GlobalBanc Advantaged 8 Split Corp.

Interim Financial Statements
for the period January 1, 2010 to June 30, 2010

NOTICE TO READER:

These interim financial statements and related notes for the six month period ended June 30, 2010 have been prepared by the Management of GlobalBanc Advantaged 8 Split Corp. The external auditors of the Fund have not audited or reviewed these interim financial statements.

GLOBALBANC ADVANTAGED 8 SPLIT CORP.

STATEMENTS OF NET ASSETS (Unaudited)

As at	June 30, 2010 $	December 31, 2009 $
ASSETS		
Canadian Securities Portfolio, at fair value *[note 7]* (Total cost: 2010 – $21,621,225, 2009 – $23,059,783)	**14,827,526**	18,158,876
Forward Agreement, at fair value *[note 7]*	**(4,469,013)**	(4,797,058)
Cash and cash equivalents	**–**	77,545
Receivable from Counterparty under Forward Agreement *[note 7]*	**–**	104,840
Prepaid expenses	**3,072**	8,190
	10,361,585	13,552,393
LIABILITIES		
Accounts payable and accrued liabilities	**78,934**	111,452
Management fee payable	**2,271**	–
Redemptions payable	**163,413**	125,342
Bank overdraft	**24,794**	–
Preferred Shares *[note 5]*	**10,092,173**	13,315,599
	10,361,585	13,552,393
	–	–
CAPITAL SHAREHOLDERS' EQUITY (DEFICIT)		
Class A Shares *[note 5]*	**24,885,728**	24,918,591
Class J Shares *[note 5]*	**150**	150
Deficit	**(24,885,878)**	(24,918,741)
	–	–
Number of units outstanding *[note 5]*	**1,819,800**	1,927,100
Net Assets per Class A Share	**$0.00**	$0.00
Redemption value per Preferred Share *[note 5]*	**$5.55**	$6.91
Net Assets per unit	**$5.74**	$7.14

See accompanying notes

GLOBALBANC ADVANTAGED 8 SPLIT CORP.

STATEMENTS OF INVESTMENT OPERATIONS AND DEFICIT (Unaudited)

For six months ended June 30	2010 $	2009 $
INVESTMENT INCOME		
Interest	–	41
	–	41
EXPENSES		
Securityholder reporting costs	**42,911**	42,063
Forward Agreement fee *[note 6]*	**41,263**	47,764
Independent review committee and directors' fees	**17,460**	16,760
Audit fees	**17,356**	21,338
Custodial fees	**16,840**	15,197
Administrator fees *[note 6]*	**15,420**	13,127
Legal fees	**5,000**	2,756
Goods and Services Tax	**4,221**	2,545
Interest expense and borrowing charges	**1,246**	1,926
	161,717	163,476
Net investment loss before the undernoted:	**(161,717)**	(163,435)
Preferred Shares issue costs amortization *[note 5]*	**(93,752)**	(105,460)
Distributions on Preferred Shares *[note 8]*	–	(22,660)
Net investment loss	**(255,469)**	(291,555)
REALIZED AND UNREALIZED GAIN (LOSS) ON FORWARD AGREEMENT, CANADIAN SECURITIES PORTFOLIO AND PREFERRED SHARES		
Realized loss on Canadian Securities Portfolio *[note 7]*	**(601,564)**	(8,171,439)
Change in unrealized appreciation (depreciation) of Forward Agreement and Canadian Securities Portfolio	**(1,894,934)**	10,401,780
Gain on redemption of Preferred Shares	**540,651**	454,758
Decrease (increase) in value of Preferred Shares	**2,244,179**	(2,340,017)
Net gain (loss) on Forward Agreement, Canadian Securities Portfolio and Preferred Shares	**288,332**	345,082
Results of investment operations for the period	**32,863**	53,527
Results of investment operations per Class A Share	**$0.0174**	$0.0234
Deficit, beginning of period	**(24,918,741)**	(25,007,861)
Results of investment operations for the period	**32,863**	53,527
Deficit, end of period	**(24,885,878)**	(24,954,334)

See accompanying notes

GLOBALBANC ADVANTAGED 8 SPLIT CORP.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

For six months ended June 30	2010 $	2009 $
Shareholders' equity, beginning of period	**–**	–
Operations		
Increase in net assets from investment operations	**32,863**	53,527
Shareholder transactions *[note 5]*		
Redemption of Class A Shares	**(32,863)**	(53,527)
	(32,863)	(53,527)
Net change in shareholders' equity	**–**	–
Shareholders' equity, end of period	**–**	–

See accompanying notes

GLOBALBANC ADVANTAGED 8 SPLIT CORP.

STATEMENTS OF CASH FLOWS (Unaudited)

For six months ended June 30	2010 $	2009 $
OPERATING ACTIVITIES		
Net investment loss for the period	**(255,469)**	(291,555)
Adjustments to Reconcile Cash Flows from Operating Activities		
Proceeds from partial settlement of Forward Agreement	**506,807**	462,000
Preferred Share issue cost amortization	**93,752**	105,460
Change in other assets and liabilities	**79,711**	(22,617)
Cash flows from operating activities	**424,801**	253,288
FINANCING ACTIVITIES		
Redemption of Preferred Shares	**(1,073,000)**	(684,000)
Redemption of Class A Shares	**(56,357)**	(56,887)
Discount on Preferred Shares redeemed	**602,217**	479,877
Cash flows used in financing activities	**(527,140)**	(261,010)
Net decrease in cash and cash equivalents during the period	**(102,339)**	(7,722)
Cash and cash equivalents, beginning of period	**77,545**	72,981
Cash and cash equivalents (bank overdraft), end of period	**(24,794)**	65,259

See accompanying notes

GLOBALBANC ADVANTAGED 8 SPLIT CORP.

SCHEDULE OF INVESTMENTS (Unaudited)

INDUSTRY	Fair Value ($)	% of Total Investments
Canadian Securities Portfolio *[note 7]*	14,827,526	143.14
Value of Forward Agreement *[note 7]*	(4,469,013)	(43.14)
Total value of investments (including Forward Agreement)	**10,358,513**	**100.00**

As a result of the Forward Agreement described in Note 7, the above investments (including Forward Agreement) are represented by the Net Asset Value of the GlobalBanc Portfolio as at June 30, 2010 as listed below:

Number of shares	Description	Fair value $	% of GlobalBanc Portfolio
239,000	Banco Santander Central Hispano SA	2,627,483	25.37
36,900	BNP Paribas	2,101,336	20.29
27,300	Deutsche Bank AG	1,636,377	15.80
76,800	Bank of America Corp.	1,188,264	11.47
64,800	UBS AG	922,727	8.91
19,400	Societe Generale	853,259	8.24
541,337	Royal Bank of Scotland Group plc	359,487	3.47
59,700	Citigroup Inc.	235,998	2.28
	Cash and other assets net of liabilities	433,582	4.19
Value of GlobalBanc Portfolio		**10,358,513**	100.00%

June 30, 2010

1. INCORPORATION

GlobalBanc Advantaged 8 Split Corp. (the "**Fund**"), incorporated under the laws of Ontario on May 1, 2007, is a mutual fund corporation. The Fund provides holders of its shares with tax-efficient exposure, through the use of a forward agreement, to the price performance and dividend payments (including any increases thereof) of an initially equally weighted basket of securities consisting of eight of the world's largest banks ("**GlobalBanc Portfolio**").

On June 26, 2007, 2,600,000 Preferred Shares and 2,600,000 Class A Shares were issued by the Fund for gross proceeds of $26,000,000 in respect of the Preferred Shares and $26,000,000 in respect of the Class A Shares.

On July 6, 2007, 100,000 Preferred Shares and 100,000 Class A Shares were issued by the Fund for gross proceeds of $1,000,000 in respect of the Preferred Shares and $1,000,000 in respect of the Class A Shares.

The Preferred Shares mature on December 15, 2012.

The Administrator of the Fund is National Bank Financial Inc. (the "**Administrator**").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("**GAAP**"). In applying Canadian GAAP, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash and short-term investments with a term to maturity of less than three months from the date of purchase. Cash and cash equivalents are categorized as held for trading and therefore are carried at fair value. Short-term investments are valued at cost plus accrued interest, which approximates fair value.

Income recognition

The accrual method of recording income and expenses is followed with dividend income being recorded on the ex-dividend date.

Forward Agreement and Canadian Securities Portfolio

The Forward Agreement is valued at an amount equal to the gain or loss that would be realized if the position was to be closed out in accordance with its terms, in which case the fair value shall be based on the current fair value of the GlobalBanc Portfolio. On settlement, the fair value of the Forward Agreement would equal the difference between the fair value of the Canadian Securities Portfolio and the GlobalBanc Portfolio, net of expenses. The investments comprising the Canadian Securities Portfolio are valued at the closing bid price.

The Canadian Securities Portfolio and Forward Agreement are deemed to be held for trading and changes in fair value reflected in the Fund's Statements of Investment Operations and Deficit. Average cost is used to determine the gain or loss on the sale of the Canadian Securities Portfolio.

Results of investment operations per Class A Share

The results of investment operations per Class A Share in the Statements of Investment Operations and Deficit represents the results of investment operations during the period, divided by the average number of Class A Shares outstanding during the period.

Net Assets per unit

The Net Assets per unit is calculated as net assets at fair value divided by the number of units outstanding of the Fund. The Preferred Shares are not treated as liabilities for this purpose. A unit is a notional unit comprising one Preferred Share and one Class A Share.

Preferred Shares

The Preferred Shares are carried at amortized cost using the effective interest method and are presented as liabilities in the Statements of Net Assets. The costs incurred to issue Preferred Shares are amortized over the term of the Preferred Shares using the effective interest method. On redemption or early retraction of the Preferred Shares or Class A Shares, any unamortized issue cost relating to these shares and included in Net Assets per unit will be written off. The fair value of the Preferred Shares, which is based on the TSX market price on June 30, 2010, was $9,099,000 (2009 – $10,026,073).

Other assets and liabilities

Receivable from Counterparty under Forward Agreement is designated as loans and receivables and recorded at cost or amortized cost. Similarly, accounts payable and accrued liabilities, management fee payable and redemptions payable are designated as other liabilities and recorded at cost or amortized cost. Other assets and liabilities are short-term in nature and amortized cost approximates fair value.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows the fair value of financial instruments as at June 30, 2010, analyzed between those whose fair value is based on quoted market prices (Level 1), those involving valuation techniques where all the model inputs are observable in the market (Level 2) and those where the valuation technique involves the use of non-market observable inputs (Level 3).

	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Financial Assets				
Common stocks	14,827,526	–	–	14,827,526
	14,827,526	**–**	**–**	**14,827,526**
Financial Liabilities				
Preferred Shares *(Note 2 disclosure)*	9,099,000	–	–	9,099,000
Derivatives	–	4,469,013	–	4,469,013
	9,099,000	**4,469,013**	**–**	**13,568,013**

4. BANK INDEBTEDNESS

The Administrator, on behalf of the Fund, has entered into a $1.0 million revolving term facility with a Canadian bank. Under the terms of the facility, the Fund may borrow up to 5% of the net assets of the Fund. Amounts borrowed under the facility are collateralized by a security interest in the assets and undertakings of the Fund. Amounts borrowed bear interest at the bank’s prime rate or, if incurred by way of banker’s acceptance, at rates slightly below prime. As at June 30, 2010 and throughout the period, the term facility was not utilized (2009 – nil).

5. SHARE CAPITAL

The Fund is authorized to issue an unlimited number of Preferred Shares, Class A Shares and Class J Shares.

The Fund issued 150 Class J Shares for a cash consideration of $150.

A summary of the Fund's issued and outstanding share capital, including Preferred Shares which are classified as liabilities in the Statements of Net Assets and related share issue costs is as follows:

	Class J Shares	Number of Units	Class A Shares	Preferred Shares	Preferred Share Issue Costs
Issuance of shares on June 26, 2007	$150	2,700,000	$27,000,000	$27,000,000	–
Issue costs	–	–	($1,922,950)	–	($1,135,000)
Redemptions of shares	–	(13,500)	($61,819)	($135,000)	$5,196
Amortization	–	–	–	–	$98,775
Outstanding on December 31, 2007	$150	2,686,500	$25,015,231	$26,865,000	($1,031,029)
Redemptions of shares	–	(365,350)	($7,520)	($3,653,500)	$113,450
Amortization	–	–	–	–	$209,841
Decrease in value of Preferred Shares	–	–	–	($11,525,464)	–
Outstanding on December 31, 2008	$150	2,321,150	$25,007,711	$11,686,036	($707,738)
Redemptions of shares	–	(394,050)	($89,120)	($3,940,500)	$71,452
Amortization	–	–	–	–	$197,144
Increase in value of Preferred Shares	–	–	–	$6,009,206	–
Outstanding on December 31, 2009	$150	1,927,100	$24,918,591	$13,754,741	($439,142)
Redemptions of shares	–	(107,300)	($32,863)	($1,073,000)	$22,009
Amortization	–	–	–	–	$71,743
Decrease in value of Preferred Shares	–	–	–	($2,244,176)	–
Outstanding on June 30, 2010	**$150**	**1,819,800**	**$24,885,728**	**$10,437,563**	**($345,390)**

Preferred Shares

Holders of Preferred Shares are entitled to receive fixed cumulative preferential quarterly cash distributions of $0.1125 per Preferred Share or 4.5% per annum on the issue price of the Preferred Shares (also see Note 8). Such quarterly distributions will be paid on or about the last business day of March, June, September and December in each year commencing September 28, 2007. Preferred Shares may be surrendered at any time for redemption by the Fund, but will be redeemed only on the monthly Redemption Date. Holders of Preferred Shares whose shares are surrendered for redemption will be entitled to receive the Preferred Share Redemption Price which will be equal to the lesser of (i) (a) 95% of the Net Asset Value per unit less (b) the cost to the Fund of the purchase of a Class A Share in the market for cancellation and (ii) $10.00. Any unamortized issue costs relating to any offering of Preferred Shares by the Fund will be deducted in calculating the Net Asset Value per unit for this purpose.

Commencing in November 2008, a holder of a Preferred Share may concurrently redeem an equal number of Preferred Shares and Class A Shares on the Redemption Date in November of each year. The amount received per unit by the redeeming shareholder for such concurrent redemption will be equal to the Net Asset Value per unit. Any unamortized issue costs relating to any offering of Preferred Shares by the Fund will be deducted in calculating the Net Asset Value per unit for this purpose.

The Preferred Shares will be redeemed on December 15, 2012 (the "**Final Redemption Date**"). The redemption price payable by the Fund for each Preferred Share outstanding on the Final Redemption Date will be equal to the lesser of (i) $10.00 plus any accrued and unpaid distributions on a Preferred Share, and (ii) the Net Asset Value on that date divided by the number of Preferred Shares then outstanding.

The Preferred Shares rank in priority to the Class A Shares and Class J Shares with respect to the payment of distributions and the repayment of capital upon the dissolution, liquidation or winding-up of the Fund.

Class A Shares

Holders of Class A Shares will receive cash distributions if, as and when declared by the board of directors, that are expected to consist of non-taxable returns of capital and capital gains.

Class A Shares may be surrendered at any time for redemption by the Fund, but will be redeemed only on the monthly Redemption Date. Holders of Class A Shares whose shares are surrendered for redemption will be entitled to receive the Class A Redemption Price which will be equal to the lesser of (i) 95% of the Net Asset Value per unit less (ii) the cost to the Fund of the redemption of a Preferred Share at a premium or purchase of a Preferred Share in the market for cancellation. Any unamortized issue costs relating to any offering of Preferred Shares by the Fund will be deducted in calculating the Net Asset Value per unit for this purpose.

Commencing in November 2008, a holder of Class A Share may concurrently redeem an equal number of Class A Shares and Preferred Shares on the Redemption Date in November of each year. The amount received per unit by the redeeming shareholder for such concurrent redemption will be equal to the Net Asset Value per unit. Any unamortized issue costs relating to any offering of Preferred Shares by the Fund will be deducted in calculating the Net Asset Value per unit for this purpose.

The Class A Shares will be redeemed on the Final Redemption Date. The redemption price payable by the Fund for each Class A Share outstanding on the Final Redemption Date will be equal to the greater of (i) the Net Asset Value per unit on that date minus $10.00 and minus any accrued and unpaid distributions on a Preferred Share, and (ii) nil.

The Class A Shares rank subsequent to the Preferred Shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation or winding up of the Fund.

Class J Shares

The holders of Class J Shares are not entitled to receive dividends. The holders of Class J Shares are entitled to one vote per share.

The Class J Shares are redeemable at a price of $1.00 per share and retractable at any time at either (i) a price of $1.00 per share if any of the Class A Shares or Preferred Shares are then outstanding, or (ii) the Net Asset Value of the Fund divided by number of Class J Shares outstanding if none of the Class A Shares or Preferred Shares are then outstanding.

6. EXPENSES OF THE FUND

The Administrator is entitled to an annual fee of 0.25% per annum of the Net Asset Value, calculated daily and payable monthly, plus applicable taxes. The Administrator has retained First Asset Investment Management Inc. ("**First Asset**") to provide the administrative services, including investment advisory services, required by the Fund. Fees payable to First Asset for such services will be paid by the Administrator out of its fee.

The Fund pays the forward counterparty, National Bank of Canada, an additional purchase amount under the Forward Agreement, calculated daily and payable quarterly in arrears, of 0.40% per annum of the notional amount of the Forward Agreement, being the value of securities upon which the payment obligation of the Counterparty under the Forward Agreement is based, and 0.20% per annum in respect of hedging costs incurred in connection with the Canadian Securities Portfolio.

The Fund is responsible for all costs relating to its administration.

No commissions or other transaction costs were paid by the Fund for its portfolio transactions during the period (2009 – nil).

7. FORWARD AGREEMENT AND CANADIAN SECURITIES PORTFOLIO

In order to gain exposure to the price performance and dividend payments of the GlobalBanc Portfolio, the Fund invested the net proceeds of the offering of units in a portfolio of common shares of Canadian public companies (the "**Canadian**

Securities Portfolio") and entered into a Forward Agreement with National Bank of Canada (the "**Counterparty**").

Pursuant to the agreement, the Fund has agreed to transfer on or about the Final Redemption Date the Canadian Securities Portfolio to the Counterparty in exchange for an amount determined by reference to the Canadian dollar value of the GlobalBanc Portfolio. The Fund can partially settle the Forward Agreement prior to the Final Redemption Date in order to fund distributions and retractions, redemptions and repurchases of shares and to pay any expenses or liabilities of the Fund.

As at June 30, 2010, the Canadian Securities Portfolio for the Fund consists of the following investments:

Number of shares	Description	Fair Value $
135,400	Hudbay Minerals Inc.	1,512,418
191,522	IVANHOE Mines Ltd.	2,635,343
29,308	MacDonald Dettwiler & Associates Ltd.	1,283,104
187,500	RONA Inc.	2,941,875
119,900	Stantec Inc.	2,826,043
134,800	Viterra Inc.	954,384
225,494	Westjet Airlines Ltd.	2,674,359
		14,827,526

8. DISTRIBUTIONS

An objective of the Fund is to provide fixed cumulative preferential quarterly cash distributions equal to of $0.1125 per share to holders of Preferred Shares, as and when declared, to yield 4.5% per annum on the original issue price of the Preferred Shares. Since the fourth quarter of 2008, the Fund has been reducing quarterly cash distributions. $0.07 per Preferred Share was paid out for the quarter ending December 31, 2008, $0.005 per Preferred Share was paid out for the quarters ending March 31, June 30 and September 30, 2009 and no Preferred Share distribution has been paid since then. The Fund determined that, as a result of anticipated changes in the dividend payments to be paid by the banks included in the GlobalBanc Portfolio, future dividend payments to be received by the Fund may not generate sufficient yield to pay in full the fixed cumulative quarterly dividends in the amount of $0.1125 per Preferred Share and the expenses of the Fund. The Board of Directors will monitor the distributions estimated to be received on the GlobalBanc Portfolio and may revise the amount of dividends paid on the Preferred Shares in the future, up or down, to take into account changes in these estimates and changes in the Fund's expenses.

Class A shareholders will receive cash distributions if, as and when declared by the Board of Directors. No distributions have been declared on the Class A Shares since the first quarter of 2008.

9. INCOME TAXES

The Fund qualifies and intends to continue to qualify as a mutual fund corporation under the Income Tax Act (Canada). Mutual fund corporations are generally subject to tax in the same manner as other public corporations except that income taxes payable on realized capital gains are refundable on a formula basis when shares of the Fund are redeemed or capital gains dividends are paid by the Fund to its shareholders.

The Fund is subject to a special tax at the rate of 33 1/3% on taxable dividends received from taxable Canadian corporations. This tax is refundable to the Fund upon the payment of taxable dividends to its shareholders at the rate of $1 of tax for every $3 of dividends paid.

10. TAX LOSS CARRYFORWARD

As at June 30, 2010, the Fund had capital losses for income tax purposes which may be carried forward indefinitely to be applied against future capital gains. The non-capital losses may be utilized to reduce taxable income of future years and expire in the years indicated.

Capital Losses	Non-Capital Losses	Expiration of Non-Capital Losses 2027	2028	2029
$20,872,067	$2,444,129	$650,918	$948,612	$844,599

11. MANAGEMENT OF FINANCIAL RISKS

In the normal course of business, the Fund is exposed to various financial risks, including credit risk, liquidity risk and market risk (consisting of interest rate risk, currency risk and other price risk). To assist in managing risk, the Administrator maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy, investment guidelines and securities regulations.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it as entered into with the Fund.

In entering into the Forward Agreement, the Fund is exposed to the credit risk associated with the Counterparty. Depending upon the relative values of the GlobalBanc Portfolio and the Canadian Securities Portfolio, the Fund's exposure to the credit risk of the Counterparty may be significant. As at June 30, 2010, the credit exposure is $10.4 million and is represented by the carrying value of the GlobalBanc Portfolio.

The Counterparty credit risk is managed by dealing with counterparties the Fund believes to be creditworthy and by regular monitoring of credit exposures. As at June 30, 2010, the Counterparty has a credit rating of A according to Standard & Poor's.

Liquidity risk

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligation on time or at a reasonable price. As at June 30, 2010, the holdings in the Canadian Securities Portfolio and GlobalBanc Portfolio are considered readily realizable as they are actively traded on public exchanges. In addition, the Fund may borrow up to 5% of its net assets for the purpose of paying redemptions and for working capital purposes.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

The Fund is not exposed to interest rate risk on the Preferred Shares as these shares are entitled to a fixed cumulative preferential distribution of 4.5% per annum on the issue price of the Preferred Shares.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The assets and liabilities of the Fund are predominantly held in the functional currency of the Fund which is the Canadian dollar. The Fund is exposed to the performance of the GlobalBanc Portfolio which is denominated in foreign currencies. As the Forward Agreement, through which the exposure is obtained, includes a foreign currency hedge, the Fund is not exposed to significant foreign currency risks.

Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

All investments in securities present a risk of loss of capital. The maximum market price risk resulting from these investments is equivalent to their fair value. The value of the Class A Shares and Preferred Shares will vary with the value of the GlobalBanc Portfolio by virtue of the Forward Agreement. The Fund's investment portfolio is passively managed and the value of the GlobalBanc Portfolio will be influenced by factors which are not within the control of the Fund including the performance of the portfolio securities, the condition of the equity markets generally and other factors. The Fund's exposure is concentrated in the financial services sector and as such will be exposed to the specific factors that affect this sector.

By utilizing a split share structure, holders of the Class A Shares receive leveraged exposure such that any capital appreciation or depreciation of the GlobalBanc Portfolio will be borne by the Class A Shares up to amounts subscribed by these shareholders. Accordingly, any increase or decrease in the value of the GlobalBanc Portfolio will result in a greater proportionate increase or decrease in the Net Asset Value of the Class A Shares. At June 30, 2010 as the decline in the value of the GlobalBanc Portfolio exceeded the amounts subscribed by the Class A shareholders, the value of the Class A shares is nil and the Preferred Shareholders have absorbed the excess losses.

As at June 30, 2010, 99.24% (2009 – 95.24%) of the Fund's net assets were exposed to the holdings in the GlobalBanc Portfolio which are traded on global stock exchanges. Due to the deficit and the absorption of losses by preferred shareholders, the GlobalBanc Portfolio will need to increase by $7.8 million or 74.35% for the Class A Share value to exceed zero.

12. CAPITAL MANAGEMENT

The Fund considers its capital to consist of Class A, Class J and Preferred Shares.

The Fund's objectives in managing its capital are:

(i) to provide holders of Preferred Shares with cumulative preferential quarterly cash distributions in the amount of $0.1125 per Preferred Share and to return the original issue price to holders of the shares on December 15, 2012, and

(ii) to provide holders of Class A Shares with cash distributions and the opportunity for growth in net asset value per share.

The Fund manages its capital in accordance with its investment objectives and strategies and the risk management practices outlined in Note 11. In order to manage its capital structure, the Fund may adjust the amount of distributions paid to shareholders.

13. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Canadian Accounting Standards Board ("**AcSB**") has confirmed that the use of International Financial Reporting Standards ("**IFRS**") will be required for all Canadian publicly accountable entities for financial years beginning on or after January 1, 2011. At the transition date the prior fiscal year financial statements will require restatement to IFRS for comparative purposes.

The AcSB's original IFRS implementation plan included investment funds, however, in June 2010, the AcSB issued an Exposure Draft proposing that entities currently applying Accounting Guideline *AcG-18 – Investment Companies*, can continue to apply existing Canadian standards in the CICA Handbook until fiscal years beginning on or after January 1, 2012. Earlier application would be permitted.

The Fund is continuing with its orderly transition plan to meet the requirements to changeover to IFRS. The Fund has reviewed the existing body of IFRS against its current policies under Canadian GAAP and has noted certain policy differences. The major changes identified include the classification of unitholder's equity (puttable instruments) as a liability unless certain conditions are met, as well as more extensive note disclosure requirements. These changes will not have an impact on the Fund's results of operations or financial position.