



IRC 2010 Report to Unitholders  
ROI Labour-Sponsored Fund  
ROI Mutual Funds  
ROI Pooled Funds

**REPORT TO UNITHOLDERS  
FOR THE PERIOD ENDING DECEMBER 31, 2010**

Dear Unitholder:

The members of the independent review committee ("IRC") of the funds listed in Schedule "A" to this report (collectively, the "Funds" and individually, a "Fund") managed by Return on Innovation Management Ltd. ("ROI") are pleased to submit their report to Unitholders of the Funds required under *National Instrument 81-107, Independent Review Committee for Investment Funds* ("NI 81-107") for the financial year ended December 31, 2010.

The IRC's mandate is to review Fund conflict of interest matters identified and referred to the IRC by ROI and to give its approval or recommendation, depending on the nature of the conflict of interest matter. The IRC's focus is on the question of whether the manager's proposed action achieves a fair and reasonable result for the Fund.

Annually the IRC reviews and assesses the adequacy and effectiveness of ROI's policies and procedures relating to conflict of interest matters in respect of the Funds, and conducts a self-assessment of the IRC's independence, effectiveness and compensation.

The IRC looks forward to continuing to serve in the best interests of the Funds and working effectively with management of the Funds.

A unitholder in any of the Funds may request a copy of this report free of charge by emailing [info@roicapital.ca](mailto:info@roicapital.ca) or by visiting [www.roicapital.ca](http://www.roicapital.ca) or [www.sedar.com](http://www.sedar.com).

**John Langs**  
Chair of the Independent Review Committee  
March 29, 2011

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## Members of the IRC

Members of the ROI IRC	Other Funds on whose IRC Member Serves
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Name	
<b>John Langs</b> Chair of the IRC Toronto, Ontario	None
<b>Claude Theberge</b> Ottawa, Ontario	None
<b>William J. Saunderson</b> Toronto, Ontario	None

All members of the committee have served since its inception in April 2007. There were no changes in the composition of the IRC during the period of this Report.

The IRC has concluded that none of the members has any relationship that would cause a reasonable person to question the independence of any of the IRC members.

### Ownership of Securities by the IRC Members

#### (a) *Funds*

As at December 31, 2010, the percentage of units of each class of the Funds covered by this report beneficially owned, directly or indirectly, in aggregate, by all members of the IRC did not exceed 0.1 per cent for any Fund.

#### (b) *Manager*

As at December 31, 2010, the percentage of each class or series of voting or equity securities of the Manager and its related parties beneficially owned, directly or indirectly, in aggregate, by all members of the IRC did not exceed 0.1 per cent.

#### (c) *Service providers*

As at December 31, 2010, no member of the IRC beneficially owned, directly or indirectly, any class or series of voting or equity securities of a person or company that provides services to the Funds or the manager of the Funds with respect to its fund business.

### Compensation and Indemnities Paid to the IRC

The compensation paid to the IRC during the year ended December 31, 2010 was set by the IRC. The aggregate compensation paid by the Funds to the members of the IRC for the year ended December 31, 2010, was \$16,500 (any applicable GST and HST was paid on these amounts). There were no changes to compensation during the period covered by the Report. This amount was allocated among the Funds in a manner considered by ROI to be fair and reasonable to the Funds.

At least annually, the IRC reviews its compensation in a manner consistent with good governance practices, giving consideration to, among other factors the IRC considers important, the following factors:

- the best interests of the Funds;
- the number, nature and complexity of the Funds;

- the nature and extent of the workload of each member of the IRC, including the types of conflicts of interest matters referred to the IRC and the commitment of time and energy that is expected from each member;
- compensation paid to independent review committees of comparable fund complexes; and
- the IRC's most recent self-assessment as well as any recommendations concerning IRC compensation and expenses made by ROI.

No payments were made to a member of the IRC under any indemnity granted in their favour during the year ended December 31, 2010.

### **Duties of the IRC**

When a conflict of interest matter arises, ROI must refer the matter, along with its proposed action, to the IRC for its review and recommendations. The IRC considers the conflict of interest matters referred to it and makes recommendations back to ROI on whether or not the IRC believes the proposed action of ROI will achieve a fair and reasonable result for the applicable Funds.

The manager has policies and procedures in place to address each conflict of interest matter. ROI relies on standing instructions granted by the IRC relating to the following conflict of interest matters referred to the IRC. In all cases, the IRC gave ROI standing instructions to follow its policies and procedures related to the applicable conflict of interest matters in all material respects and to report to the IRC on a periodic basis.

The IRC is not aware of any instance in which the Manager acted in these conflict of interest matters contrary to any conditions imposed by the IRC in its recommendations or for which the IRC did not give a positive recommendation. ROI has an obligation to notify the IRC of any such instances. The IRC had access to independent legal advice where deemed necessary or prudent.

### **Recommendations**

During the period ended December 31, 2010, ROI acted in reliance on positive recommendations and/or approvals, as applicable, granted by the IRC relating to conflicts of interest matters referred to the IRC.

The following is a brief summary of those approvals and recommendations.

1. Funding Private Placements Policy – There is a potential conflict of interest in allocating private placement investments because the manager could be motivated to favour one Fund over another.
2. Allocation of Public Investments, Sub Advisor Allocation and Portfolio Management Policy – Trade aggregation and allocation creates a potential conflict of interest because a portfolio advisor could aggregate and/or allocate trades in a manner that favours one or more particular Funds(s) to the detriment of others.
3. Personal Trading Policy and Co-Investment Policy – ROI personnel who have access to non-public information regarding the Funds and their investment decisions are in a potential conflict of interest in respect of their own trading.
4. Allocation of Cost and Work fees – There is a potential conflict of interest in allocating Fund expenses because the manager could be motivated to favour one Fund or series over another or to allocate expenses to Funds that ROI should be bearing itself. The same potential conflict exists in allocating work fees on private placements.
5. Valuation Policy – ROI has a duty to use fair pricing procedures. In valuing assets of a Fund there is a potential conflict of interest in that a higher net asset value (“NAV”) increases the management fees

earned by ROI. Also, overstating the NAV would improve fund performance which could result in greater sales which, in turn, would result in ROI earning greater revenue.

6. Prepaid Management Fees – During the year, there was a potential conflict of interest in prepaying management fees as the manager could be motivated to pay a below market compensation to the Funds in exchange for the prepayment. During the year the manager discontinued this practice.

The IRC is **not** aware of any instance in which ROI acted in a conflict of interest matter referred to the IRC for which the IRC **did not** give a positive recommendation.

**Schedule A**

**Funds covered by this report:**

*ROI Fund Inc.*

*ROI Canadian Retirement Fund*

*ROI Global Retirement Fund*

*ROI Canadian Top 30 Small Cap Picks Fund (formerly ROI Sceptre Retirement Growth Fund)*

*ROI Global Supercycle Fund*

*ROI Canadian Top 20 Picks Fund*

*ROI High Yield Private Placement Fund*

*ROI Private Placement Fund*

*ROI Strategic Private Placement Fund*

*ROI Institutional Private Placement Fund*