



# **Interim Management Report on Fund Performance**

## **Global Dividend Fund**

**June 30, 2008**

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# Interim Management Report of Fund Performance As at June 30, 2008

## Global Dividend Fund

*This Interim Management Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements of the Fund. You can get copy of the annual financial statements by request, and at no cost, by calling (866) 745-5545 ext. 3173, by writing to us at frontierAlt Capital Corporation, 350 Bay Street, Suite 1300, Toronto, Ontario, M5H 2S6 or by visiting our website at [www.frontieralt.com](http://www.frontieralt.com) or SEDAR at [www.sedar.com](http://www.sedar.com).*

*Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*

### Forward-Looking Information

This Interim Management Report of Fund Performance contains forward-looking information and statements relating, but not limited to, anticipated or prospective financial performance and results of operation of the Fund. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievement expresses or implied by the forward-looking information. For this purpose, any statements that are contained herein that are not statements of historical fact may be deemed forward-looking information. Without limiting the forgoing, the words "believes", "anticipates", "plans", "intends", "will", "should", "expects", "projects", and similar expressions are intended to indentify forward-looking information.

The Manager of the Fund believes it has a reasonable basis for making the forecasts or projections included in the this Interim Management Report of Fund Performance, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, the forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predictions, forecasts and other forward-looking statements will not occur. These factors include, but are not limited to, those associated with the performance of the equity securities market, expectations about interest rates and factors incorporated by reference herein as risk factors.

Any forward-looking information presented in this Interim Management Report of Fund Performance is solely the view of the Manager of the investment fund at June 30, 2008, and is subject to change at any time without notice as markets and events warrant.

## **Management Report on Fund Performance: Global Dividend Fund**

### **Management Discussion of Fund Performance**

#### **Investment Objectives**

The Fund's investment objectives are:

- i) to provide holders of Units ("Unitholders") with monthly cash distributions; and
- ii) to preserve and enhance net asset value.

#### **Investment Strategies**

The net proceeds of the Offering, together with any borrowings under the Loan Facility (as defined under "The Fund – Loan Facility"), are invested in a diversified global portfolio (the "Portfolio") comprised primarily of common shares and other equity securities, including preferred shares and income trust units ("Dividend-Paying Equity Securities") of issuers that MFC Global (as hereinafter defined) believes are fundamentally sound but which are trading at a discount to their intrinsic value. MFC Global will continue to invest in issuers that have strong cash flows and the ability to grow their distributions. MFC Global expects that the Portfolio will continue to be comprised of the equity securities of approximately 40-60 issuers diversified by both geography and sector, with each issuer typically having a market capitalization of at least U.S. \$2 billion

The Fund's investments include securities traded in foreign currencies. frontierAlt Capital Corporation ("the Manager) is hedging certain portions of the Portfolio back to the Canadian dollar. At least 75% of the value of the Fund's investments will be hedged back to the Canadian dollar at all times.

The Fund invests primarily in equity securities of businesses located around the world emphasizing dividend-paying securities with attractive valuations. Investment analysis for the Fund follows a bottom-up approach, focusing on those securities that are considered undervalued in relation to potential future earnings and which have lower valuations and higher than average dividend yields. The Fund generally uses a fundamental value approach using quantitative analysis for assessing the long term value of a particular issuer, combined with input from the portfolio management team external research and meetings with issuer management.

#### **Risk**

Please see the prospectus for a full discussion of the overall risk. The financial year saw no material changes affecting the overall level of risk.

#### **Results from Operations**

The Fund's closing was January 4, 2007 where it began trading on the TSX under the symbol GDP.UN. The gross proceeds from the closing were \$60 million. On January 24, 2007, the Fund exercised the over-allotment option for addition gross proceeds of \$1,800,000; therefore bring the total gross proceeds to \$61,800,000. On June 27, 2008, unitholders tendered 2,274,296 units for redemption for an aggregate of \$19,784,927.86. Net assets as at the end of the period were \$27,843,136.17.

Upon closing, the Fund entered into a loan facility with a financial institution. The purpose of the loan facility is to allow the portfolio manager to opportunistically add leverage to the Fund in order to meet the Fund's investment objectives and enhance returns.

Any loan facility would permit the Fund to borrow an amount not exceeding 25% of the value of the total assets of the Fund (at any time) which may be used by the Fund to purchase additional securities and for working capital purposes. At June 30, 2008, the Fund borrowed 12.85% of Net Asset Value for these purposes. The Fund borrows at rate of Bankers' Acceptances ("BAs") plus 0.35%.

## **Recent Developments**

Global equity markets declined modestly in the second quarter on concerns over slowing global growth and higher inflation expectations driven by a dramatic rise in energy and material prices. Sector performance was divergent with the energy and materials sectors very strong while financial and consumer discretionary were very weak. Further credit impairments and asset write-downs have forced financial companies to raise capital in earnings dilutive equity issues.

Over the quarter rising pressure on short-term rates to combat inflation has increased expectations of a slowing U.S. and global economy. U.S. consumer net worth has been under extreme pressure as evidenced from the sharpest decline in year-over-year house prices of 15.3% in April. The Canadian dollar gained modestly against most currencies reducing returns to Canadian investors in foreign securities.

The Fund modestly underperformed the MSCI World Index in Canadian dollar terms. The Fund's currency hedging mandate positively impacted the Fund by limiting the impact of the strengthening Canadian dollar. Strong returns from positions in energy and material stocks, an overweight exposure in telecom and an underweight in financials added to the positive performance of the fund while weaker relative performance from stocks in the consumer staples sector detracted from performance.

Throughout the period the portfolio managers repositioned the Fund's sector exposures in response to changes in valuation and underlying fundamentals. The portfolio managers decreased the exposure to financials over increasing concerns that the benefit financial stocks derive from a steepened yield curve will be outweighed by further deterioration in credit losses. Also during the period the Fund's cash position was increased due to concerns over the impact rising energy and materials costs have made on the profitability across most sectors.

During the period the portfolio managers initiated a new position in Tesco, a high quality UK based food retailer at an attractive price. A new position was also initiated in American Water Works a U.S. based water utility at a very reasonable valuation. To fund these purchases positions in Yamana Gold and France Telecom were sold.

Equity markets are facing headwinds from rising credit costs, slowing earnings growth, softening economic output and high energy and material prices. At the same time the aggressive actions taken by the U.S. Federal reserve to reduce interest rates and provide liquidity should support equity markets. Given the risks presented by a slowing economy and deteriorating credit quality the portfolio is defensively positioned in high quality, high yielding securities that are less exposed to a softening global economy. Additionally, the Fund has 8% in cash. The Fund has larger exposures to telecom and consumer staples stocks. Dividend growth will continue to be driven by high free cash flows, rising payout ratios and strong corporate balance sheets.

## **Independent Review Committee**

Under the provision of National Instrument 81-107 – Independent Review Committee for Investment Fund ("NI 81-107"), which came into force on May 1, 2007 it is now required that all publicly offered investment funds, such as the Fund, establish an independent review committee ("IRC") to whom the Manager is to refer all conflict of interest matters in order to obtain a recommendation or approval, as applicable. NI 81-107 further mandates that the IRC be composed of at least three independent members and requires that they conduct assessments and regularly report to the Manager and unitholders in respect of its duties. The manager appointed its three persons IRC on May 1, 2007, but was not required to be in full compliance with NI 81-107 prior to November 1, 2007. The independent members of the Fund's IRC are Andrew Jones (Chair), Zareer Pavri and Michael Singer.

## **Related Party Transactions**

The following arrangements result in fees paid by the Fund to the Manager or to companies affiliated with the Manager.

### **Management & Portfolio Management Services**

For the six months ended June 30, 2008, the Fund paid frontierA/t \$275,418 for management services.

### **Administration Services**

For the period ended June 30, 2008, the Fund paid \$50,327 to KeiData Back Office Solutions Inc. ("KeiData") for administration services. KeiData is a subsidiary of the Manager.

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past periods. The information is derived from the Fund's audited annual financial statements.

<b>Net Asset Value (NAV) per Unit</b>	<b>Jun 2008</b>	<b>Dec 2007<sup>(1)</sup></b>	<b>Dec 2006</b>
<b>Net asset value, beginning of period</b>	\$ 8.91	\$ 10.00	\$ 10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.14	0.34	0.00
Total expenses	(0.11)	(0.23)	0.00
Realized gains (losses)	(1.13)	(0.06)	0.00
Unrealized gains (losses)	(0.27)	0.02	0.00
Agents' fees	0.00	(0.50)	0.00
Issue Cost	<u>0.00</u>	<u>(0.12)</u>	<u>0.00</u>
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<u>(1.37)</u>	<u>(0.55)</u>	<u>0.00</u>
<b>Distributions:</b>			
From income (excluding dividends)	(0.26)	(0.55)	0.00
From dividends	0.00	0.00	0.00
From capital gains	0.00	0.00	0.00
Return of capital	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Total distributions<sup>(3)</sup></b>	<u>(0.26)</u>	<u>(0.55)</u>	<u>0.00</u>
<b>Net asset value, end of period<sup>(4)</sup></b>	<u>\$ 7.33</u>	<u>\$ 8.91</u>	<u>\$ 10.00</u>

(1) For the period ended January 4, 2007 to December 31, 2007

(2) Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operation is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash

(4) This information is provided as at period end.

## Ratios and Supplemental Data

	<b>Jun</b>	<b>Dec</b>	<b>Dec</b>
For the periods ended	<b>2008</b>	<b>2007</b>	<b>2006</b>
Net assets (000's) <sup>(1)</sup>	\$ 27,843	\$ 54,198	\$ 10
Number of units outstanding	3,799,454	6,086,250	1
Management expense ratio (exclude issue cost and agents' fees) <sup>(2)</sup>	2.04%	2.48%	0.00%
Management expense ratio (include issue cost and agents' fees) <sup>(2)</sup>	2.04%	9.31%	0.00%
Portfolio turnover rate <sup>(3)</sup>	102.59%	190.91%	0.00%
Trading expense ratio <sup>(4)</sup>	0.24%	0.35%	0.00%

(1) This information is shown as at period end.

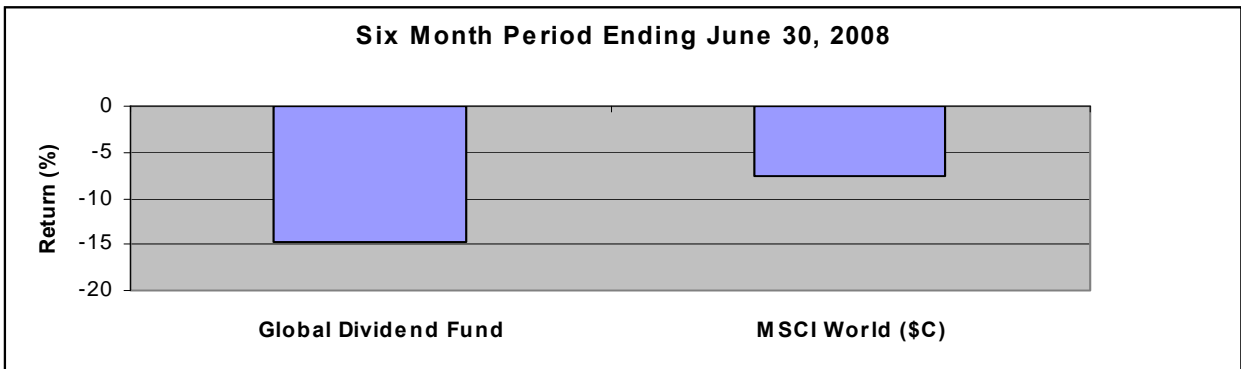
(2) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

## Past Performance

The following bar chart shows the Fund's and the Fund's benchmark (the MSCI World \$C) performance for the six-month period ended June 30, 2008 assuming all the distributions made by the Fund during the period shown were reinvested. This bar chart shows, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period. Past performance is not necessarily indicative of future performance.



## Summary of Portfolio Investments

<b><u>Sector Allocation</u></b>	<b>% of Net Assets</b>
Energy	22.4%
Telecommunication Services	20.6%
Financials	17.5%
Consumer Staples	15.3%
Health Care	10.7%
Industrials	10.6%
Information Technology	6.0%
Materials	6.0%
Utilities	4.0%
Consumer Discretionary	3.5%
Cash	29.0%
Other assets less other liabilities	-45.6%
	<hr/>
	100.0%

## **Weightings by Country**

	<b>% of Net Assets</b>
United States	40.1%
Canada	11.0%
France	10.6%
United Kingdom	7.2%
Italy	6.0%
Brazil	5.9%
Norway	5.4%
Switzerland	5.3%
Spain	5.0%
South Africa	4.3%
Finland	4.2%
Germany	4.0%
Greece	3.1%
Netherlands	2.6%
Japan	1.9%
Cash	29.0%
Other assets less other liabilities	-45.6%
	<hr/>
	100.0%

**Top 25 Holdings****% of Net Assets**

ENI SPA	6.0%
Companhia de Bebidas das Americas - AmBev ADF	5.9%
Telenor ASA	5.4%
Walgreen Co.	5.4%
Nestle SA	5.3%
Telefonica SA	5.0%
Sasol Limited ADR	4.3%
Nokia OYJ	4.2%
Comcast Corporation Class A	4.1%
American Water Works Company, Inc.	4.0%
ConocoPhillips	3.9%
Total SA	3.4%
National Bank of Greece SA	3.1%
Oesterreichische Post AG	3.1%
Johnson & Johnson	3.1%
Petro-Canada	3.0%
Tesco PLC	2.7%
Koninklijke (Royal) Philips Electronics NV	2.6%
CIGNA Corporation	2.6%
AT&T Inc.	2.6%
Vodafone Group PLC	2.6%
AXA	2.5%
Vivendi	2.5%
Waste Management Inc.	2.5%
Deere & Co.	2.4%

This Summary of Investment Portfolio may change due to the ongoing portfolio transactions of the Fund and a quarterly update is available at [www.frontieralt.com](http://www.frontieralt.com). The weightings of the positions are calculated based on total net asset value of the portfolio as at June 30, 2008.