

Independent Review Committee 2010 Annual Report

Redwood Asset Management Inc. Group of Funds

Dear Unitholders,

As the Chair of the Independent Review Committee (“IRC”), I am pleased to provide the annual report of the IRC for the Redwood Asset Management Inc. Group of Funds. The IRC was established under National Instrument 81-107 *Independent Review Committee for Investment Funds* (“NI 81-107”) and is composed of three individuals, each of whom is independent of the Funds, the Manager and its affiliates.

The IRC became fully operational on November 1, 2007 and, after that date, has functioned in accordance with the applicable securities laws, including NI 81-107. The IRC has adopted a written charter that includes its mandate, responsibilities and functions, and the policies and procedures it will follow when performing its functions.

As the members of the IRC, we are proud to represent the best interest of the Funds in any matter where the Manager has a conflict of interest. In respect of any Conflict of Interest Matter (COIM) referred to us, we have sought to ensure that the Manager’s proposed course of action represents a fair and reasonable result for the relevant Fund(s).

We are now pleased to publish this annual report for the unitholders of the Funds, to describe the IRC and its activities during the 2010 financial year.



Christopher Marshall
Chair of the Independent Review Committee

Mandate of the IRC

In accordance with NI 81-107, the mandate of the IRC is to consider and provide recommendations to the Manager on conflicts of interest to which the Manager is subject when managing the Redwood Asset Management Inc. Group of Funds listed at the end of this report (collectively the “Funds” and individually a “Fund”). The Manager is required under NI 81-107 to identify conflicts of interest inherent in its management of the Funds, and request input from the IRC on how it manages those conflicts of interest, as well as on its written policies and procedures outlining its management of those conflicts of interest.

The Manager must refer its proposed course of action in respect of any such conflict of interest matters to the IRC for its review. Certain matters require the IRC’s prior approval, but in most cases the IRC will provide a recommendation to the Manager as to whether or not, in the opinion of the IRC, the Manager’s proposed action provides a fair and reasonable result for the Fund. For recurring conflict of interest matters, the IRC can provide the Manager with standing instructions.

This report is available on the Manager’s website at www.redwoodasset.com or you may request a copy, at no cost to you, by contacting the Manager by calling 416-368-8898 or by writing to Redwood Asset Management Inc. 120 Adelaide Street West, Suite 2400, P.O. Box 23, Toronto, ON M5H 1T1

Composition of the IRC

The current members of the IRC are as follows:

Name and municipality of residence	Principal Occupation	Term of Office
William Christopher Marshall, Toronto, Ontario, Chair of the IRC	Trader	Three years from May 1, 2007
Dennis Breker, Toronto, Ontario	Corporate Account Manager	Three years from May 1, 2007
Paul Abrams, Toronto, Ontario	Sales and Marketing	Three years from December 3 , 2007

Compensation and Indemnification

The initial compensation of the IRC was set by the Manager. At least annually, the IRC reviews its compensation giving consideration to the following:

1. the best interests of the Funds;

2. that each Fund must pay its reasonable allocation of the compensation of the IRC from the assets of the Fund;
3. that compensation paid to the IRC by each Fund should fairly and reasonably reflect the general and specific benefits accruing to the Fund;
4. the number, nature and complexity of the Funds for which the IRC acts; and
5. the nature and extent of the workload of each member of the IRC.

In aggregate the IRC members were paid \$14,625 (\$4,500 per IRC member plus \$5,625 for the IRC Chair) for the year, ended December 31, 2010, plus a per diem fee of \$1,600 for IRI seminars attended by the members.

No indemnities were paid to the IRC Members by the Funds or the Manager during the financial year.

Disclosure of IRC Member's Holdings

None of the IRC members hold any units of the Redwood Group of Funds, or related entity securities as at December 31, 2010.

Conflict of Interest Matters Reviewed

The IRC is not aware of any instance in which the Manager acted in a conflict of interest matter referred to the IRC for which the IRC did not give a positive recommendation; nor is the IRC aware of any instance in which the Manager acted in a conflict of interest matter but did not meet a condition imposed by the IRC in its recommendation or approval.

In 2010, the Manager did not refer any conflict of interest matters to the IRC.

Standing instructions Approved

The IRC has approved some standing instructions (SIs), which constitute a written approval or recommendation from the IRC that permits the Manager to proceed with the specific action(s) set out in the SI on an ongoing basis, without having to refer the Conflict of Interest Matter or its proposed action to the IRC, provided that the Manager complies with the terms and conditions of the SI. The Manager relied on the following SIs in the financial year. In each case, the SI required the Manager to comply with its related policy and procedures and to report periodically to the IRC:

- 1) Charging the investment fund for the costs the manager has incurred in operating the investment fund, in addition to charging the investment fund a management fee
- 2) Allocating general expenses between different investment within the same fund family
- 3) Allocating the costs incurred by the manager in operating investment funds and carrying on its other portfolio management business

Interactions with the Manager

The Manager provided a written report to the IRC describing its reliance on any SIs before December 31st of the last financial year.

Pursuant to NI 81-107 and the IRC's written charter, the IRC has reviewed:

1. the adequacy and effectiveness of the Manager's written policies and procedures concerning COIM;
2. the adequacy and effectiveness of the SIs the IRC has provided to the Manager;
3. the adequacy and effectiveness of the Manager's and each Fund's compliance with any conditions imposed by the IRC in a recommendation or approval it has provided to the Manager; and
4. the Manager's and each Fund's compliance with any conditions imposed by the IRC in a recommendation or approval it has provided to the Manager.

Review of the Written Charter

The IRC reviewed its written charter on November 30, 2010 and made no changes.

Self Assessments

In accordance with NI 81-107, the IRC conducted a self assessment review during the financial year. The IRC communicated to the Manager the results of the IRC's self assessment review.

The IRC's self assessment report would have included details of any breaches by the Manager of its COIM policies and procedures and any breaches of any conditions imposed by the IRC – of which the IRC was aware - and the IRC's recommendations for changes, if any, in the Manager's COIM policies and procedures. There were no conditions imposed by the IRC, however it was recommended that the IRC receive quarterly updates from the Manager, quarterly sign-off of compliance by the Portfolio Manager, and an increase in their annual compensation.

Funds served by the IRC

Redwood Diversified Equity Fund

Redwood Diversified Income Fund

Redwood Global Small Cap Fund

Redwood Emerging Markets Dividend Income Fund

Redwood Global High Dividend Income Fund *formerly Ark NorthRoad Global Fund*

Ark Aston Hill Energy Class

Ark Aston Hill Monthly Income Class

Ark Catapult Energy Class

Trapeze Value Class (formerly, Ark Aston Hill Opportunities Class)

Ark StoneCastle Stable Growth Class Fund

Ark StoneCastle Stable Income Class Fund