



norrepFUNDS

2010

Management Report of
Fund Performance
Norrep Q 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 Q Class

This interim management report of fund performance contains financial highlights but does not contain 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

It was a solid six months for the Norrep Q Class ("Norrep Q") as it returned 13.4% versus 13.5% for the S&P/TSX Total Return Index. The Norrep Q has provided positive returns to its investors in five of the last six months. At the end of April, the total assets in the Norrep Q stood at \$56 million.

The Norrep Q has historically focused on mid capitalization companies and the past six months were no different. We see the Norrep Q as a good complement to a large cap index fund or ETF as there are many opportunities to buy quality companies at reasonable valuations in the mid capitalization area of the market. By mid capitalization, we mean well established companies that are not in the S&P/TSX 60 Index, such as Sino Forest Corp., Home Capital Group Inc. or Industrial Alliance Insurance to name a few. The mid size companies that we invest in tend to have market capitalizations between \$1 and \$5 billion and currently make up about 45% of the portfolio. Large cap companies make up about 35% of the portfolio with the rest of the portfolio in small cap companies or cash.

Over the past few months, companies like Petrominerales Ltd., Home Capital Group Inc., Toronto Dominion Bank, Industrial Alliance Insurance and Keyera Facilities Income Fund have driven the upside performance of the fund. On the downside, our positions in CYBERplex Inc., Alimentation Couche-Tard and Inmet Mining have hurt performance over the last few months. Our lack of gold exposure has hurt our relative performance versus the S&P/TSX Index year-to-date but gold companies, in general, do not have the attributes that we deem attractive. Gold is more of an emotional product than one that can be analyzed. We currently have an approximate 5% weight in gold versus the S&P/TSX Index at 12%.

Going forward, we expect to see the momentum style return to favour and we believe that value stocks will continue to thrive. That bodes well for our style which we refer to as "momentum at a reasonable price". While our sector weightings change frequently, we are currently underweight Energy, Basic Materials, Health Care, Telecommunications and Utilities. We are currently overweight Consumer Staples, Financials and Information Technology. Our long term goal is to maintain a large cap weight of approximately 40%, a mid cap weight of 40% and a small cap weight of 20%. We believe that size along with our quantitative style gives our investors a product that is unique to the Canadian marketplace and makes it an important part of a diversified portfolio.

We continue to stick to our momentum with a value overlay style in the Norrep Q and we believe that we will be rewarded in the future just as this style has rewarded us in the past. The logic behind buying companies with limited debt at low valuations with good growth profiles exhibiting both earnings and price momentum is too strong to ignore. Over the last six to twelve months, the market has begun to reward those companies with strong attributes.

The Norrep Q Class continues to place an emphasis on creating a portfolio with the characteristics that give it the highest probability of success based on criteria that we have identified and tested against historical trading activity.

Changes in the composition of the investment portfolio relate to the Portfolio Manager's assessment of the fundamental and quantitative characteristics of particular industries and companies. Details of the changes are:

New holdings: Alliance Grain Traders Inc., ARC Energy Trust, Barrick Gold Corporation, Bonavista Energy Trust, Centerra Gold Inc., CGI Group Inc., Gaz Metro Limited Partnership, Gluskin Sheff + Associates Inc., Industrial Alliance Insurance and Financial Services Inc., Keyera Facilities Income Fund, Orleans Energy Ltd., Petrominerales Ltd., Rocky Mountain Dealerships Inc., Saputo Inc., Seacliff Construction Corp., Sears Canada Inc., Softchoice Corporation, Torstar Corporation

Eliminated holdings: AG Growth International, Inc., Aliment Couche-Tard Inc., Cangene Corporation, Cascades Inc., CML Healthcare Income Fund, Just Energy Income Fund, NAL Oil & Gas Trust, North West Company Fund, Precision Drilling Trust, SEMAFO Inc., Talisman Energy Inc., Thompson Creek Metals Company Inc., TMX Group Inc., Westshore Terminals Income Fund, Glamis Resources Ltd.

A summary of the investment portfolio showing the top 25 investments and an analysis of the portfolio by industry sector is provided below.

For the six months ended April 30, 2010, the Fund earned interest and dividend income amounting to \$331,235 and \$361,652, respectively. Management fees of \$573,375 were paid to Norrep Inc. General and administrative costs of \$156,298 related to the operation of the Fund were also incurred. As a result of the above, the net investment loss was \$36,786. The change in unrealized appreciation in current value of investments was \$3,364,246, realized gains were \$3,987,009, and transaction costs were \$102,983 for a total gain on investments of \$7,248,272. Net assets at the beginning of the period were \$56,216,813; they increased \$7,211,486 from operations, increased \$1,950,699 from the sale of shares to new investors and decreased \$9,335,982 as a result of redemptions. At April 30, 2010, the Fund had net assets of \$56,043,016.

The management fees increased 11% compared to the six-month period ending April 30, 2009 due to the appreciation in the Funds' 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 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 of \$573,375 were paid to Norrep Inc., the Fund's manager. Management fees are 1/12 of 2.00% for the MF Series, and 1/12 of 1% for the Series F, of the average net asset value of the Fund and are calculated and paid monthly. No performance bonus was paid to Norrep Inc. in the current semi-annual period. In addition, administrative fees of \$43,322 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	\$10.78	\$9.74	\$17.76	\$15.39	\$13.07	\$10.94
Change in accounting policy ⁴	-	-	-	(0.09)	-	-
Increase (decrease) from operations:						
Total revenue	0.14	0.31	0.45	0.45	0.46	0.35
Total expenses	(0.15)	(0.25)	(0.34)	(0.48)	(0.53)	(0.41)
Realized gains (losses) for the period	0.82	(3.38)	(2.45)	1.92	1.50	1.64
Transaction costs	(0.02)	(0.02)	(0.03)	(0.03)	-	-
Unrealized gains (losses) for the period	0.69	4.27	(5.50)	1.61	1.14	0.29
Total Increase (decrease) from operations ²	1.48	0.93	(7.87)	3.47	2.58	1.88
Distributions:						
From income	Nil	Nil	Nil	Nil	Nil	Nil
From dividends	Nil	Nil	Nil	(0.20)	(0.26)	Nil
From capital gains	Nil	Nil	Nil	(0.98)	(0.64)	Nil
Total annual distributions ³	Nil	Nil	Nil	(1.18)	(0.90)	Nil
Net Asset Value, end of year or interim period	\$12.21	\$10.78	\$9.74	\$17.76	\$15.39	\$13.07

- This information is derived from the Fund's unaudited interim 2010 financial statements and 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 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.*
- Distributions were reinvested in additional shares and paid in cash when requested.*
- 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.*

Financial Highlights (continued)

Ratios and Supplemental Data – MF Series	2010	2009	2008	2007	2006	2005
Net Assets (000's of \$) ⁽¹⁾	49,387	50,323	54,790	117,316	70,325	33,685
Number of shares outstanding ⁽¹⁾	4,044,180	4,666,247	5,626,019	6,605,588	4,568,571	2,577,367
Management expense ratio (MER) ⁽²⁾	2.64%	2.72%	2.46%	2.87%	3.42%	4.00%
MER before waivers or absorptions	2.64%	2.72%	2.46%	2.87%	3.42%	4.00%
Portfolio turnover rate ⁽³⁾	139.21%	112.10%	148.40%	100.00%	87.90%	122.30%
Trading expense ratio ⁽⁴⁾	0.27%	0.19%	0.29%	0.22%	0.22%	0.58%

- This information is provided as at April 30, 2010; October 31 for the other periods*
- 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, if any.*
- 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.*

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 ⁽⁴⁾
Net Asset Value, beginning of year or interim period	\$11.42	\$10.22	\$18.29	\$15.68	\$13.15	\$11.89
Change in accounting policy ⁵	-	-	-	(0.09)	-	-
Increase (decrease) from operations:						
Total revenue	0.14	0.31	0.45	0.45	0.46	0.27
Total expenses	(0.15)	(0.25)	(0.34)	(0.48)	(0.37)	(0.31)
Realized gains (losses) for the period	0.82	(3.38)	(2.45)	1.92	1.51	1.23
Transaction costs	(0.02)	(0.02)	(0.03)	(0.03)	-	-
Unrealized gains (losses) for the period	0.69	4.27	(5.50)	1.61	1.14	0.22
Total Increase (decrease) from operations ²	1.48	0.93	(7.87)	3.47	2.74	1.41
Distributions:						
From income	Nil	Nil	Nil	Nil	Nil	Nil
From dividends	Nil	Nil	Nil	(0.20)	(0.26)	Nil
From capital gains	Nil	Nil	Nil	(0.98)	(0.64)	Nil
Total annual distributions ³	Nil	Nil	Nil	(1.18)	(0.90)	Nil
Net Asset Value, end of year or interim period	\$13.00	\$11.42	\$10.22	\$18.29	\$15.68	\$13.15

- This information is derived from the Fund's unaudited interim 2010 financial statements and 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 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.*
- Distributions were reinvested in additional shares and paid in cash when requested.*
- The first Series F shares were acquired by investors on March 23, 2005*
- 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.*

Financial Highlights (continued)

Ratios and Supplemental Data – Series F	2010	2009	2008	2007	2006	2005
Net Assets (000's of \$) ⁽¹⁾	6,656	5,894	6,495	18,990	9,319	854
Number of shares outstanding ⁽¹⁾	512,150	515,926	635,575	1,038,329	594,288	65,002
Management expense ratio (MER) ⁽²⁾	1.59%	1.67%	1.41%	1.77%	1.94%	2.39%
MER before waivers or absorptions	1.59%	1.67%	1.41%	1.77%	1.94%	2.39%
Portfolio turnover rate ⁽³⁾	139.21%	112.10%	148.40%	100.00%	87.90%	122.30%
Trading expense ratio ⁽⁴⁾	0.25%	0.18%	0.33%	0.20%	0.14%	0.41%

- This information is provided as at April 30, 2010; October 31 for the other periods*
- 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, if any.*
- 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.*

Management Fees

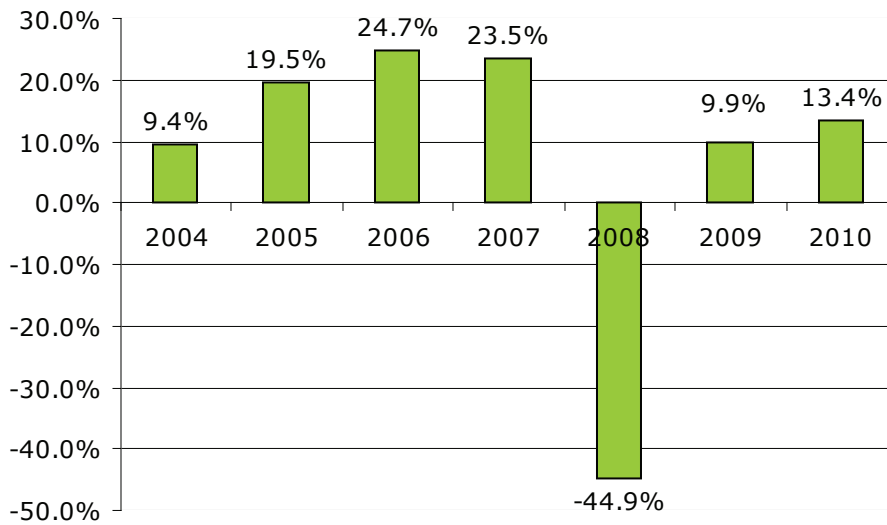
The Fund pays a monthly management fee of 1/12 of 2.0% for the MF Series, and 1/12 of 1% for the Series F, multiplied by the average net asset value of the Fund during the month to Norrep Inc., the Fund's manager. For the six months ended April 30, 2010, management fees amounted to \$573,375. Norrep Inc. paid servicing commissions of \$201,657 (i.e. 37%) as well as selling commissions of \$13,209 (i.e. 2%) 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 \$262,903 (i.e. 48%) was paid to Hesperian for the six-month period ending April 30, 2010 with respect to services provided to this Fund. There was no performance bonus payable or paid in the six-month period. 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 performance bonus is more properly described in the simplified prospectus.

Past Performance – Year by Year Returns

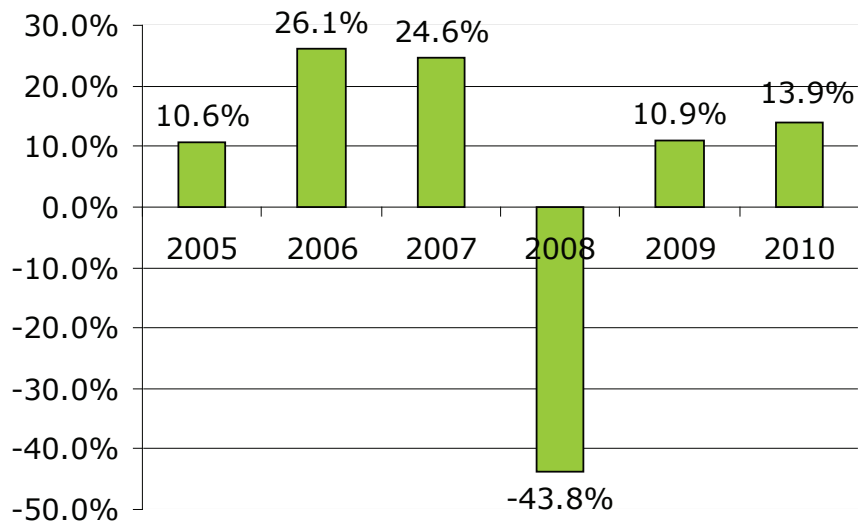
The chart shows the performance of the Norrep Q Class since its inception on March 31, 2004. It illustrates how the Fund's performance has changed from year to year. The chart shows, in percentage terms, how much an investment made, at the opening Net Asset Value per share, on the first day of each financial year would have 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 (the opening Net Asset Value per share on March 23 to October 31 for the F series) and for 2004, the performance is from March 31 to December 31.

Annual Returns

MF Series



Series F



Summary of Investment Portfolio

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

Investments	Percent of net assets
Equities	
Home Capital Group Inc.	7.19%
The Toronto-Dominion Bank	4.72%
Orleans Energy Ltd.	4.47%
National Bank of Canada	4.43%
Sino-Forest Corporation	4.34%
Bank of Nova Scotia	4.16%
Quadra Mining Ltd.	4.12%
Industrial Alliance Insurance and Financial Services Inc.	4.05%
Research In Motion Limited	3.62%
Rocky Mountain Dealerships Inc.	3.49%
Canadian Natural Resources Ltd.	3.48%
Royal Bank of Canada	3.29%
Gluskin Sheff + Associates Inc.	3.26%
Alliance Grain Traders, Inc.	3.09%
Bonavista Energy Trust	3.08%
EnCana Corporation	2.99%
Petrominerales Ltd.	2.89%
Gaz Metro Limited Partnership	2.87%
Softchoice Corporation	2.76%
CGI Group Inc.	2.67%
Torstar Corporation	2.58%
Saputo Inc.	2.55%
Inmet Mining Corporation	2.54%
ARC Energy Trust	2.53%
Seacliff Construction Corp.	2.51%
Other Equities	10.88%
Total Equities	98.56%
Other	
Cash	2.30%
Other assets – net of liabilities	-0.86%
Total net asset value	100.00%
Industry Sectors	
Energy	24.76%
Basic Materials	14.28%
Industrials	6.00%
Consumer Discretionary	5.06%
Consumer Staples	5.64%
Financials	31.09%
Information Technology	11.73%
Other	1.44%
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 Q 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 G 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 G 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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Equity Research Analyst

Steve Ripplinger

Equity Research Analyst

Our **MARKETING TEAM**

Richard Rohan

VP National Sales

Steve Valetta

VP of Western Regional Sales

Jeff Lucyk

VP of Regional Sales

James Chisholm, CFA, CMA

Director of Marketing

Jessica Dew

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Other **PROFESSIONALS**

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