



norrepFUNDS

2010

Management Report of
Fund Performance

Norrep Fund

ABOUT HESPERIAN CAPITAL MANAGEMENT LTD.

Hesperian Capital Management Ltd. is an investment management firm founded in 1995 with offices in Calgary and Toronto. Hesperian manages the Norrep Group of Funds, which includes seven public mutual funds, one high yield fund, three offshore investment funds and three energy based flow-through limited partnerships.

Hesperian utilizes a disciplined approach in security selection blending both fundamental and quantitative analysis in its investment decision making process. Our methodology is specifically designed to target inefficiencies in the market and provide investors with exposure to under-represented asset classes.

Complementing its asset management activities, Hesperian also provides consulting services to organizations and private clients.

Management Report of Fund Performance

Norrep Fund

This interim management report of fund performance (MRFP) contains financial highlights but does not contain either interim or annual financial statements of the Norrep Fund. You can obtain a copy of the financial statements at your request, and at no cost, by calling toll free (877) 531-9355, by writing us at 175, 601 – 10 Avenue SW in Calgary, Alberta T2R 0B2 or by visiting our website at www.norrepfunds.com or SEDAR at www.sedar.com.

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 disclosure record, or quarterly portfolio disclosure.

Results of Operations

The Norrep Fund is designed to achieve long-term capital appreciation by investing in small and mid capitalization companies. The Fund employs a value approach as the primary security selection methodology.

Over the last six months we have seen a strong return to demand for resources and the industries that support the resources companies. Early into the market's recovery commodities showed signs of bottoming and the worst performers during the downdraft significantly outperformed. Currently we are seeing valuations and earnings expectations normalize and increase in importance. Strong earnings growth on both sides of the border has kept the momentum going and small caps were the big winners over the last six months. Offsetting some of the strength has been the sovereign debt issues coming out of Europe which has spooked the market and caused a higher degree of volatility. We continue to carefully select quality companies that are seeing earnings growth and positive estimate revisions which will be critical to outperformance going forward. We are currently in the middle of the first quarter's earnings season and we are seeing earnings momentum for the S&P/TSX Composite index continue at a strong pace. Historically this has been a positive indicator for equities. Using monthly data since 1985 there has been a strong correlation between the index and underlying earnings movement.

Given the return to investing in quality companies being witnessed in the markets, the Fund's relative performance over the last six month period has begun to improve. The Norrep Fund has increased 20.1% over the last six months, while the BMO Small Cap Equity Only Weighted Total Return Index increased by 26.5%. The underperformance is a direct result of being underweight gold equities which have become a sizeable part of the index. We remind investors that the Norrep Fund is designed to be a well diversified value oriented fund which has provided excellent added value over the long run. Since inception, the Norrep Fund has provided an annual return of 20.5% to unit holders, significantly outperforming the benchmark's annual return of 8.5%. The added value of 12.0% per annum was a direct result of the Fund's superior long-term investment methodology and combination of strong quantitative and fundamental attributes.

Some of the best performing companies in the Fund's top 10 were SEMAFO Inc., a West African gold producer, up 97.6%, Black Diamond Group Limited, a provider of rental accommodations, up 42.5% and Stella Jones Inc., a provider of railway ties and utility poles, up 37.4%. Partially offsetting some of these gains was Inmet, a copper producer, down 7.9%.

With regards to the performance of the individual sectors of the BMO Small Cap Equity Only Weighted Total Return Index, the Gold & Precious Metals and Utilities sub indices, where we were materially underweight, were up 39.5% and 21.6%, respectively, for the six month period ending April 30, 2010. These sectors significantly impacted our performance relative to the index. Other notable industry movers were Materials up 38.2%, Energy up 25.2%, Industrials up 23.1%, Financials up 16.0%, Information Technology up 14.5% and Consumer Staples up 8.6% over the same time period.

The turnover of the Fund's investments continues to remain low at approximately 52% over the past year. The managers believe in investing for the long term and typically make an investment with a three year plus time horizon. This figure shows confidence in the current holdings of the portfolio.

Investment attributes of the Norrep Fund characterize its positioning versus the index, the BMO Small Cap Equity Only Weighted Total Return Index. As of April 30, 2010, the Fund had a price to trailing earnings multiple of 17.5x, while the index noted above had a negative earnings multiple. One of our key measures of profitability is trailing return on equity (ROE). The Norrep Fund had a trailing ROE of 13.6% versus the index of 3.2%. Further, the balance sheet of our average company tends to be stronger than the index as evidenced by the cash flow to debt ratio of the Norrep Fund at 1.3x versus the index at 0.3x.

The attributes noted above have increased significantly as a result of the overall expansion of multiples in small capitalization securities over the past six months. For example, the price to trailing earnings noted above of 17.5x has moved up from 7.6x one year ago and 12.4x two years ago.

Traditional metrics for assessing market attraction are in place and the Portfolio managers have been focusing on those companies with attractive quantitative attributes. This, coupled with strong fundamental analysis, has been the formula for our strong long term track record and we continue to believe that it will allow us to add value in good, as well as poor, markets.

Changes in the composition of the investment portfolio relate to the Portfolio Manager's assessment of the fundamental and quantitative characteristics of a particular company. The following changes were made during the interim period:

New Holdings	Eliminations
CGA Mining Limited	AG Growth International, Inc.,
Gennum Corporation	Breaker Energy Ltd.
Major Drilling Group International Inc.	Logibec Groupe Informatique Ltee
Migao Corporation	Parkbridge Lifestyle Communities Inc.
NAL Oil & Gas Trust	Progress Energy Resources Ltd
Northstar Aerospace Inc.	TMX Group Inc.
Thompson Creek Metals Company Inc.	Glamis Resources Ltd.
TransForce, Inc.	Delphi Energy Corp .
Wajax Income Fund	
Zarlink Semiconductor Inc.	
Legacy Oil & Gas Inc.	

A summary of the investment portfolio showing the top 25 investments and an analysis of the portfolio by industry sector is provided later in this document.

For the six months ended April 30, 2010, the Fund earned \$491,014 in interest income and \$401,454 in dividend income. Management fees amounted to \$907,044. General and administrative costs of \$172,262 were incurred for the Fund's operation. As a result of the above, the net investment loss was \$186,838.

Unrealized appreciation in current value of investments was \$9,272,632, transactions costs were \$187,941 and net realized gain were \$6,350,966 for a net gain on investments of \$15,435,657. In total, net assets increased \$15,248,819 from operations.

The proceeds from sale of shares to investors were \$58,856 while redemptions were \$4,708,871. The Fund commenced the period with net assets of \$78,664,598 and had net assets of \$89,263,402 at April 30, 2010.

Management fees have increased 43% compared to the six-month period ending April 30, 2009 due to the appreciation in the Funds net assets. Custodial fees have decreased 45% compared to the six-month period ending April 30, 2009 mainly due to changing in allocation method among Norrep Group Funds for City Group fees.

Recent Developments

Change in accounting policy:

Effective November 1, 2007, the Fund adopted the following new CICA Handbook Sections: Section 1535, Capital Disclosures; Section 3862, Financial Instruments – Disclosures; and Section 3863, Financial Instruments - Presentation.

Section 1535, Capital Disclosures, requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the Fund's objectives, policies and processes for managing capital.

Sections 3862 and 3863 consist of a comprehensive series of disclosure requirements and presentation rules applicable to financial instruments. Section 3862 revises and enhances the disclosure requirements set out in Section 3861, Financial Instruments – Disclosure and Presentation, and Section 3863 carries forward unchanged the presentation requirements of Section 3861.

Section 3862, Financial Instruments – Disclosures, requires the Fund to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments for the Fund's financial position and performance, the nature and extent of risks arising from financial instruments to which the Fund is exposed both during the period and at the balance sheet date, and how the Fund manages those risks.

The Fund adopted the amendments to CICA 3862, Financial Instruments – Disclosures on January 1, 2009. CICA 3862 establishes a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Future accounting pronouncements:

The Canadian Accounting Standards Board confirmed that for fiscal years beginning on or after January 1, 2011 International Financial Reporting Standard ("IFRS") will replace Canadian generally accepted accounting principles (Canadian GAAP) for publicly accountable enterprises, which include the Fund. The Manager has commenced development of a changeover plan to meet the implementation date. The key elements of the plan include disclosures of the qualitative impact in the October 31, 2010 and 2011 financial statements, disclosures of the quantitative impact, if any, in the October 31, 2011 financial statements and the preparation of the October 31, 2012 financial statements in accordance with IFRS.

Based on the Manager's current evaluation of the differences between Canadian GAAP and IFRS, the Manager does not expect that the net asset value per unit will be impacted by the changeover to IFRS. Currently, the Manager expects that the impact of IFRS on the Fund's financial statements to be limited to possible presentation changes and additional note disclosures.

Related Party Transactions

Management fees paid to Norrep Inc., the Fund's manager, were \$907,044. Management fees are calculated and paid monthly as 1/12 of 2% of the net asset value of the Fund. Administration fees of \$64,492 were paid to Hesperian Capital Management Ltd. Administration fees are charged by Hesperian at or below cost and relate to accounting, trading, recordkeeping, compliance and other administrative costs. Hesperian is the Fund's portfolio manager and administrator.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's historical financial performance. This information is derived from audited annual financial statements and unaudited semi-annual financial statements.

Net asset value (NAV) per unit ⁽¹⁾	2010 ⁽⁵⁾	2009	2008	2007	2006	2005 ⁽⁶⁾
Net asset value, beginning per financial statement	22.97	18.03	\$38.79	\$34.17	\$29.63	\$24.55
Change in accounting policy ⁽⁵⁾	-	-	-	(0.22)	-	-
Increase (decrease) from operations:						
Total revenue	0.27	0.44	0.63	0.49	0.42	0.22
Total expenses	(0.33)	(0.47)	(0.71)	(0.87)	(0.85)	(0.62)
Realized gain (loss) for the period	1.91	(2.47)	2.70	4.98	8.44	4.02
Transaction costs	(0.06)	(0.06)	(0.07)	(0.09)	-	-
Unrealized gain (loss) for the period	2.80	7.13	(18.36)	6.91	(0.74)	1.52
Total (decrease) increase from operations ⁽²⁾	4.59	4.57	(15.81)	11.42	7.28	5.14
Distributions:						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	(4.53)	(6.74)	(2.64)	-
Total annual distributions ⁽³⁾	-	-	(4.53)	(6.74)	(2.64)	-
Net asset value, ending per financial statements	27.52	22.97	\$18.03	\$38.79	\$34.17	\$29.63

- This information is derived from the Fund's audited annual financial statements. The net assets per security presented in the financial statements differ 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.)*
- Net asset value and distributions are based on the actual number of shares outstanding at the reporting date. The increase in net asset value from operations is based on the weighted average number of shares outstanding in the financial period. Due to the different methods of calculating the table's components, the sum of the components will not equal the ending net asset value.*
- Distributions are reinvested in additional shares or paid in cash when requested.*
- These numbers reflect the ten month period from January 1, 2005 through October 31, 2005.*
- These numbers reflect the six month period from November 1, 2009 through April 30, 2010.*
- Section 3855, Financial Instrument – Recognition and Measurement, requires the Fund's investment portfolio to be recorded at fair value as substantially established by the closing bid price for trading on the recognized public stock exchange. Prior to 2007 the Fund was required to record the investment portfolio by the closing trade price on the recognized public stock exchange.*

Ratios and Supplemental Data	2010 ⁽⁶⁾	2009	2008	2007	2006	2005 ⁽⁵⁾
Net Assets (\$ 000s) ⁽¹⁾	89,263	78,665	73,528	152,360	116,174	101,234
Number of units outstanding ⁽¹⁾	3,243,331	3,424,619	4,077,636	3,927,634	3,399,926	3,416,958
Management expense ratio (MER) ⁽²⁾	2.49%	2.59%	2.44%	2.47%	2.54%	2.57%
MER before waivers or absorptions	2.49%	2.59%	2.44%	2.47%	2.54%	2.57%
Portfolio turnover rate ⁽³⁾	51.82%	38.04%	37.32%	33.51%	50.90%	42.90%
Trading expense ratio ⁽⁴⁾	0.40%	0.28%	0.21%	0.25%	0.35%	1.28%

- The information provided is as at April 30, 2010 and October 31 for the prior years.*
- Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets of the period.*
- 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 a year. The higher the 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 performance of the Fund.*
- 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.*
- These numbers reflect the ten month period from January 1, 2005 to October 31, 2005.*
- These numbers reflect the six month period from November 1, 2009 to April 30, 2010.*

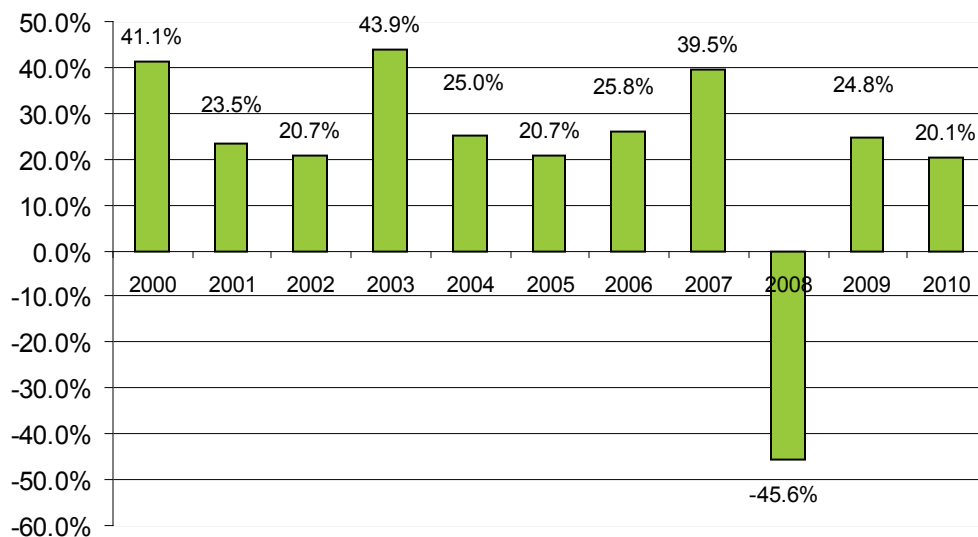
Management Fees

The Fund pays a monthly management fee of 1/12 of 2% multiplied by the average net asset value of the Fund during the month to Norrep Inc. For the six months ended April 30, 2010, management fees amounted to \$907,044. Norrep Inc. paid a servicing commission to investment dealers of \$312,533 (i.e. 36%) from these management fees. Norrep Inc. pays Hesperian Capital Management Ltd. for portfolio advisory and administrative services with respect to this fund as well as the other funds in the Norrep group. Although the calculation of the amount paid to Hesperian is not Fund specific, it is estimated that \$417,338 (i.e. 48%) was paid to Hesperian for the six month period ending April 30, 2010 with respect to services provided to this Fund.

Past Performance

The following chart illustrates the performance of the Norrep Fund since its inception as a public fund on April 12, 2000. It illustrates how the Fund's performance has changed from year to year. The chart shows, in percentage terms, how much an investment made at the opening Net Asset Value per share on the first day of each financial year, would have increased or decreased by the last day of each financial year. For 2010, the performance is from the opening Net Asset Value per share on November 1, 2009 to April 30, 2010.

Year-by-Year Returns



For 2006 to 2009, the financial period is from November 1 to October 31; for 2005, the financial period is from January 1 to October 31; for 2001 to 2004, the financial period is from January 1 to December 31; and for 2000, the financial period is from April 12 to December 31.

Summary of Investment Portfolio

The Fund held the following investments at April 30, 2010

Investments	Percent of net assets
Equities	
Vector Aerospace Corporation	6.01%
Black Diamond Group Ltd.	5.43%
Computer Modelling Group Ltd.	5.26%
Sino-Forest Corporation	4.77%
SEMAFO Inc.	4.54%
Baytex Energy Trust	3.89%
Softchoice Corporation	3.52%
Wajax Income Fund	3.45%
COM DEV International Ltd.	3.29%
NAL Oil & Gas Trust	3.28%
Stella-Jones Inc.	3.22%
Neo Material Technologies, Inc.	3.19%
Inmet Mining Corporation	3.12%
TransForce, Inc.	3.04%
Major Drilling Group International Inc.	3.03%
Yoho Resources Inc.	3.01%
Orleans Energy Ltd.	2.89%
Angle Energy Inc.	2.86%
Quadra Mining Ltd.	2.75%
Axia NetMedia Corporation	2.74%
CGA Mining Limited	2.78%
Home Capital Group Inc.	2.34%
Gluskin Sheff + Associates Inc.	2.29%
Le Chateau Inc.	2.24%
Legacy Oil & Gas Inc.	2.16%
Other Equities	13.32%
Total Equities	98.42%
Other	
Cash	1.40%
Other assets – net of liabilities	0.18%
Total net asset value	100.00%
Industry Sectors	
Energy	19.13%
Basic Materials	30.01%
Industrials	23.20%
Consumer Discretionary	2.24%
Healthcare	1.02%
Financials	4.63%
Information Technology	18.19%
Other	1.58%
Total	100.00%

The investments held by the Fund change due to ongoing portfolio transactions. A revised summary is posted on our website at www.norrepfunds.com no later than 60 days after each quarter end.

Other Material Information

The simplified prospectus and other fund related materials can be obtained by calling us toll-free at (877) 531-9355, by writing to us at 175, 601 - 10 Avenue SW Calgary, AB T2R 0B2, or on our website at www.norrepfunds.com.

Our Investment **PROFESSIONALS**

Randal Oliver, CFA

Chairman & Chief Investment Officer
Portfolio Manager: NorrepFUND, Norrep II Class, Norrep Flow-Through Limited Partnerships

Alexander Sasso, CFA

Chief Executive Officer & Portfolio Manager
Portfolio Manager: NorrepFUND, Norrep II Class, Norrep Q Class, Norrep Global Class, Norrep Income Growth Class

Keith Leslie, CFA

Vice President, Portfolio Manager & Chief Compliance Officer
Portfolio Manager: Norrep Q Class, Norrep Income Growth Class

Craig Millar, CFA

Vice President & Portfolio Manager
Portfolio Manager: Norrep Global Class, Norrep US Class

Steve Smith, CA

Vice President, Portfolio Manager & Chief Financial Officer
Portfolio Manager: Norrep Flow-Through Limited Partnerships, Norrep Resource Class

Kamran Khan, CFA

Portfolio Manager
Portfolio Manager: Norrep US Class

Paul Tepsich, CFA

Portfolio Manager
Portfolio Manager: Norrep Yield Fund

Terry Thib, MEsc, MBA, PEng, CFA

Associate Portfolio Manager
Portfolio Manager: Norrep Entrepreneurs Class

Don Walker, CFA

Associate Portfolio Manager
Portfolio Manager: Norrep Entrepreneurs Class

Our Investment **ANALYSTS**

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Steve Ripplinger

Equity Research Analyst

Our **MARKETING TEAM**

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Steve Valetta

VP of Western Regional Sales

Jeff Lucyk

VP of Regional Sales

Brad McMillan

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James Chisholm, CFA, CMA

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