

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

Canadian Equity Funds

National Bank Small Cap 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, by visiting SEDAR's website at 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 National Bank Small Cap Fund Investor Series units returned – 4.85% compared to – 4.31% for the Fund's benchmark, the S&P/TSX Small Cap 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 F Series, the O Series and the R Series. Returns of the Advisor Series, the F Series, the O Series and the R Series may vary mainly because of fees and expenses.

The first half of 2011 proved to be a trying period for investors, who had to contend with soaring crude prices, a triple disaster (earthquake, tsunami and nuclear crisis) in Japan, weaker than expected U.S. economic data, inflationist pressures and geopolitical strife in North Africa and the Middle East. These concerns were accompanied by fears regarding the financial situation in Greece (which is teetering on the verge of bankruptcy) and a renewed risk it could spill over to the rest of Europe and eventually the global financial system.

That being said, it is important to mention that the year did start out on a positive note, on a carry over effect from last year that got validated by stellar corporate profitability growth in January and February. Nevertheless, optimism later turned into caution following the Japanese earthquake and political unrest in Egypt, which caused investors' appetite for risky investments to disappear and resulted in dismal performances from Canadian small caps. Overall, six of the ten sectors ended the half in positive territory, while four finished in the red. Investors continued to rotate out of economically sensitive stocks and into defensive ones, which impacted on those areas of the market that have been highly speculative in recent months. In particular, the Materials sector shed more than 10% of its value, while safer areas such as Consumers' stocks advanced.

Under these circumstances, the Fund slightly underperformed its benchmark, largely as a result of security selection within the Materials, Health Care, Technology and Energy sector. In addition, returns were hindered by being underweight in the financial sector, one the best performing sectors during the period. On the other hand, the Fund's performance was aided by being underweight in the Materials sector, as well as by being overweight in the Consumer Discretionary and Industrials sectors, both of which ended the period on the upside. Individually, Forzani Group (acquired by Canadian Tire), TransForce, Héroux-Devtek, Trinidad Drilling and Aurico Gold added the most value, while Transat, Eastern Platinum, Cangene, Transglobe and Lake Shore Gold detracted the most.

Recent Developments

Going into the second half of 2011, as was the case in the first, the portfolio manager's strategy is to continue to reduce risk-taking associated with resource-based equities, as their short- and medium-term growth prospects still do not justify their current valuations. Even though the sector contains a number of attractive companies, their fundamentals simply do not justify their prices.

In this respect, Complete Production Services and Whitecap Resources, two energy companies, were introduced to the Fund during the first half. The portfolio manager expects Complete Production to continue to benefit from demand for equipment and drilling services south of the border while Whitecap should benefit from the strength of its management team that has repeatedly proven itself in the past. Elsewhere, new positions in National City (super-regional bank established on the U.S. West Coast) Kit Digital (treatment of video sources) and U.S. Airways (airline) were also initiated during the half. Lastly, the Fund's cash position increased significantly during the first six months of 2011 and will gradually be reduced over the next few months within companies that have been on the portfolio manager's radar screen.

In addition, the portfolio manager is continuing to overweight those sectors that were hardest hit by soaring commodity prices and the slumping economy. It is surprising to note that over the past three months, Industrial and Consumer stocks (such as Aecon Group and Martinrea) that are closely tied to economic growth have fared far worse than even the most speculative equities in the small cap universe. The portfolio manager believes that this situation will correct itself in the months ahead, as the growth potential of these stocks and their attractive valuations will once again lure investors.

With indicators pointing to a slowdown in the world economy, markets are expected to remain volatile in the coming months. As such, the portfolio manager remains convinced that commodity prices are unsustainable in this context and that commodity-sensitive securities will therefore continue to correct despite the impressive rally seen in the final days of June.

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.

Brokerage Fees

The Fund may pay broker’s commissions at market rates to a corporation affiliated with NBS. The brokerage fees paid by the Fund for the period are as follows:

	Period ended June 30, 2011
Total brokerage fees	\$624,391.00
Brokerage paid to National Bank Financial	\$50,839.00

Holdings

As at June 30, 2011, National Bank Securities held 37 637.70 Fund units for a value of \$373 742.40, which represented 0.08% 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, National Bank Trust held 214 114.02 Fund units for a value of \$3 160 322.93, which represented 0.64% of the net asset value of the Fund at that date. Transactions between National Bank Trust 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⁽¹⁾

	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	\$ 48.70	\$ 40.23	\$ 28.45	\$ 47.09	\$ 37.74	\$ 35.27
Increase (decrease) from operations						
Total revenue	\$ 0.25	\$ 0.40	\$ 0.46	\$ 0.43	\$ 0.42	\$ 0.33
Total expenses	\$ (0.59)	\$ (1.01)	\$ (0.80)	\$ (0.83)	\$ (1.07)	\$ (0.94)
Realized gains (losses)	\$ 3.45	\$ 4.01	\$ 1.38	\$ 1.47	\$ 7.81	\$ 3.58
Unrealized gains (losses)	\$ (5.45)	\$ 4.90	\$ 12.90	\$ (14.33)	\$ 2.92	\$ (0.58)
Transaction costs on purchase and sale investments	\$ (0.05)	\$ (0.11)	\$ (0.15)	\$ (0.11)	\$ (0.11)	\$ —
Total increase (decrease) from operations⁽²⁾	\$ (2.39)	\$ 8.25	\$ 13.79	\$ (13.37)	\$ 9.97	\$ 2.39
Distributions:						
From income (excluding dividends)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
From dividends	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
From capital gains	\$ —	\$ 0.13	\$ 1.07	\$ 5.50	\$ 0.73	\$ —
Return of capital	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Total annual distributions⁽³⁾	\$ —	\$ 0.13	\$ 1.07	\$ 5.50	\$ 0.73	\$ —
Net Assets as at June 30, 2011 and last day of years shown	\$ 46.27	\$ 48.70	\$ 40.23	\$ 28.45	\$ 47.09	\$ 37.74

⁽¹⁾ 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.

⁽²⁾ 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.

⁽³⁾ 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) ⁽¹⁾	\$ 489,855	\$ 528,971	\$ 516,891	\$ 322,843	\$ 408,947	\$ 297,048
Number of units outstanding ⁽¹⁾	10,545,787	10,835,185	12,776,188	11,245,131	8,652,643	7,871,317
Management expense ratio ⁽²⁾	2.39 %	2.37 %	2.35 %	2.36 %	2.37 %	2.41 %
Management expense ratio before waivers or absorptions	2.40 %	2.39 %	2.41 %	2.36 %	2.37 %	2.41 %
Trading expense ratio ⁽³⁾	0.22 %	0.25 %	0.39 %	0.30 %	0.24 %	0.26 %
Portfolio turnover rate ⁽⁴⁾	35.92 %	35.79 %	75.19 %	58.86 %	56.28 %	51.47 %
Net asset value per unit	\$ 46.45	\$ 48.82	\$ 40.46	\$ 28.71	\$ 47.26	\$ 37.74

⁽¹⁾ This information is provided as at June 30, 2011 and last day 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

F Series

The Fund's Net Assets per Unit⁽¹⁾

	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	\$ 10.35	\$ 8.43	\$ 5.86	\$ 13.07	\$ 10.35	\$ 9.54
Increase (decrease) from operations						
Total revenue	\$ 0.05	\$ 0.09	\$ 0.10	\$ 0.17	\$ 0.11	\$ 0.08
Total expenses	\$ (0.06)	\$ (0.10)	\$ (0.17)	\$ (0.32)	\$ (0.14)	\$ (0.12)
Realized gains (losses)	\$ 0.73	\$ 0.86	\$ 0.30	\$ 0.57	\$ 2.79	\$ 1.76
Unrealized gains (losses)	\$ (1.20)	\$ 1.12	\$ 2.75	\$ (5.51)	\$ 1.04	\$ (0.29)
Transaction costs on purchase and sale investments	\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.05)	\$ (0.02)	\$ —
Total increase (decrease) from operations⁽²⁾	\$ (0.49)	\$ 1.95	\$ 2.95	\$ (5.14)	\$ 3.78	\$ 1.43
Distributions:						
From income (excluding dividends)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
From dividends	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
From capital gains	\$ —	\$ 0.02	\$ 0.23	\$ 4.43	\$ 0.14	\$ —
Return of capital	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Total annual distributions⁽³⁾	\$ —	\$ 0.02	\$ 0.23	\$ 4.43	\$ 0.14	\$ —
Net Assets as at June 30, 2011 and last day of years shown	\$ 9.89	\$ 10.35	\$ 8.43	\$ 5.86	\$ 13.08	\$ 10.35

⁽¹⁾ 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.

⁽²⁾ 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.

⁽³⁾ 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) ⁽¹⁾	\$ 777	\$ 757	\$ 420	\$ 218	\$ 94	\$ 172
Number of units outstanding ⁽¹⁾	78,264	72,991	49,500	36,850	7,149	16,614
Management expense ratio ⁽²⁾	1.06 %	1.05 %	1.03 %	0.89 %	1.15 %	1.15 %
Management expense ratio before waivers or absorptions	1.46 %	1.95 %	2.72 %	0.89 %	1.54 %	1.42 %
Trading expense ratio ⁽³⁾	0.21 %	0.28 %	0.40 %	0.58 %	0.24 %	0.26 %
Portfolio turnover rate ⁽⁴⁾	35.92 %	35.79 %	75.19 %	58.86 %	56.28 %	51.47 %
Net asset value per unit	\$ 9.93	\$ 10.37	\$ 8.48	\$ 5.92	\$ 13.12	\$ 10.35

⁽¹⁾ This information is provided as at June 30, 2011 and last day 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

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⁽¹⁾

	Period ended June 30, 2011
Net Assets, beginning of year	\$ —
Increase (decrease) from operations	
Total revenue	\$ 0.01
Total expenses	\$ (0.02)
Realized gains (losses)	\$ 0.07
Unrealized gains (losses)	\$ (0.69)
Transaction costs on purchase and sale investments	\$ (0.01)
Total increase (decrease) from operations⁽²⁾	\$ (0.64)
Distributions:	
From income (excluding dividends)	\$ —
From dividends	\$ —
From capital gains	\$ —
Return of capital	\$ 0.06
Total annual distributions⁽³⁾	\$ 0.06
Net Assets as at June 30, 2011 and last day of years shown	\$ 9.29

⁽¹⁾ 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.

⁽²⁾ 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.

⁽³⁾ 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) ⁽¹⁾	\$ 1
Number of units outstanding ⁽¹⁾	142
Management expense ratio ⁽²⁾	2.38 %
Management expense ratio before waivers or absorptions	2,023.90 %
Trading expense ratio ⁽³⁾	1.65 %
Portfolio turnover rate ⁽⁴⁾	35.92 %
Net asset value per unit	\$ 9.32

⁽¹⁾ This information is provided as at June 30, 2011 and last day 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

O Series

The Fund's Net Assets per Unit⁽¹⁾

	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	\$ 15.29	\$ 12.34	\$ 8.42	\$ 13.61	\$ 10.66	\$ 9.73
Increase (decrease) from operations						
Total revenue	\$ 0.08	\$ 0.13	\$ 0.15	\$ 0.12	\$ 0.12	\$ 0.12
Total expenses	\$ —	\$ —	\$ (0.26)	\$ (0.23)	\$ (0.01)	\$ (0.01)
Realized gains (losses)	\$ 1.09	\$ 1.23	\$ 0.45	\$ 0.41	\$ 2.17	\$ (0.47)
Unrealized gains (losses)	\$ (1.70)	\$ 1.57	\$ 4.18	\$ (3.99)	\$ 0.81	\$ 0.08
Transaction costs on purchase and sale investments	\$ (0.02)	\$ (0.03)	\$ (0.05)	\$ (0.03)	\$ (0.03)	\$ —
Total increase (decrease) from operations⁽²⁾	\$ (0.55)	\$ 2.90	\$ 4.47	\$ (3.72)	\$ 3.06	\$ (0.28)
Distributions:						
From income (excluding dividends)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
From dividends	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
From capital gains	\$ —	\$ 0.04	\$ 0.33	\$ 1.60	\$ 0.22	\$ —
Return of capital	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Total annual distributions⁽³⁾	\$ —	\$ 0.04	\$ 0.33	\$ 1.60	\$ 0.22	\$ —
Net Assets as at June 30, 2011 and last day of years shown	\$ 14.70	\$ 15.29	\$ 12.34	\$ 8.42	\$ 13.61	\$ 10.66

⁽¹⁾ 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.

⁽²⁾ 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.

⁽³⁾ 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) ⁽¹⁾	\$ 49,387	\$ 58,239	\$ 49,603	\$ 30,822	\$ 40,904	\$ 25,406
Number of units outstanding ⁽¹⁾	3,346,643	3,799,294	3,998,073	3,629,086	2,993,545	2,383,316
Management expense ratio ⁽²⁾	0.02 %	0.02 %	0.02 %	0.04 %	0.04 %	0.10 %
Management expense ratio before waivers or absorptions	0.02 %	0.03 %	0.02 %	0.04 %	0.04 %	0.10 %
Trading expense ratio ⁽³⁾	0.16 %	0.28 %	0.42 %	0.29 %	0.24 %	0.26 %
Portfolio turnover rate ⁽⁴⁾	35.92 %	35.79 %	75.19 %	58.86 %	56.28 %	51.47 %
Net asset value per unit	\$ 14.76	\$ 15.33	\$ 12.41	\$ 8.49	\$ 13.66	\$ 10.66

⁽¹⁾ This information is provided as at June 30, 2011 and last day 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 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 [†]
Investor Series		2.00%	62.50%	37.50%
Advisor Series* and R Series	Front end	2.00%	25.00%	75.00%
	Back end		62.50%	37.50%
	Low-Load 1 to 3 years 4 years plus		25.00%	75.00%
F Series		0.75%	0.00%	100.00%
O Series		n.a.**	0.00%	100.00%

^(*) 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.

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

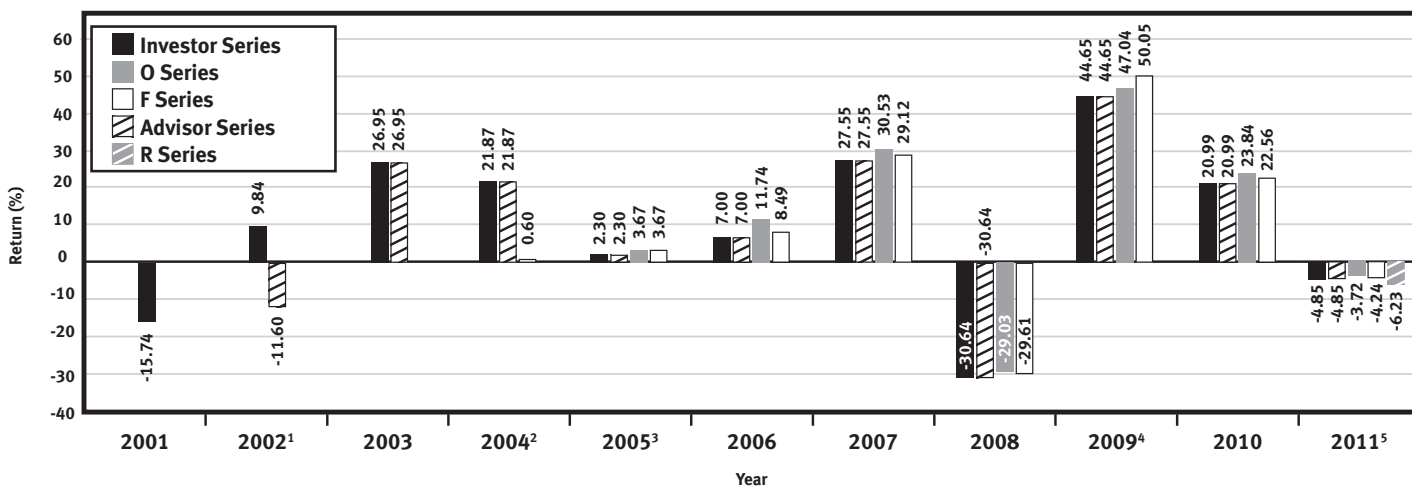
^(†) Includes all costs related to management, investment advisory services, general administration and profit.

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.



¹ Returns for the Advisor Series from February 8, 2002 (inception date) to September 30, 2002.

² Returns for the F Series from April 1, 2004 (inception date) to September 30, 2004

³ Returns for the O Series from March 1, 2005 (inception date) to September 30, 2005.

⁴ Returns for the 15-month period from October 1, 2008 to December 31, 2009.

⁵ 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	6.0
Forzani Group Ltd., Class A	4.9
Garda World Security Corp., Class A	4.0
TransForce Inc.	3.9
Atrium Innovations Inc.	3.6
Aecon Group Inc.	3.4
AuRico Gold Inc.	3.2
Cogeco Cable Inc.	3.1
Stella-Jones Inc.	2.9
FirstService Corp.	2.9
Héroux-Devtek Inc.	2.7
MartinRea International Inc.	2.5
Mediagrif Interactive Technologies Inc.	2.4
Northgate Minerals Corp.	2.3
Advantage Oil & Gas Ltd.	2.3
Uni-Select Inc.	2.2
Transat A.T. Inc., Class B	2.2
Mullen Group Ltd.	2.1
Trinidad Drilling Ltd.	2.0
Transglobe Energy Corp.	1.8
Extendicare Real Estate Investment Trust	1.8
Lake Shore Gold Corp.	1.7
Enghouse Systems Ltd.	1.7
Daylight Energy Ltd.	1.5
Dundee Precious Metals Inc.	1.5
	68.6

Fund Net Asset Value \$540,020,587

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.

Weighting by Sector

	% of Net Asset Value
Industrials	21.9
Materials	21.2
Energy	18.6
Consumer Discretionary	14.3
Information Technology	10.9
Financials	8.1
Consumer Staples	3.9
Health Care	1.1

Asset Mix

	% of Net Asset Value
Canadian Equity	85.5
Foreign Equity	8.5
Cash & Other Assets	6.0

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.