



norrepFUNDS

2010

Management Report of
Fund Performance

Norrep II Class

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 II Class

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

Security holders 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 II Class 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 that will be critical to outperformance going forward. We are currently in the middle of the first quarter's earnings season and we see earnings momentum for the S&P/TSX Composite index continuing 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 II Class increased 20.6% over the last six months, while the BMO Small Cap Equity Only Weighted Total Return Index increased by 26.5%. The underperformance is direct result of being underweight gold equities which have become a sizeable weight in the index. We remind investors that the Norrep II Class is designed to be a well diversified, value oriented fund which has provided excellent added value over the long run. Since inception of the Fund, the Norrep II Class has provided an annual return of 14.9% to unit holders, significantly outperforming the benchmark's annual return of 10.0%. The 4.9% outperformance 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 outperforming companies in the Fund's top 10 over the past six months 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% in the last six months.

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 32%. The Portfolio Manager believes in investing for the long term and typically makes 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 II Class 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 II Class 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 II Class 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 Manager has 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.
Legacy Oil + Gas	Delphi Energy Corp.
Major Drilling Group International Inc.	Glamis Resources Ltd.
Migao Corporation	Logibec Groupe Informatique Ltee
NAL Oil & Gas Trust	Parkbridge Lifestyle Communities Inc.
Northstar Aerospace Inc.	Temple Energy Inc.
Thompson Creek Metals Company Inc.	TMX Group Inc.
TransForce, Inc.	
Wajax Income Fund	
Zarlink Semiconductor 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 interest and dividend income amounting to \$882,127 and \$706,016, respectively. Management fees of \$1,717,867 were paid to Norrep Inc. A performance bonus recovery of \$2,578,474 was reported. General and administrative costs of \$404,697, related to the operation of the Fund, were also incurred. As a result of the above, the net investment income was \$2,044,053. Change in unrealized appreciation in current value of investments was \$21,721,519, realized gains were \$5,924,891, and transaction costs amounted to \$330,568 for a total gain on investments of \$27,315,842. Net assets at the beginning of the period were \$145,746,700; they increased \$29,359,895 from operations, increased \$20,676,836 from the sale of shares to investors and decreased \$15,748,200 as a result of redemptions. At April 30, 2010, the Fund had net assets of \$180,035,231.

Management fees have increased 46% compared to the six-month period ending April 30, 2009 due to the appreciation in the Fund's net assets. Other fees have increased in the current period due to compensation paid to the Independent Review Committee.

Recent Developments

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 during the year 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 includes 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 of \$1,717,867 were paid to Norrep Inc., the Fund's manager. A \$2,578,474 performance bonus recovery was reported in the current semi-annual period with \$1,272,409 being recorded as payable. The bonus recovery is the difference between the April 30, 2010 bonus payable and the October 31, 2009 bonus payable. Payment of the performance bonus can only take place at a quarter end provided all the criteria for the payment of the performance bonus are met. The bonus calculation is cumulative and had not met all two criteria to be paid out, thus the bonus payable was reduced during the interim period from the bonus payable recorded at October 31, 2009. In addition, administrative fees of \$125,201 were paid to Hesperian Capital Management Ltd. Administration fees are charged by Hesperian at or below cost. They relate to accounting, trading, record keeping, 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's MF series shares and are intended to help you understand the Fund's financial performance for the fiscal periods indicated. This information is derived from the Fund's audited year-end and unaudited interim financial statements.

Net asset value (NAV) per share ¹ – MF Series	2010	2009	2008	2007	2006	2005
Net asset value, beginning of year or interim period	\$21.93	\$17.33	\$33.94	\$26.26	\$23.12	\$19.07
Change in accounting policy ¹	-	-	-	(0.21)	-	-
Increase (decrease) from operations:						
Total revenue	0.24	0.39	0.61	0.45	0.35	0.20
Total expenses (recovery)	0.07	0.55	(1.58)	(1.65)	(0.69)	(0.93)
Realized gains (losses) for the period	0.90	(4.39)	1.87	1.25	3.65	1.81
Transaction costs	(0.05)	(0.05)	(0.08)	(0.04)	-	-
Unrealized gains (losses) for the period	3.28	7.62	(18.31)	9.08	0.64	2.75
Total Increase (decrease) from operations ²	4.44	4.12	(17.49)	9.09	3.96	3.83
Distributions:						
From income	Nil	Nil	Nil	Nil	Nil	Nil
From dividends	Nil	Nil	Nil	(0.21)	(0.13)	Nil
From capital gains	Nil	Nil	Nil	(1.30)	(1.51)	Nil
Total annual distributions ³	Nil	Nil	Nil	(1.51)	(1.64)	Nil
Net asset value, end of year or interim period	\$26.38	\$21.93	\$17.33	\$33.94	\$26.26	\$23.12

1. 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.)
2. Net asset value and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period. Due to the different methods of calculating individual components of the table, the sum of the individual components will not equal the ending net asset value.
3. Distributions were reinvested in additional shares and paid in cash when requested.

Ratios and Supplemental Data – MF Series	2010	2009	2008	2007	2006	2005
Net Assets (000's of \$) ⁽¹⁾	172,973	142,052	135,463	273,988	190,433	123,221
Number of shares outstanding ⁽¹⁾	6,556,036	6,476,127	7,814,616	8,072,384	7,251,490	5,330,162
Management expense ratio (MER) ⁽²⁾	1.04%	(3.15)%	5.59%	5.20%	2.52%	5.15%
MER before waivers or absorptions	1.04%	(3.15)%	5.59%	5.20%	2.52%	5.15%
Portfolio turnover rate ⁽³⁾	31.61%	31.10%	32.10%	38.50%	51.80%	31.14%
Trading expense ratio ⁽⁴⁾	0.36%	0.26%	0.47%	0.24%	0.35%	0.87%

1. This information is provided as at April 30, 2010; October 31 for the other periods
2. The 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. It includes the performance bonus (recovery), if any.
3. 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 rates 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.
4. 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.

Financial Highlights (continued)

The following tables show selected key financial information about the Fund's Series F shares and are intended to help you understand the Fund's financial performance for the fiscal periods indicated. This information derived from the Fund's audited year-end and unaudited interim financial statements.

Net asset value (NAV) per share ¹ – Series F	2010	2009	2008	2007	2006	2005
Net Asset Value, beginning of year or interim period	\$23.13	\$18.13	\$34.78	\$26.68	\$23.29	\$19.26
Change in accounting policy ¹	-	-	-	(0.21)	-	-
Increase (decrease) from operations:						
Total revenue	0.24	0.39	0.61	0.45	0.35	0.19
Total expenses (recovery)	0.07	0.59	(1.58)	(1.65)	(0.40)	(0.86)
Realized gains (losses) for the period	0.90	(4.39)	1.87	1.25	3.65	1.66
Transaction costs	(0.05)	(0.05)	(0.08)	(0.04)	-	-
Unrealized gains (losses) for the period	3.28	7.62	(18.31)	9.08	0.64	2.52
Total Increase (decrease) from operations ²	4.44	4.12	(17.49)	9.09	4.51	3.51
Distributions:						
From income	Nil	Nil	Nil	Nil	Nil	Nil
From dividends	Nil	Nil	Nil	(0.21)	(0.13)	Nil
From capital gains	Nil	Nil	Nil	(1.30)	(1.51)	Nil
Total annual distributions ³	Nil	Nil	Nil	(1.51)	(1.64)	Nil
Net asset value, end of year or interim period	\$27.95	\$23.13	\$18.13	\$34.78	\$26.68	\$23.29

1. 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.)
2. Net asset value and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period. Due to the different methods of calculating individual components of the table, the sum of the individual components will not equal the ending net asset value.
3. Distributions were reinvested in additional shares and paid in cash when requested.

Ratios and Supplemental Data – Series F	2010	2009	2008	2007	2006	2005
Net Assets (000's of \$) ⁽¹⁾	7,062	3,695	4,203	9,180	7,060	4,141
Number of shares outstanding ⁽¹⁾	252,709	159,707	231,787	263,992	264,597	177,787
Management expense ratio (MER) ⁽²⁾	(0.01)%	(4.20)%	4.51%	3.99%	1.52%	4.08%
MER before waivers or absorptions	(0.01)%	(4.20)%	4.51%	3.99%	1.52%	4.08%
Portfolio turnover rate ⁽³⁾	31.61%	31.10%	32.10%	38.50%	51.80%	31.14%
Trading expense ratio ⁽⁴⁾	0.34%	0.24%	0.51%	0.23%	0.33%	0.77%

1. This information is provided as at April 30, 2010; October 31 for the other periods
2. The 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. It includes the performance bonus (recovery), if any.
3. 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 rates 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.
4. 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.

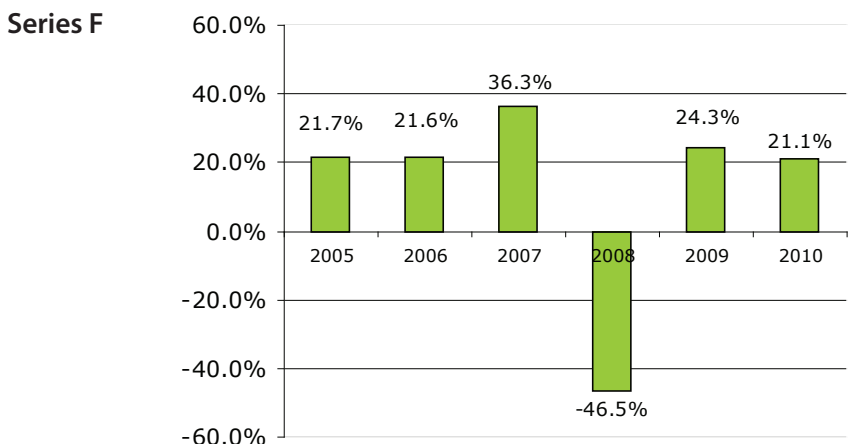
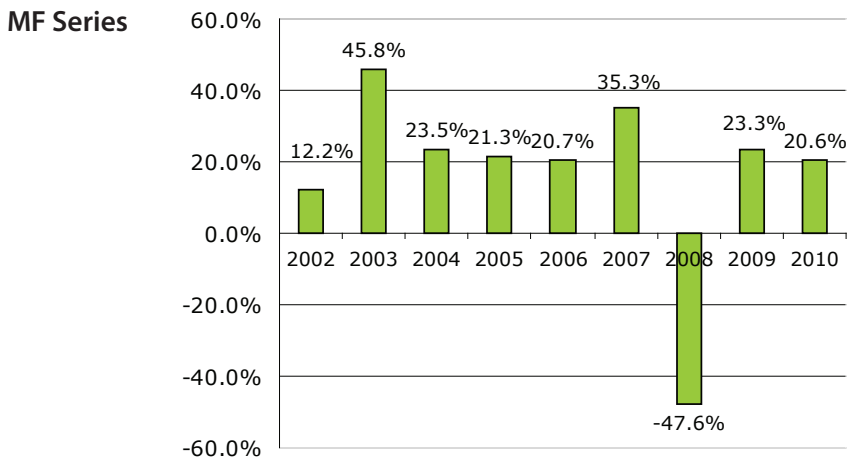
Management Fees

Management fees are 1/12 of 2.00% for the MF Series and 1/12 of 1% for the Series F, of the net asset value of the Fund and are calculated and paid monthly. For the six months ended April 30, 2010, management fees amounted to \$1,717,867. Norrep Inc. paid servicing commissions of \$726,392 (i.e. 44%) as well as selling commissions of \$388,468 (i.e. 24%) from these management fees to investment dealers. Norrep Inc. also pays Hesperian Capital Management Ltd. for portfolio advisory and administrative services with respect to this as well as all the other funds in the Norrep group. Although the calculation of the amount paid to Hesperian is not fund specific, it is estimated that \$1,635,940 (i.e. 48%) was paid to Hesperian for the six month period ending April 30, 2010 with respect to services provided to this Fund. In addition, a performance bonus recovery of \$2,578,474 was recorded. The performance bonus is 20% of the excess performance of Fund compared to its benchmark index multiplied by the weighted average net asset value of the Fund. The bonus accrued at October 31, 2009 was never paid out and decreased by \$2,578,474, thus giving a recovery in the current financial reporting period. The performance bonus is more properly described in the simplified prospectus.

Past Performance – Year by Year Returns

This chart illustrates the performance of the Norrep II Class since February 15, 2002, the date it became available to the public. It 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 grown 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. For 2005 the performance is from the opening Net Asset Value per share on January 1 to October 31 for the MF series (on January 31 to October 31 for the Series F) and for 2002, the performance is from February 15 to December 31.

Annual Returns



Summary of Investment Portfolio

The following investments were held by the Fund as at April 30, 2010.

Investments	Percent of net assets
Equities	
Vector Aerospace Corporation	6.13%
Black Diamond Group Ltd.	5.41%
Computer Modelling Group Ltd.	5.23%
Sino-Forest Corporation	4.57%
SEMAFO Inc.	4.35%
Softchoice Corporation	3.71%
Baytex Energy Trust	3.49%
COM DEV International Ltd.	3.07%
Inmet Mining Corporation	3.13%
NAL Oil & Gas Trust	3.14%
Stella-Jones Inc.	3.12%
Angle Energy Inc.	3.00%
Neo Material Technologies, Inc.	3.06%
Wajax Income Fund	3.06%
Major Drilling Group International Inc.	2.99%
TransForce, Inc.	2.94%
Orleans Energy Ltd.	2.91%
Quadra Mining Ltd.	2.73%
Axia NetMedia Corporation	2.62%
CGA Mining Limited	2.67%
Yoho Resources Inc.	2.55%
Gluskin Sheff + Associates Inc.	2.35%
Le Chateau Inc.	2.15%
Legacy Oil & Gas Inc.	2.03%
Home Capital Group Inc.	2.00%
Other Equities	14.81%
Total Equities	97.22%
Other	
Cash	3.37%
Other assets – net of liabilities	-0.59%
Total net asset value	100.00%
Industry Sectors	
Energy	19.78%
Basic Materials	29.39%
Industrials	22.56%
Consumer Discretionary	2.14%
Healthcare	0.97%
Financials	4.36%
Information Technology	18.02%
Other	2.78%
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 Norrep II Class is a class of Norrep Opportunities Corp. The Simplified Prospectus and all other Fund related materials can be obtained by calling us toll-free at (877) 531-9355, by writing to us at 175, 601-10th. Ave. SW Calgary, Alberta T2R 0B2 or from 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

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Equity Research Analyst

Our **MARKETING TEAM**

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