

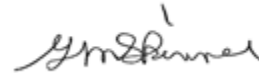
MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of Brookfield Soundvest Split Trust (formerly Brascan SoundVest Rising Distribution Split Trust) (the "Trust") and other financial information have been prepared by Brookfield Soundvest Capital Management Ltd., an affiliate of Brookfield Asset Management Inc., (the "Manager" of the Trust), which is responsible for their integrity and accuracy. To fulfill these responsibilities, the Trust maintains policies, procedures and systems of internal control to ensure that its reporting practices and accounting and administrative procedures are appropriate. These policies and procedures are designed to provide a high degree of assurance that relevant and reliable financial information is produced.

These financial statements have been prepared in conformity with accounting principles generally accepted in Canada, and where appropriate, reflect estimates based on management's judgment. The financial information presented throughout this Annual Report is generally consistent with the information contained in the accompanying financial statements.

The Manager, on behalf of the unitholders, has appointed the external firm Deloitte & Touche LLP as the independent auditors of the Trust. They have examined the financial statements set out on pages 18 through 29 in accordance with auditing standards generally accepted in Canada to enable them to express to the unitholders their opinion on the financial statements. Their report is set out below.

Ottawa, Ontario
March 30, 2011



Garry Skinner
Chief Financial Officer of the Manager



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Independent Auditor's Report

To the Unitholders of
Brookfield Soundvest Split Trust (formerly Brascan SoundVest Rising Distribution Split Trust)

We have audited the accompanying financial statements of Brookfield Soundvest Split Trust, which comprise the statement of investments as at December 31, 2010, the statements of net assets as at December 31, 2010 and 2009, and the statements of operations, changes in net assets and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report (Continued)

Auditor's Responsibility (Continued)

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Brookfield Soundvest Split Trust as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

March 30, 2011
Ottawa, Canada

STATEMENTS OF NET ASSETS

As at	December 31, 2010	December 31, 2009
Assets		
Investments, at fair value	\$ 73,561,389	\$ 70,493,281
Cash and equivalents	7,009,461	519,912
Distributions and interest receivable	461,901	623,124
Prepaid and other	21,767	1,097
Total assets	81,054,518	71,637,414
Liabilities		
Accounts payable and accrued liabilities <i>(note 5)</i>	479,246	441,516
Loan payable <i>(note 6)</i>	—	1,798,279
Preferred securities <i>(note 7)</i>	56,012,430	56,626,430
Total liabilities	56,491,676	58,866,225
Net assets representing unitholders' equity	\$ 24,562,842	\$ 12,771,189
Units outstanding <i>(note 8)</i>	5,601,043	5,662,643
Net assets per capital unit <i>(note 4)</i>	\$ 4.39	\$ 2.26
Redemption value per preferred security	\$ 10.00	\$ 10.00
Combined Net Asset Value (for a capital unit and a preferred security)	\$ 14.39	\$ 12.26

The accompanying notes are integral to these financial statements.

Approved by the Manager, by:

Kevin W. Charlebois
Director

George E. Myhal
Director

STATEMENTS OF OPERATIONS¹

For the year ended December 31	2010	2009
Income and distributions		
Distributions from income trusts	\$ 5,238,627	\$ 5,058,324
Return of capital	766,777	853,227
Interest income	37,402	138,657
	6,042,806	6,050,208
Expenses		
Preferred securities interest expense	3,386,896	3,382,181
Management fees (note 10)	821,791	632,253
General and administrative	118,255	80,959
Service fees (note 10)	73,636	19,890
Legal and exchange fees	44,292	46,968
Audit fees	42,059	36,707
Accounting and administrative	37,029	35,304
Independent review committee fees	35,927	17,079
Other interest expense	28,627	25,333
Custodial fees	27,003	25,374
Trustee fees	26,664	24,460
	4,642,179	4,326,508
Net investment income	1,400,627	1,723,700
Transaction costs (note 11)	(53,501)	(108,873)
Net realized losses on sale of investments (note 11)	(166,175)	(16,967,412)
Net change in unrealized gains on investments	11,560,843	37,817,202
Return of capital	(766,777)	(853,227)
Gain on retirement of preferred securities	20,488	91,264
Increase in value of preferred securities	—	(8,921,502)
Results of operations	\$ 11,995,505	\$ 12,781,152
Results of operations per unit¹		
Net investment income	\$ 0.25	\$ 0.30
Transaction costs	(0.01)	(0.02)
Net realized losses on sale of investments	(0.03)	(2.99)
Net change in unrealized gains on investments	2.04	6.67
Return of capital	(0.14)	(0.15)
Gain on retirement of preferred securities	—	0.02
Increase in value of preferred securities	—	(1.57)
Change in net assets from operations	\$ 2.11	\$ 2.26

¹ Based on the weighted average number of units outstanding for the year (note 8)

The accompanying notes are integral to these financial statements

STATEMENTS OF CHANGES IN NET ASSETS

For the year ended December 31	2010	2009
Net assets - beginning of year	\$ 12,771,189	\$ —
Operations		
Net investment income	1,400,627	1,723,700
Transaction costs <i>(note 11)</i>	(53,501)	(108,873)
Net realized losses on sale of investments <i>(note 11)</i>	(166,175)	(16,967,412)
Net change in unrealized gains on investments	11,560,843	37,817,202
Return of capital	(766,777)	(853,227)
Gain on retirement of preferred securities	20,488	91,264
Increase in value of preferred securities	—	(8,921,502)
	11,995,505	12,781,152
Unitholder transactions		
Repurchase of capital units <i>(note 8)</i>	(203,852)	(9,963)
	(203,852)	(9,963)
Net increase in net assets during the year	11,791,653	12,771,189
Net assets - end of year	\$ 24,562,842	\$ 12,771,189

The accompanying notes are integral to these financial statements.

STATEMENTS OF CASH FLOWS

For the year ended December 31	2010	2009
Operating activities		
Net investment income	\$ 1,400,627	\$ 1,723,700
Transaction costs <i>(note 11)</i>	(53,501)	(108,873)
Return of capital	(766,777)	(853,227)
Change in other assets and liabilities	178,282	267,038
	758,631	1,028,638
Financing activities		
Loan payable, net repayments	(1,798,279)	800,040
Repurchase of preferred securities <i>(note 7)</i>	(593,512)	(107,736)
Repurchase of units <i>(note 8)</i>	(203,852)	(9,963)
	(2,595,643)	682,341
Investing activities		
Purchase of investment securities <i>(note 11)</i>	(5,639,219)	(20,114,508)
Proceeds from sale of investments <i>(note 11)</i>	13,965,780	18,709,426
	8,326,561	(1,405,082)
Net increase in cash and equivalents during the year	6,489,549	305,897
Cash and equivalents, beginning of year	519,912	214,015
Cash and equivalents, end of year	\$ 7,009,461	\$ 519,912

The accompanying notes are integral to these financial statements.

STATEMENT OF INVESTMENTS

As at December 31, 2010

Number of Units ¹		Average Cost	Fair Value	Percentage of Net Assets
Business Trusts				
270,000	First National Financial Income Fund	\$ 2,517,195	\$ 5,008,500	20.4%
328,428	Just Energy Income Fund	4,998,890	4,916,567	20.0%
251,300	Altus Group Income Fund	2,227,038	3,261,874	13.3%
220,000	CML Healthcare Income Fund	2,931,088	2,512,400	10.2%
57,000	Genivar Income Fund	1,517,638	1,721,970	7.0%
120,000	IBI Income Fund	2,783,866	1,614,000	6.6%
60,000	Cineplex Galaxy Income Fund	940,937	1,344,000	5.5%
244,900	Coast Wholesale Appliances Income Fund	2,225,569	1,126,540	4.6%
55,000	Armtec Infrastructure Income Fund	1,313,512	871,750	3.5%
67,500	Parkland Income Fund	522,477	769,500	3.1%
25,000	New Flyer Industries Inc.	264,628	282,500	1.2%
199,000	Big Eagle Services Trust - Private Placement	995,000	—	0.0%
		23,237,838	23,429,601	95.4%
Power Generation and Pipeline Trusts				
40,000	Keyera Facilities Income Fund	780,622	1,406,000	5.7%
140,000	Macquarie Power & Infrastructure Income Fund	1,111,320	1,143,800	4.7%
70,000	Inter Pipeline Fund	577,500	1,043,700	4.2%
50,000	Brookfield Renewable Power Fund	742,621	1,031,500	4.2%
		3,212,063	4,625,000	18.8%
Oil and Gas Royalty Trusts				
225,000	Bonavista Energy Trust	6,624,058	6,471,000	26.3%
180,000	ARC Energy Trust	2,701,385	4,573,800	18.6%
140,000	Enerplus Resources Fund	5,084,789	4,291,000	17.5%
160,000	Zargon Energy Trust	2,987,739	3,556,800	14.5%
162,800	Pengrowth Energy Trust	1,621,885	2,077,328	8.5%
		19,019,856	20,969,928	85.4%
Real Estate Investment Trusts (REITs)				
341,000	Artis REIT	2,134,946	4,504,610	18.4%
110,000	H&R REIT	1,617,198	2,137,300	8.7%
95,000	Allied Properties REIT	1,075,495	2,046,300	8.3%
80,000	Calloway REIT	1,152,802	1,869,600	7.6%
		5,980,441	10,557,810	43.0%
High-Yielding Equity-Based Securities				
100,000	Vermilion Energy Trust	3,280,516	4,618,000	18.8%
65,000	Crescent Point Energy Corporation	1,186,680	2,871,050	11.7%
123,600	Tourmaline Oil Corporation	2,600,010	2,688,300	10.9%
150,000	Exchange Income Corporation	1,875,000	2,626,500	10.7%
80,000	Atlantic Power Corporation	827,944	1,175,200	4.8%
		9,770,150	13,979,050	56.9%
	Investment portfolio ²	61,220,348	73,561,389	299.5%
	Transaction costs	(101,314)	—	—
	Total investment portfolio	\$ 61,119,034	\$ 73,561,389	
	Cash and equivalents		7,009,461	28.5%
	Liabilities in excess of other assets		(56,008,008)	(228)%
	Net assets		\$ 24,562,842	100.0%

¹ The Summary of Investment Portfolio may change due to ongoing portfolio transactions in the Trust. A quarterly update is available at www.brookfieldsoundvest.com

² The Trust did not participate in any securities lending activity during the year ended December 31, 2010. The accompanying notes are integral to these financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

1. OPERATIONS

Brookfield Soundvest Split Trust (formerly Brascan SoundVest Rising Distribution Split Trust) (the “Trust”) was established under the laws of the Province of Ontario by a declaration of trust dated March 16, 2005. On March 11, 2010, a proposal was announced to amend the declaration of trust of Brascan SoundVest Rising Distribution Split Trust, as well as to change the manager from Brookfield Investment Funds Management Inc., a subsidiary of Brookfield Asset Management Inc., to Brookfield Soundvest Capital Management Ltd. which is 50% owned by Brookfield Asset Management Inc., and to rename the Trust “Brookfield Soundvest Split Trust”. At the meeting of unitholders held on April 20, 2010 unitholders showed strong support for the proposed changes with unitholders of Brascan SoundVest Rising Distribution Split Trust voting more than 95% of votes cast in favour. The changes became effective on April 30, 2010. Capital Units trade on the TSX under ticker BSD.UN and Preferred Securities under ticker BSD.PR.A.

The manager and the investment advisor of the Trust is Brookfield Soundvest Capital Management Ltd. (the “Manager” and “Investment Advisor”). Computershare Trust Company of Canada is the trustee of the Trust. The Trust is authorized to issue an unlimited number of capital units (“units”) and preferred securities. The Trust is listed on the Toronto Stock Exchange and effectively commenced operations on March 16, 2005.

The Trust’s investment objectives are to provide holders of preferred securities with fixed quarterly interest payments in the amount of \$0.15 per preferred security (\$0.60 per annum to yield 6% per annum on the original subscription price of \$10.00), and repayment of the original subscription price at maturity. For unitholders, the Trust’s objectives are to provide holders of units with regular cash distributions and to maximize long-term total return of the Trust’s portfolio.

The Trust seeks to achieve these objectives by actively managing an investment portfolio of securities consisting primarily of common and preferred shares of Canadian issuers, income securities, including bonds, and debentures, income trusts, real estate investment trusts (“REIT’s”), Canadian mortgage-backed securities and cash and cash equivalents. The Trust may also invest up to 20% of the value of the portfolio in any other security that is not otherwise prohibited.

There can be no assurance that the Trust will be able to repay the original subscription price. Please refer to the risks discussed under the section “Risk Factors - No Assurances at Achieving Objectives” in the Trust’s Annual Information Form.

2. ACCOUNTING POLICY CHANGES

In 2005, the Accounting Standards Board of Canada (AcSB) announced that accounting standards in Canada are to be replaced with International Financial Reporting Standards (“IFRS”). In May 2007, the AcSB published an updated version of its implementation plan which outlines the key decisions that the AcSB will need to make as it implements the Strategic Plan for publicly accountable enterprises that will replace Canadian GAAP with IFRS by January 1, 2011. The key elements of the plan include the disclosures of the qualitative impact in the 2009 and 2010 financial statements, disclosures of the quantitative impact, if any, in the 2010 financial statements and the preparation of the 2011 financial statements in accordance with IFRS. In February 2008, the AcSB released its final report on progress in preparing for the crossover, noting that the necessary infrastructure and awareness was in place for a successful conversion. Based on the Manager’s current evaluation of the differences between Canadian GAAP and IFRS, the Manager does not expect that the net asset value of the Trust will be impacted by the changeover to IFRS. The Manager expects that the impact of IFRS on the Trust’s financial statements will result in additional disclosures and potentially different presentation. However, the Accounting Standards Board has approved Canadian investment companies having the option to defer adoption of IFRS until fiscal years beginning on or after January 1, 2013. Accordingly, the Trust will adopt IFRS for its fiscal period beginning January 1, 2013, and will issue its initial financial statements in accordance with IFRS, including comparative information, for the interim period ending June 30, 2013.

3. SIGNIFICANT ACCOUNT POLICIES

These audited financial statements have been prepared using the following policies determined under Canadian GAAP, and they include estimates and assumptions made by the Manager that affect the reported amounts of assets and liabilities at the date of these financial statements and the reported amounts of income and expenses during the year ended December 31, 2010. Actual results could differ from these estimates.

a) Fair Value of Financial Assets and Financial Liabilities

The Trust classifies and discloses fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The three-level hierarchy is as follows:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data. Additional quantitative disclosures are required for Level 3 securities.

b) Cash and Equivalents

Cash and equivalents are cash balances and short-term, highly liquid investments with original maturities of 90 days or less, and are carried at cost plus accrued interest.

c) Valuation of Investments

The Trust's investments are presented at fair value. Investments that are publicly traded are valued at their last bid price. Short-term investments are valued at their fair value. Investments for which reliable quotations are not readily available, or for which there is no closing bid price, are valued at fair value as determined using the Manager's best estimates thereof pursuant to procedures established by the Manager and taking into account the last closing price, where appropriate.

The process of valuing investments for which no published market exists is based on inherent uncertainties, and the resulting values may differ from values that would have been used had a ready market existed for the investments, and may differ from the prices at which the investments may be sold. These differences could be material to the fair value of the investments as a portfolio.

d) Investment Transactions and Income Recognition

Investment transactions are recorded on the trade date and any realized gains or losses are recognized using the average cost of the investments. Interest income is recognized on an accrual basis, with dividends recorded on the ex-dividend date. Distributions from income funds, including trusts and limited partnerships, are recognized on the ex-distribution date. Net realized gains (losses) on sale of investments include net realized gains or losses from foreign currency changes.

e) Income Taxes

The Trust is taxed as a unit trust under the Income Tax Act (Canada). Provided that the Trust makes distributions in each year of its net taxable income and taxable net capital gains, the Trust will not generally be liable for income tax. It is the intention of the Trust to distribute all of its net taxable income and net realized capital gains on an annual basis. Accordingly, no income tax provision has been recorded.

f) Foreign Exchange

The fair value of investments and other assets and liabilities that are denominated in foreign currencies are translated into Canadian dollars at the closing rate of exchange on each valuation date. Purchases and sales of investments and income derived from investments are translated at the rate of exchange prevailing on the respective dates of such transactions.

g) Return of Capital

Distributions that are treated as a return of capital for income tax purposes are included in investment income and are adjusted for in the Statements of Operations. These distributions are used to reduce the average cost of the underlying investments on the Statement of Investments.

h) Other Assets and Liabilities

Distributions and interest receivable are designated as loans and receivables and are carried at amortized cost. Accounts payable and accrued liabilities, and loan payable are designated as other liabilities and are carried at amortized cost. The carrying value of the financial assets and liabilities approximates fair value.

4. NET ASSET VALUE PER UNIT

For financial statement reporting purposes, the fair value of the Trust's investments is measured in accordance with Section 3855 of the Canadian Institute of Chartered Accountants Handbook, which for publicly listed securities is based on closing bid prices on the recognized stock exchange on which the investments are listed or principally traded. However, pursuant to an exemption provided by the Canadian securities regulatory authorities, the Trust continues to calculate the published net asset value using the last trading price.

The difference between the published net asset value per unit and the financial statement net asset value per unit reflected in the financial statements as at December 31, 2010 and December 31, 2009 is as follows:

As at December 31, 2010			Per Unit
Published net asset value used for purchases and redemptions	\$ 24,702,834	\$	4.41
Section 3855 adjustment	(139,992)		(0.02)
Net assets per financial statements	\$ 24,562,842	\$	4.39

As at December 31, 2009			Per Unit
Published net asset value used for purchases and redemptions	\$ 13,121,534	\$	2.32
Section 3855 adjustment	(350,345)		(0.06)
Net assets per financial statements	\$ 12,771,189	\$	2.26

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are the following:

	December 31, 2010	December 31, 2009
Interest payable to Security holders	\$ 285,433	\$ 288,893
Other accounts payable and accrued liabilities	85,638	66,789
Management fees payable	76,045	65,574
Service fees payable	32,130	20,260
	\$ 479,246	\$ 441,516

6. LOAN FACILITY

On March 11, 2010, the Trust's 364-day revolving term credit facility with a Canadian chartered bank expired and subsequently converted to a demand facility. The maximum draw under the demand facility is limited to the lower of \$5.0 million or an amount not exceeding 7% of the value of the assets within the portfolio, nor the sum of collateral asset value, cash and cash equivalents and overnight investments of the Trust. The demand facility bears a variable interest rate at Prime or bankers' acceptance rates.

The demand facility was replaced June 16, 2010 and at December 31, 2010 the Trust had a 364-day revolving term credit facility that expires on March 10, 2011 (the "facility") available with a Canadian chartered bank bearing variable interest at prime or bankers' acceptance rates. The Trust utilizes the borrowings to purchase additional portfolio investments and for general Trust purposes. The maximum draw under the facility is limited to the lower of \$5.0 million or an amount not exceeding 7% of the value of the assets within the portfolio, nor the sum of collateral asset value, cash and cash equivalents and overnight investments of the Trust. The facility is secured by a first-ranking and exclusive charge on all of the Trust's assets. As at December 31, 2010, there was no balance on this facility (2009 - \$1,798,279). The minimum and maximum amounts borrowed under these arrangements during the year ended December 31, 2010 were \$0 and \$1,800,000, respectively (\$0 and \$1,798,279, respectively during 2009).

7. PREFERRED SECURITIES

On March 16, 2005, as part of the initial public offering of the Trust, 7,370,000 preferred securities were issued at a price of \$10.00 per security for cash proceeds of \$73,700,000.

Holders of the preferred securities are entitled to receive fixed quarterly interest payments of \$0.15 per preferred security, or 6% per annum, beginning on June 15, 2005, on the original subscription price of \$10.00. The interest payments are paid in arrears on June 15, September 15, December 15, and March 15 of each year. Preferred securities may be surrendered for redemption together with an equal number of units beginning in November of 2005 and annually each November thereafter. In addition, the Trust has a normal course issuer bid that expires on October 13, 2011. During 2006, 250,626 preferred securities were redeemed for \$2.5 million and 909,172 preferred securities were redeemed for \$9.1 million in 2007. There were 61,400 preferred securities repurchased under the normal course issuer bid in 2010 for \$0.6 million (19,900 for \$.2 million in 2009).

On October 23, 2008, the Trust announced that it was temporarily suspending the annual redemption rights that would have arisen in November 2008 for both its capital units and preferred securities. The Declaration of Trust provides for the suspension of redemptions when the 1.4 times coverage ratio cannot be maintained. By January 2011 it was anticipated that redemptions could be processed without violating the 1.4 times coverage ratio and the suspension was lifted on January 5, 2011 with a Redemption Date of February 14, 2011. Unitholders tendered 1,310,344 Combined Securities (being one Capital Unit and a \$10.00 principal amount of Preferred Securities) and 260,174 Capital Units were tendered alone. Total redemption proceeds of \$20,445,419 were paid on March 4, 2011 in accordance with the terms of the Declaration of Trust.

A continuity of the preferred securities of the Trust is as follows:

Issued	Number of Units	Amount
Preferred securities - December 31, 2008	5,682,543	\$ 47,903,928
Redeemed for cash		
Normal course issuer bid	(19,900)	(199,000)
Increase in value of preferred securities <i>(note 4)</i>	—	8,921,502
Preferred securities - December 31, 2009	5,662,643	56,626,430
Redeemed for cash		
Normal course issuer bid	(61,400)	(614,000)
Preferred securities - December 31, 2010	5,601,243	\$ 56,012,430

The preferred securities will mature on March 31, 2015. Upon maturity, the preferred securities will receive the lesser of the original subscription price \$10.00 or combined value (being the subscription price plus accrued and unpaid interest plus net asset value per trust unit on the date of such calculation). The securities may be called and purchased prior to the maturity date if the aggregate amount of preferred securities outstanding would exceed the aggregate number of units outstanding. In such case, preferred securities will be redeemed at a price per security, which until March 31, 2006 was equal to \$11.00 and declining by \$0.10 each year thereafter to \$10.10 after March 31, 2014 to March 30, 2015, plus any accrued and unpaid interest.

8. UNITS OF THE TRUST

On March 16, 2005, the Trust completed its initial public offering of 7,370,000 units at a price of \$15.00 per unit. Proceeds raised, net of agents' fees and issuance costs of \$8,899,125 totalled \$101,650,875.

The Trust is authorized to issue an unlimited number of transferable, redeemable units of beneficial interest, each of which represents an equal, undivided interest in the net assets of the Trust. Each unit entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Trust. Units may be surrendered for redemption at any time during November of any year, but at least 15 business days prior to the last business day in November (the "Redemption Date"). Redemption of surrendered units will be effected at the net asset value on the Redemption Date each year and will be settled on or before the 15th business day following such effective date.

On October 23, 2008, the Trust announced that it was temporarily suspending the annual redemption rights that would have arisen in November 2008 for both its capital units and preferred securities. The Declaration of Trust provides for the suspension of redemptions when the 1.4 times coverage ratio cannot be maintained. By January 2011 it was anticipated that redemptions could be processed without violating the 1.4 times coverage ratio and the suspension was lifted on January 5, 2011 with a Redemption Date of February 14, 2011. Unitholders tendered 1,310,344 Combined Securities (being one Capital Unit and a \$10.00 principal amount of Preferred Securities) and 260,174 Capital Units were tendered alone. Total redemption proceeds of \$20,445,419 were paid on March 4, 2011 in accordance with the terms of the Declaration of Trust. The Trust also has a normal course issuer bid that expires on October 13, 2011. During 2010, the Trust repurchased 61,600 capital units under the normal course issuer bid process for \$204 thousand (2009 - 19,900 capital units for \$10 thousand).

During 2010, the Trust received 0 units (2009 - 0 units) for redemption. The Trust may use commercially reasonable efforts to find purchasers for any units properly surrendered for redemption, in accordance with the Recirculation Agreement.

A continuity of the units of the Trust is as follows:

Issued	Number of Units	Amount
Units - December 31, 2008	5,682,543	\$ 86,954,773
Redeemed for cash under normal course issuer bid	(19,900)	(9,963)
Units - December 31, 2009	5,662,643	\$ 86,944,810
Redeemed for cash under normal course issuer bid	(61,600)	(203,852)
Units - December 31, 2010	5,601,043	\$ 86,740,958

The weighted average number of units outstanding for the year ended December 31, 2010 was 5,654,162 (2009 - 5,669,580).

9. DISTRIBUTIONS PAYABLE TO UNITHOLDERS

Distributions on units are declared by the Manager. The distributions declared are payable no later than the 15th day or the first business day after the 15th day of the month following the record date. Distributions on preferred securities, as declared by the Manager, are made on a quarterly basis to Security holders of record on the last business day of February, May, August and November and payable on the 15th day of the subsequent month. Distributions payable as at December 31, 2010 totalled \$0 (December 31, 2009 - \$0). On December 18, 2007, the Trust announced that it was decreasing its monthly distribution to \$0.084 per unit or \$1.008 on an annual basis effective with the January 2008 distribution, payable in February 2008. On October 23, 2008, the Trust announced that it was suspending its distribution on its capital units, in accordance with its Declaration of Trust, as the Trust's net asset value was below the required 1.4 times coverage ratio. The distribution was suspended for the remainder of 2008, and was suspended for each month from January 2009 to January 2011. On February 17, 2011, when it was anticipated that a distribution could be paid without violating the 1.4 times coverage ratio, a quarterly distribution of \$0.01 per Capital Unit was declared, reflecting a current annualized rate of \$0.04 per unit.

10. MANAGEMENT AND SERVICE FEES

Pursuant to a management agreement, the Manager provides management and administrative services to the Trust, for which it is paid a management fee equal to 1.10% per annum of the total assets of the Trust less the amount outstanding under the loan facility, calculated and paid monthly, plus applicable taxes. The Trust also pays to the Manager a service fee equal to 0.40% per annum of the net asset value, calculated and paid quarterly. The service fee is in turn paid by the Manager to investment dealers based on the proportionate number of units held by clients of such dealers at the end of each calendar quarter.

11. INVESTMENT TRANSACTIONS

Investment transactions¹ for the year ended December 31 were as follows:

	2010	2009
Proceeds from sale of investments	\$ 13,965,780	\$ 18,709,426
Less cost of investments sold		
Investments at cost - beginning of year	69,611,766	85,174,096
Investments purchased during the year	5,639,219	20,114,508
Investments at cost - end of year	61,119,030	69,611,766
Cost of investments sold during the year	14,131,955	35,676,838
Net realized losses on sale of investments	\$ (166,175)	\$ (16,967,412)

¹ All balances have been adjusted for Return of Capital amounts

Brokerage commissions on securities purchased and sold during the year totalled \$53,501 (2009 - \$108,873) and are included as an expense in the Statement of Operations.

12. CAPITAL DISCLOSURES

The Trust's capital structure is comprised of unitholders' equity and the loan payable. The Trust's objective is to utilize prudent levels of leverage to lower the Trust's cost of capital to increase the total return to unitholders. In managing its capital structure, the Manager may adjust the amount of distributions paid to unitholders or re-evaluate the Trust's leverage ratios. The Manager also manages the composition of its investment portfolio to ensure that the Trust is within its investment objectives, and thus in compliance with the requirements of the loan facility.

13. RISK MANAGEMENT

The Trust aims to maximize monthly distributions primarily through investments in business trusts, power generation and pipeline trusts, royalty trusts and real estate investment trusts. The Manager uses a disciplined, fundamental approach in its investment selection and management approach, which consists of an intensive and ongoing research process of investment opportunities across a broad range of investment vehicles in various industries and geographic regions. The Manager purchases and holds securities for the Trust for the medium to long term. The Manager also determines the timing to rotate the Trust's portfolio into other sectors and investment vehicles to enhance the Trust's portfolio performance and/or limit risk. The Trust's investment portfolio and leverage are monitored on a daily basis by the Manager.

Market Risk

Market risk represents the potential loss that can be caused by a change in the fair value of the financial instruments. The investments of the Trust are subject to normal market fluctuations and the risks inherent in investment in the trust equity markets. The Trust intends to continue to invest taking a long-term perspective while focusing on quality businesses that consistently deliver strong returns for unitholders.

The Trust's preferred securities and the use of the loan facility expose unitholders to leverage such that any increase or decrease in the published net asset value of the investment portfolio will result in a greater proportionate increase or decrease in the net asset value per unit of the Trust.

The Manager's best estimate of the effect on net assets due to a reasonably possible change in the S&P/TSX Capped Income Trust Total Return Index, with other variables held constant, is as follows:

Change in Income Trust Prices on the S&P/TSX Capped Income Trust Total Return Index	Change in Net Assets of Trust	
	December 31, 2010	December 31, 2009
10%	11.1%	10.6%
(10%)	(13.8%)	(13.7%)

In practice, the actual results may differ from the above sensitivity analysis and the difference could be material.

Interest Rate Risk

The Trust currently holds no interest bearing assets; however, the bank loan facility bears interest at the prime rate. The Trust is also exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its investments.

Credit Risk

Credit risk represents the potential loss that the Trust would incur if the counterparties failed to perform in accordance with the terms of their obligations to the Trust. The Trust maintains all of its cash and equivalents at its custodian or with a Canadian chartered bank. 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. The trade will fail if either party fails to meet its obligation.

The Trust is also subject to credit risk as the counterparty in securities lending activities may default under the terms of the agreement, which would require the Trust to make a claim to recover its investment. When recovering its investment on a default, the Trust may incur a loss if the value of the portfolio securities loaned may have increased in value relative to the value of the collateral held by the Trust.

Currency Risk

The assets and liabilities of the Trust are held in the functional currency of the Trust, which is the Canadian dollar. The Trust is not exposed to significant foreign-currency risks.

Liquidity Risk

The Trust invests the majority of its assets in investments that are traded in an active market and can be readily disposed of since it invests only a limited proportion of its assets in investments not actively traded on a stock exchange. There can be no assurance that an active trading market for the investments will exist at all times, or that the prices at which the securities trade accurately reflect their values. Thin trading in a security could make it difficult to liquidate holdings quickly.

The Trust is also exposed to annual cash redemptions of Trust units, however, the Trust has up to approximately 30 days to raise the necessary cash to fund the required redemption payment amount. The Trust maintains liquid investments that are traded in an active market and can be readily disposed of, subject to the limitations noted above, to maintain adequate liquidity.

14. FAIR VALUE DISCLOSURE

The Trust's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the amendment to CICA 3862. See Note 3 for a discussion of the Trust's policies regarding this hierarchy. The following fair value hierarchy table presents information about the Trust's assets measured at fair value as of December 31, 2010 and there have been no transfers between levels during the period.

As at December 31, 2010	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Financial Assets at Fair Value</u>
Financial assets				
Cash and cash equivalents	\$ 7,009,461	\$ -	\$ -	\$ 7,009,461
Income trusts	59,582,339	-	-	59,582,339
Canadian common stocks	13,979,050	-	-	13,979,050
Total financial assets	<u>\$ 80,570,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,570,850</u>

As at December 31, 2009	<u>Level 1</u>	<u>Level2</u>	<u>Level 3</u>	<u>Total Financial Assets at Fair Value</u>
Financial assets				
Cash and cash equivalents	\$ 519,912	\$ -	\$ -	\$ 519,912
Bonds and debentures	-	1,632,125	-	1,632,125
Income trusts	62,044,011	-	-	62,044,011
Canadian common stocks	6,817,145	-	-	6,817,145
	<hr/>			
Total financial assets	\$ 69,381,068	\$ 1,632,125	\$ -	\$ 71,013,193

15. SUBSEQUENT EVENTS

On March 1, 2011, the Trust's 364-day revolving term credit facility with a Canadian chartered bank was renewed for a new 364-day term expiring March 9, 2012. The maximum draw under the demand facility has been reduced from \$5.0 million to \$4.0 million and cannot exceed an amount equal to the lesser of 7% of the value of the assets within the portfolio, or the sum of collateral asset value, cash and cash equivalents and overnight investments of the Trust. The demand facility bears a variable interest rate at Prime or bankers' acceptance rates.

On October 23, 2008, the Trust temporarily suspended the annual redemption rights for both its capital units and preferred securities. The Declaration of Trust provides for the suspension of redemptions when the 1.4 times coverage ratio cannot be maintained and the suspension was removed on January 5, 2011 when it was anticipated that redemptions could be processed without violating the 1.4 times coverage ratio. A Redemption Date of February 14, 2011 was set and unitholders tendered 1,310,344 Combined Securities (being one Capital Unit and a \$10.00 principal amount of Preferred Securities) and 260,174 Capital Units were tendered alone. In accordance with the Declaration of Trust, 260,174 Preferred Securities were purchased in the market at a total price of \$2,676,831 to match with the Capital Units tendered alone and total redemption proceeds of \$20,445,419 were paid on March 4, 2011 to settle the Capital Units and Combined Securities surrendered through the redemption process.