

C.F.G. HEWARD CANADIAN DIVIDEND GROWTH FUND AS OF JUNE 30, 2010

INVESTMENT OVERVIEW 2Q

Overview

After initially sailing into the second quarter with a full head of steam, the global economic recovery has lost some of its momentum. Weighed down by the sovereign debt crisis in Europe, concerns over slower global growth and the sharp rise in the U.S. dollar, markets exhibited increased volatility. Concerns abound over the stamina of the U.S. recovery, having initially successfully responded to measures put in place to stem their economic slide. Also contributing to investor concerns was Asia, as both China and India were dealing with domestic issues. With overheating economies, and accelerating inflation, authorities were forced to institute measures which would maintain solid growth, but at a slower pace. The majority of damage done to markets was caused by investors moving away from higher risk assets and considerations surrounding the repositioning of portfolios and seeking the relative safety of U.S. Treasuries. Equity markets such as China, Russia, Eastern Europe and other international bourses, typically at the more risky end of the spectrum, proved to be quite volatile. Investors seemed to fear that the global economy would be dragged back into recession as a consequence of funding stresses and sovereign worries in Europe. What is striking, however, is that the growth downgrade thus far has been modest. Whereas markets may be telling us that they remain confident about the growth story, they are clearly indicating their nervousness and vulnerability should economic data turn less friendly. While risk to financial stability have clearly shot upwards over the past six months, history shows us that in past business cycle expansions, when temporary credit market pressures erupt against the backdrop of a steep yield curve, a temporary slowdown ensued, but no recession took place. If this is the scenario that is currently in play, then what we are looking at is a correction in risk assets versus a renewal of a bear market and a temporary slowing in growth and not a double dip recession. While history suggests that equity markets often maintain a cyclical personality for several years once they have come out of recession (we maintain our long term positive outlook), we caution against the temptation to chase market rallies over the short term. In this environment, one without a clear picture, the correct strategy is all about preserving capital.

Review

We wrote in January that investors should gear up for a tougher investment climate and that over the next quarter or two things could prove to be interesting. The slowdown in China and the fiscal mess in Europe are now proving our outlook to have been timely. Through the just completed quarter the fund's performance was very much in line with its benchmark, posting a -5.21% return versus -5.51% for the TSX. June 30th, 2010 also represented the one year anniversary for the fund. In its initial twelve month period, the fund registered a total return of 6.37% whereas its benchmark TSX composite yielded 11.95%. The underperformance can be attributed to the notable differences in the sector composition of the fund relative to its benchmark. Whereas the TSX reflects the exposure of the Canadian economy to natural resources, energy and financials (78% of its market cap), the fund's overall philosophy and conservative nature are designed to avoid heavy exposure to any one sector. During the initial period of the fund there was a higher than benchmark cash component as we searched out holdings that would fit the stringent guidelines established for this fund. As markets rallied during this period the cash component resulted in a drag on performance. Furthermore, the remarkable upward trajectory of gold, a sector that the fund was not exposed to (due to its conservative mandate), hindered comparisons and contributed a full 400 bps to underperformance. Nonetheless, several stocks in our fund did precisely what they were projected to do – increase dividends – led by the consumer discretionary and staple sectors as well as several of our telecommunication holdings. We continue to believe that companies that have the ability to consistently grow dividends will achieve superior growth over the long term with the benefit of reduced volatility, as they have demonstrated over the past 25 years.

FUND DETAILS

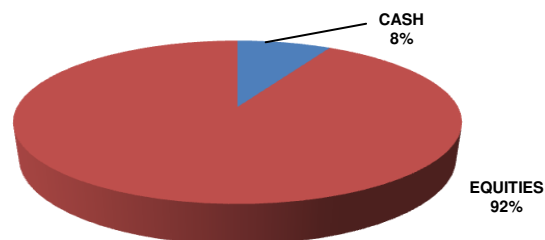
Fund Class	Fund Number	NAV (\$)
Class A	HEW 551	\$10.44
Class F	HEW 552	\$10.44
Class O	HEW 550	\$10.44
Fund Size		\$5,782,839
Total Distributions:		
Q1 Income Distribution		\$0.06
YTD Income Distribution		\$0.09
Annual Capital Gains Distribution		\$0.00
Inception Date		June 30, 2009

PERFORMANCE AS OF JUNE 30, 2010

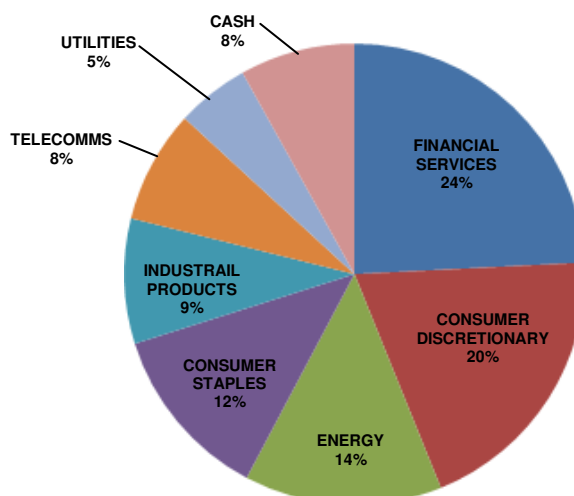
	3 mths	6 mths	1 year
<u>C.F.G. CDN Div Fund</u>	-5.21%	-2.08%	+6.37%
<u>S&P/TSX Index</u>	-5.51%	-2.55%	+11.95%
<u>Ave. Canadian Dividend and Income Fund*</u>	-5.86%	-2.38%	+9.92%

*source: www.globefund.com; June 30, 2010

ASSET MIX



SECTOR ALLOCATION



C.F.G. HEWARD CANADIAN DIVIDEND GROWTH FUND AS OF JUNE 30, 2010

CHAIRMAN



Chilion F.G. Heward started in the investment business in 1952, with Jones Heward & Co. During his thirty years with Jones Heward, ending as president and CEO (from 1974 to 1981), he developed and continues to maintain a strong network of personal relationships with major North American, British, European and Far Eastern advisors. Mr. Heward's main responsibility is to head the investment policy committee, which provides the asset mix allocation for each of the firm's investment strategies. He has served on several international boards in Bermuda, Hong Kong and as a director of outside family foundations. Mr. Heward is a member of the McGill University Pension Investment Board.

ABOUT THE FIRM

Headquarters: Montreal, Quebec

Founded: 1981

Staff: 21 **Portfolio Managers:** 6

Investment Style: Growth at a Reasonable Price (GARP) with a value bias

Investment Process: Top-down / Bottom-up

Investment Objective: To provide long-term capital growth

Assets Under Management: \$770 million

TOP TEN EQUITY HOLDINGS

Stock name	% of portfolio
SAPUTO INC	5.26%
TRANSCANADA CORPORATION	5.23%
TELUS CORPORATION	5.21%
SHAW COMMUNICATIONS INC CL B	5.14%
EMERA INC	5.11%
CANADIAN NATIONAL RAILWAY	4.96%
POWER CORP	4.85%
ROYAL BANK OF CANADA	4.82%
CENOVUS ENERGY INC	4.50%
TORONTO DOMINION BANK	4.41%

FUND MANAGERS



Renato Anzovino, CFA has nineteen years experience in the investment industry. Prior to joining the firm, he was a Vice President at a prominent investment management firm. His previous experience extends to the Royal Trust and the Royal Bank Financial Group, where he was a portfolio manager for their private client divisions. As a member of the investment committee, he focuses on Canadian equities.



Willem Hanskamp started his investment career over 35 years ago as an analyst with the Amsterdam-Rotterdam Bank. Subsequently, he joined Credit Lyonnais Netherlands and Paribas Netherlands as an assistant manager of the securities divisions, with special responsibility for global research and portfolio management. Mr. Hanskamp came to Canada in 1985 and before joining the Heward team, worked for several years with a leading Montreal brokerage firm in international institutional sales, research and global market coverage. He is responsible for a portion of the firm's portfolios. His areas of concentration and expertise are Overseas (EAFE), and fixed-income.



Maurice Conti has over thirty years of experience in the investment industry. Before joining C.F.G. Heward in 2003, Maurice worked for over 24 years within the Royal Trust Company and Royal Bank Financial Group where he rose to the position of Senior Portfolio Manager. Maurice is an active member of the Heward Investment Committee where he focuses on North American equity markets and commodities.

FUND DETAILS

Fund Type: Canadian Dividend Growth Fund

Fund Manager: C.F.G. Heward Investment Management Ltd.

Investment Objectives: The C.F.G. Heward Dividend Growth Fund seeks to maximize income and achieve modest long term capital appreciation. The Fund will strive for two objectives; income and growth for investors

Inception Date: June 30, 2009

Registered Account Eligibility: RRSP, RESP, RRIF, IPP

Minimum Investment: \$150,000

(\$50,000 for accredited investors)

Distribution Frequency: Income: Quarterly

Capital Gains: Annually

Management Fees: Class A: 2%, Class F: 1%, Class O: Neg.

Provinces of Distribution: QC, ON, AB, NB, BC

Custodian: RBC Dexia Investor Services Trust

Trustee: RBC Dexia Investor Services Trust

Auditors: BDO Canada S.E.N.C.R.L./LLP

CONTACT US



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Management fees and administrative expenses all may be associated with pooled fund investments. Please read the offering memorandum before investing. The indicated rates are the historical compound total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Pooled fund is not guaranteed, its value changes frequently and past performance may not be repeated.