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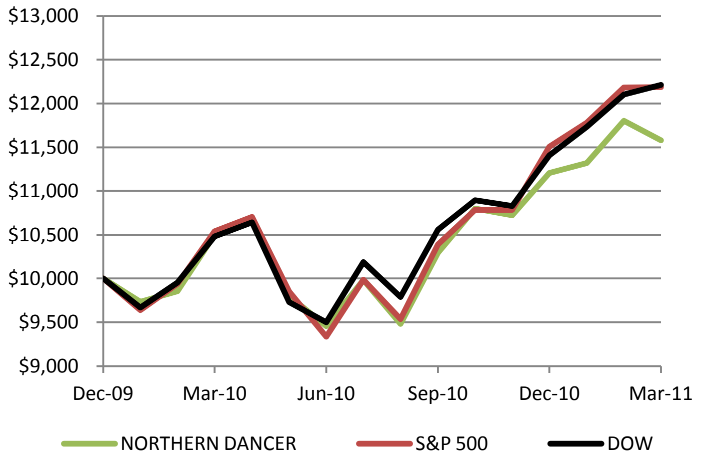
First Quarter 2011

April 15, 2011

Performance Report from
Daren Taylor, Portfolio Manager

THE VALUE OF A $10,000 INVESTMENT IN THE NORTHERN DANCER PORTFOLIO[1,2] FROM INCEPTION (1/1/2010) TO PRESENT (3/31/2011) AS COMPARED TO THE S&P 500 INDEX AND THE DOW JONES INDUSTRIAL AVERAGE (UNAUDITED)



(Footnotes to chart above)

(1) The performance of the Northern Dancer Portfolio also reflects the performance of the Mr. Prospector Portfolio since the two portfolios are nearly identical.

(2) The performance of the Northern Dancer Portfolio reflects the gross trading rate of return, before fees. Your individual account performance, which is included at the end of this report, is net of all fees.

Performance Measurement

The objective for all of our portfolios is to outperform all relevant benchmarks over the long term. The chart above shows a comparison of a $10,000 investment in the S&P 500 Index (S&P 500), the Dow Jones Industrial Average (Dow) and the Northern Dancer/Mr. Prospector Portfolios since inception.

The S&P 500 is an unmanaged, market capitalization weighted index that measures the equity performance of 500 leading companies in the U.S. today. Firms included in the S&P 500 account for approximately 75% of the value of all U.S. stocks. Therefore, it acts as a fairly good proxy for the total market. Clients could easily replicate the performance of the S&P 500 by investing in an index fund at little cost. For discussion purposes below, I will focus on this benchmark to address our relative performance.

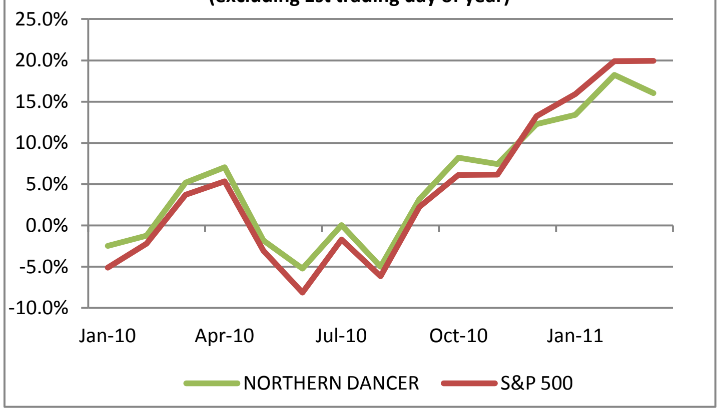
First Quarter Performance

The Northern Dancer Portfolio achieved a net return of 3.3% in the quarter ended March 31, 2011, which contrasts to the 5.9% reported by the S&P 500 Index. In the first fifteen months since inception, the Northern Dancer Portfolio has increased 15.8% vs. 21.9% for the S&P 500. While I am pleased with the Portfolio's absolute performance, our net results have not kept pace with the overall equity markets, which continue to be influenced by the Federal Reserve's second round of quantitative easing.

There are two primary reasons for our underperformance to date. First, when the Portfolio launched on January 4th, 2010 (the first trading day of the year), the equity markets were up well over 1% in the first minutes of trading before we had an opportunity to buy our first position. This cost us about 1.7% of relative performance on the first day of 2010.

Adjusting for this one-time event gives a clearer picture of how well our investment portfolio is actually performing relative to the Index. The following chart shows the performance of the S&P 500 and our investment portfolio over the past fifteen months, excluding the first day of trading and prior to expenses and fees:

Inception-to-date: Gross Trading Returns for Northern Dancer vs. S&P 500 (excluding 1st trading day of year)



As you can see in the chart above, our investment portfolio (green line) outperformed the S&P 500 (red line) for most of 2010.

Another reason that our portfolio has underperformed is that I have increasingly become more conservative in the last few months as the market has continued higher. My conservatism cost us a little in performance since the third quarter of 2010. However, I believe a little conservatism is warranted at this time.

Investors who are bullish on current equity markets will point to the price-to-earnings (P/E) ratio on the S&P 500 and claim that, at less than 14x 2011 earnings, stocks are cheap. I am not so sure I agree. U.S. corporate profits have rebounded smartly over the last couple of years. However, the rebound has come more from cost cutting than from robust demand. Corporate profit margins are now at historical highs. This is not sustainable given that 1) higher energy and commodity costs are just now hitting income statements, 2) interest rates are at historical lows and can only go up, 3) corporate tax rates will likely need to be raised to help pay for our government's excesses and 4) companies will find it difficult to pass on higher prices to consumers at a time when employment and wage growth are weak. These points lead me to believe that the earnings number ("E") in the P/E ratio for the S&P 500 is above normal, which implies the entire ratio is actually higher than it appears.

The following table summarizes the period performance of the S&P 500, the DOW and the Northern Dancer Portfolio:

	TOTAL RETURN		
Year	Overall Results From S&P (1)	Overall Results From Dow (2)	Northern Dancer/ Mr. Prospector (3)
2010	13.2%	12.4%	12.0%
2011 YTD	5.9%	7.1%	3.3%

(Footnotes to table above)

(1) Based on changes in the value of the S&P 500 plus dividends (reinvested) that would have been received through ownership of the Index during the period.

(2) Based on changes in the value of the Dow plus dividends (reinvested) that would have been received through ownership of the Index during the period.

(3) Based on changes in the value of the Northern Dancer/Mr. Prospector Portfolios including dividends and before fees.

On a cumulative basis, the results are:

Year	Overall Results From S&P	Overall Results From DOW	Northern Dancer/ Mr. Prospector
2010	15.1%	14.1%	12.0%
2011 YTD	21.9%	22.1%	15.8%

The next table shows our Portfolio's performance relative to the performance of three of the largest and better known equity mutual funds in the U.S.:

	TOTAL RETURN			
Year	American Funds Growth Fund	Fidelity Contrafund	Vanguard Wellington	N. Dancer/ Mr. Prospector
2010	12.3%	16.9%	10.9%	12.0%
2011 YTD	5.3%	4.9%	4.2%	3.3%

Winners and Losers

The following chart shows a partial list of our winners and losers in the most recent quarter:

Our Biggest Winners	% Return
H&R Block	+41%
Viacom	+17%
Comcast	+13%
eBay Inc.	+12%
Western Union	+12%
Time Warner	+11%
Automatic Data Processing	+11%
Our Biggest Losers	
Microsoft	-9%
Fairfax Financial Holdings	-8%
Becton Dickinson	-6%
Best Buy	-6%
Intel	-4%
Johnson & Johnson	-4%

As often happens from quarter to quarter, our worst performer in the fourth quarter of 2010—H&R Block— was our best performer this quarter. Block has experienced solid early-season tax results. In addition, legacy mortgage liabilities are not spiraling out of control as many had feared. This led to a strong rebound in the company's stock in the first quarter. Because we had done our homework and knew that Block's intrinsic value was substantially higher than where it had been trading, we were able to remain calm and take advantage of the selloff in the fourth quarter while everyone else ran for the exits. As for our losers, Microsoft was our worst performer in the quarter. Investors are worried that consumers will choose to purchase tablets instead of PCs in the future. While we agree that the tablet has found a unique place within consumer electronics, we don't believe that it will ultimately replace the PC because tablets and PCs address different fundamental needs and markets. As for Microsoft's stock, we believe it is cheap. After adding back nearly $5 per share in cash on the balance sheet, we are paying less than 10x earnings. With a free cash flow yield of roughly 10%, and assuming a moderate amount of inflation and volume growth going forward, our expected annual forward rate of return is in the mid-teens. This is an extremely attractive return for such a high-quality company, especially in an environment in which the long-term Treasury yield is less than 3.5%.

Changes to Our Portfolio

During the quarter, I initiated four new long positions, eliminated two holdings and opened one short position.

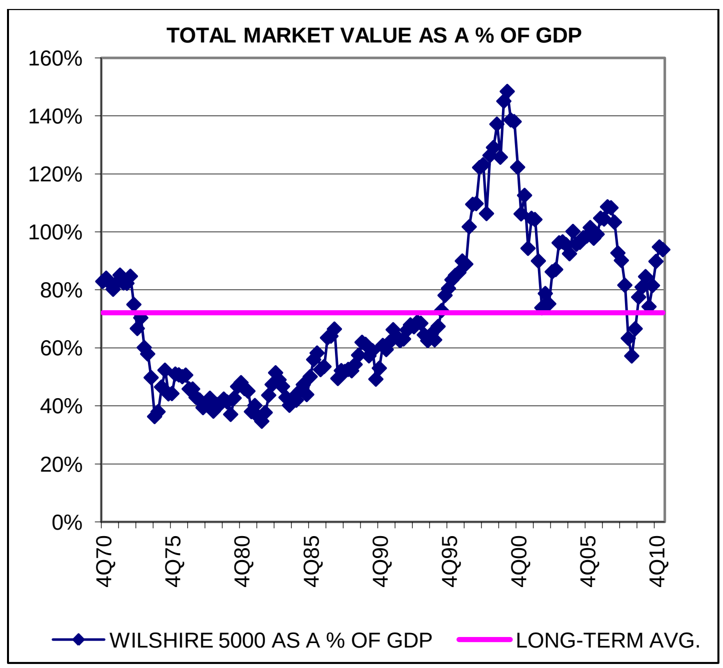
Our three new purchases were Fairfield Financial Holdings (Financial Services), Anheuser-Busch Inbev (Alcoholic Beverage), Heineken (Alcoholic beverage) and Best Buy Inc. (Retail). Fairfield Financial Holdings is a property and casualty insurance company based in Canada. The Chairman and CEO is a man by the name of Prem Watsa. Prem has been referred to as the Warren Buffett of Canada, a distinction that I happen to agree with as he has proven to be an excellent allocator of capital over a long period of time. With our Fairfield purchase we were able to buy a high-quality financial services company at close to book value, which should be able to grow at a mid-teens rate over the long term. Anheuser-Busch Inbev (AB) is a premier, global beverage company that sells over two hundred popular beer brands around the world. Its most recognized brands include Budweiser, Beck's and Stella Artois, to name a few. The company holds a dominant position in virtually every market that it does business in, including Brazil, where AB controls over 70% of the market. AB generates nearly $8 billion of free cash flow each year, which equates to a free cash flow yield of over 8%. Assuming a moderate amount of inflation and volume growth, our expected forward rate of return on our investment in AB should be in the low-to-mid teens. Heineken is a high-quality brewing company that owns and manages over 200 popular beer brands around the world, including Heineken and Amstel. We love the fact that the company generates over half of its profits from attractive emerging markets. And finally, Best Buy is an above-average retailer with superior offerings, service, and locations. Best Buy's stock has fallen nearly 40% over the last year as the company has experienced lackluster sales. Although the company is facing some secular headwinds, the business model is still sound and is capable of generating above-average returns on capital well into the future. In addition, the stock appears to be cheap. By our estimation, a financial or strategic buyer could offer us a 60% premium to the current market price and still realize an adequate return on investment. We are excited to be purchasing Best Buy at current prices.

As for our two sales, I sold our positions in Mead Johnson and Procter & Gamble. Our investment in Meade Johnson was successful, as we realized a one year gain of nearly 40%. Though the stock had not quite reached our estimate of intrinsic value, we decided to sell and reallocate those funds to more attractive opportunities. Procter & Gamble was sold to fund a more attractive investment opportunity and to increase our cash position.

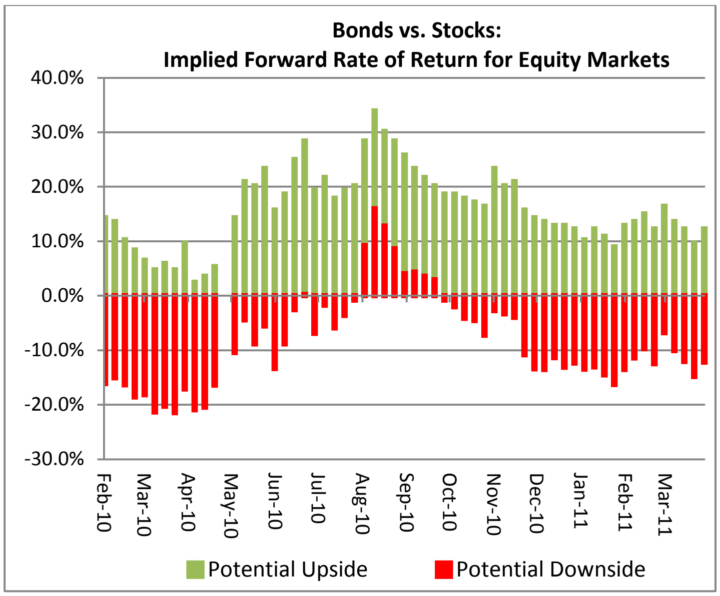
Late in the quarter I opened a small position in the ProShares Short Russell2000 Index Fund to help protect our portfolio against a broad-based market decline. This "short" position will increase in value if the Index goes down and decrease in value if the Index goes up. The Index measures the performance of the small-capitalization sector of the U.S. equity market, which is currently the most expensive segment of the market.

U.S. Equity Markets: Cheap or Expensive?

While we are stock pickers first and foremost, we recognize that it is also important to keep an eye on the overall value of the equity market. One relationship that we track closely is the value of all publically traded securities in the U.S. (as measured by the Wilshire 5000 Index) vs. GDP, which is currently around 95%. Think of this relationship as the price-to-sales ratio for the overall equity market. The long-term average is below 80%, suggesting that the current equity market may be overvalued. The good news is that we are nowhere near the all-time high of 150%, which was reached at the peak of the tech bubble in 2000. You can see this better in the following chart:



Another measurement that we believe is a good indicator of whether U.S. equity markets are cheap or expensive is the relationship between the yield on U.S. investment grade corporate bonds and the earnings yield for the equity market (as measured by the inverse of the price-to-earnings ratio for the equity market). This valuation measurement is a favorite of Arnold Van Den Berg, a very intelligent investor, and it is one of ours. The reason that this relationship is important is because bonds and stocks are always in competition for investor dollars. Investors will always gravitate toward the asset that offers a higher risk-adjusted return.



Based on the historical relationship between these two yields, the current relationship implies that the risks in the equity markets are balanced between the downside and the upside (potential downside of 12% vs. potential upside of 12%). You can see this better in the chart to the left. (Simplistically, positive green is good and negative red is bad.)

It should be noted that current interest rates would likely be higher if it were not for the Federal Reserve's current stimulus program, widely referred to as QE2. (QE2 stands for the second round of quantitative easing). If interest rates were 0.30% higher than they are currently, the potential downside to equities would be over 16%. We believe this is likely closer to the truth.

Given the current readings on the two yardsticks mentioned above, we continue to increase our cash position.

Thank you for your continued loyalty and support.

With appreciation,

Daren Taylor, CFA