

**Annual Management Report  
of Fund Performance**

**For:**

Meritas Money Market Fund  
For the year ended December 31, 2009

## **MERITAS MONEY MARKET FUND**

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*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](http://www.meritas.ca) or SEDAR at [www.sedar.com](http://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, Winnipeg, MB

#### **Investment Objective and Strategies**

The principal investment objective of the Fund is to maintain its principal value while providing daily interest income through investing in short-term investment notes.

#### **Risk**

The risk level of the Fund has increased slightly over the last year. At the end of the prior year the Fund was invested entirely in Government of Canada treasury bills. While these are still the primary holding of the Fund, 35.6% of the Fund is now invested in short term corporate debt obligations and 15.1% is invested in Provincial treasury bills both of which carry a slightly higher risk level while providing a slightly higher rate of interest.

#### **Results of Operations**

The Fund size decreased from \$5.8 million to \$5.0 million throughout the year. The decrease was caused by net redemptions of Fund units as investors became more comfortable moving from the relative safety of the Fund into other Funds that may have a higher risk level but also a higher potential return. Decreasing short term interest rates have led to lower yields and returns for the Fund over the past year in comparison to prior years. This pattern of decreasing yields may not continue into 2010 as there is little room for the yields to decline further. It is much more likely that interest rates will increase in the second half of the year ahead.

Expenses remain in line with prior year's experience taking into account both the size of the fund and the market conditions experienced in the current period. Income decreased as interest rates declined to the point where the Manager chose to waive management fees for a period of the year. This waiver may continue into the future.

## **MERITAS MONEY MARKET FUND**

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### **Management Discussion of Fund Performance (continued)**

#### **Recent Developments**

##### **Change in Classes of Fund Offered For Sale**

Class F Units of the Fund were established on January 30, 2008. The date of commencement of operations for the F Units is different as it is based on the first sale of Class F Units of the Fund. Financial results for Class F Units are presented from the date operations commenced (March 20, 2009).

Class F Units are available only to investors who participate in fee-based programs with their financial advisor, certain institutional investors, our employees and employees of our affiliates and other investors who subscribe for any hold a minimum dollar amount of Class F Units and have been approved by the Manager, at its discretion. Class A Units are available to all investors and are sold subject to front-end load charge, low load charge or a deferred sales charge.

##### **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.

## MERITAS MONEY MARKET FUND

### 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
<b>Net assets per unit, GAAP</b>					
beginning of periods (a)	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
Initial adoption of Section 3855	-	-	-	-	-
<b>Increase (decrease) from operations:</b>					
Total revenue	0.05	0.29	0.40	0.40	0.25
Total expenses	(0.03)	(0.08)	(0.07)	(0.08)	(0.07)
Realized gains (losses) for the periods	-	-	-	-	-
Unrealized gains (losses) for the periods	-	-	-	-	-
Transaction costs	-	-	-	-	-
<b>Total increase (decrease) from operations (a)</b>	<b>0.02</b>	<b>0.21</b>	<b>0.33</b>	<b>0.32</b>	<b>0.18</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.02)	(0.21)	(0.33)	(0.32)	(0.18)
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions (a)(b)</b>	<b>(0.02)</b>	<b>(0.21)</b>	<b>(0.33)</b>	<b>(0.32)</b>	<b>(0.18)</b>
<b>Net assets per unit, GAAP</b>					
end of periods (a)	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
<b>Ratios and Supplemental data:</b>					
Net assets, GAAP end of periods	\$ 4,829,673	\$ 5,751,850	\$ 3,245,607	\$ 2,562,461	\$ 2,430,333
Adjustment from bid to closing price	-	-	-	-	-
Net assets, Trading, end of periods	\$ 4,829,673	\$ 5,751,850	\$ 3,245,607	\$ 2,562,461	\$ 2,430,333
Number of units outstanding end of periods	482,967	575,185	324,561	256,246	243,033
Net asset value per unit, Trading, end of periods (a)	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
Management expense ratio (MER) (c)	0.34%	0.64%	0.75%	0.76%	0.75%
Management expense ratio before waivers or absorptions	3.49%	3.96%	4.22%	5.35%	4.92%
Portfolio turnover rate (c)	-	-	-	-	-
Trading expense ratio (d)	-	-	-	-	-

- (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 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 MONEY MARKET FUND

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### Financial Highlights

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 March 20, 2009. 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.

<b>CLASS F Units</b>	
2009	
<b>Net assets per unit, GAAP,</b>	
<b>beginning of period</b>	<b>\$ 10.00</b>
<b>Initial adoption of Section 3855</b>	-
<b>Increase (decrease) from operations:</b>	
Total revenue	0.04
Total expenses	(0.02)
Realized gains (losses) for the period	-
Unrealized gains (losses) for the period	(0.02)
Transaction Costs	-
<b>Total increase (decrease) from operations (a)</b>	<b>0.01</b>
<b>Distributions:</b>	
From income (excluding dividends)	(0.01)
From dividends	-
From capital gains	-
Return of capital	-
<b>Total annual distributions (a)(b)</b>	<b>(0.01)</b>
<b>Net assets per unit, GAAP, end of period</b>	<b>\$ 10.00</b>
<b>Ratios and Supplemental data:</b>	
Net assets, GAAP, end of period	\$ 143,232
Adjustment from bid to closing price	-
Net assets, Trading, end of period	\$ 143,232
Number of units outstanding, end of period	14,323
Net asset value per unit, Trading, end of period	\$ 10.00
Management expense ratio (MER) (c)	0.17%
Management expense ratio before waivers or absorptions	3.32%
Portfolio turnover rate	-
Trading expense ratio (d)	-

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- (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 trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

## MERITAS MONEY MARKET FUND

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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: 1.15%    Series F: 0.80%

The Fund paid Meritas Financial Inc. management fees of \$10,648 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.

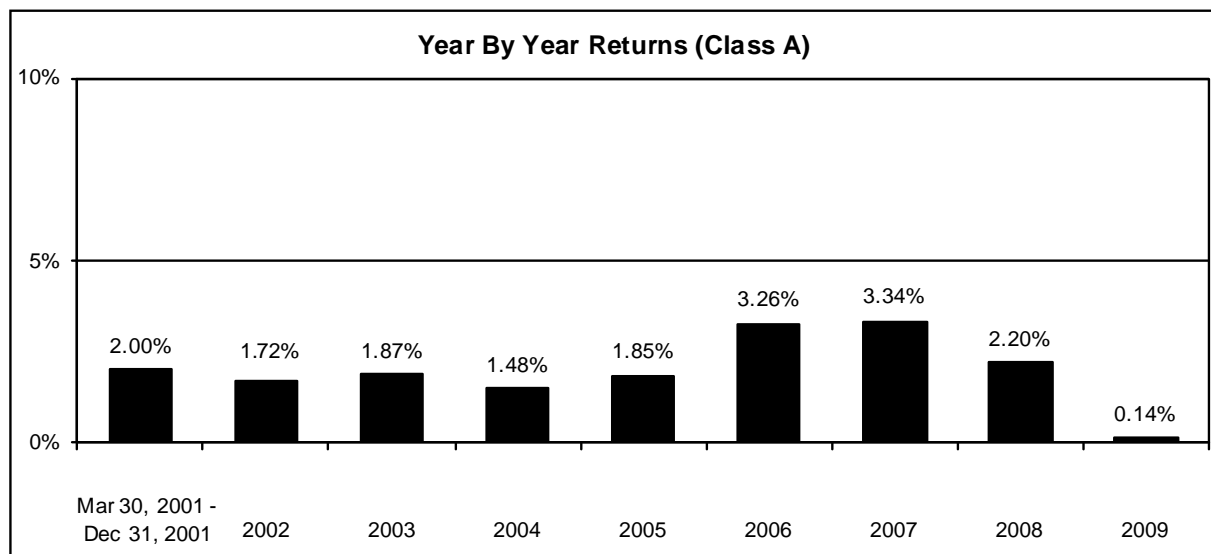
Meritas also used the management fees to fund commission payments and other dealer compensation (collectively distribution-related costs) to registered dealers and brokers for shares of the Fund bought and held by investors. For the twelve months ended December 31, 2009, approximately 54.1% of the total 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*

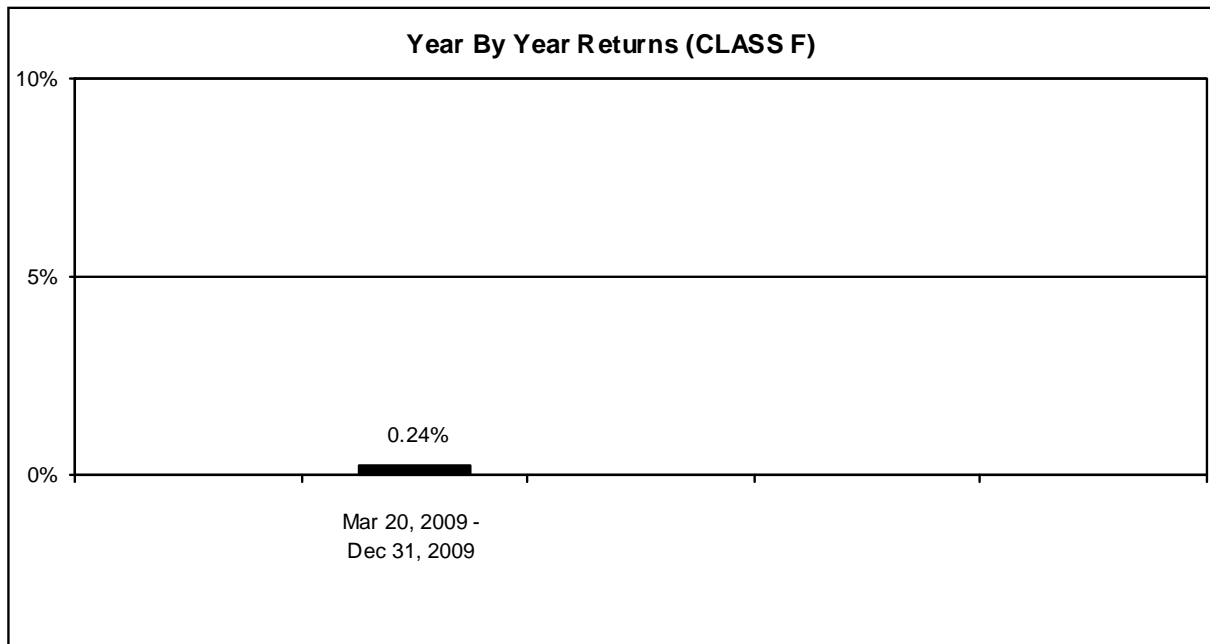
This chart shows the Fund's annual performance for each of the years shown and how the Fund's performance has changed from year to year. The chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial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



# MERITAS MONEY MARKET FUND

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## Past Performance (continued)



## MERITAS MONEY MARKET FUND

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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 CIBC WM 91-Day Treasury Bill Index. This index measures the returns generated by 91-day Canadian treasury bills.

	<b>CLASS A UNITS</b>			
	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>Since Inception</b>
Meritas Money Market Fund	0.14%	1.89%	2.21%	2.02%
CIBC WM 91-Day Treasury Bill Index	0.51%	2.58%	2.83%	2.61%

	<b>CLASS F UNITS</b>			
	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>Since Inception</b>
Meritas Money Market Fund	N/A	N/A	N/A	0.24%
CIBC WM 91-Day Treasury Bill Index	N/A	N/A	N/A	0.56%

The returns noted for the Fund are net of expenses. The returns noted for the benchmark are before any expenses. In general, the Fund tracked its benchmark less any fees related to running the Fund. It is very difficult for an investment manager to generate returns from a money market fund that will recoup the fees associated with running the Fund. This is especially true in low interest rate environments.

## MERITAS MONEY MARKET FUND

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### Summary of Investment Portfolio at December 31, 2009

All Holdings:

Security Name	Maturity Date	Interest Rate	% of net assets, GAAP
Canada Treasury Bills	Apr/29/2010	0.31%	33.9
Canada Housing Trust	Mar/15/2010	3.75%	13.8
Manitoba Treasury Bills	Mar/10/2010	0.23%	9.5
Canada Treasury Bills	Jan/25/2010	0.25%	6.0
Province of Ontario	Jan/20/2010	0.37%	5.5
Bank of Montreal	Mar/10/2010	0.29%	5.1
Bank of Nova Scotia	Mar/08/2010	0.30%	4.1
Bank of Montreal	Mar/05/2010	0.29%	4.0
Toronto Dominion Bank	Jan/08/2010	0.25%	4.0
Canada Treasury Bills	Mar/18/2010	0.21%	2.6
Toronto Dominion Bank	Mar/18/2010	0.27%	2.5
Canada Treasury Bills	Jan/07/2010	1.60%	2.4
Cash and other net assets			2.4
Canada Treasury Bills	Feb/02/2010	0.27%	2.1
Royal Bank of Canada	Jan/22/2010	0.28%	2.1
Total			100.0

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

**Meritas Financial Inc.**

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