



PORTFOLIO MANAGER

Mr. Decter is a Harvard trained economist, Senior Portfolio Manager and President and CEO of LDIC Inc. He is also the author of three financial books including 'Michael Decter's Million Dollar Strategy' (1998), 'The DRIP Strategy: Building Your Wealth One Share at a Time with Dividend Reinvestment Plans' (2001), and 'Ten Good Reasons To Invest in Canada' (2008). LDIC Inc. provides financial services to high net worth individuals and currently has nearly \$465 million assets under management. Mr. Decter's primary focus is value investing. As the former Deputy Minister of Health for Ontario and Cabinet Secretary in the Government of Manitoba, Mr. Decter is a well-recognized speaker on broader political and economic issues. He was the founding former Chair of the Health Council of Canada and the former Chair of the Cancer Quality Council of Ontario. Mr. Decter continues to serve as the Chair of the Wait Times Data Certification Council of Ontario. In 2004, he was awarded the Order of Canada.

INVESTMENT APPROACH

Redwood Diversified Income Fund's objective is to provide a consistent stream of income with the potential for capital appreciation by investing in Canadian income-producing securities and Canadian equities. The Fund distributes \$0.06 per unit per month (\$0.72 per unit per year).

HISTORICAL PERFORMANCE

Year	Q1	Q2	Q3	Q4	YTD	Benchmark *
2011	6.53%				6.53%	3.95%
2010	5.28%	-6.15%	9.79%	5.46%	15.10%	12.91%
2009	2.95%	14.52%	8.24%	10.07%	41.22%	25.63%
2008	-8.92%	12.77%	-22.43%	-20.52%	-36.38%	-26.74%
2007	5.03%	5.35%	0.87%	-0.52%	11.03%	6.36%
2006	10.02%	-3.05%	0.20%	1.05%	8.00%	12.41%
2005	2.13%	0.55%	12.28%	1.10%	16.52%	18.82%

*Benchmark is a blend which consists of 80% S&P/TSX Composite Index and 20% DEX Universe Bond Index.

FUND PERFORMANCE

Comparative Analytics	Fund Series A	Fund Series F
Year To Date	6.53%	6.82%
1 Month	1.03%	1.14%
3 Months	6.53%	6.82%
6 Months	13.03%	13.66%
1 Year	16.46%	17.49%
Inception	7.86%	4.10%

POSITIONS & HOLDINGS

Top 10 Positions

As of March 31st, 2011

Inter Pipeline Fund
 Crescent Point Energy Trust
 Russel Metals (Bond)
 Brookfield Renewable Power Fund
 Baytex Energy Corp.
 Just Energy Income Fund
 Black Diamond Group
 Vicwest Inc.
 Calloway Real Estate Investment Trust
 Pure Industrial Real Estate Trust

Total Positions: 37



Asset Class	Percentage
Industrial Products	11.7%
Real Estate & Construction	20.3%
Energy	20.7%
Financials	2%
Consumer Products	4.6%
Utilities	13.6%
Pipelines	14.7%
Fixed Income	7.9%
Cash	4.5%

Manager Commentary

The Diversified Income Fund was up 6.53% in Q1. The turbulence in equity markets generated by the events in the Middle East, North Africa and Japan moved investors to favour income producing equities. This benefitted the fund which outperformed the TSXS&P 500. Long time holding and a top 10 position Inter Pipeline Fund was up 14.5% in Q1. Two other top ten positions, Black Diamond Group and H&R REIT were up 19.9% and 13.2% respectively. Extencicare REIT which was purchased during the quarter and was up 13.4%. Some other strong performers were Canfor Pulp Products up 26.5%, Mood Media Corp up 19.9%, Veresen Inc up 17.3%, and Brookfield Renewable Power Fund up 14.8%.

Our emphasis remains an income producing equities and former income trusts. Until bond yields became more attractive we believe the better value is in stable dividend paying equities. In most cases growth in earnings and dividends will also contribute to better returns.



<i>Minimum Investment</i>	\$5,000	<i>Prime Broker</i>	RBC Dominion Securities
<i>Pricing</i>	Daily	<i>Auditor</i>	Collins Barrow Toronto LLP
<i>RRSP Eligibility</i>	100%	<i>Legal Counsel</i>	Borden Ladner Gervais LLP
<i>Shorting Capabilities</i>	20%	<i>Administrator</i>	KeiData Back Office Solutions Inc.
<i>Leverage</i>	None		

How Much Does It Cost?

The following tables show the fees and expenses you could pay to buy, own and sell Series A and Series F units of the Fund.

Sales Charges

<i>Sales Charge Option</i>	<i>What You Pay</i>	<i>How It Works</i>
Initial Sales Charge	Up to 5% of the amount purchased	This rate is decided between the investor and the advisor. This sales charge is deducted from the amount purchased as a commission for the investment firm.

Trailing Commissions

The Fund pays a trailing commission for as long as the fund is owned for the services and advice provided by the investment firm. Investment firms may pay part of the trailing commission to their advisors. This commission of up to 1% of the value of each investment each year is paid out of the management fee

Ongoing Fund Expenses

These expenses are not paid directly, they are subtracted from the return received on an investment.

	<i>Management Fee</i>
Series A	2.25%
Series F	1.25%

Performance fee is 20% of return greater than the benchmark.

Other Fees

Investors may have to pay other fees when units of the Fund are sold or switched

<i>Short-Term Trading Fee</i>	Up to 5% of the value of the units sold or switched within 180 days of purchase This fee goes to the Fund
<i>Switch Fee</i>	An investment firm may charge up to 2% of the value of the units switched to another Redwood Fund

Risk

When you invest in a Fund, the value of your investment can go down as well as up. The Fund Manager has rated this Fund's risk as medium.

This Fund is for investors who:

The Fund is suitable for investors who are seeking a flow of income and the potential for capital appreciation, have a moderate risk tolerance and have a medium to long-term investment horizon but have a need for regular monthly earnings. The Fund pays a monthly distribution to investors equal to 6 cents per unit.

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DISCLAIMER

This document is not to be construed as a public offering of securities in any jurisdiction in Canada and is subject to the more detailed information contained in the Fund's prospectus. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values may change frequently and past performance may not be repeated.