

# AURION II EQUITY FUND

NAV (Class A) \$10.99  
 NAV (Class D) \$ 9.46  
 AUM: \$48.6mil

July 31, 2010

## Objective:

The investment objective of the Fund is to achieve a superior rate of return relative to the S&P/TSX Total Return Index over a longer-term investment horizon. The Fund holds a combination of Canadian and foreign equity investments in a concentrated portfolio. This is an enhanced Canadian Equity fund that has the ability to invest outside the jurisdiction of Canada as well as the ability to short stocks seen as overvalued.

## Aurion Capital seeks excess return by:

*Constructing a portfolio that is exposed to earnings growth*

We construct and manage a portfolio of equity investments based on bottom up security selection using industry relative factors. The portfolio covers all areas of market capitalization and typically has market-like risk and valuation characteristics with superior earnings fundamentals.

*Actively trading around established positions and shorting securities seen as overvalued*

We capture short-term pricing anomalies through our active trading strategy by increasing and decreasing positions in the portfolio and by entering into opportunistic short sales. The overall positioning of the portfolio, securities selection and our active strategy has historically provided excess return.

## Monthly Performance (%) Net of Fees — Class A

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD Return	YTD S&P/TSX
2010	(1.6)	3.3	4.9	1.4	(4.5)	(3.7)	4.8						4.3	1.3
2009	3.5	(3.4)	8.6	9.5	14.3	1.3	5.6	2.2	5.6	(0.9)	4.7	3.2	68.1	35.1
2008	(3.1)	2.0	(1.3)	2.6	6.2	(3.5)	(9.3)	0.4	(15.1)	(15.0)	(8.4)	2.7	(36.5)	(33.0)
2007	1.8	0.9	1.9	2.0	4.7	(0.2)	1.8	(4.4)	5.1	6.9	(8.7)	3.4	15.1	9.8
2006	n/a	0.6	5.1	1.2	(4.0)	0.3	3.2	3.1	(1.5)	7.8	4.2	0.5	22.0	10.6

## Commentary

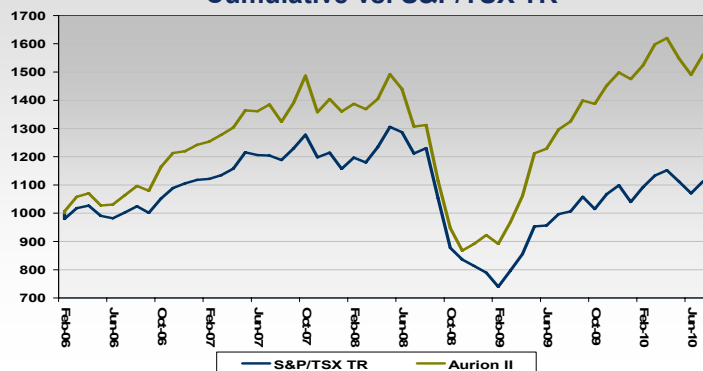
The second half of the year got off to a strong start as most markets were able to get back most of the late June 'risk purge'. Earnings once again have come in much better than expected and fears of a double dip seem to be pushed further out. The recovery continues, but at a slower pace, and leading indicators are starting to fade bringing out cautious forecasts for the remainder of the year. Investor sentiment hit bearish levels not seen in over a year and the lack of investor confidence has kept new equity investors at the cottage or in fixed income markets. Trading volumes on major markets are low and new issue activity remains well below pre-recession levels. Corporate cash balances remain at record levels and it will be important to watch how management chooses to deploy this cash, either in dividends, buybacks or acquisitions.

Against this backdrop, positive indicators are starting to emerge to make us more comfortable with the equity markets. The strength in oil, copper and the Euro have reflected a more positive economic tone. The Chinese market regaining the 50 day moving average is another indication of a soft landing in their market, setting up for a rebound in cyclicals. The portfolio has been underweight the gold sector for the last few months as the mania around the metal feels similar to the oil pop in 2008. This underweight position helped in July as European fears subsided and gold pulled back from record levels. We'll use this as a buying opportunity into the fall. The portfolio remains in a sector neutral stance and with a lack of catalysts to break out of the summer trading range, this low volume volatile market may stay with us for a while. Active management remains key to our strategy and it will be important to remain in liquid names in order to quickly adjust positions to take advantage of shifting trends. Frustrating markets usually provide profitable opportunities and investors who

## Aurion II Equity Fund - Class A

As at July 31, 2010

### Cumulative vs. S&P/TSX TR



### Performance (%) Net of Fees

	Aurion II Equity Fund	S&P/TSX TR
1 Month	4.8	4.0
3 Month	(3.6)	(3.4)
6 Month	5.9	7.0
1 Year	20.5	11.7
2 Year (Annualized)	9.3	(8.8)
Annualized Inception*	10.4	2.4
<b>Cumulative Return*</b>	<b>56.3</b>	<b>11.3</b>

\*Fund inception: February 1, 2006

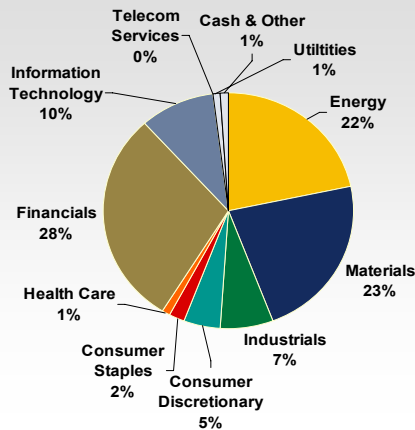
For additional information, please contact us:

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## Sector Allocation

As at July 31, 2010



## Featured Names

As at July 31, 2010

AIR CANADA  
 BARRICK GOLD  
 DOLLARAMA  
 INTACT FINANCIAL  
 LUNDIN MINING CORP  
 NIKO RESOURCES LTD  
 NULOCH RESOURCES  
 PINECREST ENERGY  
 POTASH CORP  
 RIM

## Terms and Guidelines

<b>Manager:</b>	Aurion Capital
<b>Inception Date:</b>	February 1, 2006
<b>Minimum Subscription*:</b>	\$25,000 (accredited investors) / \$150,000 (non-accredited investors) *Can also be offered on a segregated account basis
<b>FundSERV Code:</b>	Class A: AUR100 Class D: AUR120
<b>Redemption:</b>	Monthly
<b>Additional Investments:</b>	Monthly at NAV
<b>Early Redemption:</b>	2% penalty in 90 days
<b>Management Fee:</b>	1.5% of NAV (Class A), 2.5% of NAV (Class D), payable monthly
<b>Performance Fee:</b>	20% of the outperformance of the Fund over and above the S&P/TSX benchmark on a calendar year basis, providing the Fund's return is positive for the year and exceeds the S&P/TSX plus 2%
<b>Distribution:</b>	Annual
<b>Maximum # of holdings:</b>	60
<b>Shorting activity:</b>	Generally less than 20% of the portfolio
<b>Maximum % Foreign Equities:</b>	Generally less than 20% of the portfolio

## Analytics

	Aurion II Equity Fund	S&P/TSX TR
Best Month	14.3%*	11.5%*
Worst Month	(15.1%)	(16.7%)
Cumulative growth of \$1,000	\$1,562	\$1,113
Total Up Months (positive)	37	31
Total Down Months	17	23

## Risk Metrics

	2 Year	3 Year	Inception
Excess Return	13.5%	6.7%	8.0%
Up Capture	1.18	1.22	1.20
Down Capture	0.79	0.94	0.86
Std Deviation	23.9	22.3	19.0
Beta	0.98	1.02	1.02

\*same month

## Investment Team:

The team consists of three portfolio managers and an investment analyst with over 50 years of combined experience. The Fund is managed using an integrated approach with each team member involved in research, portfolio management and trading.



**Bob Decker, MBA, CFA**  
SVP & Portfolio Manager



**Greg Taylor, CFA**  
VP & Portfolio Manager



**Craig MacAdam, CFA**  
VP & Portfolio Manager



**James Sotirakopoulos, MBA**  
Investment Analyst

## About Aurion Capital:

Aurion Capital Management Inc. is an investment counselling firm with primarily an institutional client base specializing in Canadian Equities, Fixed Income, Real Estate, Foreign Equities and Alternatives. Incorporated in 1996, Aurion Capital has over \$4 billion in assets under management as at July 31, 2010

This document is for information purposes only. Aurion II Equity Fund is offered for sale only by the Offering Memorandum which contains important information about investing in the Fund. Performance data is historical, and is not indicative of future performance. Views expressed regarding a particular company, security, industry or market sector should not be considered an indication of trading intent of any funds managed by Aurion Capital. These views are not to be considered as investment advice nor should they be considered a recommendation to buy or sell. All performance listed on this document is Class A units.

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**Aurion Capital**

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