166,549	174,622
60,000	Macys Retail Holdings Inc. 7.88%	07/15/2015	60,840	53,718
100,000	Mandalay Resort Group 9.38%	02/15/2010	104,276	90,119
70,000	Masco Corporation 2.40%	03/12/2010	73,262	69,826
10,381	Master Adjustable Rate Mortages Trust 6.70%	12/25/2033	13,711	11,029
9,723	Master Alternative Loans Trust 8.00%	09/25/2033	13,945	11,950
45,000	McDonald's Corporation 5.80%	10/15/2017	43,820	59,234
35,000	McDonald's Corporation 6.30%	10/15/2037	44,225	46,875
80,000	Medco Health Solutions Inc. 6.13%	03/15/2013	82,381	92,070
130,000	Medco Health Solutions Inc. 7.25%	08/15/2013	138,184	153,196
260,000	Merrill Lynch & Co. Inc 6.11%	01/29/2037	226,379	289,100
125,000	Merrill Lynch & Co. Inc. 6.15%	04/25/2013	127,049	151,998
60,000	Merrill Lynch & Co. Inc. 6.88%	04/25/2018	60,446	77,919
30,000	Merrill Lynch Mortgage Trust 5.69%	02/12/2051	29,707	26,437
30,000	MetLife Inc. 5.00%	06/15/2015	28,851	34,180
21,308	Mid State Trust 4.86%	07/15/2038	28,355	23,037
95,000	MidAmerican Funding LLC 6.75%	03/01/2011	117,782	119,579
16,342	Mid-State Capital Corporation 2004–1 Trust 6.01%	08/15/2037	21,771	20,314
155,000	Montpelier Re Holdings Ltd. 6.13%	08/15/2013	168,652	185,948
140,000	Morgan Stanley 4.57%	01/09/2012	102,189	134,105
20,000	Morgan Stanley 6.60%	04/01/2012	23,279	23,501
155,000	Morgan Stanley 6.63%	04/01/2018	160,104	172,036
170,000	Motorola Inc. 5.38%	11/15/2012	170,449	156,643
80,000	National City Bank 4.53%	01/21/2010	71,993	94,470
40,000	National City Corporation 2.09%	06/16/2010	45,082	43,831
20,000	National City Corporation 3.13%	04/30/2009	23,208	24,198
130,000	National City Corporation 4.00%	02/01/2011	136,147	146,175
15,000	National City Corporation 5.75%	02/01/2009	17,645	18,398
300,000	Neiman Marcus Group Inc., The 10.38%	10/15/2015	286,520	161,102
255,000	New Cingular Wireless Services Inc. 8.13%	05/01/2012	296,141	337,525
134,703	Nomura Asset Acceptance Corporation 4.79%	03/25/2035	169,013	163,895
35,000	NRG Energy Inc. 7.38%	02/01/2016	35,959	40,183
130,000	Nuveen Investments Inc. 5.00%	09/15/2010	96,917	87,464
35,000	Oracle Corporation 5.75%	04/15/2018	35,675	44,799
50,000	Orion Power Holdings Inc. 12.00%	05/01/2010	69,404	61,571
100,000	Pacificorp 5.65%	07/15/2018	100,348	124,061
30,000	Pactiv Corporation 6.40%	01/15/2018	31,812	31,205
80,000	PepsiCo Inc. 7.90%	11/01/2018	100,345	121,866
25,000	PetroHawk Energy Corporation 9.13%	07/15/2013	30,450	25,076
125,000	Philip Morris International Inc. 4.88%	05/16/2013	125,054	156,224
70,000	Philip Morris International Inc. 5.65%	05/16/2018	70,039	85,962
115,000	Philip Morris International Inc. 6.38%	05/16/2038	114,848	149,957
55,000	Popular North America Capital Trust I 6.56%	09/15/2034	67,367	41,920
50,000	Potlatch Corporation 13.00%	12/01/2009	65,176	63,268
22,195	Prime Mortgage Trust 6.00%	02/25/2034	30,267	19,865
65,000	Quebecor World Inc. 6.13%	11/15/2013	53,620	2,508

Portfolio Advisor: Logan Circle Partners, L.P.

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

Statement of Investment Portfolio as at December 31, 2008

Face Amount	Issuer	Maturity Date	Average Cost ($)	Fair Value ($)
95,000	Regency Centers LP 5.88%	06/15/2017	98,153	69,976
190,000	Renaissance Home Equity Loan Trust 5.61%	05/25/2036	216,633	207,215
50,000	Renaissance Home Equity Loan Trust 5.68%	06/25/2037	55,338	46,779
32,731	Residential Asset Mortgage Products Inc. 6.50%	07/25/2032	41,873	38,543
5,980	Residential Asset Mortgage Products Inc. 7.00%	11/25/2031	8,442	7,487
77,501	Residential Funding Mortgage Securities I 6.04%	09/25/2036	86,975	54,730
155,000	Residential Funding Mortgage Securities II 5.79%	02/25/2036	173,703	143,191
40,000	Reynolds American Inc. 6.50%	07/15/2010	43,830	47,899
275,000	Rio Tinto Finance (USA) Limited 5.88%	07/15/2013	265,975	272,029
75,000	Rio Tinto Finance (USA) Limited 7.13%	07/15/2028	75,443	65,426
75,000	Roper Industries Inc. 6.63%	08/15/2013	76,853	94,368
100,000	Royal Bank of Scotland Group PLC 7.64%	09/29/2017	105,854	49,380
100,000	RSB Bondco LLC 5.72%	04/01/2018	106,715	120,527
75,000	Safeway Inc. 6.35%	08/15/2017	78,768	93,299
25,000	Seabulk International Inc. 9.50%	08/15/2013	34,425	28,702
25,000	Shell International Finance 6.38%	12/15/2038	31,293	35,072
75,000	SLM Corporation 5.40%	10/25/2011	80,543	74,657
135,000	SLM Corporation 8.45%	06/15/2018	134,901	132,691
90,000	Smurfit-Stone Container Corp. 8.38%	07/01/2012	88,262	19,999
120,000	Southern Copper Corporation 7.50%	07/27/2035	128,067	113,327
165,000	Sprint Capital Corp. 7.63%	01/30/2011	200,499	169,873
80,000	Sprint Capital Corp. 8.75%	03/15/2032	69,632	66,969
95,000	Sprint Nextel Corporation 1.87	06/28/2010	100,966	98,042
30,000	State of California 5.00%	02/01/2033	40,773	31,966
40,000	State of California 5.00%	11/01/2030	50,373	45,566
80,000	State of New Jersey 5.75%	06/15/2029	96,410	72,413
52,466	Structured Adjustable Rate Mortgage Loan 5.50%	12/25/2034	63,275	58,801
332,407	Structured Adjustable Rate Mortgage Loan 5.53%	06/25/2036	350,089	127,204
45,561	Structured Asset Securities Corporation 3.38%	08/25/2031	51,924	47,385
42,095	Structured Asset Securities Corporation 6.00%	05/25/2034	56,992	47,168
10,410	Structured Asset Securities Corporation 7.00%	11/25/2032	15,103	13,000
100,000	Target Corporation 7.00%	01/15/2038	105,676	115,283
65,000	Telecom Italia Captial SA 4.00%	01/15/2010	70,813	75,502
120,000	Telecom Italia Captial SA 5.11%	07/18/2011	136,062	109,542
85,000	Telecom Italia Capital SA 7.00%	06/04/2018	84,163	91,887
130,000	Telecom Italia Capital SA 7.72%	06/04/2038	128,961	133,235
75,000	Telefonica Emisiones SAU 5.98%	06/20/2011	83,082	92,033
65,000	Ticketmaster 10.75%	08/01/2016	65,114	42,529
45,000	Time Warner Cable Inc. 6.55%	05/01/2037	46,198	52,903
35,000	Time Warner Cable Inc. 7.30%	07/01/2038	35,719	45,227
40,000	Time Warner Cable Inc. 8.25%	02/14/2014	49,008	50,392
140,000	Time Warner Cable Inc. 8.75%	02/14/2019	170,550	186,278
85,000	Time Warner Inc. 5.50%	11/15/2011	85,149	97,746
15,000	Time Warner Telecommunications Holdings 9.25%	02/15/2014	18,618	15,092
155,000	Tobacco Settlement Financial Authority West Virginia Asset Backed Settlement 7.47%	06/01/2047	165,502	109,424
70,000	Transocean Ltd. 6.00%	03/15/2018	70,906	78,054
150,000	UBS AG Stamford Branch 5.88%	12/20/2017	152,810	169,725
100,000	UBS AG Stamford Branch 5.75%	04/25/2018	100,203	112,447
50,000	United Mexican States 5.95%	03/19/2019	59,843	62,034
40,000	United States Steel Corporation 5.65%	06/01/2013	44,095	35,179
70,000	United States Steel Corporation 6.05%	06/01/2017	77,147	50,582
110,000	United States Treasury Note 0.88%	12/31/2010	136,066	136,076
25,000	United States Treasury Note 1.50%	12/31/2013	30,812	30,768
100,000	United Technologies Corporation 6.13%	02/01/2019	124,266	131,379
135,000	Unitrin Inc. 6.00%,	05/15/2017	138,257	111,211
75,000	Unum Group 5.86%	05/15/2009	88,361	90,145
75,000	UST Inc. 6.63%	07/15/2012	84,982	88,939
40,000	Valero Energy Corporation 6.63%	06/15/2037	41,643	36,373
230,000	Valero L.P. 6.05%	03/15/2013	297,663	254,105
45,000	Verizon Communications Inc. 6.10%	04/15/2018	45,768	55,035
25,000	Verizon Communications Inc. 6.90%	04/15/2038	25,644	35,203
235,000	Verizon Communications Inc. 8.75%	11/01/2018	284,474	344,297
95,000	Verizon Communications Inc. 8.95%	03/01/2039	112,385	153,410
150,000	Verizon Wireless Capital LLC 8.50%	11/15/2018	185,390	213,528
90,000	Viacom Inc. 5.75%	04/30/2011	94,607	100,190
40,000	Viacom Inc. 6.75%	10/05/2037	39,720	37,904
60,000	Virgin Media Finance PLC 9.13%	08/15/2016	62,395	56,293
60,000	Virginia Electric and Power Company 8.88%	11/15/2038	71,117	93,749
140,000	Wachovia Bank Commercial Mortgage Trust 5.50%	10/15/2048	165,160	157,856
250,000	Wachovia Bank NA 6.60%	01/15/2038	251,070	330,114
455,000	Wachovia Capital Trust III 5.80%	03/15/2042	410,663	334,210
170,000	Wachovia Corporation 7.98%	03/15/2018	149,213	176,811
40,000	Walt Disney Company, The 4.50%	12/15/2013	47,481	49,712
19,278	WaMu Mortgage Pass-Through Certificates 6.00%	10/25/2034	25,662	22,566
60,000	Warner Music Group 7.38%	04/15/2014	52,008	43,516
460,858	Washington Mutual Mortgage Pass-Through Certificates 5.29%	06/25/2037	480,344	354,392
390,117	Washington Mutual Mortgage Pass-Through Certificates 5.35%	03/25/2037	414,032	275,542
60,361	Washington Mutual Mortgage Pass-Through Certificates 5.50%	10/25/2020	71,950	69,190
80,727	Washington Mutual Inc. 5.93%	09/25/2036	91,482	57,623
70,000	WellPoint Inc. 4.25%	12/15/2009	71,043	84,310
112,000	WellPoint Inc. 5.00%	12/15/2014	106,520	123,256
10,000	WellPoint Inc. 5.85%	01/15/2036	9,049	10,455
25,000	WellPoint Inc. 6.38%	06/15/2037	25,583	27,010
95,000	Wells Fargo & Company 5.63%	12/11/2017	90,212	122,655
55,000	Wells Fargo Capital Trust XIII 7.70%	12/29/2049	55,272	55,846
70,000	Wells Fargo Capital Trust XV 9.75%	09/26/2013	74,064	88,143
16,438	Wells Fargo Mortgage Backed Securities Trust 4.86%	09/25/2034	19,815	16,798
164,739	Wells Fargo Mortgage Backed Securities Trust 5.00%	10/25/2035	168,707	189,078
194,834	Wells Fargo Mortgage Backed Securities Trust 5.11%	03/25/2036	224,687	162,650
369,973	Wells Fargo Mortgage Backed Securities Trust 5.50%	12/25/2035	406,458	321,895
160,266	Wells Fargo Mortgage Backed Securities Trust 5.50%	01/25/2036	180,401	177,327
144,966	Wells Fargo Mortgage Backed Securities Trust 5.50%	11/25/2035	162,025	159,392
88,940	Wells Fargo Mortgage Backed Securities Trust 5.51%	08/25/2036	98,866	72,284
70,146	Wells Fargo Mortgage Backed Securities Trust 5.54%	04/25/2036	75,920	55,846

Portfolio Advisor: Logan Circle Partners, L.P.

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

Statement of Investment Portfolio as at December 31, 2008

Face Amount	Issuer	Maturity Date	Average Cost ($)	Fair Value ($)
91,248	Wells Fargo Mortgage Backed Securities Trust 5.75%	03/25/2036	104,699	69,339
171,729	Wells Fargo Mortgage Backed Securities Trust 5.79%	04/25/2036	197,869	142,177
163,745	Wells Fargo Mortgage Backed Securities Trust 6.00%	06/25/2036	176,830	126,121
40,000	Wells Fargo Mortgage Backed Securities Trust 6.00%	07/25/2037	40,164	36,102
174,711	Wells Fargo Mortgage Backed Securities Trust 6.00%	10/25/2037	168,976	145,103
60,403	Wells Fargo Mortgage Backed Securities Trust 6.02%	09/25/2036	68,182	23,710
40,000	West Virginia Economic Development Authority 5.37%	07/01/2020	51,535	46,470
480,000	XL Capital Ltd, 6.50%	04/15/2017	456,857	129,702
85,000	XTO Energy Inc., 6.50%	12/15/2018	87,871	102,590
			41,756,071	39,323,579

No. of Shares	Issuer	Average Cost ($)	Fair Value ($)
	Equity Investments (0.0%)		
4,525	Fannie Mae 8.25% Series S Preferred	108,384	4,637
4,950	Fannie Mae 8.25% Series T Preferred	124,146	4,644
11,325	Freddie Mac 8.38% 12/31/12 Series Z Preferred	285,923	4,893
		518,453	14,174
	Utilities (0.0%)		
10	Mirant Corporation	–	232
	Short-Term Notes-(Schedule 1) (0.2%)	85,286	89,574
	Total Investments (105.4%)	47,431,778	45,469,504
	Foreign Currency Forwards Contracts (Schedule 2) (-0.4%)	–	(185,265)
	Total Investment Portfolio (105.0%)	47,431,778	45,284,239
	Other Assets, Less Liabilities (-5.0%)		(2,134,431)
	Total Net Assets (100.0%)		43,149,808
	Net Assets per Unit		$7.33

** Bonds are comprised of 87% U.S. $ denominated bonds and 13% bonds denominated in other foreign currencies.

Schedule 1
Short-Term Notes

Face Amount	Issuer	Maturity Date	Average Cost ($)	Fair Value ($)
$72,559	State Street Trust Company Canada U.S. Dollar Call Deposit 1.00%	01/02/2009	85,286	89,574
Total Short-Term Notes			85,286	89,574

Portfolio Advisor: Citigroup Alternative Investments LLC

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

For equities, all common shares unless otherwise noted.

Statement of Investment Portfolio as at December 31, 2008

Schedule 2
Foreign Currency Forwards Contracts Value

Contracts	Pay		Receive		Due Date	Credit Rating(1)	Fair Value ($)
1	400,000	Australian Dollar	278,546	U.S. Dollar	01/16/2009	A+	30
1	1,011,963	Australian Dollar	692,390	U.S. Dollar	01/16/2009	A+	(15,119)
1	100,000	Brazilian Real	41,288	U.S. Dollar	02/03/2009	A	(1,362)
1	170,000	Brazilian Real	70,103	U.S. Dollar	01/05/2009	AA–	(3,447)
1	100,000	Brazilian Real	39,841	U.S. Dollar	01/05/2009	AA–	(3,752)
1	100,000	Brazilian Real	39,002	U.S. Dollar	01/05/2009	A	(4,788)
1	240,000	European Euro	336,953	U.S. Dollar	01/16/2009	AA–	4,350
1	120,000	European Euro	167,909	U.S. Dollar	01/16/2009	AA–	1,474
1	55,000	European Euro	72,515	U.S. Dollar	01/16/2009	AA–	(4,811)
1	80,000	European Euro	105,383	U.S. Dollar	01/16/2009	AA–	(7,112)
1	3,097,573	European Euro	4,026,844	U.S. Dollar	01/16/2009	A+	(341,524)
1	152,965,774	Japanese Yen	1,651,980	U.S. Dollar	01/16/2009	AA–	(44,137)
1	250,000	British Pound	372,957	U.S. Dollar	01/16/2009	AA–	16,853
1	331,806	British Pound	490,078	U.S. Dollar	01/16/2009	AA–	16,292
1	50,000	British Pound	74,075	U.S. Dollar	01/16/2009	A+	2,733
1	2,645,642	Swedish Krone	340,000	U.S. Dollar	01/16/2009	A+	6,832
1	2,711,024	Swedish Krone	345,000	U.S. Dollar	01/16/2009	A+	2,800
1	668,079	U.S. Dollar	1,011,963	Australian Dollar	01/16/2009	A+	45,139
1	197,928	U.S. Dollar	300,000	Australian Dollar	01/16/2009	A+	13,537
1	273,905	U.S. Dollar	400,000	Australian Dollar	01/16/2009	A+	5,701
1	41,797	U.S. Dollar	100,000	Brazilian Real	01/05/2009	A	1,336
1	72,743	U.S. Dollar	170,000	Brazilian Real	01/05/2009	AA–	188
1	42,790	U.S. Dollar	100,000	Brazilian Real	01/05/2009	AA–	111
1	321,168	U.S. Dollar	240,000	European Euro	01/16/2009	A+	15,141
1	321,298	U.S. Dollar	240,000	European Euro	01/16/2009	A+	14,981
1	65,035	U.S. Dollar	50,000	European Euro	01/16/2009	AA–	5,470
1	34,724	U.S. Dollar	25,000	European Euro	01/16/2009	AA–	10
1	34,803	U.S. Dollar	25,000	European Euro	01/16/2009	A+	(88)
1	34,824	U.S. Dollar	25,000	European Euro	01/16/2009	AA–	(113)
1	835,170	U.S. Dollar	600,000	European Euro	01/16/2009	AA–	(1,970)
1	71,455	U.S. Dollar	50,000	European Euro	01/16/2009	AA–	(2,458)
1	1,418,143	U.S. Dollar	131,850,000	Japanese Yen	01/16/2009	AA–	45,199
1	700,000	U.S. Dollar	64,211,000	Japanese Yen	01/16/2009	AA–	10,449
1	300,000	U.S. Dollar	27,234,000	Japanese Yen	01/16/2009	AA–	596
1	245,000	U.S. Dollar	22,076,460	Japanese Yen	01/16/2009	A+	(1,757)
1	221,412	U.S. Dollar	150,000	British Pound	01/16/2009	A+	(7,195)
1	345,000	U.S. Dollar	2,754,549	Swedish Krone	01/16/2009	A+	3,994
1	300,000	U.S. Dollar	2,386,800	Swedish Krone	01/16/2009	AA–	2,153
1	40,000	U.S. Dollar	318,240	Swedish Krone	01/16/2009	AA–	288
1	252,367	U.S. Dollar	301,953	Swiss Franc	01/16/2009	A+	38,711
Total Foreign Currency Forwards Contracts Value							(185,265)

(1) Credit rating refers to the credit worthiness of the counterparty, not the contract.

Portfolio Advisor: Logan Circle Partners, L.P.

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

Discussion of Financial Instrument Risk
As at December 31, 2008

A. Risk management

The investment objective of Pinnacle American Core-Plus Bond Fund (the "Fund") is to achieve superior long term returns and to provide income as well as capital growth by investing primarily in a portfolio of U.S. government and corporate bonds and mortgage pass through securities. The Fund may also invest in the U.S. dollar denominated emerging markets, non-investment grade debt and non-U.S. investment grade sovereign and corporate debt.

Managing risk is among the most important factors in the portfolio management process, guiding investment decisions made for the Fund. The Fund's investment practice includes portfolio monitoring to ensure compliance with stated investment guidelines. The Manager seeks to minimize potential adverse effects of risks on the Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's securities and financial market developments.

B. Liquidity risk

The Fund's exposure to liquidity risk arises from the daily cash redemption of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in securities that are not traded in an active market. Such securities are identified in the Statement of Investment Portfolio. All liabilities are short term in nature.

C. Currency risk

Currency risk is the risk that financial instruments which are denominated in a currency other than Canadian dollars, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. As at December 31, 2008, the Fund's financial instrument were exposed to the following currencies:

Currency	Financial Instruments ($)	Percentage of Net Assets (%)
U.S. Dollar	42,474,396	98.4
Japanese Yen	2,361,959	5.5
European Euro	1,464,447	3.4
Swiss Franc	371,392	0.9
Australian Dollar	323,583	0.8
Swedish Krona	92,011	0.2
British Pound	89,464	0.2
Norwegian Krone	87,494	0.2
New Zealand Dollar	642	0.0
Mexican Peso	578	0.0
Russian Ruble	97	0.0
Polish Zloty	2	0.0
South African Rand	1	0.0
Brazilian Real	–52,358	–0.1
Total	47,213,708	109.4

The amounts in the above table are based on the fair value of the Fund's financial instruments (including cash and cash equivalents as well as the underlying principal amounts of forward currency contracts). Other financial assets (including dividends and interest receivable and receivables for investments sold) and financial liabilities that are denominated in foreign currencies do not expose the Fund to significant currency risk.

As at December 31, 2008, if the Canadian dollar had strengthened or weakened by 10% in relation to all currencies, with all other variables held constant, the Fund's net assets would have decreased or increased, respectively by approximately $4,721,371 (approximately 10.9% of the Fund's net assets). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

D. Interest rate risk

Interest rate risk arises from interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. As at

Discussion of Financial Instrument Risk
As at December 31, 2008

December 31, 2008, had prevailing interest rates increased or decreased by 0.25%, assuming a parallel shift in the yield curve and all other variables held constant, net assets would have decreased or increased by approximately $453,655 (approximately 1.1% of the Fund's net assets). The Fund's sensitivity to interest rate fluctuations was estimated using the weighted average duration of the bond portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

The table below summarizes the Fund's exposure to interest rate risks by remaining term to maturity of the Fund's portfolio of bonds, excluding cash and cash equivalents, as of December 31, 2008.

($)	Less than 1 year	1-3 years	3-5 years	5-10 years	>10 years	Total
Bonds	1,632,992	3,705,996	4,340,040	10,731,031	25,045,039	45,455,098

E. Credit risk

Credit risk is the risk that the counterparty to a financial interest will fail to discharge an obligation or commitment that it has entered into with the Fund. 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. Payment is made on a purchase once the securities have been received by the broker.

Where the Fund invests in debt instruments this represents the main concentration of credit risk. The market value of debt instruments includes consideration of the creditworthiness of the issuer, and accordingly, represents the maximum credit risk exposure to the fund. Credit risk may also exist in relation to counterparties of currency forwards contracts.

As of December 31, 2008, debt securities, excluding cash and cash equivalents, held by the Fund have credit ratings as follows:

	Percent of Total Bonds (%)	Percentage of Net Assets (%)
A– to AAA+	54.9	57.7
B– to BBB+	23.6	24.8
C– to CCC+	3.8	4.0
D– to DDD+	1.7	1.8
NR or other	16.0	16.8
Total	100.0	105.1

The Fund enters into securities lending transactions with counterparties whereby the Fund temporarily exchanges securities for collateral with a commitment by the counterparty to deliver the same securities on a future date. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient, approved credit rating and the market value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, as disclosed in Note 9.

F. Other price risk

There are no other significant price risks.

Statement of Net Assets as at December 31,

	2008	2007
Assets		
Investments at fair value	$82,061,446	$100,870,237
Cash	731,193	6,411,509
Subscriptions receivable	26,404	302,809
Receivable for securities sold	2,136,690	–
Accrued investment income	556,090	425,857
Prepaid expense	4,153	–
	85,515,976	108,010,412
Liabilities		
Payable on open spot and forwards contracts	22,870	1,520
Payable for securities purchased	123,864	212,812
Redemptions payable	47,871	58,326
Accrued expenses	82,479	75,164
	277,084	347,822
Net assets representing unitholders' equity	$85,238,892	$107,662,590
Number of units outstanding	8,909,511	7,616,274
Net assets per unit	$ 9.57	$ 14.14

Statement of Operations for the years ended December 31,

	2008	2007
Investment Income		
Dividends	$ 3,939,200	$ 2,623,094
Interest	199,728	579,996
Securities lending	28,559	15,781
Less: Foreign withholding taxes	(733,415)	(597,458)
	3,434,072	2,621,413
Expenses		
Legal fees	3,615	2,948
Audit fees	19,398	17,856
Custody fees	98,704	46,112
Filing fees	16,587	13,396
Directors' fees	2,269	1,389
Unitholder reporting costs	28,505	38,971
Unitholder administration, service fees and GST	111,776	126,923
	280,854	247,595
Net investment income (loss)	3,153,218	2,373,818
Net realized gain (loss) on investments sold	(18,542,081)	10,739,267
Net realized gain (loss) on foreign exchange	(275,579)	(747,413)
Change in unrealized appreciation (depreciation) of investments	(22,948,577)	(36,340,784)
Change in unrealized appreciation (depreciation) of foreign exchange	40,538	(40,647)
Transaction costs (Note 2)	(311,300)	(349,175)
Net gain (loss) on investments and transaction costs	(42,036,999)	(26,738,752)
Increase (Decrease) in Net Assets from Operations	$(38,883,781)	$(24,364,934)
Increase (decrease) in net assets from operations per unit	$ (4.60)	$ (4.09)

Statement of Changes in Net Assets for the years ended December 31,

	2008	2007
Net Assets, Beginning of Period	$107,662,590	$105,244,128
New accounting policy adjustment (Note 2)	–	(220,256)
Increase (decrease) in net assets from operations	(38,883,781)	(24,364,934)
Distributions to unitholders		
Investment income	(3,045,292)	(2,276,403)
Capital gains	–	(10,878,428)
	65,733,517	67,504,108
Unit Transactions:		
Proceeds from issue	58,842,738	54,689,889
Reinvested distributions	3,037,952	13,128,971
Payments on redemption	(42,375,315)	(27,660,378)
	19,505,375	40,158,482
Increase (decrease) in net assets	(22,423,698)	2,418,462
Net Assets, End of Period	$ 85,238,892	$107,662,590

Portfolio Advisor: Citigroup Alternative Investments LLC

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

Statement of Investment Portfolio as at December 31, 2008

No. of Shares	Issuer	Average Cost ($)	Fair Value ($)
	Australia (8.9%)		
1,010,000	Commonwealth Property Office Fund	1,338,671	1,033,445
836,651	DB RREEF Trust	1,174,518	600,206
986,392	Macquarie Goodman Group	3,414,848	645,694
432,884	Stockland	2,757,845	1,546,249
329,104	Westfield Group	5,726,632	3,743,339
		14,412,514	7,568,933
	Brazil (1.2%)		
151,800	Multiplan Empreendimentos Imobiliarios SA	1,462,604	1,009,649
	Canada (2.4%)		
39,062	Allied Properties REIT	736,592	484,759
41,900	Boardwalk REIT	1,268,294	1,070,545
20,300	Canadian REIT	471,351	458,171
		2,476,237	2,013,475
	Finland (0.8%)		
177,726	Citycon Oyj	821,111	514,649
32,900	Technopolis Oyj	240,864	164,697
		1,061,975	679,346
	France (4.5%)		
6,100	Gecina	868,059	522,992
17,820	Unibail	3,958,177	3,276,523
		4,826,236	3,799,515
	Hong Kong (11.9%)		
531,500	China Resources Land Limited	879,533	812,339
804,200	Hang Lung Properties Ltd.	2,783,952	2,177,769
188,100	Hongkong Land Holdings Limited	805,390	581,770
228,400	Hysan Development Company, Limited	704,595	457,892
503,219	Kerry Properties Limited	2,358,955	1,672,085
454,600	Link REIT, The	1,062,088	932,883
291,900	Sun Hung Kai Properties Limited	4,390,407	3,029,966
139,100	Wharf (Holdings) Limited, The	630,144	474,477
		13,615,064	10,139,181
	Japan (13.9%)		
10,000	AEON Mall Co. Ltd.	245,613	238,330
82	Frontier Real Estate Investment Corporation	630,593	563,496
78	Kenedix Realty Investment Corporation	408,344	266,378
215,300	Mitsubishi Estate Company Limited	5,286,242	4,383,161
231,100	Mitsui Fudosan Co. Ltd.	5,249,925	4,740,978
117	Nippon Building Fund Inc.	1,408,390	1,585,319
22,800	Tokyu Land Corporation	149,967	107,198
		13,379,074	11,884,860
	Netherlands (2.0%)		
18,500	Corio NV	999,007	1,047,158
6,000	Wereldhave NV	673,798	654,268
		1,672,805	1,701,426
	New Zealand (0.8%)		
948,000	AMP NZ Office Trust	846,349	686,058
	Singapore (3.0%)		
1,178,000	Ascott Residence Trust	1,049,297	591,911
372,200	Capitaland Ltd.	1,310,263	1,009,472
1,014,300	Mapletree Logistics Trust	512,486	306,652
1,051,800	Parkway Life REIT	798,538	689,152
		3,670,584	2,597,187
	South Africa (0.4%)		
193,847	Growthpoint Properties Limited	284,436	357,537
	Sweden (1.4%)		
136,100	Hufvudstaden AB Series A	1,335,908	1,182,875
	United Kingdom (7.8%)		
147,079	British Land Company PLC	2,451,030	1,455,462
70,203	Derwent Valley Holdings PLC	2,115,037	910,484
107,604	Great Portland Estates PLC	1,085,497	499,010
132,200	Hammerson Property & Investment Development Corporation PLC	2,576,816	1,264,202
126,609	Helical Bar PLC	986,308	632,514
89,348	Land Securities Group PLC	2,691,241	1,470,143
47,400	Liberty International PLC	935,626	405,486
		12,841,555	6,637,301
	United States (37.3%)		
15,700	Alexandria Real Estate Equities Inc.	1,313,060	1,169,489
11,700	AMB Property Corp.	503,927	338,270
19,000	Avalonbay Communities Inc.	2,082,098	1,420,934
26,900	Boston Properties Inc.	2,388,410	1,825,446
31,800	Corporate Office Properties Trust	1,192,703	1,202,445
30,700	Digital Realty Trust Inc.	1,232,415	1,244,608
72,400	Douglas Emmett Inc.	1,676,556	1,166,380
48,200	Equity Residential	1,989,150	1,774,376
14,000	Essex Property Trust Inc.	1,458,222	1,315,928
21,700	Federal Realty Investment Trust	1,657,983	1,660,628
37,600	HCP Inc.	1,256,992	1,289,006
18,600	Health Care REIT Inc.	872,822	968,984
115,932	Host Marriott Corp.	1,928,164	1,083,404
55,400	Kimco Realty Corporation	2,041,212	1,248,141
27,600	LaSalle Hotel Properties	1,001,917	375,476
27,900	Macerich Co. REIT, The	1,193,913	625,477
23,700	Public Storage Inc.	1,945,314	2,325,691
13,600	Regency Centers Corp.	899,214	781,537
54,300	Simon Property Group Inc.	4,734,230	3,560,812
12,800	Starwood Hotels & Resorts Worldwide Inc.	674,557	282,849
32,500	Tanger Factory Outlet Centers Inc.	1,276,866	1,502,541
26,400	Taubman Centers Inc.	1,259,936	828,132
39,400	Ventas Inc.	1,721,040	1,631,362
29,300	Vornado Realty Trust	2,805,868	2,182,187
		39,106,569	31,804,103
	Total Investments (96.3%)	110,991,910	82,061,446
	Foreign Currency Spot Contracts – (Schedule 1) (0.0%)	–	(22,870)
	Total Investment Portfolio (96.3%)	110,991,910	82,038,576
	Other Assets, Less Liabilities (3.7%)		3,200,316
	Total Net Assets (100.0%)		**85,238,892**
	Net Assets Per Unit		**$9.57**

REIT – Real Estate Investment Trust

Portfolio Advisor: Citigroup Alternative Investments LLC

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

-For equities, all common shares unless otherwise noted.

Statement of Investment Portfolio as at December 31, 2008

Schedule 1
Foreign Currency Spot Contracts Value

Contracts	Pay		Receive		Due Date	Credit Rating(1)	Fair Value ($)
1	261,354	Australian Dollar	220,165	Canadian Dollar	01/02/2009	AA	(4,781)
1	301,909	Australian Dollar	256,985	Canadian Dollar	01/05/2009	AA	(2,866)
1	186,834	Australian Dollar	159,033	Canadian Dollar	01/05/2009	AA	(1,774)
1	122,319	Canadian Dollar	100,336	U.S. Dollar	01/02/2009	AA	1,545
1	83,602	European Euro	143,595	Canadian Dollar	01/02/2009	AA	133
1	1,430,663	Hong Kong Dollar	225,305	Canadian Dollar	01/02/2009	AA	(2,580)
1	34,684,491	Japanese Yen	466,628	Canadian Dollar	01/07/2009	AA	(5,716)
1	730,037	Swedish Kroner	113,105	Canadian Dollar	01/07/2009	AA	(860)
1	116,247	U.S. Dollar	141,717	Canadian Dollar	01/02/2009	AA	(1,790)
1	115,122	U.S. Dollar	140,345	Canadian Dollar	01/02/2009	AA	(1,773)
1	90,518	U.S. Dollar	110,351	Canadian Dollar	01/02/2009	AA	(1,394)
1	110,215	U.S. Dollar	135,046	Canadian Dollar	01/05/2009	AA	(1,014)
Total Foreign Currency Spot Contracts Value							(22,870)

(1) Credit rating refers to the credit worthiness of the counterparty, not the contract.

Discussion of Financial Instrument Risk
As at December 31, 2008

A. Risk management

The investment objective of Pinnacle Global Real Estate Securities Fund (the "Fund") is to achieve superior long term returns through income and capital growth, by investing primarily in U.S., Canadian and non-North American real estate stocks and real estate investment trusts (REITs).

Managing risk is among the most important factors in the portfolio management process, guiding investment decisions made for the Fund. The Fund's investment practice includes portfolio monitoring to ensure compliance with stated investment guidelines. The Manager seeks to minimize potential adverse effects of risks on the Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's securities and financial market developments.

B. Liquidity risk

The Fund's exposure to liquidity risk arises from the daily cash redemption of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in securities that are not traded in an active market. Such securities are identified in the Statement of Investment Portfolio.

C. Currency risk

Currency risk is the risk that financial instruments which are denominated in a currency other than Canadian dollars, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. As at December 31, 2008, the Fund's financial instruments were exposed to the following currencies:

Currency	Financial Instruments ($)	Percentage of Net Assets (%)
U.S. Dollar	32,432,405	38.1
Japanese Yen	11,884,860	13.9
Hong Kong Dollar	9,557,411	11.2
Australian Dollar	7,568,933	8.9
British Pound	6,641,982	7.8
European Euro	6,180,288	7.3
Singapore dollar	2,597,187	3.0
Swedish Krona	1,182,875	1.4
Brazillian Real	1,009,649	1.2
New Zealand Dollar	686,058	0.8
South African Rand	357,537	0.4
Total	80,099,185	94.0

The amounts in the above table are based on the fair value of the Fund's financial instruments (including cash and cash equivalents as well as the underlying principal amounts of forward currency contracts). Other financial assets (including dividends and interest receivable and receivable for investments sold) and financial liabilities that are denominated in foreign currencies do not expose the Fund to significant currency risk.

As at December 31, 2008, if the Canadian dollar had strengthened or weakened by 10% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased, respectively by approximately $8,009,918 (approximately 9.4% of the Fund's net assets). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

D. Interest rate risk

Interest rate risk arises from interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. As at December 31, 2008, the majority of the Fund's financial assets and liabilities are non-interest bearing, accordingly, the Fund did not have a significant exposure to interest rate risk.

Discussion of Financial Instrument Risk
As at December 31, 2008

E. Credit risk

Credit risk is the risk that the counterparty to a financial interest will fail to discharge an obligation or commitment that it has entered into with the Fund. 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. Payment is made on a purchase once the securities have been received by the broker.

Where the Fund invests in debt instruments this represents the main concentration of credit risk. As at December 31, 2008, the Fund had no significant investments in debt instruments and/or derivatives. Credit risk may also exist in relation to counterparties of spot currency contracts.

The Fund enters into securities lending transactions with counterparties whereby the Fund temporarily exchanges securities for collateral with a commitment by the counterparty to deliver the same securities on a future date. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient, approved credit rating and the market value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, as disclosed in Note 9.

F. Other price risk

Other price risk is the risk that the fair value of the Fund's financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk). The impact on the net assets of the Fund due to a 10% change in the respective stock indices, using a historical measure of the sensitivity of the Fund's returns relative to the returns of its benchmark stock index, the Financial Time Stock Exchange (FTSE) European Public Real Estate Association (EPRA) / North American Association of Real Estate Investment Trusts (NAREIT) Index, as of December 31, 2008 with all other variables held constant, would result in an increase or decrease of approximately $7,631,769 (approximately 9.0% of the Fund's net assets). The Fund's historical sensitivity measure may not be representative of its future sensitivity measure, and accordingly, the impact on net assets could be materially different.

Statement of Net Assets as at December 31,

	2008	2007
Assets		
Investments at fair value	$75,273,122	$91,448,365
Cash	216,612	393,685
Margin deposits	67,243	15,120
Receivable on open futures contracts	15,731	–
Receivable on open forwards contracts	–	27,966
Subscriptions receivable	45,597	320,587
Receivable for securities sold	297,004	287,262
Accrued investment income	444,351	360,071
Prepaid expense	2,871	–
	76,362,531	92,853,056
Liabilities		
Payable on open futures contracts	–	26,728
Payable on open forwards contracts	28,288	–
Payable for securities purchased	240,299	169,161
Redemptions payable	31,108	155,677
Accrued expenses	92,782	96,061
	392,477	447,627
Net assets representing unitholders' equity	$75,970,054	$92,405,429
Number of units outstanding	6,225,761	5,833,679
Net assets per unit	$ 12.20	$ 15.84

Statement of Operations for the years ended December 31,

	2008	2007
Investment Income		
Dividends	$ 978,917	$ 862,365
Interest	2,064,552	2,259,501
Securities lending	11,723	10,940
Income (loss) from derivatives	22,432	(43,209)
Less: Foreign withholding taxes	(30,108)	(25,378)
	3,047,516	3,064,219
Expenses		
Legal fees	2,118	3,924
Audit fees	19,075	16,104
Custody fees	188,983	181,206
Filing fees	16,136	13,396
Directors' fees	2,273	1,389
Unitholder reporting costs	17,916	21,072
Unitholder administration, service fees and GST	118,681	116,409
	365,182	353,500
Net investment income (loss)	2,682,334	2,710,719
Net realized gain (loss) on investments sold	(5,414,662)	5,376,431
Net realized gain (loss) on foreign exchange	(230,494)	174,268
Change in unrealized appreciation (depreciation) of investments	(12,864,253)	(2,951,250)
Change in unrealized appreciation (depreciation) of foreign exchange	(56,041)	86,494
Transaction costs (Note 2)	(119,708)	(207,224)
Net gain (loss) on investments and transaction costs	(18,685,158)	2,478,719
Increase (Decrease) in Net Assets from Operations	$(16,002,824)	$ 5,189,438
Increase (decrease) in net assets from operations per unit	$ (2.94)	$ 0.89

Statement of Changes in Net Assets for the years ended December 31,

	2008	2007
Net Assets, Beginning of Period	$ 92,405,429	$ 96,772,331
New accounting policy adjustment (Note 2)	–	(126,821)
Increase (decrease) in net assets from operations	(16,002,824)	5,189,438
Distributions to unitholders		
Investment income	(2,659,382)	(2,707,935)
Capital gains	–	(5,383,271)
	73,743,223	93,743,742
Unit Transactions:		
Proceeds from issue	25,903,108	23,773,811
Reinvested distributions	2,649,258	8,086,977
Payments on redemption	(26,325,535)	(33,199,101)
	2,226,831	(1,338,313)
Increase (decrease) in net assets	(16,435,375)	(4,366,902))
Net Assets, End of Period	$ 75,970,054	$ 92,405,429

Portfolio Advisor: Connor, Clark & Lunn Investment Management Ltd.

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

Statement of Investment Portfolio as at December 31, 2008

Face Amount	Issuer	Maturity Date	Average Cost ($)	Fair Value ($)
	Federal Government (9.9%)			
$ 253,000	Canada Housing Trust 3.55%	03/15/2009	254,678	254,337
1,977,000	Canada Housing Trust 3.60%	06/15/2013	1,968,093	2,093,970
1,173,000	Canada Housing Trust Strip Bond	06/15/2012	1,010,550	1,112,403
64,000	Government of Canada 3.00%	12/01/2036	77,289	85,058
711,000	Government of Canada 3.50%	06/01/2013	757,248	765,451
532,000	Government of Canada 4.25%	06/01/2018	588,176	600,841
14,000	Government of Canada 4.50%	06/01/2015	15,849	15,984
115,000	Government of Canada 5.00%	06/01/2037	140,050	147,035
945,000	Government of Canada 5.75%	06/01/2029	1,177,342	1,243,679
540,000	Government of Canada 5.75%	06/01/2033	709,112	734,716
32,000	Government of Canada 2.00%	12/01/2041	27,705	32,450
468,000	Government of Canada Strip Bond	03/15/2014	351,407	419,644
			7,077,499	7,505,568
	Provincial Government (6.4%)			
1,320,000	Hydro-Quebec 5.00%	02/15/2045	1,340,183	1,339,414
19,000	Hydro-Quebec 6.00%	02/15/2040	22,465	22,202
28,000	Hydro-Quebec 6.50%	02/15/2035	35,252	34,059
265,000	Municipal Finance Authority of British Columbia 4.65%	04/19/2016	264,807	272,981
19,000	Province of British Columbia 4.70%	06/18/2037	18,233	19,047
15,000	Province of New Brunswick 4.65%	09/26/2035	15,282	14,323
17,000	Province of Newfoundland 4.50%	04/17/2037	16,895	15,980
125,000	Province of Newfoundland 5.70%	10/17/2035	145,739	139,002
29,000	Province of Nova Scotia 4.50%	06/01/2037	27,603	27,353
1,094,000	Province of Ontario 4.20%	03/08/2018	1,072,147	1,105,333
870,000	Province of Ontario 4.50%	03/08/2015	889,920	919,312
7,000	Province of Ontario 4.70%	06/02/2037	6,921	7,003
206,000	Province of Ontario 5.60%	06/02/2035	238,571	231,389
148,000	Province of Ontario Strip Bond	12/02/2015	110,318	113,982
151,000	Province of Ontario Strip Bond	06/02/2025	74,123	64,034
211,000	Province of Ontario Strip Bond	12/02/2025	101,307	86,969
242,000	Province of Ontario Strip Bond	06/02/2026	114,065	97,184
234,000	Province of Quebec 4.50%	12/01/2018	227,942	235,447
54,000	Province of Quebec 6.00%	10/01/2029	56,843	60,589
96,000	Province of Saskatchewan 4.75%	06/01/2040	96,121	97,111
			4,874,737	4,902,714
	Corporate (19.6%)			
173,000	AltaLink Investment LP 5.02%	11/21/2012	173,531	174,998
108,000	Amkor Technology Inc. 7.13%	03/15/2011	99,222	91,995
62,883	Arrow Lakes Power 5.39%	03/31/2015	65,323	70,022
115,000	Athabasca Oil Sands Corp. 13.00%	07/30/2011	115,000	96,600
78,000	Bank of America Corporation 5.45%	09/17/2014	77,928	76,603
130,000	Bank of Montreal 5.05%	09/03/2013	132,076	132,808
326,000	Bank of Montreal 5.18%	06/10/2015	323,301	326,268
115,000	bcIMC Realty Corporation 5.25%	09/19/2012	114,860	118,444
118,000	bcIMC Realty Corporation 5.65%	01/05/2018	118,681	117,563
20,000	Bear Stearns Companies Inc., The 4.35%	07/20/2012	18,637	19,550
36,000	Bell Canada 4.64%	02/22/2016	28,440	29,873
55,000	Bell Canada 7.00%	09/24/2027	48,587	45,095
39,000	BMO Capital Trust 10.22%	12/31/2107	40,463	40,512
230,000	BMO Subordinated Notes Trust 5.75%	09/26/2022	230,712	205,142
107,000	Brascan Corporation 5.95%	06/14/2035	102,185	66,635
72,008	Brilliant Power Funding Corp. 5.67%	05/31/2026	76,803	76,006
65,000	British Columbia Ferry Services Inc. 6.21%	12/19/2013	65,000	66,181
303,000	Brookfield Asset Management Inc 5.29%	04/25/2017	296,830	203,429
76,000	Brookfield Renewable Power Inc. 5.84%	11/05/2036	75,978	54,046
505,000	Canadian Imperial Bank of Commerce 5.00%	09/10/2012	507,118	515,107
307,000	Canadian Imperial Bank of Commerce 5.15%	06/06/2018	303,482	293,797
251,000	Canadian Revolving Auto Floorplan Trust 5.68%	11/15/2012	251,000	248,101
163,000	Canadian Tire Corporation Limited 5.61%	09/04/2035	152,538	112,564
73,000	Canadian Tire Corporation Limited 6.32%	02/24/2034	78,349	55,375
119,000	CHIP Mortgage Trust 5.61%	05/02/2011	119,000	121,395
237,000	Citigroup Finance Canada Inc. 5.50%	05/21/2013	235,970	210,084
192,000	Citigroup Inc. 5.37%	03/06/2036	171,847	101,678
236,503	Claregold Trust 5.07%	05/15/2044	234,064	232,899
88,000	Column Canada Issuer Corporation 4.93%	01/15/2022	88,202	83,182
27,000	Countrywide Financial Corporation 4.69%	06/01/2009	25,920	26,711
67,000	Countrywide Financial Corporation 6.25%	05/15/2016	67,832	78,886
200,000	Credit Agricole SA 5.50%	12/31/2049	201,981	96,899
206,000	Domtar Corporation 5.38%	12/01/2013	203,836	157,670
96,000	ERAC Canada Finance Ltd. 5.38%	02/26/2016	95,918	90,243
54,000	ERAC USA Finance Company 7.00%	10/15/2037	52,426	33,407
142,000	GE Capital Canada Funding Company 4.55%	01/17/2017	133,033	124,042
284,000	GE Capital Canada Funding Company 5.15%	06/06/2013	270,275	274,072
259,000	GE Capital Canada Funding Company 5.53%	08/17/2017	255,544	238,213
338,000	GE Capital Canada Funding Company 5.73%	10/22/2037	287,286	262,425
135,000	General Motors Acceptance Corporation of Canada Ltd. 5.20%	05/21/2009	134,796	121,640
70,000	General Motors Acceptance Corporation of Canada Ltd. 5.55%	11/30/2009	68,942	53,148
146,000	Golden Credit Card Trust 5.42%	04/15/2013	146,000	151,713
297,000	Goldman Sachs Group Inc., The 5.20%	04/19/2022	262,426	222,333
43,000	Goldman Sachs Group Inc., The 6.75%	10/01/2037	35,802	43,599
193,000	Greater Toronto Airports Authority, The 6.47%	02/02/2034	207,817	174,721
47,000	Greater Toronto Airports Authority, The 6.98%	10/15/2032	54,449	45,325
175,000	Great-West Lifeco Inc. 5.69%	06/21/2067	175,000	137,147
67,000	HSBC Bank Canada 4.80%	04/10/2022	66,926	56,660
286,000	HSBC Bank Canada 4.94%	03/16/2021	273,826	252,012
69,000	HSBC Bank Canada 5.31%	10/12/2010	68,992	71,229
35,000	HSBC Holdings PLC 6.50%	09/15/2037	36,693	43,881
50,000	Hutchison Whampoa Finance 06 Limited 4.63%	09/21/2016	72,092	65,809
15,000	Lear Corporation 8.75%	12/01/2016	13,580	5,370
107,000	Loblaw Companies Limited 5.90%	01/18/2036	79,293	75,688
1,000	Loblaw Companies Limited 6.05%	06/09/2034	982	725
36,000	Loblaw Companies Limited 6.50%	01/22/2029	35,824	27,418
38,000	Loblaw Companies Limited 6.65%	11/08/2027	38,488	30,168
27,000	Loblaw Companies Limited 6.85%	03/01/2032	29,965	21,961
100,000	Mansfield Trust 6.84%	08/15/2010	107,976	104,036
50,000	Manulife Financial LP 5.06%	12/15/2041	49,969	31,367
20,000	Maritimes & Northeast Pipeline 6.90%	11/30/2019	23,034	20,072
131,000	Master Credit Card Trust 5.24%	05/21/2013	131,000	132,531
172,000	Master Credit Card Trust 5.30%	08/21/2012	172,996	173,638
87,000	Merrill Lynch & Co. Inc. 4.68%	08/12/2015	85,352	83,551
260,000	Merrill Lynch & Co. Inc. 5.29%	05/30/2022	235,355	224,623
72,000	Merrill Lynch & Co. Inc. 5.45%	07/15/2014	69,093	85,555
89,000	Merrill Lynch & Co. Inc. 6.11%	01/29/2037	78,983	98,961
50,000	Merrill Lynch Canada Finance Company 5.00%	02/18/2014	48,149	46,986

Portfolio Advisor: Connor, Clark & Lunn Investment Management Ltd.

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

Statement of Investment Portfolio as at December 31, 2008

Face Amount	Issuer	Maturity Date	Average Cost ($)	Fair Value ($)
96,000	Merrill Lynch Financial Asset Inc. 5.26%	05/12/2044	95,997	91,941
58,000	Molson Coors Capital Finance ULC 5.00%	09/22/2015	57,320	52,386
570,000	Morgan Stanley 4.90%	02/23/2017	502,539	422,150
34,000	Morgan Stanley 6.00%	04/28/2015	33,107	36,862
60,000	Morgan Stanley 6.63%	04/01/2018	62,164	66,594
57,000	Odessey Re Holdings Corp. 7.65%	11/01/2013	72,136	68,278
140,000	Omers Realty Corp. 4.09%	06/04/2013	139,996	139,586
78,476	Pearson International Fuel Facilities Corp 5.09%	03/09/2032	78,347	84,869
63,000	Penmor Investor Mortgage 4.80%	09/26/2039	63,568	62,277
100,000	RBC Capital Trust 6.82%	06/30/2018	100,783	85,773
306,000	RBC Capital Trust II 5.81%	12/29/2049	277,545	280,516
141,659	Real Estate Asset Liquidity Trust 5.20%	03/12/2046	141,116	141,437
119,000	Reliance LP 7.30%	04/03/2013	119,000	120,336
82,000	RioCan Real Estate Investment Trust 4.94%	03/24/2010	81,461	80,678
201,000	RioCan Real Estate Investment Trust 5.70%	09/11/2012	200,978	189,510
47,000	RONA Inc. 5.40%	10/20/2016	37,224	35,288
394,000	Royal Bank of Canada 4.84%	03/11/2018	393,956	379,674
650,000	Royal Bank of Canada 5.06%	07/17/2013	653,753	673,966
194,000	Royal Bank of Canada 5.95%	06/18/2014	202,009	174,220
270,000	Royal Bank of Scotland Group PLC, The 6.99%	10/29/2049	239,709	149,992
86,000	Royal Bank of Scotland Group PLC, The 6.67%	12/31/2049	82,963	42,657
217,000	Royal Bank of Scotland PLC, The 5.37%	11/29/2049	217,297	150,954
49,924	Royal Office Finance LP 5.21%	11/12/2032	49,923	49,375
30,000	Russel Metals Inc. 6.38%	03/01/2014	29,340	28,517
65,000	Sally Holdings L.L.C. 9.25%	11/15/2014	63,073	69,009
162,062	Schooner Trust 3.97%	09/12/2020	156,008	158,764
85,000	Scotiabank Capital Trust 6.63%	06/30/2052	70,982	82,093
45,000	Shaw Communications Inc. 6.15%	05/09/2016	44,497	41,854
57,994	Solar Trust 6.60%	11/15/2021	62,027	60,190
25,000	TCHC Issuer Trust 4.88%	05/11/2037	25,000	23,516
183,000	TCNZ Finance Limited 4.75%	10/11/2013	182,752	178,612
140,000	TD Banknorth Inc. 4.64%	09/20/2022	135,568	121,679
176,000	TD Capital Trust III 7.24%	12/31/2018	176,000	153,132
65,000	Terasen Gas Inc. 5.55%	09/25/2036	64,995	53,941
23,000	Terasen Gas Inc. 5.80%	05/13/2038	19,502	19,773
87,000	Terasen Gas Inc. 5.90%	02/26/2035	93,207	76,147
20,000	Terasen Gas Inc. 6.00%	10/02/2037	17,121	17,709
14,000	Terasen Gas Inc. 6.05%	02/15/2038	13,990	12,280
30,000	Terasen Gas Inc. 6.50%	05/01/2034	28,106	28,582
107,000	Tesoro Corporation 6.50%	06/01/2017	97,174	72,650
155,000	Toronto-Dominion Bank, The 4.78%	12/14/2105	138,156	120,036
500,000	Toronto-Dominion Bank, The 4.85%	02/13/2013	514,400	517,234
100,000	Toronto-Dominion Bank, The 5.14%	11/19/2012	103,900	104,316
563,000	Toronto-Dominion Bank, The 5.48%	04/02/2020	563,115	531,640
589,000	Toronto-Dominion Bank, The 5.76%	12/18/2106	584,204	474,466
62,000	Thomson Corporation, The 5.20%	12/01/2014	62,820	58,654
140,000	Thomson Reuters Corporation 5.70%	07/15/2015	140,157	134,363
80,000	West Fraser Timber Co. Ltd. 4.94%	10/19/2009	77,604	77,898
92,000	Western Oil Sands Inc. 8.38%	05/01/2012	113,896	109,031
			16,223,463	14,875,792

No. of Shares	Issuer	Average Cost ($)	Fair Value ($)
	Energy (13.3%)		
4,200	Addax Petroleum Corporation	117,970	88,578
500	Advantage Energy Income Fund	5,738	2,520
14,100	AltaGas Income Trust	318,052	240,546
2,173	Anadarko Petroleum Corporation	106,835	103,413
8,700	ARC Energy Trust	242,923	174,435
1,800	Avenir Diversified Income Trust	16,052	9,144
6,900	Baytex Energy Trust	164,700	99,912
3,021	BG Group PLC	54,277	51,287
7,100	Birchcliff Energy Ltd.	65,722	34,932
4,100	Bonavista Energy Trust	115,963	69,167
200	Bonterra Oil & Gas Ltd.	5,400	3,466
13,635	BP PLC	156,475	127,175
12,800	Breaker Energy Ltd.	96,652	65,536
4,300	Calfrac Well Services Ltd.	122,982	37,410
7,000	Cameco Corporation	133,979	146,650
14,900	Canadian Natural Resources Limited	891,482	726,375
12,600	Canadian Oil Sands Trust	484,994	264,978
8,500	Celtic Exploration Ltd.	102,997	104,805
1,382	Chevron Corporation	110,298	125,687
987	ConocoPhillips	79,164	63,116
5,300	Cresent Point Energy Trust	127,339	127,200
5,000	Daylight Resources Trust	36,913	38,550
20,400	Enbridge Inc.	853,661	807,024
24,310	EnCana Corporation	1,585,430	1,379,593
30,400	Enerflex Systems Income Fund	379,424	314,640
2,927	Eni SpA	92,866	83,680
9,900	Ensign Energy Services Inc.	185,431	130,383
600	Fort Chicago Energy Partners L.P.	6,288	4,272
700	Freehold Royalty Trust	14,457	7,280
1,726	Gaz de France	97,098	104,583
500	Gazprom ADR	30,415	8,847
679	Hess Corporation	48,018	44,962
8,000	Husky Energy Inc.	252,405	246,800
12,000	Imperial Oil Limited	554,383	491,880
4	INPEX Holdings Inc.	39,527	37,913
1,900	Inter Pipeline Fund	18,243	13,395
1,600	InterOil Corporation	23,123	25,840
20,946	Iteration Energy Ltd.	135,018	27,858
25,400	Keyera Facilities Income Fund	423,034	451,104
1,445	LUKOIL ADR	118,040	56,370
2,752	Marathon Oil Corporation	134,243	92,646
19,600	Mullen Group Income Fund	347,832	248,920
12,000	Nexen Inc.	353,834	255,840
1,500	Niko Resources Ltd.	119,863	63,585
3,900	Open Range Energy Corporation	14,811	4,368
5,100	Orleans Energy Ltd.	17,313	9,435
3,700	Pacific Rubiales Energy Corporation	14,727	7,955
10,000	Paladin Resources Limited	43,587	21,700
1,600	Pason Systems Inc.	25,052	22,320
16,700	Pembina Pipeline Income Fund	244,797	251,836
7,500	Pengrowth Energy Trust	144,962	69,150
2,000	Penn West Energy Trust	28,653	27,140
7,600	Petro Andina Resources Inc.	88,472	44,080
6,200	Petro-Canada	225,936	164,982
48,000	PetroChina Company Limited	64,373	51,838
7,000	Precision Drilling Trust	116,347	70,420
6,300	ProEx Energy Ltd.	90,887	69,363
6,000	Progress Energy Trust	74,797	53,160
4,400	Provident Energy Trust	26,223	23,540
3,708	Santos Limited	46,744	47,329
300	Savana Energy Services Corp.	6,075	2,388
5,100	ShawCor Ltd. Sub. Voting	124,662	93,075
6,900	Storm Exploration Inc.	60,739	94,944
15,800	Suncor Energy Inc.	782,747	374,776
9,900	Talisman Energy Inc.	200,632	120,582
454	Technip SA	32,290	17,170
1,272	Total SA	92,043	85,608
19,000	TransCanada Corporation	716,381	628,520
4,200	Trican Well Service Ltd.	71,878	33,222
2,900	Trinidad Drilling Ltd.	41,009	12,644

Portfolio Advisor: Connor, Clark & Lunn Investment Management Ltd.

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

-For equities, all common shares unless otherwise noted.

Statement of Investment Portfolio as at December 31, 2008

No. of Shares	Issuer	Average Cost ($)	Fair Value ($)
8,200	Tristar Oil & Gas Ltd.	141,970	92,660
4,300	Vermilion Energy Trust	144,764	107,629
		13,052,411	10,204,131
	Materials (5.6%)		
1,700	Agnico-Eagle Mines Limited	92,797	106,709
2,300	Alamos Gold Inc.	17,381	19,872
2,151	Alcoa Inc.	72,605	29,873
16,700	Barrick Gold Corporation	655,567	746,156
983	Bayer AG	73,740	69,683
2,075	BHP Billiton PLC	72,172	47,252
8,164	Capstone Mining Corp.	22,879	7,184
55,900	Cathay Forest Products Corp.	63,863	16,770
3,800	Companhia Vale do Rio Doce Preferred ADR	63,721	49,444
3,500	Detour Gold Corporation	41,515	29,680
13,400	Eldorado Gold Corporation	99,074	129,042
11,900	Equinox Minerals Limited	47,058	15,827
2,800	First Quantum Minerals Ltd.	66,608	49,308
7,400	Fortress Paper Limited	59,200	40,774
3,600	Franco-Nevada Corporation	62,367	76,320
6,500	Gammon Gold Inc.	30,074	43,745
3,800	Gerdau Ameristeel Corporation	27,841	28,234
32,900	Gold Wheaton Gold Corporation	16,450	8,225
16,450	Gold Wheaton Gold Corporation Warrants Restricted (Exp. 07/08/13)*	–	1,398
25,400	Goldcorp Inc. Sub. Voting	1,009,033	974,344
2,000	Hitachi Metals Ltd.	33,063	11,113
1,379	Holcim Ltd.	121,962	95,967
1,400	Hudbay Minerals Inc. Warrants (Exp. 01/26/09)	1,750	7
1,900	Inmet Mining Corporation	41,704	36,860
8,600	Kinross Gold Corp.	183,470	192,640
957	Kinross Gold Corp. Warrants (Exp. 09/03/13)	3,348	5,685
2,900	Labrador Iron Ore Royalty Income Fund	96,014	61,712
4,700	Major Drilling Group International Inc.	225,864	57,763
1,957	MG Technologies AG	54,485	41,425
5,000	Migao Corporation	32,374	28,300
5,000	Minefinders Corporation Ltd.	19,957	30,400
1,000	Minefinders Corporation Ltd. Warrants (Exp. 12//31/11)	1,500	2,500
7,800	Noranda Income Fund	78,256	31,746
8,200	Osisko Mining Corporation	37,605	29,602
15,640	Paladin Resources Limited	79,395	32,711
2,600	Phoenix Coal Inc.	4,212	650
9,950	Phoenix Coal Inc. Warrants (Exp. 06/25/10)	2,587	249
7,200	Potash Corporation of Saskatchewan Inc.	640,123	644,544
2,400	Quadra Mining Ltd.	44,810	6,504
18,200	Red Back Mining Inc.	128,690	154,882
500	Shin-Etsu Chemical Co. Ltd.	29,322	27,645
4,700	Silver Wheaton Corporation	61,111	37,083
7,600	Silvercorp Metals Inc.	44,763	19,684
7,200	Sino-Forest Corporation	66,388	69,408
2,727	Symrise AG	58,571	46,141
249	Syngenta AG	65,193	57,819
2,100	Teck Cominco Limited Class B Sub. Voting	96,637	12,579
200	Timminco Ltd.	3,843	700
140	Vallourec SA	36,175	19,450
600	West Fraser Timber Co. Ltd.	20,355	19,068
		4,907,472	4,264,677
	Industrials (5.2%)		
10,400	Aecon Group Inc.	129,711	114,088
1,400	AG Growth Income Fund	36,043	27,146
1,213	Alstom	85,526	87,372
17,100	Armtec Infrastructure Income Fund	265,554	290,529
13,600	AutoCanada Income Fund	125,408	29,240
6,501	BAE Systems PLC	56,831	43,155
3,859	BE Aerospace Inc.	91,236	36,492
1,400	BFI Canada Limited	25,661	14,504
3,000	Bird Construction Income Fund	114,216	59,430
1,441	Boeing Company, The	97,261	75,853
63,000	Bombardier Inc. Class B	326,054	278,460
10,700	CAE Inc.	112,070	86,242
14,700	Canadian National Railway Company	669,678	657,678
1,200	Chemtrade Logistics Income Fund	16,511	10,416
1,500	Canadian Pacific Railway Limited	60,629	61,290
13	East Japan Railway Company	119,009	125,336
1,000	Fanuc Ltd.	94,403	87,796
5,500	Finning International Inc.	124,925	78,210
1,060	Gazprom ADR	44,434	18,451
6,093	General Electric Company	161,029	121,628
6,600	Genivar Income Fund	131,585	165,198
3,400	GLV Inc. Sub Voting	17,907	26,316
12,000	Horizon North Logistics Inc.	29,418	9,600
4,100	IBI Income Fund	42,200	50,020
63,400	Jazz Air Income Fund	479,476	203,514
2,300	Livingston International Income Fund	33,178	18,630
469	LVMH Moet Hennessy Louis Vuitton SA	51,540	38,899
3,400	Mitsubishi Corporation	83,094	57,322
700	Nidec Corporation	48,945	32,507
3,800	Seacliff Construction Corporation	42,696	23,560
1,048	Shaw Group Inc., The	53,977	26,470
4,553	Smiths Group PLC	101,633	71,397
8,200	SNC-Lavalin Group Inc.	352,811	325,376
2,300	Superior Plus Income Fund	30,426	24,909
1,300	Toromont Industries Ltd.	35,798	29,770
1,100	Transat A.T. Inc. Class B	21,992	13,079
14,700	Viterra, Inc.	145,877	139,356
2,900	WestJet Airlines Ltd.	46,363	37,961
35,300	Westshore Terminals Income Fund	569,708	336,762
		5,074,813	3,933,962
	Consumer Discretionary (2.9%)		
6,855	British Sky Broadcasting Group PLC	72,306	58,036
4,567	CBS Corporation Class B	82,201	46,175
1,300	Cervus LP	20,845	11,180
3,600	Cogeco Cable Inc.	139,148	124,056
4,425	Comcast Corporation	84,900	91,882
5,600	Corus Entertainment Inc. Class B Non-Voting	116,249	76,944
2,800	Dorel Industries Inc. Class B Sub. Voting	86,690	75,908
4,798	eBay Inc.	108,206	82,687
1,400	Forzani Group Ltd., The	10,521	10,010
2,700	Gamehost Income Fund	35,394	20,250
2,900	George Weston Limited	162,049	172,956
3,400	Gildan Activewear Inc. Sub. Voting	93,309	48,246
7,400	Great Canadian Gaming Corporation	66,626	26,714
34,200	Groupe Aeroplan Inc.	513,588	296,514
2,993	Home Depot Inc., The	91,629	85,056
900	Imax Corporation	3,513	4,905
1,463	KB Home	42,040	24,599
1,500	Linamar Corporation	33,824	5,535
1,400	Lululemon Athletica Inc.	31,661	13,496
600	Magna International Inc. Sub. Voting	37,511	21,972
38,900	New Flyer Industries Inc.	406,667	322,092
22,900	Score Media Inc. Sub-Voting	34,552	9,160
700	Sears Canada Inc.	14,692	12,250
900	Shaw Communications Inc. Class B Non-Voting	21,528	19,431
13,000	Television Broadcasts Ltd.	76,751	52,182
1,500	Toyota Motor Corporation	82,760	60,613
1,453	Vivendi Universal SA	59,916	58,008
2,468	Wolters Kluwer NV	66,328	57,005
47,400	Yellow Pages Income Fund	593,997	314,262
		3,189,401	2,202,124
	Consumer Staples (2.8%)		
1,600	Alliance Grain Traders Income Fund	24,750	12,848
2,800	Atrium Innovations Inc.	43,141	36,092

Portfolio Advisor: Connor, Clark & Lunn Investment Management Ltd.

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-For equities, all common shares unless otherwise noted.

Statement of Investment Portfolio as at December 31, 2008

No. of Shares	Issuer	Average Cost ($)	Fair Value ($)
4,518	Dr. Pepper Snapple Group Inc.	95,302	90,466
800	Empire Company Limited	37,317	38,800
1,889	H.J. Heinz Company	96,741	87,612
2,450	Heineken NV	108,196	92,073
3,000	Kao Corporation	95,442	110,308
7,100	Liquor Stores Income Fund	133,158	73,911
900	Loblaw Companies Limited	28,923	31,446
6,300	Metro Inc. Sub-Voting	215,968	232,785
3,615	Molson Coors Brewing Company Class B	201,198	216,629
2,046	Nestlé SA	97,469	99,548
2,662	Philip Morris International inc	127,289	142,951
1,181	Procter & Gamble Company, The	84,691	90,101
3,103	SABMiller PLC	68,651	64,498
12,500	Saputo Inc.	294,008	275,750
5,000	Shoppers Drug Mart Corporation	235,279	240,150
2,787	SUPERVALU Inc.	55,985	50,163
1,581	Unilever NV	51,279	47,044
2,049	Unilever PLC	57,175	57,425
		2,151,962	2,090,600
	Health Care (2.6%)		
1,601	Allergan Inc.	84,438	79,690
2,400	Biovail Corporation	27,014	27,624
400	Cardiome Pharma Corporation	3,430	2,200
43,100	CML Healthcare Income Fund	641,119	553,404
978	Eli Lilly and Company	47,687	48,608
999	Genentech Inc.	93,977	101,855
2,072	Gilead Sciences Inc.	106,537	130,682
2,323	GlaxoSmithKline PLC	66,949	52,899
4,500	IMRIS Inc.	21,964	7,200
5,000	Isotechnika Inc. Warrants (Exp. 02/15/09)*	–	–
1,475	Johnson & Johnson	108,041	108,853
3,130	Merck & Co. Inc.	112,343	117,388
1,866	Novartis AG	105,466	115,420
11,800	Patheon Inc.	41,140	25,960
6,290	Pfizer Inc.	133,676	137,518
616	Roche Holding AG	113,788	117,059
7,450	Smith & Nephew PLC	82,182	58,352
8,496	Sonic Healthcare Limited	89,156	106,030
700	Takeda Pharmaceutical Company Limited	40,752	44,042
6,600	Theratechnologies Inc.	22,902	12,870
2,061	Wyeth	100,253	95,437
		2,042,814	1,943,091
	Financials (13.2%)		
482	Allianz AG	87,930	61,902
1,996	AON Corporation	106,292	112,534
1,400	Artis Real Estate Investment Trust	20,909	10,234
3,338	Axa SA	109,886	91,871
2,950	Banco Bradesco SA ADR	42,695	35,871
5,303	Bank of America Corporation	189,024	91,390
16,800	Bank of East Asia Ltd.	86,255	43,191
12,000	Bank of Montreal	495,027	374,640
23,100	Bank of Nova Scotia, The	1,032,787	765,765
17,900	Boardwalk Real Estate Investment Trust	606,420	457,345
14,600	Brookfield Asset Management Inc. Limited Voting	364,323	270,684
7,600	Brookfield Properties Corporation	90,102	70,680
21,500	Calloway Real Estate Investment Trust	492,922	243,380
200	Canadian Apartment Properties Real Estate Investment Trust	3,125	3,142
5,200	Canadian Imperial Bank of Commerce	253,035	265,044
4,500	Canadian Real Estate Investment Trust	127,135	101,565
3,800	Canadian Western Bank	88,392	46,854
59,300	Chartwell Seniors Housing Real Estate Investment Trust	347,928	318,441
5,000	Cheung Kong (Holdings) Limited	67,024	58,219
15,500	CI Financial Income Fund	327,988	224,440
600	Cominar Real Estate Investment Trust	13,132	9,606
2,000	Credit Suisse Group	107,854	66,391
1,400	Davis + Henderson Income Fund	26,565	23,366
1,132	Deutsche Bank AG	115,361	54,303
8,849	Dundee Real Estate Investment Trust Series A	322,296	111,497
160	E-L Financial Corporation Limited	81,334	65,600
16,400	Extendicare Real Estate Investment Trust	98,385	94,792
900	Fairfax Financial Holdings Limited Sub. Voting	245,012	343,683
1,900	FirstService Corporation Sub. Voting	42,607	30,267
360	FirstService Corporation 7.00% Preferred	376	6,222
1,600	Great-West Lifeco Inc.	50,098	33,104
3,300	Guardian Capital Group Ltd.	30,870	14,553
22,700	H&R Real Estate Investment Trust	193,732	167,980
3,443	HCC Insurance Holdings Inc.	88,264	113,698
600	Home Capital Group Inc. Class B Sub. Voting	22,197	11,682
1,900	ICICI Bank Limited ADR	67,225	44,941
2,600	IGM Financial Inc.	91,098	92,092
6,800	Industrial Alliance Insurance and Financial Services Inc.	233,085	156,060
2,200	ING Canada Inc.	92,730	69,520
4,933	ING Groep NV	101,751	62,049
300	InnVest Real Estate Investment Trust	1,879	1,158
1,800	JPMorgan Chase & Company	72,578	70,063
4,300	Laurentian Bank of Canada	173,347	147,533
15,615	Legal & General Group PLC	42,032	21,036
41,300	Manulife Financial Corporation	1,460,313	857,388
3,065	Merrill Lynch & Co. Inc.	143,563	42,000
10,900	Mitsubishi UFJ Financial Group Inc.	111,032	81,493
6,000	Mitsui Fudosan Co. Ltd.	129,578	123,089
1,900	Morguard Real Estate Investment Trust	22,772	21,755
9,300	National Bank of Canada	437,292	290,997
100	Northbridge Financial Corp.	2,851	3,885
200	Northern Property Real Estate Investment Trust	3,208	3,240
5,400	Onex Corporation Sub-Voting	156,731	97,254
2,200	Power Corporation of Canada	79,561	48,862
6,563	QBE Insurance Group Limited	140,249	144,890
37,500	Royal Bank of Canada	1,726,118	1,350,000
3,300	Sceptre Investment Counsel Limited	14,371	16,203
16,900	Scott's Real Estate Investment Trust	140,203	68,783
10,600	Semcan Inc.	10,070	901
5,850	Semcan Inc. Warrants (Exp. 10/21/09)*	–	–
4	SM Investments Corporation	29	20
5,700	Sun Life Financial Inc.	178,950	161,595
2,889	TMX Group Inc.	123,727	72,716
24,500	Toronto-Dominion Bank, The	1,543,528	1,063,790
353	Zurich Financial Services AG	99,007	94,128
		13,776,160	10,001,377
	Information Technology (3.5%)		
4,350	ASML Holding NV	100,853	94,801
1,800	Capcom Co. Ltd.	53,991	49,935
36,200	Celestica Inc. Sub. Voting	230,705	199,824
31,900	CGI Group Inc. Sub. Voting	341,779	303,050
5,700	Cisco Systems Inc.	123,883	114,557
1,300	Constellation Software Inc.	26,201	33,150
3,600	Evertz Technologies Limited	40,016	48,780
2,011	EXFO Electro-Optical Engineering Inc.	9,516	7,602
224	Google Inc.	96,966	84,996
3,451	Intel Corporation	72,078	62,498
12,600	Kaboose Inc.	41,897	4,410
1,100	MacDonald, Dettwiler and Associates Ltd.	38,720	23,727
4,044	Maxim Integrated Products Inc.	81,969	56,713
1,216	MEMC Electronics Materials Inc.	48,815	21,406
5,430	Microsoft Corporation	144,510	130,313
7,100	Miranda Technologies Inc.	92,210	47,073
1,989	Nokia Oyj	51,448	38,066
4,100	Nomura Research Inc.	106,112	94,305
9,600	Open Text Corporation	318,740	351,936
6,322	Oracle Corporation	131,093	138,140

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Statement of Investment Portfolio as at December 31, 2008

No. of Shares	Issuer	Average Cost ($)	Fair Value ($)
35,200	Peer 1 Network Corp.	41,147	33,088
9,000	Research In Motion Limited	522,945	445,140
6,500	Ruggedcom Inc.	83,842	94,315
7,529	Seagate Technology	140,699	40,989
10,491	Taiwan Semiconductor Manufacturing Company Limited ADR	121,728	102,314
5,797	Xyratex Ltd.	116,403	21,111
		3,178,266	2,642,239
	Telecommunication Services (2.9%)		
2,200	America Movil SA de CV Series L ADR	98,108	83,976
18,398	BCE Inc.	564,451	460,870
12,600	Bell Aliant Regional Communications Income Fund	352,056	295,722
1,740	Bouygues SA	98,494	90,039
6,500	China Mobile (Hong Kong) Limited	90,769	81,356
1,419	China Mobile (Hong Kong) Limited ADR	67,647	88,866
3,591	Chunghwa Telecom Co. Ltd.	75,578	68,979
4,749	Deutsche Telekom AG	89,318	87,443
3,400	Manitoba Telecom Services Inc.	150,887	120,598
47	NTT DoCoMo Inc.	86,003	112,459
6,600	Rogers Communications Inc. Class B	227,225	241,428
3,687	Telefonica SA	96,049	102,026
7,300	Telus Corporation	295,408	271,268
4,200	TeraGo Inc.	45,150	14,238
40,689	Vodafone Group PLC	116,858	100,348
		2,454,001	2,219,616
	Utilities (1.2%)		
3,100	Boralex Inc.	22,489	23,374
800	Canadian Utilities Limited	34,780	32,328
11,500	Emera Inc.	251,076	255,070
12,400	Enbridge Income Fund	130,444	128,960
54,000	Huaneng Power International Inc.	42,551	47,652
14,772	International Power PLC	63,237	62,991
7,313	National Grid PLC	98,866	88,782
1,500	Pacific Northern Gas Ltd.	24,989	20,100
52,000	Tonbridge Power Inc.	19,994	7,020
9,900	TransAlta Corporation	289,891	240,570
		978,317	906,847
	Short-Term Notes (Schedule 1) (10.0%)	7,580,384	7,580,384
	Total Investments (99.1%)	86,561,700	75,273,122
	Futures Contracts Value (Schedule 2) (0.0%)	–	15,731
	Foreign Currency Forwards Contracts Value (Schedule 3) (0.0%)	–	(28,288)
	Total Investment Portfolio (99.1%)	86,561,700	75,260,565
	Other Assets, Less Liabilities (0.9%)		709,489
	Total Net Assets (100.0%)		75,970,054
	Net Assets Per Unit		**$12.20**

* This security is not actively traded.

Schedule 1 – Short-Term Notes

Face Amount	Issuer	Maturity Date	Average Cost ($)	Fair Value ($)
$ 200,000	Bank of Montreal 1.54%	01/05/2009	199,958	199,958
400,000	Bank of Montreal 2.74%	01/07/2009	399,790	399,790
200,000	Bank of Montreal 1.42%	01/09/2009	199,930	199,930
250,000	Bank of Montreal 1.92%	02/26/2009	249,252	249,252
400,000	Bank of Montreal 1.46%	03/17/2009	398,786	398,786
300,000	Bank of Montreal 1.46%	03/18/2009	299,078	299,078
700,000	Bank of Montreal 1.61%	03/23/2009	697,478	697,478
150,000	Canadian Imperial Bank of Commerce 1.82%	01/02/2009	149,985	149,985
250,000	Canadian Imperial Bank of Commerce 1.47%	01/30/2009	249,698	249,698
200,000	Canadian Imperial Bank of Commerce 2.34%	02/17/2009	199,386	199,386
700,000	Canadian Imperial Bank of Commerce 1.64%	03/02/2009	698,087	698,087
200,000	Canadian Imperial Bank of Commerce 1.81%	03/09/2009	199,327	199,327
1,900,000	Canadian Imperial Bank of Commerce 1.49%	03/31/2009	1,893,037	1,893,037
150,000	Government of Canada Treasury Bills 0.92%	01/08/2009	149,970	149,970
100,000	Government of Canada Treasury Bills 0.90%	04/02/2009	99,774	99,774
150,000	National Bank of Canada 1.62%	03/09/2009	149,548	149,548
500,000	Royal Bank of Canada 1.33%	03/20/2009	498,561	498,561
600,000	Toronto-Dominion Bank, The 1.40%	01/20/2009	599,540	599,540
250,000	Toronto-Dominion Bank, The 2.02%	02/27/2009	249,199	249,199
Total Short-Term Notes			7,580,384	7,580,384

Schedule 2
Futures Contracts Value

Futures	Contracts	Expiration Date	Exercise Price ($)	Fair Value ($)
Canadian 10 Year Bond Future	10	03/20/2009	1,223,320	1,267,500
Euro-Bond Future	2	03/06/2009	426,104	428,695
UK Treasury Bond Future	1	03/27/2009	57,175	69,564
US Treasury Bond Future	(3)	03/20/2009	528,221	514,555
US Treasury Notes 10 Year Future	(6)	03/20/2009	956,795	933,282
US Treasury Notes 5 Year Future	3	03/31/2009	446,156	439,906
			3,637,771	3,653,502
Exercise Price				(3,637,771)
Total Futures Contracts Value				15,731

With respect to the above futures contracts, $150,000 of the January 8, 2009 Government of Canada Treasury Bill is held on margin.

Portfolio Advisor: Connor, Clark & Lunn Investment Management Ltd.

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

For equities, all common shares unless otherwise noted.

Statement of Investment Portfolio as at December 31, 2008

Schedule 3
Foreign Currency Forwards Contracts

Contracts	Pay		Receive		Due Date	Credit Rating(1)	Fair Value ($)
Forwards Currency Contracts							
1	48,400	European Euro	83,485	Canadian Dollar	03/20/2009	AA–	657
7	6,300	U.S. Dollar	7,666	Canadian Dollar	03/20/2009	AA–	(110)
7	18,700	U.S. Dollar	22,833	Canadian Dollar	03/20/2009	AA–	(246)
7	27,000	U.S. Dollar	33,040	Canadian Dollar	03/20/2009	AA–	(283)
7	18,600	U.S. Dollar	22,608	Canadian Dollar	03/20/2009	AA–	(348)
7	38,700	U.S. Dollar	47,040	Canadian Dollar	03/20/2009	AA–	(723)
7	380,200	U.S. Dollar	457,856	Canadian Dollar	03/20/2009	AA–	(11,383)
7	529,500	U.S. Dollar	637,650	Canadian Dollar	03/20/2009	AA–	(15,852)
Total Foreign Currency Forwards Contracts Value							(28,288)

(1) Credit rating refers to the credit worthiness of the counteryparty, not the contract.

Portfolio Advisor: Connor, Clark & Lunn Investment Management Ltd.

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

Discussion of Financial Instrument Risk
As at December 31, 2008

A. Risk management

The investment objective of Pinnacle Strategic Balanced Fund (the "Fund") is to achieve superior long term returns through a combination of capital growth and income by investing primarily in large capitalization stocks of Canadian corporations and Canadian government bonds. The weighting of the Fund's portfolio will be allocated between asset classes within specified ranges: 40% – 80% equities; 20% – 60% fixed income securities; 0% – 30% short term money market securities and cash.

Managing risk is among the most important factors in the portfolio management process, guiding investment decisions made for the Fund. The Fund's investment practice includes portfolio monitoring to ensure compliance with stated investment guidelines. The Manager seeks to minimize potential adverse effects of risks on the Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's securities and financial market developments.

B. Liquidity risk

The Fund's exposure to liquidity risk arises from the daily cash redemption of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in securities that are not traded in an active market. Such securities are identified in the Statement of Investment Portfolio.

C. Currency risk

Currency risk is the risk that financial instruments which are denominated in a currency other than Canadian dollars, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. As at December 31, 2008, the Fund's financial instruments were exposed to the following currencies:

Currency	Financial Instruments ($)	Percentage of Net Assets (%)
U.S. Dollar	4,281,986	5.6
European Euro	1,510,930	2.0
Japanese Yen	1,038,345	1.4
British Pound	890,966	1.2
Swiss Franc	646,332	0.9
Hong Kong Dollar	334,411	0.4
Australian Dollar	330,961	0.4
Malaysian Ringgit	97	0.0
Philippine Peso	20	0.0
Singapore Dollar	–22	0.0
Total	9,034,026	11.9

The amounts in the above table are based on the fair value of the Fund's financial instruments (including cash and cash equivalents as well as the underlying principal amounts of forward currency contracts). Other financial assets (including dividends and interest receivable and receivables for investments sold) and financial liabilities that are denominated in foreign currencies do not expose the Fund to significant currency risk.

As at December 31, 2008, if the Canadian dollar had strengthened or weakened by 10% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased, respectively by approximately $903,403 (approximately 1.2% of the Fund's net assets). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

D. Interest rate risk

Interest rate risk arises from interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. As at December 31, 2008, had prevailing interest rates increased or decreased by 0.25%, assuming a parallel shift in the yield curve and all other variables held constant, net assets would have decreased or increased by approximately $481,564 (approximately 0.6% of the Fund's net assets). The Fund's sensitivity to interest rate fluctuations was estimated using the weighted average duration of the bond portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Discussion of Financial Instrument Risk
As at December 31, 2008

The table below summarizes the Fund's exposure to interest rate risks by remaining term to maturity of the Fund's portfolio of bonds as of December 31, 2008.

($)	Less than 1 year	1-3 years	3-5 years	5-10 years	>10 years	Total
Bonds	8,114,118	565,932	8,447,590	7,430,862	10,305,956	34,864,458

E. Credit risk

Credit risk is the risk that the counterparty to a financial interest will fail to discharge an obligation or commitment that it has entered into with the Fund. 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. Payment is made on a purchase once the securities have been received by the broker.

Where the Fund invests in debt instruments this represents the main concentration of credit risk. The market value of debt instruments includes consideration of the creditworthiness of the issuer, and accordingly, represents the maximum credit risk exposure to the fund. Credit risk may also exist in relation to counterparties of currency forwards contracts.

As of December 31, 2008, debt securities, excluding cash and cash equivalents, held by the Fund have credit ratings as follows:

	Percent of Total Bonds (%)	Percentage of Net Assets (%)
A– to AAA+	73.1	26.3
B– to BBB+	8.1	2.9
C– to CCC+	0.7	0.2
NR or other	17.6	6.3
Total	99.5	35.7

The Fund enters into securities lending transactions with counterparties whereby the Fund temporarily exchanges securities for collateral with a commitment by the counterparty to deliver the same securities on a future date. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient, approved credit rating and the market value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, as disclosed in Note 9.

F. Other price risk

Other price risk is the risk that the fair value of the Fund's financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk). The impact on the net assets of the Fund due to a 10% change in the respective stock indices, using a historical measure of the sensitivity of the Fund's returns relative to the returns of its blended benchmark stock index of, 40% S&P/TSX Composite Index, 50% DEX Universe Bond Index and 10% Morgan Stanley Capital Index (MSCI) All Country World (ACWI) ex-Canada Index, as of December 31, 2008 with all other variables held constant, would result in an increase or decrease of approximately $4,364,136 (approximately 5.7% of the Fund's net assets). The Fund's historical sensitivity measure may not be representative of its future sensitivity measure, and accordingly, the impact on net assets could be materially different.

Statement of Net Assets as at December 31,

	2008	2007
Assets		
Investments at fair value	$89,604,789	$142,649,776
Cash	873,300	7,449
Subscriptions receivable	11,127	328,023
Accrued investment income	301,480	342,116
Prepaid expense	2,872	–
	90,793,568	143,327,364
Liabilities		
Payable on open spot and forwards contracts	–	5
Redemptions payable	68,659	113,870
Accrued expenses	87,185	70,251
	155,844	184,126
Net assets representing unitholders' equity	$90,637,724	$143,143,238
Number of units outstanding	7,118,144	6,890,600
Net assets per unit	$ 12.73	$ 20.77

Statement of Operations for the years ended December 31,

	2008	2007
Investment Income		
Dividends	$ 2,872,258	$ 2,575,882
Interest	178,398	430,044
Securities lending	68,952	16,592
	3,119,608	3,022,518
Expenses		
Legal fees	2,118	3,924
Audit fees	20,825	17,104
Custody fees	17,576	21,804
Filing fees	15,146	13,396
Directors' fees	2,273	1,389
Unitholder reporting costs	34,449	46,268
Unitholder administration, service fees and GST	148,448	156,583
	240,835	260,468
Net investment income (loss)	2,878,773	2,762,050
Net realized gain (loss) on investments sold	(3,270,144)	11,778,125
Net realized gain (loss) on foreign exchange	(2,496)	(120,485)
Change in unrealized appreciation (depreciation) of investments	(49,642,047)	(8,494,881)
Change in unrealized appreciation (depreciation) of foreign exchange	255	(87)
Transaction costs (Note 2)	(52,684)	(56,477)
Net gain (loss) on investments and transaction costs	(52,967,116)	3,106,195
Increase (Decrease) in Net Assets from Operations	$(50,088,343)	$ 5,868,245
Increase (decrease) in net assets from operations per unit	$ (7.35)	$ 0.87

Statement of Changes in Net Assets for the years ended December 31,

	2008	2007
Net Assets, Beginning of Period	$143,143,238	$129,829,143
New accounting policy adjustment (Note 2)	–	(105,744)
Increase (decrease) in net assets from operations	(50,088,343)	5,868,245
Distributions to unitholders		
Investment income	(2,906,057)	(2,705,371)
	90,148,838	132,886,273
Unit Transactions:		
Proceeds from issue	34,288,424	41,129,315
Reinvested distributions	2,897,612	2,699,287
Payments on redemption	(36,697,150)	(33,571,637)
	488,886	10,256,965
Increase (decrease) in net assets	(52,505,514)	13,314,095
Net Assets, End of Period	$ 90,637,724	$143,143,238

Portfolio Advisor: BonaVista Asset Management Ltd.

Effective February 5, 2009, the portfolio advisor changed to Scheer, Rowlett & Associates Investment Management Ltd.

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

Statement of Investment Portfolio as at December 31, 2008

No. of Shares	Issuer	Average Cost ($)	Fair Value ($)
	Energy (25.2%)		
36,800	Cameco Corporation	1,016,716	770,960
77,500	Canadian Natural Resources Limited	2,095,331	3,778,125
82,100	EnCana Corporation	3,366,822	4,659,175
54,800	Husky Energy Inc.	1,371,471	1,690,580
121,500	Nexen Inc.	2,395,000	2,590,380
123,100	Petro-Canada	3,006,803	3,275,691
41,200	Precision Drilling Trust	1,330,414	414,472
116,800	Suncor Energy Inc.	2,498,928	2,770,496
222,600	Talisman Energy Inc.	1,688,952	2,711,268
20,600	Trican Well Service Ltd.	455,427	162,946
		19,225,864	22,824,093
	Materials (9.1%)		
52,950	Agrium Inc.	3,063,927	2,195,837
99,000	FNX Mining Company Inc.	1,204,376	298,980
139,500	Gerdau Ameristeel Corporation	1,688,405	1,036,485
41,700	Goldcorp Inc.	1,060,164	1,599,612
22,300	Inmet Mining Corporation	1,784,022	432,620
143,600	Lundin Mining Corporation	1,685,162	166,576
44,200	NOVA Chemicals Corporation	1,576,101	258,128
22,900	Polaris Minerals Corporation	314,875	33,205
84,700	Quadra Mining Ltd.	724,568	229,537
167,578	Teck Cominco Limited Class B Sub. Voting	2,404,441	1,003,792
56,300	Thompson Creek Metals Company Inc.	775,427	270,803
74,300	Yamana Gold Inc.	886,528	698,420
		17,167,996	8,223,995
	Industrials (11.0%)		
261,800	Bombardier Inc. Class B	2,238,860	1,157,156
142,400	CAE Inc.	1,325,747	1,147,744
102,500	Canadian National Railway Company	2,740,092	4,585,850
32,000	Canadian Pacific Railway Limited	1,840,081	1,307,520
66,400	Finning International Inc.	1,647,658	944,208
28,100	Stantec Inc.	684,929	839,628
		10,477,367	9,982,106
	Consumer Discretionary (7.1%)		
41,600	Canadian Tire Corporation Limited	1,909,384	1,795,456
40,400	Magna International Inc. Sub. Voting	2,802,040	1,479,448
50,900	MEGA Brands Inc.	1,129,999	17,815
51,300	Quebecor Inc. Class B	1,885,302	1,007,019
60,800	Thomson Reuters Corporation	2,175,228	2,163,872
		9,901,953	6,463,610
	Consumer Staples (2.7%)		
67,800	Alimentation Couche-Tard Inc. Class B Sub. Voting	1,365,151	951,234
37,600	Jean Coutu Group (PJC) Inc., The Sub. Voting	621,791	307,944
53,200	Saputo Inc.	758,030	1,173,592
		2,744,972	2,432,770
	Financials (33.0%)		
73,900	Bank of Montreal	2,407,853	2,307,158
104,700	Canadian Imperial Bank of Commerce	5,995,470	5,336,559
48,000	IGM Financial Inc.	1,338,425	1,700,160
85,700	Kingsway Financial Services Inc.	1,040,150	550,194
147,600	Manulife Financial Corporation	3,482,980	3,064,176
29,800	National Bank of Canada	1,321,848	932,442
161,000	Royal Bank of Canada	6,299,485	5,796,000
92,500	Sun Life Financial Inc.	3,265,850	2,622,375
71,700	TMX Group Inc.	2,952,666	1,804,689
133,300	Toronto-Dominion Bank, The	5,275,345	5,787,886
		33,380,072	29,901,639
	Information Technology (5.2%)		
75,900	Aastra Technologies Ltd.	1,196,453	898,656
41,500	MacDonald, Dettwiler and Associates Ltd.	1,740,296	895,155
63,900	Open Text Corporation	1,189,793	2,342,574
12,300	Research In Motion Limited	889,881	608,358
		5,016,423	4,744,743
	Telecommunication Services (5.6%)		
38,100	BCE Inc.	1,192,631	954,405
75,200	Rogers Communications Inc. Class B	2,251,399	2,750,816
35,700	Telus Corporation	1,113,401	1,326,612
		4,557,431	5,031,833
	Total Investment Portfolio (98.9%)	102,472,078	89,604,789
	Other Assets, Less Liabilities (1.1%)		1,032,935
	Total Net Assets (100.0%)		90,637,724
	Net Assets Per Unit		**$12.73**

Portfolio Advisor: BonaVista Asset Management Ltd.

Effective February 5, 2009, the portfolio advisor changed to Scheer, Rowlett & Associates Investment Management Ltd.

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

-For equities, all common shares unless otherwise noted.

Discussion of Financial Instrument Risk
As at December 31, 2008

A. Risk management

The investment objective of Pinnacle Canadian Value Equity Fund (the "Fund") is to achieve superior long term returns through capital growth by investing primarily in securities of Canadian corporations.

Managing risk is among the most important factors in the portfolio management process, guiding investment decisions made for the Fund. The Fund's investment practice includes portfolio monitoring to ensure compliance with stated investment guidelines. The Manager seeks to minimize potential adverse effects of risks on the Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's securities and financial market developments.

B. Liquidity risk

The Fund's exposure to liquidity risk arises from the daily cash redemption of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in securities that are not traded in an active market. Such securities are identified in the Statement of Investment Portfolio.

C. Currency risk

Currency risk is the risk that financial instruments which are denominated in a currency other than Canadian dollars, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. As at December 31, 2008, the Fund did not have a significant exposure to currency risk.

D. Interest rate risk

Interest rate risk arises from interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. As at December 31, 2008, the majority of the Fund's financial assets and liabilities are non-interest bearing, accordingly, the Fund did not have a significant exposure to interest rate risk.

E. Credit risk

Credit risk is the risk that the counterparty to a financial interest will fail to discharge an obligation or commitment that it has entered into with the Fund. 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. Payment is made on a purchase once the securities have been received by the broker.

Where the Fund invests in debt instruments this represents the main concentration of credit risk. As at December 31, 2008, the Fund had no significant investments in debt instruments and/or derivatives.

The Fund enters into securities lending transactions with counterparties whereby the Fund temporarily exchanges securities for collateral with a commitment by the counterparty to deliver the same securities on a future date. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient, approved credit rating and the market value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, as disclosed in Note 9.

F. Other price risk

Other price risk is the risk that the fair value of the Fund's financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk). The impact on the net assets of the Fund due to a 10% change in the respective stock indices, using a historical measure of the sensitivity of the Fund's returns relative to the returns of its benchmark stock index, S&P/TSX Composite Index, as of December 31, 2008 with all other variables held constant, would result in an increase or or decrease of approximately $9,050,084 (approximately 10.0% of the Fund's net assets). The Fund's historical sensitivity measure may not be representative of its future sensitivity measure, and accordingly, the impact on net assets could be materially different.

Statement of Net Assets as at December 31,

	2008	2007
Assets		
Investments at fair value	$36,206,468	$51,669,318
Cash	61,163	107,058
Subscriptions receivable	11,428	139,770
Accrued investment income	87,453	151,429
Prepaid expense	2,872	–
	36,369,384	52,067,575
Liabilities		
Redemptions payable	26,192	31,761
Accrued expenses	66,378	61,190
	92,570	92,951
Net assets representing unitholders' equity	$36,276,814	$51,974,624
Number of units outstanding	4,222,529	3,553,441
Net assets per unit	$ 8.59	$ 14.63

Statement of Operations for the years ended December 31,

	2008	2007
Investment Income		
Dividends	$ 531,176	$ 1,152,460
Interest	342,139	77,027
Securities lending	10,976	35,729
	884,291	1,265,216
Expenses		
Legal fees	2,115	3,924
Audit fees	17,824	15,104
Custody fees	11,436	12,759
Filing fees	16,132	13,396
Directors' fees	2,269	1,389
Unitholder reporting costs	29,347	39,052
Unitholder administration, service fees and GST	101,668	113,169
	180,791	198,793
Net investment income (loss)	703,500	1,066,423
Net realized gain (loss) on investments sold	(1,442,053)	7,079,889
Net realized gain (loss) on foreign exchange	(273)	(1,192)
Change in unrealized appreciation (depreciation) of investments	(21,141,393)	(5,831,010)
Change in unrealized appreciation (depreciation) of foreign exchange	12	(7)
Transaction costs (Note 2)	(215,169)	(72,584)
Net gain (loss) on investments and transaction costs	(22,798,876)	1,175,096
Increase (Decrease) in Net Assets from Operations	$(22,095,376)	$ 2,241,519
Increase (decrease) in net assets from operations per unit	$ (5.92)	$ 0.74

Statement of Changes in Net Assets for the years ended December 31,

	2008	2007
Net Assets, Beginning of Period	$ 51,974,624	$ 47,566,770
New accounting policy adjustment (Note 2)	–	(125,402)
Increase (decrease) in net assets from operations	(22,095,376)	2,241,519
Distributions to unitholders		
Investment income	(765,016)	(901,246)
Capital gains	–	(6,386,139)
	29,114,232	42,395,502
Unit Transactions:		
Proceeds from issue	18,855,461	15,740,782
Reinvested distributions	761,470	7,271,783
Payments on redemption	(12,454,349)	(13,433,443)
	7,162,582	9,579,122
Increase (decrease) in net assets	(15,697,810)	4,407,854
Net Assets, End of Period	$ 36,276,814	$ 51,974,624

Portfolio Advisor: Montrusco Bolton Investments Inc.

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

Statement of Investment Portfolio as at December 31, 2008

No. of Shares	Issuer	Average Cost ($)	Fair Value ($)
	Energy (24.5%)		
42,675	Addax Petroleum Corporation	1,700,747	900,016
57,325	Crew Energy Inc.	514,655	300,956
277,825	Highpine Oil & Gas Ltd.	2,883,438	1,433,577
129,050	Iteration Energy Ltd.	852,375	171,636
35,798	Pason Systems Inc.	562,558	499,382
33,225	Petro-Canada	1,762,573	884,117
137,150	Talisman Energy Inc.	2,459,015	1,670,487
187,725	Tristar Oil & Gas Ltd.	2,511,736	2,121,293
36,823	Vermilion Energy Trust	1,272,713	921,680
		14,519,810	8,903,144
	Materials (12.2%)		
23,550	Agnico-Eagle Mines Limited	1,244,007	1,478,233
132,875	Jaguar Mining Inc.	1,390,128	825,154
62,850	Major Drilling Group International Inc.	2,573,499	772,427
140,875	Yamana Gold Inc.	2,130,487	1,324,225
		7,338,121	4,400,039
	Industrials (13.8%)		
93,949	CAE Inc.	1,087,766	757,229
41,475	Finning International Inc.	1,017,413	589,774
49,910	Newalta Income Fund	863,245	317,428
28,650	Ritchie Bros. Auctioneers Incorporated	736,098	739,457
31,475	Stantec Inc.	973,438	940,473
73,100	Transat A.T. Inc. Class B	1,853,381	869,159
61,425	WestJet Airlines Ltd.	970,134	804,053
		7,501,475	5,017,573
	Consumer Discretionary (8.2%)		
19,400	Dorel Industries Inc. Class B Sub. Voting	583,809	525,934
46,488	Gildan Activewear Inc. Sub. Voting	1,419,483	659,665
60,500	North West Company Fund Trust	1,143,191	1,017,005
63,920	RONA Inc.	1,264,839	766,401
		4,411,322	2,969,005
	Consumer Staples (5.2%)		
51,113	Metro Inc. Sub-Voting	1,418,710	1,888,625
	Health Care (3.2%)		
89,825	CML Healthcare Income Fund	1,425,172	1,153,353
	Financials (19.0%)		
127,325	Canadian Western Bank	3,177,185	1,569,917
59,900	GMP Capital Trust	1,118,831	301,896
74,550	Home Capital Group Inc. Class B Sub. Voting	2,474,372	1,451,488
26,688	Industrial Alliance Insurance and Financial Services Inc.	868,597	612,490
14,800	IGM Financial Inc.	645,859	524,216
37,823	Power Corporation of Canada	1,336,775	840,049
63,575	TMX Group Inc.	2,271,899	1,600,183
		11,893,518	6,900,239
	Information Technology (11.2%)		
254,823	CGI Group Inc. Class A Sub. Voting	2,542,583	2,420,818
73,150	SXC Health Solutions Corporation	1,174,518	1,657,579
		3,717,101	4,078,397
	Short-Term Notes (Schedule 1) (2.5%)	896,093	896,093
	Total Investment Portfolio (99.8%)	53,121,322	36,206,468
	Other Assets, Less Liabilities (0.2%)		70,346
	Total Net Assets (100.0%)		36,276,814
	Net Assets Per Unit		**$8.59**

Schedule 1 – Short-Term Notes

Face Amount	Issuer	Maturity Date	Average Cost ($)	Fair Value ($)
$900,000	Government of Canada Treasury Bills 1.73%	04/02/2009	896,093	896,093
Total Short-Term Notes			896,093	896,093

Portfolio Advisor: Montrusco Bolton Investments Inc.

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

-For equities, all common shares unless otherwise noted.

Discussion of Financial Instrument Risk
As at December 31, 2008

A. Risk management

The investment objective of Pinnacle Canadian Mid Cap Equity Fund (the "Fund") is to achieve superior long term returns through capital growth by investing primarily in stocks of small and medium capitalization Canadian corporations.

Managing risk is among the most important factors in the portfolio management process, guiding investment decisions made for the Fund. The Fund's investment practice includes portfolio monitoring to ensure compliance with stated investment guidelines. The Manager seeks to minimize potential adverse effects of risks on the Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's securities and financial market developments.

B. Liquidity risk

The Fund's exposure to liquidity risk arises from the daily cash redemption of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in securities that are not traded in an active market. Such securities are identified in the Statement of Investment Portfolio.

C. Currency risk

Currency risk is the risk that financial instruments which are denominated in a currency other than Canadian dollars, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. As at December 31, 2008, the Fund did not have a significant exposure to currency risk.

D. Interest rate risk

Interest rate risk arises from interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. As at December 31, 2008, the majority of the Fund's financial assets and liabilities are non-interest bearing, accordingly, the Fund did not have a significant exposure to interest rate risk.

E. Credit risk

Credit risk is the risk that the counterparty to a financial interest will fail to discharge an obligation or commitment that it has entered into with the Fund. 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. Payment is made on a purchase once the securities have been received by the broker.

Where the Fund invests in debt instruments this represents the main concentration of credit risk. As at December 31, 2008, the Fund had no significant investments in debt instruments and/or derivatives.

The Fund enters into securities lending transactions with counterparties whereby the Fund temporarily exchanges securities for collateral with a commitment by the counterparty to deliver the same securities on a future date. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient, approved credit rating and the market value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, as disclosed in Note 9.

F. Other price risk

Other price risk is the risk that the fair value of the Fund's financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk). The impact on the net assets of the Fund due to a 10% change in the respective stock indices, using a historical measure of the sensitivity of the Fund's returns relative to the returns of its benchmark stock index, S&P/TSX Completion Index as of December 31, 2008 with all other variables held constant, would result in an increase or decrease of approximately $3,319,175 (approximately 9.1% of the Fund's net assets). The Fund's historical sensitivity measure may not be representative of its future sensitivity measure and accordingly, the impact on net assets could be materially different.

Statement of Net Assets as at December 31,

	2008	2007
Assets		
Investments at fair value	$108,005,562	$173,129,721
Cash	–	2,940,960
Subscriptions receivable	122,219	373,190
Receivable for securities sold	1,896,306	1,155,319
Accrued investment income	338,681	266,618
Prepaid expense	2,872	–
	110,365,640	177,865,808
Liabilities		
Bank overdraft	975,056	–
Payable on open spot and forwards contracts	–	38
Payable for securities purchased	151,651	866,096
Redemptions payable	99,057	124,817
Accrued expenses	91,433	76,527
	1,317,197	1,067,478
Net assets representing unitholders' equity	$109,048,443	$176,798,330
Number of units outstanding	13,041,456	11,992,633
Net assets per unit	$ 8.36	$ 14.74

Statement of Operations for the years ended December 31,

	2008	2007
Investment Income		
Dividends	$ 4,841,990	$ 2,143,537
Interest	859,284	562,254
Securities lending	55,467	43,636
Less: Foreign withholding taxes	(139)	(1,595)
	5,756,602	2,747,832
Expenses		
Legal fees	2,118	3,924
Audit fees	20,825	17,104
Custody fees	48,617	50,929
Filing fees	16,819	13,396
Directors' fees	2,273	1,389
Unitholder reporting costs	31,276	41,441
Unitholder administration, service fees and GST	142,794	150,712
	264,722	278,895
Net investment income (loss)	5,491,880	2,468,937
Net realized gain (loss) on investments sold	(12,323,704)	26,342,856
Net realized gain (loss) on foreign exchange	1,405	(1,936)
Change in unrealized appreciation (depreciation) of investments	(60,005,085)	(12,293,342)
Change in unrealized appreciation (depreciation) of foreign exchange	28	(46)
Transaction costs (Note 2)	(1,032,859)	(1,077,035)
Net gain (loss) on investments and transaction costs	(73,360,215)	12,970,497
Increase (Decrease) in Net Assets from Operations	$(67,868,335)	$ 15,439,434
Increase (decrease) in net assets from operations per unit	$ (5.69)	$ 1.51

Statement of Changes in Net Assets for the years ended December 31,

	2008	2007
Net Assets, Beginning of Period	$176,798,330	$155,519,247
New accounting policy adjustment (Note 2)	–	(242,828)
Increase (decrease) in net assets from operations	(67,868,335)	15,439,434
Distributions to unitholders		
Investment income	(5,483,929)	(2,385,085)
Capital gains	–	(23,952,500)
	103,446,066	144,378,268
Unit Transactions:		
Proceeds from issue	45,087,091	53,503,873
Reinvested distributions	5,465,029	26,273,663
Payments on redemption	(44,949,743)	(47,357,474)
	5,602,377	32,420,062
Increase (decrease) in net assets	(67,749,887)	21,279,083
Net Assets, End of Period	$109,048,443	$176,798,330

Portfolio Advisor: Aurion Capital Management Inc.

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

Statement of Investment Portfolio as at December 31, 2008

No. of Shares	Issuer	Average Cost ($)	Fair Value ($)
	Energy (24.6%)		
22,900	ARC Energy Trust	420,326	459,145
37,100	Cameco Corporation	1,273,530	777,245
93,501	Canadian Natural Resources Limited	5,450,044	4,558,174
64,800	Cresent Point Energy Trust	1,934,424	1,555,200
27,900	Daylight Resources Trust	190,286	215,109
203,600	Dension Mines Corporation	1,304,759	293,184
123,400	EnCana Corporation	7,485,639	7,002,950
89,200	Fairborne Energy Ltd.	789,189	521,820
327,000	Ivanhoe Energy Inc.	838,381	189,660
115,300	OPTI Canada Inc.	1,357,434	205,234
73,800	Petro Andina Resources Inc.	824,979	428,040
48,700	Precision Drilling Trust	798,093	489,922
944,400	Stratic Energy Corporation	1,040,481	136,938
183,400	Suncor Energy Inc.	7,617,126	4,350,248
80,300	Talisman Energy Inc.	870,299	978,054
53,400	TransCanada Corporation	1,782,205	1,766,472
112,400	Trinidad Drilling Ltd.	1,477,931	490,064
109,600	Tristar Oil & Gas Ltd.	1,593,338	1,238,480
564,900	UTS Energy Corp.	2,148,114	434,973
393,800	West Energy Ltd.	1,671,992	728,530
		40,868,570	26,819,442
	Materials (15.0%)		
12,700	Agrium Inc.	926,217	526,669
139,015	Anvil Mining Limited	1,748,826	148,746
463,200	B2Gold Corporation	980,421	213,072
377,800	Baffinland Iron Mines Corporation	1,002,406	56,670
57,700	Baffinland Iron Mines Corporation Warrants (Exp.01/31/12)*	2,625	2,020
65,100	Barrick Gold Corporation	1,865,475	2,908,668
979,200	Breakwater Resources Ltd.	1,836,327	112,608
478,900	Eastern Platinum Limited	973,290	158,037
152,400	Eldorado Gold Corporation	1,154,123	1,467,612
365,100	Equinox Minerals Limited	1,696,232	485,583
37,200	First Quantum Minerals Ltd.	840,417	655,092
51,743	Goldcorp Inc. Sub. Voting	1,656,353	1,984,861
248,400	Ivanhoe Mines Ltd.	947,512	787,428
70,699	Kinross Gold Corporation	1,200,052	1,583,658
123,100	Northern Dynasty Minerals Ltd.	1,388,101	547,795
130,300	Polaris Minerals Corporation	1,118,594	188,935
37,610	Potash Corporation of Saskatchewan Inc.	4,406,438	3,366,847
91,800	Quadra Mining Ltd.	1,196,923	248,778
286,500	Sherrit International Corporation	2,671,419	888,150
		27,611,751	16,331,229
	Industrials (6.5%)		
99,000	Aecon Group Inc.	1,440,890	1,086,030
327,340	Allen-Vanguard Corporation	2,059,813	72,015
378,800	Bombardier Inc. Class B	2,535,910	1,674,296
203,850	CAE Inc.	2,464,205	1,643,031
606,330	Jazz Air Income Fund	4,416,875	1,946,319
49,900	WestJet Airlines Ltd.	744,894	653,191
		13,662,587	7,074,882
	Consumer Discretionary (4.2%)		
21,800	Gildan Activewear Inc. Sub. Voting	326,698	309,342
138,300	Great Canadian Gaming Corporation	1,566,036	499,263
273,700	Groupe Aeroplan Inc.	4,041,774	2,372,979
174,900	Martinrea International Inc.	2,166,226	393,525
29,300	Thomson Reuters Corporation	913,695	1,042,787
		9,014,429	4,617,896
	Consumer Staples (2.8%)		
133,600	Alimentation Couche-Tard Inc. Class B Sub. Voting	2,777,287	1,874,408
13,700	Loblaw Companies Limited	474,804	478,678
66,700	Maple Leaf Foods Inc.	761,580	737,702
		4,013,671	3,090,788
	Health Care (2.5%)		
380,300	BioMS Medical Corporation	1,210,700	1,315,838
54,650	BioMS Medical Corporation Warrants (Exp. 05/23/10)*	22,953	–
32,750	BioMS Medical Corporation Warrants (Exp. 05/30/10)*	–	–
180,100	Cangene Corporation	1,371,688	1,035,575
74,700	Cardiome Pharma Corp.	696,362	410,850
		3,301,703	2,762,263
	Financials (32.9%)		
71,400	Bank of Montreal	2,911,160	2,229,108
76,800	Brookfield Asset Management Inc. Limited Voting	2,305,595	1,423,872
157,282	Canaccord Capital Inc.	2,195,718	633,847
54,200	Canadian Imperial Bank of Commerce	2,998,156	2,762,574
61,200	Canadian Western Bank	1,478,526	754,596
41,500	CI Financial Income Fund	581,254	600,920
25,300	Dundee Corporation	355,207	151,800
195,400	DundeeWealth Inc.	2,584,848	1,148,952
5,362	E–L Financial Corporation Limited	1,880,773	2,198,420
56,500	Gluskin Shef + Associates Inc. Sub. Voting	557,240	413,015
191,400	GMP Capital Trust	2,835,557	964,656
22,220	IGM Financial Inc.	1,048,308	787,032
187,180	Manulife Financial Corporation	5,040,000	3,885,857
54,200	National Bank of Canada	2,684,344	1,695,918
108,800	Onex Corporation Sub–Voting	2,674,394	1,959,488
172,270	Royal Bank of Canada	7,392,280	6,201,720
39,500	Sun Life Financial Inc.	1,550,124	1,119,825
37,700	TMX Group Inc.	1,568,534	948,909
139,500	Toronto-Dominion Bank, The	8,053,980	6,057,090
		50,695,998	35,937,599
	Information Technology (4.6%)		
274,300	COM DEV International Ltd.	1,276,946	866,788
148,900	Gennum Corporation	1,687,707	550,930
72,120	Research In Motion Limited	5,512,869	3,567,055
		8,477,522	4,984,773
	Telecommunication Services (5.4%)		
63,000	BCE Inc.	1,474,963	1,578,150
90,900	Rogers Communications Inc. Class B	3,153,454	3,325,122
28,600	Telus Corporation	1,069,462	986,700
		5,697,879	5,889,972
	Utilities (0.5%)		
20,200	Fortis Inc.	489,927	496,718
	Total Investment Portfolio (99.0%)	163,834,037	108,005,562
	Other Assets, Less Liabilities (1.0%)		1,042,881
	Total Net Assets (100.0%)		109,048,443
	Net Assets Per Unit		**$8.36**

* This security is not actively traded.

Portfolio Advisor: Aurion Capital Management Inc.

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

-For equities, all common shares unless otherwise noted.

Discussion Of Financial Instrument Risk
As at December 31, 2008

A. Risk management

The investment objective of Pinnacle Canadian Growth Equity Fund (the "Fund") is to achieve superior long term returns through capital growth by investing in stocks of large and medium capitalization Canadian corporations.

Managing risk is among the most important factors in the portfolio management process, guiding investment decisions made for the Fund. The Fund's investment practice includes portfolio monitoring to ensure compliance with stated investment guidelines. The Manager seeks to minimize potential adverse effects of risks on the Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's securities and financial market developments.

B. Liquidity risk

The Fund's exposure to liquidity risk arises from the daily cash redemption of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in securities that are not traded in an active market. Such securities are identified in the Statement of Investment Portfolio.

C. Currency risk

Currency risk is the risk that financial instruments which are denominated in a currency other than Canadian dollars, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. As at December 31, 2008, the Fund did no have a significant exposure to currency risk.

D. Interest rate risk

Interest rate risk arises from interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. As at December 31, 2008, the majority of the Fund's financial assets and liabilities are non-interest bearing, accordingly, the Fund did not have a significant exposure to interest rate risk.

E. Credit risk

Credit risk is the risk that the counterparty to a financial interest will fail to discharge an obligation or commitment that it has entered into with the Fund. 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. Payment is made on a purchase once the securities have been received by the broker.

Where the Fund invests in debt instruments this represents the main concentration of credit risk. As at December 31, 2008, the Fund had no significant investments in debt instruments and/or derivatives.

The Fund enters into securities lending transactions with counterparties whereby the Fund temporarily exchanges securities for collateral with a commitment by the counterparty to deliver the same securities on a future date. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient, approved credit rating and the market value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, as disclosed in Note 9.

F. Other price risk

Other price risk is the risk that the fair value of the Fund's financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk). The impact on the net assets of the Fund due to a 10% change in the respective stock indices, using a historical measure of the sensitivity of the Fund's returns relative to the returns of its benchmark stock index, S&P/TSX Composite Index, as of December 31, 2008 with all other variables held constant, would result in an increase or decrease of approximately $11,772,606 (approximately 10.8% of the Fund's net assets). The Fund's historical sensitivity measure may not be representative of its future sensitivity measure, and accordingly, the impact on net assets could be materially different.

Statement of Net Assets as at December 31,

	2008	2007
Assets		
Investments at fair value	$49,773,417	$102,138,706
Cash	71,037	10,323
Subscriptions receivable	3,345	175,709
Receivable for securities sold	181,384	115,930
Accrued investment income	323,771	277,611
Prepaid expense	4,153	–
	50,357,107	102,718,279
Liabilities		
Payable for securities purchased	579	15,699
Redemptions payable	103,125	95,597
Accrued expenses	79,036	64,585
	182,740	175,881
Net assets representing unitholders' equity	$50,174,367	$102,542,398
Number of units outstanding	4,310,506	4,611,413
Net assets per unit	$ 11.64	$ 22.24

Statement of Operations for the years ended December 31,

	2008	2007
Investment Income		
Dividends	$ 1,144,638	$ 1,332,117
Interest	2,101,165	2,280,820
Securities lending	4,702	5,599
	3,250,505	3,618,536
Expenses		
Legal fees	2,115	2,948
Audit fees	19,072	16,104
Custody fees	26,188	29,534
Filing fees	17,331	13,396
Directors' fees	2,269	1,389
Unitholder reporting costs	32,465	43,562
Unitholder administration, service fees and GST	132,176	145,182
	231,616	252,115
Net investment income (loss)	3,018,889	3,366,421
Net realized gain (loss) on investments sold	2,371,074	11,271,903
Net realized gain (loss) on foreign exchange	8,280	(1,842)
Change in unrealized appreciation (depreciation) of investments	(39,676,162)	431,475
Change in unrealized appreciation (depreciation) of foreign exchange	94	–
Transaction costs (Note 2)	(95,391)	(72,027)
Net gain (loss) on investments and transaction costs	(37,392,105)	11,629,509
Increase (Decrease) in Net Assets from Operations	$(34,373,216)	$14,995,930
Increase (decrease) in net assets from operations per unit	$ (8.05)	$ 3.54

Statement of Changes in Net Assets for the years ended December 31,

	2008	2007
Net Assets, Beginning of Period	$102,542,398	$ 84,359,702
New accounting policy adjustment (Note 2)	–	(582,178)
Increase (decrease) in net assets from operations	(34,373,216)	14,995,930
Distributions to unitholders		
Investment income	(3,067,312)	(3,302,690)
Capital gains	(4,203,507)	(5,198,883)
	60,898,363	90,271,881
Unit Transactions:		
Proceeds from issue	20,860,247	29,578,806
Reinvested distributions	7,254,262	8,487,981
Payments on redemption	(38,838,505)	(25,796,270)
	(10,723,996)	12,270,517
Increase (decrease) in net assets	(52,368,031)	18,182,696
Net Assets, End of Period	$ 50,174,367	$102,542,398

Portfolio Advisor: Mawer Investment Management Ltd.

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

Statement of Investment Portfolio as at December 31, 2008

No. of Shares	Issuer	Average Cost ($)	Fair Value ($)
	Energy (21.4%)		
139,504	AltaGas Income Trust	3,009,370	2,379,938
68,344	AtlasGas Utility Group Inc.*	508,852	329,418
103,930	Canadian Energy Services LP	903,091	717,117
99,815	Cresent Point Energy Trust	1,488,643	2,395,560
91,400	Mullen Group Income Fund	1,840,892	1,160,780
240,573	ProspEx Resources Ltd.	870,301	144,344
56,000	ShawCor Ltd. Sub. Voting	878,517	1,022,000
32,000	Zargon Energy Trust*	740,502	552,640
60,224	Zargon Oil & Gas Ltd.	309,830	1,084,032
218,740	ZCL Composites Inc.	1,428,314	931,833
		11,978,312	10,717,662
	Materials (5.5%)		
582,991	Neo Material Technologies Inc.	1,662,451	734,569
32,200	Omni-Lite Industries Canada Inc.*	83,674	29,302
44,765	Opta Minerals Inc.*	172,967	102,959
231,725	Supremex Income Fund	2,109,734	699,810
120,894	Canam Manac Group Inc., The Sub. Voting	1,159,926	803,945
55,460	Winpak Ltd.	587,796	410,404
		5,776,548	2,780,989
	Industrials (29.3%)		
36,611	Bird Construction Income Fund	1,022,017	725,264
202,792	Contrans Income Fund	2,129,987	1,186,333
7,115	Exco Technologies Ltd.	45,558	7,613
40,246	Genivar Income Fund	461,125	1,007,357
116,286	Global Railway Industries Ltd.	397,591	83,726
64,900	GLV Inc. Sub Voting	593,605	502,326
56,056	IBI Income Fund	1,211,553	683,883
219,136	Lockerbie & Hole Inc.	2,186,494	1,095,680
130,393	Marsulex Inc.	1,257,735	1,028,801
100,200	Richelieu Hardware Ltd.	1,865,571	1,652,298
4,415	Ritchie Bros. Auctioneers Incorporated	47,398	113,951
117,095	Russel Metals Inc.	1,382,291	2,221,292
90,028	Stantec Inc.	1,237,219	2,690,037
142,157	Transat A.T. Inc. Class B	3,169,621	1,690,247
		17,007,765	14,688,808
	Consumer Discretionary (8.3%)		
136,900	Automodular Corp.*	264,807	34,225
4,600	McGraw-Hill Ryerson Ltd., The*	160,190	162,104
55,564	MTY Food Group Inc.	552,354	400,061
237,881	New Flyer Industries Inc.	2,512,734	1,969,654
73,300	Uni-Select Inc.	1,692,734	1,584,746
		5,182,819	4,150,790
	Health Care (0.8%)		
56,600	Futuremed Healthcare Income Fund	553,913	400,162
	Financials (26.1%)		
161,668	Altus Group Income Fund	2,640,551	1,225,443
120,697	Canadian Western Bank	1,393,232	1,488,194
76,117	DirectCash Income Fund	1,134,159	563,266
77,535	EGI Financial Holdings Inc.*	817,184	504,753
72,735	Equitable Group Inc.	1,917,143	848,090
124,061	First National Financial Income Fund	1,436,182	1,241,851
143,110	FirstService Corporation Sub. Voting	2,814,130	2,279,742
13,852	FirstService Corporation Preferred	22,493	239,404
58,386	Grey Horse Corporation	314,257	311,197
111,318	Home Capital Group Inc. Class B Sub. Voting	2,012,517	2,167,362
66,185	Morneau Sobeco Income Fund	794,007	580,443
505,893	Parkbridge Lifestyles Communities Inc.*	2,599,915	1,269,791
727,703	Realex Properties Corporation*	829,323	353,150
128,078	TIO Networks Corp*	120,608	33,300
		18,845,701	13,105,986
	Information Technology (6.1%)		
79,017	Constellation Software Inc.	1,711,550	2,014,934
135,570	Descartes Systems Group Inc., The	474,484	477,206
45,700	Logibec Groupe Informatique Ltd.*	891,150	616,950
		3,077,184	3,109,090
	Utilities (0.6%)		
35,773	Caribbean Utilities Company Ltd.	561,311	290,143
	Short-Term Notes (Schedule 1) (1.1%)	529,787	529,787
	Total Investment Portfolio (99.2%)	63,513,340	49,773,417
	Other Assets, Less Liabilities (0.8%)		400,951
	Total Net Assets (100.0%)		50,174,367
	Net Assets Per Unit		**$11.64**

* This security is not actively traded.

Schedule 1
Short-Term Notes

Face Amount	Issuer	Maturity Date	Average Cost ($)	Fair Value ($)
$531,000	Government of Canada Treasury Bill 0.91%	04/02/2009	529,787	529,787
Total Short-Term Notes			529,787	529,787

Portfolio Advisor: Mawer Investment Management Ltd.

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

-For equities, all common shares unless otherwise noted.

Discussion of Financial Instrument Risk
As at December 31, 2008

A. Risk management

The investment objective of Pinnacle Canadian Small Cap Equity Fund (the "Fund") is to achieve superior long term returns through capital growth by investing primarily in stocks of small and medium capitalization Canadian corporations.

Managing risk is among the most important factors in the portfolio management process, guiding investment decisions made for the Fund. The Fund's investment practice includes portfolio monitoring to ensure compliance with stated investment guidelines. The Manager seeks to minimize potential adverse effects of risks on the Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's securities and financial market developments.

B. Liquidity risk

The Fund's exposure to liquidity risk arises from the daily cash redemption of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in securities that are not traded in an active market. Such securities are identified in the Statement of Investment Portfolio.

C. Currency risk

Currency risk is the risk that financial instruments which are denominated in a currency other than Canadian dollars, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. As at December 31, 2008, the Fund's financial instruments were exposed to the following currency:

Currency	Financial Instruments ($)	Percentage of Net Assets (%)
U.S. Dollar	537,298	1.1
Total	537,298	1.1

The amount in the above table is based on the fair value of the Fund's financial instruments (including cash and cash equivalents as well as the underlying principal amounts of forward currency contracts). Other financial assets (including dividends and interest receivable and receivables for investments sold) and financial liabilities that are denominated in foreign currencies do not expose the Fund to significant currency risk.

As at December 31, 2008, if the Canadian dollar had strengthened or weakened by 10% in relation to all currencies, with all other variables held constant, the Fund's net assets would have decreased or increased, respectively by approximately $53,730 (approximately 0.1% of the Fund's net assets). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

D. Interest rate risk

Interest rate risk arises from interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. As at December 31, 2008, the majority of the Fund's financial assets and liabilities are non-interest bearing, accordingly, the Fund did not have a significant exposure to interest rate risk.

E. Credit risk

Credit risk is the risk that the counterparty to a financial interest will fail to discharge an obligation or commitment that it has entered into with the Fund. 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. Payment is made on a purchase once the securities have been received by the broker.

Where the Fund invests in debt instruments this represents the main concentration of credit risk. As at December 31, 2008, the Fund had no significant investments in debt instruments and/or derivatives.

The Fund enters into securities lending transactions with counterparties whereby the Fund temporarily exchanges securities for collateral with a commitment by the counterparty to deliver the same securities on a future date. Credit risk associated with these

Discussion of Financial Instrument Risk
As at December 31, 2008

transactions is considered minimal as all counterparties have a sufficient, approved credit rating and the market value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, as disclosed in Note 9.

F. Other price risk

Other price risk is the risk that the fair value of the Fund's financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk). The impact on the net assets of the Fund due to a 10% change in the respective stock indices, using a historical measure of the sensitivity of the Fund's returns relative to the returns of its benchmark stock index, BMO Small Cap Weighted Index and S&P/TSX Composite Index, as of December 31, 2008 with all other variables held constant, would result in an increase or decrease of approximately $4,037,978 (approximately 8.0% of the Fund's net assets).

The Fund's historical sensitivity measure may not be representative of its future sensitivity measure, and accordingly, the impact on net assets could be materially different.

Statement of Net Assets as at December 31,

	2008	2007
Assets		
Investments at fair value	$51,732,590	$75,092,148
Cash	361,893	329,302
Subscriptions receivable	15,417	72,922
Accrued investment income	88,582	63,112
Prepaid expense	4,153	–
	52,202,635	75,557,484
Liabilities		
Redemptions payable	24,932	47,105
Accrued expenses	98,974	72,235
	123,906	119,340
Net assets representing unitholders' equity	$52,078,729	$75,438,144
Number of units outstanding	6,207,208	6,884,345
Net assets per unit	$ 8.39	$ 10.96

Statement of Operations for the years ended December 31,

	2008	2007
Investment Income		
Dividends	$ 1,493,830	$ 1,472,047
Interest	2,850	40,143
Securities lending	5,182	28,256
Less: Foreign withholding taxes	(196,291)	(191,131)
	1,305,571	1,349,315
Expenses		
Legal fees	2,118	2,948
Audit fees	19,075	16,104
Custody fees	11,955	15,370
Filing fees	14,888	13,396
Directors' fees	2,273	1,389
Unitholder reporting costs	32,831	44,146
Unitholder administration, service fees and GST	164,423	168,824
	247,563	262,177
Net investment income (loss)	1,058,008	1,087,138
Net realized gain (loss) on investments sold	(1,001,050)	2,355,767
Net realized gain (loss) on foreign exchange	350,937	(382,598)
Change in unrealized appreciation (depreciation) of investments	(16,135,892)	(8,099,279)
Change in unrealized appreciation (depreciation) of foreign exchange	4,546	(47,584)
Transaction costs (Note 2)	(65,548)	(44,198)
Net gain (loss) on investments and transaction costs	(16,847,007)	(6,217,892)
Increase (Decrease) in Net Assets from Operations	$(15,788,999)	$(5,130,754)
Increase (decrease) in net assets from operations per unit	$ (2.41)	$ (0.75)

Statement of Changes in Net Assets for the years ended December 31,

	2008	2007
Net Assets, Beginning of Period	$ 75,438,144	$ 76,503,098
New accounting policy adjustment (Note 2)	–	(106,466)
Increase (decrease) in net assets from operations	(15,788,999)	(5,130,754)
Distributions to unitholders		
Investment income	(1,053,667)	(1,102,617)
	58,595,478	70,163,261
Unit Transactions:		
Proceeds from issue	10,932,661	21,571,767
Reinvested distributions	1,050,815	1,101,062
Payments on redemption	(18,500,225)	(17,397,946)
	(6,516,749)	5,274,883
Increase (decrease) in net assets	(23,359,415)	(1,064,954)
Net Assets, End of Period	$ 52,078,729	$ 75,438,144

Portfolio Advisor: Metropolitan West Capital Management, LLC

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

Statement of Investment Portfolio as at December 31, 2008

No. of Shares	Issuer	Average Cost ($)	Fair Value ($)
	Energy (4.9%)		
27,900	ConocoPhillips	1,327,668	1,784,124
56,870	Weatherford International Ltd.	899,869	759,629
		2,227,537	2,543,753
	Materials (2.5%)		
21,400	Air Products and Chemicals Inc.	1,457,746	1,327,784
	Industrials (9.0%)		
26,500	Boeing Company, The	1,379,289	1,394,936
25,100	Deere & Company	1,083,811	1,187,381
21,300	Northrop Grumman Corporation	1,631,780	1,184,320
32,000	Thomas & Betts Corporation	1,840,791	944,541
		5,935,671	4,711,178
	Consumer Discretionary (11.6%)		
60,000	Gentex Corporation	918,524	651,816
45,100	Home Depot, Inc., The	1,174,387	1,281,660
53,070	Nordstrom, Inc.	831,810	872,004
24,000	Polo Ralph Lauren Corporation	1,272,328	1,345,111
128,000	Time Warner Inc.	2,363,408	1,588,061
75,300	Warner Music Group Corp.	1,602,037	277,014
		8,162,494	6,015,666
	Consumer Staples (19.8%)		
47,600	Archer-Daniels-Midland Company	1,101,621	1,692,351
78,000	ConAgra Foods, Inc.	1,820,153	1,588,802
18,800	Diageo PLC ADR	1,401,636	1,316,856
30,000	Kellogg Company	1,543,133	1,623,244
66,100	L'Oreal SA ADR	1,490,173	1,428,008
46,000	Safeway Inc.	1,525,675	1,349,827
46,410	Sysco Corp.	1,614,917	1,314,305
		10,497,308	10,313,393
	Health Care (9.8%)		
28,800	Baxter International Inc.	1,290,703	1,905,318
29,100	Eli Lilly and Company	1,707,000	1,446,298
31,000	Hospira Inc.	1,347,823	1,025,240
15,750	Universal Health Services, Inc. Class B	1,033,995	729,321
		5,379,521	5,106,177
	Financials (15.0%)		
22,200	Aflac Inc.	1,125,305	1,256,286
44,330	Charles Schwab Corporation, The	649,009	884,362
40,300	JPMorgan Chase & Company	1,938,009	1,568,629
73,000	Merrill Lynch & Co. Inc.	1,699,413	1,000,315
151,000	Mitsubishi UFJ Financial Group Inc. ADR	1,414,458	1,157,603
105,000	Synovus Financial Corp.	1,224,861	1,075,867
28,000	Zions Bancorporation	1,526,895	845,139
		9,577,950	7,788,201
	Information Technology (16.6%)		
15,000	Apple Computer Inc.	462,554	1,580,469
59,000	EMC Corporation	877,202	761,859
15,900	International Business Machines Corporation	1,915,461	1,651,546
60,300	Molex Incorporated	2,162,799	957,303
90,600	Oracle Corporation	1,381,248	1,979,669
52,000	Texas Instruments Incorporated	1,480,696	995,649
24,700	VMware Inc.	751,477	720,224
		9,031,437	8,646,719
	Telecommunication Services (1.9%)		
40,000	Vodafone Group PLC ADR	1,277,098	1,006,858
	Utilities (6.9%)		
41,400	Dominion Resources Inc.	2,012,952	1,830,699
28,000	FPL Group Inc.	1,496,064	1,739,707
		3,509,016	3,570,406
	Index Fund (1.3%)		
46,000	Financial Select Sector SPDR Fund	1,228,424	702,455
	Total Investment Portfolio (99.3%)	58,284,202	51,732,590
	Other Assets, Less Liabilities (0.7%)		346,139
	Total Net Assets (100.0%)		52,078,729
	Net Assets Per Unit		**$8.39**

ADR – American Depository Receipt

Portfolio Advisor: Metropolitan West Capital Management, LLC

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

-For equities, all common shares unless otherwise noted.

Discussion of Financial Instrument Risk
As at December 31, 2008

A. Risk management

The investment objective of Pinnacle American Value Equity Fund (the "Fund") is to achieve superior long term returns through capital growth by investing primarily in stocks of large capitalization U.S. corporations.

Managing risk is among the most important factors in the portfolio management process, guiding investment decisions made for the Fund. The Fund's investment practice includes portfolio monitoring to ensure compliance with stated investment guidelines. The Manager seeks to minimize potential adverse effects of risks on the Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's securities and financial market developments.

B. Liquidity risk

The Fund's exposure to liquidity risk arises from the daily cash redemption of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in securities that are not traded in an active market. Such securities are identified in the Statement of Investment Portfolio.

C. Currency risk

Currency risk is the risk that financial instruments which are denominated in a currency other than Canadian dollars, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. As at December 31, 2008, the Fund's financial instruments were exposed to the following currency:

Currency	Financial Instruments ($)	Percentage of Net Assets (%)
U.S. Dollar	52,093,948	100.0
Total	52,093,948	100.0

The amount in the above table is based on the fair value of the Fund's financial instruments (including cash and cash equivalents as well as the underlying principal amounts of forward currency contracts). Other financial assets (including dividends and interest receivables and receivable for investments sold) and financial liabilities that are denominated in foreign currencies do not expose the Fund to significant currency risk.

As at December 31, 2008, if the Canadian dollar had strengthened or weakened by 10% in relation to all currencies, with all other variables held constant, the Fund's net assets would have decreased or increased, respectively by approximately $5,209,395 (approximately 10.0% of the Fund's net assets). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

D. Interest rate risk

Interest rate risk arises from interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. As at December 31, 2008, the majority of the Fund's financial assets and liabilities are non-interest bearing, accordingly, the Fund did not have a significant exposure to interest rate risk.

E. Credit risk

Credit risk is the risk that the counterparty to a financial interest will fail to discharge an obligation or commitment that it has entered into with the Fund. 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. Payment is made on a purchase once the securities have been received by the broker.

Where the Fund invests in debt instruments this represents the main concentration of credit risk. As at December 31, 2008, the Fund had no significant investments in debt instruments and/or derivatives.

The Fund enters into securities lending transactions with counterparties whereby the Fund temporarily exchanges securities for collateral with a commitment by the counterparty to deliver the same securities on a future date. Credit risk associated with these

Discussion of Financial Instrument Risk
As at December 31, 2008

transactions is considered minimal as all counterparties have a sufficient, approved credit rating and the market value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, as disclosed in Note 9.

F. Other price risk

Other price risk is the risk that the fair value of the Fund's financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk). The impact on the net assets of the Fund due to a 10% change in the respective stock indices, using a historical measure of the sensitivity of the Fund's returns relative to the returns of its benchmark stock index, Russell 1000 Value Index, as of December 31, 2008 with all other variables held constant, would result in an increase or decrease of approximately $5,224,992 (approximately 10.0% of the Fund's net assets). The Fund's historical sensitivity measure may not be representative of its future sensitivity measure, and accordingly, the impact on net assets could be materially different.

Statement of Net Assets as at December 31,

	2008	2007
Assets		
Investments at fair value	$12,992,964	$15,984,596
Cash	84,923	111,145
Subscriptions receivable	920	72,056
Receivable for securities sold	364,925	–
Accrued investment income	30,714	25,925
Prepaid expense	4,153	–
Accounts receivable	2,787	–
	13,481,386	16,193,722
Liabilities		
Payable for securities purchased	22,008	–
Redemptions payable	–	3,864
Accrued expenses	52,418	44,362
	74,426	48,226
Net assets representing unitholders' equity	$13,406,960	$16,145,496
Number of units outstanding	2,037,373	1,815,173
Net assets per unit	$ 6.58	$ 8.89

Statement of Operations for the years ended December 31,

	2008	2007
Investment Income		
Dividends	$ 353,635	$ 321,574
Interest	121,511	(73,189)
Securities lending	4,069	834
Less: Foreign withholding taxes	(62,770)	(46,064)
	416,445	203,155
Expenses		
Legal fees	2,115	2,948
Audit fees	17,824	15,104
Custody fees	22,833	19,765
Filing fees	16,608	13,396
Directors' fees	2,269	1,389
Unitholder reporting costs	15,962	18,806
Unitholder administration, service fees and GST	78,050	80,932
	155,661	152,340
Rebated and absorbed expenses	(68,555)	(53,016)
Net expenses	87,106	99,324
Net investment income (loss)	329,339	103,831
Net realized gain (loss) on investments sold	(3,940,684)	753,961
Net realized gain (loss) on foreign exchange	(106,801)	(13,428)
Change in unrealized appreciation (depreciation) of investments	(1,428,692)	(3,259,087)
Change in unrealized appreciation (depreciation) of foreign exchange	(1,016)	(107)
Transaction costs (Note 2)	(72,519)	(59,181)
Net gain (loss) on investments and transaction costs	(5,549,712)	(2,577,842)
Increase (Decrease) in Net Assets from Operations	$(5,220,373)	$(2,474,011)
Increase (decrease) in net assets from operations per unit	$ (2.57)	$ (1.44)

Statement of Changes in Net Assets for the years ended December 31,

	2008	2007
Net Assets, Beginning of Period	$16,145,496	$18,640,144
New accounting policy adjustment (Note 2)	–	(19,996)
Increase (decrease) in net assets from operations	(5,220,373)	(2,474,011)
Distributions to unitholders		
Investment income	(326,179)	(217,535)
Capital gains	–	(853,345)
	10,598,944	15,075,257
Unit Transactions:		
Proceeds from issue	10,855,962	5,502,192
Reinvested distributions	325,318	1,068,725
Payments on redemption	(8,373,264)	(5,500,678)
	2,808,016	1,070,239
Increase (decrease) in net assets	(2,738,536)	(2,494,648)
Net Assets, End of Period	$13,406,960	$16,145,496

Portfolio Advisor: Integrity Asset Management, LLC

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

Statement of Investment Portfolio as at December 31, 2008

No. of Shares	Issuer	Average Cost ($)	Fair Value ($)
	Energy (2.5%)		
4,399	Continental Resources Inc.	222,891	112,413
3,457	Helmerich & Payne Inc.	202,423	96,449
4,168	Hornbeck Offshore Services Inc.	210,307	83,870
3,653	T-3 Energy Services Inc.	205,214	42,436
		840,835	335,168
	Materials (6.5%)		
3,870	Airgas Inc.	184,702	186,228
5,079	Albemarle Corporation	176,457	139,132
1,062	CF Industries Holdings Inc.	64,106	64,411
2,759	Greif Inc.	175,509	113,419
2,726	Olin Corporation	58,353	60,675
4,363	Pactiv Corp.	122,702	134,007
3,364	Sonoco Products Co.	124,500	95,848
5,811	Steel Dynamics Inc.	66,042	79,987
		972,371	873,707
	Industrials (10.4%)		
6,347	Advanced Energy Industries Inc.	89,680	77,884
1,759	Alliant Techsystems Inc.	172,586	185,836
3,699	BE Aerospace Inc.	76,222	34,979
3,945	Belden CDT Inc.	135,662	101,249
5,794	Continental Airlines Inc. Class B	89,010	129,178
1,975	EMCOR Group Inc.	50,770	54,687
1,724	Genuine Parts Company	80,496	80,577
5,307	Geo Group Inc., The	130,627	117,992
6,630	Hexcel Corporation	89,303	60,403
3,555	J.B. Hunt Transport Services Inc.	124,780	114,807
3,305	Kansas City Southern	159,371	77,643
5,468	Pall Corporation	233,455	191,572
2,071	Ryder Systems Inc.	144,140	99,147
2,624	Ryland Group Inc., The	57,274	56,947
		1,633,376	1,382,901
	Consumer Discretionary (7.1%)		
2,065	Abercrombie & Fitch Co.	38,061	58,811
2,764	Cracker Barrel Old Country Store Inc.	114,488	70,222
4,654	Ethan Allen Interiors Inc.	135,176	82,159
9,153	Foot Locker Incorporated	71,384	82,937
5,422	J.C. Penney Company Inc.	214,204	131,794
7,813	Jones Apparel Group Inc.	83,253	56,521
5,886	Lennar Corporation	169,037	62,999
13,209	Macy's Inc.	295,175	168,772
5,955	Penn National Gaming Inc.	229,014	156,880
3,438	Phillips-Van Heusen Corporation	144,719	85,351
		1,494,511	956,446
	Consumer Staples (7.6%)		
7,372	Dean Foods Company	173,408	163,358
3,864	H.J. Heinz Company	189,921	179,213
2,301	Lorillard Inc.	149,356	159,953
1,955	Molson Coors Brewing Company Class B	102,883	117,994
3,868	Pepsi Bottling Group Inc., The	135,858	107,391
2,020	Ralcorp Holdings Inc.	149,784	145,282
4,958	Safeway Inc.	131,127	145,488
		1,032,337	1,018,679
	Health Care (6.7%)		
3,733	Coventry Health Care Inc.	130,755	68,573
6,784	Endo Pharmaceuticals Holdings Inc.	186,665	216,574
3,902	Forest Laboratories Inc.	129,192	122,593
7,492	King Pharmaceuticals Inc.	91,392	97,946
3,872	Omnicare Inc.	123,029	132,405
3,016	Universal Health Services Inc. Class B	192,153	139,659
4,228	Watson Pharmaceuticals Inc.	131,519	138,681
		984,705	916,431
	Financials (30.4%)		
1,587	Affiliated Managers Group Inc.	145,143	82,049
2,317	Alexandria Real Estate Equities Inc.	266,834	172,593
8,688	Annaly Mortgage Management Inc.	143,768	169,997
22,004	Anworth Mortgage Asset Corporation	174,578	173,034
4,411	Aon Corporation	190,762	248,690
2,781	Arch Capital Group Ltd.	209,585	240,389
8,986	Associated Banc-Corp	243,477	232,070
6,006	BioMed Realty Trust Inc.	166,678	86,823
6,988	Calamos Asset Management Inc.	124,622	63,665
8,521	Corrections Corporation of America	233,637	172,094
2,544	Equity Residential	102,016	93,652
11,251	Fidelity National Financial Inc.	197,058	246,536
6,405	First Horizon National Corporation	69,305	83,498
4,051	First Midwest Bancorp Inc.	120,285	99,719
4,912	Hanover Insurance Group Inc.	254,496	258,503
2,980	Health Care REIT Inc.	157,246	155,246
4,325	Investment Technology Group Inc.	136,247	120,826
6,390	Marsh & McLennan Companies Inc.	186,556	191,295
8,087	Marshall & Ilsely Corporation	294,318	135,874
37,807	National City Corp.	194,614	74,676
5,846	Progressive Corp., The	95,289	106,810
1,320	Raymond James Financial Inc.	33,606	27,898
3,170	Realty Income Corporation	93,928	90,594
2,490	Reinsurance Group of America Incorporated	128,728	131,040
9,295	UnumProvident Corporation	228,819	213,314
5,240	Washington REIT	204,770	183,002
5,403	Willbros Group Inc.	224,136	56,495
5,277	Zions Bancorporation	236,930	159,278
		4,857,431	4,069,660
	Information Technology (12.5%)		
16,714	ADC Telecommunications Inc.	207,015	112,246
5,345	Arrow Electronics Inc.	192,913	124,314
12,705	Atmel Corporation	66,316	48,778
6,831	BMC Software Inc.	229,584	226,844
8,148	CommScope Inc.	270,989	155,809
4,858	Diebold Inc.	176,420	167,142
15,811	Integrated Device Technology Inc.	136,038	109,500
6,380	Jabil Circuit Inc.	56,576	53,006
1,681	Mettler Toledo International Incorporated	141,396	139,536
1,906	MKS Instruments Inc.	32,545	34,800
7,192	Novell Inc.	31,806	34,182
6,558	Parametric Technology Corporation	117,158	102,251
6,412	PerkinElmer Inc.	165,173	110,027
4,202	Plexus Corp.	98,673	87,926
14,130	Seagate Technology	242,516	76,926
2,858	Sybase Inc.	83,683	87,323
		2,248,801	1,670,610
	Telecommunication Services (1.8%)		
5,431	Embarq Corporation	281,086	239,286
	Utilities (11.1%)		
3,637	AGL Resources Inc.	142,311	140,129
3,910	American Electric Power Company Inc.	164,245	160,398
3,777	Edison International	194,083	149,486
4,387	Northeast Utilities	119,090	130,195
2,829	Sempra Energy	165,956	148,776
5,519	UGI Corporation	156,530	165,833
5,857	Wisconsin Energy Corporation	279,934	303,463
12,391	Xcel Energy Inc.	269,601	283,754
		1,491,750	1,482,034
	Short-Term Notes (Schedule 1) (0.4%)	47,763	48,042
	Total Investment Portfolio (97.0%)	15,884,966	12,992,964
	Other Assets, Less Liabilities (3.0%)		413,996
	Total Net Assets (100.0%)		13,406,960
	Net Assets Per Unit		**$6.58**

REIT – Real Estate Investment Trust

Portfolio Advisor: Integrity Asset Management, LLC

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

-For equities, all common shares unless otherwise noted.

Statement of Investment Portfolio as at December 31, 2008

Schedule 1
Short-Term Notes

Face Amount	Issuer	Maturity Date	Average Cost ($)	Fair Value ($)
$38,916	State Street Trust Company Canada U.S. Dollar Call Deposit 1.00%	01/02/2009	47,623	48,042
Total Short-Term Notes			47,623	48,042

Portfolio Advisor: Integrity Asset Management, LLC

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

Discussion of Financial Instrument Risk
As at December 31, 2008

A. Risk management

The investment objective of Pinnacle American Mid Cap Value Equity Fund (the "Fund") is to achieve superior long term returns through capital growth by investing primarily in stocks of small and medium capitalization companies located in the U.S.

Managing risk is among the most important factors in the portfolio management process, guiding investment decisions made for the Fund. The Fund's investment practice includes portfolio monitoring to ensure compliance with stated investment guidelines. The Manager seeks to minimize potential adverse effects of risks on the Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's securities and financial market developments.

B. Liquidity risk

The Fund's exposure to liquidity risk arises from the daily cash redemption of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in securities that are not traded in an active market. Such securities are identified in the Statement of Investment Portfolio.

C. Currency risk

Currency risk is the risk that financial instruments which are denominated in a currency other than Canadian dollars, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. As at December 31, 2008, the Fund's financial instruments were exposed to the following currency:

Currency	Financial Instruments ($)	Percentage of Net Assets (%)
U.S. Dollar	12,899,989	96.2
Total	12,899,989	96.2

The amount in the above table is based on the fair value of the Fund's financial instruments (including cash and cash equivalents as well as the underlying principal amounts of forward currency contracts). Other financial assets (including dividends and interest receivables and receivable for investments sold) and financial liabilities that are denominated in foreign currencies do not expose the Fund to significant currency risk.

As at December 31, 2008, if the Canadian dollar had strengthened or weakened by 10% in relation to all currencies, with all other variables held constant, the Fund's net assets would have decreased or increased, respectively by approximately $1,289,999 (approximately 9.6% of the Fund's net assets). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

D. Interest rate risk

Interest rate risk arises from interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. As at December 31, 2008, the majority of the Fund's financial assets and liabilities are non-interest bearing, accordingly, the Fund did not have a significant exposure to interest rate risk.

E. Credit risk

Credit risk is the risk that the counterparty to a financial interest will fail to discharge an obligation or commitment that it has entered into with the Fund. 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. Payment is made on a purchase once the securities have been received by the broker.

Where the Fund invests in debt instruments this represents the main concentration of credit risk. As at December 31, 2008, the Fund had no significant investments in debt instruments and/or derivatives.

The Fund enters into securities lending transactions with counterparties whereby the Fund temporarily exchanges securities for collateral with a commitment by the counterparty to deliver the same securities on a future date. Credit risk associated with these

Discussion of Financial Instrument Risk
As at December 31, 2008

transactions is considered minimal as all counterparties have a sufficient, approved credit rating and the market value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, as disclosed in Note 9.

F. Other price risk

Other price risk is the risk that the fair value of the Fund's financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk). The impact on the net assets of the Fund due to a 10% change in the respective stock indices, using a historical measure of the sensitivity of the Fund's returns relative to the returns of its benchmark stock index, Russell Mid Cap Value Index, as of December 31, 2008 with all other variables held constant, would result in an increase or decrease of approximately $1,242,713 (approximately 9.3% of the Fund's net assets). The Fund's historical sensitivity measure may not be representative of its future sensitivity measure, and accordingly, the impact on net assets could be materially different.

Statement of Net Assets as at December 31,

	2008	2007
Assets		
Investments at fair value	$48,629,449	$72,368,730
Receivable on open spot contracts	171	–
Subscriptions receivable	6,748	74,690
Receivable for securities sold	525,141	361,406
Accrued investment income	72,432	54,430
Prepaid expense	2,872	–
	49,236,813	72,859,256
Liabilities		
Bank overdraft	144,897	199,357
Redemptions payable	21,200	42,614
Accrued expenses	95,898	87,733
	261,995	329,704
Net assets representing unitholders' equity	$48,974,818	$72,529,552
Number of units outstanding	8,399,361	9,585,233
Net assets per unit	$ 5.83	$ 7.57

Statement of Operations for the years ended December 31,

	2008	2007
Investment Income		
Dividends	$ 798,732	$ 752,189
Interest	6,816	4,579
Securities lending	5,149	15,461
Less: Foreign withholding taxes	(112,984)	(109,617)
	697,713	662,612
Expenses		
Legal fees	2,118	2,948
Audit fees	19,075	16,104
Custody fees	75,705	87,816
Filing fees	14,982	13,396
Directors' fees	2,273	1,389
Unitholder reporting costs	31,634	42,424
Unitholder administration, service fees and GST	135,980	147,002
	281,767	311,079
Net investment income (loss)	415,946	351,533
Net realized gain (loss) on investments sold	(7,220,959)	2,475,240
Net realized gain (loss) on foreign exchange	919	(100,450)
Change in unrealized appreciation (depreciation) of investments	(8,686,014)	(2,112,139)
Change in unrealized appreciation (depreciation) of foreign exchange	3,319	(2,697)
Transaction costs (Note 2)	(65,214)	(81,958)
Net gain (loss) on investments and transaction costs	(15,967,949)	177,996
Increase (Decrease) in Net Assets from Operations	$(15,552,003)	$ 529,529
Increase (decrease) in net assets from operations per unit	$ (1.70)	$ 0.06

Statement of Changes in Net Assets for the years ended December 31,

	2008	2007
Net Assets, Beginning of Period	$ 72,529,552	$ 64,869,631
New accounting policy adjustment (Note 2)	–	(64,096)
Increase (decrease) in net assets from operations	(15,552,003)	529,529
Distributions to unitholders		
Investment income	(390,535)	(404,672)
	56,587,014	64,930,392
Unit Transactions:		
Proceeds from issue	10,391,844	21,904,857
Reinvested distributions	389,341	403,895
Payments on redemption	(18,393,381)	(14,709,592)
	(7,612,196)	7,599,160
Increase (decrease) in net assets	(23,554,734)	7,659,921
Net Assets, End of Period	$ 48,974,818	$ 72,529,552

Portfolio Advisor: American Century Investment Management, Inc.

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

Statement of Investment Portfolio as at December 31, 2008

No. of Shares	Issuer	Average Cost ($)	Fair Value ($)
	Energy (7.4%)		
3,300	Apache Corporation	280,913	303,624
9,600	Devon Energy Corporation	825,285	777,913
5,200	Energy Conversion Devices Inc.	325,408	161,512
7,600	EOG Resources Inc.	829,855	623,635
6,000	Exxon Mobil Corporation	565,152	589,745
3,800	National-Oilwell Varco Inc.	314,360	114,651
7,400	Occidental Petroleum Corporation	614,688	547,753
9,600	Schlumberger Limited	683,771	501,661
		4,439,432	3,620,494
	Materials (3.4%)		
10,656	Monsanto Company	746,376	924,785
5,200	Newmont Mining Corporation	259,105	261,270
5,264	Valmont Industries Inc.	385,686	397,962
1,100	Vulcan Materials Co.	98,876	94,310
		1,490,043	1,678,327
	Industrials (9.5%)		
3,900	Cooper Industries Ltd.	195,527	140,730
14,700	Emerson Electric Co.	713,696	664,367
11,200	Global Payments Inc.	513,225	452,953
15,800	Honeywell International Inc.	928,928	639,572
3,800	Illinois Tool Works Inc.	150,970	164,423
2,700	ITT Industries Inc.	146,686	152,958
4,500	Navistar International Corporation	120,843	118,160
4,600	PACCAR Inc.	158,053	162,354
17,000	Raytheon Company	1,053,230	1,071,151
14,200	Union Pacific Corporation	1,066,252	837,754
3,800	United Parcel Service Inc. Class B	264,089	258,761
		5,311,499	4,663,183
	Consumer Discretionary (15.8%)		
25,980	Activision Blizzard Inc.	418,449	276,463
7,350	Advance Auto Parts Inc.	264,699	304,056
3,800	Amazon.com Inc.	251,735	240,278
17,500	BorgWagner Inc.	722,196	468,801
9,000	CarMax Inc.	96,390	87,551
30,400	DIRECTV Group Inc., The	850,657	855,281
5,600	Family Dollar Stores Inc.	115,080	179,881
7,800	J. Crew Group Inc.	120,690	117,090
18,700	KB Home	433,405	314,420
19,800	Kohl's Corporation	992,187	883,863
28,900	Lowe's Companies Inc.	774,389	767,413
22,200	Macy's Inc.	251,086	283,651
5,800	Mohawk Industries Inc.	424,970	305,665
12,800	O'Reilly Automotive Inc.	381,726	484,003
15,100	Scripps Networks Interactive	622,899	410,101
6,500	Target Corporation	272,414	276,917
21,500	Wal-Mart Stores Inc.	1,189,206	1,486,603
		8,182,178	7,742,037
	Consumer Staples (10.6%)		
26,200	Coca-Cola Company, The	1,473,721	1,462,591
7,400	Estee Lauder Companies Inc., The	383,056	282,555
10,600	Kellogg Company	557,499	573,546
12,800	Nestlé SA	588,586	622,782
11,400	PepsiCo Inc.	821,301	770,513
19,600	Procter & Gamble Company, The	1,391,393	1,495,325
		5,215,556	5,207,312
	Health Care (15.5%)		
4,400	Alcon Inc.	460,899	484,408
5,400	Alexion Pharmaceuticals Inc.	192,461	240,587
5,400	Allergan Inc.	338,984	268,785
5,800	Baxter International Inc.	350,406	383,710
11,222	Becton, Dickinson and Company	881,161	947,306
4,800	C.R. Bard Inc.	453,549	499,054
10,300	DENTSPLY International Inc.	389,003	359,082
8,500	Express Scripts Inc.	587,369	576,919
5,600	Genentech Inc.	448,965	570,961
3,400	Gen-Probe Incorporated	193,679	179,728
14,200	Gilead Sciences Inc.	704,480	895,603
1,200	Intuitive Surgical Inc.	290,185	187,960
2,900	Johnson & Johnson	222,880	214,015
9,800	Medtronic Inc.	493,778	380,001
9,200	Novo Nordisk A/S Class B	559,573	577,971
8,000	QIAGEN NV	157,661	172,633
6,400	UnitedHealth Group Incorporated	169,932	209,687
7,000	VCA Antech Inc.	228,954	171,447
6,200	Wyeth	290,608	287,098
		7,414,527	7,606,955
	Financials (5.4%)		
8,400	Bank of America Corporation	261,089	144,762
8,900	Chubb Corporation, The	471,530	560,120
11,000	Digital Realty Trust Inc.	459,285	445,951
5,500	IntercontinentalExchange Inc.	489,056	559,543
10,600	Morgan Stanley	199,758	209,764
8,900	Northern Trust Corporation	609,605	572,645
7,400	Western Union Company	207,062	130,909
		2,697,385	2,623,694
	Information Technology (26.9%)		
18,200	Altera Corp.	399,559	374,091
13,300	Apple Computer Inc.	1,481,425	1,401,349
74,500	Cisco Systems Inc.	1,908,043	1,497,276
40,200	EMC Corporation	505,282	519,097
3,000	Google Inc.	1,431,852	1,138,345
25,700	Hewlett-Packard Company	1,063,125	1,150,091
21,800	Intel Corporation	544,124	394,801
5,400	International Business Machines Corporation	590,755	560,902
8,300	Linear Technology Corporation	243,151	226,034
53,300	Marvell Technology Group Ltd.	549,136	437,562
3,200	Mettler Toledo International Incorporated	304,812	265,625
38,436	Microsoft Corporation	1,198,034	922,413
7,400	Netapp Inc.	118,371	127,346
20,800	NVIDIA Corporation	191,630	207,475
53,300	Oracle Corporation	1,144,303	1,164,640
31,700	QUALCOMM Incorporated	1,369,618	1,400,985
2,700	Rockwell Collins Inc.	122,766	130,293
4,000	Salesforce.com Inc.	233,279	157,127
12,000	Texas Instruments Incorporated	249,131	229,765
13,800	Thermo Electron Corp.	758,123	580,420
12,700	Xilinx Inc.	327,296	278,914
		14,733,815	13,164,551
	Telecommunication Services (2.3%)		
30,500	American Tower Corporation	1,233,925	1,102,834
	Utilities (2.5%)		
1,599	First Solar Inc.	375,801	271,578
9,300	FPL Group Inc.	628,898	577,831
10,300	Public Service Enterprise Group Incorporated	438,421	370,653
		1,443,120	1,220,062
	Total Investments (99.3%)	52,161,480	48,629,449
	Foreign Currency Spot Contracts – (Schedule 1) (0.0%)	–	171
	Total Investment Portfolio (99.3%)	52,161,480	48,629,620
	Other Assets, Less Liabilities (0.7%)		345,198
	Total Net Assets (100.0%)		**48,974,818**
	Net Assets Per Unit		**$5.83**

Portfolio Advisor: American Century Investment Management, Inc.

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

-For equities, all common shares unless otherwise noted.

Statement of Investment Portfolio as at December 31, 2008

Schedule 1
Foreign Currency Spot Contracts Value

Contracts	Pay		Receive		Due Date	Credit Rating(1)	Fair Value ($)
1	55,078	Danish Krone	10,431	U.S. Dollar	01/06/2009	AA–	179
1	12,565	Swiss Franc	11,799	U.S. Dollar	01/06/2009	A+	(8)
Total Foreign Currency Spot Contracts Value							171

(1) Credit rating refers to the credit worthiness of the counteryparty, not the contract.

Portfolio Advisor: American Century Investment Management, Inc.

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

Discussion of Financial Instrument Risk
As at December 31, 2008

A. Risk management

The investment objective of Pinnacle American Large Cap Growth Equity Fund (the "Fund") is to achieve superior long term returns through capital growth by investing primarily in large capitalization stocks of U.S. corporations.

Managing risk is among the most important factors in the portfolio management process, guiding investment decisions made for the Fund. The Fund's investment practice includes portfolio monitoring to ensure compliance with stated investment guidelines. The Manager seeks to minimize potential adverse effects of risks on the Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's securities and financial market developments.

B. Liquidity risk

The Fund's exposure to liquidity risk arises from the daily cash redemption of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in securities that are not traded in an active market. Such securities are identified in the Statement of Investment Portfolio.

C. Currency risk

Currency risk is the risk that financial instruments which are denominated in a currency other than Canadian dollars, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. As at December 31, 2008, the Fund's financial instruments were exposed to the following currencies:

Currency	Financial Instruments ($)	Percentage of Net Assets (%)
U.S. Dollar	47,256,704	96.5
Swiss Franc	618,076	1.3
Danish Krone	578,433	1.2
Total	48,453,213	99.0

The amounts in the above table are based on the fair value of the Fund's financial instruments (including cash and cash equivalents as well as the underlying principal amounts of forward currency and spot contracts). Other financial assets (including dividends and interest receivables and receivable for investments sold) and financial liabilities that are denominated in foreign currencies do not expose the Fund to significant currency risk.

As at December 31, 2008, if the Canadian dollar had strengthened or weakened by 10% in relation to all currencies, with all other variables held constant, the Fund's net assets would have decreased or increased, respectively by approximately $4,845,321 (approximately 9.9% of the Fund's net assets). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

D. Interest rate risk

Interest rate risk arises from interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. As at December 31, 2008, the majority of the Fund's financial assets and liabilities are non-interest bearing, accordingly, the Fund did not have a significant exposure to interest rate risk.

E. Credit risk

Credit risk is the risk that the counterparty to a financial interest will fail to discharge an obligation or commitment that it has entered into with the Fund. 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. Payment is made on a purchase once the securities have been received by the broker.

Where the Fund invests in debt instruments this represents the main concentration of credit risk. As at December 31, 2008, the Fund had no significant investments in debt instruments and/or derivatives. Credit risk may also exist in relation to counterparties of spot currency contracts.

Discussion of Financial Instrument Risk
As at December 31, 2008

The Fund enters into securities lending transactions with counterparties whereby the Fund temporarily exchanges securities for collateral with a commitment by the counterparty to deliver the same securities on a future date. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient, approved credit rating and the market value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, as disclosed in Note 9.

F. Other price risk

Other price risk is the risk that the fair value of the Fund's financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk). The impact on the net assets of the Fund due to a 10% change in the respective stock indices, using a historical measure of the sensitivity of the Fund's returns relative to the returns of its benchmark stock index, Russell 1000 Growth Index, as of December 31, 2008 with all other variables held constant, would result in an increase or decrease of approximately $4,911,574 (approximately 10.0% of the Fund's net assets). The Fund's historical sensitivity measure may not be representative of its future sensitivity measure, and accordingly, the impact on net assets could be materially different.

Statement of Net Assets as at December 31,

	2008	2007
Assets		
Investments at fair value	$14,162,430	$24,169,595
Cash	108,757	55,157
Subscriptions receivable	1,566	6,611
Receivable for securities sold	562,897	692,097
Accrued investment income	8,991	14,201
Prepaid expense	4,152	–
Accounts receivable	4,010	–
	14,852,803	24,937,661
Liabilities		
Payable for securities purchased	120,809	217,000
Redemptions payable	445	13,006
Accrued expenses	89,049	58,648
	210,303	288,654
Net assets representing unitholders' equity	$14,642,500	$24,649,007
Number of units outstanding	1,306,553	1,447,725
Net assets per unit	$ 11.21	$ 17.03

Statement of Operations for the years ended December 31,

	2008	2007
Investment Income		
Dividends	$ 94,911	$ 125,805
Interest	119,927	(74,278)
Securities lending	28,772	9,206
Less: Foreign withholding taxes	(8,023)	(18,842)
	235,587	41,891
Expenses		
Legal fees	2,118	2,948
Audit fees	17,825	15,104
Custody fees	16,477	23,402
Filing fees	14,936	13,396
Directors' fees	2,273	1,389
Unitholder reporting costs	21,265	24,372
Unitholder administration, service fees and GST	148,568	150,561
	223,462	231,172
Rebated and absorbed expenses	(113,158)	(52,235)
Net expenses	110,304	178,937
Net investment income (loss)	125,283	(137,046)
Net realized gain (loss) on investments sold	(2,303,319)	4,795,806
Net realized gain (loss) on foreign exchange	(33,402)	(46,340)
Change in unrealized appreciation (depreciation) of investments	(5,520,249)	(2,299,662)
Change in unrealized appreciation (depreciation) of foreign exchange	561	1,755
Transaction costs (Note 2)	(35,982)	(62,296)
Net gain (loss) on investments and transaction costs	(7,892,391)	2,389,263
Increase (Decrease) in Net Assets from Operations	$(7,767,108)	$ 2,252,217
Increase (decrease) in net assets from operations per unit	$ (5.63)	$ 1.15

Statement of Changes in Net Assets for the years ended December 31,

	2008	2007
Net Assets, Beginning of Period	$ 24,649,007	$ 32,821,982
New accounting policy adjustment (Note 2)	–	(38,848)
Increase (decrease) in net assets from operations	(7,767,108)	2,252,217
Distributions to unitholders		
Investment income	(160,725)	–
	16,721,174	35,035,351
Unit Transactions:		
Proceeds from issue	3,329,497	10,404,618
Reinvested distributions	160,636	–
Payments on redemption	(5,568,807)	(20,790,962)
	(2,078,674)	(10,386,344)
Increase (decrease) in net assets	(10,006,507)	(8,172,975)
Net Assets, End of Period	$ 14,642,500	$ 24,649,007

Portfolio Advisor: TCW Investment Management Company

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

Statement of Investment Portfolio as at December 31, 2008

No. of Shares	Issuer	Average Cost ($)	Fair Value ($)
	Energy (7.9%)		
3,550	Core Laboratories NV	355,191	262,335
5,000	National-Oilwell Varco Inc.	362,843	150,856
7,600	Oceaneering International Inc.	400,539	271,521
9,800	Smith International Inc.	402,515	276,925
4,450	Whiting Petroleum Corporation	195,547	183,264
		1,716,635	1,144,901
	Industrials (26.6%)		
3,500	C.H. Robinson Worldwide Inc.	189,485	237,555
7,200	Clean Harbors Inc.	364,235	563,880
3,600	Expeditors International of Washington Inc.	148,571	147,592
3,800	Flowserve Corporation	286,673	241,592
13,931	K12 Inc.	327,794	311,281
17,400	LKQ Corporation	369,958	250,246
15,200	Quanta Services Inc.	335,767	371,347
19,050	Resources Connection Incorporated	511,788	384,271
5,900	Shaw Group Inc., The	165,540	149,021
19,250	Spirit Aerosystems Holdings Inc.	559,024	240,968
3,300	SPX Corporation	402,039	164,217
2,500	Strayer Education Inc.	323,533	661,692
3,950	Ultra Petroleum Corp.	257,763	167,988
		4,242,170	3,891,650
	Consumer Discretionary (5.6%)		
2,600	Chipotle Mexican Grill Inc. Class B	178,535	183,274
9,200	Ctrip.com International Ltd. ADR	388,692	269,284
12,904	Mercadolibre Inc.	386,969	261,252
5,050	Starwood Hotels & Resorts Worldwide Inc.	102,114	111,592
		1,056,310	825,402
	Consumer Staples (3.3%)		
11,756	Hansen Natural Corporation	300,728	486,468
	Health Care (19.2%)		
11,150	Catalyst Health Solutions Inc.	322,411	334,757
19,000	CV Therapeutics Inc.	332,229	215,556
4,850	Genzyme Corporation	385,147	397,379
1,350	Intuitive Surgical Inc.	160,443	211,455
11,900	Isis Pharmaceuticals Inc.	196,130	207,724
40,300	Mylan Laboratories Inc.	454,120	491,534
6,350	Psychiatric Solutions Inc.	212,570	218,083
7,350	Thoratec Corporation	144,681	294,075
6,700	Vertex Pharmaceuticals Inc.	256,964	251,112
19,538	WuXi PharmaTech Cayman Inc. ADR	413,521	192,716
		2,878,216	2,814,391
	Financials (12.2%)		
5,750	ACE Limited	283,802	374,652
3,250	Affiliated Managers Group Inc.	328,870	168,028
6,900	Bankrate Inc.	311,677	322,579
13,950	eHealth Inc.	319,558	228,182
3,850	IntercontinentalExchange Inc.	517,256	391,680
5,736	MSCI Inc.	142,156	125,477
5,200	Signature Bank	186,367	183,531
		2,089,686	1,794,129
	Information Technology (20.3%)		
10,042	Ansys Inc.	303,210	345,128
2,200	Baidu.com Inc.	364,584	353,447
6,650	Broadcom Corporation	138,924	139,068
13,113	Cavium Networks Inc.	284,858	169,974
16,900	Cognizant Technology Solutions Corp.	474,737	376,578
9,000	Electronic Arts Inc.	405,356	177,657
1,600	Equinix Inc.	101,786	104,765
23,009	Infinera Corporation	404,640	253,653
11,850	Nuance Communications Inc.	194,349	151,262
4,750	Research In Motion Limited	97,447	237,780
8,100	Salesforce.com Inc.	207,897	318,183
11,952	VMware Inc.	572,421	348,507
		3,550,209	2,976,002
	Telecommunication Services (1.6%)		
38,250	Clearwire Corporation	333,443	229,487
	Total Investment Portfolio (96.7%)	16,167,397	14,162,430
	Other Assets, Less Liabilities (3.3%)		480,070
	Total Net Assets (100.0%)		**14,642,500**
	Net Assets Per Unit		**$11.21**

ADR – American Depository Receipt

Portfolio Advisor: TCW Investment Management Company

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

-For equities, all common shares unless otherwise noted.

Discussion of Financial Instrument Risk
As at December 31, 2008

A. Risk management

The investment objective of Pinnacle American Mid Cap Growth Equity Fund (the "Fund") is to achieve superior long term returns through capital growth by investing primarily in stocks of small and medium capitalization companies traded on U.S. stock exchanges.

Managing risk is among the most important factors in the portfolio management process, guiding investment decisions made for the Fund. The Fund's investment practice includes portfolio monitoring to ensure compliance with stated investment guidelines. The Manager seeks to minimize potential adverse effects of risks on the Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's securities and financial market developments.

B. Liquidity risk

The Fund's exposure to liquidity risk arises from the daily cash redemption of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in securities that are not traded in an active market. Such securities are identified in the Statement of Investment Portfolio.

C. Currency risk

Currency risk is the risk that financial instruments which are denominated in a currency other than Canadian dollars, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. As at December 31, 2008, the Fund's financial instruments were exposed to the following currency:

Currency	Financial Instruments ($)	Percentage of Net Assets (%)
U.S. Dollar	14,101,280	96.3
Total	14,101,280	96.3

The amount in the above table is based on the fair value of the Fund's financial instruments (including cash and cash equivalents as well as the underlying principal amounts of forward currency contracts). Other financial assets (including dividends and interest receivables and receivable for investments sold) and financial liabilities that are denominated in foreign currencies do not expose the Fund to significant currency risk.

As at December 31, 2008, if the Canadian dollar had strengthened or weakened by 10% in relation to all currencies, with all other variables held constant, the Fund's net assets would have decreased or increased, respectively by approximately $1,410,128 (approximately 9.6% of the Fund's net assets). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

D. Interest rate risk

Interest rate risk arises from interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. As at December 31, 2008, the majority of the Fund's financial assets and liabilities are non-interest bearing, accordingly, the Fund did not have a significant exposure to interest rate risk.

E. Credit risk

Credit risk is the risk that the counterparty to a financial interest will fail to discharge an obligation or commitment that it has entered into with the Fund. 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. Payment is made on a purchase once the securities have been received by the broker.

Where the Fund invests in debt instruments this represents the main concentration of credit risk. As at December 31, 2008, the Fund had no significant investments in debt instruments and/or derivatives.

The Fund enters into securities lending transactions with counterparties whereby the Fund temporarily exchanges securities for collateral with a commitment by the counterparty to deliver the same securities on a future date. Credit risk associated with these

Discussion of Financial Instrument Risk
As at December 31, 2008

transactions is considered minimal as all counterparties have a sufficient, approved credit rating and the market value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, as disclosed in Note 9.

F. Other price risk

Other price risk is the risk that the fair value of the Fund's financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk). The impact on the net assets of the Fund due to a 10% change in the respective stock indices, using a historical measure of the sensitivity of the Fund's returns relative to the returns of its benchmark stock index, Russell Mid Cap Growth Index, as of December 31, 2008 with all other variables held constant, would result in an increase or decrease of approximately $1,543,705 (approximately 10.5% of the Fund's net assets). The Fund's historical sensitivity measure may not be representative of its future sensitivity measure, and accordingly, the impact on net assets could be materially different.

Statement of Net Assets as at December 31,

	2008	2007
Assets		
Investments at fair value	$ 76,243,544	$113,544,078
Cash	–	1,431,393
Receivable on open spot contracts	–	3,963
Subscriptions receivable	21,181	170,272
Receivable for securities sold	69,676,429	1,385,626
Accrued investment income	238,004	458,548
Prepaid expense	4,153	–
	146,183,311	116,993,880
Liabilities		
Bank overdraft	329,465	–
Payable on open spot and forward contracts	61,010	–
Payable for securities purchased	64,923,817	1,562,679
Redemptions payable	52,445	67,919
Accrued expenses	133,836	116,264
	65,500,573	1,746,862
Net assets representing unitholders' equity	$ 80,682,738	$115,247,018
Number of units outstanding	9,860,046	9,741,115
Net assets per unit	$ 8.18	$ 11.83

Statement of Operations for the years ended December 31,

	2008	2007
Investment Income		
Dividends	$ 3,422,156	$ 3,278,253
Interest	20,952	188,422
Securities lending	75,490	97,459
Less: Foreign withholding taxes	(363,948)	(368,717)
	3,154,650	3,195,417
Expenses		
Legal fees	2,118	2,948
Audit fees	19,400	17,856
Custody fees	131,653	134,373
Filing fees	15,445	13,396
Directors' fees	2,273	1,389
Unitholder reporting costs	32,893	44,024
Unitholder administration, service fees and GST	184,527	187,068
	388,309	401,054
Net investment income (loss)	2,766,341	2,794,363
Net realized gain (loss) on investments sold	(39,596,530)	7,603,285
Net realized gain (loss) on foreign exchange	29,376	(54,857)
Change in unrealized appreciation (depreciation) of investments	4,620,854	(23,828,841)
Change in unrealized appreciation (depreciation) of foreign exchange	(47,868)	(26,593)
Transaction costs (Note 2)	(353,028)	(211,785)
Net gain (loss) on investments and transaction costs	(35,347,196)	(16,518,791)
Increase (Decrease) in Net Assets from Operations	$(32,580,855)	$(13,724,428)
Increase (decrease) in net assets from operations per unit	$ (3.31)	$ (1.49)

Statement of Changes in Net Assets for the years ended December 31,

	2008	2007
Net Assets, Beginning of Period	$115,247,018	$116,431,670
Increase (decrease) in net assets from operations	(32,580,855)	(13,724,428)
Distributions to unitholders		
Investment income	(3,111,353)	(2,696,501)
	79,554,810	100,010,741
Unit Transactions:		
Proceeds from issue	23,914,335	36,000,524
Reinvested distributions	3,104,613	2,691,236
Payments on redemption	(25,891,020)	(23,455,483)
	1,127,928	15,236,277
Increase (decrease) in net assets	(34,564,280)	(1,184,652)
Net Assets, End of Period	$ 80,682,738	$115,247,018

Portfolio Advisor: Wellington Management Company, LLP

Effective January 6, 2009, the portfolio advisor changed to Thornburg Investment Management, Inc.

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

Statement of Investment Portfolio as at December 31, 2008

No. of Shares	Issuer	Average Cost ($)	Fair Value ($)
	Australia (0.0%)		
1,479	Commonwealth Bank of Australia	54,691	37,019
	China (2.3%)		
271,000	China Life Insurance Co. Limited	1,011,024	1,030,942
359,000	China Merchants Bank Co. Ltd.	802,856	830,876
		1,813,880	1,861,818
	Denmark (5.7%)		
45,900	Novo Nordisk A/S Class B	2,939,636	2,883,573
23,500	Vestas Wind Systems A/S	1,674,400	1,724,222
		4,614,036	4,607,795
	Finland (4.1%)		
47,400	Fortum Oyj	1,231,919	1,256,873
107,300	Nokia Oyj	2,124,847	2,053,546
		3,356,766	3,310,419
	France (14.5%)		
8,800	Air Liquide SA	993,610	993,961
69,600	Axa SA	2,407,020	1,915,587
32,800	BNP Paribas	1,678,048	1,709,814
45,100	France Telecom SA	1,441,786	1,557,322
25,200	Groupe Danone	1,885,094	1,877,607
24,800	LVMH Moet Hennessy Louis Vuitton SA	1,995,592	2,056,944
24,000	Total SA	1,538,090	1,615,250
		11,939,240	11,726,485
	Germany (4.1%)		
30,900	E.ON AG	1,497,495	1,542,518
40,200	SAP AG	1,733,412	1,778,585
		3,230,907	3,321,103
	Greece (2.8%)		
44,600	Coca-Cola Hellenic Bottling Company SA	786,011	803,175
64,100	National Bank of Greece SA	1,450,239	1,465,532
		2,236,250	2,268,707
	Hong Kong (4.3%)		
192,000	Aeon Credit Service (Asia) Company Limited	166,849	82,880
81,500	China Mobile (Hong Kong) Limited	1,011,079	1,020,083
362,000	Hang Lung Properties Ltd.	1,012,522	980,294
101,900	Hong Kong Exchanges & Clearing Limited	1,235,082	1,206,042
367,000	RREEF China Commercial Trust	172,349	152,498
266	Sino Land Company Limited	617	343
		3,598,498	3,442,140
	India (0.3%)		
16,299	Axis Bank Limited GDR	203,492	208,439
	Israel (2.0%)		
31,200	Teva Pharmaceutical Industries Ltd. ADR	1,615,039	1,633,095
	Japan (11.9%)		
32,300	Canon Inc.	1,192,211	1,251,717
154	East Japan Railway Company	1,251,792	1,484,749
16,600	Fanuc Ltd.	1,411,046	1,457,421
78,800	Komatsu Ltd.	1,428,963	1,232,233
500	Mitsubishi Estate Company Limited	11,384	10,179
4,490	Nintendo Co. Ltd.	2,131,845	2,129,556
51,200	Toyota Motor Corporation	2,015,108	2,068,924
		9,442,349	9,634,779
	Mexico (2.2%)		
21,000	America Movil SA de CV Series L ADR	793,502	801,586
296,900	Wal-Mart de Mexico SA de CV Series V	979,554	966,296
		1,773,056	1,767,882
	Singapore (0.1%)		
200,000	Banyan Tree Holdings Limited	148,456	73,342
560	Singapore Telecommunications Limited	1,095	1,231
		149,551	74,573
	Spain (2.5%)		
73,100	Telefonica SA	1,999,652	2,022,815
	Sweden (2.9%)		
48,600	Hennes & Mauritz AB Class B	2,394,112	2,344,434
	Switzerland (14.5%)		
700	Givaudan SA	688,561	680,741
17,000	Julius Baer Holding Ltd.	772,488	807,303
54,100	Logitech International S.A.	1,032,524	1,042,641
57,100	Nestlé SA	2,794,775	2,778,190
32,300	Novartis AG	2,001,173	1,997,884
21,905	Paris RE Holdings Ltd.	453,530	374,749
14,400	Roche Holding AG	2,798,340	2,736,448
21,000	Swiss Re	1,185,450	1,259,447
		11,726,841	11,677,403
	Taiwan (0.0%)		
25	Hon Hai Precision Industry Co. Ltd. GDR	204	113
	United Kingdom (17.0%)		
721,651	ARM Holdings PLC	1,133,191	1,114,798
69,200	Carnival PLC	1,823,513	1,861,245
461,948	HBOS PLC Rights (Exp. 01/09/09)	–	–
67,700	Reckitt Benckiser Group PLC	3,058,168	3,113,563
57,500	SABMiller PLC	1,196,307	1,195,175
212,300	Smith & Nephew PLC	1,626,298	1,662,844
127,600	Standard Chartered PLC	1,849,066	2,013,655
97,600	Vodafone Group PLC ADR	2,340,410	2,456,734
174,277	Wolfson Microelectronics PLC	406,326	249,907
		13,433,279	13,667,921
	United States (3.3%)		
60,500	Amdocs Ltd.	1,357,198	1,361,548
24,400	Schlumberger Limited	1,208,656	1,275,056
		2,565,854	2,636,604
	Total Investments (94.5%)	76,147,697	76,243,544
	Foreign Currency Spot Contracts (Schedule 1) (-0.1%)	–	(61,010)
	Total Investment Portfolio (94.4%)	76,147,697	76,182,534
	Other Assets, Less Liabilities (5.6%)		4,500,204
	Total Net Assets (100.0%)		**80,682,738**
	Net Assets Per Unit		**$8.18**

ADR – American Depository Receipt
GDR – Global Depository Receipt

Portfolio Advisor: Wellington Management Company, LLP

Effective January 6, 2009, the portfolio advisor changed to Thornburg Investment Management, Inc.

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

-For equities, all common shares unless otherwise noted.

Statement of Investment Portfolio as at December 31, 2008

Schedule 1
Foreign Currency Spot Contracts Value

Contracts	Pay		Receive		Due Date	Credit Rating(1)	Fair Value ($)
1	175,022	Australian Dollar	148,051	Canadian Dollar	01/05/2009	A+	(2,589)
1	3,558,508	Australian Dollar	3,000,000	Canadian Dollar	01/05/2009	AA	(62,783)
1	3,800,000	Canadian Dollar	16,346,536	Danish Krone	01/06/2009	AA	(31,351)
1	2,900,000	Canadian Dollar	18,477,930	Hong Kong Dollar	01/05/2009	AA	43,279
1	47,242	Canadian Dollar	536,470	Mexican Real	01/06/2009	A+	581
1	950,000	Canadian Dollar	10,562,480	Mexican Real	01/05/2009	AA	(8,426)
1	500,000	Canadian Dollar	281,817	British Pound	01/05/2009	AA	198
1	53,899	Canadian Dollar	343,857	Swedish Krona	01/07/2009	A+	(220)
1	2,000,000	Canadian Dollar	12,712,820	Swedish Krona	01/07/2009	AA	(15,418)
1	8,900,000	Canadian Dollar	7,615,908	Swiss Franc	01/06/2009	AA	(66,591)
1	2,900,000	Canadian Dollar	2,384,476	U.S. Dollar	01/05/2009	AA	43,636
1	95,745	Danish Krone	21,872	Canadian Dollar	01/06/2009	A+	(202)
1	9,246,684	European Euro	16,000,000	Canadian Dollar	01/05/2009	AA	132,544
1	593,792,800	Japanese Yen	8,000,000	Canadian Dollar	01/08/2009	AA	(86,456)
1	456,357	Singapore Dollar	388,455	Canadian Dollar	01/05/2009	A+	(2,572)
1	255,163	Swiss Franc	291,315	Canadian Dollar	01/06/2009	A+	(4,640)
Total Foreign Currency Spot Contracts Value							(61,010)

(1) Credit rating refers to the credit worthiness of the counteryparty, not the contract.

Portfolio Advisor: Wellington Management Company, LLP

Effective January 6, 2009, the portfolio advisor changed to Thornburg Investment Management, Inc.

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

Discussion of Financial Instrument Risk
As at December 31, 2008

A. Risk management

The investment objective of Pinnacle International Equity Fund (the "Fund") is to achieve superior long term returns through capital growth by investing primarily in large capitalization stocks of companies in Europe, Australia and the Far East.

Managing risk is among the most important factors in the portfolio management process, guiding investment decisions made for the Fund. The Fund's investment practice includes portfolio monitoring to ensure compliance with stated investment guidelines. The Manager seeks to minimize potential adverse effects of risks on the Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's securities and financial market developments.

B. Liquidity risk

The Fund's exposure to liquidity risk arises from the daily cash redemption of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in securities that are not traded in an active market. Such securities are identified in the Statement of Investment Portfolio.

C. Currency risk

Currency risk is the risk that financial instruments which are denominated in a currency other than Canadian dollars, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. As at December 31, 2008, the Fund's financial instruments were exposed to the following currencies:

Currency	Financial Instruments ($)	Percentage of Net Assets (%)
European Euro	23,024,501	28.5
Swiss Franc	11,302,654	14.0
British Pound	11,211,187	13.9
Japanese Yen	9,635,753	11.9
U.S. Dollar	7,767,336	9.6
Hong Kong Dollar	5,303,958	6.6
Danish Krone	4,607,795	5.7
Swedish Krona	2,344,434	2.9
Mexican Peso	966,296	1.2
Singapore Dollar	74,573	0.1
Australian Dollar	37,019	0.1
Total	76,275,506	94.5

The amounts in the above table are based on the fair value of the Fund's financial instruments (including cash and cash equivalents as well as the underlying principal amounts of forward currency contracts). Other financial assets (including dividends and interest receivable and receivables for investments sold) and financial liabilities that are denominated in foreign currencies do not expose the Fund to significant currency risk.

As at December 31, 2008, if the Canadian dollar had strengthened or weakened by 10% in relation to all currencies, with all other variables held constant, the Fund's net assets would have decreased or increased, respectively by approximately $7,627,551 (approximately 9.5% of the Fund's net assets). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

D. Interest rate risk

Interest rate risk arises from interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. As at December 31, 2008, the majority of the Fund's financial assets and liabilities are non-interest bearing, accordingly, the Fund did not have a significant exposure to interest rate risk.

Discussion of Financial Instrument Risk
As at December 31, 2008

E. Credit risk

Credit risk is the risk that the counterparty to a financial interest will fail to discharge an obligation or commitment that it has entered into with the Fund. 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. Payment is made on a purchase once the securities have been received by the broker.

Where the Fund invests in debt instruments this represents the main concentration of credit risk. As at December 31, 2008, the Fund had no significant investments in debt instruments and/or derivatives. Credit risk may also exist in relation to counterparties of spot currency contracts.

The Fund enters into securities lending transactions with counterparties whereby the Fund temporarily exchanges securities for collateral with a commitment by the counterparty to deliver the same securities on a future date. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient, approved credit rating and the market value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, as disclosed in Note 9.

F. Other price risk

Other price risk is the risk that the fair value of the Fund's financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk). The impact on the net assets of the Fund due to a 10% change in the respective stock indices, using a historical measure of the sensitivity of the Fund's returns relative to the returns of its benchmark stock index, Morgan Stanley Capital International (MSCI) Europe, Australasia and Far East (EAFE) Index, as of December 31, 2008 with all other variables held constant, would result in an increase or decrease of approximately $7,547,556 (approximately 9.4% of the Fund's net assets). The Fund's historical sensitivity measure may not be representative of its future sensitivity measure, and accordingly, the impact on net assets could be materially different.

Statement of Net Assets as at December 31,

	2008	2007
Assets		
Investments at fair value	$45,843,465	$75,064,093
Cash	–	1,122,657
Subscriptions receivable	11,839	271,255
Receivable for securities sold	1,706,837	–
Accrued investment income	142,210	134,641
Prepaid expense	4,153	–
Accounts receivable	6,084	–
	47,714,588	76,592,646
Liabilities		
Bank overdraft	1,291,742	–
Payable on open spot contracts	760	–
Payable for securities purchased	–	17,639
Redemptions payable	71,327	26,794
Accrued expenses	125,012	157,414
	1,488,841	201,847
Net assets representing unitholders' equity	$46,225,747	$76,390,799
Number of units outstanding	4,471,086	4,229,797
Net assets per unit	$ 10.34	$ 18.06

Statement of Operations for the years ended December 31,

	2008	2007
Investment Income		
Dividends	$ 1,985,042	$ 1,507,160
Interest	7,556	(6,386)
Securities lending	19,865	26,408
Income (loss) from derivatives	–	(204,974)
Less: Foreign withholding taxes	(177,879)	(143,572)
	1,834,584	1,178,636
Expenses		
Legal fees	2,115	2,948
Audit fees	19,398	17,856
Custody fees	226,345	361,298
Filing fees	16,081	13,396
Directors' fees	2,269	1,389
Unitholder reporting costs	29,240	39,179
Unitholder administration, service fees and GST	124,409	150,203
	419,857	586,269
Rebated and absorbed expenses	(73,084)	(140,596)
Net expenses	346,773	445,673
Net investment income (loss)	1,487,811	732,963
Net realized gain (loss) on investments sold	(22,035,025)	9,893,442
Net realized gain (loss) on foreign exchange	(83,682)	(135,268)
Change in unrealized appreciation (depreciation) of investments	(11,836,391)	(22,231,029)
Change in unrealized appreciation (depreciation) of foreign exchange	11,503	(9,027)
Transaction costs (Note 2)	(186,034)	(361,263)
Net gain (loss) on investments and transaction costs	(34,129,629)	(12,843,145)
Increase (Decrease) in Net Assets from Operations	$(32,641,818)	$(12,110,182)
Increase (decrease) in net assets from operations per unit	$ (7.36)	$ (3.52)

Statement of Changes in Net Assets for the years ended December 31,

	2008	2007
Net Assets, Beginning of Period	$ 76,390,799	$ 77,205,552
New accounting policy adjustment (Note 2)	–	(7,079)
Increase (decrease) in net assets from operations	(32,641,818)	(12,110,182)
Distributions to unitholders		
Investment income	(1,401,344)	(795,957)
Capital gains	–	(9,603,032)
	42,347,637	54,689,302
Unit Transactions:		
Proceeds from issue	26,918,041	32,724,490
Reinvested distributions	1,395,440	10,384,261
Payments on redemption	(24,435,371)	(21,407,254)
	3,878,110	21,701,497
Increase (decrease) in net assets	(30,165,052)	(814,753)
Net Assets, End of Period	$ 46,225,747	$ 76,390,799

Portfolio Advisor: Munder Capital Management

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

Statement of Investment Portfolio as at December 31, 2008

No. of Shares	Issuer	Average Cost ($)	Fair Value ($)
	Australia (3.1%)		
25,452	Ansell Limited	278,485	277,160
70,184	Australian Worldwide Exploration Limited	204,023	156,968
18,512	Billabong International Limited	183,790	127,800
117,532	Boart Longyear Group	220,386	20,466
7,581	Campbell Brothers Limited	225,845	115,495
67,150	Centennial Coal Company Limited	283,213	193,954
49,429	Downer EDI Limited	275,963	164,235
58,057	Iluka Resources Ltd.	189,652	233,316
74,239	Incitec Pivot Limited	190,915	162,119
		2,052,272	1,451,513
	Austria (1.0%)		
4,891	Andritz AG	252,999	154,329
7,170	BWIN Interactive Entertainment AG	208,629	165,192
3,544	Oesterreichische Post AG	141,211	146,932
		602,839	466,453
	Belgium (1.5%)		
674	Colruyt SA	193,673	178,193
2,506	Mobistar SA	198,908	222,821
7,758	Tessenderlo Chemie NV	394,539	289,621
		787,120	690,635
	Canada (7.5%)		
5,892	ATCO Ltd.	339,567	221,951
6,391	Bird Construction Income Fund	253,481	126,606
4,391	Cogeco Cable Inc.	159,898	151,314
7,800	Cresent Point Energy Trust	171,551	187,200
6,257	Dorel Industries Inc. Class B Sub. Voting	205,389	169,627
41,096	Gran Tierra Energy Inc.	124,659	134,384
10,888	Home Capital Group Inc. Class B Sub. Voting	392,921	211,989
9,844	Laurentian Bank of Canada	420,560	337,748
16,739	Open Text Corporation	555,535	623,028
37,366	Red Back Mining Inc.	293,664	317,985
19,512	Sino-Forest Corporation	269,616	188,096
7,006	TMX Group Inc.	230,250	176,341
21,739	Trinidad Drilling Ltd.	288,990	94,782
27,879	Viterra Inc.	306,677	264,293
18,700	WestJet Airlines Ltd.	261,039	244,783
		4,273,797	3,450,127
	China (0.4%)		
142,000	Xinao Gas Holdings Limited	241,633	186,368
	Denmark (0.2%)		
6,950	Sydbank A/S	311,819	106,304
	Finland (0.8%)		
16,833	KCI Konecranes Oyj	443,992	355,874
	France (9.1%)		
9,555	Axalto Holding NV	271,533	295,754
2,051	Bacou-Dalloz	242,349	157,716
4,462	Bureau Veritas SA	235,985	221,200
8,556	Compagnie Fonciere Klepierre	392,351	258,882
9,386	Eutelsat Communications	251,425	273,628
2,859	Faiveley SA	194,338	237,056
2,040	Fonciere des Regions	152,823	172,429
2,977	Ipsen SA	163,653	143,497
3,575	Lagardere SCA	242,345	179,135
2,085	Nexans SA	186,905	153,729
3,346	Opera	135,154	149,284
2,428	Pierre & Vacances	255,324	159,239
3,401	Rubis	311,569	264,484
7,431	Saft Groupe SA	266,257	247,838
7,876	SCOR SE	192,398	223,533
3,048	Sodexho Alliance SA	202,713	208,231
3,598	Sopra Group	283,090	154,680
15,796	SR Teleperformance	550,541	543,758
4,600	Technip SA	309,758	173,973
		4,840,511	4,218,046
	Germany (7.7%)		
3,651	Adidas-Salomon AG	217,056	173,346
2,442	Bilfinger Berger AG	138,241	159,489
9,934	Deutsche Euroshop AG	376,373	420,449
4,568	Fielmann AG	343,513	367,098
2,541	Fresenius AG Preferred Non-Voting	153,655	183,813
4,529	Fuchs Petrolub AG Non-Voting Preferred	405,300	268,601
7,913	Lanxess	349,054	190,037
7,533	MG Technologies AG	223,133	159,455
11,505	MTU Aero Engines Holding AG	414,126	391,407
3,795	Salzgitter AG	594,973	370,030
26,924	Vivacon AG	691,474	183,042
2,282	Vossloh AG	291,057	317,202
1,629	Wacker Chemie AG	348,702	213,863
2,653	Wincor Nixdorf AG	160,583	156,152
		4,707,240	3,553,984
	Greece (0.5%)		
8,267	Babis Vovos International	239,713	127,122
18,984	GEK Group of Cos SA	247,212	109,711
		486,925	236,833
	Hong Kong (1.8%)		
97,000	Great Eagle Holdings	262,163	133,883
202,000	Industrial and Commercial Bank of China (Asia) Ltd.	434,440	268,813
217,800	Noble Group Limited	288,870	192,578
214,000	Peace Mark (Holdings) Limited*	242,118	51,131
372,000	Texwinca Holdings Limited	311,836	196,365
		1,539,427	842,770
	Ireland (0.8%)		
47,492	Glanbia PLC	285,049	171,195
52,445	United Drug PLC	294,845	200,634
		579,894	371,829
	Italy (3.8%)		
34,006	Azimut Holding SpA	449,424	226,120
25,049	Davide Campari-Milano SpA	208,360	209,012
167,871	Immobiliare Grande Distribuzione	363,781	305,714
56,764	Landi Renzo SpA	323,872	326,109
21,224	Prysmian SpA	524,729	411,516
38,251	Recordati SpA	325,979	256,170
		2,196,145	1,734,641
	Japan (25.5%)		
11,000	ABC-Mart Inc.	280,741	497,368
40,000	Air Water Inc.	466,907	443,570
8,300	Asahi Pretec Corp.	220,667	119,709
8,000	Capcom Co. Ltd.	259,015	221,932
16,400	Don Quijote Co. Ltd.	323,957	403,334
8,700	Ferrotec Corporation	145,311	135,818
148	Fields Corporation	282,717	298,460
7,800	Fuji Oil Co. Ltd.	134,957	136,091
16,900	Gigas Ks Denki Corporation	348,260	352,321
8,900	Hisamitsu Pharmaceutical Co. Inc.	304,301	448,567
6,300	Hitachi Information Systems Ltd.	159,547	161,323
7,400	Hogy Medical Co. Ltd.	402,130	629,395
28,500	Hokuetsu Paper Mills Ltd.	174,514	215,243
104,000	Hokugin Financial Group Inc.	257,894	303,952
14,100	Hosiden Corporation	246,701	275,150
27,000	Kinden Corporation	286,156	300,554
14,700	Kintetsu World Express Inc.	467,659	357,717
5,900	Kobayashi Pharmaceutical Co. Ltd.	219,401	311,223
22,000	Kuroda Electric Co. Ltd.	294,615	254,882
11,900	Mandom Corporation	311,914	417,804
59,000	Nippon Carbon Co. Ltd.	267,091	219,028
51,000	Nippon Denko Co. Ltd.	372,160	324,966
14,600	Nippon System Development Co. Ltd.	243,254	141,782
9,200	Nissha Printing Co. Ltd.	372,743	451,842
6,200	Nomura Real Estate Holdings Inc.	148,240	152,863
6,750	Promise Co. Ltd.	181,545	211,210

Portfolio Advisor: Munder Capital Management

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

-For equities, all common shares unless otherwise noted.

Statement of Investment Portfolio as at December 31, 2008

No. of Shares	Issuer	Average Cost ($)	Fair Value ($)
220	RISA Partners Inc.	352,277	128,500
11,000	Saizeriya Co. Ltd.	192,852	191,082
21,500	Sega Sammy Holding Inc.	209,283	307,984
915	SKY Perfect JSAT Corporation	403,514	549,858
34,000	Suruga Bank Ltd.	404,558	415,692
18,000	Takasago Thermal Engineering Co. Ltd.	195,733	186,652
28,000	Tokai Carbon Co. Ltd.	264,027	145,076
28,000	Tokyo Tatemono Co. Ltd.	170,024	158,085
16,100	Tomy Company Ltd.	124,262	130,387
62,000	Toshiba Machine Co. Ltd.	400,577	227,062
44,000	Toyo Engineering Corporation	154,804	169,156
9,000	Toyo Suisan Kaisha Ltd.	197,709	319,347
10,700	Tsuruha Holdings Inc.	349,117	510,986
62,000	UBE Industries Limited	226,272	214,832
182	Works Applications Co. Ltd.	243,203	134,761
31,000	Yokohama Rubber Co. Ltd., The	174,771	191,510
		11,235,380	11,767,074
	Korea (2.6%)		
3,611	CJ Home Shopping	236,223	136,923
12,747	CJ Internet Corp.	144,579	156,137
25,450	Daegu Bank	393,399	171,637
12,560	Hyundai Marine & Fire Insurance Co. Ltd.	243,602	179,447
1,745	Korea Line Corporation	392,181	118,645
24,330	LG Telecom Ltd.	225,466	235,874
39,950	Pusan Bank	577,835	224,097
		2,213,285	1,222,760
	Luxembourg (0.6%)		
17,603	Gagfah SA	246,343	123,656
3,750	Oriflame Cosmetics SA	165,085	134,138
		411,428	257,794
	Netherlands (3.1%)		
19,670	Binck NV	177,618	185,901
7,367	Fugro NV	387,506	261,099
13,530	Imtech NV	370,322	282,626
4,403	Koninklijke Boskalis Westminster NV	234,491	126,257
4,916	Koninklijke Vopak NV	199,617	230,271
10,042	Qiagen NV	227,484	216,641
1,323	Wereldhave NV	128,845	144,266
		1,725,883	1,447,061
	Norway (1.0%)		
45,400	Ementor ASA	306,219	134,528
4,200	Fred. Olsen Energy ASA	164,965	139,412
13,700	Tandberg ASA	283,291	186,175
		754,475	460,115
	Portugal (0.5%)		
33,843	Jeronimo Martins SGPS SA	291,995	232,089
	Singapore (0.2%)		
140,000	Tat Hong Holdings Limited	232,796	82,014
	Spain (3.6%)		
7,743	Abengoa S.A.	141,685	159,759
15,461	Banco de Sabadell SA	125,449	129,972
9,642	Enagas	228,372	261,122
6,984	Grifols SA	216,470	149,746
8,444	Obrascon Huarte Lain SA	321,555	146,917
3,969	Red Electrica de Espana	219,611	248,233
73,376	Tubacex SA	702,846	300,311
11,277	Viscofan SA	266,793	273,490
		2,222,781	1,669,550
	Sweden (1.7%)		
43,911	Kungsleden AB	258,091	377,532
9,250	Modern Times Group AB	429,761	248,054
41,700	Peab AB	331,420	143,622
		1,019,272	769,208
	Switzerland (5.6%)		
4,560	Actelion Ltd.	191,487	317,051
4,421	Baloise Holding Ltd.	418,646	410,210
1,744	Bucher Industries AG	354,890	217,831
7,642	EFG International	137,412	168,940
1,190	Galenica Holding AG	441,339	476,394
1,213	Geberit AG	149,830	161,322
224	Givaudan SA	182,054	217,837
756	Kuoni Reisen Holding AG	345,834	316,829
5,992	Petroplus Holdings AG	252,616	148,637
8,608	Temenos Group AG	247,742	141,828
		2,721,850	2,576,879
	United Kingdom (16.6%)		
9,243	Admiral Group PLC	168,324	150,714
16,924	Aggreko PLC	172,527	134,599
72,422	Amlin PLC	482,047	464,964
10,977	Autonomy Corporation PLC	169,987	186,519
16,125	Aveva Group PLC	338,300	163,861
24,543	Babcock International Group PLC	202,905	208,423
38,187	Balfour Beatty PLC	284,108	224,590
188,363	Beazley Group PLC	572,173	455,593
20,293	BPP Holdings PLC	231,587	118,103
62,685	Cable & Wireless PLC	203,807	175,047
30,836	Carillion PLC	136,668	136,520
24,403	Charter International PLC	191,243	143,749
11,923	Chemring Group PLC	502,092	414,428
26,765	Croda International PLC	338,668	248,148
8,359	Dana Petroleum PLC	198,146	148,104
59,697	Domino's Pizza UK & IRL PLC	235,485	176,992
21,113	Drax Group PLC	305,123	211,283
47,587	Game Group PLC	228,346	107,807
2,751	Greggs PLC	245,973	164,499
23,609	ICAP PLC	285,359	121,546
62,900	IG Group Holdings PLC	454,999	287,332
36,029	Informa PLC	158,703	157,810
24,250	Inmarsat PLC	178,511	204,323
96,757	International Personnel Finance	435,889	239,812
34,590	Interserve PLC	336,855	140,120
9,342	Intertek Group PLC	132,231	130,633
36,239	John Wood Group PLC	234,190	122,033
16,023	Keller Group PLC	224,697	164,395
35,522	Mothercare PLC	269,728	210,569
82,686	N Brown Group PLC	424,079	299,529
31,755	Petrofac Limited	249,477	196,101
150,981	Regus PLC	189,961	133,174
33,669	Rexam PLC	202,281	212,288
21,552	Speedy Hire PLC	302,061	53,787
220,236	Spirent PLC	264,369	142,225
18,562	SSL International PLC	166,385	163,848
79,529	Thomas Cook Group PLC	368,003	251,398
35,355	Tui Travel PLC	142,705	147,542
18,143	Ventrure Production PLC	283,052	137,853
34,176	Vitec Group PLC	356,073	143,283
		10,867,117	7,693,544
	Total Investments (99.2%)	56,759,876	45,843,465
	Foreign Currency Spot Contracts Value – (Schedule 1) (0.0%)	–	(760)
	Total Investment Portfolio (99.2%)	56,759,876	45,842,705
	Other Assets, Less Liabilities (0.8%)		383,042
	Total Net Assets (100.0%)		46,225,747
	Net Assets Per Unit		**$10.34**

Portfolio Advisor: Munder Capital Management

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

Statement of Investment Portfolio as at December 31, 2008

Schedule 1
Foreign Currency Spot Contracts Value

Contracts	Pay		Receive		Due Date	Credit Rating(1)	Fair Value ($)
1	78,000	Australian Dollar	65,933	Canadian Dollar	01/02/2009	A+	(1,201)
1	20,000	Danish Krone	4,650	Canadian Dollar	01/05/2009	A+	39
1	290,000	European Euro	502,512	Canadian Dollar	01/02/2009	A+	4,867
1	220,000	Hong Kong Dollar	34,773	Canadian Dollar	01/02/2009	A+	(270)
1	116,000	Norwegian Krone	20,300	Canadian Dollar	01/05/2009	A+	(151)
1	190,000	British Pound	335,977	Canadian Dollar	01/02/2009	A+	(1,255)
1	245,000	Swedish Krona	38,736	Canadian Dollar	01/05/2009	A+	489
1	924,000	Swedish Krona	140,944	Canadian Dollar	01/02/2009	AA	(3,300)
1	96,000	Swiss Franc	111,369	Canadian Dollar	01/05/2009	A+	22
Total Foreign Currency Spot Contracts Value							(760)

(1) Credit rating refers to the credit worthiness of the counteryparty, not the contract.

Portfolio Advisor: Munder Capital Management

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

Discussion of Financial Instrument Risk
As at December 31, 2008

A. Risk management

The investment objective of Pinnacle International Small to Mid Cap Value Equity Fund (the "Fund") is to achieve superior long term returns through capital growth by investing primarily in stocks of small and medium capitalization corporations in Europe, Australia and the Far East.

Managing risk is among the most important factors in the portfolio management process, guiding investment decisions made for the Fund. The Fund's investment practice includes portfolio monitoring to ensure compliance with stated investment guidelines. The Manager seeks to minimize potential adverse effects of risks on the Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's securities and financial market developments.

B. Liquidity risk

The Fund's exposure to liquidity risk arises from the daily cash redemption of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in securities that are not traded in an active market. Such securities are identified in the Statement of Investment Portfolio.

C. Currency risk

Currency risk is the risk that financial instruments which are denominated in a currency other than Canadian dollars, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. As at December 31, 2008, the Fund's financial instruments were exposed to the following currencies:

Currency	Financial Instruments ($)	Percentage of Net Assets (%)
European Euro	15,271,034	33.0
Japanese Yen	11,392,615	24.7
British Pound	7,695,533	16.6
Swiss Franc	2,576,864	5.6
Australian Dollar	1,454,355	3.1
South Korean Won	1,262,667	2.7
Swedish Krona	903,472	2.0
Hong Kong Dollar	836,646	1.8
U.S. Dollar	623,490	1.4
Norwegian Krone	460,239	1.0
Singapore Dollar	275,439	0.6
Danish Krone	106,514	0.2
New Zealand Dollar	3,635	0.0
Total	42,862,503	92.7

The amounts in the above table are based on the fair value of the Fund's financial instruments (including cash and cash equivalents as well as the underlying principal amounts of forward currency and spot contracts). Other financial assets (including dividends and interest receivable and receivables for investments sold) and financial liabilities that are denominated in foreign currencies do not expose the Fund to significant currency risk.

As at December 31, 2008, if the Canadian dollar had strengthened or weakened by 10% in relation to all currencies, with all other variables held constant, the Fund's net assets would have decreased or increased, respectively by approximately $4,286,250 (approximately 9.3% of the Fund's net assets). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

D. Interest rate risk

Interest rate risk arises from interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. As at

Discussion of Financial Instrument Risk
As at December 31, 2008

December 31, 2008, the majority of the Fund's financial assets and liabilities are non-interest bearing, accordingly, the Fund did not have a significant exposure to interest rate risk.

E. Credit risk

Credit risk is the risk that the counterparty to a financial interest will fail to discharge an obligation or commitment that it has entered into with the Fund. 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. Payment is made on a purchase once the securities have been received by the broker.

Where the Fund invests in debt instruments this represents the main concentration of credit risk. As at December 31, 2008, the Fund had no significant investments in debt instruments and/or derivatives. Credit risk may also exist in relation to counterparties of spot currency contracts.

The Fund enters into securities lending transactions with counterparties whereby the Fund temporarily exchanges securities for collateral with a commitment by the counterparty to deliver the same securities on a future date. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient, approved credit rating and the market value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, as disclosed in Note 9.

F. Other price risk

Other price risk is the risk that the fair value of the Fund's financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk). The impact on the net assets of the Fund due to a 10% change in the respective stock indices, using a historical measure of the sensitivity of the Fund's returns relative to the returns of its benchmark stock index, S&P/Citigroup EMI World Equity Index ex-U.S., as of December 31, 2008 with all other variables held constant, would result in an increase or decrease of approximately $5,134,329 (approximately 11.1% of the Fund's net assets). The Fund's historical sensitivity measure may not be representative of its future sensitivity measure, and accordingly, the impact on net assets could be materially different.

Statement of Net Assets as at December 31,

	2008	2007
Assets		
Investments at fair value	$57,469,621	$82,167,687
Cash	961,301	622,640
Subscriptions receivable	10,182	133,719
Receivable for securities sold	171,449	93,623
Accrued investment income	89,817	88,429
Prepaid expense	4,152	–
	58,706,522	83,106,098
Liabilities		
Payable on open spot contracts	–	2,696
Redemptions payable	41,962	73,155
Accrued expenses	109,265	81,014
	151,227	156,865
Net assets representing unitholders' equity	$58,555,295	$82,949,233
Number of units outstanding	5,921,163	6,278,702
Net assets per unit	$ 9.89	$ 13.21

Statement of Operations for the years ended December 31,

	2008	2007
Investment Income		
Dividends	$ 1,423,907	$ 1,373,035
Interest	21,570	210,718
Securities lending	23,703	32,716
Less: Foreign withholding taxes	(140,171)	(152,609)
	1,329,009	1,463,860
Expenses		
Legal fees	2,118	2,948
Audit fees	19,400	17,856
Custody fees	31,777	27,234
Filing fees	15,005	13,395
Directors' fees	2,273	1,389
Unitholder reporting costs	33,168	44,383
Unitholder administration, service fees and GST	173,061	176,566
	276,802	283,771
Net investment income (loss)	1,052,207	1,180,089
Net realized gain (loss) on investments sold	(3,392,575)	5,928,500
Net realized gain (loss) on foreign exchange	(116,027)	(100,714)
Change in unrealized appreciation (depreciation) of investments	(16,656,013)	(7,946,835)
Change in unrealized appreciation (depreciation) of foreign exchange	14,048	(453)
Transaction costs (Note 2)	(80,404)	(59,375)
Net gain (loss) on investments and transaction costs	(20,230,971)	(2,178,877)
Increase (Decrease) in Net Assets from Operations	$(19,178,764)	$ (998,788)
Increase (decrease) in net assets from operations per unit	$ (3.13)	$ (0.16)

Statement of Changes in Net Assets for the years ended December 31,

	2008	2007
Net Assets, Beginning of Period	$ 82,949,233	$ 81,812,039
New accounting policy adjustment (Note 2)	–	(33,752)
Increase (decrease) in net assets from operations	(19,178,764)	(998,788)
Distributions to unitholders		
Investment income	(1,098,978)	(1,214,183)
	62,671,491	79,565,316
Unit Transactions:		
Proceeds from issue	13,745,734	21,260,891
Reinvested distributions	1,095,671	1,211,352
Payments on redemption	(18,957,601)	(19,088,326)
	(4,116,196)	3,383,917
Increase (decrease) in net assets	(24,393,938)	1,137,194
Net Assets, End of Period	$ 58,555,295	$ 82,949,233

Portfolio Advisor: Harding, Loevner Management, L.P.

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

Statement of Investment Portfolio as at December 31, 2008

No. of Shares	Issuer	Average Cost ($)	Fair Value ($)
	Australia (2.0%)		
23,750	Cochlear Ltd.	1,332,677	1,154,261
	Austria (3.1%)		
29,200	Erste Bank der Oesterreichischen Sparkassen AG	1,361,641	845,039
16,900	Oesterreichische Elektrizitaetswirtschafts AG	886,788	957,350
		2,248,429	1,802,389
	Canada (2.7%)		
27,480	EnCana Corporation	1,000,417	1,576,790
	Denmark (0.7%)		
6,300	Novo Nordisk A/S Class B	383,536	395,785
	France (7.4%)		
10,476	Air Liquide SA	959,091	1,183,266
10,200	Dassault Systemes SA	692,530	569,002
17,300	L'Oréal SA	1,991,027	1,855,832
8,635	LVMH Moet Hennessy Louis Vuitton SA	856,538	716,198
		4,499,186	4,324,298
	Germany (1.4%)		
5,600	Fresenius SE	400,294	350,301
10,200	SAP AG ADR	408,507	456,079
		808,801	806,380
	Hong Kong (3.5%)		
379,000	China Merchants Holdings International Company Limited	1,119,459	921,977
533,800	Li & Fung Ltd.	1,203,895	1,136,943
		2,323,354	2,058,920
	Indonesia (1.4%)		
27,700	PT Telekomunikasi Indonesia ADR	1,431,882	854,549
	Japan (9.0%)		
8,800	Fanuc Ltd.	909,337	772,609
44,000	JSR Corporation	1,109,120	611,334
6,130	Keyence Corporation	1,373,318	1,549,489
88,500	Nomura Holdings Inc.	1,948,608	900,935
113	So-net M3 Inc.	445,506	476,913
52,000	Sumitomo Realty & Development Co. Ltd.	1,090,194	956,431
		6,876,083	5,267,711
	Malaysia (1.0%)		
311,400	Sime Darby Berhad	856,074	581,557
	Mexico (1.5%)		
23,900	America Movil SA de CV Series L ADR	995,312	912,281
	Netherlands (1.3%)		
35,430	Qiagen NV	542,711	764,348
	Russia (2.0%)		
66,940	Gazprom ADR	2,859,314	1,184,443
	Singapore (2.2%)		
1,290,800	Olam International Limited	1,894,750	1,283,992
	South Africa (1.7%)		
25,900	Sasol	841,247	976,678
	Switzerland (6.8%)		
29,350	Nestlé SA ADR	1,032,216	1,416,147
11,000	Novartis AG	626,888	680,394
2,940	Roche Holding AG	443,626	558,691
7,000	Sonova Holding AG	534,260	521,333
13,750	Swiss Re	1,127,646	824,638
		3,764,636	4,001,203
	United Kingdom (4.3%)		
20,900	Carnival PLC ADR	809,880	584,136
16,050	Rio Tinto PLC	773,219	429,300
168,900	RPS Group PLC	881,768	423,178
70,600	Standard Chartered PLC	1,604,298	1,114,138
		4,069,165	2,550,752
	United States (46.1%)		
23,720	3M Co.	2,127,830	1,684,906
20,630	Abbott Laboratories	1,088,168	1,359,213
31,720	Bunge Limited	1,833,778	2,022,137
64,840	Cisco Systems Inc.	1,515,241	1,303,132
52,900	Coach Inc.	1,581,341	1,356,386
15,950	Colgate-Palmolive Company	1,132,494	1,348,981
33,000	eBay Inc.	1,083,314	568,709
20,530	Electronic Arts Inc.	1,193,347	405,255
45,300	Emerson Electric Company	1,895,445	2,047,335
16,820	Exxon Mobil Corporation	1,173,491	1,653,253
9,827	Genentech Inc.	827,969	1,001,935
9,100	Genzyme Corporation	643,564	745,597
2,600	Google Inc.	1,330,590	986,565
16,188	Medco Health Solutions Inc.	446,496	837,533
15,520	Medtronic Inc.	939,330	601,798
49,770	Oracle Corporation	964,433	1,087,507
15,800	Praxair Inc.	804,894	1,157,823
21,900	QUALCOMM Incorporated	706,408	967,873
17,860	Schlumberger Limited	853,413	933,299
5,200	Synthes Inc.	677,055	811,452
58,550	Walgreen Company	2,554,364	1,782,424
35,200	Wells Fargo & Company	1,298,636	1,281,036
68,500	Yahoo! Inc.	1,019,342	1,029,135
		27,690,943	26,973,284
	Total Investment Portfolio (98.1%)	64,418,517	57,469,621
	Other Assets, Less Liabilities (1.9%)		1,085,674
	Total Net Assets (100.0%)		**58,555,295**
	Net Assets Per Unit		**$9.89**

ADR – American Depository Receipt

Portfolio Advisor: Harding, Loevner Management, L.P.

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

-For equities, all common shares unless otherwise noted.

Discussion of Financial Instrument Risk
As at December 31, 2008

A. Risk management

The investment objective of Pinnacle Global Equity Fund (the "Fund") is to achieve superior long term returns through capital growth by investing primarily in stocks of large capitalization companies in North America, Europe, Australia and the Far East.

Managing risk is among the most important factors in the portfolio management process, guiding investment decisions made for the Fund. The Fund's investment practice includes portfolio monitoring to ensure compliance with stated investment guidelines. The Manager seeks to minimize potential adverse effects of risks on the Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's securities and financial market developments.

B. Liquidity risk

The Fund's exposure to liquidity risk arises from the daily cash redemption of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in securities that are not traded in an active market. Such securities are identified in the Statement of Investment Portfolio.

C. Currency risk

Currency risk is the risk that financial instruments which are denominated in a currency other than Canadian dollars, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. As at December 31, 2008, the Fund's financial instruments were exposed to the following currencies:

Currency	Financial Instruments ($)	Percentage of Net Assets (%)
U.S. Dollar	33,157,790	56.6
European Euro	7,241,336	12.4
Japanese Yen	5,267,711	9.0
Swiss Franc	3,396,509	5.8
Hong Kong Dollar	2,058,920	3.5
British Pound	1,966,616	3.4
Singapore Dollar	1,283,992	2.2
Australian Dollar	1,154,261	2.0
South African Rand	976,678	1.7
Malaysian Ringgit	581,557	1.0
Danish Krone	395,785	0.7
Total	57,481,155	98.2

The amounts in the above table are based on the fair value of the Fund's financial instruments (including cash and cash equivalents as well as the underlying principal amounts of forward currency contracts). Other financial assets (including dividends and interest receivable and receivables for investments sold) and financial liabilities that are denominated in foreign currencies do not expose the Fund to significant currency risk.

As at December 31, 2008, if the Canadian dollar had strengthened or weakened by 10% in relation to all currencies, with all other variables held constant, the Fund's net assets would have decreased or increased, respectively by approximately $5,748,116 (approximately 9.8% of the Fund's net assets). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

D. Interest rate risk

Interest rate risk arises from interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. As at December 31, 2008, the majority of the Fund's financial assets and liabilities are non-interest bearing, accordingly, the Fund did not have a significant exposure to interest rate risk.

Discussion of Financial Instrument Risk
As at December 31, 2008

E. Credit risk

Credit risk is the risk that the counterparty to a financial interest will fail to discharge an obligation or commitment that it has entered into with the Fund. 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. Payment is made on a purchase once the securities have been received by the broker.

Where the Fund invests in debt instruments this represents the main concentration of credit risk. As at December 31, 2008, the Fund had no significant investments in debt instruments and/or derivatives.

The Fund enters into securities lending transactions with counterparties whereby the Fund temporarily exchanges securities for collateral with a commitment by the counterparty to deliver the same securities on a future date. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient, approved credit rating and the market value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, as disclosed in Note 9.

F. Other price risk

Other price risk is the risk that the fair value of the Fund's financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk). The impact on the net assets of the Fund due to a 10% change in the respective stock indices, using a historical measure of the sensitivity of the Fund's returns relative to the returns of its benchmark stock index, Morgan Stanley Capital International (MSCI) World Index, as of December 31, 2008 with all other variables held constant, would result in an increase or decrease of approximately $5,887,602 (approximately 10.2% of the Fund's net assets). The Fund's historical sensitivity measure may not be representative of its future sensitivity measure, and accordingly, the impact on net assets could be materially different.

Statement of Net Assets as at December 31,

	2008	2007
Assets		
Investments at market value	$8,923,051	$ 9,703,702
Cash	192,038	466,085
Subscriptions receivable	121	14,103
Receivable for securities sold	–	85,104
Prepaid expense	1,591	–
Accounts receivable	1,402	–
	9,118,203	10,268,994
Liabilities		
Payable for securities purchased	–	66,110
Redemptions payable	922	–
Accrued expenses	34,563	37,399
	35,485	103,509
Net assets representing unitholders' equity	$9,082,718	$10,165,485
Number of units outstanding	1,034,912	1,030,465
Net assets per unit	$ 8.78	$ 9.86

Statement of Operations for the years ended December 31,

	2008	2007
Investment Income		
Interest	$ 1,183	$ 2,098
Income from underlying funds	505,386	323,349
Capital gains distribution received	21,184	236,749
	527,753	562,196
Expenses		
Management fees (including GST)	186,548	189,861
Legal fees	2,800	9,772
Audit fees	9,926	9,099
Custody fees	12,600	21,048
Filing fees	17,584	13,396
Directors' fees	2,273	1,389
Unitholder reporting costs	1,901	14,406
Unitholder administration, service fees and GST	29,600	30,227
	263,232	289,198
Rebated and absorbed expenses	(25,118)	(49,916)
Net expenses	238,114	239,282
Net investment income (loss)	289,639	322,914
Net realized gain (loss) on investments sold	(159,661)	47,888
Change in unrealized appreciation (depreciation) of investments	(884,114)	(607,647)
Net gain (loss) on investments	(1,043,775)	(559,759)
Increase (Decrease) in Net Assets from Operations	$ (754,136)	$(236,845)
Increase (decrease) in net assets from operations per unit	$ (0.75)	$ (0.26)

Statement of Changes in Net Assets for the years ended December 31,

	2008	2007
Net Assets, Beginning of Period	$10,165,485	$ 7,249,334
Increase (decrease) in net assets from operations	(754,136)	(236,845)
Distributions to unitholders		
Investment income	(274,799)	(88,070)
Capital gains	(38,809)	(357,855)
	9,097,741	6,566,564
Unit Transactions:		
Proceeds from issue	2,093,866	6,570,340
Reinvested distributions	313,372	445,420
Payments on redemption	(2,422,261)	(3,416,839)
	(15,023)	3,598,921
Increase (decrease) in net assets	(1,082,767)	2,916,151
Net Assets, End of Period	$ 9,082,718	$10,165,485

Portfolio Advisor: Scotia Capital Inc.

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

Statement of Investment Portfolio as at December 31, 2008

No. of Units	Issuer	Average Cost ($)	Market Value ($)
	Mutual Funds (98.2%)		
240,175	Pinnacle American Core-Plus Bond Fund	1,787,913	1,765,290
110,865	Pinnacle Canadian Growth Equity Fund	1,365,657	932,372
43,252	Pinnacle Canadian Mid Cap Equity Fund	541,137	374,129
49,971	Pinnacle Canadian Value Equity Fund	847,002	638,126
48,259	Pinnacle Global Equity Fund	574,801	477,283
89,268	Pinnacle High Yield Income Fund	834,301	640,049
347,383	Pinnacle Income Fund	3,718,894	3,706,582
37,642	Pinnacle International Small to Mid Cap Value Equity Fund	597,106	389,220
	Total Investment Portfolio (98.2%)	10,266,811	8,923,051
	Other Assets, Less Liabilities (1.8%)		159,667
	Total Net Assets (100.0%)		9,082,718
	Net Assets Per Unit		**$8.78**

Portfolio Advisor: Scotia Capital Inc.

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

Discussion of Financial Instrument Risk
As at December 31, 2008

A. Risk management

The investment objective of Pinnacle Balanced Income Portfolio (the "Fund") is to generate current income and long-term capital growth, with a bias towards income. It invests primarily in a mix of equity and income mutual funds managed by us.

Managing risk is among the most important factors in the portfolio management process, guiding investment decisions made for the Portfolio. The Portfolio's investment practice includes portfolio monitoring to ensure compliance with stated investment guidelines. The Portfolio is an asset allocation fund that allocates the investment between three asset classes: bonds, Canadian equities and foreign equities.

B. Liquidity risk

The Portfolio's exposure to liquidity risk arises from the daily cash redemption of units. The underlying funds primarily invest in securities that are traded in active markets and can be readily disposed. In addition, the Portfolio aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions.

C. Currency risk

Currency risk is the risk that financial instruments which are denominated in a currency other than Canadian dollars, which is the Portfolio's reporting currency, will fluctuate due to changes in exchange rates. Each Portfolio may be exposed to indirect currency risk in the event that the underlying funds invest in financial instruments that are denominated in a currency other than Canadian dollars.

D. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises on interest-bearing financial instruments held by a Portfolio. Each Portfolio may be exposed to indirect interest rate risk in the event that the underlying funds invest in interest-bearing financial instruments.

E. Credit risk

Credit risk is the risk that the counterparty to a financial interest will fail to discharge an obligation or commitment that it has entered into with the Portfolio. 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. Payment is made on a purchase once the securities have been received by the broker. Each Portfolio may be exposed to indirect credit risk in the event that the underlying funds invest in debt instruments and derivatives.

F. Other price risk

Other price risk is the risk that the fair value of the Portfolio's financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk). The impact on the net assets of the Portfolio due to a 10% change in the respective stock indices, using a historical measure of the sensitivity of the Portfolio's return relative to the returns of its blended benchmark stock index of, 50% DEX Universe Bond Index, 21% S&P/TSX Composite Index, 20% Lehman Brothers Aggregate Bond Index, 2.5% S&P 500 Index and 6.5% Morgan Stanley Capital International (MSCI) Europe, Australasia and Far East (EAFE) Index, as of December 31, 2008, with all other variables held constant, would result in an increase or decrease of approximately $963,690 (approximately 10.6% of the Portfolio's total net assets). The Portfolio's historical sensitivity measure may not be representative of its future sensitivity measure, and accordingly, the impact on net assets could be materially different.

Statement of Net Assets as at December 31,

	2008	2007
Assets		
Investments at market value	$58,516,645	$79,797,334
Cash	258,960	196,907
Subscriptions receivable	6,997	18,344
Receivable for securities sold	110,000	–
Prepaid expense	1,591	–
	58,894,193	80,012,585
Liabilities		
Payable for securities purchased	107,250	86,378
Redemptions payable	78,402	1,862
Accrued expenses	78,129	119,498
	263,781	207,738
Net assets representing unitholders' equity	$58,630,412	$79,804,847
Number of units outstanding	7,132,553	7,551,582
Net assets per unit	$ 8.22	$ 10.57

Statement of Operations for the years ended December 31,

	2008	2007
Investment Income		
Interest	$ 781	$ 5,012
Income from underlying funds	2,881,717	2,359,767
Capital gains distribution received	291,364	3,088,891
	3,173,862	5,453,670
Expenses		
Management fees (including GST)	1,589,970	1,645,548
Legal fees	2,800	9,772
Audit fees	9,926	9,099
Custody fees	27,416	44,578
Filing fees	19,904	13,396
Directors' fees	2,273	1,389
Unitholder reporting costs	7,715	25,828
Unitholder administration, service fees and GST	43,749	46,122
	1,703,753	1,795,732
Net investment income (loss)	1,470,109	3,657,938
Net realized gain (loss) on investments sold	(2,211,559)	615,796
Change in unrealized appreciation (depreciation) of investments	(15,487,018)	(5,766,069)
Net gain (loss) on investments	(17,698,577)	(5,150,273)
Increase (Decrease) in Net Assets from Operations	$(16,228,468)	$(1,492,335)
Increase (decrease) in net assets from operations per unit	$ (2.19)	$ (0.23)

Statement of Changes in Net Assets for the years ended December 31,

	2008	2007
Net Assets, Beginning of Period	$ 79,804,847	$56,032,716
Increase (decrease) in net assets from operations	(16,228,468)	(1,492,335)
Distributions to unitholders		
Investment income	(1,149,018)	(591,129)
Capital gains	–	(3,666,927)
	62,427,361	50,282,325
Unit Transactions:		
Proceeds from issue	10,607,744	34,945,271
Reinvested distributions	1,142,290	4,226,922
Payments on redemption	(15,546,983)	(9,649,671)
	(3,796,949)	29,522,522
Increase (decrease) in net assets	(21,174,435)	23,772,131
Net Assets, End of Period	$ 58,630,412	$79,804,847

Portfolio Advisor: Scotia Capital Inc.

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

Statement of Investment Portfolio as at December 31, 2008

No. of Units	Issuer	Average Cost ($)	Market Value ($)
	Mutual Funds (99.8%)		
302,600	Pinnacle American Large Cap Growth Equity Fund	2,178,472	1,767,181
217,479	Pinnacle American Value Equity Fund	2,337,998	1,829,001
1,084,997	Pinnacle Canadian Growth Equity Fund	14,534,207	9,124,825
209,340	Pinnacle Canadian Mid Cap Equity Fund	2,866,873	1,810,787
231,868	Pinnacle Canadian Small Cap Equity Fund	3,897,967	2,752,268
460,346	Pinnacle Canadian Value Equity Fund	8,101,622	5,878,623
369,625	Pinnacle Global Equity Fund	4,549,178	3,655,588
509,147	Pinnacle Global Real Estate Securities Fund	7,634,279	4,872,541
683,272	Pinnacle High Yield Income Fund	6,676,619	4,899,063
1,616,197	Pinnacle Income Fund	17,319,386	17,244,823
353,468	Pinnacle International Equity Fund	4,054,739	2,894,906
172,828	Pinnacle International Small to Mid Cap Value Equity Fund	2,959,062	1,787,039
	Total Investment Portfolio (99.8%)	77,110,402	58,516,645
	Other Assets, Less Liabilities (0.2%)		113,767
	Total Net Assets (100.0%)		58,630,412
	Net Assets Per Unit		**$8.22**

Portfolio Advisor: Scotia Capital Inc.

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

Discussion of Financial Instrument Risk
As at December 31, 2008

A. Risk management

The investment objective of Pinnacle Conservative Balanced Growth Portfolio (the "Fund") is to achieve a balance of long-term capital growth and current income. It invests primarily in a mix of equity and income mutual funds managed by us.

Managing risk is among the most important factors in the portfolio management process, guiding investment decisions made for the Portfolio. The Portfolio's investment practice includes portfolio monitoring to ensure compliance with stated investment guidelines. The Portfolio is an asset allocation fund that allocates the investment between four asset classes: bonds, real estate, Canadian equities and foreign equities.

B. Liquidity risk

The Portfolio's exposure to liquidity risk arises from the daily cash redemption of units. The underlying funds primarily invest in securities that are traded in active markets and can be readily disposed. In addition, the Portfolio aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions.

C. Currency risk

Currency risk is the risk that financial instruments which are denominated in a currency other than Canadian dollars, which is the Portfolio's reporting currency, will fluctuate due to changes in exchange rates. Each Portfolio may be exposed to indirect currency risk in the event that the underlying funds invest in financial instruments that are denominated in a currency other than Canadian dollars.

D. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises on interest-bearing financial instruments held by a Portfolio. Each Portfolio may be exposed to indirect interest rate risk in the event that the underlying funds invest in interest-bearing financial instruments.

E. Credit risk

Credit risk is the risk that the counterparty to a financial interest will fail to discharge an obligation or commitment that it has entered into with the Portfolio. 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. Payment is made on a purchase once the securities have been received by the broker. Each Portfolio may be exposed to indirect credit risk in the event that the underlying funds invest in debt instruments and derivatives.

F. Other price risk

Other price risk is the risk that the fair value of the Portfolio's financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk). The impact on the net assets of the Portfolio due to a 10% change in the respective stock indices, using a historical measure of the sensitivity of the Portfolio's return relative to the returns of its blended benchmark stock index of, 40% DEX Universe Bond Index, 8% The Financial Time Stock Exchange (FTSE) European Public Real Estate Association (EPRA) / North American Association of Real Estate Investment Trusts (NAREIT) Index, 32% S&P/TSX Composite Index, 9% S&P 500 Index and 11% Morgan Stanley Capital International (MSCI) Europe, Australasia and the Far East (EAFE) Index, as of December 31, 2008, with all other variables held constant, would result in an increase or decrease of approximately $6,027,214 (approximately 10.3% of the Portfolio's total net assets). The Portfolio's historical sensitivity measure may not be representative of its furture sensitivity measure, and accordingly, the impact on net assets could be materially different.

Statement of Net Assets as at December 31,

	2008	2007
Assets		
Investments at market value	$13,260,537	$17,597,225
Cash	184,114	296,271
Subscriptions receivable	774	14,165
Receivable for securities sold	–	5,477
Prepaid expense	1,591	–
Accounts receivable	1,415	–
	13,448,431	17,913,138
Liabilities		
Payable for securities purchased	–	13,049
Redemptions payable	399	42,662
Accrued expenses	42,055	57,089
	42,454	112,800
Net assets representing unitholders' equity	$13,405,977	$17,800,338
Number of units outstanding	1,606,388	1,712,762
Net assets per unit	$ 8.35	$ 10.39

Statement of Operations for the years ended December 31,

	2008	2007
Investment Income		
Interest	$ 849	$ 2,125
Income from underlying funds	696,232	411,150
Capital gains distribution received	44,229	548,692
	741,310	961,967
Expenses		
Management fees (including GST)	354,262	357,731
Legal fees	2,800	9,772
Audit fees	9,926	9,100
Custody fees	20,942	40,189
Filing fees	17,583	13,396
Directors' fees	2,273	1,389
Unitholder reporting costs	2,273	15,974
Unitholder administration, service fees and GST	31,268	33,131
	441,327	480,682
Rebated and absorbed expenses	(2,260)	(36,301)
Net expenses	439,067	444,381
Net investment income (loss)	302,243	517,586
Net realized gain (loss) on investments sold	(536,208)	97,116
Change in unrealized appreciation (depreciation) of investments	(2,869,083)	(1,330,725)
Net gain (loss) on investments	(3,405,291)	(1,233,609)
Increase (Decrease) in Net Assets from Operations	$(3,103,048)	$ (716,023)
Increase (decrease) in net assets from operations per unit	$ (1.85)	$ (0.49)

Statement of Changes in Net Assets for the years ended December 31,

	2008	2007
Net Assets, Beginning of Period	$17,800,338	$10,701,714
Increase (decrease) in net assets from operations	(3,103,048)	(716,023)
Distributions to unitholders		
Investment income	(258,953)	–
Capital gains	–	(587,543)
	14,438,336	9,398,148
Unit Transactions:		
Proceeds from issue	2,080,240	9,840,159
Reinvested distributions	258,479	580,074
Payments on redemption	(3,371,078)	(2,018,043)
	(1,032,359)	8,402,190
Increase (decrease) in net assets	(4,394,360)	7,098,624
Net Assets, End of Period	$13,405,977	$17,800,338

Portfolio Advisor: Scotia Capital Inc.

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

Statement of Investment Portfolio as at December 31, 2008

No. of Units	Issuer	Average Cost ($)	Market Value ($)
	Mutual Funds (98.9%)		
337,629	Pinnacle American Core-Plus Bond Fund	2,536,845	2,481,573
146,052	Pinnacle American Large Cap Growth Equity Fund	1,061,398	852,943
37,902	Pinnacle American Mid Cap Growth Equity Fund	544,465	426,014
66,159	Pinnacle American Value Equity Fund	725,081	556,398
212,557	Pinnacle Canadian Growth Equity Fund	2,788,280	1,787,603
63,863	Pinnacle Canadian Mid Cap Equity Fund	855,570	552,418
34,373	Pinnacle Canadian Small Cap Equity Fund	613,466	408,006
94,807	Pinnacle Canadian Value Equity Fund	1,675,164	1,210,691
42,988	Pinnacle Global Equity Fund	531,073	425,147
86,853	Pinnacle High Yield Income Fund	837,201	622,739
190,768	Pinnacle Income Fund	2,042,117	2,035,498
151,404	Pinnacle International Equity Fund	1,723,198	1,239,999
63,976	Pinnacle International Small to Mid Cap Value Equity Fund	1,069,882	661,508
	Total Investment Portfolio (98.9%)	17,003,740	13,260,537
	Other Assets, Less Liabilities (1.1%)		145,440
	Total Net Assets (100.0%)		13,405,977
	Net Assets Per Unit		**$8.35**

Portfolio Advisor: Scotia Capital Inc.

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

Discussion of Financial Instrument Risk
As at December 31, 2008

A. Risk management

The investment objective of Pinnacle Balanced Growth Portfolio (the "Fund") is to achieve a balance of long-term capital growth and current income, with a small bias towards capital growth. It invests primarily in a mix of equity and income mutual funds managed by us.

Managing risk is among the most important factors in the portfolio management process, guiding investment decisions made for the Portfolio. The Portfolio's investment practice includes portfolio monitoring to ensure compliance with stated investment guidelines. The Portfolio is an asset allocation fund that allocates the investment between three asset classes: bonds, Canadian equities and foreign equities.

B. Liquidity risk

The Portfolio's exposure to liquidity risk arises from the daily cash redemption of units. The underlying funds primarily invest in securities that are traded in active markets and can be readily disposed. In addition, the Portfolio aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions.

C. Currency risk

Currency risk is the risk that financial instruments which are denominated in a currency other than Canadian dollars, which is the Portfolio's reporting currency, will fluctuate due to changes in exchange rates. Each Portfolio may be exposed to indirect currency risk in the event that the underlying funds invest in financial instruments that are denominated in a currency other than Canadian dollars.

D. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises on interest- bearing financial instruments held by a Portfolio. Each Portfolio may be exposed to indirect interest rate risk in the event that the underlying funds invest in interest-bearing financial instruments.

E. Credit risk

Credit risk is the risk that the counterparty to a financial interest will fail to discharge an obligation or commitment that it has entered into with the Portfolio. 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. Payment is made on a purchase once the securities have been received by the broker. Each Portfolio may be exposed to indirect credit risk in the event that the underlying funds invest in debt instruments and derivatives.

F. Other price risk

Other price risk is the risk that the fair value of the Portfolio's financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk). The impact on the net assets of the Portfolio due to a 10% change in the respective stock indices, using a historical measure of the sensitivity of the Portfolio's return relative to the returns of its blended benchmark stock index of, 21% DEX Universe Bond Index, 29% S&P/TSX Composite Index, 19% Lehman Brothers Aggregate Bond Index, 15% S&P 500 Index and 16% Morgan Stanley Capital International (MSCI) Europe, Australasia and the Far East (EAFE) Index, as of December 31, 2008, with all other variables held constant, would result in an increase or decrease of approximately $1,445,399 (approximately 10.8% of the Portfolio's total net assets). The Portfolio's historical sensitivity measure may not be representative of its future sensitivity measure,and accordingly, the impact on net assets could be materially different.

Statement of Net Assets as at December 31,

	2008	2007
Assets		
Investments at market value	$10,669,278	$17,906,648
Cash	219,521	350,758
Subscriptions receivable	8,797	6,927
Receivable for securities sold	–	3,587
Prepaid expense	1,591	–
Accounts receivable	2,125	–
	10,901,312	18,267,920
Liabilities		
Redemptions payable	467	52,350
Accrued expenses	40,003	47,763
	40,470	100,113
Net assets representing unitholders' equity	$10,860,842	$ 18,167,807
Number of units outstanding	1,351,453	1,604,859
Net assets per unit	$ 8.04	$ 11.32

Statement of Operations for the years ended December 31,

	2008	2007
Investment Income		
Interest	$ 903	$ 2,578
Income from underlying funds	479,639	415,518
Capital gains distribution received	52,243	1,081,280
	532,785	1,499,376
Expenses		
Management fees (including GST)	383,171	441,782
Legal fees	2,800	9,772
Audit fees	9,926	9,099
Custody fees	20,148	30,000
Filing fees	17,599	13,396
Directors' fees	2,273	1,389
Unitholder reporting costs	2,460	16,250
Unitholder administration, service fees and GST	31,473	31,917
	469,850	553,605
Rebated and absorbed expenses	(6,638)	(28,194)
Net expenses	463,212	525,411
Net investment income (loss)	69,573	973,965
Net realized gain (loss) on investments sold	(856,601)	209,464
Change in unrealized appreciation (depreciation) of investments	(4,100,017)	(1,578,984)
Net gain (loss) on investments	(4,956,618)	(1,369,520)
Increase (Decrease) in Net Assets from Operations	$(4,887,045)	$ (395,555)
Increase (decrease) in net assets from operations per unit	$ (3.26)	$ (0.29)

Statement of Changes in Net Assets for the years ended December 31,

	2008	2007
Net Assets, Beginning of Period	$18,167,807	$13,252,703
Increase (decrease) in net assets from operations	(4,887,045)	(395,555)
Distributions to unitholders		
Capital gains	–	(907,262)
	13,280,762	11,949,886
Unit Transactions:		
Proceeds from issue	2,050,434	8,824,805
Reinvested distributions	–	898,124
Payments on redemption	(4,470,354)	(3,505,008)
	(2,419,920)	6,217,921
Increase (decrease) in net assets	(7,306,965)	4,915,104
Net Assets, End of Period	$10,860,842	$18,167,807

Portfolio Advisor: Scotia Capital Inc.

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

Statement of Investment Portfolio as at December 31, 2008

No. of Units	Issuer	Average Cost ($)	Market Value ($)
	Mutual Funds (98.2%)		
88,243	Pinnacle American Large Cap Growth Equity Fund	638,314	515,341
40,081	Pinnacle American Value Equity Fund	434,291	337,080
327,310	Pinnacle Canadian Growth Equity Fund	4,591,053	2,752,675
64,031	Pinnacle Canadian Mid Cap Equity Fund	914,142	553,873
45,869	Pinnacle Canadian Small Cap Equity Fund	857,393	544,467
143,489	Pinnacle Canadian Value Equity Fund	2,643,852	1,832,355
54,566	Pinnacle Global Equity Fund	690,291	539,659
110,485	Pinnacle Global Real Estate Securities Fund	1,700,742	1,057,342
69,660	Pinnacle High Yield Income Fund	670,759	499,462
143,406	Pinnacle Income Fund	1,534,668	1,530,141
49,022	Pinnacle International Small to Mid Cap Value Equity Fund	876,195	506,883
	Total Investment Portfolio (98.2%)	15,551,700	10,669,278
	Other Assets, Less Liabilities (1.8%)		191,564
	Total Net Assets (100.0%)		10,860,842
	Net Assets Per Unit		**$8.04**

Portfolio Advisor: Scotia Capital Inc.

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

Discussion of Financial Instrument Risk
As at December 31, 2008

A. Risk management

The investment objective of Pinnacle Conservative Growth Portfolio (the "Fund") is to achieve long-term capital growth and provide some current income. It invests primarily in a mix of equity and income mutual funds managed by us.

Managing risk is among the most important factors in the portfolio management process, guiding investment decisions made for the Portfolio. The Portfolio's investment practice includes portfolio monitoring to ensure compliance with stated investment guidelines. The Portfolio is an asset allocation fund that allocates the investment between four asset classes: bonds, real estate, Canadian equities and foreign equities.

B. Liquidity risk

The Portfolio's exposure to liquidity risk arises from the daily cash redemption of units. The underlying funds primarily invest in securities that are traded in active markets and can be readily disposed. In addition, the Portfolio aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions.

C. Currency risk

Currency risk is the risk that financial instruments which are denominated in a currency other than Canadian dollars, which is the Portfolio's reporting currency, will fluctuate due to changes in exchange rates. Each Portfolio may be exposed to indirect currency risk in the event that the underlying funds invest in financial instruments that are denominated in a currency other than Canadian dollars.

D. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises on interest-bearing financial instruments held by a Portfolio. Each Portfolio may be exposed to indirect interest rate risk in the event that the underlying funds invest in interest-bearing financial instruments.

E. Credit risk

Credit risk is the risk that the counterparty to a financial interest will fail to discharge an obligation or commitment that it has entered into with the Portfolio. 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. Payment is made on a purchase once the securities have been received by the broker. Each Portfolio may be exposed to indirect credit risk in the event that the underlying funds invest in debt instruments and derivatives.

F. Other price risk

Other price risk is the risk that the fair value of the Portfolio's financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk). The impact on the net assets of the Portfolio due to a 10% change in the respective stock indices, using a historical measure of the sensitivity of the Portfolio's return relative to the returns of its blended benchmark stock index of, 20% DEX Universe Bond Index, 10% the Financial Time Stock Exchange (FTSE) European Public Real Estate Investment Trusts (EPRA) / North American Association of Real Estate Investment Trusts (NAREIT) Index, 52% S&P/TSX Composite Index, 10.5% S&P 500 Index and 7.5% Morgan Stanley Capital International (MSCI) Europe, Australasia and the Far East (EAFE) Index, as of December 31, 2008, with all other variables held constant, would result in an increase or decrease of approximately $1,098,936 (approximately 10.1% of the Portfolio's total net assets). The Portfolio's historical sensitivity measure may not be representative of its future sensitivity measure, and accordingly, the impact on net assets could be materially different.

Statement of Net Assets as at December 31,

	2008	2007
Assets		
Investments at market value	$5,620,386	$9,724,698
Cash	227,262	225,398
Subscriptions receivable	1,787	2,964
Receivable for securities sold	–	7,865
Prepaid expense	1,591	–
Accounts receivable	1,902	–
	5,852,928	9,960,925
Liabilities		
Payable for securities purchased	–	5,489
Redemptions payable	5,240	17,871
Accrued expenses	35,088	43,030
	40,328	66,390
Net assets representing unitholders' equity	$5,812,600	$9,894,535
Number of units outstanding	730,582	917,163
Net assets per unit	$ 7.96	$ 10.79

Statement of Operations for the years ended December 31,

	2008	2007
Investment Income		
Interest	$ 675	$ 1,412
Income from underlying funds	225,271	230,431
Capital gains distribution received	20,079	355,758
	246,025	587,601
Expenses		
Management fees (including GST)	207,608	270,822
Legal fees	2,800	9,772
Audit fees	9,926	9,099
Custody fees	17,472	35,270
Filing fees	17,597	13,396
Directors' fees	2,273	1,389
Unitholder reporting costs	2,230	15,583
Unitholder administration, service fees and GST	30,720	32,252
	290,626	387,583
Rebated and absorbed expenses	(38,444)	(63,513)
Net expenses	252,182	324,070
Net investment income (loss)	(6,157)	263,531
Net realized gain (loss) on investments sold	(534,831)	278,349
Change in unrealized appreciation (depreciation) of investments	(1,846,470)	(929,740)
Net gain (loss) on investments	(2,381,302)	(651,391)
Increase (Decrease) in Net Assets from Operations	$(2,387,459)	$(387,860)
Increase (decrease) in net assets from operations per unit	$ (2.82)	$ (0.42)

Statement of Changes in Net Assets for the years ended December 31,

	2008	2007
Net Assets, Beginning of Period	$ 9,894,535	$ 9,108,047
Increase (decrease) in net assets from operations	(2,387,459)	(387,860)
Distributions to unitholders		
Capital gains	–	(377,206)
	7,507,076	8,342,981
Unit Transactions:		
Proceeds from issue	1,006,828	5,057,303
Reinvested distributions	–	376,836
Payments on redemption	(2,701,304)	(3,882,585)
	(1,694,476)	1,551,554
Increase (decrease) in net assets	(4,081,935)	786,488
Net Assets, End of Period	$ 5,812,600	$ 9,894,535

Portfolio Advisor: Scotia Capital Inc.

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

Statement of Investment Portfolio as at December 31, 2008

No. of Units	Issuer	Average Cost ($)	Market Value ($)
	Mutual Funds (96.7%)		
78,217	Pinnacle American Large Cap Growth Equity Fund	566,692	456,785
15,709	Pinnacle American Mid Cap Growth Equity Fund	233,844	176,571
27,317	Pinnacle American Mid Cap Value Equity Fund	266,859	180,295
37,787	Pinnacle American Value Equity Fund	412,560	317,787
80,660	Pinnacle Canadian Growth Equity Fund	1,109,303	678,354
22,958	Pinnacle Canadian Mid Cap Equity Fund	321,743	198,585
16,455	Pinnacle Canadian Small Cap Equity Fund	305,363	195,323
38,997	Pinnacle Canadian Value Equity Fund	721,287	497,995
65,424	Pinnacle Global Equity Fund	831,018	647,043
32,628	Pinnacle Global Real Estate Securities Fund	502,845	312,247
35,598	Pinnacle High Yield Income Fund	342,974	255,240
73,382	Pinnacle Income Fund	786,273	782,983
76,187	Pinnacle International Equity Fund	902,059	623,970
28,744	Pinnacle International Small to Mid Cap Value Equity Fund	524,084	297,208
	Total Investment Portfolio (96.7%)	7,826,904	5,620,386
	Other Assets, Less Liabilities (3.3%)		192,214
	Total Net Assets (100.0%)		5,812,600
	Net Assets Per Unit		**$7.96**

Portfolio Advisor: Scotia Capital Inc.

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

Discussion of Financial Instrument Risk
As at December 31, 2008

A. Risk management

The investment objective of Pinnacle Growth Portfolio (the "Fund") is to achieve long-term capital growth and provide some current income, with a strong bias towards capital growth. It invests primarily in equity mutual funds, with some exposure to income mutual funds, managed by us.

Managing risk is among the most important factors in the portfolio management process, guiding investment decisions made for the Portfolio. The Portfolio's investment practice includes portfolio monitoring to ensure compliance with stated investment guidelines. The Portfolio is an asset allocation fund that allocates the investment between four asset classes: bonds, real estate, Canadian equities and foreign equities.

B. Liquidity risk

The Portfolio's exposure to liquidity risk arises from the daily cash redemption of units. The underlying funds primarily invest in securities that are traded in active markets and can be readily disposed. In addition, the Portfolio aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions.

C. Currency risk

Currency risk is the risk that financial instruments which are denominated in a currency other than Canadian dollars, which is the Portfolio's reporting currency, will fluctuate due to changes in exchange rates. Each Portfolio may be exposed to indirect currency risk in the event that the underlying funds invest in financial instruments that are denominated in a currency other than Canadian dollars.

D. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises on interest-bearing financial instruments held by a Portfolio. Each Portfolio may be exposed to indirect interest rate risk in the event that the underlying funds invest in interest-bearing financial instruments.

E. Credit risk

Credit risk is the risk that the counterparty to a financial interest will fail to discharge an obligation or commitment that it has entered into with the Portfolio. 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. Payment is made on a purchase once the securities have been received by the broker. Each Portfolio may be exposed to indirect credit risk in the event that the underlying funds invest in debt instruments and derivatives.

F. Other price risk

Other price risk is the risk that the fair value of the Portfolio's financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk). The impact on the net assets of the Portfolio due to a 10% change in the respective stock indices, using a historical measure of the sensitivity of the Portfolio's return relative to the returns of its blended benchmark stock index of, 20% DEX Universe Bond Index, 5% The Financial Time Stock Exchange (FTSE) European Public Real Estate Association (EPRA) / North American Association of Real Estate Investment Trusts (NAREIT) Index, 28% S&P/TSX Composite Index, 25% S&P 500 Index and 22% Morgan Stanley Capital International (MSCI) Europe, Australasia and the Far East (EAFE) Index, as of December 31, 2008, with all other variables held constant, would result in an increase or decrease of approximately $590,141 (approximately 10.2% of the Portfolio's total net assets). The Portfolio's historical sensitivity measure may not be representative of its future sensitivity measure, and accordingly, the impact on net assets could be materially different.

Notes to the Financial Statements

1. The Funds

The following funds are referred to herein individually as a "Fund" and collectively as the "Funds". The Funds listed below are open-ended mutual fund trusts.

Fund	Inception Date
Pinnacle Short Term Income Fund	3-Sep-97
Pinnacle Income Fund	3-Sep-97
Pinnacle High Yield Income Fund	3-Sep-97
Pinnacle American Core-Plus Bond Fund	28-Jan-02
Pinnacle Global Real Estate Securities Fund	28-Jan-02
Pinnacle Strategic Balanced Fund	3-Sep-97
Pinnacle Canadian Value Equity Fund	3-Sep-97
Pinnacle Canadian Mid Cap Equity Fund	28-Jan-02
(formerly Pinnacle Canadian Mid Cap Value Equity Fund)	
Pinnacle Canadian Growth Equity Fund	3-Sep-97
Pinnacle Canadian Small Cap Equity Fund	3-Sep-97
Pinnacle American Value Equity Fund	3-Sep-97
Pinnacle American Mid Cap Value Equity Fund	28-Jan-02
Pinnacle American Large Cap Growth Equity Fund	18-Jan-01
Pinnacle American Mid Cap Growth Equity Fund	3-Sep-97
Pinnacle International Equity Fund	3-Sep-97
Pinnacle International Small to Mid Cap Value Equity Fund	28-Jan-02
Pinnacle Global Equity Fund	3-Sep-97
(the "Pinnacle Funds")	
Pinnacle Balanced Income Portfolio	22-Apr-05
Pinnacle Conservative Balanced Growth Portfolio	22-Apr-05
Pinnacle Balanced Growth Portfolio	22-Apr-05
Pinnacle Conservative Growth Portfolio	22-Apr-05
Pinnacle Growth Portfolio	22-Apr-05
(the "Pinnacle Portfolios")	

Scotia Capital Inc. is the manager, trustee and principal distributor of the Pinnacle Funds and is the manager and trustee of the Pinnacle Portfolios. The custodian for the Funds is State Street Trust Company (Canada).

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). In applying GAAP, Scotia Capital Inc. (the "Manager") may make estimates and assumptions that may affect the reported amounts in the financial statements. Actual results may differ from such estimates. The significant accounting policies of the Funds are as follows:

(a) Adoption of new accounting standards

On January 1, 2008, the Funds adopted the Canadian Institute of Chartered Accountants ("CICA") Section 3862, "Financial Instruments – Disclosures" of the CICA Handbook and Section 3863, "Financial Instruments – Presentation", replacing Section 3861. Section 3862 requires enhanced disclosure of the nature and extent of risks arising from financial instruments and how the Funds manage those risks. Section 3863 carries forward unchanged the presentation requirements of Section 3861 with respect to financial instruments. This information can be found in the "DISCUSSION OF FINANCIAL INSTRUMENT RISK" section for each Fund.

Section 1535, "Capital Disclosures" of the CICA Handbook establishes standards for disclosing information about the entity's capital and how it is managed. This standard applies to financial statements relating to fiscal years beginning on or after October 1, 2007. The disclosure requirements pertaining to Section 1535 are reported in Note 5.

(b) Valuation of investments

(i) In accordance with Accounting Guideline 18, Investment Companies, investments are deemed to be categorized as held for trading and are required to be recorded for, financial reporting purposes, at a fair value established by the bid price for a security on the recognized exchange on which it is principally traded, as defined in CICA Handbook Section 3855, "Financial Instruments-Recognition and Measurement" ("Section 3855"). Securities held with no available bid, or a quoted value

determined by the Manager to be inaccurate or unreliable, are valued at their closing price. The requirements of this section impact the valuation and disclosure of the net assets of an investment fund for financial reporting purposes ("Net Assets"). The value used to determine the Funds' daily price for purchase and redemption of units ("Pricing NAV" or "Net Asset Value") is not affected by this accounting policy change. A reconciliation of Net Asset Value and Net Assets of each Fund is provided in Note 10. In 2007, the provisions of Section 3855 were applied retroactively without restatement of prior periods. Accordingly, for those funds in existence on January 1, 2007, the opening Net Assets in the Statement of Changes in Net Assets for the period ended December 31, 2007 have been adjusted.

(ii) In accordance with Section 3855, transaction costs directly attributable to the acquisition or disposal of an investment are expensed and are included in "Transaction costs" in the Statement of Operations. The investment cost of a security represents the amount paid, and is determined on an average cost basis excluding transaction costs.

(iii) Short-term debt instruments are carried at amortized cost, which approximates fair value due to their short term maturity, for the purposes of determining Pricing NAV.

(iv) Fair value factors, provided by a third party pricing vendor, are applied to the prices for all non-North American equity securities to determine fair value for financial statement reporting and Pricing NAV.

(c) Foreign Exchange

Foreign currency amounts are translated into Canadian dollars as follows: market value of investments, forward and spot currency contracts, and other assets and liabilities at the closing rate of exchange on each business day; income, expenses and purchases, sales and settlements of investments at the rate of exchange prevailing on the respective dates of such transactions.

(d) Investment Transactions and Income Recognition

Investment transactions are accounted for on the trade date and any realized gains and losses from such transactions are calculated on an average cost basis. Dividend income and distributions from underlying funds are recognized on the ex-dividend date and interest income on an accrual basis. Realized gains and losses on the sale of short-term debt instruments are recorded as an adjustment to interest income.

(e) Net Asset Value Per Unit and Earnings Per Unit

Net asset value per unit is calculated at the end of each day on which the Manager is open for business by dividing the Pricing NAV of each Fund by its outstanding units. Increase (decrease) in net assets from operations per unit are calculated by dividing the net increase (decrease) in net assets from operations for the year by the weighted average number of units outstanding during the year. Net assets per unit are reflected in the financial statements and calculated by dividing the Net Assets of each Fund by its outstanding units.

(f) Futures, Forwards and Option Contracts

Futures, forward and option contracts are valued on each business day according to the gain (loss) that would be realized if the contracts were closed out, unless daily limits are in effect in which case they are valued based on the current market value of the underlying interest. Long positions are valued using bid price and short positions are valued using ask price for financial reporting purposes. Any payments made to satisfy the initial and variation margin are reflected as a receivable balance. Margin consisting of assets other than cash is noted in the Statements of Investment Portfolio. Gains (losses) arising from futures, forward and option contracts are recorded as unrealized gains (losses) on investments until the contracts are closed out or expired, at which time the gains (losses) are realized.

(g) Forward Commitments/Dollar Roll

Some Funds may contract to purchase securities for a fixed price at a future date beyond customary settlement time (i.e., a "forward commitment", "delayed settlement" or "when issued" transaction, e.g., to be announced ("TBA")) consistent with a Fund's ability to manage its investment portfolio and meet redemption requests. For example, the Funds may enter into dollar rolls (principally in TBAs) in which the Funds purchase a security. The price of the securities and the date when securities will be delivered and paid for are fixed at the time the transaction is negotiated. The Funds may dispose of that forward commitment transaction prior to settlement if it is appropriate to do so and realize short term gains (losses) upon such sale. When effecting such transactions, cash or cash equivalents in a dollar amount sufficient to make payment for the portfolio securities to be purchased will be segregated on the Fund's records at the trade date and maintained until the transaction is settled. A forward commitment transaction involves a risk of loss if the value of the securities to be purchased declines prior to the settlement date or the other party to the transaction fails to complete the transaction.

(h) Other Assets and Liabilities

For the purpose of categorization in accordance with Section 3862, accrued interest and dividends, receivable for securities issued, amounts due from brokers, the Manager, and underlying funds, and other net assets are designated as receivables and recorded at cost or amortized cost. Similarly, amounts due to brokers and underlying funds, accounts payable for securities redeemed, accrued expenses and other liabilities are designated as other financial liabilities and reported at cost or amortized cost. Cost or amortized cost approximates fair value for these assets and liabilities.

(i) Securities Lending

Some of the Funds may enter into securities lending transactions. These transactions involve the temporary exchange of securities for collateral with a commitment to redeliver the same securities on a future date. The income earned from these securities lending transactions is recorded in the Statement of Operations. The market value of the securities lent and collateral held is determined on a daily basis. The securities lending arrangement can be terminated by the borrower, the agent or Fund at any time.

3. Income Taxes

The Funds qualify as mutual fund trusts under the Income Tax Act (Canada). In accordance with the terms of the Funds' master declaration of trust, it is intended that all of the net income for tax purposes and sufficient net realized capital gains will be paid or payable to unitholders in the taxation year so that no income tax is payable by the Funds (after taking into account applicable capital gains refunds).

Net capital losses may be carried forward indefinitely to reduce future net realized capital gains. Non-capital losses may be applied against future taxable income, and will expire on the date indicated. The following Funds have net capital and/or non-capital loss carry forwards as at December 15, 2008:

Fund	Gross Capital Loss	Non-Capital Loss	Expiry Date
Pinnacle American Core-Plus Bond Fund	$ 12,488,275	$ –	–
Pinnacle Global Real Estate Securities Fund	$ 13,203,156	$ –	–
Pinnacle Canadian Value Equity Fund	$ 6,578,967	$ –	–
Pinnacle American Value Equity Fund	$ 23,479,059	$ –	–
Pinnacle American Large Cap Growth Equity Fund	$ 19,308,125	$ –	–
Pinnacle American Mid Cap Growth Equity Fund	$ 53,772,675	$ –	–
Pinnacle International Equity Fund	$ 32,602,269	$ –	–
Pinnacle Global Equity Fund	$ 26,352,634	$ –	–
Pinnacle Canadian Mid Cap Equity Fund	$ 1,958,182	$ –	–
Pinnacle American Mid Cap Value Equity Fund	$ 3,051,161	$ –	–
Pinnacle International Small to Mid Cap Value Equity Fund	$ 19,204,400	$ –	–
Pinnacle High Yield Income Fund	$ 8,605,674	$ –	–
Pinnacle Strategic Balanced Fund	$ 4,466,079	$ –	–
Pinnacle Canadian Growth Equity Fund	$ 5,700,765	$ –	–
Pinnacle Conservative Balanced Growth Portfolio	$ 529,638	$ –	–
Pinnacle Balanced Growth Portfolio	$ 65,684	$ –	–
Pinnacle Conservative Growth Portfolio	$ 417,721	$ –	–
Pinnacle Growth Portfolio	$ 405,483	$ –	–

4. Distributions to Unitholders

It is the policy of the Funds to make distributions to unitholders as follows:

Pinnacle Short Term Income Fund

The taxable net investment income is allocated on a daily basis and distributed to unitholders on a monthly basis.

Pinnacle Income Fund, Pinnacle High Yield Income Fund, Pinnacle American Core-Plus Bond Fund and Pinnacle Strategic Balanced Fund

The taxable net investment income is allocated and distributed to unitholders on a quarterly basis. The net realized capital gains are distributed to unitholders annually.

Pinnacle Global Real Estate Securities Fund, Pinnacle Canadian Value Equity Fund, Pinnacle Canadian Mid Cap Equity Fund, Pinnacle Canadian Growth Equity Fund, Pinnacle Canadian Small Cap Equity Fund, Pinnacle American Value Equity Fund, Pinnacle American Mid Cap Value Equity Fund, Pinnacle American Large Cap Growth Equity Fund, Pinnacle American Mid Cap Growth Equity Fund, Pinnacle International Equity Fund, Pinnacle International Small to Mid Cap Value Equity Fund, Pinnacle Global Equity Fund, Pinnacle Balanced Income Portfolio, Pinnacle Conservative Balanced Growth Portfolio, Pinnacle Balanced Growth Portfolio, Pinnacle Conservative Growth Portfolio and Pinnacle Growth Portfolio.

The taxable net investment income and the net realized capital gains are distributed to unitholders annually.

The distributions are reinvested in additional units of the Funds unless a unitholder elects to receive his or her proportionate share of any distributions in cash.

5. Unitholders' Equity

Units issued and outstanding represent the capital of each Fund. Each of the Funds may issue an unlimited number of units. Each unit is redeemable at the option of the unitholder in accordance with the Declaration of Trust, ranks pari pasu with all other units of the Fund, and entitles the unitholder to a proportionate undivided interest in the net assets of the Fund. Unitholders are entitled to distributions when declared. Distributions on units of a Fund are reinvested in additional units of the Fund or at the option of the unitholder, paid in cash. The Funds have no restrictions or specific capital requirements on the subscription and redemption of units, other than minimum subscription requirements. Scotia Capital Inc. manages the capital of the Funds in accordance with the Funds' investment objectives.

For the years ended December 31, 2008 and 2007, the following numbers of units were issued, re-invested and redeemed:

	2008			2007		
Fund	Units issued	Units Re-invested	Units redeemed (i)	Units issued	Units Re-invested	Units redeemed (i)
Pinnacle Short Term Income Fund	1,730,867	33,599	1,121,732	1,416,608	45,969	1,426,713
Pinnacle Income Fund	6,747,463	1,555,188	12,865,714	11,688,193	1,355,422	5,953,921
Pinnacle High Yield Income Fund	4,862,284	1,370,745	7,932,490	5,249,272	1,161,142	3,846,262
Pinnacle American Core-Plus Bond Fund	1,452,191	682,907	5,840,480	4,087,759	221,843	2,115,544
Pinnacle Global Real Estate Securities Fund	4,734,026	325,633	3,766,423	2,907,806	926,535	1,456,794
Pinnacle Strategic Balanced Fund	2,030,748	187,095	1,825,761	1,404,120	505,950	1,957,912
Pinnacle Canadian Value Equity Fund	2,049,677	237,912	2,060,046	1,917,713	131,480	1,540,764
Pinnacle Canadian Mid Cap Equity Fund	1,694,333	96,617	1,121,862	905,446	507,452	764,912
Pinnacle Canadian Growth Equity Fund	4,071,162	692,037	3,714,377	3,186,902	1,811,981	2,780,358
Pinnacle Canadian Small Cap Equity Fund	1,203,696	681,205	2,185,808	1,281,787	388,288	1,104,440
Pinnacle American Value Equity Fund	1,110,430	128,016	1,915,582	1,844,290	99,374	1,508,616
Pinnacle American Mid Cap Value Equity Fund	1,305,447	51,393	1,134,640	518,419	117,831	517,463
Pinnacle American Large Cap Growth Equity Fund	1,524,847	67,957	2,778,676	2,881,897	52,454	1,951,090
Pinnacle American Mid Cap Growth Equity Fund	244,144	14,778	400,094	644,012	0	1,297,074
Pinnacle International Equity Fund	2,379,859	389,083	2,650,011	2,723,926	228,071	1,798,431
Pinnacle International Small to Mid Cap Value Equity Fund	1,977,634	142,205	1,878,551	1,370,220	579,480	899,289
Pinnacle Global Equity Fund	1,164,323	114,736	1,636,598	1,546,369	90,874	1,396,137
Pinnacle Balanced Income Portfolio	219,129	36,609	251,290	621,562	45,451	324,696
Pinnacle Conservative Balanced Growth Portfolio	1,086,426	143,684	1,649,139	3,047,461	402,508	845,745
Pinnacle Balanced Growth Portfolio	219,868	32,069	358,311	878,969	56,046	182,309
Pinnacle Conservative Growth Portfolio	206,727	0	460,134	715,835	80,047	288,670
Pinnacle Growth Portfolio	101,063	0	287,644	431,589	35,022	332,320

(i) Included in units redeemed are redemptions related to payments of the Pinnacle Program Fee, where applicable.

6. Operating Expenses

The Funds are responsible for all expenses relating to the operations and conduct of business of the Funds. These expenses include: taxes, interest, brokerage commissions for the purchase and sale of portfolio securities, legal, audit, trustee, custodial and safekeeping fees, administrative costs, investor servicing costs, and the cost of reports and prospectuses.

The ratio of operating expenses (excluding taxes, interest and brokerage commissions) expressed as a percentage of the average daily net assets of the respective Fund is referred to as the "operating expense ratio". The operating expense ratio of each Pinnacle Fund may not exceed 0.50% on an annualized basis as specified in the Pinnacle Funds' simplified prospectus.

The absorbed expenses are reflected in the Statement of Operations. The Manager may cease to absorb expenses at any time on the Portfolio Funds.

7. Pinnacle Program Fee

Each unitholder of the Pinnacle Funds has agreed to pay, on a quarterly basis, a negotiated asset based fee for all services in respect of their investment in the Pinnacle Funds. These fees are paid to the Manager by redemption of units held in the Pinnacle Funds, unless otherwise determined by the Manager.

8. Management Fees – Pinnacle Portfolios

The Pinnacle Portfolios' management fees are calculated daily and paid monthly. The Manager is entitled to a maximum annual management fee, exclusive of GST, as follows:

Portfolio	Maximum Annual Management Fee (%)
Pinnacle Balanced Income Portfolio	1.85%
Pinnacle Conservative Balanced Growth Portfolio	2.10%
Pinnacle Balanced Growth Portfolio	2.10%
Pinnacle Conservative Growth Portfolio	2.40%
Pinnacle Growth Portfolio	2.40%

9. Securities Lending

The Pinnacle Funds have entered into a securities lending program with their custodian, State Street Trust Company (Canada). The aggregate market value of all securities loaned by a Pinnacle Fund cannot exceed 50% of the net assets of such fund. The Pinnacle Funds receive collateral of at least 102% of the value of the securities on loan. Collateral is received in the form of debt obligations of the Government of Canada, Canadian provincial and municipal governments or financial institutions, and is not included in the Statements of Investment Portfolio. The aggregated dollar values of the securities that are on loan and the collateral received by the Pinnacle Funds as at December 31, 2008 are as follows:

Fund	Market Value of Securities Loaned	Market Value of Collateral Received
Pinnacle Short Term Income Fund	$ 50,327	$ 53,369
Pinnacle Income Fund	$ 44,532,723	$ 47,211,030
Pinnacle High Yield Income Fund	$ 2,063,719	$ 2,191,109
Pinnacle Strategic Balanced Fund	$ 379,289	$ 405,095
Pinnacle Canadian Value Equity Fund	$ 8,628,122	$ 9,068,003
Pinnacle Canadian Mid Cap Equity Fund	$ 7,072,783	$ 7,497,924
Pinnacle Canadian Growth Equity Fund	$ 12,880,963	$ 13,593,313
Pinnacle Canadian Small Cap Growth Equity Fund	$ 4,120,970	$ 4,349,957
Pinnacle International Small to Mid Cap Value Equity Fund	$ 416,714	$ 441,758

10. Comparison of Net Asset Value and Net Assets

The following table displays the impact of Section 3855 by Fund as at December 31,

Fund	Pricing NAV Per Unit ($)	2008 Section 3855 Per Unit Adjustment ($)	Net Assets Per Unit ($)	Pricing NAV per Unit ($)	2007 Section 3855 Per Unit Adjustment ($)	Net Assets Per Unit ($)
Pinnacle Short Term Income Fund	$ 10.00	$ –	$ 10.00	$ 10.00	$ –	$ 10.00
Pinnacle Income Fund	$ 10.67	$ (0.01)	$ 10.66	$ 10.66	$ (0.01)	$ 10.65
Pinnacle High Yield Income Fund	$ 7.17	$ (0.05)	$ 7.12	$ 8.99	$ (0.03)	$ 8.96
Pinnacle American Core-Plus Bond Fund	$ 7.35	$ (0.02)	$ 7.33	$ 6.96	$ (0.01)	$ 6.95
Pinnacle Global Real Estate Securities Fund	$ 9.57	$ –	$ 9.57	$ 14.14	$ –	$ 14.14
Pinnacle Strategic Balanced Fund	$ 12.23	$ (0.03)	$ 12.20	$ 15.87	$ (0.03)	$ 15.84
Pinnacle Canadian Value Equity Fund	$ 12.77	$ (0.04)	$ 12.73	$ 20.80	$ (0.03)	$ 20.77
Pinnacle Canadian Mid Cap Equity Fund	$ 8.65	$ (0.06)	$ 8.59	$ 14.66	$ (0.03)	$ 14.63
Pinnacle Canadian Growth Equity Fund	$ 8.41	$ (0.05)	$ 8.36	$ 14.79	$ (0.05)	$ 14.74
Pinnacle Canadian Small Cap Equity Fund	$ 11.87	$ (0.23)	$ 11.64	$ 22.41	$ (0.17)	$ 22.24
Pinnacle American Value Equity Fund	$ 8.41	$ (0.02)	$ 8.39	$ 10.97	$ (0.01)	$ 10.96
Pinnacle American Mid Cap Value Equity Fund	$ 6.60	$ (0.02)	$ 6.58	$ 8.91	$ (0.02)	$ 8.89
Pinnacle American Large Cap Growth Equity Fund	$ 5.84	$ (0.01)	$ 5.83	$ 7.58	$ (0.01)	$ 7.57
Pinnacle American Mid Cap Growth Equity Fund	$ 11.24	$ (0.03)	$ 11.21	$ 17.05	$ (0.02)	$ 17.03
Pinnacle International Equity Fund	$ 8.19	$ (0.01)	$ 8.18	$ 11.83	$ –	$ 11.83
Pinnacle International Small to	$ –	$ –	$ –		$ –	$ –
Mid Cap Value Equity Fund	$ 10.34	$ –	$ 10.34	$ 18.06	$ –	$ 18.06
Pinnacle Global Equity Fund	$ 9.89	$ –	$ 9.89	$ 13.22	$ (0.01)	$ 13.21
Pinnacle Balanced Income Portfolio	$ 8.78	$ –	$ 8.78	$ 9.86	$ –	$ 9.86
Pinnacle Conservative Balanced Growth Portfolio	$ 8.22	$ –	$ 8.22	$ 10.57	$ –	$ 10.57
Pinnacle Balanced Growth Portfolio	$ 8.35	$ –	$ 8.35	$ 10.39	$ –	$ 10.39
Pinnacle Conservative Growth Portfolio	$ 8.04	$ –	$ 8.04	$ 11.32	$ –	$ 11.32
Pinnacle Growth Portfolio	$ 7.96	$ –	$ 7.96	$ 10.79	$ –	$ 10.79

11. Related Party Transactions

(a) The total brokerage fees paid to Scotia Capital Inc., during the twelve-month period ended December 31, 2008 and the twelve-month period ended December 31, 2007 are as follows:

Fund	2008	2007
Pinnacle Strategic Balanced Fund	15,552	13,713
Pinnacle Canadian Value Equity Fund	6,145	25,544
Pinnacle Canadian Growth Equity Fund	40,189	29,928
Pinnacle Canadian Small Cap Growth Equity Fund	6,691	3,789
Pinnacle Canadian Mid Cap Equity Fund	25,979	5,365
Pinnacle Global Real Estate Securities Fund	–	8,388

(b) The Manager may enter into transactions and service arrangements with its affiliates. Scotia Capital Inc. may be involved in the purchase and sale of portfolio securities and forward contracts. Scotia Cassels Investment Counsel Limited and Scotia Capital Inc. are portfolio advisors for certain Funds. The Bank of Nova Scotia ("BNS") may act as counterparty to derivatives contracts for certain Funds.

12. Soft Dollar Commissions

The ascertainable soft dollar commissions in connection with investment portfolio transactions for the years ended December 31, 2008 and 2007 are set out below.

Fund	2008 Soft Dollars	2007 Soft Dollars
Pinnacle Short Term Income Fund	$ –	$ –
Pinnacle Income Fund	$ –	$ –
Pinnacle High Yield Income Fund	$	$ –
Pinnacle American Core-Plus Bond Fund	$ –	$ –
Pinnacle Global Real Estate Securities Fund	$ –	$ –
Pinnacle Strategic Balanced Fund	$ 3,974	$ 4,077
Pinnacle Canadian Value Equity Fund	$ –	$ –
Pinnacle Canadian Mid Cap Equity Fund	$ 1,503	$ –
Pinnacle Canadian Growth Equity Fund	$ 24,464	$ 29,517
Pinnacle Canadian Small Cap Equity Fund	$ 13,337	$ 9,868
Pinnacle American Value Equity Fund	$ 3,115	$ 7,185
Pinnacle American Mid Cap Value Equity Fund	$ 196	$ 2,115
Pinnacle American Large Cap Growth Equity Fund	$ –	$ –
Pinnacle American Mid Cap Growth Equity Fund	$ 31,318	$ 3,929
Pinnacle International Equity Fund	$ 4,865	$ 5,842
Pinnacle International Small to Mid Cap Value Equity Fund	$ 12,163	$ 2,293
Pinnacle Global Equity Fund	$ 10,436	$ 5,815
Pinnacle Balanced Income Portfolio	$ –	$ –
Pinnacle Conservative Balanced Growth Portfolio	$ –	$ –
Pinnacle Balanced Growth Portfolio	$ –	$ –
Pinnacle Conservative Growth Portfolio	$ –	$ –
Pinnacle Growth Portfolio	$ –	$ –

Soft dollar commissions are arrangements pursuant to which products or services, other than execution of portfolio securities transactions, are obtained by an adviser from or through a broker-dealer in exchange for directing client portfolio transactions to the broker-dealer.

12. Future Accounting Changes

The Canadian Accounting Standards Board confirmed that effective January 1, 2011, International Financial Reporting Standards ("IFRS") will replace current Canadian standards and interpretations as Canadian generally accepted accounting principles for publicly accountable enterprises, which includes investment funds. The Manager has commenced development of a changeover plan to meet the implementation date. The key elements of the plan will include identifying differences between the Fund's current accounting policies and those it expects to apply under IFRS, as well as any accounting policy and implementation decisions and their resulting impact, if any, on the net assets or net asset value of the Fund.

Based on the Manager's current evaluation of the differences between Canadian GAAP and IFRS, the Manager does not expect that net assets or net asset value per unit will be impacted by the changeover to IFRS. Currently, the Manager expects that the impact of IFRS on the Funds' financial statements will be additional disclosures and potentially different presentation.

13. Comparative Figures

Certain prior period comparative amounts have been restated to conform to the current period's presentation.

14. Fund Name Change

Effective December 22, 2008, the name of the Canadian Mid Cap Value Equity Fund was changed to the Canadian Mid Cap Equity Fund.

Notice to Unitholders

Reinvestment Plans

Unitholders may automatically reinvest distributions in units of the Funds, or receive these distributions by cheque or direct deposit. If a unitholder is currently reinvesting distributions in new units, he/she may choose to receive cash payments instead, by advising their ScotiaMcLeod Advisor in writing, and specifying whether payment be made by cheque or direct deposit to a Scotiabank account.

Unitholders with a Pre-authorized Contribution Plan

If you would like to receive a copy of the Funds' current simplified prospectus ("Renewal Prospectus") along with any amendments, please contact us at 1-800-268-9269. The Renewal Prospectus and any amendments can also be found at www.scotiamcleod.com/pinnacle or at www.sedar.com

Although you do not have a statutory right to withdraw from a purchase of mutual fund units made under a pre-authorized contribution ("PAC"), you will continue to have a right of action for damages or rescission in the event a Renewal Prospectus contains a misrepresentation, whether or not you request a Renewal Prospectus. You continue to have the right to terminate a PAC at any time before the next scheduled investment date.

Redemption Procedures

You may at any time sell your units back to a Fund by following the procedures referred to below unless, at that time, the Fund's obligation to purchase your units has been temporarily suspended by the Fund with, where necessary, the prior consent of the Ontario Securities Commission. Your request to have the Fund buy back your units constitutes a "redemption" by the Fund when completed. The redemption price for the units which are the subject of your sell order will be the net asset value next determined following receipt of your sell order by the Fund. Payment for your units sold will be made by the Fund not later than the third business day after receipt by the Fund of your sell order. The Fund cannot accept sell orders specifying a forward date or price, and sell orders will not be implemented before the Fund has actually received payment for units issued to you under a prior purchase order.

To sell your units back to a Fund, you must contact your ScotiaMcLeod Advisor, who will forward the order to the Fund on your behalf.

All sell orders will be processed in the order in which they are received. Pursuant to National Instrument 81-102, if a unitholder fails to provide the Fund with a duly completed application for redemption within 10 business days of the date on which net asset value was determined for purposes of the redemption, National Instrument 81-102 states that the Fund shall be deemed to have received and accepted on the next business day an order for the purchase of the equivalent number of mutual fund units being redeemed and will apply the amount of the redemption proceeds to payment of the issue price of the mutual fund units. If the amount of the issue price of such mutual fund units is less than the redemption proceeds, National Instrument 81-102 permits the Fund to retain the excess. If the amount of the issue price of such mutual fund units exceeds the redemption proceeds, National Instrument 81-102 requires the primary distributor of the Fund to pay to the Fund the amount of the deficiency. The distributor of the Fund is entitled to collect such amount, together with its costs, charges and expenses in so doing and interest thereon from you.

Management and Audit Reports

Management's Responsibility for Financial Reporting

The accompanying financial statements have been prepared and approved by Scotia Capital Inc., the Manager and Trustee of the Funds. The Funds' Manager is responsible for the information and representations contained in these financial statements and other sections of the Annual Report.

Scotia Capital Inc. maintains appropriate processes to ensure that relevant and reliable financial information is produced.

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and assumptions made by Scotia Capital Inc. The significant accounting policies which Scotia Capital Inc. believes are appropriate for the Funds are described in Note 2 to the financial statements. PricewaterhouseCoopers LLP are the external auditors of the Funds, appointed by the Trustee. They have audited the financial statements in accordance with generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report is set out below.

Alex Cruickshank
Managing Director
Scotia Capital Inc.
March 9, 2009

Willo Watson
Director
Scotia Capital Inc.

Auditors' Report

To the Unitholders of the Pinnacle Funds and Pinnacle Portfolios

We have audited the statements of investment portfolio of the Pinnacle Funds and Pinnacle Portfolios (the Funds) as at December 31, 2008, the statements of net assets as at December 31, 2008 and 2007, and the statements of operations and changes in net assets for the years then ended. These financial statements are the responsibility of the Funds' 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 Funds' manager, 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 Funds as at December 31, 2008 and 2007, and the results of their operations and the changes in their net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants
Toronto, Ontario
March 9, 2009

Building Relationships for Life

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