

**Annual Management Report
of Fund Performance**

For:

Meritas Canadian Bond Fund
For the year ended December 31, 2009

MERITAS CANADIAN BOND FUND

This annual Management Report of Fund Performance contains financial highlights but does not contain the annual financial statements of the Fund. You can get a copy of the annual financial statements at no cost by calling 1.866.924.6767 or by writing us at Meritas Mutual Funds, 1265 Strasburg Road, Kitchener, ON, N2R 1S6 or by visiting our website at www.meritas.ca or SEDAR at www.sedar.com. Investors may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure relating to the Fund.

Forward Looking Statements

This document contains forward looking statements. Such statements are typically identifiable by the terminology used, such as “anticipate”, “plan”, “intend”, “expect” and “estimate” or other similar wording. These forward looking statements are subject to unknown risks and uncertainties and other factors that may cause actual results, achievements and levels of activity to differ materially from those expressed or implied by such statements. Such factors may include, but are not limited to: general economic, market and business conditions, fluctuations in securities prices, interest rates and foreign currency exchange rates, and actions by government authorities. Future events and their effects on a Fund may not be anticipated by us. Actual results may differ materially from the results anticipated in the forward looking statements. We do not undertake, and specifically disclaim, any obligation to update or revise any forward looking statements, whether as a result of new information, future developments or otherwise.

Management Discussion of Fund Performance

Portfolio Sub-Advisor

GWL Investment Management Ltd., Winnipeg, MB

Investment Objective and Strategies

The principal investment objective of the Fund is to generate interest income while also attempting to generate some capital gains through investing primarily in debt instruments issued by Canadian companies, governments and governmental agencies.

Risk

The risk level of the Fund has increase slightly over the last year with some movement out of Federal Government Bonds into a combination of Provincial Bonds, Mortgage-Backed Securities and Corporate Bonds. The Fund remains well diversified in terms of number of holdings, duration, credit quality and coupon rate.

Results of Operations

The Fund size increased from \$32.6 million to \$40.5 million in the last year due primarily to net sales of Fund units. The Manager has increased their weighting of Provincial Bonds to 21.4% versus 19.4% at the end of the previous year. The Manager has decreased their weighting of Federal Government Bonds from 37.8% to 25.9%. The Corporate Bonds in the portfolio, increasing from just over a 36% weighting to just under 38% are primarily high credit quality with 6% being in BBB rated securities.

The Fund underperformed its benchmark during the year with the majority of the underperformance attributed to the fees and expenses associated with running the Fund.

Realized and unrealized gains experienced in the year are considered reasonable given prevailing market conditions.

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Management Discussion of Fund Performance (continued)

Recent Developments

Future Accounting Policy Change

As at December 31, 2009 the Manager has developed a changeover plan to meet the timetable published by the CICA for changeover to IFRS. The key elements of the plan include disclosures of the qualitative impact in the December 31, 2009, and 2010 financial statements, disclosures of the quantitative impact, if any, in the December 31, 2010 financial statements and the preparation of the December 31, 2011 financial statements in accordance with IFRS.

Based on the Manager's current evaluation of the differences between Canadian GAAP and IFRS, the Manager does not expect that net assets attributable to unitholders 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 Fund's financial statements will result in additional disclosures and potentially different presentation of unitholder interests and certain other items

Related Party Transactions

Meritas Financial Inc. is the Manager of the Fund. All expenses of the Fund are payable by the Manager, other than legal fees, audit fees, filing fees, custodial fees, record keeping and communication charges, bank charges, printing stationary and supplies, brokerage on securities and taxes. In consideration for management services and pursuant to the Declaration of Trust, the Fund pays the Manager a monthly fee applied to the average daily net asset value of the Fund.

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Financial Highlights

The following tables show selected key financial information of the Fund and are intended to help you understand the Fund's financial performance for the past five years. This information is derived from the Fund's annual audited financial statements. To obtain a copy of any of these statements please see the information presented earlier in this document.

	CLASS A Units				
	2009	2008	2007	2006	2005
Net assets per unit, GAAP,					
beginning of periods (a)	\$ 10.77	\$ 10.74	\$ 10.89	\$ 10.98	\$ 10.81
Initial adoption of Section 3855	-	-	-	-	-
Increase (decrease) from operations:					
Total revenue	0.48	0.50	0.51	0.52	0.53
Total expenses	(0.22)	(0.21)	(0.21)	(0.21)	(0.22)
Realized gains (losses) for the periods	0.07	0.07	(0.11)	(0.03)	0.02
Unrealized gains (losses) for the periods	0.22	(0.05)	(0.04)	(0.02)	0.11
Transaction costs	-	-	-	-	-
Total increase (decrease) from operations (a)	0.55	0.31	0.15	0.26	0.44
Distributions:					
From income (excluding dividends)	(0.27)	(0.28)	(0.30)	(0.30)	(0.28)
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	(0.01)
Return of capital	-	-	-	-	-
Total annual distributions (a)(b)	(0.27)	(0.28)	(0.30)	(0.30)	(0.29)
Net assets per unit, GAAP					
end of periods (a)	\$ 11.05	\$ 10.77	\$ 10.74	\$ 10.89	\$ 10.98
Ratios and Supplemental data:					
Net assets, GAAP, end of periods	\$ 40,172,075	\$ 32,541,335	\$ 32,039,360	\$ 30,363,275	\$ 13,926,948
Adjustment from bid to closing price	-	-	-	-	-
Net assets, Trading, end of periods	\$ 40,172,075	\$ 32,541,335	\$ 32,039,360	\$ 30,363,275	\$ 13,926,948
Number of units outstanding end of periods	3,634,986	3,022,378	2,982,638	2,787,165	1,268,660
Net asset value per unit, Trading, end of periods	\$ 11.05	\$ 10.77	\$ 10.74	\$ 10.89	\$ 10.98
Management expense ratio (MER) (c)	1.97%	2.03%	1.96%	1.97%	1.97%
Management expense ratio before waivers or absorptions	2.28%	2.72%	2.45%	2.42%	2.43%
Portfolio turnover (d)	82.80%	37.07%	47.41%	73.07%	13.66%
Trading expense ratio (e)	-	-	-	-	-

- (a) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted number of units outstanding during the year. This table is not intended to reconcile beginning and ending net assets per unit.
- (b) Distributions were either paid in cash or reinvested in additional units of the Fund.
- (c) Management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of daily average net assets during the year. The Manager may absorb some operating expenses payable by the Fund and may discontinue this at any time at its discretion.
- (d) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio in the course of the year. The higher the Fund's portfolio turnover rate, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.
- (e) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the year. It has not been shown for years prior to 2005 as it was a new reporting requirement in 2005.

MERITAS CANADIAN BOND FUND

Financial Highlights (continued)

The following tables show selected key financial highlights of the Fund and are intended to help you understand the Fund's financial highlights since it commenced operations on February 22, 2008. This information is derived from the Fund's annual audited financial statements. To obtain a copy of any of these statements please see the information presented earlier in this document.

CLASS F Units

	2009	2008
Net assets per unit, GAAP,		
beginning of period	\$ 10.81	\$ 10.80
Initial adoption of Section 3855	-	-
Increase (decrease) from operations:		
Total revenue	3.05	0.59
Total expenses	(0.16)	(0.48)
Realized gains (losses) for the periods	0.43	0.09
Unrealized gains (losses)		
for the periods	(3.46)	0.03
Transaction costs	-	-
Total increase (decrease)		
from operations (a)	(0.14)	0.23
Distributions:		
From income (excluding dividends)	(0.68)	(0.33)
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
Total annual distributions (a)	(0.68)	(0.33)
Net assets per unit, GAAP,		
end of period	\$ 11.06	\$ 10.81
Ratios and Supplemental data:		
Net assets, GAAP,		
end of period	\$ 348,968	\$ 28,529
Adjustment from bid to closing price	-	-
Net assets, Trading,		
end of period	\$ 348,968	\$ 28,529
Number of units outstanding,		
end of period	31,557	2,640
Net asset value per unit, Trading,		
end of period	\$ 11.06	\$ 10.81
Management expense		
ratio (MER) (c)	1.41%	1.49%
Management expense ratio		
before waivers or absorptions	1.72%	2.19%
Portfolio turnover (d)	82.80%	37.07%
Trading expense ratio (e)	-	-

- (a) Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted number of units outstanding during the period. This table is not intended to reconcile beginning and ending net asset value per unit.
- (b) Distributions were either paid in cash or reinvested in additional units of the Fund.
- (c) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. The Manager may absorb some operating expenses payable by the Fund and may discontinue this at any time at its discretion.
- (d) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio in the course of the year. The higher the Fund's portfolio turnover rate, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.
- (e) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period. It has not been shown for years prior to 2005 as it was a new reporting requirement in 2005.

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Management Fees

The Manager is responsible for the management, supervision and administration of the Fund. Management fees are accrued daily and are payable monthly in arrears. Management fees payable to the Manager by the Fund are calculated daily on the Net Asset Value of the Fund at a maximum annual rate of:

Series A: 1.60% Series F: 1.10%

The Fund paid Meritas Financial Inc. management fees of \$570,193 during the period. The Fund's management fees were used by Meritas to pay costs related to managing the investment portfolio, providing investment analysis and recommendations, making investment decisions, making brokerage arrangements for the purchase and sale of the investment portfolio and providing other services. For the twelve months ended December 31, 2009, approximately 24.8% of the total management fees from all Meritas Funds was used to fund these costs. Where total costs exceeded the current period's management fees paid by the Fund, the balance was paid out of Meritas' other resources.

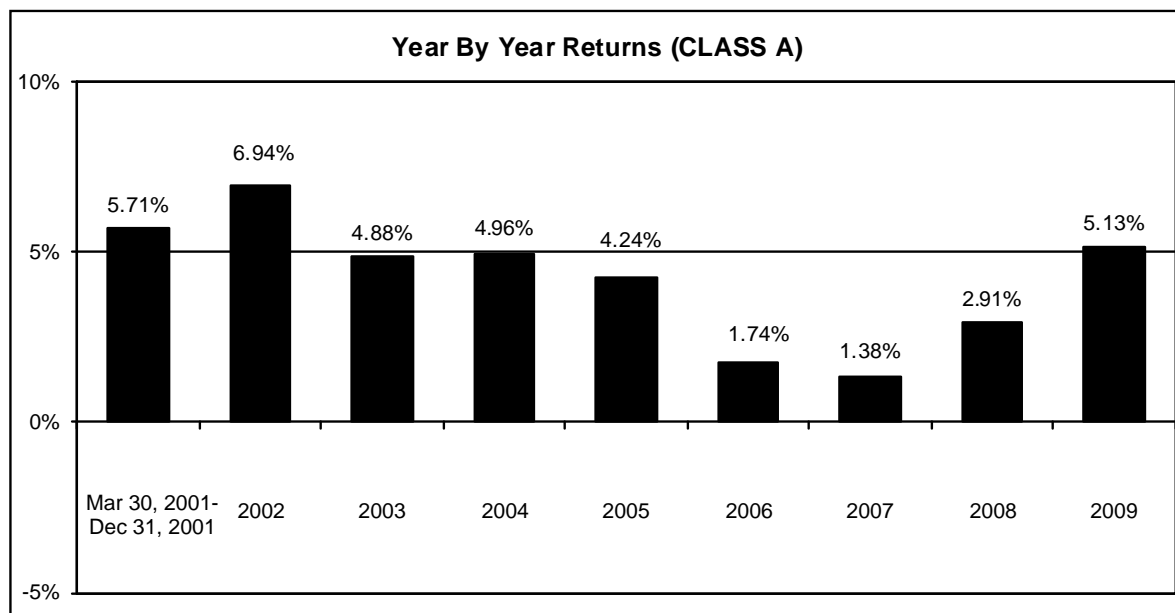
Meritas also used the management fees to fund commission payments and other dealer compensation (collectively distribution-related costs) to registered dealers and brokers for shares of the Fund bought and held by investors. For the twelve months ended December 31, 2009, approximately 54.1% of the total management fee revenues received from all Meritas Mutual Funds was used to fund distribution-related costs paid to registered dealers and brokers. This may vary by series depending on the assets invested in each series. The proportion of distribution-related costs is primarily attributable to sales commissions related to gross sales of the Fund.

Past Performance

The following charts show the Fund's past performance and gives you an idea of the risk involved. Past returns do not tell you how the Fund will perform in the future. The performance information does not take into account sales, redemptions, distributions or other optional changes that could have reduced returns or performance.

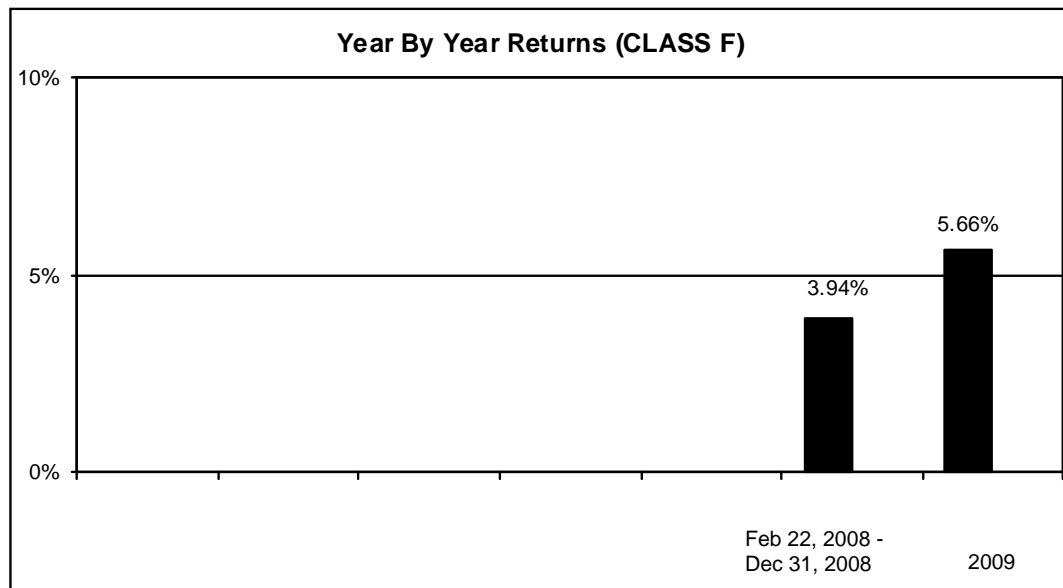
Year-by-year Returns

This chart shows the Fund's annual performance for each of the years shown and how the Fund's performance has changed from year to year. The chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.



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Past Performance (continued)



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Past Performance (continued)

Annual Compound Returns

This table shows the Fund's historical annual compound returns for the periods indicated, compared with the DEX Universe Bond Index (formerly referred to as the Scotia Capital Universe Bond Index). This index measures the total return attributable to bonds and includes representative bond issues by issuer (Federal, Provincial, Municipal and Corporate), quality (AAA, AA, A, and BBB) and term (short-, mid-, and long-).

	CLASS A Units			
	1 Year	3 Years	5 Years	Since Inception
Meritas Canadian Bond Fund	5.13%	3.13%	5.12%	4.32%
DEX Universe Bond Index	5.20%	5.03%	5.18%	4.65%

	CLASS F Units			
	1 Year	3 Years	5 Years	Since Inception
Meritas Canadian Bond Fund	5.66%	N/A	N/A	4.95%
DEX Universe Bond Index	5.20%	N/A	N/A	4.58%

The returns noted for the Fund are net of expenses. The returns noted for the benchmark are before any expenses. The Class A portfolio provided returns that were below its benchmark for the year with the underperformance being accounted for by the costs of running the Fund. This is also the case for the longer measurement periods that are being presented.

The Class F portfolio outperformed its benchmark for the latest period.

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Summary of Investment Portfolio at December 31, 2009

Top 25 Holdings:

Security Name	Maturity Date	Interest Rate	% of net assets, GAAP
Canada Housing Trust	Jun/15/2012	4.80%	8.9
Province of Quebec	Dec/01/2038	5.00%	6.3
Province of Ontario	Jun/02/2039	4.60%	5.5
Canada Housing Trust	Jun/15/2013	3.60%	5.3
Government of Canada	Jun/01/2013	3.50%	4.1
Government of Canada	Jun/01/2037	5.00%	4.0
Government of Canada	Jun/01/2017	4.00%	3.9
Master Credit Card Trust	Aug/21/2012	5.30%	3.2
Thomson Reuters Corporation	Mar/31/2016	6.00%	2.7
407 International Inc.	Jan/20/2012	4.65%	2.6
Province of Manitoba	Mar/01/2016	4.30%	2.6
NHA MBS Alberta Motor	Feb/01/2013	4.00%	2.6
Omers Realty CTT Holding	May/05/2014	4.05%	2.6
BCFMA	Apr/06/2025	4.98%	2.4
Metropolitan Life Global Fund	Nov/08/2013	4.45%	2.4
Royal Bank of Canada	Jan/05/2010	0.27%	2.0
NHA MBS Royal Bank	Oct/01/2016	4.15%	1.9
Trans-Canada Pipelines	Jan/15/2014	5.65%	1.9
NHA MBS Pool	Aug/01/2011	4.25%	1.9
Bank of Nova Scotia	Apr/08/2013	5.04%	1.9
Embridge Inc.	May/19/2016	5.17%	1.8
Greater Toronto Airport	Jun/01/2017	4.85%	1.8
Province of New Brunswick	Jul/21/2016	4.70%	1.6
Caterpillar Financial Services Ltd.	Jun/03/2013	5.20%	1.6
Telus Corporation	May/15/2014	4.95%	1.6
			77.1

Sector Weightings:

Security Name	% of net assets, GAAP
Corporate Bonds	38.2
Federal Bonds	27.1
Provincial Bonds	21.5
Mortgage Backed Securities	5.6
Short Term Investment	4.0
Municipal Bonds	2.0
Cash and other net assets	1.1
Community Development Investment	0.5
Total	100.0

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. Updates are available quarterly.

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