

Ark StoneCastle Stable Growth Class

Management Report of Fund Performance

June 30, 2011

This semi annual management report of fund performance is an analysis and explanation that is intended to complement Redwood Asset Management Inc. mutual fund financial statements. The report contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-877-313-7011, by visiting our website at www.redwoodfunds.ca or SEDAR at www.sedar.com or by writing to us at: Redwood Asset Management Inc., 120 Adelaide Street West, Suite 2400, P.O. Box 23, Toronto, Ontario M5H 1T1. Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting record or quarterly portfolio disclosure.

Management Discussion of Fund Performance

Investment Objective and Strategies

The objective of the Ark StoneCastle Stable Growth Class is to outperform the broad Canadian equity markets as measured by the S&P/TSX Composite Index, over a period longer than 5 years, thereby providing long-term capital appreciation and value by investing primarily in equities of Canadian issuers. The Fund may focus its assets in specific industry sectors and asset classes based on analysis of business cycles, industry sectors and market outlook.

The Fund uses both a top-down and bottom-up approach. It has the ability to take positions in equity (including income trusts), fixed income securities, convertible securities, mutual funds, exchange-traded funds (ETFs) and cash. The Fund will seek to identify and select the best risk return opportunities across the capitalization spectrum.

The Fund also may invest in:

- Undervalued securities
- Steady growth companies
- Event driven opportunities
- Underfollowed/misunderstood securities/situations
- Theme oriented companies

Related- Party Transactions

Management Fee

The Fund pays management fees at an annual rate of up to 2.50% of average net assets of Series A and up to 1.50% of Series F. This fee relates to the portfolio advisory services the Fund received during the year. The management fee is calculated and accrued daily based on the average net asset value of that Series of units of the Fund and is paid on the last day of each month.

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 six month ended June 30, 2011. Per share data is derived from the Fund's financial statements. The net assets per share presented in the financial statement differs from the net asset value per share used in calculating purchase and redemption prices for the fund, due to differences in valuation techniques of certain investments.

Ratio and supplemental data is derived from the Fund's net asset value.

The Fund's Net Assets per Share - Series A (\$) ⁽¹⁾

	June 2011	Dec 2010 ⁽³⁾
Net Assets, beginning of period	\$ 13.27	\$ 10.85
Increase (decrease) from operations:		
Total revenue	0.04	0.12
Total expenses	(0.25)	(0.57)
Realized gains (losses) for the period	1.16	0.45
Unrealized gains (losses) for the period	(2.20)	2.46
Total Decrease from operations ⁽²⁾	\$ (1.25)	\$ 2.46
Distributions:		
From income (excluding dividends)	-	-
From dividends	-	(0.04)
From capital gains	-	-
Return of capital	-	-
Total Annual Distributions ⁽²⁾	-	(0.04)
Net Assets, end of period	\$ 12.02	\$ 13.27

The Fund's Net Assets per Share - Series F (\$) ⁽¹⁾

	June 2011	Dec 2010 ⁽³⁾
Net Assets, beginning of period	\$ 13.44	\$ 10.88
Increase (decrease) from operations:		
Total revenue	0.04	0.11
Total expenses	(0.17)	(0.47)
Realized gains (losses) for the period	1.09	0.45
Unrealized gains (losses) for the period	(2.16)	2.51
Total Decrease from operations ⁽²⁾	\$ (1.20)	\$ 2.60
Distributions:		
From income (excluding dividends)	-	-
From dividends	-	(0.04)
From capital gains	-	-
Return of capital	-	-
Total Annual Distributions ⁽²⁾	-	(0.04)
Net Assets, end of period	\$ 12.24	\$ 13.44

(1) This information is derived from the Fund's audited annual financial statements. The net assets per share presented in the financial statements differs from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in the notes to the financial statements.

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

(3) This Fund started on August 13, 2009.

Ratios and Supplemental Data (unaudited)

	June	Dec
	2011	2010
Series A		⁽⁶⁾
Total net asset value (\$) (000's) ⁽¹⁾	9,402	6,869
Number of units outstanding ⁽¹⁾	782,208	517,489
Management expense ratio ⁽²⁾	3.82%	5.06% ⁽⁵⁾
Management expense ratio before waivers or absorption	3.82%	5.06% ⁽⁵⁾
Trading expense ratio ⁽³⁾	0.81%	0.60% ⁽⁵⁾
Portfolio turnover rate ⁽⁴⁾	231.88%	222.45%
Net asset value per unit (\$)	12.02	13.27
Series F		⁽⁶⁾
Total net asset value (\$) (000's) ⁽¹⁾	2,859	2,882
Number of units outstanding ⁽¹⁾	233,648	214,416
Management expense ratio ⁽²⁾	2.66%	4.12% ⁽⁵⁾
Management expense ratio before waivers or absorption	2.66%	4.12% ⁽⁵⁾
Trading expense ratio ⁽³⁾	0.81%	0.60% ⁽⁵⁾
Portfolio turnover rate ⁽⁴⁾	231.88%	222.45%
Net asset value per unit (\$)	12.24	13.44

(1) The information is provided as at December 31 of the period shown.

(2) Management expense ratio is based on total expenses (excluding broker commission and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

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

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor 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 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 the Fund.

(5) Percentages are annualized.

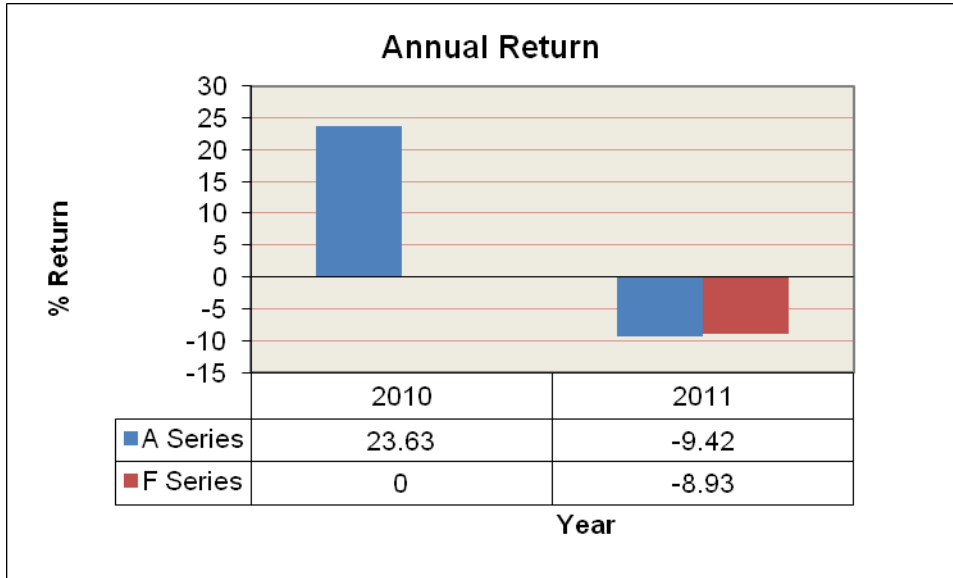
(6) This Fund started on August 13, 2009

Past Performance

The indicated rates of return are the historical total returns including changes in unit values and assume reinvestment of all distributions in additional units of the relevant Series of the Fund. These returns do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that may reduce returns. Please note that past performance is not indicative of future performance.

Year-by-Year Returns

The following chart indicates the performance of each Series of the fund as of the inception date of August 18, 2009. The chart shows how much an investment made at the Fund's inception would have increased/decreased, in percentage terms, by the last day of each financial year.



Quarterly Portfolio Disclosure

As of June 30, 2011

Summary of Investment Portfolio

Sector Allocation

Energy 25.11%
 Industrials 2.65%
 Basic Materials 26.17%
 Technology 2.50%
 Cash & Cash Equivalents 27.10%
 Financials 10.21%
 Consumer Discretionary 2.83%
 Telecommunications 3.29%

Total Net Asset Value*

\$12,282,142.83
 (*based on the net asset value
 used for fund pricing purposes)

Top 25 Holdings

	Issuer	% of Net Assets
1.	Essential Energy Services Ltd.	3.32
2.	Wi-Lan Inc.	3.29
3.	Open Range Energy Corp.	3.19
4.	Canyon Services	3.19
5.	5N Plus Inc.	3.17
6.	Horizon North Logistics Inc.	3.07
7.	Calfrac Well Services Ltd	3.05
8.	First Majestic	3.02
9.	Domtar Corporation	2.98
10.	Swisher Hygiene Inc.	2.85
11.	Copper Mountain Mining Corp.	2.82
12.	Neo Materials Technology Inc.	2.70
13.	Bombardier Inc.	2.66
14.	West Fraser Timber Co. Ltd	2.65
15.	Tembec Inc.	2.59
16.	Zarlink Semiconductor	2.50
17.	BlackPearl Resources Inc.	2.44
18.	GMP Capital Inc.	2.32
19.	Total Energy Services	2.22
20.	Bellatrix Exploration	2.17
21.	Sabina Gold & Silver Corp.	2.16
22.	Alacer Gold Corp.	2.14
23.	Geodrill Ltd.	2.14
24.	Sprott Inc.	2.02
25.	Extendicare REIT	1.97

Top 25 long positions as a percentage of total net assets 66.64%

The investments and percentages may have changed by the time you purchase shares of this Fund. The top 25 holdings are made available 60 days after the quarter-end, except for December 31, which is the fiscal year-end for the fund, when they are available after 90 days. The summary of the investment portfolio may change due to ongoing portfolio transactions of the investment fund.

Corporate Information

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