

**Pro FTSE RAFI Hong Kong China Index Fund**

**Financial Statements**

**June 30, 2009**

## Management's Responsibility for Financial Reporting

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The accompanying financial statements of the Funds (as defined in Note 1) have been prepared by Pro-Financial Asset Management Inc. (the "Manager"). The Manager of the Funds is responsible for the information and representations contained in these financial statements.

The Manager maintains appropriate procedures and controls to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgements. The significant accounting policies which management believes are appropriate for the Funds are described in Note 2 to the financial statements.

An Independent Review Committee (the "IRC") for the Funds has been established by the Manager under *National Instrument 81-107, Independent Review Committee for Investment Funds*. The IRC is responsible for reviewing, and if desirable providing input on, the Funds' written policies and procedures on conflicts of interest involving the Funds. The IRC also review conflicts of interest matters referred to it by the Manager.

The Board of Directors of Pro-Financial Asset Management Inc. is responsible for approving the financial statements and ensuring that management fulfills its financial reporting responsibilities.



**Stuart McKinnon**  
President & CEO  
Pro-Financial Asset Management Inc.



**John Farrell**  
Senior Vice President, CIO & CCO  
Pro-Financial Asset Management Inc.

August 25, 2009

## Notice to Unitholders

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**KPMG LLP, the auditor of the Fund, has reviewed these financial statements in accordance with Canadian generally accepted accounting principles.**

**Pro FTSE RAFI Hong Kong China Index Fund**  
**Statement of Net Assets**

	As at June 30, 2009 (unaudited)	As at December 31, 2008 (audited)
<b>Assets</b>		
Cash and cash equivalents	\$ 43,521	\$ 49,738
Subscriptions receivable	4,100	50,669
Dividends receivable	6,060	1,587
Investments in securities at market value	3,490,082	2,158,159
	<b>3,543,763</b>	<b>2,260,153</b>
<b>Liabilities</b>		
Accrued liabilities	(575)	-
<b>Net assets - GAAP NAV (Note 2)</b>	<b>\$ 3,543,188</b>	<b>\$ 2,260,153</b>
<b>Units outstanding</b>		
Series A	267,200	197,481
Series B	93,268	89,276
Series F	28,477	22,961
<b>Total Units outstanding (Note 6)</b>	<b>388,945</b>	<b>309,718</b>
<b>Net asset value per unit - GAAP NAV (Note 2)</b>		
Series A	\$ 9.11	\$ 7.31
Series B	\$ 9.07	\$ 7.29
Series F	\$ 9.29	\$ 7.43

See accompanying notes to financial statements

Approved by Pro-Financial Asset Management Inc.



**Stuart McKinnon**  
**Director**



**John Farrell**  
**Director**

**Pro FTSE RAFI Hong Kong China Index Fund**  
**Statement of Operations**  
For the period from January 1 to June 30 (unaudited)

	2009	2008
<b>Investment Income</b>		
Dividend income	\$ 53,484	\$ 52,572
Interest income	-	27
<b>Total investment income</b>	<b>53,484</b>	<b>52,599</b>
<b>Expenses</b>		
Management fees (Note 4)	21,711	22,873
Administration fees	10,057	5,288
<b>Total expenses</b>	<b>31,768</b>	<b>28,161</b>
<b>Net investment income (loss)</b>	<b>21,716</b>	<b>24,438</b>
<b>Realized and unrealized gain (loss) on investments</b>		
Net realized gain (loss) on sale of investments	(141,696)	1,815
Net change in unrealized appreciation (depreciation) of investments	772,688	(509,117)
Transaction costs	(7,913)	(6,046)
<b>Net gain (loss) on investments</b>	<b>623,079</b>	<b>(513,348)</b>
<b>Increase (decrease) in net assets from operations</b>	<b>\$ 644,795</b>	<b>\$ (488,910)</b>
<b>Increase (decrease) in net assets from operations per unit</b>		
Series A	\$ 1.80	\$ (1.80)
Series B	\$ 1.78	\$ (1.82)
Series F	\$ 1.86	\$ (1.76)

Pro FTSE RAFI Hong Kong China Index Fund  
Statement of Changes in Net Assets  
For the period from January 1 to June 30 (unaudited)

	2009	2008
<b>Net assets, beginning of period</b>		
Series A	\$ 1,389,545	\$ 1,657,899
Series B	339,235	777,578
Series F	531,373	513,518
<b>Net assets, beginning of period</b>	<b>2,260,153</b>	<b>2,948,995</b>
<b>Increase (decrease) in net assets from operations</b>		
Series A	442,965	(284,793)
Series B	154,621	(127,147)
Series F	47,209	(76,970)
	<b>644,795</b>	<b>(488,910)</b>
<b>Capital transactions</b>		
Proceeds from issue of units		
Series A	1,287,533	1,001,346
Series B	121,158	140,545
Series F	141,946	79,946
	<b>1,550,637</b>	<b>1,221,837</b>
Redemption of units		
Series A	(736,074)	(651,084)
Series B	(81,632)	(40,466)
Series F	(94,691)	(61,123)
	<b>(912,397)</b>	<b>(752,673)</b>
<b>Increase (decrease) in net assets</b>	<b>1,283,035</b>	<b>(19,746)</b>
<b>Net assets, end of period</b>		
Series A	2,383,969	1,723,368
Series B	533,382	750,510
Series F	625,837	455,371
<b>Net assets, end of period - GAAP (Note 2)</b>	<b>\$ 3,543,188</b>	<b>\$ 2,929,249</b>

**Pro FTSE RAFI Hong Kong China Index Fund**  
**Statement of Investment Portfolio**  
**As at June 30, 2009 (unaudited)**

<b>Security Name</b>	<b>No. of Shares</b>	<b>Average Cost (\$)</b>	<b>Market Value (\$)</b>	<b>% of Net Assets</b>
Bank of East Asia Limited	22,420	84,233	79,199	
BOC Hong Kong Holdings Limited	57,500	121,432	116,955	
Cathay Pacific Airways Limited	28,000	60,534	44,604	
Cheung Kong Infrastructure Holdings Limited	2,000	7,540	8,100	
Cheung Kong(Holdings) Limited	14,000	205,054	187,110	
China Merchants Holdings (International) Company Limited	8,000	30,893	26,640	
China Mobile Limited	4,500	296,706	261,958	
China Overseas Land & Investment Limited	10,000	20,963	26,790	
China Resources Enterprise Limited	14,000	40,773	32,424	
China Resources Power Holdings Limited	4,000	9,945	10,332	
China Resources Power Holdings Limited Rights Expire 10Jul09	400	-	-	
China Unicom Limited	4,511	78,944	69,949	
Chinese Estates Holdings Limited	10,000	16,707	21,210	
Citic Pacific Limited	20,000	64,569	47,700	
CLP Holdings Limited	11,000	86,313	84,810	
CNOOC Limited	1,000	139,608	142,650	
COSCO Pacific Limited	16,000	28,483	20,880	
Esprit Holdings Limited	7,000	68,801	45,518	
Fosun International Limited	31,500	20,178	22,727	
Foxconn International Holdings Limited	44,000	35,214	33,396	
Guoco Group Limited	3,000	34,957	29,700	
Hang Lung Group Limited	8,000	38,493	42,840	
Hang Lung Properties Limited	14,000	50,871	52,815	
Hang Seng Bank Limited	5,200	86,853	84,708	
Henderson Land Development Company Limited	11,672	76,997	77,823	
Hong Kong & China Gas Company Limited	19,600	43,590	47,922	
Hong Kong Electric Holdings Limited	9,000	53,914	58,253	
Hong Kong Exchanges and Clearing Limited	3,800	59,476	68,856	
Hong Kong Land Holdings Limited	21,000	80,364	86,413	
Hutchison Telecom Hong Kong Holdings Limited	394,000	64,271	62,055	
Hutchison Telecommunications International Limited	27,000	102,880	109,219	
Hutchison Whampoa Limited	42,000	388,124	317,835	
Jardine Matheson Holdings Limited	2,000	56,657	63,746	
Jardine Strategic Holdings Limited	1,500	18,228	25,631	
Kerry Properties Limited	7,000	30,235	35,700	
Lenovo Group Limited	150,000	65,601	65,475	
Li & Fung Limited	14,000	54,429	43,470	
MTR Corporation Limited	11,033	33,841	38,726	
New World Development Company Limited	45,836	84,997	95,981	
NWS Holdings Limited	6,000	10,638	12,618	
Orient Overseas (International) Limited	9,500	50,361	47,168	
PCCW Limited	46,000	28,218	13,938	
Semiconductor Manufacturing International Corporation	12,300	40,035	36,459	
Shangri La Asia Limited	12,000	17,264	20,628	
Sino Land Company Limited	28,000	45,183	53,760	
SJM Holdings Limited	68,000	20,309	29,070	
Sun Hung Kai Properties Limited	17,000	236,885	247,605	
Swire Pacific Limited	17,000	186,525	197,243	
The Link Real Estate Investment Trust	16,000	37,086	39,648	
Wharf (Holdings) Limited	17,000	73,833	83,768	
Yue Yuen Industrial Holdings Limited	7,000	20,827	18,060	

Transaction costs (6,831)

<b>Total Investments</b>	<b>3,602,002</b>	<b>3,490,082</b>	<b>98.5</b>
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**Net Assets (GAAP NAV):**

Total investments	3,490,082	98.5
Cash and cash equivalents	43,521	1.2
Other net assets (liabilities)	9,585	0.3
	<b>3,543,188</b>	<b>100.0</b>

**Pro FTSE RAFI Hong Kong China Index Fund**  
**Notes to Statement of Investment Portfolio**  
**As at June 30, 2009 (unaudited)**

**Risk Management**

The Fund's investment activities expose it to a variety of financial risks. The Statement of Investments presents the securities held by the Fund as at June 30, 2009, and groups the securities by asset type, geographic region and/or market segment. Significant risks that are relevant to the Fund are discussed below.

The Manager seeks to minimize potential adverse effects of these risks on the Fund's performance by employing professional, experienced portfolio advisors, by daily monitoring of the Fund's positions and market events, and by diversifying the investment portfolio within the constraints of the investment objective. To assist in managing risk, the Manager also uses internal guidelines that identify the target exposures for each type of risk, maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy, internal guidelines, and securities regulations.

The investment portfolio mainly holds the constituent or equivalent securities of the FTSE RAFI Hong Kong China Index in similar proportion as they are reflected in the index.

**Liquidity Risk**

The Fund is exposed to daily cash redemptions of redeemable units. In accordance with securities regulations, the Fund must maintain at least 90% of its assets in liquid investments (i.e. investments that are traded in an active market and can be readily disposed). In addition, the Fund retains sufficient cash and cash equivalent positions to maintain adequate liquidity.

**Currency Risk**

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The table below indicates the foreign currencies to which the Fund had a significant exposure as at period end in Canadian dollar terms.

<b>Currency</b>	<b>Investments</b>	<b>% of Net Assets</b>
Hong Kong Dollar	2,694,057	76.0
United States Dollar	796,025	22.5
<b>Total</b>	<b>3,490,082</b>	<b>98.5</b>

**Credit Risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund does not have a significant credit risk exposure as at June 30, 2009. The carrying amount of other assets represents their maximum credit risk exposure, as they will be settled in the short term. 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.

On January 20, 2009, the CICA issued Emerging Issues Committee Abstract 173 – Credit Risk and the Fair Value of Financial Assets and Liabilities ("EIC 173"). EIC 173 provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivatives. EIC 173 is applicable to interim and annual financial statements of the Fund for its fiscal year ending December 31, 2009, with retroactive application. The Fund has adopted EIC 173 during the first six months of 2009 and its requirements did not have any impact on the financial statements.

**Other Price Risk**

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The maximum risk resulting from financial instruments is equivalent to their fair value.

For this Fund, the most significant exposure to other price risk arises from its investment in equity securities. As at June 30, 2009, had the prices on the respective stock exchanges for these securities raised or lowered by 10%, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$349,008 (approximately 9.9% of total net assets). In practice, the actual trading results may differ and the difference could be material.

**Pro FTSE RAFI Hong Kong China Index Fund  
For the period January 1, 2009 to June 30, 2009**

**NOTES TO FINANCIAL STATEMENTS**

**1. DESCRIPTION OF THE FUND**

The Pro FTSE RAFI Hong Kong China Index Fund (the "Fund") is a mutual fund trust created under the laws of the Province of Ontario by Trust Indenture dated January 3, 2007. The Fund commenced operations on January 3, 2007. Pro-Financial Asset Management Inc. is the Trustee and Manager of the Fund.

The investment objective of the Fund is to track the performance of the FTSE RAFI Hong Kong China Index, net of expenses.

**2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The following is a summary of significant accounting policies:

**Adoption of new accounting standards:**

Section 3862, Financial Instruments - Disclosures ("Section 3862"), and Section 3863, Financial Instruments - Presentation ("Section 3863"), have replaced Section 3861, Financial Instruments - Disclosure and Presentation ("Section 3861"). Section 3862 requires additional disclosure by the Fund pertaining to the nature and extent of risks arising from financial instruments to which the Fund is exposed and how the Fund manages those risks. Section 3863 carries forward unchanged the presentation requirements of Section 3861 with respect to financial instruments. Both Section 3862 and Section 3863 apply to interim and annual financial statements of the Fund beginning for the fiscal year commencing January 1, 2008. Refer to the Statement of Investment Portfolio for further details regarding risk management.

**Future accounting change:**

The Canadian Accounting Standards Board ("AcSB") has confirmed January 1, 2011 as the date International Financial Reporting Standards ("IFRS") will replace GAAP for publicly accountable enterprises, which includes investment funds. The Fund will adopt IFRS for its fiscal year beginning January 1, 2011.

**Investments:**

Investments are deemed categorized as held-for-trading in accordance with Section 3855, Financial Instruments - Recognition and Measurement ("Section 3855") and, therefore, recorded at fair value as follows:

Investments in securities listed on a recognized public stock exchange are valued at their closing bid prices on the valuation date. If no closing bid price can be ascertained or if the securities are not quoted on an exchange, they will be valued at fair value based on management's best estimate. The difference between market value and average cost is shown as unrealized appreciation (depreciation) of investments in the Statement of Operations. Average cost is used to calculate the gain or loss on investments sold. The average cost excludes transaction costs.

**Transaction costs:**

In accordance with Section 3855, transaction costs such as brokerage commissions and other portfolio transaction costs are included in transaction costs in the Statement of Operations. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment.

**Cash and cash equivalents:**

Cash and cash equivalents are comprised of cash on deposit and short-term debt instruments with terms to maturity of less than 90 days at acquisition. Cash and cash equivalents are deemed to be held for trading and, therefore, carried at fair value, which approximates their carrying amounts.

## **NOTES TO FINANCIAL STATEMENTS**

### **Other assets and liabilities:**

The fair value of other financial assets (loans and receivables) and financial liabilities approximate their carrying amounts. For the purpose of categorization in accordance with Section 3855, subscriptions receivable and dividends receivable are designated as loans and receivables and recorded at cost. Similarly, accrued liabilities are designated as other financial liabilities and recorded at cost.

### **Investment transactions and income recognition:**

All investment transactions are accounted for on the trade date. Gains and losses from the sale of investments are calculated on an average cost basis. Interest income is accrued daily and dividend income is recognized on the record date.

### **Use of estimates:**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

### **Net assets per unit:**

The net assets per unit are computed by dividing the net assets attributable to a class of units on a business day by the total number of units of the class outstanding on that day.

### **Foreign currency translation:**

Investments at market value and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rates of exchange applicable on the valuation dates. Investment transactions and income and expenses are translated at the rates of exchange on the dates of such transactions.

## **3. INCOME TAXES**

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and, accordingly, is not subject to tax on net income, including net realized capital gains, which is paid or payable to unitholders. It is the intention of the Fund to distribute sufficient net income and net realized capital gains so that the Fund will not be subject to income taxes after taking into account applicable capital gains tax refunds. Accordingly, no provision for income taxes has been made.

Net capital losses are available to be carried forward indefinitely and applied against future net realized capital gains. Non-capital losses may be carried forward up to 20 years to reduce future taxable income.

## **4. EXPENSES OF THE FUND**

The Manager provides investment and administrative services to the Fund. In consideration for these services the Manager receives a fee:

Class A – 1.60% per annum  
Class B – 1.80% per annum  
Class F – 0.65% per annum

of the net asset value of the Fund calculated daily and payable daily in arrears. For the year ended June 30, 2009, the management fee amounted to \$21,711.

The Fund is responsible for the payment of all expenses relating to its operations and the carrying on of its business. These expenses include, but not limited to, administration and accounting costs, the costs of any back-office service provider retained by the Manager, transaction costs, audit and legal fees, custodial fees, index licensing fees, regulatory filing fees, the costs of preparing and distributing annual and semi-annual financial statements, prospectuses, unitholder reports and investor communications. At times, the Manager has paid a portion of the expenses otherwise payable by the Fund.

**Pro FTSE RAFI Hong Kong China Index Fund**  
**For the period January 1, 2009 to June 30, 2009**

**NOTES TO FINANCIAL STATEMENTS**

The management expense ratio (MER) is calculated based on the total management expenses of the Fund as a percentage of the weighted average net assets of the Fund. The MER is inclusive of the GST in accordance with National Instrument 81-102 for the period ended June 30, 2009. The Fund's MER was:

Class A – 2.30% per annum  
Class B – 2.51% per annum  
Class F – 1.29% per annum

**5. NET ASSET VALUE**

For investments that are traded in an active market where quoted prices are readily available, Section 3855 requires bid prices to be used in the fair valuation of investments, rather than the use of closing sale prices currently used for the purpose of determining transactional net assets. These changes account for the difference between transactional net assets and net assets.

	<b>2009</b>	<b>2008</b>
Class A	\$9.11	\$7.31
Class B	\$9.07	\$7.29
Class F	\$9.29	\$7.43

**6. UNITHOLDERS' EQUITY**

For each unit sold, the Fund receives an amount equal to the net asset value per unit at the next valuation date, which is included in unitholders' equity. Units are redeemable at the option of unitholders at their net asset value on the next valuation date following the redemption date. For each unit redeemed, unitholders' equity is reduced by the net asset value of the unit at the next valuation date after the redemption date.

**7. CONTINGENT LIABILITY**

Agreements between the individual members of the Funds' Independent Review Committee ("IRC") and the Trustee, on behalf of the Funds, provides for the indemnification of each IRC member by the Funds from and against liabilities and costs in respect of any action or suit against the member by reason of being or having been a member of the IRC, provided that the member acted honestly and in good faith with a view to the best interest of the Funds, or, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, that they had reasonable grounds for believing that his/her conduct was lawful. No claims with respect to such occurrences have been made and, as such, no amount has been recorded in these financial statements with respect to these indemnifications.