

# INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

## Monthly Income Portfolios

# National Bank Monthly Moderate Income 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 National Bank Monthly Moderate Income Fund Investor Series units returned 1.18% compared to 2.92% for the Fund's blended benchmark composed of 10% of the DEX DEX Short Term Bond Index Index (CA\$) (return of 1.77%), 15% of the DEX Universe Bond Index (CA\$) (return of 2.20%), 20% of the blended Merrill Lynch High Yield Index (CA\$ Hedged) (return of 5.26%), 20% of the S&P/TSX Preferred Share Index (CA\$) (return of 3.91%), and 35% of the S&P/TSX Dividend Index (CA\$) (return of 1.59%). The blended Merrill Lynch High Yield Index is composed of 85% of the Merrill Lynch BB-B US Cash Pay Only Index (CA\$ hedged) (return of 5.19%) and of 15% of the Merrill Lynch C US Cash Pay Only (CA\$ hedged) (return of 5.61%). Unlike these indexes, the Fund's performance is calculated after fees and expenses. Please see the *Past Performance* section for returns of the R Series. Returns of the R Series may vary mainly because of fees and expenses. The index above replaces the blended index composed of 10% DEX Mortgage Index (CA\$) (return of 2.28%), 15% of the DEX Universe Bond Index (CA\$) (return of 2.20%), 20% of the blended Merrill Lynch High Yield Index (return of 5.26%), 20% of the S&P/TSX Preferred Share Index (CA\$) (return of 3.91%) and 35% of the S&P/TSX 60 Index (CA\$) (return of 0.59%). The blended index had a return of 2.97% for the first six months of 2011.

On January 1, 2011, the DEX Mortgage Index and the S&P/TSX 60 Index were modified to better reflect the Fund's asset allocation.

The net asset value of the Fund rose from \$65.9 million as at December 31, 2010 to \$87.8 million as at June 30, 2011, an increase of 33.2%. This increase was mainly due to an increase in net sales.

Among the various asset classes that make up the Fund, high-yield bonds posted the best performance, followed by preferred shares, while higher quality bonds, mortgage-backed securities and common shares produced more modest returns over the period.

Stocks and bonds made erratic gains and fluctuated in opposite directions throughout the period. Equities began the year on the upswing due to encouraging economic perspectives and favourable corporate results. Owing to their more promising growth potential during a recovery, riskier asset classes such as equities, high-yield bonds and corporate bonds were favoured at the expense of higher-quality bonds.

In the second quarter, the high level of risk aversion triggered by uncertainty overseas (Middle East/North Africa, Japan, Greece) and the release of lower-than-expected economic indicators revived interest in lower risk fixed-income issues (bonds and money market securities). Equities then suffered a major setback while bonds surged. High-yield bonds and corporate bonds also gained ground, albeit at a slower pace than higher quality issues. Toward the end of the period, the adoption of an austerity plan by Greek authorities and the release of more encouraging economic data reassured investors, who then showed renewed interest in riskier asset classes, at the expense of bonds.

The drop in interest rates seen over the period was the main driver behind the strong showing of fixed-income securities and preferred shares. The selection of preferred shares and bonds also proved lucrative, but this positive contribution was offset by the portfolio manager's decision to maintain a shorter duration than the benchmark for bonds. This decision, made in anticipation of rising interest rates, which failed to materialize, resulted in the Fund trailing its benchmark following the substantial drop in bond rates in the second quarter. A strong performance from high-yield bonds in the first quarter helped enhance the Fund's return, although it failed to beat its benchmark.

The lower return turned in by mortgage securities in the Fund was also responsible for its performance difference with its benchmark, the DEX Short Term Bond Index. The Fund's lower weighting in bonds (compared to the DEX Short Term Bond Index) and the more pronounced drop in bond rates compared to mortgage rates also worked in the Index's favour. The benchmark's higher exposure to corporate issues (which posted higher returns than the provincial bonds held in the Fund) also proved detrimental.

The difference between the Fund's performance and that of the blended benchmark is mainly attributable to a less lucrative selection of common shares (particularly in the Materials and Industrials sectors), and an overweight in them that proved particularly unfavourable during the stock market meltdown in the second quarter. The overweight was reduced between April and May, helping to somewhat offset the impact, without making up the gap seen between the Fund's return and the benchmark's. In late June, the positioning was adjusted again to an overweight of approximately 2%, as was favoured prior to April on the release of rosier economic indicators, which gave renewed vigour to stock markets.

## Recent Developments

June ended on a positive note for equities, toasted by investors in the final week of the month, at the expense of bonds and money market securities, which instead were spurned following the news that Greece had adopted an austerity plan and the release of encouraging economic indicators.

For the remainder of the year, the portfolio manager will favour a prudent approach, given the current degree of market volatility, as he feels the time is not yet ripe to increase the Fund's exposure to risk. The performance of the various asset classes in the Fund will depend on how the situation in Europe plays out, how the world economy is doing (particularly in the United States) and on coming quarterly corporate results. If the financial crisis in Europe stabilizes or if economic data proves robust or earnings beat expectations, then reassured investors may regain their interest for riskier asset classes, including equities, at the expense of bonds. While circumstances could lead to a drop in bond valuations and weaken the Fund's return, common and preferred shares, high-yield bonds and corporate bonds could still generate better-than-average performances. The Fund's shorter duration may help insulate it from more substantial depreciation risk.

Conversely, if market turbulence persists and economic growth slows combined with anemic indicators and earnings results, the Fund's fixed-income issues may fare better. If less risky securities find favour, then high-yield bonds and corporate bonds could post more modest returns. Moreover, interest rate forecasts, credit spreads and stock market trends may also have an impact on preferred share returns going forward as they tend to fluctuate like equities or bonds, depending of the circumstances.

Inflation figures will be scrutinized, due to the potential negative impact on long-term bonds. If inflation outstrips the target range established by the Bank of Canada, then Governor Carney may opt to raise the key rate before the year is out. In this event, short-term rates could rise and weaken the performance of shorter-term bond securities in the Fund. A shorter duration than the benchmark could offset this impact somewhat. It may be further reduced if rates rise substantially, in order to safeguard the Fund against more substantial depreciation risks.

The overweight in corporate, provincial and municipal issues was recently increased, as they had failed to rise as quickly as federal bonds, making them highly attractive and allowing the portfolio manager to increase the Fund's return. Other adjustments may be made in due course, depending on interest rate developments and bond valuations. Securities considered pricey could be sold in favour of more promising issues. Volatility will very likely be high in the coming months and could result in investment opportunities, which the portfolio manager will attempt to capitalize on.

Although he increased the exposure to common shares in late June to take advantage of surging markets, liquidity is being maintained in the portfolio to take advantage of investment opportunities as they appear on the horizon. In the current climate, an overweight in Energy and Industrial equities is favoured, while an underweight is maintained for Financial Services and Telecommunications. Adjustments may be made depending on how various sectors and securities react.

## **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	\$89,748.00
Brokerage paid to National Bank Financial	\$1,976.00

### 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

### 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	\$ 10.44	\$ 9.77	\$ 9.28	\$ 10.25	\$ 10.19	\$ 10.00
<b>Increase (decrease) from operations</b>						
Total revenue	\$ 0.24	\$ 0.47	\$ 0.64	\$ 0.51	\$ 0.53	\$ 0.22
Total expenses	\$ (0.09)	\$ (0.17)	\$ (0.19)	\$ (0.17)	\$ (0.18)	\$ (0.06)
Realized gains (losses)	\$ 0.08	\$ 0.36	\$ (0.86)	\$ (0.05)	\$ 0.10	\$ 0.02
Unrealized gains (losses)	\$ (0.13)	\$ 0.38	\$ 1.29	\$ (0.83)	\$ (0.07)	\$ 0.17
Transaction costs on purchase and sale investments	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ —	\$ (0.01)	\$ —
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ 0.09</b>	<b>\$ 1.03</b>	<b>\$ 0.87</b>	<b>\$ (0.54)</b>	<b>\$ 0.37</b>	<b>\$ 0.35</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$ 0.05	\$ 0.11	\$ 0.23	\$ 0.28	\$ 0.22	\$ —
From dividends	\$ 0.09	\$ 0.19	\$ 0.21	\$ 0.06	\$ 0.12	\$ 0.11
From capital gains	\$ —	\$ —	\$ —	\$ 0.12	\$ —	\$ —
Return of capital	\$ —	\$ —	\$ 0.01	\$ 0.01	\$ 0.05	\$ —
<b>Total annual distributions<sup>(3)</sup></b>	<b>\$ 0.14</b>	<b>\$ 0.30</b>	<b>\$ 0.45</b>	<b>\$ 0.47</b>	<b>\$ 0.39</b>	<b>\$ 0.11</b>
<b>Net Assets as at June 30, 2011 and last day of years shown</b>	<b>\$ 10.42</b>	<b>\$ 10.44</b>	<b>\$ 9.77</b>	<b>\$ 9.28</b>	<b>\$ 10.25</b>	<b>\$ 10.19</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>	\$ 68,677	\$ 50,947	\$ 31,407	\$ 29,673	\$ 30,875	\$ 11,802
Number of units outstanding <sup>(1)</sup>	6,583,097	4,874,650	3,209,858	3,189,081	3,010,491	1,158,501
Management expense ratio <sup>(2)</sup>	1.71 %	1.70 %	1.68 %	1.70 %	1.76 %	1.52 %
Management expense ratio before waivers or absorptions	1.71 %	1.77 %	1.78 %	1.70 %	1.77 %	1.52 %
Trading expense ratio <sup>(3)</sup>	0.23 %	0.15 %	0.13 %	0.04 %	0.11 %	0.11 %
Portfolio turnover rate <sup>(4)</sup>	80.72 %	70.52 %	79.47 %	31.61 %	79.97 %	7.05 %
Net asset value per unit	\$ 10.43	\$ 10.45	\$ 9.78	\$ 9.30	\$ 10.26	\$ 10.19

<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

## R 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	\$ 9.73	\$ 9.28	\$ 8.93	\$ 10.02	\$ 10.12	\$ 10.00
<b>Increase (decrease) from operations</b>						
Total revenue	\$ 0.22	\$ 0.44	\$ 0.56	\$ 0.50	\$ 0.52	\$ 0.22
Total expenses	\$ (0.08)	\$ (0.16)	\$ (0.16)	\$ (0.16)	\$ (0.18)	\$ (0.07)
Realized gains (losses)	\$ 0.07	\$ 0.34	\$ (0.75)	\$ (0.05)	\$ 0.03	\$ 0.02
Unrealized gains (losses)	\$ (0.11)	\$ 0.34	\$ 1.13	\$ (0.80)	\$ (0.02)	\$ 0.16
Transaction costs on purchase and sale investments	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ —
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ 0.09</b>	<b>\$ 0.95</b>	<b>\$ 0.77</b>	<b>\$ (0.52)</b>	<b>\$ 0.34</b>	<b>\$ 0.33</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$ 0.05	\$ 0.10	\$ 0.22	\$ 0.27	\$ 0.23	\$ —
From dividends	\$ 0.08	\$ 0.18	\$ 0.20	\$ 0.06	\$ 0.13	\$ 0.12
From capital gains	\$ —	\$ —	\$ —	\$ 0.11	\$ —	\$ —
Return of capital	\$ 0.11	\$ 0.18	\$ 0.10	\$ 0.17	\$ 0.05	\$ 0.05
<b>Total annual distributions<sup>(3)</sup></b>	<b>\$ 0.24</b>	<b>\$ 0.46</b>	<b>\$ 0.52</b>	<b>\$ 0.61</b>	<b>\$ 0.41</b>	<b>\$ 0.17</b>
<b>Net Assets as at June 30, 2011 and last day of years shown</b>	<b>\$ 9.60</b>	<b>\$ 9.73</b>	<b>\$ 9.28</b>	<b>\$ 8.93</b>	<b>\$ 10.02</b>	<b>\$ 10.12</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>	\$ 19,161	\$ 14,934	\$ 11,435	\$ 12,215	\$ 11,159	\$ 4,071
Number of units outstanding <sup>(1)</sup>	1,992,258	1,532,433	1,229,365	1,364,521	1,112,097	402,135
Management expense ratio <sup>(2)</sup>	1.72 %	1.70 %	1.68 %	1.72 %	1.76 %	1.63 %
Management expense ratio before waivers or absorptions	1.73 %	1.72 %	1.79 %	1.72 %	1.80 %	1.63 %
Trading expense ratio <sup>(3)</sup>	0.25 %	0.15 %	0.12 %	0.04 %	0.11 %	0.11 %
Portfolio turnover rate <sup>(4)</sup>	80.72 %	70.52 %	79.47 %	31.61 %	79.97 %	7.05 %
Net asset value per unit	\$ 9.62	\$ 9.75	\$ 9.30	\$ 8.95	\$ 10.03	\$ 10.12

<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	1.50%	50.00%	50.00%
R Series	1.50%	50.00%	50.00%

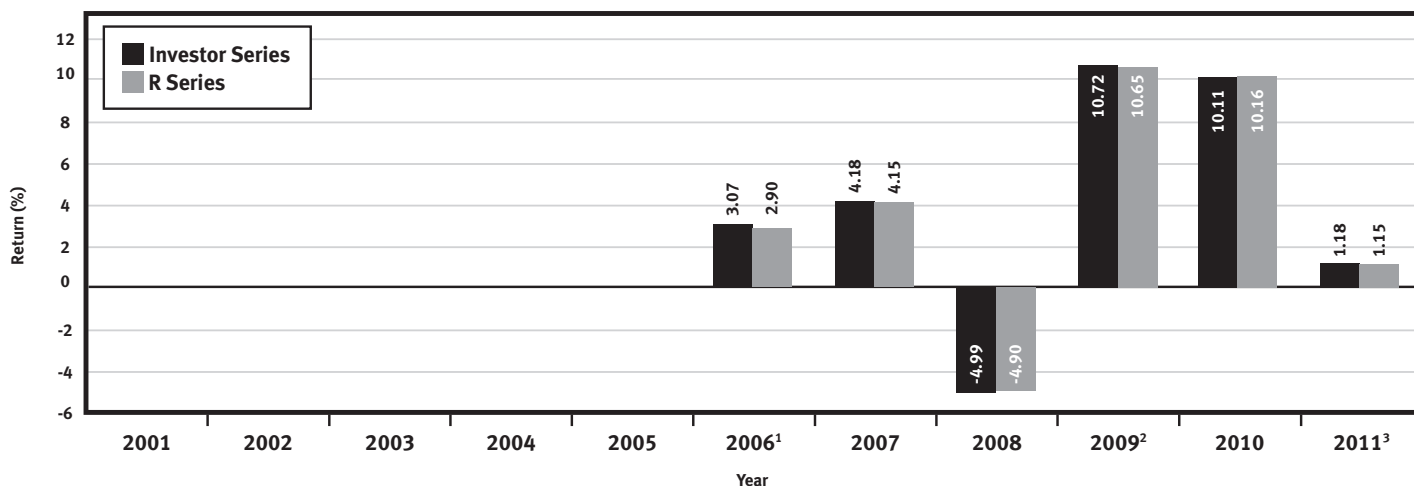
<sup>†</sup> Includes all costs related to management, investment advisory services, general administration and profit.

## 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 period from May 4, 2006 (inception date) to September 30, 2006.

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

<sup>3</sup> Returns for the period from January 1, 2011 to June 30, 2011.

# Summary of Investment Portfolio

## Portfolio Top Holdings

	% of Net Asset Value
Altamira High Yield Bond Fund .....	22.7
National Bank Bond Fund .....	9.8
National Bank Mortgage Fund .....	8.8
iShares, S&P/TSX 60 Index Fund .....	4.9
Cash & Other Assets .....	4.8
Toronto-Dominion Bank .....	2.0
Suncor Energy Inc. ....	1.9
Royal Bank of Canada .....	1.8
Canadian Natural Resources Ltd.....	1.7
Baytex Energy Corp. ....	1.1
Bank of Nova Scotia .....	1.1
Potash Corporation of Saskatchewan Inc.....	1.1
Cenovus Energy Inc. ....	1.1
Goldcorp Inc. ....	1.0
Rogers Communications Inc., Class B .....	1.0
Magna International Inc., Class A .....	1.0
Barrick Gold Corp. ....	1.0
Finning International Inc. ....	0.8
Canadian Pacific Railway Co. ....	0.7
Canadian Imperial Bank of Commerce .....	0.7
Shoppers Drug Mart Corp. ....	0.6
Husky Energy Inc. ....	0.6
AGF Management Ltd., Class B .....	0.6
Manulife Financial Corp., 6.60 %, Series 4.....	0.6
Crescent Point Energy Corp. ....	0.6
	72.0

Fund Net Asset Value ..... \$87,837,707

## Asset Mix

	% of Net Asset Value
Common stock .....	35.6
Bonds .....	33.6
Preferred stock .....	18.3
Mortgages .....	5.8
Cash & Other Assets .....	5.4
Trust units .....	1.3

The prospectus and other information on the underlying investment fund are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

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### 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.