



PALOS EQUITY INCOME FUND

QUARTERLY SUMMARY OF INVESTMENT PORTFOLIO (AS AT DECEMBER 31, 2011)

About the Portfolio Manager

Palos Investment Funds is a fund management service committed to the goal of preserving and growing our individual and institutional investors' capital. Our fund investment philosophy is to use disciplined yet creative processes to achieve strong performance while managing risk. The specific investment objectives of each fund differ: some of our funds pay income distributions and we offer a public, prospectus-based mutual fund, a private mutual fund and private limited partnership funds, which have different tax characteristics.

Palos Management executives invest significantly in all Palos Investment Fund products, which means that our interests are directly aligned with those of our clients.

About the Fund

The Palos Equity Income Fund is our first public, prospectus-based mutual fund. This Fund attempts to mirror the strategies of our flagship fund, the Palos Income Fund L.P., in a format that is eligible to be held in registered accounts such as RRSP or TFSA accounts.



Toll-free 1-855-725-6788



www.palosmanagement.com

Palos Equity Income Fund

1 Place Ville-Marie, Suite 1812
Montreal, QC H3B 4A9

This report lists the top 25 holdings, sector weighting and country weighting of the Palos Equity Income Fund as at December 31, 2011. For more information, please visit www.palosmanagement.com

Top 25 holdings (as at December 31, 2011)

Long Positions	% of NAV
Toronto-Dominion Bank	4.0%
Gibson Energy Inc	3.4%
Suncor Energy Inc	3.1%
Bank of Nova Scotia	2.9%
Northland Power Inc	2.8%
Baytex Energy Corp	2.8%
Telus Corporation	2.8%
ARC Resources Ltd	2.7%
Keyera Corp	2.7%
Progressive Waste Solutions Ltd	2.7%
Enbridge Inc	2.6%
Poseidon Concepts Corp	2.6%
SNC-Lavalin Group Inc	2.5%
Boardwalk Real Estate Investment Trust	2.5%
iShares S&P/TSX 60 Index Fund	2.5%
Bonavista Energy Corp	2.4%
RioCan Real Estate Investment Trust	2.4%
Vermilion Energy Inc	2.2%
Canyon Services Group Inc	2.1%
Brookfield Office Properties Canada	2.1%
National Bank of Canada	2.1%
Cineplex Inc.	1.9%
Teck Resources Ltd	1.8%
Coca-Cola Company	1.8%
Kinross Gold Corp	1.7%

Top holdings (as at December 31, 2011)

Short Positions	% of NAV
Canadian Natural Resources Ltd	-1.0%
PetroBakken Energy Ltd	-0.5%
iShares S&P/TSX Capped Energy	-0.1%

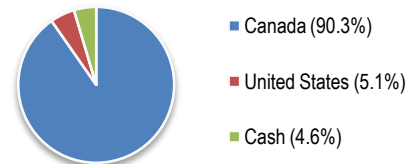
Fund details (as December 31, 2011)

Net asset value per unit	\$7.38
Distribution per unit	\$0.20
Net asset value (in millions)	\$13.93
Inception date	Feb 18, 2011

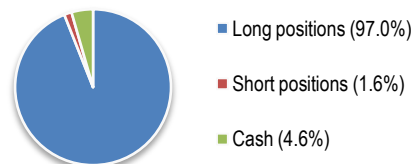
Portfolio: Sector weighting

Consumer Discretionary	3.9%
Consumer Staples	1.8%
Energy	34.6%
Financials	23.8%
Health Care	1.1%
Industrials	8.5%
Information Technology	0.0%
Materials	8.2%
Telecommunication Services	4.3%
Utilities	6.7%
Others	2.5%
Cash	4.6%

Portfolio: Country weighting



Portfolio: Market exposure



Disclaimer – This summary of investment may change due to ongoing portfolio transaction of the Fund. Updates are available on a quarterly basis.

The risks associated with investing in the Fund are outlined in the simplified prospectus. You should discuss the risks of investing in the Fund with your financial advisor before making an investment in the Fund. Commissions, trailing commissions, management fees and expenses all may be associated with mutual funds investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently. Performance data represents past performance and is not indicative of future performance.

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