

**Annual Management Report
of Fund Performance**

For:

Meritas U.S. Equity Fund
For the year ended December 31, 2009

MERITAS U.S. EQUITY 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

Davis Selected Advisors, LP, New York, NY

Investment Objective and Strategies

The principal investment objective of the Fund is to generate capital gains from investing in a diversified portfolio of US based securities.

Risk

The risk level of the Fund has not significantly changed over the last year. The Fund remains well diversified in terms of number of holdings, style of holdings, industry classification and market capitalization of the companies held.

Results of Operations

The Fund increased in size from \$9.8 million to \$12.3 million throughout the year due primarily to an increase in the market value of the investments held by the Fund.

For the year ended December 31, 2009, Meritas U.S. Equity Fund returned 25.1%, under-performing its benchmark, the S&P 500 Index (“Index”), which returned 26.5%.

Information technology, materials and consumer discretionary were the sectors within the Index that turned in the strongest performance over the year. Telecommunication services and utilities had the weakest performance, although their performance was still positive.

The Fund’s financial companies were the strongest contributors to performance on an absolute basis. American Express and GAM Holding were among the top contributors to the Fund’s performance during the period. Bank of America, Wells Fargo, NIPPONKOA, and Citigroup were among the top detractors from performance. The Fund no longer owns Bank of America, NIPPONKOA, or Citigroup.

The Fund’s performance versus the Index received support from strong stock selection in the energy and health care sector. The Fund’s health care sector holdings out-performed the Index’s holdings (up 47% versus up 20% for the Index) and this factor was the largest contributor to the Fund’s relative performance. Schering Plough was a top contributor to performance before merging with Merck. The Fund’s energy sector out-performance (up 30% versus up 14% for the Index) was the second largest factor for the relative performance compared to the Index. EOG Resources and Canadian Natural Resources were among the leading contributors to performance. ConocoPhillips was the top detractor from performance.

Information technology companies were a contributor to performance on an absolute basis, however, when compared to the Index, the Fund suffered from having a lower relative weighting (10% versus 18% for the Index). Google, Microsoft, and Texas Instruments were among the most important contributors to performance.

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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.

MERITAS U.S. EQUITY 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
Net assets per unit, GAAP					
beginning of periods (a)	\$ 4.80	\$ 6.65	\$ 8.01	\$ 7.32	\$ 7.42
Initial adoption of Section 3855	-	-	(0.08)	-	-
Increase (decrease) from operations:					
Total revenue	0.08	0.09	0.15	0.10	0.11
Total expenses	(0.14)	(0.17)	(0.22)	(0.21)	(0.22)
Realized gains (losses) for the periods	(0.83)	(0.41)	(0.03)	(0.15)	0.09
Unrealized gains (losses) for the periods	1.31	(1.41)	(1.22)	0.94	(0.09)
Transaction costs	-	-	-	-	-
Total increase (decrease) from operations (a)	0.43	(1.90)	(1.32)	0.68	(0.11)
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions (a)	-	-	-	-	-
Net assets per unit, GAAP					
end of periods (a)	\$ 5.16	\$ 4.80	\$ 6.65	\$ 8.01	\$ 7.32
Ratios and Supplemental data:					
Net assets, GAAP, end of periods	\$ 11,725,578	\$ 9,730,925	\$ 11,697,539	\$ 11,417,326	\$ 13,446,201
Adjustment from bid to closing price (e)	\$ 12,555	\$ 18,584	\$ 16,671	-	-
Net assets, Trading, end of periods	\$ 11,738,133	\$ 9,749,509	\$ 11,714,210	\$ 11,417,326	\$ 13,446,201
Number of units outstanding end of periods	2,274,600	2,028,418	1,759,882	1,425,464	1,837,851
Net asset value per unit, Trading end of periods (a)	\$ 5.16	\$ 4.81	\$ 6.66	\$ 8.01	\$ 7.32
Management expense ratio (MER) (b)	2.89%	2.85%	2.92%	2.94%	2.93%
Management expense ratio before waivers or absorptions	3.91%	4.19%	3.94%	3.86%	3.27%
Portfolio turnover rate (c)	23.14%	21.16%	10.61%	87.87%	39.63%
Trading expense ratio (d)	0.04%	0.04%	0.03%	0.11%	0.05%

- (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) 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.
- (c) 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.
- (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 U.S. EQUITY 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	\$ 4.86	\$ 6.42
Initial adoption of Section 3855	-	-
Increase (decrease) from operations:		
Total revenue	0.06	0.02
Total expenses	(0.09)	(0.10)
Realized gains (losses) for the period	(0.90)	(0.08)
Unrealized gains (losses)		
for the period	1.78	(0.34)
Transaction costs	-	-
Total increase (decrease)		
from operations (a)	0.86	(0.54)
Distributions:		
From income (excluding dividends)	-	-
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
Total annual distributions (a)	-	-
Net assets per unit, GAAP,		
end of period	\$ 5.28	\$ 4.86
Ratios and Supplemental data:		
Net assets, GAAP,		
end of period	\$ 522,317	\$ 43,135
Adjustment from bid to closing price	\$ 547	\$ 81
Net assets, Trading,		
end of period	\$ 522,864	\$ 43,216
Number of units outstanding,		
end of period	99,076	8,873
Net asset value per unit, Trading,		
end of period	\$ 5.28	\$ 4.87
Management expense		
ratio (MER) (b)	1.83%	1.80%
Management expense ratio		
before waivers or absorptions	2.86%	3.14%
Portfolio turnover rate (c)	23.14%	19.62%
Trading expense ratio (d)	0.04%	0.03%

- (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 period. This table is not intended to reconcile beginning and ending net assets per unit.
- (b) 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.
- (c) 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.
- (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. It has not been shown for years prior to 2005 as it was a new reporting requirement in 2005.

MERITAS U.S. EQUITY FUND

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: 2.25% Series F: 1.25%

The Fund paid Meritas Financial Inc. management fees of \$236,138 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.

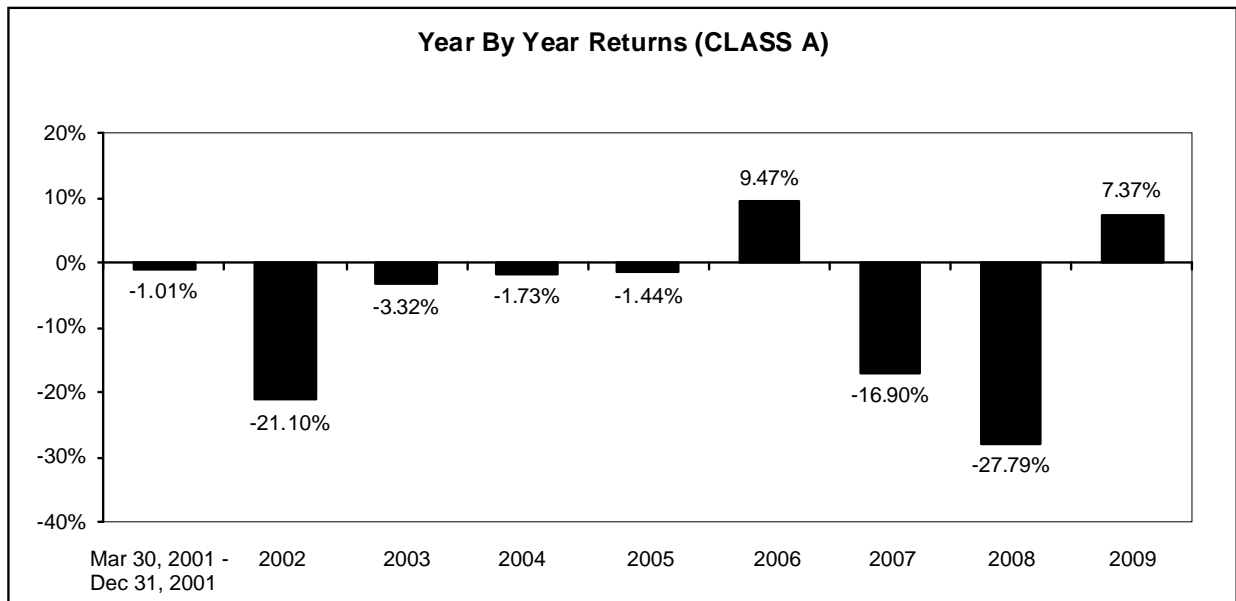
Meritas also used the management fees to fund commission payments and other dealer compensation (collectively distribution-related costs) to registered dealers and brokers for shares of the Fund bought and held by investors. For the twelve months ended December 31, 2009, approximately 54.1% of the total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

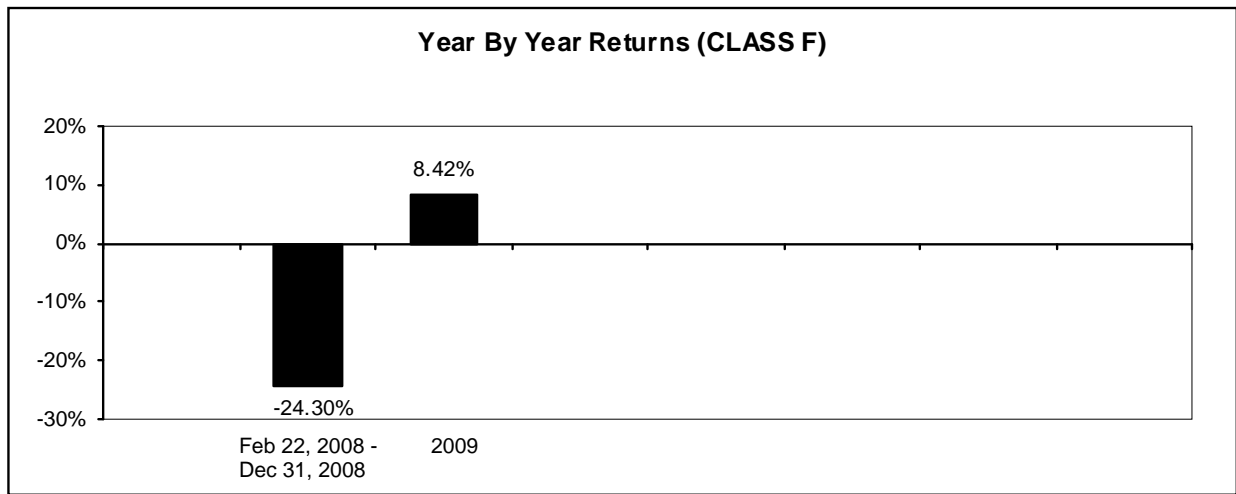
Year-by-year Returns

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 S&P 500 Total Return Index. The S&P 500 Total Return Index is a US Dollar denominated index of 500 US based companies. It has been selected as the most appropriate benchmark for the Fund.

	CLASS A UNITS			
	1 Year	3 Years	5 Years	Since Inception
Meritas U.S. Equity Fund	7.37%	-13.63%	-7.02%	-7.28%
S&P 500 Total Return Index (CAD)	8.09%	-8.85%	-2.23%	-2.46%

	CLASS F UNITS			
	1 Year	3 Years	5 Years	Since Inception
Meritas U.S. Equity Fund	8.42%	N/A	N/A	-9.23%
S&P 500 Total Return Index (CAD)	8.09%	N/A	N/A	-8.26%

The returns noted for the Fund are net of expenses. The returns noted for the benchmark are before any expenses. Since Davis Advisors accepted investment management responsibility for the Fund on January 1, 2006, they have underperformed their benchmark. Part of the underperformance was due to expenses and fees associated with running the Fund and part was due to being concentrated in some sectors that underperformed the index in general. Underperformance figures for longer periods are partially attributable to the previous investment manager who was relieved of their duties at the end of 2005.

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Summary of Investment Portfolio at December 31, 2009

Top 25 Holdings:

Security Name	% of net assets, GAAP
Costco Wholesale Corporation	5.8
Berkshire Hathaway Inc. 'A'	4.9
Cash and other net assets	4.4
Wells Fargo & Company	4.3
American Express Company	4.1
EOG Resources Inc.	3.5
Merck & Company Inc.	3.3
Devon Energy Corporation	3.3
Google Inc. 'A'	3.2
Procter & Gamble Company	3.2
Loews Corporation	2.7
JPMorgan Chase & Company	2.5
CVS Caremark Corporation	2.4
Canadian Natural Resources Ltd.	2.4
The Progressive Corporation	2.1
Sealed Air Corporation	2.1
Bank of New York Mellon Corporation	2.1
Microsoft Corporation	2.0
Johnson & Johnson	1.7
Hewlett-Packard Company	1.6
Texas Instruments Inc.	1.5
Iron Mountain Inc.	1.5
Julius Baer Group Ltd.	1.4
News Corporation 'A'	1.4
Express Scripts Inc.	1.3
	68.9

Sector Weightings:

Sector	% of net assets, GAAP
Financials	31.3
Consumer Staples	13.6
Energy	10.9
Information Technology	9.6
Health Care	9.2
Consumer Discretionary	9.1
Materials	5.9
Industrials	5.8
Cash and other net assets	4.4
Utilities	0.2
Telecommunication Services	0.0
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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