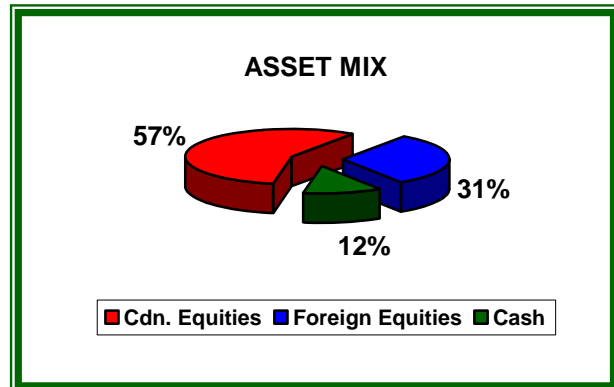


NEXUS NORTH AMERICAN EQUITY FUND

QUARTERLY REPORT – March 31, 2010

The first quarter of 2010 has ended, leaving economic and capital markets analysts of bullish or bearish persuasion each some evidence to support their respective views. The true economic picture is never known and there will always be a debate between the bears and bulls; however, even the most bearish observer would acknowledge that the global economy improved over the course of the quarter. As a generalization, most indicators of economic performance have shown outright positive improvement, and even those sectors of the economy still in decline generally are softening at a moderating pace. As expected, the global economic recovery has been uneven. Countries of the developing world, which had begun to recover in 2009, continued their strong performance, while more developed economies, such as those in Europe, Japan and North America, are recovering at a slower rate.

Governments around the globe continue to lead the rebound in economic activity with stimulative monetary policies and generous spending initiatives. Despite fundamental concerns about the long-term consequences of low interest rates and large deficits, investors have, for the time-being, concentrated more on the improvement in short-term indicators of economic activity, such as industrial production and consumer and business confidence, all of which improved steadily in the first three months of the year.



Like the economic recovery, capital markets returns have also been uneven. After beginning the year weakly, North American equity markets staged a strong rebound in February and March, to be up modestly over the full quarter. Bond returns have also been modestly positive; corporate bonds have continued to out-perform higher quality government bonds, and shorter-dated maturities have returned considerably less than bonds of longer maturity. This latter development reflects the bond market's increasing confidence that an eventual change to a tighter monetary policy is in the cards as the economic recovery takes hold. As the second quarter began, the National Bureau of Economic Research in the U.S., which is the official arbiter of determining the beginning and end to economic recessions, declared this latest recession over.

Last quarter we stated that if 2008 was a year of crisis and 2009 was a year of intervention, then 2010 might well be a year of normalization. Such a characterization continues to be accurate as central bankers and fiscal policy makers prepare to withdraw the incredible levels of economic and monetary support enacted in 2009. While it is clear that government economic stimulus saved the world (for now) from a second Great Depression, current economic policy settings must change. Zero per cent interest rates and massive government deficits have the potential to create even greater risks to future economic stability.

Governments generally used four main tools to stave off economic catastrophe; interest rates were slashed, government and private sector debts were monetized by central banks (quantitative easing), public spending was increased and taxes were cut. The challenge for policymakers in 2010 is to effect a normalization of monetary and fiscal conditions quickly enough to prevent inflation from re-igniting, but deftly enough to avoid a dip back into economic recession.

Fund performance continues to be excellent and compares well to benchmarks and competitors. In the last quarter, the Fund gained 2.9% and, over the past 12 months, it generated a positive return of 32.8%.¹

Asset Mix

We added to both our Canadian and U.S. equity allocations over the quarter, but remain conservatively positioned. The allocation to equities in the Fund is 88%, up from 84% at the beginning of the year. The cash position is 12% of the Fund at this time.

Canadian Equity Summary (57% of Assets)

Ten Largest Holdings	
Toronto Dominion Bank	4.9%
Royal Bank of Canada	3.8%
Bank of Nova Scotia	3.7%
Suncor Energy	2.7%
Research In Motion	2.5%
Enbridge	2.3%
Metro Inc.	2.2%
Thomson Reuters	2.2%
Manulife Financial	2.2%
TELUS	2.2%

We made a couple of changes to the portfolio this quarter, adding two new positions and selling another. The core theme of the portfolio retains an emphasis in defensive selections that have growth opportunities and are less economically sensitive than the overall market.

One of our new holdings is H&R REIT. H&R is Canada's second largest property REIT, and owns and manages a portfolio of commercial, industrial and office properties in Canada and the United States. H&R is widely acknowledged to be the most conservatively managed operator in this sector, with a stated corporate strategy to lease properties to credit-worthy tenants for long lease periods and with contractual rent escalations over the term of the lease. In almost all cases, properties are financed with debt maturities that match the length of the lease.

Currently, H&R is constructing a large office development in Calgary (the Bow) that is fully leased to EnCana. Slated for completion in late 2011, the project is on time and on budget. H&R units currently yield 4.2%, but H&R has a conservative payout ratio that has been reduced while the Bow is under construction. With completion in sight, there is every chance that the distribution will increase substantially in the next 18 months.

Our other new holding is Tim Hortons. Well-known to Canadians, Tim Hortons is the fourth largest publicly traded quick service restaurant chain in North America. It operates predominantly in Canada, where it has more than 3,000 stores, but is expanding its operations in the United States, where it now has almost 600 stores. Since coming public to much fanfare in March 2006, the shares have made little progress. Yet, over that time, the underlying profitability and operations of the company have made steady improvement. As a result, the valuation of the shares is now much more suitable to our investment requirements. Trading at 14 times estimated 2011 earnings, it generates high ROEs, has a clean balance sheet and excellent management. We think Tim Hortons is the strongest brand name in Canada with modest, but real, growth opportunities here. However, what could make it a successful and exciting investment is if the U.S. operations ever start to show improvement. The U.S. strategy now captures an increasing amount of management attention and recently, Tim Hortons has entered into a joint venture with Cold Stone Creamery that will expand awareness and traffic in the U.S. stores. We think that eventually it will be successful in the U.S. and that the shares will respond favourably as the opportunities south of the border become apparent.

We began the year with another quarter of strong absolute performance. Notwithstanding a concentration in industries and companies with defensive attributes, the Fund's Canadian equities increased 3.3% on the quarter and were up 42.5% over the last 12 months. The TSX Index rose 3.1% in the first quarter of the 2010 and was up 42.1% in the last 12 months.

¹ Fund returns are shown before the deduction of management fees but after the deduction of direct expenses.

U.S. Equity Summary (21% of Assets)

Our exposure to U.S. equities remains well below the Fund's long-term guidelines, and we remain heavily concentrated in the healthcare sector. However, over the course of the quarter we have introduced two new names to the portfolio. In early February, we established a position in Hewlett-Packard, a global technology company with large businesses in such areas as printing, where it has 45% of the global market, PCs, where it has 20% of the global market, and IT Services, where it is a major global player. Since a management change in 2005, HP has undergone an operational overhaul that has increased its profitability and growth profile. It generates more than 2/3rds of its revenue outside the U.S. and is perfectly positioned to participate in the secular growth story in emerging economies like India and China that are adopting technology at a rapid rate. Purchased at only 11 times estimated 2011 earnings, HP has a conservative balance sheet and excellent growth prospects without undue economic cyclicity.

We also added a small position in Western Digital Corporation this quarter. Western Digital designs and manufactures computer hard drives that are used in such applications as desktop and notebook computers, video surveillance equipment, digital video recorders, and satellite and cable set-top boxes. Most of its products are sold directly to original equipment manufacturers for inclusion in computer systems or other consumer electronic equipment. Historically, this industry was extremely fragmented. With over 100 suppliers, there was tremendous price competition and continuous product innovation that prevented any company from developing a strong competitive position. Fortunately, abetted by the recent global economic slowdown, this industry has now consolidated to only five players, and Western Digital is one of the survivors with a 30% market share. This is a cyclical industry, but it has attractive secular growth characteristics due to a relentless appetite for more data storage in more applications in both the industrial and consumer technology sectors. Western Digital is debt free, generated more than a 30% ROE in the last year and trades for 6 times estimated 2011 earnings. We think that other investors have yet to realize the change in the competitive conditions caused by the consolidation in the industry and that when they do, Western Digital will command a higher multiple.

Ten Largest Holdings	
CVS/Caremark	2.5%
Cisco Systems	2.5%
Lincare Holdings	2.4%
Covidien	2.4%
Walter Energy	2.4%
J.M. Smucker	2.3%
DaVita	2.1%
Pfizer	1.9%
Hewlett-Packard	1.7%
Western Digital	1.1%

Again U.S. equities were our top performing asset class this past quarter and our results were far ahead of the performance of the S&P 500 index. The Fund's holdings rose 5.7% to begin 2010 to be up 37.7% over the last 12 months. The S&P 500 index (C\$) rose 2.3% to begin this year and returned 20.1% since this time 12 months ago.

Other Investments (10% of Assets)

We shaved our position in Wal-Mart de Mexico (Walmex) and added slightly to our EQIT Fund holding so that our allocation in this sector is unchanged from the previous quarter. Walmex has been a very successful investment and had grown to be our largest individual position outside of Canada. It has performed very well in the time we have owned it and remains a key holding, but we feel more comfortable having reduced the size to be more aligned with our other holdings.

Our investment in the JPMorgan EQIT Fund modestly trailed the benchmark EAFE Index. The EQIT Fund declined 2.6% in the past quarter, but has risen 27.3% over the past 12 months. For the same periods, the EAFE Index declined 2.1% and rose 24.5%. EQIT remains an excellent source of diversification for the Fund and continues to be viewed as a core holding.