

Canadian Hedge Fund Performance Index

December 2009

The Scotia Capital Canadian Hedge Fund Performance Index finished December 2009 up 2.12% on an asset weighted basis and up 2.59% on an equal weighted basis. The Index outperformed broader hedge fund indices both on an asset and equal weighted basis. The Index finished 2009 up 28.62% on an asset weighted basis and up 26.31% on an equal weighted basis, significantly outperforming broader hedge fund indices on the year. In closing out its best year since inception, the Index returned close to its peak level of Jun/08.

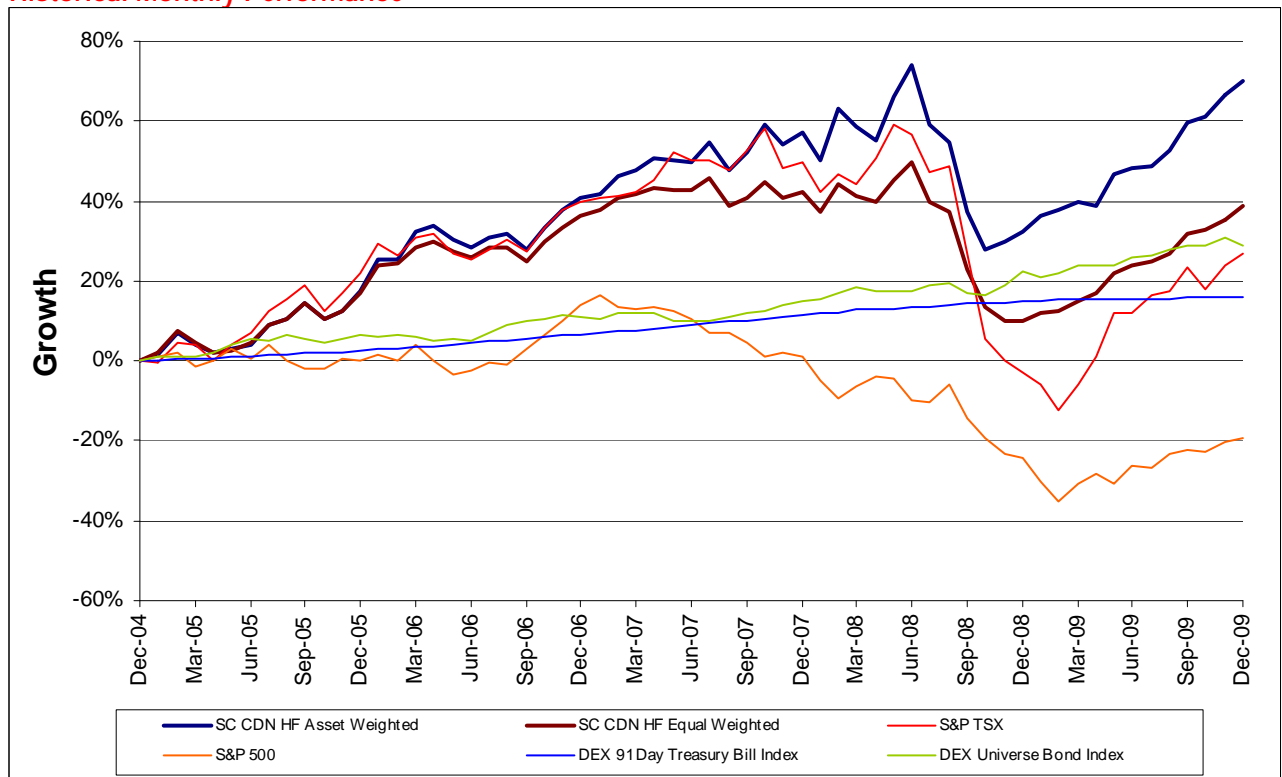
Global equities continued to rally through December to end 2009 on a strong, positive note. The year was characterized by an overall return of investor risk appetite, as central banks' efforts to stimulate economic growth resulted in economic stabilization, and market participants ultimately refocused on higher risk securities as interest rates were kept low. In the US, the S&P500's 1.78% December gain was led by technology, utilities and telecom. In Canada, nine of ten sectors contributed positively to the TSX's 2.61% gain, with the strongest outperformance from the technology sector. Canadian energy stocks also made notable advances, benefitting from the strong rally in oil after its initial decline in early December, as well as from the increase in demand pushing natural gas prices up in light of unusually low temperatures across North America. In December FX themes, the CAD appreciated against the USD, juxtaposed against the USD rally versus broader currencies. Gold-related equities were among the decliners, retracing after gold hit another record high earlier in the month, and ultimately declined against the USD rebound. Other commodities generally advanced in December as investors continue to show optimism for further economic recovery.

Canadian hedge fund managers advanced overall in December, making gains from selective stock-picking across sectors as well as from nimble trading. Compared to discretionary traders, managers with systematic strategies were generally challenged by December's subdued volatility in equities and sideways trading in commodities and FX.

Description

The aim of the Scotia Capital Canadian Hedge Fund Performance Index is to provide a comprehensive overview of the Canadian Hedge Fund universe. To achieve this, index returns are calculated using both an equal weighting and an asset-based weighting of the funds. The index includes both open and closed funds with a minimum AUM of C\$15 million and at least a 12 month track record of returns, managed by Canadian-domiciled hedge fund managers.

Historical Monthly Performance



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Index Summary

*Month End Dec-09	Value	Return MOM	Return YTD	Annualized Return**	Annualized Standard Deviation***
SC CDN HF Index Asset Weighted	1,700.05	2.12%	28.62%	11.20%	12.84%
SC CDN HF Index Equal Weighted	1,388.65	2.59%	26.31%	6.79%	10.94%
S&P TSX Composite	11,746.11	2.61%	30.69%	4.90%	16.94%
S&P 500 (quoted in USD)	1,115.10	1.78%	23.45%	-1.65%	16.05%
S&P 500	1,174.41	1.48%	6.68%	-4.15%	12.52%
DEX 91 Day Treasury Bill Index †	381.08	0.03%	0.62%	2.98%	0.44%
DEX Universe Bond Index ‡	737.14	-1.42%	5.41%	5.20%	3.39%

*All returns quoted in CAD except where indicated

† Formerly: Scotia Capital 91 Day Treasury Bill Index

**Compound annual returns since index inception (December 31, 2004)

‡ Formerly: Scotia Capital Universe Bond Index

*** Of monthly returns

Historical Monthly Returns

SC CDN HF Asset Weighted

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2005	1.74%	5.01%	-2.68%	-1.85%	0.76%	1.30%	4.50%	1.39%	3.58%	-3.32%	1.58%	4.52%	17.35%
2006	6.73%	0.02%	5.65%	1.18%	-2.76%	-1.46%	2.01%	0.54%	-2.86%	4.31%	3.25%	2.31%	20.05%
2007	0.49%	3.48%	0.89%	1.95%	-0.15%	-0.37%	3.34%	-4.51%	3.03%	4.31%	-2.86%	1.83%	11.61%
2008	-4.34%	8.56%	-2.95%	-2.05%	6.86%	5.03%	-8.61%	-2.99%	-11.17%	-6.92%	1.65%	1.81%	-15.94%
2009	3.09%	1.04%	1.39%	-0.61%	5.91%	0.82%	0.50%	2.42%	4.84%	0.85%	3.24%	2.12%	28.62%

SC CDN HF Equal Weighted

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2005	2.05%	5.32%	-2.83%	-2.18%	0.56%	1.63%	4.48%	1.36%	3.58%	-3.42%	1.68%	4.11%	17.10%
2006	5.86%	0.19%	3.44%	1.20%	-1.89%	-1.19%	1.86%	0.07%	-2.77%	3.95%	2.66%	2.45%	16.62%
2007	0.88%	2.30%	0.57%	0.91%	-0.18%	-0.11%	2.06%	-4.57%	1.47%	2.84%	-2.84%	0.92%	4.07%
2008	-3.27%	4.96%	-2.12%	-1.12%	3.98%	3.03%	-6.55%	-1.89%	-10.22%	-7.98%	-2.73%	-0.25%	-22.64%
2009	1.94%	0.28%	2.39%	1.59%	4.33%	1.64%	0.68%	1.77%	3.90%	0.77%	1.79%	2.59%	26.31%

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Funds Included:

AFC North American Fund L.P.	Hillsdale Canadian Long/Short Equity Fund	Ross Smith Capital Investment Fund
Amethyst Arbitrage Fund	JC Clark Focused Opportunities Fund	Rosseau LP
Blumont Core Hedge Fund	JC Clark Preservation Trust	S.A.M. Healthcare/Biotech Equity Fund
Blumont Hirsch Performance Fund	Jemekk Long/Short Fund LP	Salida Multi Strategy Hedge Fund
Dynamic Power Hedge Fund	Landry Morin Long Short Momentum Fund	Sprott Hedge Fund LP
Fiera Global Macro Fund	Mapleridge Fund Ltd. - Class B	Sprott Hedge Fund LP II
Fiera North American Market Neutral Fund II	Marret High Yield Hedge LP	Sprott Opportunities Hedge Fund LP
Friedberg Global Macro Hedge Fund	Picton Mahoney Long Short Equity Fund	TD Emerald Canadian Equity Market Neutral Fund
Front Street Canadian Energy Fund	Picton Mahoney Market Neutral Equity Fund	TD Emerald North American Equity Paris Fund
Front Street Canadian Hedge Fund	Polar Securities - Altairis Long/Short	TD Emerald US Equity Market Neutral Fund
Full Cycle Energy Canadian Offshore	Polar Securities - North Pole Capital Investments	Vertex Fund
GMP Diversified Alpha Fund	Primevestfund	Wealhouse Panorama Fund
Goodwood Fund	Rival North American Growth Fund LP	

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