



Annual Financial Statements

As at December 31, 2009 and
September 30, 2008

National Bank
Funds Corporation



National Bank Funds Corporation

**Financial Statements
December 31, 2009 and
September 30, 2008**

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Raymond Chabot Grant Thornton

Auditors' Report

To the Shareholders of
National Bank Funds Corporation

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We have audited the investment portfolio of National Bank Funds Corporation as at December 31, 2009, the statements of shareholders' equity as at December 31, 2009 and September 30, 2008 and the statements of operations and changes in shareholders' equity for the 15-month period ended December 31, 2009 and for the year ended September 30, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the investment portfolio as at December 31, 2009, the financial position of the Company as at December 31, 2009 and September 30, 2008 and the results of its operations and the changes in its shareholders' equity for the 15-month period ended December 31, 2009 and for the year ended September 30, 2008 in accordance with Canadian generally accepted accounting principles.

Raymond Chabot Grant Thornton LLP¹

Montréal, February 24, 2010

¹ Chartered accountant auditor permit no. 9266

National Bank Funds Corporation

Shareholders' Equity

December 31, 2009 and September 30, 2008

	<u>2009-12-31</u>	<u>2008-09-30</u>
	\$	\$
ASSETS		
Investments, at market value	88,321,451	341,913,274
Cash	72,142	3,890,372
Subscriptions receivable	100	8,141
Income taxes receivable	83,259	360
Other assets receivable	888,876	918,619
	<u>89,365,828</u>	<u>346,730,766</u>
LIABILITIES		
Accrued liabilities	139,038	474,606
Investments payable		3,699,999
Redeemed shares payable		5,186,445
	<u>139,038</u>	<u>9,361,050</u>
SHAREHOLDERS' EQUITY (Note 8)	<u><u>89,226,790</u></u>	<u><u>337,369,716</u></u>

The accompanying notes are an integral part of the financial statements.

On behalf of the Board,

Director

Director

National Bank Funds Corporation

Operations

For the 15-month period ended December 31, 2009 and for the year ended September 30, 2008

	2009-12-31	2008-09-30
	\$	\$
Investment income		
Interest	1,151,019	1,465,413
Expenses		
Management fees (a)	1,457,734	2,179,711
Directors' fees	355	275
Capital tax	276,107	297,764
Rights and deposits	27,614	74,731
Professional fees	24,921	16,520
Custodial fees	35,514	39,526
Shareholders' reporting costs	53,798	30,365
Fees paid by the manager (a)	(1,284,644)	(1,119,033)
	591,399	1,519,859
Net investment income (loss) before taxes	559,620	(54,446)
Current income taxes	131,976	
Net investment income (loss)	427,644	(54,446)
Realized and unrealized gains on investments		
Net realized gains (losses) on sale of investments	(2,340,757)	13,828,867
Change in unrealized appreciation of investments	4,944,438	(4,877,334)
Transaction costs on purchase and sale of investments		(420,123)
Net gains on investments	2,603,681	8,531,410
Increase in shareholders' equity resulting from operations	3,031,325	8,476,964
Increase in shareholders' equity resulting from operations per series		
Class "B" shares	-	-
Class "Special Shares"		
Investors and Advisors Series	288,569	1,530,321
Institutional Series	988,461	2,305,630
M Series	1,754,295	4,641,013
	3,031,325	8,476,964
Increase in shareholders' equity resulting from operations per share, per series		
Class "B" shares	-	-
Class "Special Shares"		
Investors and Advisors Series	1.502	2.767
Institutional Series	1.688	2.808
M Series	2.201	3.077

(a) The related party transactions are concluded in the normal course of business and are measured at the exchange amount.

National Bank Funds Corporation

Changes in Shareholders' Equity

For the 15-month period ended December 31, 2009 and for the year ended September 30, 2008

	<u>2009-12-31</u>	<u>2008-09-30</u>
	\$	\$
Increase in shareholders' equity resulting from operations	<u>3,031,325</u>	<u>8,476,964</u>
Distributions to investors		
Net realized gains on sale of investments	<u>3,606,960</u>	<u>6,682,486</u>
Capital transactions		
Shares issued	99,322,765	421,274,225
Shares issued on reinvestment of distributions	3,383,078	6,218,909
Shares redeemed	<u>(350,273,134)</u>	<u>(306,377,668)</u>
	<u>(247,567,291)</u>	<u>121,115,466</u>
Increase (decrease) in shareholders' equity	<u>(248,142,926)</u>	<u>122,909,944</u>
Shareholders' equity, beginning of period	<u>337,369,716</u>	<u>214,459,772</u>
Shareholders' equity, end of period	<u><u>89,226,790</u></u>	<u><u>337,369,716</u></u>

The accompanying notes are an integral part of the financial statements.

National Bank Funds Corporation

Investment Portfolio

December 31, 2009

	Par value \$	Average cost \$	Market value \$
Money market (62.63%)			
Treasury bills (43.58%)			
Government of Canada (29.80%)			
0.73%, due on January 21, 2010	14,000,000	13,898,080	13,994,400
0.24%, due on January 21, 2010	3,900,000	3,896,763	3,899,486
0.25%, due on March 4, 2010	5,500,000	5,495,435	5,497,661
0.19%, due on March 18, 2010	1,200,000	1,199,472	1,199,539
0.20%, due on March 18, 2010	2,000,000	1,998,900	1,999,164
		<u>26,488,650</u>	<u>26,590,250</u>
Province of Ontario (10.98%)			
0.24%, due on March 10, 2010	1,500,000	1,499,175	1,499,340
0.23%, due on March 24, 2010	8,000,000	7,995,440	7,995,845
0.23%, due on March 31, 2010	300,000	299,829	299,831
		<u>9,794,444</u>	<u>9,795,016</u>
Province of Quebec (2.80%)			
0.26%, due on January 6, 2010	2,500,000	2,499,875	2,499,911
		<u>38,782,969</u>	<u>38,885,177</u>
Commercial paper (11.54%)			
Borealis Finance			
0.30%, due on January 6, 2010	2,500,000	2,499,875	2,499,896
Suncor Energy Inc.			
0.45%, due on January 8, 2010	2,000,000	1,997,040	1,999,827
Inter Pipeline			
0.64%, due on January 15, 2010	2,000,000	1,995,560	1,999,511
General Electric Capital Canada			
0.56%, due on February 16, 2010	3,000,000	2,992,110	2,997,890
Inter Pipeline			
0.53%, due on March 9, 2010	800,000	798,936	799,216
		<u>10,283,521</u>	<u>10,296,340</u>
Short-term notes (7.51%)			
Bank of Montréal			
0.27%, due on January 18, 2010	800,000	799,792	799,899
Bank of Nova Scotia			
0.32%, due on February 1, 2010	2,500,000	2,498,100	2,499,323
Bank of Montréal			
0.29%, due on February 18, 2010	3,400,000	3,397,552	3,398,709
		<u>6,695,444</u>	<u>6,697,931</u>
Total money market		<u>55,761,934</u>	<u>55,879,448</u>

National Bank Funds Corporation Investment Portfolio

December 31, 2009

	<u>Par value</u>	<u>Average cost</u>	<u>Market value</u>
	\$	\$	\$
Bonds and debentures (36.36%)			
Issued and guaranteed by a province (2.69%)			
Hydro-Québec			
0.36%, due on March 26, 2010	2,400,000	<u>2,397,964</u>	<u>2,398,299</u>
Zero coupon bonds (4.82%)			
Hydro-Québec			
0.27%, due on January 16, 2010	4,300,000	<u>4,299,516</u>	<u>4,299,514</u>
Zero coupon (28.85%)			
Hydro-Québec			
0.37%, due on February 15, 2010	17,484,000	17,475,890	17,474,261
0.63%, due on August 15, 2010	8,300,000	8,267,173	8,269,929
		<u>25,743,063</u>	<u>25,744,190</u>
Total bonds and debentures		<u>32,440,543</u>	<u>32,442,003</u>
Total investments (98.99%)		<u>88,202,477</u>	<u>88,321,451</u>
Cash and other shareholders' equity items (1.01%)			<u>905,339</u>
Shareholders' equity (100%)			<u>89,226,790</u>

National Bank Funds Corporation

Notes to Financial Statements

December 31, 2009 and September 30, 2008

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

National Bank Funds Corporation is an open-end fund company incorporated under the Canada Business Corporations Act. The Company has several separate classes of shares.

2 - ACCOUNTING CHANGES

Recently adopted standards

On January 20, 2009, the Emerging Issues Committee (EIC) of the Accounting Standards Board (AcSB) issued Abstract of Issue Discussed EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which establishes guidance requiring an entity to consider its own credit risk as well as the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 is applicable to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009, with retroactive application to the Company as of that date, without restatement of prior periods, to the beginning of its current fiscal year. The adoption of this new abstract did not have a significant impact on the financial statements for the period ended December 31, 2009.

In April 2009, the AcSB issued amendments to Section 3862, "Financial Instruments – Disclosures", to incorporate the improvements that the International Accounting Standards Board (IASB) has recently proposed to present the information on assessments of financial instruments to fair value and liquidity risk. For the purpose of the presentation of information, the changes establish a hierarchy of assessments of fair value. This three-level hierarchy is established according to the transparency of data taken into account in assessing the fair value of assets and liabilities and is presented below:

- Level 1: Inputs are quoted prices (unadjusted) of identical instruments in active markets that the reporting entity has the ability to access at the measurement date;
- Level 2: Inputs are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means;
- Level 3: One or more significant inputs used in a valuation technique are unobservable for the instruments.

Determination of fair value and the resulting hierarchy require the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The amendments are effective for the Company's financial statements for the 15-month period ended December 31, 2009. Earlier adoption is permitted. A table indicating the breakdown of securities according to their level appears at Note 5.

National Bank Funds Corporation

Notes to Financial Statements

December 31, 2009 and September 30, 2008

2 - ACCOUNTING CHANGES (Continued)

Future accounting changes

The AcSB has ruled that beginning on January 1, 2011, the financial statements of publicly accountable enterprises will have to be prepared according to International Financial Reporting Standards (IFRS) as published by the IASB replacing Canadian generally accepted accounting principles in effect until that time. Changes to these new standards for the Company come into force on January 1, 2011. The Company will publish its semi-annual financial statements as at June 30, 2011 with comparative figures restated according to IFRSs as required.

In order to prepare for the transition to IFRSs, management has established an enterprise-wide project, formed a dedicated project team and put in place a formal governance structure. The project team reports on a regular basis to the executive committee and the steering committee, committees that are made up of senior levels of management from all relevant departments. Management has developed a detailed project plan, assessed the resource requirements for its implementation, and commenced staff training.

Management is following its plan to meet the implementation timetable for the adoption of IFRSs. Management has completed the diagnostic phase and is currently assessing the conversion required. Key elements of this assessment are:

- Study and analysis of the main differences identified between current accounting practices and IFRSs:
 - * Financial instruments are classified in categories defined by IFRSs: held for trading, held to maturity, available for sale, at fair value through profit or loss, loans and receivables;
 - * The classification of units / shares of participants will be as equity instruments or financial liabilities;
 - * Analysis of the possibility and the potential impact of consolidation of financial statements of controlled entities in the financial statements of the Company for periods beginning on January 1, 2011;
- Assessing the impact on information technology, data systems, internal controls and preparing financial statements;
- A strategy has been defined for the dual-accounting period.

At this point, management does not expect that the transition to IFRSs will have a significant impact on shareholders' equity or net asset value per share. Rather, it expects that this transition will impact the presentation and disclosure of financial statements. However, this position could be revised given that the assessment has not been completed and the accounting standards and related interpretations may change prior to final adoption. In periods preceding the first year in which IFRSs will be adopted, the impact of the transition to international standards on the financial statements of the Company will be released as soon as it is known.

National Bank Funds Corporation

Notes to Financial Statements

December 31, 2009 and September 30, 2008

3 - ACCOUNTING POLICIES

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from these estimates.

Investments

Investments are valued at market value, which is determined as follows:

- Money market instruments are recorded at bid price on the valuation date;
- Bonds and debentures are valued at the bid price on the valuation date;
- The market value of securities listed on a recognized public securities exchange corresponds to their market price, i.e. their bid price. Securities not traded are valued at the average of the closing bid and ask price.

Cost is determined according to the average cost method.

Options – long position

These options are shown as an increase in the investment portfolio.

The options holdings are accounted for at market value, which is the bid price for traded securities or the average of the closing bid and ask price for securities not traded.

Premiums paid for bought options, which expire unexercised, are recognized on the expiration date as a realized loss.

The Company may close out its position before the exercise of the options. The difference between the premium paid and the proceeds from the sale of the options is accounted for as a realized gain or loss.

When the Company exercises a call option, the premium paid is added to the cost of the underlying securities bought.

When the Company exercises a put option, the difference between the proceeds from the sale of the underlying securities reduced by the premium paid, and the cost of these securities is accounted for as a realized gain or loss.

These realized gains or losses are recorded on the statement of operations under "Net realized gains (losses) on sale of investments".

National Bank Funds Corporation

Notes to Financial Statements

December 31, 2009 and September 30, 2008

3 - ACCOUNTING POLICIES (Continued)

Options – short position

The obligations derived from options are shown as a reduction of the investment portfolio.

The obligations are accounted for at market value, which is the ask sales price for traded securities or the average of the closing bid and ask price for securities not traded.

Premiums received from writing options, which expire unexercised, are recognized on the expiration date as a realized gain.

The Company may be discharged of its obligations before the exercise of the option by closing out its position. The difference between the premium received and the amount paid on effecting a closing transaction is accounted for as a realized gain or loss.

When a call holder exercises the right to buy underlying securities, the Company must deliver these securities and receives the exercise price. The difference between the proceeds from the sale of these securities plus the premium received and the cost of the securities is accounted for as a realized gain or loss.

When a put holder exercises the right to sell the underlying securities, the Company must buy these securities at the exercise price. The cost of these securities corresponds to the exercise price less the premium received.

These realized gains or losses are recorded on the statement of operations under "Net realized gains on sale of investments".

Investment transactions and recognition of investment income and expenses

Investment transactions are accounted for on the settlement date. Income and expenses are recorded using the accrual basis of accounting. Interest income is recorded as earned. Gains or losses arising from the sale of investments are determined from the cost using the average cost basis.

The income and the realized and unrealized gains (losses) are divided between the different series to pro rata of shareholders' equity of each series.

The way of dividing up expenses between the National Bank Securities funds and different series of the same funds is made directly to the specific expenses that include the custodial fees and the rights and deposits.

The way of dividing up common expenses to various funds or all funds as well as different series is performed by a percentage determined at the pro rata of the average shareholders' equity or net assets, of the number of unit holders of each fund, or series, and according to the total number of funds. Common expenses include the directors' fees of independent review, audit fees, legal fees and securityholders' reporting costs.

National Bank Funds Corporation

Notes to Financial Statements

December 31, 2009 and September 30, 2008

3 - ACCOUNTING POLICIES (Continued)

Valuation of shares

Every day, the share of each series is determined by dividing shareholders' equity attributable to each series by the number of shares outstanding for the corresponding series.

Distributions to shareholders

The net realized capital gains are paid on a monthly basis to the Company's shareholders recorded on the immediately preceding valuation day of the last day of the period in the pro rata to the shares held by them.

Financial instruments

The classification of the assets and liabilities items regarding Section 3862 is listed as follows:

- Investments and cash are classified as held-for-trading;
- Subscriptions receivable and other assets receivable are classified as loans and receivables at amortized cost;
- Redeemed shares payable, investments payable and accrued liabilities are classified as other financial liabilities at amortized cost.

Increase in shareholders' equity resulting from operations per share

The increase or decrease in shareholders' equity resulting from operations per share presented in the statement of operations represents the increase or decrease in shareholders' equity resulting from operations for the period, divided by the average number of shares outstanding during the period.

4 - RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

Investment activities of the Company expose it to some financial risks. The manager of the investment portfolio seeks to minimize these risks by employing experienced portfolio managers that will manage the security portfolios of the Company on a daily basis according to market events and the investment policy.

National Bank Funds Corporation

Notes to Financial Statements

December 31, 2009 and September 30, 2008

4 - RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

Credit risk

Credit risk is the risk that engagement with the Company is not respected by the counterparty to a financial instrument. The credit risk of the Company focuses primarily on debt securities. The value of investments represents the maximum credit risk at September 30, 2008. The fair value of a financial instrument reflects the creditworthiness and the credit rating of the issuer. The Company invests in financial assets whose rating was established by a recognized rating agency. The distribution of securities under their credit rating is indicated as follows:

	<u>2009-12-31</u>	<u>2008-09-30</u>
Debt securities by credit ratings		
AAA/Aaa/A-1/P-1	60.96%	100.00 %
AA/Aa/A-2/P-2	2.26%	N/A
A/A-3/P-3	36.78%	N/A

The securities transactions are settled upon delivery by brokers. The default risk is considered low because the supply of securities is conducted once the broker has received payment. Payment is made when securities are received by the broker. The transaction fails when a party fails to meet its commitments.

According to the policy of investment of the Company, credit risk is monitored regularly by the manager of the investment portfolio.

Interest rate risk

Changes in market interest rates expose income securities, such as money market securities and bonds and debentures, to interest rate risk. The Company is exposed to this risk since changes in prevailing market interest rates will affect the value of income securities. The sensitivity of the funds' interest rate was evaluated according to the weighted duration of the portfolio. The interest rate risk is indicated as follows:

	<u>2009-12-31</u>	<u>2008-09-30</u>
	\$	\$
Investments		
Less than one year	88,321,451	5,408,269
Non-interest-bearing instruments		<u>336,505,005</u>
	<u>88,321,451</u>	<u>341,913,274</u>

Based on the assumption that prevailing interest rates increased or decreased by 0.25%, that is 25 basis points (1%, that is 100 basis points in 2008), with all other variables held constant, shareholders' equity and results of the fund would have decreased or increased, respectively, by approximately \$36,381 (\$21,522 in 2008).

In practice, actual results may differ from this analysis and the difference can be significant.

National Bank Funds Corporation

Notes to Financial Statements

December 31, 2009 and September 30, 2008

4 - RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

Price risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. The Company is exposed to market risk since all financial instruments held by the underlying funds are exposed to market risk and present a risk of loss of capital. Maximum risk resulting from financial instruments is equivalent to their fair value. The price risk is indicated as follows:

	2009-12-31		2008-09-30	
	Fair value	Percentage of shareholders' equity	Fair value	Percentage of shareholders' equity
	\$		\$	
Financial instruments exposed to price risk	–	–	269,174,143	79.79%

Based on the assumption that prevailing equity prices increased or decreased by 10%, with all other variables held constant, shareholders' equity and results would have increased or decreased, respectively, by approximately \$0 (\$26,917,414 in 2008).

In practice, actual results may differ from this analysis and the difference can be significant.

Liquidity risk

Liquidity risk is defined as the risk that an entity has difficulty meeting its obligations or to make a commitment and suffer a financial loss to another party. The shareholders may redeem their shares each valuation day. In accordance with securities regulations, at least 90% of a portfolio should be composed of liquid investments traded on active markets and it can easily move away. Because the Company invests in active markets, it can dispose of its assets in short time. The Company maintains a level of cash and short-term investments to maintain sufficient liquidity.

5 - LEVELS HIERARCHY TABLE

	2009-12-31			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Money market		55,879,448		55,879,448
Bonds and debentures		32,442,003		32,442,003
Total investments	–	88,321,451	–	88,321,451

During the 15-month period ended December 31, 2009, there was no significant transfer of investments between Level 1 and Level 2.

National Bank Funds Corporation

Notes to Financial Statements

December 31, 2009 and September 30, 2008

6 - RECONCILIATION OF SHAREHOLDERS' EQUITY ACCORDING TO SECTION 3855

Further to the application of Section 3855, shareholders' equity under generally accepted accounting principles, as at December 31, 2009, was determined by measuring the fair value of financial assets and liabilities quoted in an active market. This fair value is defined as the bid price for assets and the ask price for liabilities. The net asset value of operations is measured using the closing price of assets and liabilities. The adjustment of shareholders' equity is not significant as at December 31, 2009.

7 - MANAGEMENT FEES

As manager, National Bank Securities Inc. provides investment and administrative services. In exchange for these services, each series pays management fees based on the average daily shareholders' equity for the year. These fees are paid monthly to the manager. The maximum annual management fees for the special shares "National Bank Strategic Yield Class" are 1.25% for Investors and Advisors Series, 1% for the Institutional Series and 0.75% for the M Series.

8 - SHAREHOLDERS' EQUITY

Authorized

Unlimited number of shares without par value

Class "A" shares, non-voting, participating, redeemable or retractable at the paid-up capital amount

Class "B" shares, voting, participating, retractable at the liquidation value

Class "Special Shares", National Bank Strategic Yield Class and Class 2, non-voting, participating, retractable at the liquidation value of each series

	<u>2009-12-31</u>	<u>2008-09-30</u>
	\$	\$
Issued and fully paid		
100 class "B" shares	1,000	1,000
Class "Special Shares"		
National Bank Strategic Yield Class		
80,720 Investors and Advisors Series (365,361 in 2008)	8,521,271	38,743,423
303,847 Institutional Series (990,598 in 2008)	32,716,812	106,803,065
440,008 M Series (1,760,225 in 2008)	47,987,707	191,822,228
	<u>89,226,790</u>	<u>337,369,716</u>
Shareholders' equity per share, per series		
Class "B" shares	10	10
Class "Special Shares"		
Investors and Advisors Series	105.565	106.041
Institutional Series	107.675	107.817
M Series	109.061	108.976

National Bank Funds Corporation

Notes to Financial Statements

December 31, 2009 and September 30, 2008

8 - SHAREHOLDERS' EQUITY (Continued)

During the period ended December 31, 2009 and the year ended September 30, 2008, the Company proceeded to the following operations :

	Investors and Advisors Series	Institutional Series	M Series
Number of shares, as at October 1, 2007	446,514	524,481	1,030,284
Shares issued	533,157	1,238,238	2,117,160
Shares issued on reinvestment of distributions	11,261	17,332	28,950
Shares redeemed	(625,571)	(789,453)	(1,416,169)
Number of shares, as at September 30, 2008	365,361	990,598	1,760,225
Shares issued	83,074	240,101	595,109
Shares issued on reinvestment of distributions	4,154	11,070	16,179
Shares redeemed	(371,869)	(937,922)	(1,931,505)
Number of shares, as at December 31, 2009	80,720	303,847	440,008

9 - CAPITAL MANAGEMENT

The Company's capital corresponds to the shareholders' equity. The Company's capital is managed in accordance with the investment objectives, policies and restrictions, as outlined in the prospectus. Changes in the Company's capital during the period are reflected in the statement of shareholders' equity.

10 - INCOME TAXES

Under the Income Tax Act (Canada), the Company, in which the Strategic Yield Class is a part of, qualifies as a mutual fund corporation. In general, the Company will not pay taxes on taxable dividends received from taxable Canadian corporations or on the net capital gains realized because it will pay sufficient ordinary dividends and capital gains dividends to its shareholders to eliminate its tax on its dividends and on its net capital gains.

The Company will be liable for taxes on income from other sources (income from derivatives, interest and foreign income) at full corporate rates.

The fiscal year of the Company ends on December 31.

27388-402 (2010/04/12)

AND ACTION!