



**QE Funds Corp.
Qwest Energy Canadian Resource Class**

2008 Semi-Annual Management Report of
Fund Performance

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This semi-annual management report of fund performance contains financial highlights but does not contain the complete semi-annual financial statements of the Fund. You can get a copy of the semi-annual financial statements at no cost in the following ways; by calling us at (604) 602-1142 or 1-866-602-1142; by writing to us at Qwest Investment Management Corp., PO Box 11549, Suite 1601, 650 West Georgia Street, Vancouver, BC V6B 4N7; by e-mailing us at info@qwestfunds.com; by viewing the information on our website at www.qwestfunds.com; or by viewing the information on SEDAR at www.sedar.com.

Securityholders may also contact us to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure records, or quarterly portfolio disclosures.

Management Discussion of Fund Performance

Investment Objective and Strategies

QE Funds Corp. is a mutual fund corporation offering Series A shares of Qwest Energy Canadian Resource Class (the "Fund"). The Fund was set up to provide former investors of Qwest Energy Limited Partnerships with a liquid investment in a diversified portfolio of equity holdings of resource issuers, with a view to achieving income and capital appreciation. The Fund has retained Qwest Investment Management Corp. (the "Fund Manager"), a company related to the Fund by common directors, to manage the Fund. The Fund Manager is responsible for managing the overall business and operations of the Fund. At the inception of the Fund, the Fund Manager retained the services of Qwest Investment Fund Management Ltd. (the "Portfolio Manager") to provide investment advisory services for the Fund.

Risk

The main areas of risk for the Fund fall into three categories:

- 1) activities in the broad stock market due to global and domestic economic and financial market changes;
- 2) changes in trend for the market for energy and, to a lesser extent, mining stocks; and
- 3) the current and future outlook for energy and, to a lesser extent, metals commodity prices.

The past year has been volatile in the stock markets and for commodity prices and this volatility has been caused by factors which include product inventories, commodity prices, cash flows, debts, liquidity and growth rates. In August of 2007, a global liquidity problem precipitated in part by the decline in the US housing market and its associated sub-prime loans, caused extraordinary volatility in the equity markets across all sectors as certain investors looked to equity holdings to generate cash. Global markets and banks are continuing, even to the date of writing, to sort through this liquidity problem, and in the meantime, the equity markets will remain volatile.

Commodity prices are influenced by demand stemming from economic growth and as such are open to a potential slowdown of growth in the United States if there is further fallout from the housing market and concerns regarding inflation. The offset being that the United States, while a large consumer, is but one portion of the global demand for commodities, with increases continuing to come from Europe, and in particular, developing economies in Asia and the Middle East.

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Results of Operations

The Fund commenced operations in May, 2006. During the six-month period, the Fund issued 7,491,695 shares and redeemed 843,167 shares. As at June 30, 2008, 10,456,677 shares were outstanding. During the six-month period ended June 30, 2008, the Fund realized an accounting loss of \$624,000 from the disposition of securities.

For the six-month period ended June 30, 2008, the Fund had a nominal interest income of \$5,400 from cash waiting to be invested. Total expenses were \$618,000 comprised mainly of \$448,000 in management fees (calculated at 2.5% of NAV), \$86,000 in agency fees and \$27,000 in legal fees.

For the six-month period ended June 30, 2008, the Fund recorded an unrealized appreciation in investments of \$6,480,000, primarily a result of favorable performance of the portfolio. Net assets of the Fund at June 30, 2008 were \$10.5 million or \$10.05 per share.

Recent Developments

There are no changes to the strategic position of the portfolio of the Fund and its focus on the Canadian natural resource sector. The 2007 global asset backed commercial paper market collapse, the US housing market and related mortgage-backed securities liquidity squeeze and the general global credit crunch and continued inflation concerns have all impacted equity markets to which the Fund's portfolio is generally exposed. Oil prices strengthened through 2007 and first half of 2008, as did the prices of natural gas and gold. The Fund holds the most exposure to these three commodities and has participated in the rising stock prices associated with the strengthening commodities. In the current financial environment, there is a great deal of volatility in the market, which affects the performance of the portfolio of the Fund. The portfolio of the Fund is positioned into stocks that offer liquidity which assists in managing the volatility of the market.

Adoption of new accounting standards

Effective January 1, 2008, The Fund adopted CICA Handbook Section 1535, Capital Disclosure, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. These sections are effective for annual financial statements relating to fiscal years beginning on or after January 1, 2008. These standards impact the disclosures the Fund provides but do not affect the Fund's statement of operations or net assets.

Independent Review Committee

Under the provisions of National Instrument 81-107 Independent Review Committee for Investment Funds ("NI 81-107"), which came into force on November 1, 2006, it is now required that all publicly offered investment funds, such as the Fund, maintain an independent review committee ("IRC"). The IRC assists the Fund by providing independent advice to, and oversight of, the General Partner and the Portfolio Manager, solely with respect to conflicts of interest and potential conflicts of interest identified by the Fund Manager and the Portfolio Manager.

NI 81-107 further mandates that the IRC be composed of at least three independent members and requires that they conduct assessments and regularly report to the Fund Manager and securityholders in respect of its duties.

The General Partner has appointed a three-person independent IRC and has fully implemented all the necessary policies and procedures of NI 81-107. The independent members of the General Partner's IRC are Gary Arca, CA, David M. Douglas, CA, and Peter Jarvis, LLB.

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2008 Rollover

On June 19, 2008, QE Funds Corp. acquired, in a tax-deferred rollover transaction, all the net assets of Qwest Energy 2006 Flow-Through Limited Partnership and Qwest Energy 2006-II Flow-Through Limited Partnership. In exchange, the Fund issued 7,491,695 Series A shares distributed to each of the partnerships in proportion to the value of their net assets transferred. The NAV of the series A shares for the purposes of the transaction was \$10.16 per share.

Related Party Transactions

Pursuant to the master management agreement, the Fund Manager is entitled to an annual management fee of 2.5% of the net asset value of the Fund, calculated daily and payable monthly in arrears. For the six-month period ended June 30, 2008, the Fund incurred \$448,000 in management fees of which \$124,000 was payable at June 30, 2008.

Management Fees

The Fund Manager has retained the Portfolio Manager, an investment advisory company having directors in common with the Fund Manager, to provide investment advisory and portfolio management services to the Fund. The fee for the services provided by the Portfolio Management is charged directly to the Fund Manager and it is not an expense of the Fund.

See also "Related Party Transactions" with respect to management fee payable to the Fund Manager in accordance with the master management agreement.

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 period. This information is derived from the Fund's semi-annual financial statements for the period ended June 30, 2008 and the year ended December 31, 2007.

Net Asset Value (NAV) per mutual fund share

	2008⁽¹⁾		2007⁽¹⁾	
Initial NAV	\$	8.19	\$	8.54
Effect of new GAAP section 3855 on opening net assets⁽²⁾		-		(0.04)
		8.19		8.50
Increase (decrease) from operations:				
Total revenue		0.01		-
Total expenses		(0.16)		(0.31)
Realized gains (losses)		(0.16)		(1.26)
Unrealized gains (losses)		1.70		(0.19)
Total decrease from operations⁽³⁾		1.39		(0.76)
Net asset value at period end⁽⁴⁾	\$	10.05	\$	8.19

⁽¹⁾ Results are for the period ended June 30, 2008 and the year ended December 31, 2007.

⁽²⁾ Section 3855 applied retroactively without restatement of prior periods.

⁽³⁾ The net asset value is 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.

⁽⁴⁾ This is not a reconciliation of the beginning and ending net asset value per share. The net asset value is not a cumulative amount but rather based on the net asset value per share of the fund (for GAAP purposes) divided by the outstanding number of shares as of the end of the period.

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Ratios and Supplemental Data ⁽⁴⁾

	June 30, 2008	December 31, 2007
Net assets (000's)	\$ 104,935	\$ 31,235
Number of mutual fund shares outstanding	10,456,677	3,808,149
Management expense ratio ⁽¹⁾	3.57%	3.70%
Portfolio turnover rate ⁽²⁾	66.02%	22.15%
Trading expense ratio ⁽³⁾	0.85%	0.37%
Net asset value per unit	10.03	8.19

⁽¹⁾ Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net assets during the period.

⁽²⁾ 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 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 higher turnover rate and the performance of a fund.

⁽³⁾ 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.

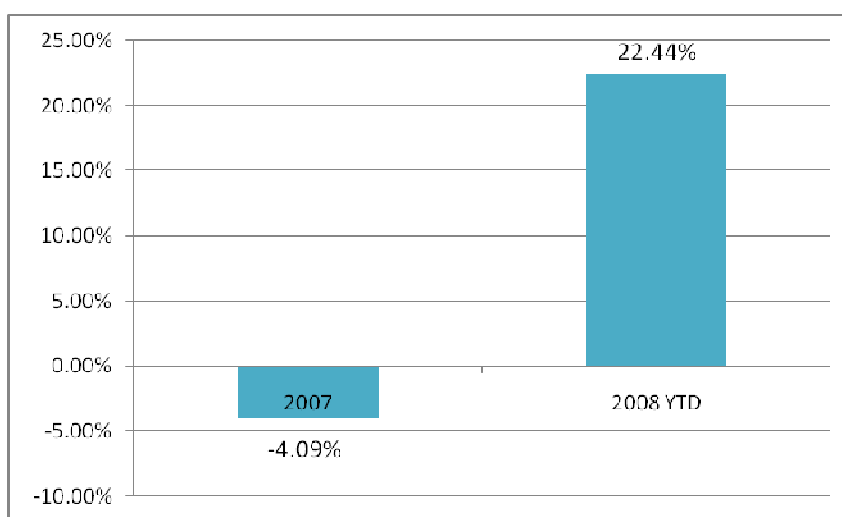
⁽⁴⁾ Based on Trading NAV (NAV used for purposes of purchases and redemptions). For reconciliation of Trading NAV to GAAP NAV, refer to interim financial statements.

Past Performance

Below indicates the annual compounded returns of the investment portfolio as at June 30, 2008. The performance information shown assumes that all distributions made by the Fund were reinvested in additional securities of the investment portfolio. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Past performance of the investment portfolio does not necessarily indicate its future performance.

Year-by-Year Returns*

The chart shows the annual performance of the investment portfolio for each of the years shown and illustrates how the investment portfolio's performance has changed from year to year. The chart shows, in percentage terms, how an investment made on the first day of each financial year would have grown or decreased by December 31 of that year and also for the six months to June 30, 2008.



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Summary of Investment Portfolio

Below is a breakdown of the investment portfolio as at June 30, 2008, by sector and as a percentage of the aggregate net asset value of the top 25 securities in the investment portfolio:

Top Holdings	% of Net Assets
Tristar Oil & Gas Limited	5.06
Breaker Energy Ltd.	4.79
Crew Energy Inc.	4.72
Celtic Exploration Ltd.	4.72
Vero Energy Inc.	4.60
Delphi Energy Corp.	4.36
Iteration Energy Ltd.	3.47
Galleon Energy Inc.	3.46
Open Range Energy	3.03
Storm Exploration Inc.	2.97
Baytex Energy Trust	2.65
Bonavista Energy Trust Ltd.	2.32
TUSK Energy Corporation	2.02
Petrobank Energy and Resources Ltd.	1.87
Fairborne Energy Trust	1.86
NuVista Energy Ltd.	1.76
Solana Resources Limited	1.71
Penn West Energy Trust	1.66
Saxony Petroleum Inc. ⁽¹⁾	1.63
HighPine Oil & Gas Ltd.	1.56
Agnico-Eagle Mines Ltd.	1.44
Petro Andina Resources Inc.	1.42
Delavaco Energy Inc. ⁽¹⁾	1.33
Profound Energy Inc.	1.02
Value Creation Inc. ⁽¹⁾	0.91

⁽¹⁾ private corporation

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Sector/Subgroup	% of Net Assets
Alternative	0.13
Oil and Gas	77.47
Mining	6.92
Service	0.34
Cash	15.30
Liabilities - net of other assets	(0.16)
	100.00

The summary of investment portfolio may change due to ongoing portfolio transactions of the investment fund and an update is available at www.qwestfunds.com.

Caution Regarding Forward-looking Statements

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts, but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Fund may invest in and the risks detailed from time to time in the Fund's simplified prospectus. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, management of the Fund does not undertake, and specifically disclaims any intention or obligation to update or revise any forward-looking statements, future events or otherwise, unless required by applicable law.