

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

Specialized Funds

National Bank Strategic Yield Class

For the period ended December 31, 2011

This annual management report of fund performance contains financial highlights, but does not contain the annual financial statements of the mutual fund. A copy of the annual financial statements can be obtained on request, and at no cost, by calling 1-888-270-3941 or 514-871-2082, by writing to us at National Bank Securities Advisory Service, 500, Place d'Armes, 12th floor, Montreal, Quebec, H2Y 2W3, by visiting our website at www.nbc.ca/financial_reports, by visiting SEDAR's website at www.sedar.com, or by contacting your advisor.

You may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Management Discussion of Fund Performance

Investment Objectives and Strategies

The National Bank Strategic Yield Class aims to match bankers' acceptance yields (before counterparty and trading expenses). To do so, the Fund uses options (derivatives) to hedge a Canadian equity portfolio. The portfolio advisor can therefore invest in a diversified portfolio of Canadian large capitalization, a diversified portfolio of money market securities and derivative option contracts to reduce the short-term volatility of underlying stocks.

Options are used at any time to minimize the exposure to the risk related to non-hedged stocks and maintain equity values within a preset range. As a result, sharp short-term fluctuations in Fund value can be avoided and, over time, return will match the yield on money market securities.

Risks

Throughout 2011, the Fund was exposed to interest rate risk, in the wake of the Bank of Canada's decision to leave its key policy unchanged. This risk heightened during the second half of the year, following the U.S. Federal Reserve decision to begin conducting "Operation Twist", by selling short-term securities to buy longer term issues, which had a flattening impact on the yield curve.

The global investment risk of each of the Fund's securities remains as described in the latest simplified prospectus. It suits investors who wish to balance their portfolio with investments that provide a high degree of security, and who are willing to tolerate a low level of risk.

Results of Operations

For the twelve-month period ended December 31, 2011, the National Bank Strategic Yield Class Investor Series units returned 0.23% compared to 1.00% for the Fund's benchmark, the DEX 91 Day T-Bill Index (CA\$). Unlike the index, the Fund's performance is calculated after fees and expenses. Please see the Past Performance section for returns of the Advisor Series, the Institutional Series and the M Series. Returns of the Advisor Series, the Institutional Series and the M Series may vary mainly because of fees and expenses.

All major markets and asset classes endured a very volatile year in 2011, as investors oscillated between belief and disbelief regarding the European sovereign debt situation and the impact that it could have on the future of the European Union. Credit markets were impacted by a series of negative events during the year that pressured spreads and drove yields on Government of Canada bonds lower. Global financial markets were shocked by Greece's and Italy's failure to implement measures needed to restore fiscal balance, causing contagion fears to spread. The collapse of Italy's government and the resulting surge in contagion fears caused Italian 10-year bond yields to sky rocket above the dangerous 7.0% level during November. The markets then turned their focus onto Spain, which saw its 10-year bond yield increase to 6.7%.

Europe aside, investors also fretted over the outlook for future U.S. and global economic growth, as they headed in different directions. In this respect, U.S. economic condition improved during the year, especially during the final quarter, a time during which data out of China seemed to depict too much slowing. In this respect, much of the improvement in the U.S. is credited to the Federal Reserve which has kept monetary conditions very liquid, while much of the malaise stemming out of China is due to the excessive tightening by the Chinese central bank throughout the year. With the world remaining full with uncertainties, investors continued to shy away from risk and piled into the safety of tangible assets that are considered less risky. First and foremost, investors sought shelter in bonds, which helped the Canadian bond market perform well. Canada's bonds universe was also impacted by its size as well as by the country's AAA credit rating, which continued to pull investors from all over the world. By far, long term bonds gained the most, while short term issues lagged.

Under these circumstances, the Fund posted a positive return that did however trail that of its benchmark, given that short-term interest rates were below the threshold that allows the Fund to fully conduct its strategy, the Fund was invested in money market instruments throughout the period, which explains the underperformance.

The Fund's Management Expense Ratio (MER) was increased from 0.50% to 0.82% during the year. As economic conditions improved in 2011 the management ratio was readjusted back to its original level.

Recent Developments

Heading into 2012, the portfolio manager expects markets to remain fragile in the short-term on a number of fronts and to be subject to significant event risk. In this respect he points out to recent disappointing economic data in Canada (employment and household debt), the recession, austerity measures and debt crisis in Europe, as well as the possibility of over slowing in China. In addition, the portfolio manager believes that markets will have to contend with general political concerns, especially in Europe and in the Middle East, as well as rising oil prices, which could become a drag on an already anaemic growth picture. As such, his preference for the short-term would be, to remain defensive.

Over the medium to long term, he expects the Bank of Canada and the U.S. Federal Reserve to keep interest rate policies unchanged throughout the upcoming year, which should keep rates on bonds from rising too much. Under these circumstances, he believes that corporate credit will continue to perform well, given the slow growth environment, the healthy corporate fundamentals and continued investor's appetite for attractive all-in yields, which should translate into continued inflows into corporate bonds. Nevertheless, this should not impact on the Fund, as it tends to react to movements of short-term rates.

Accounting Standards Changes

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that all publicly accountable enterprises would be required to report under International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) for fiscal years beginning on or after January 1, 2011. However, in January 2011, the AcSB approved a deferral of the effective date of entry in force of IFRS from January 1, 2011 to January 1, 2013 for investment companies that are currently applying the Accounting Guideline AcG-18 "Investment Companies".

In December 2011, the AcSB decided to defer the date of application of IFRS to January 1, 2014 to ensure that investment companies will not have to modify their actual accounting treatment for entities in which they have control while the IASB is completing the standard about investment companies it plans to publish.

Consequently, the Funds will publish their first audited financial statements in accordance with IFRS for the year ending December 31, 2014 and will present comparative figures in accordance with IFRS for the year ending December 31, 2013, including an opening balance sheet as at January 1, 2013.

In order to prepare for the transition to IFRS, management has established a project, formed a dedicated project team and put in place a formal governance structure. The project team reports on a regular basis to the executive committee and the steering committee, committees that are made up of senior levels of management from all relevant departments. To date, the project has proceeded as planned.

Management has developed a detailed project plan, assessed the resource requirements for its implementation and continued staff training. It has already identified the main differences between existing Canadian GAAP and current IFRS. Exceptions and optional exemptions on the transition date have also been analyzed. In addition, management has identified the following main differences that would likely affect the funds financial statements:

Scope	Current treatment under Canadian GAAP	IFRS treatment
Classification of holders' units/shares – Funds with more than one series.	Units/shares are presented as equity instruments.	Units/shares are presented in liabilities.
Classification of holders' units/shares – Funds with one series.	Units/shares are presented as equity instruments. No distinction is made between retained earnings and the capital issued.	Units/shares are presented as equity instruments. Distinction to be made between retained earnings and the capital issued.
Consolidation of financial statements of controlled entities in the financial statements of the Funds.	The Funds are exempt from consolidation with AcG-18.	Consolidation is applicable for controlling Funds. The financial statements of the two entities have to be consolidated. The Funds must meet very specific criteria to consolidate their financial statements. Consequently, only a minority of the Funds are affected by the consolidation. The consolidation will not affect the data of the Funds' daily evaluations. However, the IASB issued in August 2011 an exposure draft that will allow for the Funds to be exempt from consolidation under certain conditions.
Presentation of the statement of cash flows in the financial statements.	No statement of cash flows to be presented.	Presentation of the statement of cash flows in the financial statements of each of the Funds.
Future income taxes – Trust Funds.	No future income taxes to be presented.	Recognition of assets or future income taxes liabilities if applicable.

Management has completed an evaluation on how adoption of IFRS will impact information technology and required developments have been made. It is currently assessing how adoption of IFRS will impact operations, internal controls and preparing financial statements.

The implementation phase has begun. The Funds will produce their statement of financial position (opening balance) as at January 1st, 2013 «transition date». In order to present the interim financial statements as at June 30, 2014 under IFRS, the comparative financial statements, those as at June 30, 2013, will be prepared with IFRS over the coming period.

At this point, management does not expect that the transition to IFRS will have a significant impact on net assets or net asset value per unit or the Funds commercial agreements. Rather, it expects that this transition will impact the presentation and disclosure of financial statements. Please note that the requirements in effect at the time of first publication of IFRS financial statements (December 31, 2014), economic conditions prevailing at that date, as well as various choices of accounting policies adopted are factors that will influence the final impact of IFRS on the statement of financial position of the Funds.

Related Party Transactions

National Bank of Canada (“the Bank”) and its affiliated companies’ roles and responsibilities related to the Fund are as follows:

Fund Manager

The Fund is managed by National Bank Securities Inc. (“NBS”), which is a wholly-owned subsidiary of the Bank. Therefore, NBS provides or ensures the provision of all general management and administrative services required by the Fund’s current operations, including investment consulting, the arrangement of brokerage contracts for the purchase and sale of the investment portfolio, bookkeeping and other administrative services required by the Fund.

The Fund reimbursed the Fund Manager for operating expenses, at cost, incurred in administering the Fund, including trustee, record-keeping, custodial, legal, audit, investor servicing, and securityholder reporting fees.

As described under the heading Management Fees, the Fund pays annual management fees to NBS as consideration for its services.

Portfolio Advisor

Management of the Fund’s portfolio has been delegated by NBS to Natcan Investment Management Inc. (“Natcan”), a corporation of which the Bank is the majority shareholder. In that capacity, Natcan provides the Fund with portfolio management services, including trading, carrying out transactions and brokerage services. The fees payable to Natcan are calculated by applying a percentage to the average net asset value under management for each month.

Performance fees may be payable by NBS if the performance criteria set for the National Bank Funds are met.

Distribution of Fund Units

NBS acts as Distributor for the Fund. In this capacity, NBS buys, sells and swaps securities through Bank branches and the National Bank Securities Advisory Service in Canadian provinces and territories, and through external registered representatives. Fund units are also offered by National Bank Direct Brokerage Inc., CABN Investments Inc. National Bank Financial Inc. and other affiliated entities. Each month, brokers receive a commission representing a percentage of the average daily value of the securities held by their clients.

Transfer Agent and Custodian

Natcan Trust Company (“NTC”) acts as registrar for the Fund’s securities and the names of unitholders. NTC also acts as the Fund’s custodian. The fees for NTC’s custodial services are based on the standard rates in effect at NTC.

Independent Review Committee Approvals and Recommendations

The Fund followed the standing instructions of its Independent Review Committee with respect to one or more of the following transactions:

- a) Purchasing or holding the securities of a related issuer, in particular, those of National Bank of Canada;
- b) Investing in the securities of an issuer when an entity related to the manager acts as an underwriter for the placement or at any time during the 60-day period after the end of the placement;
- c) Purchasing or selling securities to another investment fund managed by the manager or a company in the same group;
- d) Purchasing or selling debt securities on the secondary market, through related brokers that are main brokers in the Canadian debt securities market (in accordance with an exemption received from the Canadian Securities Administrators);
- e) Entering into foreign exchange transactions (including both spot transactions and forward transactions) with National Bank of Canada.

The manager has implemented policies and procedures to make sure that the conditions applicable to each of the above transactions are met. The applicable standing instructions require that these transactions be carried out in accordance with National Bank Securities policies, which specify, in particular, that investment decisions pertaining to these related party transactions must be made free from any influence by an entity related to National Bank Securities and without taking into account any consideration relevant to an entity related to National Bank Securities. Furthermore, the investment decisions must represent the business judgment of the securities advisor, uninfluenced by considerations other than the best interest of the Fund and must achieve a fair and reasonable result for the Fund.

Registered Plan Trust Services

NTC receives a fixed amount per registered account for services provided as trustee for registered plans.

Administrative and Operating Services

The Bank provides the Fund with certain services, including accounting, reporting and portfolio valuation services. The costs incurred for these services are paid by the manager to the Bank.

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 past five years.

Investor/Advisor Series

The Fund's shareholder's equity per share⁽¹⁾

	2011 December 31	2010 December 31	2009 December 31 (15 months)	2008 September 30	2007 September 30
Shareholder's equity, beginning of year	\$105.65	\$105.57	\$106.04	\$105.50	\$103.50
Increase (decrease) from operations					
Total revenue	\$ 1.09	\$ 0.72	\$ 0.57	\$ 0.48	\$ 0.45
Total expenses	\$ (0.87)	\$ (0.57)	\$ (0.36)	\$ (0.63)	\$ (0.46)
Realized gains (losses)	\$ —	\$ —	\$ 1.16	\$ 4.51	\$ 3.28
Unrealized gains (losses)	\$ 0.05	\$ (0.08)	\$ 2.45	\$ (1.59)	\$ (0.05)
Transaction costs on purchase and sale investments	\$ —	\$ —	\$ —	\$ —	\$ —
Total increase (decrease) from operations⁽²⁾	\$ 0.27	\$ 0.07	\$ 1.50	\$ 2.77	\$ 3.22
Distributions:					
From income (excluding dividends)	\$ —	\$ —	\$ —	\$ —	\$ —
From dividends	\$ —	\$ —	\$ —	\$ —	\$ —
From capital gains	\$ —	\$ —	\$ 1.35	\$ 2.23	\$ 1.06
Return of capital	\$ —	\$ —	\$ —	\$ —	\$ —
Total annual distributions⁽³⁾	\$ —	\$ —	\$ 1.35	\$ 2.23	\$ 1.06
Net Assets as at December 31 of years shown	\$105.92	\$105.65	\$105.57	\$106.04	\$105.50

⁽¹⁾ This information is derived from the Fund's audited annual financial statements. The net asset value per security presented in the financial statements differ from the net asset value calculated for security pricing purposes. The differences are explained in the notes to the financial statements.

⁽²⁾ Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase or decrease from operations is based on the average number of shares outstanding over the financial period.

⁽³⁾ Distributions were paid in cash or reinvested in additional shares of the Fund, or both.

Ratios and Supplemental Data

	2011 December 31	2010 December 31	2009 December 31 (15 months)	2008 September 30	2007 September 30
Total net asset value (000's) ⁽¹⁾	\$ 3,269	\$ 6,748	\$ 8,521	\$ 38,836	\$ 47,145
Number of shares outstanding ⁽¹⁾	30,868	63,868	80,720	365,361	446,513
Management expense ratio ⁽²⁾	0.82 %	0.50 %	0.66 %	0.78 %	0.80 %
Management expense ratio before waivers or absorptions	1.58 %	1.53 %	1.45 %	1.11 %	1.14 %
Trading expense ratio ⁽³⁾	— %	— %	— %	— %	— %
Portfolio turnover rate ⁽⁴⁾	N/A	N/A	341.84 %	N/A	N/A
Net asset value per share	\$105.90	\$105.66	\$ 105.57	\$106.29	\$105.58

⁽¹⁾ This information is provided as at December 31 of years shown.

⁽²⁾ Management expense ratio is based on total expenses for the period indicated (excluding commissions and other portfolio transaction costs) and is expressed as an annualized percentage of the daily average net asset value during the period.

⁽³⁾ 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.

⁽⁴⁾ The Fund's portfolio's turnover rate indicates how actively the Fund's portfolio adviser 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 period. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the period, and the greater the chance of a shareholder receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

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 past five years.

F Series

The Fund's shareholder's equity per share⁽¹⁾

	2011 December 31	2010 December 31	2009 December 31 (15 months)	2008 September 30	2007 September 30
Shareholder's equity, beginning of year	\$ —	\$105.57	\$106.04	\$105.50	\$103.50
Increase (decrease) from operations					
Total revenue	\$ 0.09	\$ 0.72	\$ 0.57	\$ 0.48	\$ 0.45
Total expenses	\$ (0.06)	\$ (0.57)	\$ (0.36)	\$ (0.63)	\$ (0.46)
Realized gains (losses)	\$ —	\$ —	\$ 1.16	\$ 4.51	\$ 3.28
Unrealized gains (losses)	\$ 0.07	\$ (0.08)	\$ 2.45	\$ (1.59)	\$ (0.05)
Transaction costs on purchase and sale investments	\$ —	\$ —	\$ —	\$ —	\$ —
Total increase (decrease) from operations⁽²⁾	\$ 0.10	\$ 0.07	\$ 1.50	\$ 2.77	\$ 3.22
Distributions:					
From income (excluding dividends)	\$ —	\$ —	\$ —	\$ —	\$ —
From dividends	\$ —	\$ —	\$ —	\$ —	\$ —
From capital gains	\$ —	\$ —	\$ 1.35	\$ 2.23	\$ 1.06
Return of capital	\$ —	\$ —	\$ —	\$ —	\$ —
Total annual distributions⁽³⁾	\$ —	\$ —	\$ 1.35	\$ 2.23	\$ 1.06
Net Assets as at December 31 of years shown	\$100.10	\$105.65	\$105.57	\$106.04	\$105.50

⁽¹⁾ This information is derived from the Fund's audited annual financial statements. The net asset value per security presented in the financial statements differ from the net asset value calculated for security pricing purposes. The differences are explained in the notes to the financial statements.

⁽²⁾ Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase or decrease from operations is based on the average number of shares outstanding over the financial period.

⁽³⁾ Distributions were paid in cash or reinvested in additional shares of the Fund, or both.

Ratios and Supplemental Data

	2011 December 31	2010 December 31	2009 December 31 (15 months)	2008 September 30	2007 September 30
Total net asset value (000's) ⁽¹⁾	\$ 19	\$ 6,748	\$ 8,521	\$ 38,836	\$ 47,145
Number of shares outstanding ⁽¹⁾	186	63,868	80,720	365,361	446,513
Management expense ratio ⁽²⁾	0.46 %	0.50 %	0.66 %	0.78 %	0.80 %
Management expense ratio before waivers or absorptions	205.73 %	1.53 %	1.45 %	1.11 %	1.14 %
Trading expense ratio ⁽³⁾	— %	— %	— %	— %	— %
Portfolio turnover rate ⁽⁴⁾	N/A	N/A	341.84 %	N/A	N/A
Net asset value per share	\$100.08	\$105.66	\$ 105.57	\$106.29	\$105.58

⁽¹⁾ This information is provided as at December 31 of years shown.

⁽²⁾ Management expense ratio is based on total expenses for the period indicated (excluding commissions and other portfolio transaction costs) and is expressed as an annualized percentage of the daily average net asset value during the period.

⁽³⁾ 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.

⁽⁴⁾ The Fund's portfolio's turnover rate indicates how actively the Fund's portfolio adviser 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 period. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the period, and the greater the chance of a shareholder receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Financial Highlights

Institutional Series

The Fund's shareholder's equity per share⁽¹⁾

	2011 December 31	2010 December 31	2009 December 31 (15 months)	2008 September 30	2007 September 30
Shareholder's equity, beginning of year	\$107.96	\$107.68	\$107.82	\$106.99	\$104.66
Increase (decrease) from operations					
Total revenue	\$ 1.12	\$ 0.69	\$ 0.64	\$ 0.48	\$ 0.46
Total expenses	\$ (0.54)	\$ (0.34)	\$ (0.40)	\$ (0.64)	\$ (0.47)
Realized gains (losses)	\$ —	\$ —	\$ (1.30)	\$ 4.58	\$ 3.63
Unrealized gains (losses)	\$ 0.05	\$ (0.06)	\$ 2.75	\$ (1.61)	\$ (0.06)
Transaction costs on purchase and sale investments	\$ —	\$ —	\$ —	\$ —	\$ —
Total increase (decrease) from operations⁽²⁾	\$ 0.63	\$ 0.29	\$ 1.69	\$ 2.81	\$ 3.56
Distributions:					
From income (excluding dividends)	\$ —	\$ —	\$ —	\$ —	\$ —
From dividends	\$ —	\$ —	\$ —	\$ —	\$ —
From capital gains	\$ —	\$ —	\$ 1.38	\$ 2.26	\$ 1.08
Return of capital	\$ —	\$ —	\$ —	\$ —	\$ —
Total annual distributions⁽³⁾	\$ —	\$ —	\$ 1.38	\$ 2.26	\$ 1.08
Shareholder's equity as at June 30, 2011 and last day of years shown	\$108.59	\$107.96	\$107.68	\$107.82	\$106.99

⁽¹⁾ This information is derived from the Fund's audited annual financial statements. The net asset value per security presented in the financial statements differ from the net asset value calculated for security pricing purposes. The differences are explained in the notes to the financial statements.

⁽²⁾ Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase or decrease from operations is based on the average number of shares outstanding over the financial period.

⁽³⁾ Distributions were paid in cash or reinvested in additional shares of the Fund, or both.

Ratios and Supplemental Data

	2011 December 31	2010 December 31	2009 December 31 (15 months)	2008 September 30	2007 September 30
Total net asset value (000's) ⁽¹⁾	\$ 10,491	\$ 16,379	\$ 32,717	\$ 107,057	\$ 56,155
Number of shares outstanding ⁽¹⁾	96,621	151,691	303,847	990,598	524,482
Management expense ratio ⁽²⁾	0.50 %	0.27 %	0.38 %	0.53 %	0.52 %
Management expense ratio before waivers or absorptions	0.84 %	0.84 %	0.81 %	0.85 %	0.87 %
Trading expense ratio ⁽³⁾	— %	— %	— %	— %	— %
Portfolio turnover rate ⁽⁴⁾	N/A	N/A	341.84 %	N/A	N/A
Net asset value per share	\$108.58	\$107.98	\$ 107.68	\$108.07	\$107.07

⁽¹⁾ This information is provided as at December 31 of years shown.

⁽²⁾ Management expense ratio is based on total expenses for the period indicated (excluding commissions and other portfolio transaction costs) and is expressed as an annualized percentage of the daily average net asset value during the period.

⁽³⁾ 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.

⁽⁴⁾ The Fund's portfolio's turnover rate indicates how actively the Fund's portfolio adviser 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 period. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Financial Highlights

M Series

The Fund's shareholder's equity per share⁽¹⁾

	2011 December 31	2010 December 31	2009 December 31 (15 months)	2008 September 30	2007 September 30
Shareholder's equity, beginning of year	\$109.48	\$109.06	\$108.98	\$107.97	\$105.46
Increase (decrease) from operations					
Total revenue	\$ 1.14	\$ 0.70	\$ 0.84	\$ 0.53	\$ 0.68
Total expenses	\$ (0.36)	\$ (0.19)	\$ (0.53)	\$ (0.70)	\$ (0.70)
Realized gains (losses)	\$ —	\$ —	\$ (1.70)	\$ 5.02	\$ 3.85
Unrealized gains (losses)	\$ 0.06	\$ (0.07)	\$ 3.59	\$ (1.77)	\$ (0.09)
Transaction costs on purchase and sale investments	\$ —	\$ —	\$ —	\$ —	\$ —
Total increase (decrease) from operations⁽²⁾	\$ 0.84	\$ 0.44	\$ 2.20	\$ 3.08	\$ 3.74
Distributions:					
From income (excluding dividends)	\$ —	\$ —	\$ —	\$ —	\$ —
From dividends	\$ —	\$ —	\$ —	\$ —	\$ —
From capital gains	\$ —	\$ —	\$ 1.39	\$ 2.29	\$ 1.59
Return of capital	\$ —	\$ —	\$ —	\$ —	\$ —
Total annual distributions⁽³⁾	\$ —	\$ —	\$ 1.39	\$ 2.29	\$ 1.59
Shareholder's equity as at June 30, 2011 and last day of years shown	\$110.30	\$109.48	\$109.06	\$108.98	\$107.97

⁽¹⁾ This information is derived from the Fund's audited annual financial statements. The net asset value per security presented in the financial statements differ from the net asset value calculated for security pricing purposes. The differences are explained in the notes to the financial statements.

⁽²⁾ Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase or decrease from operations is based on the average number of shares outstanding over the financial period.

⁽³⁾ Distributions were paid in cash or reinvested in additional shares of the Fund, or both.

Ratios and Supplemental Data

	2011 December 31	2010 December 31	2009 December 31 (15 months)	2008 September 30	2007 September 30
Total net asset value (000's) ⁽¹⁾	\$ 5,921	\$ 27,625	\$ 47,988	\$ 192,278	\$ 111,322
Number of shares outstanding ⁽¹⁾	53,683	252,304	440,008	1,760,225	1,030,284
Management expense ratio ⁽²⁾	0.33 %	0.13 %	0.24 %	0.36 %	0.36 %
Management expense ratio before waivers or absorptions	0.58 %	0.56 %	0.55 %	0.57 %	0.60 %
Trading expense ratio ⁽³⁾	— %	— %	— %	— %	— %
Portfolio turnover rate ⁽⁴⁾	N/A	N/A	341.84 %	N/A	N/A
Net asset value per share	\$110.29	\$109.49	\$ 109.06	\$109.24	\$108.05

⁽¹⁾ This information is provided as at December 31 of years shown.

⁽²⁾ Management expense ratio is based on total expenses for the period indicated (excluding commissions and other portfolio transaction costs) and is expressed as an annualized percentage of the daily average net asset value during the period.

⁽³⁾ 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.

⁽⁴⁾ The Fund's portfolio's turnover rate indicates how actively the Fund's portfolio adviser 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 period. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Management Fees

The Fund pays annual management fees to the Manager for its management services. The fees are calculated based on a percentage of the Fund's daily net asset value before applicable taxes and are paid on a monthly basis. A portion of the management fees paid by the Fund covers trailer fees and sales commissions paid to brokers. The remainder of the management fees primarily covers investment management and general administration services. The breakdown of major services provided in consideration of the management fees, expressed as an approximate percentage of the management fees is as follows:

Series		Management Fee	Distribution	Others [†]
Investor Series		1.00%	25.00%	75.00%
Advisor Series*	Front end	1.00%	25.00%	75.00%
	Back end		25.00%	75.00%
	Low-Load 1 to 3 years 4 years plus		25.00%	75.00%
M Series		0.50%	30.00%	70.00%
Institutional Series		0.75%	33.33%	66.67%

^(*) Excluding sales commissions paid on the Advisor Series with low load and back end fees, which are not paid for out of the management fees.

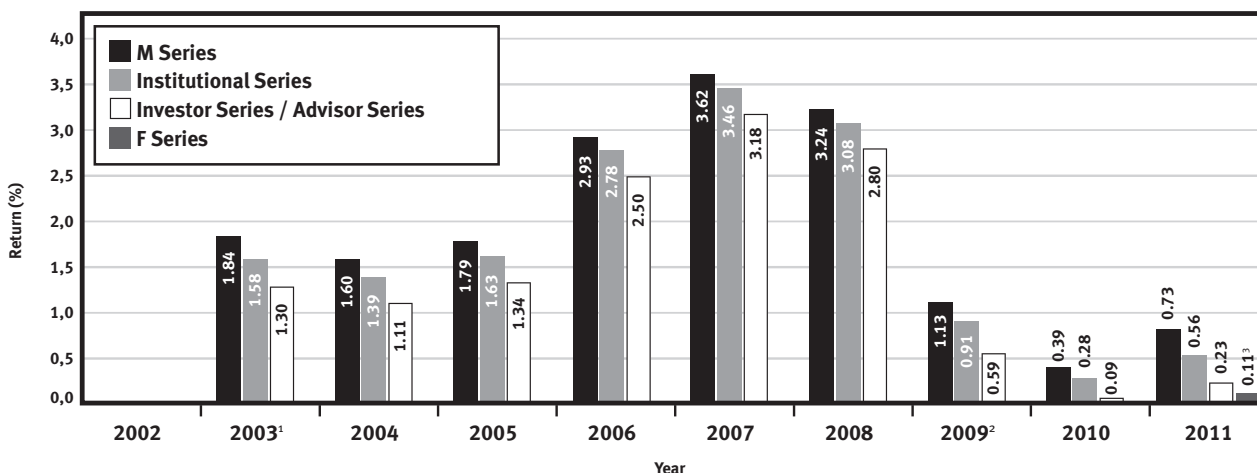
^(†) Includes all costs related to management, investment advisory services, general administration and profit.

Past Performance

Information on the Fund's past performance is presented in the graphs below. The graphs assume that fund distributions during the periods presented were reinvested in full in additional fund securities and do not take into account sales, redemption charges, distributions, or optional charges that would have reduced returns. Past performance of a Fund or series of a Fund does not necessarily indicate how it will perform in the future.

Annual Returns

The following bar chart shows the Fund's annual performance in each of the last years shown and illustrates how the Fund's performance has changed from year to year. It shows in percentage terms how an investment made on the first day of the period would have increased or decreased by the last day of the period for each year.



¹Returns for the Investors Series for the period from October 16, 2002 (inception date) to September 30, 2003 and for the Advisor Series, for the period from October 8, 2002 (inception date) to September 30, 2003.

²Returns for the 15-month period from October 1, 2008 to December 31, 2009.

³Returns for the F Series for the period from November 11, 2011 (inception date) to December 31, 2011.

Annual Compounded Performance

The following table shows the National Bank Strategic Yield Class annual compound total return for the indicated periods ended on December 31, 2011. The annual compound total return is compared to the Fund's benchmark, the DEX 91 days T-Bills Index (CA\$) calculated on the same compound basis. A discussion of the Fund's relative performance in comparison to the index (or indices) can be found in the *Results of Operations* Section of this report.

Investor Series ¹	Since inception	5 years	3 years	1 year
National Bank Strategic Yield Class	1.42%	1.22%	0.15%	0.23%
DEX 91 days T-Bill Index (CA\$)	2.41%	1.97%	0.72%	1.00%

¹Inception date: October 16, 2002.

Advisor Series ²	Since inception	5 years	3 years	1 year
National Bank Strategic Yield Class	1.70%	1.22%	0.15%	0.23%
DEX 91 days T-Bill Index (CA\$)	2.41%	1.97%	0.72%	1.00%

²Inception date: October 8, 2002.

Institutional Series ³	Since inception	5 years	3 years	1 year
National Bank Strategic Yield Class	1.70%	1.48%	0.41%	0.56%
DEX 91 days T-Bill Index (CA\$)	2.41%	1.97%	0.72%	1.00%

³Inception date: October 8, 2002.

M Series ⁴	Since inception	5 years	3 years	1 year
National Bank Strategic Yield Class	1.87%	1.64%	0.56%	0.73%
DEX 91 days T-Bill Index (CA\$)	2.41%	1.97%	0.72%	1.00%

⁴Inception date: October 8, 2002.

F Series ⁴	Since inception
National Bank Strategic Yield Class	0.08%
DEX 91 days T-Bill Index (CA\$)	0.16%

⁴Inception date: October 31, 2011.

The DEX 91 Day Canadian Treasury Bill Index tracks the daily return on 91-day Canadian Treasury bills.

Summary of Investment Portfolio

Portfolio Top Holdings

	% of Net Asset Value
Government of Canada**	88.1
Province of Quebec**	9.7
Ontario Infrastructure Projects Corporation**	1.5
Cash and cash equivalents	0.7
	100.0

Asset Mix

	% of Net Asset Value
Treasury Bills	97.8
Commercial Paper	1.5
Cash and cash equivalents	0.7

Fund net asset value \$19,698,804

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the investment fund. A quarterly update is available. Consult our Web site www.nbc.ca/financial_reports.

**Debt Instruments

Notes on forward-looking statements

This report may contain forward-looking statements concerning the Fund, its future performance, its strategies or prospects or about future events or circumstances. Such forward-looking statements include, among others, statements with respect to our beliefs, plans, expectations, estimates and intentions. The use of the expressions "foresee", "intend", "anticipate", "estimate", "assume", "believe" and "expect" and other similar terms and expressions indicate forward-looking statements.

By their very nature, forward-looking statements imply the use of assumptions and necessarily involve inherent risks and uncertainties. Consequently, there is a significant risk that the explicit or implicit forecasts contained in these forward-looking statements might not materialize or that they may not prove to be accurate in the future. A number of factors could cause future results, conditions or events to differ materially from the objectives, expectations, estimates or intentions expressed in such forward-looking statements. Such differences might be caused by several factors, including changes in Canadian and worldwide economic and financial conditions (in particular interest and exchange rates and the prices of other financial instruments), market trends, new regulatory provisions, competition, changes in technology and the potential impact of conflicts and other international events.

The foregoing list of factors is not exhaustive. Before making any investment decision, investors and others relying on our forward-looking statements should carefully consider the foregoing factors and other factors. We caution readers not to rely unduly on these forward-looking statements. We assume no obligation to update forward-looking statements in the light of new information, future events or other circumstances unless applicable legislation so provides.