



# ANNUAL REPORT

EXCEL  
**CHINA FUND**  
For the years ended September 30, 2011 and 2010

Important information about the Fund is contained in the Simplified Prospectus. Read the prospectus carefully before investing. Past performance is no assurance or indicator of future returns. Fund unit values and investment returns will fluctuate.

Dear Excel Investor,

Emerging markets consumption has eclipsed that of the United States and Excel Funds is well positioned to help you capitalize on the unprecedented growth within these markets.

While there is some uncertainty in today's economic climate, emerging markets continue to thrive and are expected to account for 75% of global growth this year alone. These markets have escaped much of the financial turmoil that continues to affect developed markets around the world. With healthy underlying economic fundamentals and compelling valuations, emerging markets have a very attractive investment outlook. In contrast to the developed world, these markets have policy flexibility, low sovereign debt levels and strong banks. Structurally, emerging markets are poised to rebound best from the global slowdown and lead the way for the rest of the world.

Excel remains committed to helping Canadian investors grow with emerging markets through our highly ranked fund family. With a total of 12 mutual funds, Excel now offers the largest emerging markets focused fund line up in Canada. Our strategy continues to focus on active portfolio management by best in class, on-the-ground portfolio managers. This approach has proven effective once again, as the Excel Emerging Markets, Excel EM High Income and Excel EM Capital Income Funds have all outperformed relative to the competitors in their inaugural year.

With the recent launch of the Excel Blue Chip Emerging Markets Fund, Excel is adding to the wide range of investment options we offer and looking to help investors maximize their portfolio returns. The Excel Blue Chip Emerging Markets Fund is the first of its kind and offers Canadian investors the opportunity to benefit from emerging market growth with developed market leaders. This new global Fund invests in G7 and BRIC blue chip companies with high organic growth due to emerging market exposure. It uses geographic diversification and currency hedging to minimize risk and preserve capital while maintaining the ability to profit from emerging market outperformance over the longer term. While the global economy expands and contracts over time, we will continue to work hard on your behalf to bring you the best opportunities in emerging markets. As we enter the most exciting period of our history, I want to thank all investors for choosing Excel Funds for your emerging market investments.

Best Regards,



Bhim D. Asdhir  
President and Chief Executive Officer

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*This Annual Management Report of Fund Performance contains financial highlights and should be read in conjunction with the complete audited annual financial statements of the investment fund. Unitholders may contact us by calling 1-888-813-9813, by writing to us at Excel Funds, 2000 Argentia Road, Plaza 4, Suite 280, Mississauga, ON, L5N 1W1, or by visiting our website at [www.excelfunds.com](http://www.excelfunds.com) to request a copy of the investment fund's interim or annual financial statements, proxy voting policies and procedures, proxy voting disclosure record, quarterly portfolio disclosure and annual activity report prepared by the Independent Review Committee.*

## **Management Report of Fund Performance**

This Annual Management Report of Fund Performance presents management's view of the significant factors and developments during the past year that have affected the Excel China Fund's (the "Fund") performance and outlook. In this report, "Excel" or "Manager" refers to Excel Funds Management Inc., the manager of the Fund.

## **Investment Objective and Strategies**

The investment objective of the Fund is to seek long-term growth of capital by investing in equity securities of companies located in China, Hong Kong, Taiwan and other Far East countries.

The Fund will invest the majority of its assets in equity securities of superior companies in China, Hong Kong and Taiwan, and other Far East countries. The Fund may also invest in other companies outside this region that are engaged in economic development and opportunities in China. The Fund invests in a diversified portfolio of well-researched equity securities listed in China, Hong Kong, other parts of Asia and surrounding areas. The Fund strongly emphasizes companies with good value, sustainable growth prospects and visionary corporate management. The Fund may also invest in Canadian equity securities which focus on companies doing business in the China region, debt securities of Canadian issuers, derivatives (futures, options and forward contracts) and cash or cash equivalents.

The Fund may invest in American or global depository receipts, Eurobonds, Euro convertible bonds or other securities issued by China issuers in the international capital markets, debt securities of foreign issuers, cash and cash equivalents. Under adverse market, economic or political conditions or for other considerations, the Fund may invest its assets in cash or short-term fixed income securities for defensive purposes.

## **Investment Risks**

The risks of investing remain as discussed in the prospectus. The Fund is suitable for investors who want exposure to equity and debt securities of companies located in China, Hong Kong and other Far Eastern markets, and who are investing for the medium to long term and can tolerate higher risk. Since the Fund also invests in small to mid-cap companies, there is performance risk associated with being underweight with large capitalized companies. There are additional risks associated with politics and the currencies of emerging economies. The Fund's financial instruments may consist of cash, investments and certain derivative contracts. As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include emerging markets risk, equity risk, currency risk and foreign investment risk.

## **Results of Operations**

For the year ended September 30, 2011, the Fund's Series A, F and I units declined by 27.1%, 26.2% and 25.2% respectively. This compares to a decline of 23.3% for the Morgan Stanley Capital International ("MSCI") China index (net dividends reinvested) for the same period. The Fund's return is after the deduction of fees and expenses paid by the Fund.

The Fund marginally underperformed the benchmark during the year ended September 30, 2011. Top contributors to performance included overweight positions in Lenovo Group Limited, SINA Corporation, China Resources Cement Holdings Limited and Brilliance China Automotive Holdings Limited. The Fund's underweight position in the large financials Agricultural Bank of China Limited "H" and China Life Insurance Company Limited "H" also added value. Detractors to relative performance included the overweight in China Taiping Insurance Holdings Company Limited and the underweight in China Mobile Limited, PetroChina Company Limited "H" and Sinopec Shanghai Petrochemical Company Limited "H".

The Net Assets of the Fund decreased from \$160.7 million as at September 30, 2010 to \$100.0 million as at September 30, 2011 primarily due to net realized and unrealized losses of \$36.6 million recorded on the investment portfolio and investor net redemptions of \$21.8 million.

## Recent Developments

The Chinese economy continues to experience dynamic growth and 2011 has seen China surpass Japan to become the world's second largest economy. China is also on track to replace the United States as the largest producer of manufactured goods.

Despite the positive long-term outlook, recent months have been a challenging time for risk assets such as equities as investors have become concerned over the health of the global economy, highlighted by the ongoing sovereign debt crisis in Europe and the Standard & Poor's downgrade of the United States ("US") government debt. Chinese equities have also been impacted by concerns relating to inflation, the Chinese authorities having actively raised interest rates in a bid to manage liquidity and temper growth in Asia's largest economy.

In terms of portfolio changes, the Fund added to insurance companies during the fourth quarter of 2010 as the Fund can benefit from a cycle of rising interest rates. Further the Fund has built positions in some healthcare and consumer companies. These types of companies are favorable because of their strong earnings momentum and promising growth outlook in the long term. While exposure to small-mid caps stocks was reduced as liquidity declined in the market from the beginning of 2011, the Fund earned profits from certain internet stocks as valuations became stretched, and the Fund selectively added some technology stocks in anticipation of market share gain. Towards the end of the third quarter in 2011, the Fund bought banks as valuations became attractive. Exposure to the energy sector was increased by selectively adding companies benefiting from rising commodity prices and solid production volume growth. Furthermore, the Fund bought some airline equities as oil prices dropped.

China is, relative to other economies, advanced in its cycle of rate rises and inflationary pressures are expected to moderate towards the end of 2011. While policy risk remains a factor in China, it also presents opportunities for long-term investors as valuations are attractive both in absolute terms and, relative to other markets.

The Fund continues to favour secular growth themes, particularly in the consumer and industrials sectors, and the key holdings in the portfolio are those which are likely to be less affected by rising inflationary pressures and policy measures. In this regard, strong capital spending growth is expected to be seen. Machinery and textiles are likely to be the first to benefit from net spending as they seek to improve productivity levels.

The economic prospects for China remain stronger than currently priced into the market, as share price valuations remain at the lower end of the historical range. The Fund's focus is on high conviction companies which can deliver sustainable earnings growth in the coming years. The Fund will selectively add to positions in these companies with valuation pull back.

## Future Accounting Changes

### International Financial Reporting Standards ("IFRS")

The Fund is required to mandatorily adopt IFRS for its fiscal year beginning October 1, 2013, and will issue its initial financial statements in accordance with IFRS, including comparative information, for the interim period ending March 31, 2014. The Manager is in the process of developing an IFRS changeover plan, which addresses key elements of the conversion to IFRS and will identify the key differences between IFRS and Canadian generally accepted accounting principles ("Canadian GAAP") that are expected to affect the Fund. Elements of the plan include evaluating the impacts of the changeover on all investment activities, accounting policies, internal controls over financial reporting and disclosure controls and procedures. Based on the Manager's initial evaluations of the differences between Canadian GAAP and IFRS, the adoption of IFRS is not expected to have a significant impact on the calculation of Net Asset Value per unit. IFRS is expected to affect the overall presentation of financial statements and result in additional disclosure in the accompanying notes. Based on initial assessment, the Fund's units would be classified as a liability under International Accounting Standard 32, "Financial Instruments Presentation".

The Manager continues to monitor changes to IFRS proposed by the International Accounting Standards Board and relevant amendments by the Canadian Accounting Standards Board, and the initial assessment and IFRS changeover plan will change if new standards are issued or interpretations of existing standards are revised.

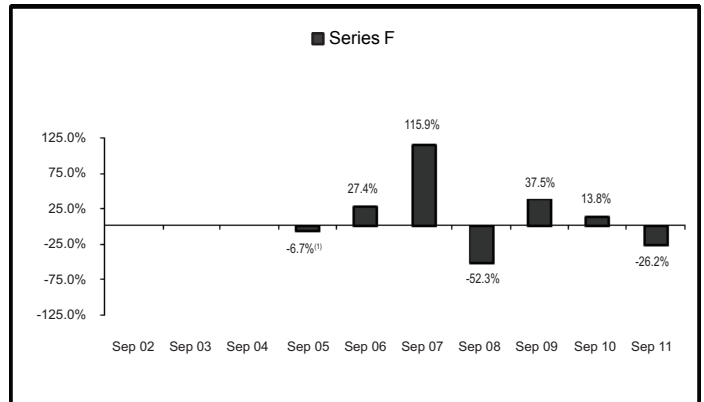
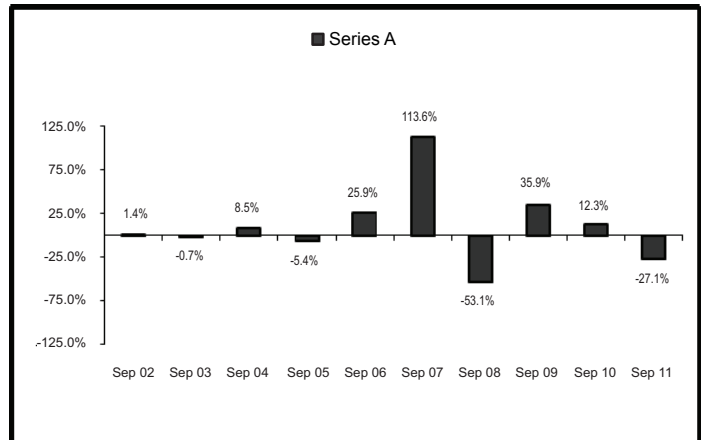
**Past Performance**

Sales commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemptions, distributions, optional charges or income taxes payable by any investor that would have reduced returns. It should be noted that mutual funds are not guaranteed as their value changes frequently and past performance may not be repeated. The Fund's performance numbers assume that all distributions are reinvested in additional units of the Fund. If you hold this Fund outside of a registered plan, income and capital gains distributions that are paid to you increase your income for tax purposes whether paid to you in cash or reinvested in additional units. The amount of the reinvested taxable distributions is added to the adjusted cost base of the units that you own. This would decrease your capital gains or increase your capital loss when you later redeem from the Fund, thereby ensuring that you are not taxed on this amount again. Please consult your tax advisor regarding your personal tax situation.

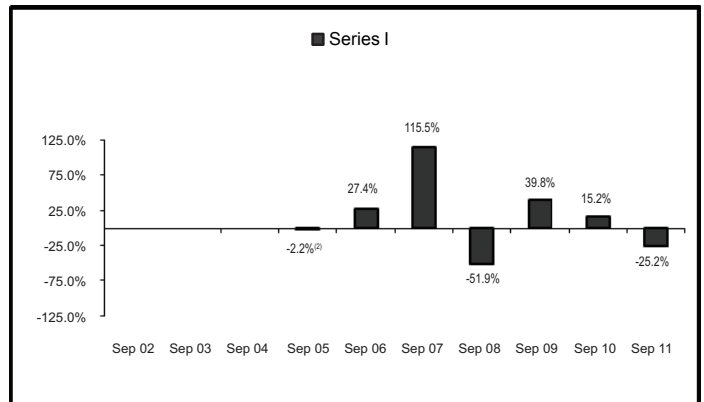
The past performance of the Fund is set out in the following charts. All returns are calculated in Canadian Dollars, and unit values are expressed in Canadian Dollars.

**Year-by-Year Returns**

The following bar charts show the performance of each series of units of the Fund for each of the previous years ended September 30. The charts show in percentage terms how an investment made on October 1 or on inception would have increased or decreased by September 30 of the fiscal year. The past performance of the Fund is not necessarily an indication of how it will perform in the future.



(1) Return from February 25, 2005 to September 30, 2005.



(2) Return from December 23, 2004 to September 30, 2005.

## Annual Compound Returns

The following table shows the Fund's annual compound total return for Series A, F and I units of the Fund for the years ended September 30, 2011. The annual compound total return is also compared to the MSCI China index calculated on the same compound basis. All returns are calculated in Canadian dollars on a total return basis, meaning that all distributions are reinvested. The differences between the returns for each series, is a result of management fees charged and direct series expenses.

<b>Percentage Return:</b>	<b>1</b>	<b>3</b>	<b>5</b>	<b>10</b>	<b>Since</b>
	<b>Yr</b>	<b>Yr</b>	<b>Yr</b>	<b>Yr</b>	<b>Inception</b>
<b>Series A</b>	-27.14	3.59	2.17	3.77	-7.42 <sup>(1)</sup>
MSCI China <sup>(4)</sup>	-23.33	3.89	5.80	10.83	3.42 <sup>(1)</sup>
<b>Series F</b>	-26.19	4.90	3.54	N/A	5.39 <sup>(2)</sup>
MSCI China	-23.33	3.89	5.80	10.83	9.86 <sup>(2)</sup>
<b>Series I</b>	-25.19	6.40	4.55	N/A	6.74 <sup>(3)</sup>
MSCI China	-23.33	3.89	5.80	10.83	10.08 <sup>(3)</sup>

<sup>(1)</sup> The Fund's performance (since inception as of January 28, 2000, as reflected in the charts above) relates to a period of time when the Fund was known as the Excel Innovation Fund. The investment objective of Excel China Fund was changed on December 14, 2001. The return of the Excel China Fund Series A from December 14, 2001 to September 30, 2011 is -7.39%.

<sup>(2)</sup> The inception date of the Excel China Fund Series F is February 25, 2005.

<sup>(3)</sup> The inception date of the Excel China Fund Series I is December 23, 2004.

<sup>(4)</sup> The MSCI China is a free float-adjusted market capitalization index that measures equity market performance in China.

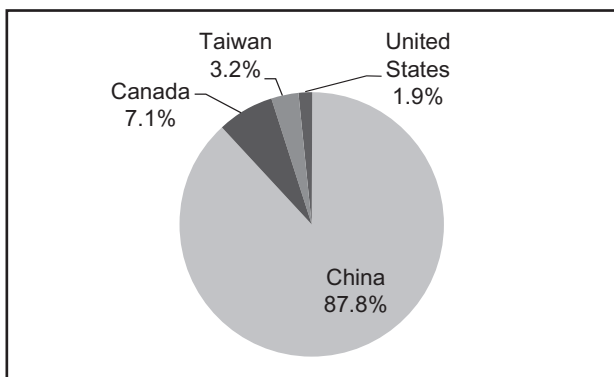
**Summary of Investment Portfolio**  
As at September 30, 2011

**Portfolio Allocation\***

Asset Class	% of Net Asset Value
Information Technology	14.3%
Financial Services	11.3%
Oil & Gas	8.9%
Industrial & Manufacturing	8.0%
Telecommunications	6.9%
Automotive	5.9%
Retail & Merchandising	5.7%
Metals & Mining	5.6%
Conglomerates	5.2%
Real Estate & Property Management	4.8%
Other Net Assets	4.7%
Mutual Funds	4.0%
Pharmaceutical & Healthcare	3.5%
Electronics	2.9%
Cement	2.5%
Shipping & Transportation	1.9%
Utility & Energy	1.8%
Consumer Products	1.2%
Advertising & Media	0.9%
<b>Total</b>	<b>100.0%</b>

\*The portfolio allocation percentages are based on Net Asset Value and accordingly differ slightly from those in the Statement of Investment Portfolio in the financial statements which are based on Canadian GAAP.

**Portfolio Region Allocation \***



\* The portfolio region allocations are based on Net Asset Value.

**Top 25 Holdings\***

Issuer	% of Net Asset Value
CNOOC Limited	4.3%
Tencent Holdings Limited	4.3%
Lenovo Group Limited	4.2%
China Unicom (Hong Kong) Limited	3.8%
Dah Chong Hong Holdings Limited	3.5%
PetroChina Company Limited "H"	3.3%
Agricultural Bank of China Limited "H"	3.2%
Brilliance China Automotive Holdings Limited	2.9%
Comba Telecom Systems Holdings Limited	2.8%
China Construction Bank Corporation "H"	2.7%
Cash & Cash Equivalents	2.7%
Kindee International Software Group Company Limited	2.7%
China Life Insurance Company Limited	2.7%
Yanzhou Coal Mining Company Limited	2.7%
Sino Biopharmaceutical Limited	2.6%
China Resources Cement Holding Limited	2.5%
Springland International Holdings Limited	2.3%
Dongfang Electric Corporation Limited "H"	2.3%
Excel EM Capital Income Fund "I" Series	2.3%
I.T Limited	2.2%
China Overseas Land & Investment Limited	2.0%
China ZhengTong Auto Services Holdings Limited	2.0%
China Southern Airlines Company Limited "H"	1.9%
AAC Acoustic Technologies Holdings Inc.	1.9%
Skyworth Digital Holdings Limited	1.7%

\*The top 25 holding percentages are based on Net Asset Value and accordingly differ slightly from those in the Statement of Investment Portfolio in the financial statements which are based on Canadian GAAP.

The investments and percentages may have changed by the time you purchase units of this fund. The top 25 holdings are made available quarterly. The "Quarterly Portfolio Disclosure" is posted on the Excel Funds website - [www.excelfunds.com](http://www.excelfunds.com)

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the indicated periods. "Net Assets" are calculated in accordance with the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, "Financial Instruments - Recognition and Measurement" ("Section 3855") and are used for financial reporting purposes. "Net Asset Value" is calculated in accordance with section 14.2 of National Instrument 81-106, "Investment Fund Continuous Disclosure" ("NI 81-106") and is used for transactional pricing purposes. Section 3855 requires the use of valuation techniques for certain types of investments that may differ from those prescribed by NI 81-106. Ratios and Supplemental Data are derived from the Fund's Net Asset Value.

### The Fund's Net Assets Per Unit (\$) <sup>(2)</sup>

Series A	Sep-11	Sep-10	Sep-09	Sep-08	Sep-07
<b>Net Assets, beginning of year</b>	<b>2.59</b>	2.31	1.68	3.89	1.82 <sup>(3)</sup>
Increase (decrease) from operations:					
Total revenue	<b>0.04</b>	0.04	0.03	0.06	0.09
Total expenses	<b>(0.10)</b>	(0.09)	(0.09)	(0.12)	(0.11)
Realized gains (losses) for the year	<b>0.09</b>	0.23	(0.87)	(0.07)	0.59
Unrealized gains (losses) for the year	<b>(0.66)</b>	0.09	1.55	(1.85)	1.33
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	<b>(0.63)</b>	0.27	0.62	(1.98)	1.90
<b>Distributions<sup>(4)</sup>:</b>					
From capital gains	-	-	-	(0.24)	-
<b>Net Assets, end of year</b>	<b>1.88</b>	2.59	2.31	1.68	3.89
<b>Series F</b>	<b>Sep-11</b>	Sep-10	Sep-09	Sep-08	Sep-07
<b>Net Assets, beginning of year</b>	<b>8.89</b>	7.81	5.62	12.80	5.92 <sup>(3)</sup>
Increase (decrease) from operations:					
Total revenue	<b>0.14</b>	0.14	0.12	0.22	0.27
Total expenses	<b>(0.24)</b>	(0.20)	(0.23)	(0.22)	(0.18)
Realized gains (losses) for the year	<b>(0.11)</b>	0.80	(2.83)	(0.22)	2.02
Unrealized gains (losses) for the year	<b>(2.77)</b>	0.29	5.22	(5.60)	4.17
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	<b>(2.98)</b>	1.03	2.28	(5.82)	6.28
<b>Distributions<sup>(4)</sup>:</b>					
From capital gains	-	-	-	(0.81)	-
<b>Net Assets, end of year</b>	<b>6.54</b>	8.89	7.81	5.62	12.80
<b>Series I</b>	<b>Sep-11</b>	Sep-10	Sep-09	Sep-08	Sep-07
<b>Net Assets, beginning of year</b>	<b>19.32</b>	16.78	11.88	26.77	12.42 <sup>(3)</sup>
Increase (decrease) from operations:					
Total revenue	<b>0.27</b>	0.33	0.24	0.45	0.55
Total expenses	<b>(0.27)</b>	(0.23)	(0.25)	(0.36)	(0.43)
Realized gains (losses) for the year	<b>0.76</b>	1.68	(6.86)	(0.89)	3.84
Unrealized gains (losses) for the year	<b>(4.92)</b>	0.65	11.66	(12.87)	9.53
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	<b>(4.16)</b>	2.43	4.79	(13.67)	13.49
<b>Distributions<sup>(4)</sup>:</b>					
From capital gains	-	-	-	(1.65)	-
<b>Net Assets, end of year</b>	<b>14.41</b>	19.32	16.78	11.88	26.77

(1) Net Assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period.

(2) This table is not intended to be a reconciliation of opening and closing Net Assets per unit.

(3) Net Assets beginning of the year were adjusted to reflect changes in Canadian GAAP.

(4) Distributions were paid in cash/reinvested in additional units of the fund, or both.

## Ratios and Supplemental Data

<b>Series A</b>	<b>Sep-11</b>	<b>Sep-10</b>	<b>Sep-09</b>	<b>Sep-08</b>	<b>Sep-07</b>
Net Asset Value (\$) (000's) <sup>(1)</sup>	<b>49,787</b>	92,654	98,547	68,631	172,227
Net Asset Value per unit (\$) (1)	<b>1.89</b>	2.60	2.31	1.70	3.90
Number of units outstanding (000's) <sup>(1)</sup>	<b>26,315</b>	35,682	42,618	40,330	44,149
Management expense ratio (%) (2)	<b>3.54</b>	3.24	3.52	3.32	2.39
Management expense ratio before waivers or absorptions (%) (2)	<b>3.56</b>	3.26	3.55	3.34	3.25
Portfolio turnover rate (%) (3)	<b>114.14</b>	97.40	209.70	97.40	109.79
Trading expense ratio (%) (4)	<b>0.59</b>	0.56	1.12	0.74	1.09
<b>Series F</b>	<b>Sep-11</b>	<b>Sep-10</b>	<b>Sep-09</b>	<b>Sep-08</b>	<b>Sep-07</b>
Net Asset Value (\$) (000's) <sup>(1)</sup>	<b>17,044</b>	3,381	3,463	3,305	8,693
Net Asset Value per unit (\$) (1)	<b>6.57</b>	8.91	7.83	5.69	12.83
Number of units outstanding (000's) <sup>(1)</sup>	<b>2,593</b>	380	442	533	678
Management expense ratio (%) (2)	<b>2.21</b>	1.93	2.47	1.51	0.80
Management expense ratio before waivers or absorptions (%) (2)	<b>2.23</b>	2.15	2.50	2.25	2.22
Portfolio turnover rate (%) (3)	<b>114.14</b>	97.40	209.70	97.40	109.79
Trading expense ratio (%) (4)	<b>0.59</b>	0.56	1.12	0.74	1.09
<b>Series I</b>	<b>Sep-11</b>	<b>Sep-10</b>	<b>Sep-09</b>	<b>Sep-08</b>	<b>Sep-07</b>
Net Asset Value (\$) (000's) <sup>(1)</sup>	<b>33,649</b>	64,930	53,696	41,453	53,596
Net Asset Value per unit (\$) (1)	<b>14.48</b>	19.35	16.81	12.02	26.84
Number of units outstanding (000's) <sup>(1)</sup>	<b>2,324</b>	3,355	3,195	3,448	1,997
Management expense ratio (%) (2)	<b>0.88</b>	0.74	0.69	1.11	0.85
Management expense ratio before waivers or absorptions (%) (2)	<b>1.22</b>	0.96	1.14	1.26	1.24
Portfolio turnover rate (%) (3)	<b>114.14</b>	97.40	209.70	97.40	109.79
Trading expense ratio (%) (4)	<b>0.59</b>	0.56	1.12	0.74	1.09

(1) This information is provided at September 30.

(2) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average Net Asset Value during the period. In the period a series is established or reinstated, the management expense ratio is annualized from the date of inception or reinstatement.

(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 the year. The higher a 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 the performance of a fund.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average Net Asset Value during the period.

## Management Fees

Excel was entitled to receive \$2,901,594 (2010: \$3,048,311) in management fees but the Fund paid Excel (after fees absorbed) management fees of \$2,720,104 (2010: \$2,918,879). The management fee for each series is calculated as a percentage of its Net Asset Value, as of the close of business on each business day. The Fund's management fees were used to pay the portfolio managers for managing the investment portfolio, providing investment analysis and recommendations, making investment decisions, making brokerage arrangements for the purchase and sale of the investment portfolio and providing other services. Excel also used the management fees to fund commission payments and other dealer compensation (collectively "distribution-related costs") to registered dealers and brokers for units of the Fund bought and held by investors.

For the year ended September 30, 2011, Excel received administration fees of \$154,060 (2010: \$108,419) relating to the operation of the Fund.

For the year ended September 30, 2011, 59.6% (2010: 56.3%) of the total management fee revenues received by Excel from all Excel Funds was used to fund distribution related costs paid to registered dealers, brokers and sub-advisors for units of the Fund bought and held by investors.

## Other Related Party Transactions

Excel has created an Independent Review Committee ("IRC") to review and provide impartial judgment on, among other things, conflict of interest matters. The IRC reviews potential conflicts of interest referred to it by Excel and makes recommendations on whether a course of action achieves a fair and reasonable result for the Excel Funds. In addition, the IRC regularly reviews Excel's policies and procedures relating to conflicts of interest. The IRC prepares, at least annually, a report of its activities for investors, which is available at [www.excelfunds.com](http://www.excelfunds.com) and [www.sedar.com](http://www.sedar.com).

During the year ended September 30, 2011, the Excel Chindia Fund, a fund also managed by Excel, did not purchase any (2010: 136,092) Series I units of the Fund and redeemed 1,212,148 (2010: 230,587) Series I units of the Fund. As at September 30, 2011, the Excel Chindia Fund held 1,879,655 (2010: 3,091,803) Series I units of the Fund.

## Other Related Party Transactions (Cont'd)

During the year ended September 30, 2011, the Excel BRIC Fund, a fund also managed by Excel, purchased 167,056 (2010: 275,812) Series I units of the Fund and redeemed 26,269 (2010: 21,071) Series I units of the Fund. As at September 30, 2011, the Excel BRIC Fund held 395,528 (2010: 254,741) Series I units of the Fund.

The Excel Emerging Markets Fund, a fund also managed by Excel, was incepted on November 2, 2010. For the period November 2, 2010 to September 30, 2011, the Excel Emerging Market Fund purchased 40,284 Series I units of the Fund and did not redeem any Series I units of the Fund. As at September 30, 2011, the Excel Emerging Markets Fund held 40,284 Series I units of the Fund.

## Fund Formation and Series Information

Date of Formation: January 28, 2000

The Fund may issue an unlimited number of units of each series. The numbers of units of each series that have been issued and are outstanding are disclosed in the Financial Highlights.

Series offered by Excel Funds Management Inc. (2000 Argentia Road, Plaza 4, Suite 280, Mississauga, Ontario, L5N 1W1; 1-888-813-9813; www.excelfunds.com)

### Series A

Units of Series A are offered for sale on a continuous basis and can be purchased by submitting a purchase order to your dealer or financial advisor. You may choose from three purchase options when purchasing Series A units of the Fund, namely the Initial Sales Charge Option, Deferred Sales Charge Option or Volume Sales Charge Option. The minimum initial investment in the Fund for the Initial Sales Charge or the Deferred Sales Charge option is \$250. The minimum initial investment in the Fund for the Volume Sales Charge is \$250.

Inception Date:	Jan 28, 2000
Management Fees:	2.50%
Sales Charges:	Up to 5.00%
Redemption Charges	Up to 5.75%
Redemption Charges	
Under Low Load Option:	Up to 2.50%

### Series F

Series F units are offered to investors enrolled in a dealer sponsored fee-for-service and who are subject to an asset based fee rather than commissions on each transaction. Series F units are only available through dealers or financial planners who offer certain "wrap" or "fee-for-service" programs that have been approved by Excel. Your dealer or financial advisor must enter into an agreement with Excel before selling Series F units. The minimum initial investment for the Series F is \$250.

Inception Date:	Feb 25, 2005
Management Fees:	1.50%
Sales Charges:	<sup>(1)</sup>
Redemption Charges	n/a
Redemption Charges	
Under Low Load Option:	n/a

### Series I

Series I units are designed for institutional investors and are sold pursuant to applicable prospectus exemption

Inception Date:	Dec 23, 2004
Management Fees:	<sup>(2)</sup>
Sales Charges:	n/a
Redemption Charges	n/a
Redemption Charges	
Under Low Load Option:	n/a

<sup>(1)</sup> There is no sales charges payable on Series F units, but Series F investors will generally be required to pay their dealer an advisory or asset based fee in addition to the Series F management fee payable by the Fund.

<sup>(2)</sup> The management fee on Series I is negotiable between the Institution and Excel Funds Management Inc.

## A Note on Forward-Looking Statements

This report may contain forward-looking statements about the Fund, including its strategy, expected performance and condition. Forward looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and international, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. Further, you should be aware of the fact that the Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise.

## Management's Responsibility for Financial Reporting



November 17, 2011

The accompanying financial statements have been prepared by the management of the Funds and approved by the Board of Directors of Excel Funds Management Inc. Management is responsible for the information and representations contained in these financial statements and other sections of this report.

Excel Funds Management Inc. maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Funds are described in note 2 to the financial statements.

Deloitte & Touche LLP are the external auditors of the Funds. They are appointed by the unitholders. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report is set out on the following page.

A handwritten signature in black ink, appearing to read 'Bhim Asdhir', written in a cursive style.

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Bhim D. Asdhir  
President & Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Glenn W. Cooper', written in a cursive style.

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Glenn W. Cooper  
Chief Financial Officer

## Independent Auditor's Report

To the Unitholders of Excel China Fund

We have audited the accompanying financial statements of the Excel China Fund, which comprise the statement of investment portfolio as at September 30, 2011, the statements of net assets as at September 30, 2011 and 2010, and the statements of investment operations, changes in net assets and net realized gains on investments for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Excel China Fund as at September 30, 2011 and 2010, and the results of its operations and its changes in net assets for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Licensed Public Accountants  
November 17, 2011


**Statements of Net Assets**

*For the years ended September 30, 2011 and 2010*

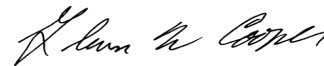
	2011	2010
<b>Assets</b>		
Investments, at fair value (*)	\$ 95,345,024	\$ 157,949,076
Cash	2,720,099	5,221,030
Due from brokers - equities	2,673,828	3,111,237
Interest and dividends receivable	246,155	152,466
Receivable for units issued	127,352	194,758
	<b>101,112,458</b>	<b>166,628,567</b>
<b>Liabilities</b>		
Due to brokers - equities	503,734	4,802,657
Accrued expenses	340,898	493,401
Payable for units redeemed	246,710	624,668
	<b>1,091,342</b>	<b>5,920,726</b>
<b>Net Assets Represented by Unitholders' Equity</b>	<b>\$ 100,021,116</b>	<b>\$ 160,707,841</b>
<b>Net Assets</b>		
Series A	\$ 49,559,388	\$ 92,506,009
Series F	16,966,315	3,375,482
Series I	33,495,413	64,826,350
	<b>\$ 100,021,116</b>	<b>\$ 160,707,841</b>
<b>Units Issued and Outstanding (Note 4)</b>		
Series A	26,314,709	35,681,959
Series F	2,593,132	379,665
Series I	2,323,798	3,354,875
<b>Net Assets Per Unit</b>		
Series A	\$ 1.88	\$ 2.59
Series F	\$ 6.54	\$ 8.89
Series I	\$ 14.41	\$ 19.32
* Investments, at Average Cost	\$ 107,249,832	\$ 128,507,987

*The accompanying notes to financial statements are an integral part of these financial statements.*

Approved by the Fund Manager



Bhim D. Asdhir, Director



Glenn W. Cooper, Director

**Statements of Investment Operations**

*For the years ended September 30, 2011 and 2010*

	2011	2010
<b>Investment Income</b>		
Dividends	\$ 2,144,056	\$ 2,787,344
Interest	154,674	220,843
Withholding taxes	(68,089)	(134,235)
	<b>2,230,641</b>	<b>2,873,952</b>
<b>Expenses (Note 5)</b>		
Management fees	2,901,594	3,048,311
Transaction costs	909,274	894,361
Administration costs	741,444	531,469
Custodial fees	66,732	65,734
Legal fees	52,786	26,472
Audit fees	23,602	22,865
Securityholder reporting costs	18,708	26,558
Independent Review Committee	4,683	6,460
Trustee fees	3,820	4,692
	<b>4,722,643</b>	<b>4,626,922</b>
<b>Net Investment Loss before</b>		
<b>Absorbed Expenses</b>	<b>(2,492,002)</b>	<b>(1,752,970)</b>
<b>Expenses Absorbed by Manager (Note 5a)</b>	<b>181,490</b>	<b>129,432</b>
<b>Net Investment Loss</b>	<b>(2,310,512)</b>	<b>(1,623,538)</b>
<b>Realized and Unrealized Gains</b>		
<b>(Losses) on Investments</b>		
Net realized gains on investments	4,970,425	15,230,939
(Losses) gains on foreign exchange	(243,665)	12,577
Net change in unrealized (depreciation) appreciation in value of investments	(41,345,897)	5,903,221
<b>Net (Losses) Gains on Investments</b>	<b>(36,619,137)</b>	<b>21,146,737</b>
<b>(Decrease) Increase in Net Assets</b>		
<b>from Operations</b>	<b>\$ (38,929,649)</b>	<b>\$ 19,523,199</b>
<b>(Decrease) Increase in Net Assets</b>		
<b>from Operations</b>		
<b>Series A</b>	<b>\$ (19,870,702)</b>	<b>\$ 10,892,840</b>
<b>Series F</b>	<b>(6,765,710)</b>	<b>419,201</b>
<b>Series I</b>	<b>(12,293,237)</b>	<b>8,211,158</b>
	<b>\$ (38,929,649)</b>	<b>\$ 19,523,199</b>
<b>(Decrease) Increase in Net Assets</b>		
<b>from Operations Per Unit</b>		
<b>Series A</b>	<b>\$ (0.63)</b>	<b>\$ 0.27</b>
<b>Series F</b>	<b>(2.98)</b>	<b>1.03</b>
<b>Series I</b>	<b>(4.16)</b>	<b>2.43</b>

*The accompanying notes to financial statements are an integral part of these financial statements.*

**Statements of Changes in Net Assets**

*For the years ended September 30, 2011 and 2010*

	Series A		Series F	
	2011	2010	2011	2010
<b>Net Assets,</b>				
Beginning of the Year	\$ 92,506,009	\$ 98,361,080	\$ 3,375,482	\$ 3,456,536
<b>(Decrease) Increase in Net Assets from Operations</b>	<b>(19,870,702)</b>	10,892,840	<b>(6,765,710)</b>	419,201
<b>Capital Transactions</b>				
Proceeds from issuance of units	31,033,713	26,360,340	23,489,191	810,914
Amounts paid on redemption of units	(54,109,632)	(43,108,251)	(3,132,648)	(1,311,169)
<b>Net Capital Transactions</b>	<b>(23,075,919)</b>	(16,747,911)	<b>20,356,543</b>	(500,255)
<b>Net Assets,</b>				
End of the Year	\$ 49,559,388	\$ 92,506,009	\$ 16,966,315	\$ 3,375,482

	Series I		Total	
	2011	2010	2011	2010
<b>Net Assets,</b>				
Beginning of the Year	\$ 64,826,350	\$ 53,593,549	\$ 160,707,841	\$ 155,411,165
<b>(Decrease) Increase in Net Assets from Operations</b>	<b>(12,293,237)</b>	8,211,158	<b>(38,929,649)</b>	19,523,199
<b>Capital Transactions</b>				
Proceeds from issuance of units	4,062,300	7,421,643	58,585,204	34,592,897
Amounts paid on redemption of units	(23,100,000)	(4,400,000)	(80,342,280)	(48,819,420)
<b>Net Capital Transactions</b>	<b>(19,037,700)</b>	3,021,643	<b>(21,757,076)</b>	(14,226,523)
<b>Net Assets,</b>				
End of the Year	\$ 33,495,413	\$ 64,826,350	\$ 100,021,116	\$ 160,707,841

**Statements of Net Realized Gains on Investments**

*For the years ended September 30, 2011 and 2010*

	2011	2010
<b>Proceeds from Sale of Investments</b>	\$ 196,255,669	\$ 170,926,695
<b>Investments at Average Cost,</b>		
Beginning of the Year	128,507,987	130,517,314
<b>Cost of Investments Purchased</b>	<b>170,027,089</b>	153,686,429
	<b>298,535,076</b>	284,203,743
<b>Investments at Average Cost,</b>		
End of the Year	<b>107,249,832</b>	128,507,987
<b>Cost of Investments Sold</b>	<b>191,285,244</b>	155,695,756
<b>Net Realized Gains on Investments</b>	<b>\$ 4,970,425</b>	\$ 15,230,939

*The accompanying notes to financial statements are an integral part of these financial statements.*

**Statement of Investment Portfolio**

As at September 30, 2011

Description	Country	Number of Shares / Units	Average Cost \$	Fair Value \$
<b>Equities (95.3%)</b>				
<b>Advertising &amp; Media (0.9%)</b>				
Cosmedia Group Holdings Limited	China	300,000	1,083,026	1
SINA Corporation	China	12,083	821,352	906,478
			<b>1,904,378</b>	<b>906,479</b>
<b>Automotive (6.0%)</b>				
Brilliance China Automotive Holdings Limited	China	3,536,000	2,146,125	2,877,213
China ZhengTong Auto Services Holdings Limited	China	2,122,500	2,275,465	2,010,184
Dongfeng Motor Group Company Limited "H"	China	766,000	1,287,488	1,089,221
			<b>5,709,078</b>	<b>5,976,618</b>
<b>Cement (2.5%)</b>				
China Resources Cement Holdings Limited	China	3,612,000	2,037,223	2,510,241
<b>Conglomerates (5.2%)</b>				
Dah Chong Hong Holdings Limited	China	3,278,000	3,181,966	3,519,935
Skyworth Digital Holdings Limited	China	4,524,000	3,029,625	1,635,392
			<b>6,211,591</b>	<b>5,155,327</b>
<b>Consumer Products (1.2%)</b>				
Trinity Limited	China	146,000	118,546	121,136
Uni-President Enterprises Corporation	China	818,000	1,157,845	1,108,479
			<b>1,276,391</b>	<b>1,229,615</b>
<b>Electronics (2.9%)</b>				
AAC Acoustic Technologies Holdings Inc.	China	834,000	2,047,551	1,882,332
HTC Corporation	Taiwan	43,050	1,347,459	1,002,789
			<b>3,395,010</b>	<b>2,885,121</b>
<b>Financial Services (11.4%)</b>				
Agricultural Bank of China Limited "H"	China	9,318,000	4,497,131	3,194,375
China Construction Bank Corporation "H"	China	4,260,700	3,151,284	2,716,681
China Life Insurance Company Limited "H"	China	1,072,000	2,596,640	2,688,330
China Pacific Insurance (Group) Company Limited "H"	China	172,400	713,491	519,727
China State Construction International Holdings Limited	China	1,524,000	1,127,954	829,421
PICC Property & Casualty Company Limited "H"	China	1,248,000	1,930,342	1,405,034
			<b>14,016,842</b>	<b>11,353,568</b>
<b>Industrial &amp; Manufacturing (8.0%)</b>				
Catcher Technology Company Limited	Taiwan	133,000	577,130	807,301
Changsha Zoomlion Heavy Industry Science and Technology Limited "H"	China	887,200	1,094,571	1,053,274
China Corn Oil Company Limited	China	2,774,000	2,144,966	1,284,002
Cosco Pacific Limited	China	808,000	1,523,479	935,537
Dongfang Electric Corporation Limited "H"	China	844,800	1,267,028	2,251,538
Sany Heavy Equipment International Holdings Company Limited	China	642,000	461,136	530,097
Techtronic Industries Co. Ltd.	China	1,618,000	1,477,100	1,137,415
			<b>8,545,410</b>	<b>7,999,164</b>
<b>Information Technology (14.3%)</b>				
Baidu.Inc - ADR	China	10,200	1,334,812	1,140,126
Kingdee International Software Group Company Limited	China	6,922,800	2,712,865	2,714,932
Lenovo Group Limited	China	6,002,000	2,685,481	4,203,249
Netease.com Inc. ADR	China	31,000	1,362,506	1,239,480
Simple Technology Co Limited	Taiwan	118,000	790,576	764,404
Tencent Holdings Limited	China	196,100	2,733,407	4,284,709
			<b>11,619,647</b>	<b>14,346,900</b>

The accompanying notes to financial statements are an integral part of this financial statement.

**Statement of Investment Portfolio (Cont'd)**

*As at September 30, 2011*

Description	Country	Number of Shares / Units	Average Cost \$	Fair Value \$
<b>Metals &amp; Mining (5.6%)</b>				
China Coal Energy Company Limited "H"	China	1,176,000	1,493,254	1,109,064
Jiangxi Copper Company Limited "H"	China	252,000	859,323	461,195
Yanzhou Coal Mining Company Limited "H"	China	1,176,000	3,142,585	2,676,186
Zhaojin Mining Industry Company Limited "H"	China	806,500	1,755,521	1,394,245
			<b>7,250,683</b>	<b>5,640,690</b>
<b>Oil &amp; Gas (8.9%)</b>				
China Oilfield Services Limited "H"	China	990,000	1,978,223	1,320,581
CNOOC Limited	China	2,492,000	4,650,983	4,308,072
PetroChina Company Limited "H"	China	2,534,000	3,043,019	3,261,849
			<b>9,672,225</b>	<b>8,890,502</b>
<b>Pharmaceutical &amp; Healthcare (3.4%)</b>				
Sino Biopharmaceutical Limited	China	8,768,000	3,476,525	2,573,079
Trauson Holdings Company Limited	China	3,101,000	1,552,340	823,161
			<b>5,028,865</b>	<b>3,396,240</b>
<b>Real Estate &amp; Property Management (4.8%)</b>				
China Overseas Land & Investment Limited	China	1,334,000	2,027,383	2,010,778
China Resources Land Limited	China	740,000	1,384,013	837,062
KWG Property Holding Limited	China	993,500	674,488	384,322
Prince Housing & Development Corporation	Taiwan	724,000	658,871	540,405
Prince Housing & Development Corporation - Rights	Taiwan	65,160	59,298	48,636
Sunac China Holdings Limited	China	5,116,000	2,051,028	948,583
			<b>6,855,081</b>	<b>4,769,786</b>
<b>Retail &amp; Merchandising (5.7%)</b>				
I.T Limited	China	3,368,000	2,848,643	2,201,395
Luk Fook Holdings (International) Limited	China	376,000	1,839,806	1,153,574
Springland International Holdings Limited	China	3,387,000	2,869,431	2,299,656
			<b>7,557,880</b>	<b>5,654,625</b>
<b>Shipping &amp; Transportation (1.9%)</b>				
China Southern Airlines Company Limited "H"	China	3,958,000	2,303,742	1,916,515
<b>Telecommunications (6.8%)</b>				
China Unicom (China) Limited	China	1,742,000	2,677,332	3,764,377
Comba Telecom Systems Holdings Limited	China	3,649,206	3,623,126	2,823,295
Phoenix Satellite Television Holdings Limited	China	1,638,000	565,620	312,449
			<b>6,866,078</b>	<b>6,900,121</b>
<b>Utilities &amp; Energy (1.8%)</b>				
China Shenhua Energy Company Limited "H"	China	229,500	976,389	949,018
GCL-Poly Energy Holdings Limited	China	3,186,000	1,465,443	858,474
			<b>2,441,832</b>	<b>1,807,492</b>
<b>Total Equities</b>			<b>102,691,956</b>	<b>91,339,004</b>
<b>Mutual Funds (4.0%)</b>				
Excel EM Capital Income "I" Series	Canada	471,346	2,353,378	2,273,157
Excel Emerging Europe Fund "I" Series	Canada	151,058	1,508,425	799,082
Excel Latin America Fund "I" Series	Canada	113,044	592,677	670,169
Excel Income & Growth Fund "I" Series	Canada	39,866	387,248	263,612
<b>Total Mutual Funds</b>			<b>4,841,728</b>	<b>4,006,020</b>
Transaction Costs			(283,852)	-
<b>Total Investments (95.3%)</b>			<b>\$ 107,249,832</b>	<b>\$ 95,345,024</b>
<b>Other Net Assets (4.7%)</b>				<b>\$ 4,676,092</b>
<b>Total Net Assets (100.0%)</b>				<b>\$ 100,021,116</b>

*The accompanying notes to financial statements are an integral part of this financial statement.*

## 1. Formation and Structure of the Fund

Excel China Fund (the “Fund”) is an open-ended unit trust created under the laws of the Province of Ontario pursuant to the Declaration of Trust dated January 17, 2000. The Fund began operations on January 28, 2000. Excel Funds Management Inc. (“Excel”) is the manager, trustee and promoter of the Fund.

The investment objective of the Fund is to seek long-term growth of capital by investing in equity securities of companies located in China, Hong Kong, Taiwan and other Far East countries. The Fund may also invest in Canadian equity securities which focus on companies doing business in the China region, in debt securities of Canadian issuers, derivatives (futures, options and forward contracts) and cash or cash equivalents.

Excel has retained Baring Asset Management LLC. (“Baring”) to act as portfolio manager and sub-advisor of the Fund effective January 8, 2009.

The Fund may issue an unlimited number of units of each series. The number of units issued and redeemed is disclosed in Note 4.

- Series A units are available to retail investors who initially invest a minimum of \$250.
- Series F units are available to any investor investing and maintaining, in aggregate, a minimum of \$250 in one or more of the Excel Funds, who are enrolled in a dealer sponsored “fee-for-service” or “wrap” program and who are subject to an asset-based fee (rather than paying commissions on transactions) payable to their dealer for the dealer’s on-going financial planning and advice.
- Series I units are available to institutional investors and are sold pursuant to applicable prospectus exemption.

Series	Inception Date	Sales Charges	Redemption Charges	Redemption Charges Under Low-Load Option
Series A	January 28, 2000	Up to 5.00%	Up to 5.75%	Up to 2.50%
Series F	February 25, 2005	(i)	n/a	n/a
Series I	December 23, 2004	n/a	n/a	n/a

(i) There are no sales charges payable on Series F units, but Series F investors will generally be required to pay their dealer an advisory or asset-based fee in addition to the Series F management fee payable by the Fund.

## 2. Summary of Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. The most significant estimates relate to the valuation of investments. Due to the uncertainty inherent in making estimates, actual results could differ from these estimates.

The following is a summary of the significant accounting policies followed by the Fund:

### a) Valuation of Investments

Stocks are valued at fair values, which are determined by the closing bid price on the recognized stock exchange on which the stock is listed or principally traded. Bonds are valued at fair values based on the closing bid prices by major investment dealers in such securities. Unlisted or non-exchange traded investments, or investments for which a closing bid price or last sale or close price are unavailable or securities for which market quotations are, in Excel’s opinion, inaccurate, unreliable, or not reflective of all available material information, are valued at their fair value as determined by Excel using appropriate and accepted industry valuation techniques including valuation models. The fair value of an investment determined using valuation models requires the use of inputs and assumptions based on observable market data including volatility and other applicable rates or prices. In limited circumstances, the fair value of a security may be determined using valuation techniques that are not supported by observable market data. Investments in underlying third party mutual funds are valued at the Net Asset Value of those funds as these values reflect actual and regularly occurring market transactions on an arm’s length basis. Short-term investments are recorded at cost plus accrued interest which approximates fair value.

### b) Investment Transactions and Income

Investment transactions are accounted for on a trade date basis. Realized gains and losses on the sale of investments and change in unrealized appreciation (depreciation) of investments are determined on an average cost basis. Interest income is recognized on an accrual basis and dividends are recognized at the ex-dividend date.

## 2. Summary of Significant Accounting Policies (Cont'd)

### c) Financial Instruments

The carrying values of financial instruments which include cash, receivables, payables and accruals approximate fair value due to their short maturities.

### d) Foreign Currency

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on the year-end date. Purchases and sales of investments, investment income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions.

### e) Increase (Decrease) in Net Assets from Operations Per Unit

Increase (Decrease) in Net Assets from Operations Per Unit in the Statements of Investment Operations represents the total results from investment operations for the year divided by the weighted average number of units outstanding during the year for each series.

### f) Transaction Costs

Transaction costs including brokerage commissions and security transaction taxes incurred by the Fund are expensed in the Statements of Investment Operations in the period incurred.

### g) Credit Risk and Fair Value of Financial Instruments

The Fund's own credit risk and the credit risk of the counterparty are taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments.

### h) Future Accounting Changes

*International Financial Reporting Standards ("IFRS")*

The Fund is required to mandatorily adopt IFRS for its fiscal year beginning October 1, 2013, and will issue its initial financial statements in accordance with IFRS, including comparative information for the interim period ending March 31, 2014.

## 3. Fair Value Disclosure

The tables below summarize the fair value of the Fund's financial instruments as at September 30, 2011 and 2010 using the following fair value hierarchy:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable and where there is little, if any, market activity. Inputs into the determination of fair value require significant management judgment or estimation.

As at September 30, 2011

Description	Level 1	Level 2	Level 3	Total
Equities	\$91,339,004	\$ -	\$ -	\$91,399,004
Mutual Funds	4,006,020	-	-	4,006,020
<b>Total Investments</b>	<b>\$95,345,024</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$95,345,024</b>

As at September 30, 2010

Description	Level 1	Level 2	Level 3	Total
Equities	\$152,387,128	\$1,300,606	\$ -	\$153,687,734
Mutual Funds	4,261,342	-	-	4,261,342
<b>Total Investments</b>	<b>\$156,648,470</b>	<b>\$1,300,606</b>	<b>\$ -</b>	<b>\$157,949,076</b>

#### 4. Unitholders' Equity

Each unitholder in the Fund acquires units that represent an undivided interest in the Net Asset Value of the Fund. All units of the same class have equal rights and privileges. Each unit is entitled to one vote at any meeting of unitholders and to equal participation in any distributions made by the Fund. Fractional units are proportionately entitled to these rights. All units are fully paid when issued and are not transferable. Units are redeemable at the option of the unitholder. The number of units, which may be issued, is unlimited. The units of the Fund are issued and redeemed at the Net Asset Value per unit, which is determined daily.

The Net Asset Value for each series of units of the Fund is calculated based on the fair market value of that series' proportionate share of the assets of the Fund, less any liabilities of the Fund allocated to that series of units, divided by the total number of units of that series held by Fund investors. The following units were issued, redeemed, and the average units outstanding for the years ended September 30:

	2011			2010		
	Units Issued	Units Redeemed	Average Units Outstanding	Units Issued	Units Redeemed	Average Units Outstanding
Series A	12,629,740	21,996,990	31,477,712	10,863,855	17,800,084	39,993,046
Series F	2,583,003	369,536	2,269,233	97,282	160,048	408,700
Series I	207,340	1,238,417	2,953,767	411,904	251,658	3,374,444

During the year ended September 30, 2011, the Excel Chindia Fund, a fund also managed by Excel, did not purchase any (2010: 136,092) Series I units of the Fund and redeemed 1,212,148 (2010: 230,587) Series I units of the Fund during the same period. As at September 30, 2011, the Excel Chindia Fund held 1,879,655 (2010: 3,091,803) Series I units of the Fund.

During the year ended September 30, 2011, the Excel BRIC Fund, a fund also managed by Excel, purchased 167,056 (2010: 275,812) Series I units of the Fund and redeemed 26,269 (2010: 21,071) Series I units of the Fund. As at September 30, 2011, the Excel BRIC Fund held 395,528 (2010: 254,741) Series I units of the Fund.

The Excel Emerging Markets Fund, a fund also managed by Excel, was accepted on November 2, 2010. For the period November 2, 2010 to September 30, 2011, the Excel Emerging Market Fund purchased 40,284 Series I units of the Fund and did not redeem any Series I units of the Fund. As at September 30, 2011, the Excel Emerging Markets Fund held 40,284 Series I units of the Fund.

#### 5. Management Fees and Other Expenses

##### a) Management Fees

Excel as manager of the Fund, is responsible for the day-to-day management of the Fund activities including managing the overall business and operations of the Fund, retaining portfolio managers and determining policies relating to the distribution of units. For its services Excel is paid a management fee calculated on each series of units as a percentage of the Net Asset Value of the series, as of the close of business on each business day as described below:

Series	Management Fees
Series A	2.50%
Series F	1.50%
Series I	(i)

(i) The management fee on Series I is negotiable between the Institution and Excel.

During the year ended September 30, 2011, Excel absorbed management fees of \$181,490 (2010: \$129,432). Excel may discontinue absorbing these expenses at any time in the future without notice.

As of September 30, 2011, the management fee payable was \$154,109 (2010: \$349,031) which was included in accrued expenses.

##### b) Operating Expenses

The Fund pays its own operating expenses and all applicable taxes. These expenses include management fees, brokerage commissions and fees on portfolio transactions, interest expense, taxes (if any), custodial fees, audit and legal fees, insurance, registrar's fees, distribution costs, the cost of reporting to unitholders (including proxy solicitation material), the cost of qualifying and maintaining the qualification for sale of units of the Fund and all other expenses incurred in the ordinary course of operation of the Fund.

During the year ended September 30, 2011, Excel received administration fees of \$154,060 (2010: \$108,419) relating to the operation of the Fund.

## 6. Brokerage Commissions and Soft Dollars

Brokerage commissions paid on investment transactions for the years ended September 30 were as follows:

2011	2010
<b>\$564,441</b>	\$568,210

All business with brokers is transacted on normal commercial terms. During the years ended September 30, 2011 and 2010, through soft commission arrangements with brokers, Baring received services used to support investment decision making. Baring did not make direct payment for these services but transacted business with the brokers on behalf of the Fund and commission was paid on these transactions. The total soft dollar credits generated for the years ended September 30 are as follows:

2011	2010
<b>\$ 308,426</b>	\$258,557

The goods and services utilized for the Fund included research and data services used for analysis. Types of research included macro-economic data covering countries and sectors, company research reports, subscriptions of specialist publications, introductions to company management and access to analysts.

## 7. Income Taxes and Distributions

The Fund, qualifies as a "unit trust" under the Income Tax Act (Canada) and, is not taxed on that portion of the taxable income, which is paid or allocated to unitholders. The tax year-end of the Fund is December 15. Income from foreign sources may be subject to foreign withholding tax. Income earned from the units and capital gains realized when units are redeemed or exchanged, may be subject to tax.

It is the policy of the Fund to distribute to unitholders on or before their taxation year end, sufficient net income (including net realized capital gains) of the Fund which will result in the Fund paying no tax under Part I of the Income Tax Act (Canada). The Fund may make additional distributions from time to time throughout the year at Excel's discretion including distributions on account of reduced management fee arrangements with certain investors such as institutional investors.

The Fund has accumulated net realized capital losses and non-capital losses as at the end of its previous taxation year. These losses are available for utilization against net realized gains or net income for tax purposes in future years. Non-Capital losses generated from years beginning 2006 or after may be carried forward for up to 20 taxation years. Capital losses may be carried forward indefinitely to reduce capital gains. As at September 30, 2011 the amount of capital losses are as follows.

Capital	Non-Capital
<b>\$61,388,976</b>	<b>\$1,176,070</b>
<b>Non-Capital Losses expire in the taxation year ending December 15:</b>	
<b>2029</b>	
<b>\$1,176,070</b>	

## 8. Net Assets and Net Asset Value

The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, "Financial Instruments – Recognition and Measurement" prescribes the valuation techniques for calculating Net Assets for financial reporting purposes ("Net Assets"). National Instrument 81-106, "Investment Fund Continuous Disclosure" prescribes the valuation techniques for calculating Net Asset Value for transactional pricing purposes ("Net Asset Value"). Net Assets are calculated based on the fair value of investments using the last bid price and the Net Asset Value of investment funds is calculated based on the fair value of investments using the close or last trade price.

The following are the Net Assets and Net Asset Values per unit:

	Series A		Series F		Series I	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Net Assets per unit	<b>\$1.88</b>	\$2.59	<b>\$6.54</b>	\$8.89	<b>\$14.41</b>	\$19.32
Net Asset Value per unit	<b>\$1.89</b>	\$2.60	<b>\$6.57</b>	\$8.91	<b>\$14.48</b>	\$19.35

The Net Assets per unit and Net Asset Value per unit differ due to the use of different valuation techniques.

## 9. Financial Instruments and Risk Management

The Fund's financial instruments consist of cash and both domestic and foreign investments. As a result, the Fund is exposed to various risks that are associated with its investment strategies and the financial instruments and markets in which it invests. The Fund did not engage in any derivative transactions during the years ended September 30, 2011 and 2010. The most significant risks to the Fund are described below:

### Currency Risk

Currency risk is the risk that changes in the value of the Canadian dollar, in relation to foreign currencies, will affect the value of securities held by the Fund which are denominated in foreign currencies. If the Canadian dollar declines in value against the foreign currency, the value of an investment expressed in Canadian currency will increase. If the Canadian dollar increases in value against the foreign currency, the value of an investment expressed in Canadian currency will decrease. The Fund does not have any currency hedging.

The Fund is exposed to currency risk through the following financial instruments:

Currency exposure as at September 30, 2011:

	Cash and Short-term Investments (\$)	Equities(\$)	Total(\$)	% of Total Net Assets
Hong Kong Dollar	(412,783)	84,889,384	84,476,601	84.5
US Dollar	1,945,694	3,286,085	5,231,779	5.2
Taiwan Dollar	8,796	3,163,535	3,172,331	3.2

Currency exposure as at September 30, 2010:

	Cash and Short-term Investments (\$)	Equities(\$)	Total(\$)	% of Total Net Assets
Hong Kong Dollar	3,940,702	141,725,614	145,666,316	90.6
US Dollar	787,535	5,353,273	6,140,808	3.8
Taiwan Dollar	14,947	6,608,847	6,623,794	4.1

Based on the currency exposures at September 30, 2011, a 1% change in the Canadian dollar in relation to all the currencies would result in an approximately \$929,000 (2010: \$1,584,000) change in Net Assets of the Fund as at September 30, 2011, with all other factors held constant. In practice, actual trading results may differ from this sensitivity analysis and the difference could be material.

### Liquidity Risk

The Fund is exposed to daily cash redemptions of redeemable units. Therefore, the Fund invests the majority of its resources in investments that are actively traded and can be readily disposed. To reduce liquidity risk the Fund's assets are continuously monitored to ensure that one third of the volume of the active positions can be liquidated within a few trading days. During the year ended September 30, 2011 there were no illiquid investments made. In addition the Fund retains sufficient cash and cash equivalent positions to maintain liquidity.

### Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as bonds or indirectly through interest bearing securities held by underlying funds. The Fund did not hold directly any interest-bearing financial instruments as September 30, 2011 and 2010. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates. This indirect exposure was not significant as at September 30, 2011 and 2010.

### Other Market Risk

Other market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The manager moderates this through a careful selection of securities and other financial instruments within the parameters of the investment strategy.

**9. Financial Instruments and Risk Management (Cont'd)**

**Other Market Risk (Cont'd)**

The impact on Net Assets of the Fund due to a 1 % change in the benchmark, using historical correlation between the Fund's return as compared to the return of the Fund's benchmark, as at September 30, with all other variables held constant, is included in the following table. Regression analysis has been utilized to estimate the historical correlation. The analysis uses 36 data points based on the monthly net returns of the Series A units of the Fund.

Benchmark	Impact on Net Assets	
	September 30, 2011	September 30, 2010
Morgan Stanley Capital International China Index	+ or - \$1,210,000	+ or - \$1,634,000

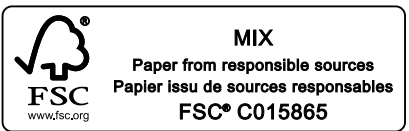
Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and differences could be material.

**Credit Risk**

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The greatest concentration of credit risk is in the Fund's direct investment in debt securities, such as short-term notes and indirectly through debt security holdings of the underlying mutual funds that the Fund has invested (if any) in. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of direct investments in debt securities and indirect investments in debt securities through the underlying funds that the fund has invested in represents the credit risk exposure as at September 30, 2011 and 2010. The credit risk of the Fund as of September 30, 2011 and 2010 was not significant.

**Capital Management**

CICA Handbook Section 1535, "Capital Disclosures", specifies the disclosure of (i) an entity's objectives, policies and processes for management of capital; (ii) quantitative data and qualitative information about what the entity regards as capital; and (iii) whether the entity has complied with any capital requirements. The objectives, policies and procedures for managing capital are described in Note 1, information about unitholders' equity is described in Note 4 and during the years ended September 30, 2011 and 2010 the Fund did not have any externally imposed capital requirements.



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