

# INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

## Short-term and Income Funds

# Altamira High Yield Bond Fund

For the period ended June 30, 2011

This interim management report of fund performance contains financial highlights, but does not contain interim or annual financial statements of the mutual fund. A copy of the interim or 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](http://www.nbc.ca/financial_reports), by visiting SEDAR's website at [www.sedar.com](http://www.sedar.com), or by contacting your investment 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

### Results of Operations

For the six-month period ended June 30, 2011, the Altamira High Yield Bond Fund Investor Series units returned 4.31% compared to 5.26% for the Fund's blended benchmark composed of 85% of the Merrill Lynch BB-B Cash pay Only Index (CA\$ Hedged) (return of 5.19%) and 15 % of the Merrill Lynch C US Cash Pay Only Index (CA\$ Hedged) (return of 5.26%). 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 F Series, the O Series and the R Series. Returns of the Advisor Series, F Series, the O Series and the R Series may vary mainly because of fees and expenses.

The net asset value of the Fund rose from \$507 million as at December 31, 2010 to \$573.5 million as at June 30, 2011, an increase of 13.10%. The gain stemmed mainly from higher net sales and securities valuations.

Robust stock markets fuelled by economic figures and quarterly corporate results that both exceeded expectations, combined with high investor interest for issues providing higher returns gave a shot in the arm to lower-quality rated CCC bonds (which outperformed their higher quality peers), as well as the poor performance of CDEC Finance Corp Intl. Inc. (making up 1.2% of the Fund), which was sold early in March.

In the second quarter, a high level of risk aversion brought on by prevailing uncertainty overseas (geopolitical tensions in the Middle East and North Africa, the earthquake in Japan, the risk of default in Greece) and the release of lower-than-expected economic indicators, particularly in the United States, revived investors' interest in less risky securities at the expense of equities and high-yield bonds. While stocks dipped, high-yield bonds nevertheless continued to post gains, albeit less impressive ones than those seen the previous quarter. A substantial drop in government bond rates, which are used to assess high-yield bonds, was the main component to their strong showing.

Over the period, the portfolio manager progressively increased the portfolio's risk by reducing the position in higher quality BB issues while increasing holdings in lower quality B and CCC-rated bonds. This strategy did not pan out as expected, as unlike the previous quarter, less risky issues produced the most lucrative returns. These circumstances, combined with a selection of certain lacklustre issues such as Armtec Holdings, CHC Helicopter and American Achievement detracted from the Fund's return somewhat.

In contrast, sound selection of certain holdings such as Level 3 Communications, Hercules Offshore, National Mentor, Alon Refining Krotz Springs, Forbes Energy and RDS Ultra Deepwater, coupled with the lack of a position in BTA Bank JSC and Sino Forest generated a positive contribution over the first six months of the year.

During the period, a number of transactions were carried out, with a view to enhancing the portfolio's return. Securities that had increased substantially in value were sold and replaced with other issues that offer a better risk/return ratio, particularly new issues. The weighting in the Materials and Industrials sectors was therefore reduced by 2.1% and 1.2% respectively, while Energy and Health Care holdings were increased by 2.5% and 1.2%.

## Recent Developments

In recent months, uncertainty brought on by the risk of a default in Greece and fears that it could spread to surrounding countries increased risk aversion in investors, making them seek out more defensive securities such as government bonds. In this context, credit spreads widened, mainly between late May and June 24, while U.S. government bond rates dropped more sharply than high-yield bonds. The adoption of austerity measures by Greek authorities on June 29, to make sure the country would continue to receive financial support from the EU and the IMF, both reassured investors and revived their interest in riskier asset classes in the final week of June. Government bonds were then abandoned in favour of equities and high-yield bonds, resulting in a substantial tightening of credit spreads. High-yield bond rates then dropped, boosting their valuation (as bond values are inversely correlated to rates) while U.S. government bond rates rose (causing them to lose value).

High yield bonds' growth potential will depend on developments in Europe, as certain countries could require financial assistance to stave off potential defaults. If the climate of uncertainty—brought on by the turbulence in Europe dissipates, then riskier asset classes are likely to find favour—which will not be the case if the crisis drags on. Generally speaking, a sustained worldwide economic recovery and the release of better-than-expected company earnings should help high yield bond valuations. Conversely, weaker economic data hinting at a slowdown in economic growth or a recession could have a negative impact on their performance. The portfolio manager remains confident about high-yield bond trends and the economy in general over the next semester.

Given that issuer defaults appear to be infrequent and under control, the portfolio manager believes that the current asset mix of the portfolio should contribute to safeguarding it against a market downturn and allow it to generate gains should the economy show signs of improvement and credit spreads tighten. Adjustments may be made in due course and we may stockpile profits if the portfolio manager judges that the growth potential of certain securities is more limited.

While bond rates could increase by the end of the year and detract from overall bond performance, high-yield bonds could escape the brunt of the impact due to their lower correlation to rates and their tendency to more closely mimic stock market performance.

## Future Accounting Standards

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 Accounting Guideline AcG-18, “Investment Companies”.

The deferral of the transition date to IFRS has been put in place 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.

Consequently, the Funds will publish their first audited financial statements in accordance with IFRS for the year ended

December 31, 2013 and will present comparative figures in accordance with IFRS for the year ended December 31, 2012, including an opening balance sheet as at January 1, 2012.

Given the deferral of the effective transition date to IFRS, management is closely monitoring the evolution of the standards and is adjusting its project consequently. In the periods preceding the first fiscal year in which IFRS will be adopted, the impact of transitioning to IFRS on the financial statements of the Funds will be disclosed as they become known.

## Related Party Transactions

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

### Trustee

Natcan Trust Company (“NTC”), a wholly owned subsidiary of the Bank, is the Fund’s trustee. In this capacity, it is the legal owner of the Fund’s investments.

### 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 certain 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

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.

### Holdings

As at June 30, 2011, National Bank Securities held 2 944.66 Fund units for a value of \$27 052.58, which represented 0.01% of the net asset value of the Fund at that date. Transactions between National Bank Securities and the Fund were carried out in the normal course of business and at the Fund’s net asset value as at the transaction date.

As at June 30, 2011, the Bank held 1 308 864.88 Fund units for a value of \$10 575 628.26, which represented 2.32% of the net asset value of the Fund at that date. Transactions between the Bank and the Fund were carried out in the normal course of business and at the Fund’s net asset value as at the transaction date.

### Securities of related issuers, underwriting between related parties, transactions between funds and main trading activities between related parties

The Fund followed the standing instructions of its Independent Review Committee, which approved the following related party 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).

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 period ended June 30, 2011 and the past five years.

## Investor Series / Advisor Series

### The Fund's Net Assets per Unit<sup>(1)</sup>

	Period ended June 30, 2011	2010 December 31	2009 December 31 (15 months)	2008 September 30	2007 September 30	2006 September 30
Net Assets, beginning of year	\$ 7.95	\$ 7.74	\$ 7.36	\$ 9.02	\$ 9.08	\$ 9.39
<b>Increase (decrease) from operations</b>						
Total revenue	\$ 0.32	\$ 0.65	\$ 0.77	\$ 0.86	\$ 0.69	\$ 0.65
Total expenses	\$ (0.09)	\$ (0.17)	\$ (0.10)	\$ (0.08)	\$ (0.18)	\$ (0.18)
Realized gains (losses)	\$ 0.28	\$ 0.50	\$ 0.33	\$ (0.75)	\$ (0.09)	\$ (0.16)
Unrealized gains (losses)	\$ (0.18)	\$ 0.02	\$ 0.95	\$ (1.18)	\$ 0.12	\$ (0.09)
Transaction costs on purchase and sale investments	\$ —	\$ —	\$ —	\$ —	\$ (0.10)	\$ —
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ 0.33</b>	<b>\$ 1.00</b>	<b>\$ 1.95</b>	<b>\$ (1.15)</b>	<b>\$ 0.44</b>	<b>\$ 0.22</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$ 0.24	\$ 0.47	\$ 0.56	\$ 0.51	\$ 0.82	\$ 0.49
From dividends	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
From capital gains	\$ —	\$ 0.31	\$ 0.02	\$ 0.26	\$ —	\$ 0.14
Return of capital	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Total annual distributions<sup>(3)</sup></b>	<b>\$ 0.24</b>	<b>\$ 0.78</b>	<b>\$ 0.58</b>	<b>\$ 0.77</b>	<b>\$ 0.82</b>	<b>\$ 0.63</b>
<b>Net Assets as at June 30, 2011 and last day of years shown</b>	<b>\$ 8.05</b>	<b>\$ 7.95</b>	<b>\$ 7.74</b>	<b>\$ 7.36</b>	<b>\$ 9.02</b>	<b>\$ 9.08</b>

<sup>(1)</sup> This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. The net assets value per security presented in the financial statements differs from the net asset value calculated for security pricing purposes. The differences are explained in the notes to the financial statements.

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

<sup>(3)</sup> Distributions were paid in cash or reinvested in additional units of the Fund, or both.

### Ratios and Supplemental Data

	Period ended June 30, 2011	2010 December 31	2009 December 31 (15 months)	2008 September 30	2007 September 30	2006 September 30
Total net asset value (000's) <sup>(1)</sup>	\$ 447,116	\$ 408,346	\$ 139,308	\$ 33,896	\$ 22,980	\$ 22,415
Number of units outstanding <sup>(1)</sup>	55,322,102	51,178,952	17,923,331	4,582,699	2,536,188	2,468,396
Management expense ratio <sup>(2)</sup>	1.90 %	1.91 %	1.88 %	1.90 %	1.93 %	1.96 %
Management expense ratio before waivers or absorptions	2.23 %	2.21 %	2.14 %	2.00 %	2.00 %	1.96 %
Trading expense ratio <sup>(3)</sup>	— %	— %	— %	— %	— %	— %
Portfolio turnover rate <sup>(4)</sup>	30.76 %	41.27 %	40.66 %	7.68 %	44.33 %	51.22 %
Net asset value per unit	\$ 8.08	\$ 7.98	\$ 7.77	\$ 7.40	\$ 9.06	\$ 9.08

<sup>(1)</sup> This information is provided as at June 30, 2011 and last day of years shown.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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

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 ended June 30, 2011 and the past three years.

## F Series

### The Fund's Net Assets per Unit<sup>(1)</sup>

	Period ended June 30, 2011	2010 December 31	2009 December 31 (15 months)	2008 September 30 (167 days)
Net Assets, beginning of year	\$ 9.65	\$ 9.51	\$ 9.03	\$ 10.00
<b>Increase (decrease) from operations</b>				
Total revenue	\$ 0.39	\$ 0.80	\$ 1.11	\$ 0.80
Total expenses	\$ (0.07)	\$ (0.13)	\$ (0.15)	\$ (0.08)
Realized gains (losses)	\$ 0.34	\$ 0.48	\$ 0.47	\$ (0.70)
Unrealized gains (losses)	\$ (0.23)	\$ 0.16	\$ 1.38	\$ (1.09)
Transaction costs on purchase and sale investments	\$ —	\$ —	\$ —	\$ —
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ 0.43</b>	<b>\$ 1.31</b>	<b>\$ 2.81</b>	<b>\$ (1.07)</b>
<b>Distributions:</b>				
From income (excluding dividends)	\$ 0.33	\$ 0.70	\$ 0.75	\$ 0.25
From dividends	\$ —	\$ —	\$ —	\$ —
From capital gains	\$ —	\$ 0.46	\$ —	\$ —
Return of capital	\$ —	\$ —	\$ —	\$ —
<b>Total annual distributions<sup>(3)</sup></b>	<b>\$ 0.33</b>	<b>\$ 1.16</b>	<b>\$ 0.75</b>	<b>\$ 0.25</b>
<b>Net Assets as at June 30, 2011 and last day of years shown</b>	<b>\$ 9.78</b>	<b>\$ 9.65</b>	<b>\$ 9.51</b>	<b>\$ 9.03</b>

<sup>(1)</sup> This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. The net assets value per security presented in the financial statements differs from the net asset value calculated for security pricing purposes. The differences are explained in the notes to the financial statements.

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

<sup>(3)</sup> Distributions were paid in cash or reinvested in additional units of the Fund, or both.

### Ratios and Supplemental Data

	Period ended June 30, 2011	2010 December 31	2009 December 31 (15 months)	2008 September 30 (167 days)
Total net asset value (000's) <sup>(1)</sup>	\$ 3,266	\$ 2,749	\$ 2,372	\$ 544
Number of units outstanding <sup>(1)</sup>	332,679	283,733	248,192	59,998
Management expense ratio <sup>(2)</sup>	1.13 %	1.11 %	1.11 %	1.24 %
Management expense ratio before waivers or absorptions	1.32 %	1.43 %	1.38 %	1.51 %
Trading expense ratio <sup>(3)</sup>	— %	— %	— %	— %
Portfolio turnover rate <sup>(4)</sup>	30.76 %	41.27 %	40.66 %	7.68 %
Net asset value per unit	\$ 9.82	\$ 9.69	\$ 9.56	\$ 9.08

<sup>(1)</sup> This information is provided as at June 30, 2011 and last day of years shown.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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

## O Series

### The Fund's Net Assets per Unit<sup>(1)</sup>

	Period ended June 30, 2011	2010 December 31	2009 December 31 (15 months)	2008 September 30	2007 September 30	2006 September 30 (148 days)
Net Assets, beginning of year	\$ 8.53	\$ 8.40	\$ 8.03	\$ 9.86	\$ 9.94	\$ 10.00
<b>Increase (decrease) from operations</b>						
Total revenue	\$ 0.35	\$ 0.70	\$ 0.76	\$ 0.62	\$ 0.76	\$ 0.37
Total expenses	\$ 0.01	\$ (0.02)	\$ (0.10)	\$ (0.06)	\$ (0.01)	\$ —
Realized gains (losses)	\$ 0.30	\$ 0.41	\$ 0.32	\$ (0.55)	\$ 0.06	\$ 0.08
Unrealized gains (losses)	\$ (0.22)	\$ 0.12	\$ 0.95	\$ (0.85)	\$ (0.07)	\$ 0.04
Transaction costs on purchase and sale investments	\$ —	\$ —	\$ —	\$ —	\$ (0.08)	\$ —
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ 0.42</b>	<b>\$ 1.23</b>	<b>\$ 1.93</b>	<b>\$ (0.84)</b>	<b>\$ 0.66</b>	<b>\$ 0.49</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$ 0.33	\$ 0.70	\$ 0.81	\$ 0.74	\$ 0.63	\$ 0.24
From dividends	\$ 0.01	\$ —	\$ —	\$ —	\$ —	\$ —
From capital gains	\$ —	\$ 0.41	\$ 0.03	\$ 0.27	\$ —	\$ —
Return of capital	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Total annual distributions<sup>(3)</sup></b>	<b>\$ 0.34</b>	<b>\$ 1.11</b>	<b>\$ 0.84</b>	<b>\$ 1.01</b>	<b>\$ 0.63</b>	<b>\$ 0.24</b>
<b>Net Assets as at June 30, 2011 and last day of years shown</b>	<b>\$ 8.64</b>	<b>\$ 8.53</b>	<b>\$ 8.40</b>	<b>\$ 8.03</b>	<b>\$ 9.86</b>	<b>\$ 9.94</b>

<sup>(1)</sup> This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. The net assets value per security presented in the financial statements differs from the net asset value calculated for security pricing purposes. The differences are explained in the notes to the financial statements.

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

<sup>(3)</sup> Distributions were paid in cash or reinvested in additional units of the Fund, or both.

### Ratios and Supplemental Data

	Period ended June 30, 2011	2010 December 31	2009 December 31 (15 months)	2008 September 30	2007 September 30	2006 September 30 (148 days)
Total net asset value (000's) <sup>(1)</sup>	\$ 123,210	\$ 95,945	\$ 76,534	\$ 37,639	\$ 41,137	\$ 57,927
Number of units outstanding <sup>(1)</sup>	14,195,261	11,228,106	9,065,875	4,662,043	4,156,728	5,825,683
Management expense ratio <sup>(2)</sup>	0.02 %	0.02 %	0.02 %	0.07 %	0.07 %	0.09 %
Management expense ratio before waivers or absorptions	0.02 %	0.02 %	0.02 %	0.07 %	0.07 %	0.05 %
Trading expense ratio <sup>(3)</sup>	— %	— %	— %	— %	— %	— %
Portfolio turnover rate <sup>(4)</sup>	30.76 %	41.27 %	40.66 %	7.68 %	44.33 %	51.22 %
Net asset value per unit	\$ 8.68	\$ 8.56	\$ 8.44	\$ 8.07	\$ 9.90	\$ 9.94

<sup>(1)</sup> This information is provided as at June 30, 2011 and last day of years shown.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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

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 ended June 30, 2011.

## R Series

### The Fund's Net Assets per Unit<sup>(1)</sup>

	Period ended June 30, 2011
Net Assets, beginning of year	\$ —
<b>Increase (decrease) from operations</b>	
Total revenue	\$ 0.07
Total expenses	\$ (0.03)
Realized gains (losses)	\$ 0.02
Unrealized gains (losses)	\$ (0.19)
Transaction costs on purchase and sale investments	\$ —
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ (0.13)</b>
<b>Distributions:</b>	
From income (excluding dividends)	\$ 0.03
From dividends	\$ —
From capital gains	\$ —
Return of capital	\$ 0.01
<b>Total annual distributions<sup>(3)</sup></b>	<b>\$ 0.04</b>
<b>Net Assets as at June 30, 2011 and last day of years shown</b>	<b>\$ 9.82</b>

<sup>(1)</sup> This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. The net assets value per security presented in the financial statements differs from the net asset value calculated for security pricing purposes. The differences are explained in the notes to the financial statements.

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

<sup>(3)</sup> Distributions were paid in cash or reinvested in additional units of the Fund, or both.

### Ratios and Supplemental Data

	Period ended June 30, 2011
Total net asset value (000's) <sup>(1)</sup>	\$ 5
Number of units outstanding <sup>(1)</sup>	493
Management expense ratio <sup>(2)</sup>	1.90 %
Management expense ratio before waivers or absorptions	422.75 %
Trading expense ratio <sup>(3)</sup>	— %
Portfolio turnover rate <sup>(4)</sup>	30.76 %
Net asset value per unit	\$ 9.86

<sup>(1)</sup> This information is provided as at June 30, 2011 and last day of years shown.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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 cover 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 <sup>†</sup>
Investor Series		1.75%	42.86%	57.14%
Advisor Series* and R Series	Front end	1.75%	14.29%	85.71%
	Back end		42.86%	57.14%
	Low-Load 1 to 3 years 4 years plus		14.29%	85.71%
F Series		1.00%	0.00%	100.00%
O Series		n.a.**	0.00%	100.00%

<sup>(\*)</sup> 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.

<sup>(\*\*)</sup> There are no management fees paid by the Fund. Unitholders in the O Series pay a negotiated administration fee directly to National Bank Securities.

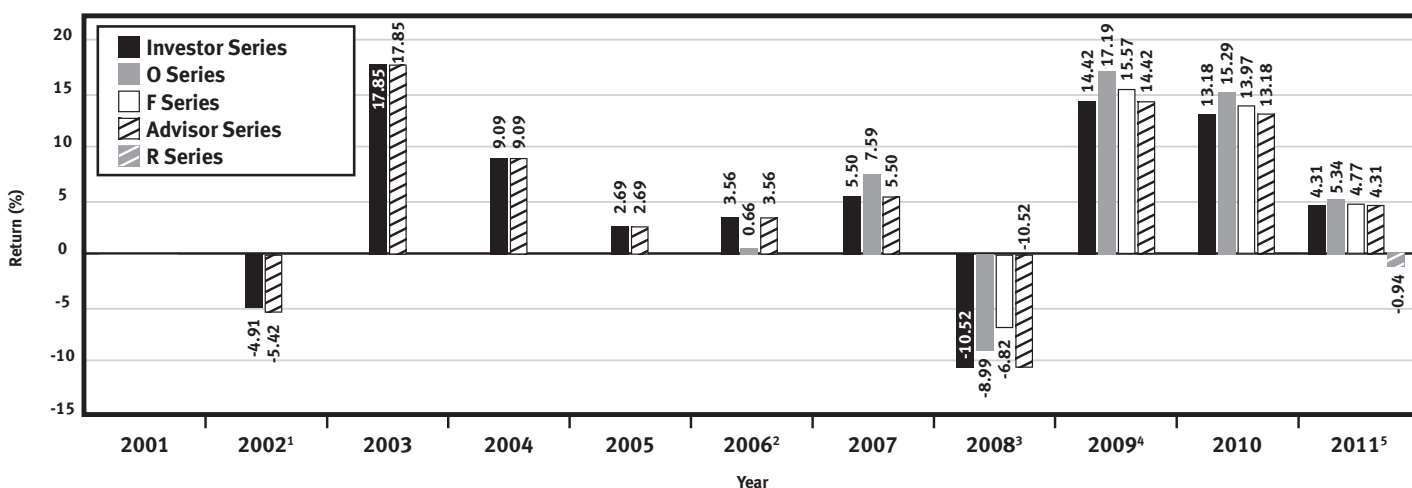
<sup>(†)</sup> Includes all costs related to management, investment advisory services, general administration and profit.

## 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 January 1 would have increased or decreased by December 31 for each year.



<sup>1</sup> Returns for the Investor Series for the period from December 19, 2001 (inception date) to September 30, 2002.

<sup>2</sup> Returns for the Advisor Series for the period from February 8, 2002 (inception date) to September 30, 2002.

<sup>3</sup> Returns for the O Series for the period from May 4, 2006 (inception date) to September 30, 2007.

<sup>4</sup> Returns for the F Series for the period from April 16, 2008 (inception date) to September 30, 2008.

<sup>5</sup> Returns for the 15-month period from October 1, 2008 to December 31, 2009.

<sup>6</sup> Returns for the Investor Series, the O Series, the F Series and the Advisor Series for the period from January 1, 2011 to June 30, 2011; returns for the R Series for the period from May 27, 2011 (inception date) to June 30, 2011.

# Summary of Investment Portfolio

## Portfolio Top Holdings

	% of Net Asset Value
Cash & Other Assets	3.2
Quebecor Media Inc., 7.38%, due January 15, 2021	1.7
National Mentor Inc., 12.50%, due February 15, 2018	1.5
CIT Group Inc., 7.00%, due May 1st, 2017	1.5
International Lease Finance Corp., 8.75%, due March 15, 2017	1.4
Hospital Corporation of America Inc., 7.88%, due February 15, 2020	1.4
Amc Entertainment, 9.75%, due December 1st, 2020	1.2
Trident Exploration Corp., 8.25%, due April 13, 2018	1.2
WireCo WorldGroup, 9.50%, due May 15, 2017	1.1
AES Corp., 8.00%, due October 15, 2017	1.1
Gentiva Health Services Inc., 11.50%, due September 1st, 2018	1.1
Windstream Corp., 7.75%, due October 15, 2020	1.1
Precision Drilling Corp., 6.50%, due March 15, 2019	1.1
Linn Energy Finance Corp., 7.75%, due February 1st, 2021	1.1
BioScrip Inc., 10.25%, due October 1st, 2015	1.1
Ford Credit Canada Ltd., 8.00%, due December 15, 2016	1.1
Cequel Communications Holdings I LLC and Cequel Capital Corp., 8.63%, due November 15, 2017	1.1
CCO Holdings Capital Corp., 7.25%, due October 30, 2017	1.1
MTR Gaming Group Inc., 12.63%, due July 15, 2014	1.1
Cara Operations Ltd., 9.13%, due December 1st, 2015	1.0
Level 3 Communications Inc., 11.88%, due February 1st, 2019	1.0
Speedy Cash Inc., 10.75%, due October 15, 2018	1.0
Icahn Enterprises LP / Icahn Enterprises Finance Corp., 7.75%, due January 15, 2016	1.0
ATP Oil & Gas Corp., 11.88%, due May 1st, 2015	1.0
Trilogy International Finance Inc., 10.25%, due August 15, 2016	1.0
	31.2

Fund Net Asset Value ..... \$573,596,877

## Weighting by Country

	% of Net Asset Value
United States	72.5
Canada	17.0
International	7.3
Cash & Other Assets	3.2

## Allocation by Term

	% of Net Asset Value
1 to 5 years	38.0
5 to 10 years	57.3
More than 10 years	4.7

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](http://www.nbc.ca/financial_reports).

### 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.