mapleleaf
SHORT DURATION FLOW-THROUGH

INVESTOR UPDATE.

September 2011

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PORTFOLIO MANAGER

Dear Investors:

RE: MAPLE LEAF SHORT DURATION 2010 FLOW THROUGH LIMITED PARTNERSHIP

I am writing to you today in a time of great upheavals in the financial market. The once robust economic recovery from the depth of the Great Financial Recession has given way to slowing growth and tepid job creation. Our political leaders, meanwhile, seem unable or unwilling to lead in order to reignite the recovery. Reflecting the prevailing pessimism, stocks have corrected sharply and talks of a repeat of 2008 abound. What is a resource investor to do?

To answer this question, it is instructive to review the investment strategy our fund had adopted at the end of 2010, and how it had fared since. At this time last year, when I met with many of you in person, this is what I said our strategy would be:

- Our biggest position would be Gold. I really liked gold as a hedge against risks of any kind – inflation, deflation, financial crisis, geo-political events, etc. – which should thrive in a negative interest rate environment, benefiting from a weakening US dollar. While not explicitly setting a target price, I said gold could easily reach $2,300/oz based on its historical peak, adjusted for inflations;
- Our 2nd biggest position would be Oil. While oil was trading in line with what I viewed as a long term average of $90 – 95/bbl, it could trade higher given the industrialization of emerging countries, strong OPEC discipline as well as potential for supply disruption. With cheap oil gone, the world will increasingly turn to unconventional sources such as Canada's oil sands;
- We liked Uranium for the same reason we liked oil – the world needs more energy and there is very little technology that is time-tested, clean burning and able to provide large scale stable supply. With the long lead time to develop new mines and dwindling inventory, a nuclear renaissance was underway and long term price should be between $70 – 80/lb;
- We remained bearish on Natural gas, due to the persistently high number of rigs still chasing the prolific US shale gas plays. Even though demands were recovering with low prices, gas will not trade above $5.50 - $6.50 until we see sustained decline in shale gas production, and probably much lower in the near term;

Our fund invested in a diversified basket of 26 resource companies according to this strategy, with slightly more weights given to energy and uranium, slightly less to base metals and bulk materials, given the availability and level of premiums at the time. In other words, we invested exactly as we had advertised. So how have we done?

The Fund's performance started out quite well. With commodities roaring, strong markets and our portfolio composition, the NAV of our fund units nearly reached their $25 par value by the end of February 2011, a mere two months after we have completed our investments. Then came Fukushima.

The Fukushima Dai-ichi nuclear power plant is one of the largest in the world, located 80 km outside of Tokyo, Japan. On March 11th, 2011, a 9.0 scale earthquake (4th biggest ever recorded) occurred off the northeast coast of Japan, causing destructive tsunami with waves of up to 14 meters. With the reactors only designed to handle up to 6 meters of wave, emergency power supply was lost and some units experienced partial nuclear meltdowns and radiation releases. This is the worst nuclear accident since Chernobyl, and the nuclear renaissance ground to a halt. Not only was a large portion of the Japanese fleet went offline, many countries slowed down their pace of construction to review safety design and procedures. A couple of the countries which were sitting on the fence decided to abandon nuclear all together. Having reached $73.50/lb the month prior, price for uranium oxide fell back to $52/b. Uranium related stocks fell anywhere between 50 – 90%. The impact on the uranium sector and investors holding uranium stocks was devastating. Needless to say, with our bullish outlook for uranium and our uranium stock positions, our fund was negatively impacted.

The impact of the Fukushima incident went far beyond the uranium sector. The supply chain disruption caused severe parts shortage for the auto and technology industry globally. Together with spiking oil prices due to the Middle East political turmoil and inclement weathers in many parts of the world, the momentum of the economic recovery was stunt. The expected pick up in the third quarter was then sideswiped by the (manufactured) crisis in the US surrounding the raise of debt ceiling and renewed concerns on European sovereign debts. Markets didn't take kindly to the uncertainties and stocks sold off, especially smaller companies and companies that are more exposed to cyclical economic growth. Resource sectors bore the blunt of the sell-off in spite of their still robust fundamentals. To wit, performance of resource equities had lagged far behind the performance of their underlying commodities (in year to the end of August 2011):

- Gold stocks were flat despite a 28% rise in gold (to $1,829/oz);
- Oil stocks were down 10% while oil was down only 3% (peaked at $115/bbl) and gas down 8%;
- Uranium stocks were down on average of 70% while uranium prices was down 22%;
- Base Metal stocks fell 18% even though copper price were basically flat;
- Most Bulk Materials stocks dropped sharply despite generally higher iron ore and coal prices.

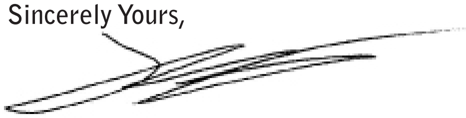
At the end of August, the NAV of Maple Leaf 2010 stood at $16.25 per share, slightly below the break-even level after considering the tax deduction up front.

So, what now?

Perhaps I can be accused of being an optimist, but I don't believe 2011 is a repeat of 2008. No doubt there are many challenges, and near term more downsides may be seen in resource stocks and the markets general. But the economy is still growing albeit slowly, not contracting. Jobs are still being created albeit in painfully small numbers, not eliminated. Banks and corporations have fortified their balance sheets and are better prepared for crisis. Governments have more experience with emergency measure, and central banks are far from being totally out of bullets. Human nature is such that crisis has a way of getting necessary things done, and this time will be no exception. Looking into the 4th quarter of 2011 and 1st half of 2012, I see strong recoveries in the resource sector. To that end, our investment stance is largely unchanged, with gold and oil being our largest positions. Uranium holdings have been pared back, but even there the ongoing takeover battle for Hathor Exploration could signal a coming revival. We do have more cash today in order to take advantage of buying opportunities should they arise. We have preached the principles of diversification and active management, and this will continue in the new Maple Leaf Resource mutual fund once the rollover occurs. Yes, our 2010 fund has had a setback in performance this year; however this follows a string of funds with exceptional performance in recent years. We shall persevere and stay the course even in the wake of natural disasters and market volatilities.

Thank you for your continuing support.

Sincerely Yours,



Jim Huang, Portfolio Manager
Maple Leaf Short Duration Flow-Through Investments