



FUND PERFORMANCE

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
1999	-	-	-	-	13.92	-1.82	3.35	-3.68	4.79	-1.08	-10.52	0.74	4.04
2000	-1.32	-5.23	0.53	24.00	10.99	-1.42	2.67	2.97	-0.36	2.97	1.20	-2.93	35.91
2001	15.58	7.39	6.14	-0.60	8.60	-2.53	11.30	10.80	3.01	4.76	-10.16	-1.59	63.12
2002	8.03	4.04	-3.26	5.52	1.77	2.21	1.38	-2.22	0.38	-0.58	1.67	2.14	22.61
2003	0.31	-4.03	-0.29	-3.58	-0.59	-0.09	3.77	0.02	-1.36	2.35	2.36	3.45	2.00
2004	-1.47	1.45	1.40	-0.52	0.70	-0.50	0.46	-1.79	0.24	-0.94	-4.45	-8.25	-13.23
2005	-0.74	3.71	-1.27	-2.44	-5.91	-1.94	-0.08	1.49	-1.21	-2.97	-0.01	1.32	-9.91
2006	-0.10	2.02	1.70	-1.01	0.68	-2.04	1.06	0.68	-0.92	2.10	2.23	0.20	6.70
2007	0.29	8.00	4.30	-0.96	-0.66	5.56	5.36	2.79	1.81	2.84	3.09	1.96	39.85
2008	-0.46	3.89	0.89	-4.04	-2.12	3.69	3.04	-0.70	5.92	-1.30	-0.53	2.04	10.31
2009	-0.30	-3.66	2.55	0.23	4.08	-1.59	0.08	0.59	1.54	0.98	0.39	0.37	5.17
2010	0.40	-0.05	-1.11	0.38	-0.24	2.10	-4.16	-	-	-	-	-	-2.76

Returns prior to September 2002 are for Preservation Trust, a pre-existing fund with an identical strategy (these returns are expressed in C\$ and reflect a 10% hurdle rate)

FUND COMMENTARY

In July, North American equity markets rebounded after two decidedly negative months in a row resulting in only minor losses across the board year to date. In Canada, the S&P/TSX Composite Index rose 3.71%. Meanwhile the US markets posted very positive returns; the S&P 500 gained 6.88% in July and the DJIA was also positive for the month (+7.08%). The NASDAQ index posted a significant increase of 6.90%. Year to date the S&P/TSX Composite Index has lost (-0.28%), the S&P 500 has fallen (-1.21%), the DJIA is up (+0.36%) and the NASDAQ index is down (-0.64%).

The Preservation Capital maintained a positive net market exposure of 12% (beta adjusted net exposure = -19%) during July and experienced a loss of 4.16% on the month. Year to date the fund is down 2.76%. The monthly return can be attributed to losses in the financial, basic materials, consumer cyclical and diversified sectors. Various index unit short positions also dragged returns on the month.

Specifically, positions in the financial sector combined for losses of approximately -1.7%, while basic materials sector positions also dragged returns another -1.0%. Positions in the consumer cyclical and diversified sectors combined to lose a further -0.8%. Various index unit short positions also contributed negatively in July (approximately -0.6%).

The Canadian and US short books lost -6.1% for the month while the Canadian and US long books combined to offset some of this loss (+1.9%).

At the end of July, the fund was net long in Canada (+11%) and net long in the US (+1%). Overall, approximately 59% of the fund was invested in Canada and 41% in the US. Net exposure stood at +12% by the end of the month, while gross exposure stood at approximately 112%.

With the ongoing uncertainty in the economy, several longer term structural issues and rising deflationary risks, the manager intends to maintain a defensive stance. Since inception (May 1999) the Preservation Capital has shown a negative correlation (-0.21) to its benchmark, equal weightings of the S&P 500 and S&P/TSX Composite Index. The Preservation Capital has generated annualized returns of 12.6% while its benchmark has gained 1.6% annualized over the same period.

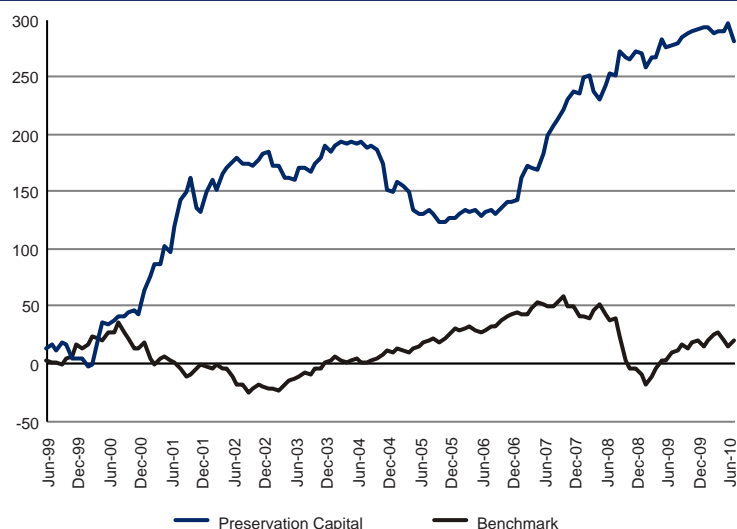
FUND STRATEGY

Preservation Capital Ltd. seeks absolute return on capital through a classic long-short hedged style. The Fund invests approximately half of its assets in Canadian equities and stresses hands-on fundamental research. The investment advisor currently manages approximately C\$300million. Preservation Capital is managed *pari passu* with The Preservation Trust, an existing fund for Canadian investors managed by the advisor.

The Fund seeks to execute a focused investment strategy (different themes or sectors on a rotating basis) while maintaining diversification in the number of positions held (40-60 at any one time). Gross exposure typically ranges between 100% and 150% with a net exposure between -20% and +40%. Investments are made in publicly-traded Canadian and US equities. Exposure to the C\$ is hedged weekly.

Security selection is the primary focus as the investment advisors attempt to buy high quality companies trading at significant discounts to their intrinsic values and short businesses with: weak fundamentals, poor or overly promotional management, and aggressive accounting. The Investment Advisors perform significant internal due diligence on all investment ideas.

RELATIVE PERFORMANCE (SINCE INCEPTION)

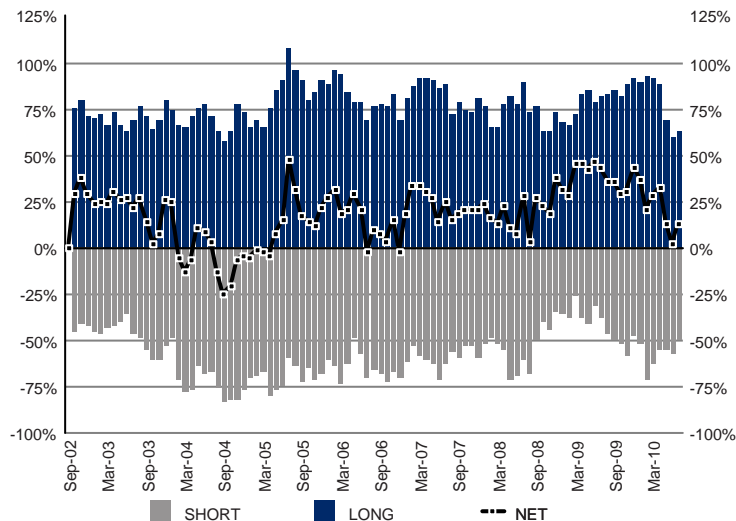


RETURN ANALYSIS

	Preservation Capital	Benchmark
Avg. Monthly Return (since incep.)	1.08%	0.23%
Months with Positive 1-year Return	78.23%	59.68%
Months with Negative 1-year Return	21.77%	40.32%
Annualized Returns		
Since Inception	12.59%	1.57%
1 Year	1.06%	10.14%
3 Year	8.47%	-7.03%
5 Year	10.66%	0.16%
10 Year	10.78%	-0.60%
Best Month	24.00%	8.81%
Worst Month	-10.52%	-16.88%
Best 12 Month Return	90.46%	46.79%
Worst 12 Month Return	-22.04%	-42.35%
Advancing Months	57.78%	55.56%
Declining Months	42.22%	44.44%

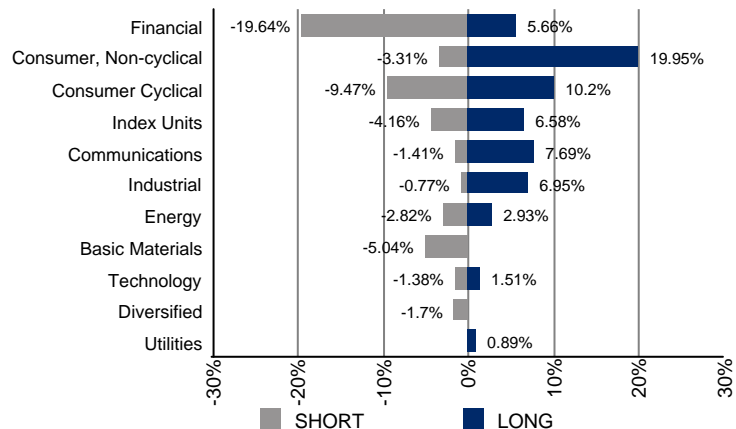
MARKET EXPOSURE

Preservation Capital aims to respond quickly to changes in market conditions. As a result, the fund is not required to maintain a long or short bias. This variable bias allows the fund to perform in both "up" and "down" markets.



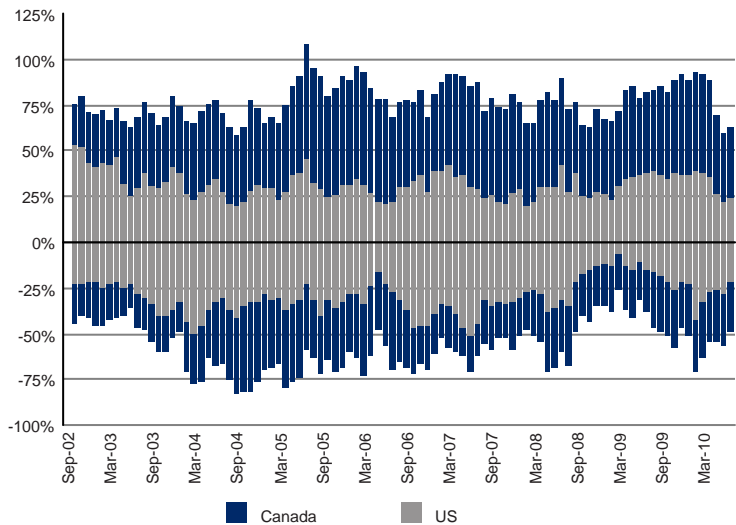
SECTOR EXPOSURE

Preservation Capital does not make highly concentrated, large or directional bets – and opts instead for diversification across a wide variety of sectors.



GEOGRAPHIC EXPOSURE

The Fund focuses on opportunities in both Canada and the United States.



RISK MANAGEMENT

	Preservation Capital	Benchmark
Annualized Standard Deviation		
Since Inception	15.01%	15.34%
Last 12 Months	5.44%	14.79%
Kurtosis		
	6.72	1.12
Skewness		
	1.52	-0.76
Up Months		
Average Monthly Return	3.41%	3.34%
Standard Deviation	3.99%	2.13%
Down Months		
Average Monthly Return	-2.10%	-3.66%
Standard Deviation	2.29%	3.34%
Sharpe Ratio (4%)		
Since Inception	0.57	-0.16
Last 12 Months	-0.54	0.42
Largest Peak to Valley Drawdown		
	-24.01%	-48.48%

MARKET EXPOSURE

Correlation to Benchmark	-0.21
Net Exposure (dollar-weighted)	
Last Month	12.65%
Last 12 Months Average	26.70%
Alpha (excess over: benchmark x L12M beta)	
Last Month	-3.42%
Last 12 Months	-0.33%
Beta (vs Benchmark)	
Since Inception	-0.20
Last 12 Months	-0.14

MANAGER

The Manager of the Fund is Alexander Ernst Ltd., a Barbados corporation.

The Investment Advisor for Preservation Capital is JCClark Ltd., a Toronto based 14-person hedge fund management firm. JCClark Ltd. was founded by John Clark, former chairman of the Toronto Stock Exchange, co-founder of Connor Clark & Co., a leading wealth management firm and co-founder of Connor, Clark & Lunn a large pension fund manager. He has 37 years of investment management experience and over 20 years of long/short experience. He has successfully managed money through 6 bear markets during his career. The firm is supported by an investment team, trader, in-house compliance officer, operations staff and business development personnel.

ELIGIBLE INVESTORS

Units of Preservation Capital Ltd. are not available to residents of Canada; U.S. persons other than tax-exempt U.S. persons; residents of Barbados; or persons prohibited by applicable law from investing in the Fund. A Bermuda-based master fund ("Preservation Capital LP") is available to U.S. taxable investors.

TERMS

Subscriptions/Redemptions:	Monthly
Program/ Fund Launch:	May 1999/ September 2002
Management Fee:	2% of net assets per annum
Performance Fee:	20%
Hurdle Rate:	0%
Minimum Investment:	US\$1,000,000; €1,000,000
Currencies:	US\$, Euros
Assets in Program:	C\$170 million (approx.)
High Water Mark:	NAV at time of investment
Auditor:	Deloitte & Touche
Prime Broker:	National Bank of Canada