



# PRO FTSE RAFI US INDEX FUND

PRO-FINANCIAL ASSET MANAGEMENT INC.  
MANAGEMENT REPORT OF FUND PERFORMANCE  
June 30, 2009

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-877-566-5145, by writing to us at Glen Abbey Golf Course, Old Abbey Building 1333 Dorval Drive, Suite 100, Oakville, ON L6M 4G2 or by visiting our website at [www.pro-financial.ca](http://www.pro-financial.ca) or SEDAR at [www.sedar.com](http://www.sedar.com).

Security holders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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MANAGEMENT REPORT OF FUND PERFORMANCE JUNE 30, 2009

## **Management Discussion of Fund Performance**

This management discussion of Fund performance presents the perspective of Pro-Financial Asset Management Inc. (the "Manager") regarding the position and results for the Pro FTSE RAFI Global Index Fund (the "Fund") for the period as well as factors and developments that have led to such results.

## **Investment Objectives and Strategies**

The investment objective of the Fund is to track the performance of the FTSE RAFI US 1000 Index (the "Index"), net of expenses. The investment strategy of this Fund is to invest in and hold the constituent or equivalent securities of the Index in the same proportion as they are reflected in that Index. This Index was launched on November 28, 2005 and is made up of the largest 1000 US-listed companies by fundamental value, selected from the constituent shares of the FTSE US All Cap Index, which is in turn part of the FTSE Global Equity Index Series. To reduce index tracking error, the Manager may on a temporary basis invest a portion of the assets of the Fund in exchange traded funds ("ETFs") that are based on securities in this Index.

## **Risk**

The risks of investing in the Fund are disclosed in the prospectus of the Fund. Initially, related ETFs were used to ensure that large cash positions do not build up in the Fund. As the Fund size grew, the Manager, Pro-Financial Asset Management Inc., eliminated the use of ETFs to ensure lower transaction expenses and turnover. There were fundamental differences between the ETF and the Index which would have caused tracking error between the Fund and the Index. Also there may have been timing differences during this allocation process, which might have contributed to tracking error between the Fund and the Index.

Due to the Fund's size, a resampled portfolio consisting of over 350 US securities was used instead of the full portfolio of 1000 securities. The usage of this resampling would have likely caused tracking error between the Fund and the Index, but reduced trading expenses.

The Fund is suitable for investors looking for exposure to US equity securities and having a medium tolerance for risk and a long-term investment time horizon.

## **Results of Operations**

The value of the Fund increased by \$1.8 million to \$11.1 million during the 6 month period ending June 30, 2009. The Fund had net subscriptions of \$1.6 million while the portfolio's performance increased net assets by \$0.2 million.

The performance of the Class A, B and F units were 1.11%, 1.00%, and 1.61% respectively for the 6 month period ended June 30, 2009. US equity markets were poor in Canadian dollar terms as the S&P TR Index (CAD) returned -2.01% over the same period as markets continued to digest the overextension of credit and resulting fall-off in

consumer spending along with continued job losses partially due to reduced demand. It appears that the corner may have been turned, but the funding of the stimulus spending remains an overhang on the US economy.

The RAFI methodology relies on sales, cash flow, dividends, and book value. At the start of the period these were generally depressed throughout the marketplace. Broadly, the outperformance has resulted from the purchase of securities with a larger component of value which have seen greater performance in the market.

As at June 30, 2009, the total net assets of the Fund were \$11,153,727.

## **Recent Developments**

The second quarter is proof that, although the economy may be doing poorly, the stock markets can still do well – very well in fact. After a 3% decline in the first quarter of 2009, the TSX gained 19% in the second quarter. The US market also did well, with the S&P500 recovering all of its losses of the first quarter although the Dow is still 4% below its year-end number. The financial crisis in the U.S. has been addressed and banks seem to be recovering although slowly. GM and Chrysler are being reinvented while Nortel Networks is being disbanded. As we all know, government intervention has been pervasive and expectations are that we will see stronger institutional involvement with the economy over the foreseeable future, including on an international basis where China has been pushing for a new international currency to replace the US dollar. The U.S., the world's powerhouse economy since the 2nd World War, is now the world's largest debtor nation – and by a wide margin. Social Security and Medicare are just two of the many broken government programs weighing on the country. This is strong rationale for the Dow Jones Index to underperform the wider S&P500 Index. Thanks to oil and its 40% price rise during the quarter, Canada is continuing to outperform its southern neighbor.

Looking at the arena for commodities, we see that the oil price was very strong in the second quarter as the summer season approached while gas and precious metals were modestly higher. Foodstuffs were mixed and shorter-term interest rates were lower while longer-term rates were higher – a good sign that things are returning to normal. The Canadian dollar has risen against the US dollar thanks to the oil price increase but this does hurt our economic recovery somewhat as our exports become more expensive. Many states in the US are trying to maintain a “buy US” policy for stimulus funds and China seems to be doing the same which hurts Free Trade, an economically beneficial concept. Weak companies are continuing to fail and strong ones are beginning to pick up the slack.

## **Changeover to International Financial Reporting Standards (“IFRS”)**

The Fund will be required to adopt International Financial Reporting Standards (“IFRS”) beginning January 1, 2011. The Manager is in the process of developing a plan per the changeover. However, 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 shareholders or net asset value per share 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 shareholder interests and certain other items.

## **Related Party Transactions**

### **OPERATING EXPENSES**

The Fund pays its own operating expenses. They include but are not limited to, administration and accounting costs, FundServ costs, the costs of any back-office service provider retained by the Manager, brokerage commissions, applicable taxes, audit and legal fees, custodial fees, index licensing fees, the cost of preparing and submitting annual financial statements, unitholder reports, semi-annual financial statements to unitholders, the cost of preparing a prospectus and other disclosure documents (other than the initial prospectus of the Funds) and the cost of forwarding those documents to unitholders.

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the fiscal periods indicated. The information is derived from the Fund's audited financial statements.

### Net Asset Value (NAV) per Unit - Class A

	30-Jun-09	31-Dec-08
		\$
<b>Net asset value, beginning of year</b>	<b>\$ 6.08</b>	<b>8.40</b>
<b>Increase (decrease) from operations:</b>		
Total revenue:	\$0.02	\$0.18
Total expenses	(\$0.02)	(\$0.12)
Realized gains (losses) for the period	(\$0.08)	(\$0.48)
Unrealized gains (losses) for the period	\$0.11	(\$1.90)
<b>Total Increase (decrease) from Operations</b>	<b>\$0.03</b>	<b>(\$2.32)</b>
Distributions:		
From income (excluding dividends)	-	-
From dividends -	-	-
From capital gains -	-	-
Return of capital -	-	-
Total annual distributions -	-	-
		\$
<b>Net asset value, end of the period</b>	<b>\$ 6.11</b>	<b>6.08</b>

### Net Asset Value (NAV) per Unit - Class B

	30-Jun-09	31-Dec-08
		\$
<b>Net asset value, beginning of year</b>	<b>\$ 6.01</b>	<b>8.31</b>
<b>Increase (decrease) from operations:</b>		
Total revenue:	\$0.02	\$0.18
Total expenses	(\$0.01)	(\$0.12)
Realized gains (losses) for the period	(\$0.04)	(\$0.48)
Unrealized gains (losses) for the period	\$0.05	(\$1.88)
<b>Total Increase (decrease) from Operations</b>	<b>\$0.02</b>	<b>(\$2.30)</b>
<b>Distributions:</b>		
From income (excluding dividends)	-	-
From dividends -	-	-
From capital gains -	-	-
Return of capital -	-	-
Total annual distributions -	-	-
		\$
<b>Net asset value, end of the period</b>	<b>\$ 6.03</b>	<b>6.01</b>

**Net Asset Value (NAV) per Unit - Class F**

	30-Jun-09	31-Dec-08
		\$
<b>Net asset value, beginning of year</b>	<b>\$ 6.14</b>	<b>8.40</b>
<b>Increase (decrease) from operations:</b>		
Total revenue:	\$0.03	\$0.18
Total expenses	(\$0.03)	(\$0.12)
Realized gains (losses) for the period	(\$0.15)	(\$0.47)
Unrealized gains (losses) for the period	\$0.21	(\$1.85)
<b>Total Increase (decrease) from Operations</b>	<b>\$0.06</b>	<b>(\$2.26)</b>
Distributions:		
From income (excluding dividends)	-	-
From dividends -	-	-
From capital gains -	-	-
Return of capital -	-	-
Total annual distributions -	-	-
		\$
<b>Net asset value, end of the period</b>	<b>\$ 6.20</b>	<b>6.14</b>

(1) 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 average of units outstanding over the financial period.

**Ratios and Supplemental Data**

	30-Jun-09	31-Dec-08
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**Pro FTSE RAFI US Index Fund - Class A**

Net assets (000's)	\$ 4,414	\$ 1,703.09
Number of units outstanding	733,204	202,341
Management expense ratio	2.30%	2.14%
Management expense ratio before waivers or absorptions	2.30%	4.97%
Portfolio turnover rate	56.14%	45.72%
Trading expense ratio	0.30%	0.47%
Closing market price or pricing NAV	\$ 6.15	\$ 8.42

**Pro FTSE RAFI US Index Fund - Class B**

Net assets (000's)	\$ 2,757	\$ 1,459.95
Number of units outstanding	322,651	173,454
Management expense ratio	2.52%	2.20%
Management expense ratio before waivers or absorptions	2.52%	5.30%
Portfolio turnover rate	56.14%	45.72%
Trading expense ratio	0.30%	0.47%
Closing market price or pricing NAV	\$ 6.07	\$ 8.33

**Pro FTSE RAFI US Index Fund - Class F**

Net assets (000's)	\$ 3,983	\$ 2,290.03
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Number of units outstanding	774,465	272,075
Management expense ratio	1.31%	1.06%
Management expense ratio before waivers or absorptions	1.31%	3.21%
Portfolio turnover rate	56.14%	45.72%
Trading expense ratio	0.30%	0.47%
Closing market price or pricing NAV	\$ 6.25	\$ 8.42

(1) The information is provided as at December 31<sup>st</sup> or June 30<sup>th</sup> of the year shown.

(2) 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.

(3) 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 once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

(4) 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.

(5) Differences due to rounding.

### Management Fees

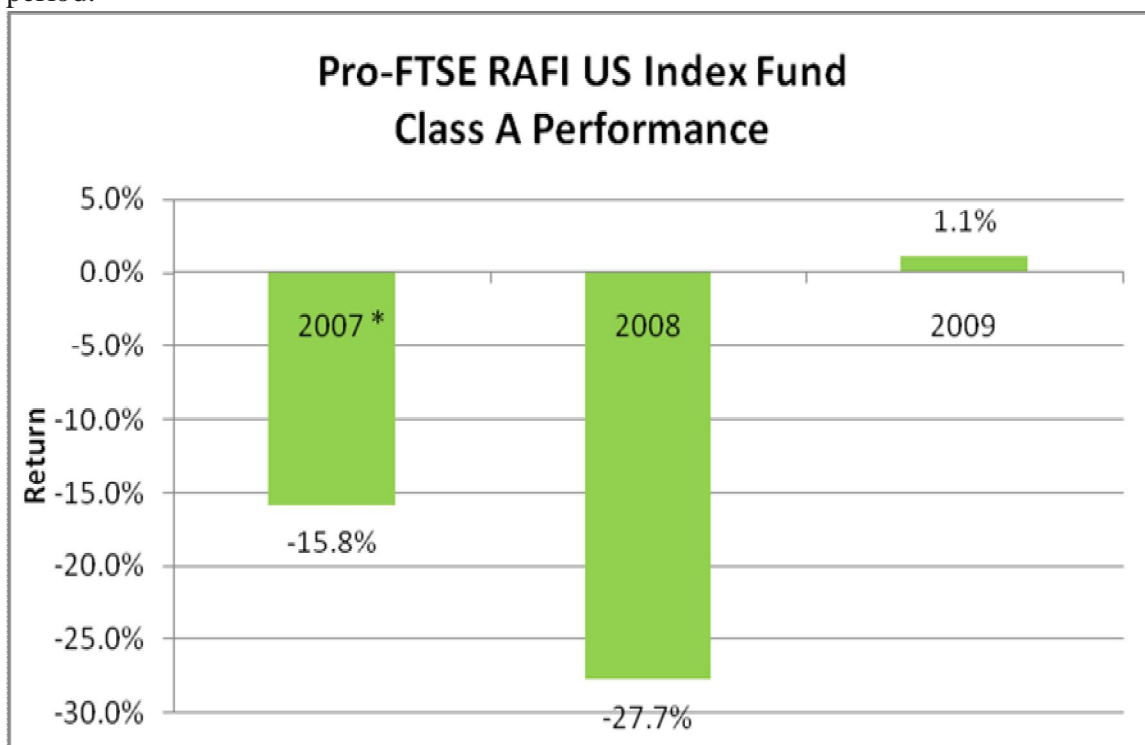
The Fund pays management fees at an annual rate of 1.60% for Class A units, 1.80% of the net assets of Class B units, and 0.65% for Class F units. The management fee is calculated and accrued daily based on the net asset value of that Class of units.

### Past Performance

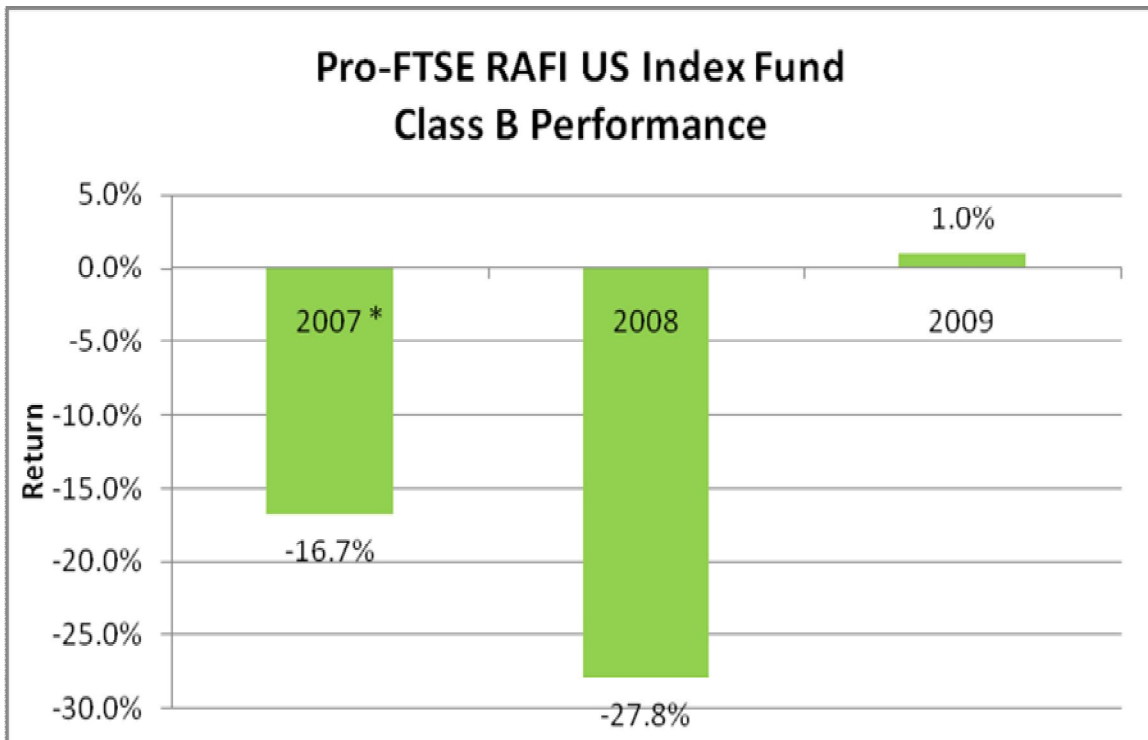
The following charts and tables are tools used to reflect the past performance of the Class A, B and F units of the Fund. In calculating the rates of return, it is assumed that all distributions are reinvested in additional units of the relevant Class of the Fund and rates of return do not take into account sales, redemptions, distributions or other optional charges payable by any unitholder that may reduce returns. Also, past performance returns are not indicative of future performance and how the Fund has performed in the past does not necessarily indicate how it will perform in the future.

### Year-By-Year Returns

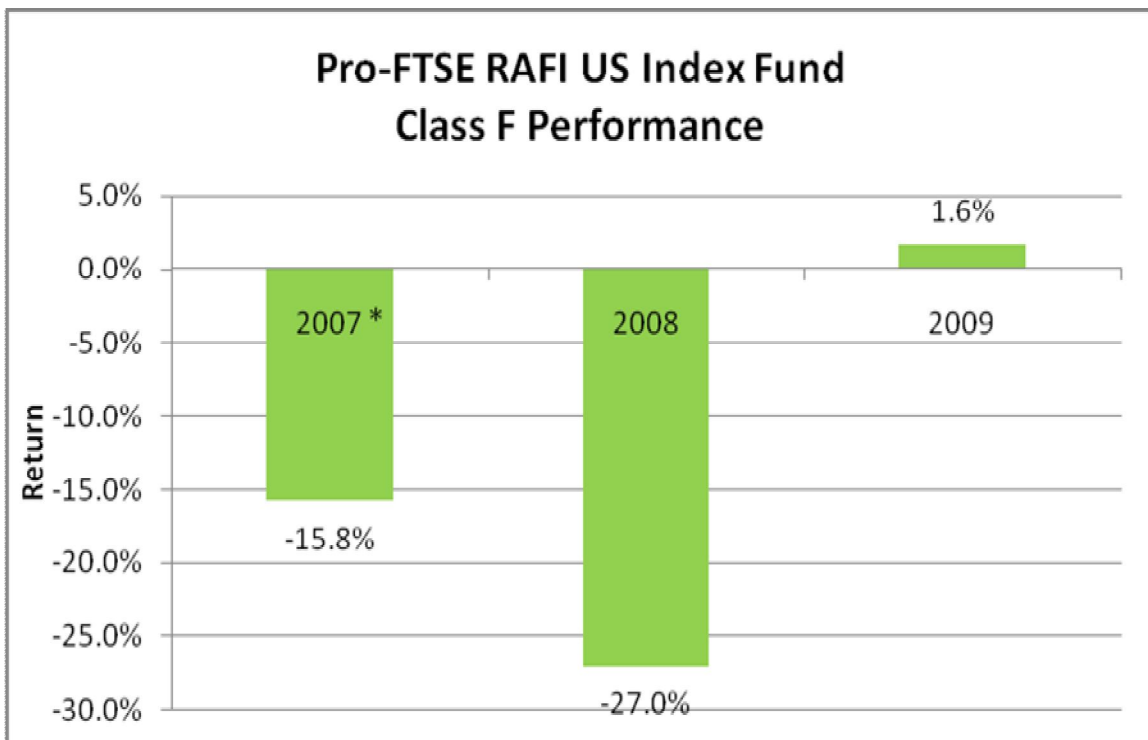
The Year-by-Year return charts indicate the annual performance of each Class of units of the Fund, reflecting how the Fund’s performance has varied from year to year and shows the Fund’s performance for the 6 month period ended June 30, 2009, and for each of the previous financial periods ended December 31. The charts show in percentage terms how an investment made on January 1 would have increased or decreased by the end of the period.



\*Performance returns were calculated from the launch date of March 1, 2007 until December 31, 2007.



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## COMPOUND RETURNS

The following table shows the compounded return for each class of the Fund from inception to June 30, 2009. The compounded total return is also compared to the S&P 500 Index calculated on the same compounded basis.

Unless otherwise noted below, all index returns are calculated in Canadian dollars on a total return basis, meaning that all distributions are reinvested.

<b>Compound Returns</b>	<b>1 year</b>	<b>3 year</b>	<b>5 year</b>	<b>10 year</b>	<b>Since Inception (Mar 1 2007)</b>
Pro-FTSE RAFI US Index Fund Class A	-13.9%	N/A	N/A	N/A	-18.8%
Pro-FTSE RAFI US Index Fund Class B	-14.0%	N/A	N/A	N/A	-19.3%
Pro-FTSE RAFI US Index Fund Class F	-13.0%	N/A	N/A	N/A	-18.3%
S&P 500 TR (CAD)	-15.8%	N/A	N/A	N/A	-15.0%

S&P 500 Index is a free float-adjusted market capitalization index that measures the performance of 500 stocks traded in the US.

**Summary of Investment Portfolio** as at June 30, 2009

<b>ASSET DETAIL</b>	<b>% of NET ASSETS</b>
US SECURITIES	98.39%
CASH AND EQUIVALENTS	1.51%
OTHER ASSETS (LIABILITIES)	0.11%
<b>TOTAL</b>	<b>100.00%</b>

<b>SECTOR ALLOCATION</b>	<b>% of NET ASSETS</b>
FINANCIALS	28.83%
CONSUMER DISCRETIONARY	15.76%
INDUSTRIALS	10.57%
INFORMATION TECHNOLOGY	9.79%
ENERGY	7.86%
CONSUMER STAPLES	7.38%
HEALTH CARE	6.90%
UTILITIES	4.10%
MATERIALS	3.70%
TELECOMMUNICATION SERVICES	3.48%
CASH AND EQUIVALENTS	1.51%
OTHER ASSETS (LIABILITIES)	0.11%
<b>TOTAL</b>	<b>100.00%</b>

<b>TOP 25 HOLDINGS</b>	<b>% of NET ASSETS</b>
BANK OF AMERICA	7.89%
CITIGROUP	3.14%
GENERAL ELEC	2.93%
FORD MTR	2.76%
EXXON MOBIL	2.59%
JPMORGAN CHASE & CO	2.24%
WELLS FARGO & CO	2.04%
MICROSOFT	1.96%
AT&T INC	1.71%
INVESCO	1.70%
CHEVRON	1.61%
CASH	1.51%
ALTRIA GROUP	1.46%
PFIZER	1.29%
VERIZON COMMUNICATIONS	1.27%
CONOCOPHILLIPS	1.25%
AVIS BUDGET GROUP	1.23%
WAL MART STORES	1.18%
PROCTER AND GAMBLE	0.97%
TYCO INTERNATIONAL	0.97%
PRUDENTIAL FINL	0.87%
MORGAN STANLEY	0.84%
GENWORTH FINL	0.84%
DOW CHEM	0.84%
INTEL	0.79%
<b>TOTAL</b>	<b>45.85%</b>

## Corporate Information

### Corporate Address

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