

# AURION INCOME OPPORTUNITIES FUND

NAV (Class A) \$11.86  
 NAV (Class D) \$ 9.49  
 AUM: \$21.8mil

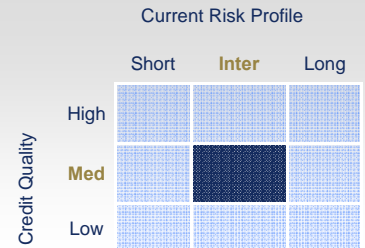
July 31, 2010

## Objective:

Constructing a portfolio that utilizes active management strategies including security selection, sector allocation, yield curve and duration management. Primary emphasis will be placed on risk adjusted opportunities in the fixed income markets to produce interest income and modest capital gains. Active fixed income management strategies gives investors exposure to attractive bond yields combined with diligent, active rebalancing in response to changing developments and opportunities within the fixed income markets.

## Strategy:

Fixed income markets provide investors with attractive, stable returns with significantly less return volatility compared with equity markets. Our goal is to create a well diversified portfolio of fixed income securities and actively manage both interest rate risk and credit risk. We employ various strategies to mitigate risk within the portfolio including active security selection, sector diversification, and portfolio rebalancing around interest rate volatility. Fixed income returns will be generated from both interest income and capital gains. Active management provides investors with the opportunity to capitalize on short term volatility, while offering investors protection during adverse market conditions.



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

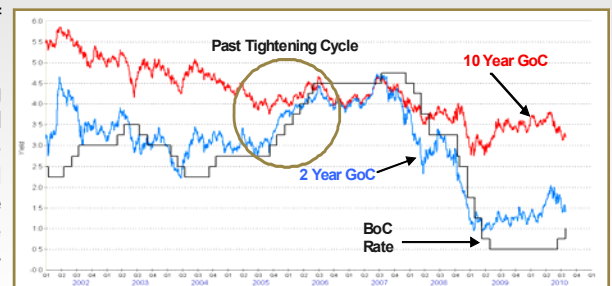
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD Return	YTD DEX Universe
2010	2.5	0.4	(0.0)	0.1	(0.3)	2.5	1.1						6.4	4.7
2009	n/a	n/a	2.4	2.5	7.2	4.8	5.2	1.6	1.2	1.9	2.0	(1.3)	30.8	4.5

## Commentary:

With the second rate hike in as many months, many investors may wonder how it is that our bond portfolio continues to post positive returns. Conventional investing wisdom is that bond prices fall, and investors lose money in bond funds, as interest rates rise. While this holds true, what investors often ignore is the divergence in performance that can occur between short term bonds and long term bonds. Central bank rate hikes will impact the short term bonds the most, while growth expectations, inflation expectations, and capital risk tolerance are the main factors that influence longer dated bonds. With declining growth and inflation expectations, 10 year bond yields fell dramatically this month to their lowest level since April 2009. 2 Year yields also declined on expectations of fewer rate hikes.

The attached chart highlights how different bond yields can react as the Bank of Canada has changed administered rates over time.

We actively traded our government bond position this month, going both long and short in a very volatile environment. We added several attractively priced new issue corporate bonds which increased the yield of the portfolio and generated capital gains as spreads narrowed. By the end of the month, our overall corporate exposure had increased and our overall exposure to interest rate sensitivity decreased. We now expect yields to climb next month, so we have hedged our interest rate sensitivity through a short position on long US Treasury bonds.

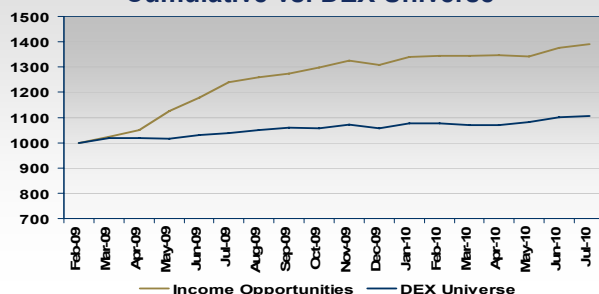


Year to date, bonds have outperformed equities, and corporate bonds have outperformed government bonds. The Aurion Income Opportunities fund has outperformed the overall bond market handsomely this year, and generated returns similar to the high yield market, but with less credit risk and better liquidity.

## Aurion Income Opportunities Fund - Class A

As at July 31, 2010

### Cumulative vs. DEX Universe



### Performance (%) Net of Fees

	Aurion Income Opportunities	DEX Universe
1 Month	1.1	0.5
3 Month	3.3	3.5
1 Year	12.1	6.7
<b>Cumulative Return*</b>	<b>39.1</b>	<b>9.5</b>

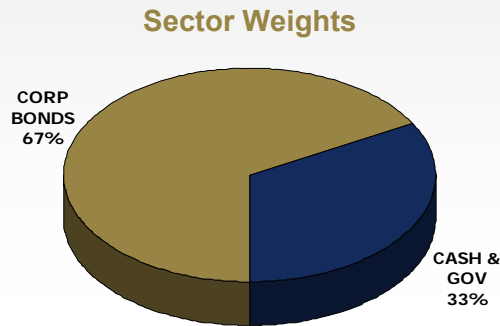
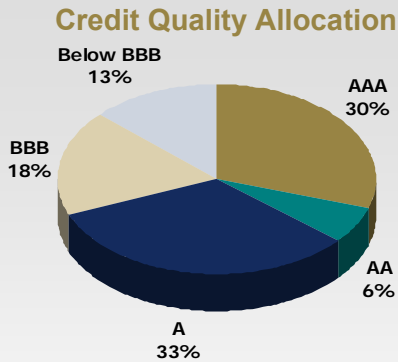
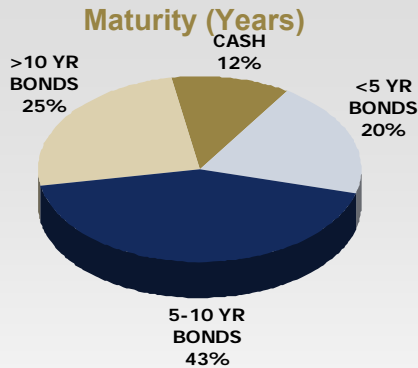
\*Fund inception: March 17, 2009

For additional information, please contact us:

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## Characteristics As at July 31, 2010



## Terms & Guidelines:

Manager:	Aurion Capital
Inception Date:	March 17, 2009
Minimum Subscription:	\$25,000 (accredited investors) / \$150,000 (non-accredited investors)
Term:	Open-ended
Liquidity	Monthly
Income Distribution:	At Manager's discretion
Distribution Frequency:	Quarterly
Management Fee:	0.85% of NAV (Class A) AUR 300, 1.35% of NAV (Class D) AUR 320
Performance Fee:	10% of excess return above the DEX Index, after fees (provided return is positive)
RRSP Eligible:	Yes
Leverage:	No

## Featured Names: July 31, 2010

	Yield	Maturity
McGill Infrastructure bond	6.1%	10>
US Treasury Long Bond SHORT (future position)	3.6%	10>
TD Bank Teir 1	6.1%	10>
JP Morgan	4.8%	5-10
American Express	3.4%	<5
Percentage of portfolio.....	43.2%	

## Regional Exposures:

Canada	79.4%
Foreign	20.6% (max 49%)

Current Yield.....4.69%

## Investment Team:

The team consists of three portfolio managers with over 39 years of combined experience. The Fund is managed using an integrated approach with each team member involved in research, portfolio management and trading.



**Christine Horoyski, CFA, CA, MBA**  
SVP & PM, Fixed Income



**Nicole White, CFA**  
Director & PM, Fixed Income & Currency



**Derek Johnson, CFA**  
Director, Fixed Income

## 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

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