

NATIONAL BANK FUNDS ANNUAL REPORT



Annual Financial Statements
Institutional and Money Market Funds
As at September 30, 2007



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Investment Portfolios

This section is for investors who may want to have a detailed list of the specific securities that make up the portfolio. For each security, you will find information such as its par value and its market value as at September 30, 2007.

Financial Statements

This section contains three financial statements, each of which has a specific role and contains different information:

- The **Statement of net assets** presents all the items that make up the fund's net assets as at September 30. The main item is the "Investments" section, which reflects the overall value of the securities portfolio.
- The **Statement of operations** breaks down the overall income and expenses generated by the fund during the financial year.
- The **Statement of changes in net assets** reconciles the changes in net assets during the financial year, listing the unit purchases and redemptions carried out by investors, as well as distributions.

Finally, the notes to the financial statements provide additional information. For example, they outline the main accounting policies used in the preparation of the financial statements.

Message to Clients

An Eventful Fourth Quarter, an Upbeat Year on the Whole

This past year, a great many events affected the economy both at home and abroad. The main highlight was unquestionably the loonie's spectacular rise against the U.S. dollar, reaching parity, and even exceeding it on the last day of fiscal 2007 for the first time since 1976. Other economic indicators were also in the news, as Canada enjoyed its lowest jobless rate in 33 years. During fiscal 2007 as a whole, the Canadian and global economies remained very strong.

In the past few months, however, the main event has been the economic slowdown in the U.S. sparked by real estate concerns and fears of a recession.

Although these jitters have caused a ripple effect on international stock markets, these indexes bounced back thanks to the decisive action of various central banks, such as the U.S. Federal Reserve, which cut its key rate in September. This turnaround even drove the top two U.S. indexes, the Dow Jones and the S&P 500, to historic heights.

Yet, this recent market volatility has led to some investor discomfort. Although it is normal to experience some unease as markets decline, investors must take in the big picture and analyze the situation with a clear mind. We can either focus on short-term events or analyze performance over a longer horizon. Remember that the Canadian stock market posted very strong returns as at September 30, 2007, measured over one, three or five years: 22.8%, 20.2% and 20.4%, respectively.

The same applies to global markets, such as in the U.S., where the Dow Jones and S&P 500 rose 21.7% and 16.4%, respectively, in fiscal 2007. These stellar returns lost some of their sparkle, however, when translated into Canadian dollars, with returns for the Dow Jones and

S&P 500 slipping to 8.4% and 3.6%, respectively. This is one way that a higher exchange rate can affect your portfolio. However, the loonie's strong appreciation is also creating new investment opportunities for our portfolio managers, which is great news for you.

In short, the past few months show that predicting the events that shape our economy and impact the markets is no easy task. But one thing is certain: you can always count on the expertise of our portfolio managers, whose business it is to grow your investments, regardless of prevailing conditions. Your interests are best served by keeping a longer investment horizon and staying the course with an investment strategy based on sound diversification.

National Bank's managed solutions, such as our Strategic Portfolios, Diversified Funds and monthly income portfolios, are specially designed to match your needs as determined by your profile and risk tolerance.

No effort is spared to offer you solutions that rank among the industry's finest. Thank you for your trust in National Bank Securities. We are proud to have you as a client and look forward to serving you for years to come.



Charles Guay
President and CEO
National Bank Securities

Your Portfolio Managers



Founded in 1990, Natcan Investment Management is the subsidiary responsible for National Bank of Canada. Over the years, Natcan has carved out a prominent place for itself in the investment management universe. Today it ranks among the largest institutional managers in Canada, with assets under management exceeding \$30 billion.

One of Natcan Investment Management's strengths is its broad expertise in managing different asset classes. The firm has over 34 managers and analysts capable of evaluating and seizing opportunities in their respective markets.

Natcan favours an approach where value, preservation of capital and discipline are key. Natcan is guided by a unique management philosophy, which it applies with unmatched diligence. It therefore offers truly active portfolio management with managers who are not content to simply follow market trends.

Some of the principles of Natcan's management philosophy are:

- **Patience:** the managers are unanimous in their belief that by buying shares in financially sound companies at a good price, they will obtain better returns in the long term.
- **Growth, but not at any price:** it is often better to pass on an opportunity that has already been recognized by the market.
- **Controlling risk:** it is just as important to avoid disasters as it is to hold hot stocks and the big winners of the moment.
- **Diversifying the sources of added value:** there are solid opportunities to be found in every sector, even the most mature.

A strong investment culture, a stringent management approach and the excellence of an experienced team are all factors in Natcan's success.



Corporate Cash Management Fund

Investment Portfolio as at September 30, 2007

	Par Value \$	Market Value \$		Par Value \$	Market Value \$
Money market (36.05%)			Short-term notes (18.66%) (continued)		
Treasury bills (12.53%)			Société de transport de Montréal		
Government of Canada (1.51%)			4.95%, due November 19, 2007	5,000,000	4,964,300
4.49%, due October 18, 2007	1,400,000	1,384,488	Toronto-Dominion Bank		
4.25%, due November 1, 2007	1,200,000	1,187,904	4.88%, due November 26, 2007	8,000,000	7,900,720
4.25%, due September 4, 2008	5,000,000	4,804,200	Alberta Treasury Branches		
4.33%, due September 4, 2008	1,900,000	1,823,012	4.32%, due December 10, 2007	4,500,000	4,452,030
		<u>9,199,604</u>	Bank of Montreal		
			5.08%, due December 17, 2007	5,000,000	4,937,450
Province of Newfoundland (2.85%)			Province of Quebec		
4.28%, due November 8, 2007	15,000,000	14,865,750	4.30%, due March 19, 2008	5,000,000	4,898,450
4.24%, due December 18, 2007	2,500,000	2,474,700	Bank of Nova Scotia		
		<u>17,340,450</u>	4.45%, due April 16, 2008	10,000,000	9,574,000
			Deutsche Bank AG		
Province of Ontario (5.33%)			4.64%, due May 21, 2008	7,000,000	6,690,390
4.28%, due November 13, 2007	10,000,000	9,905,900	Bank of Montreal		
4.10%, due November 14, 2007	2,800,000	2,775,668	4.94%, due July 8, 2008	6,000,000	5,718,300
4.26%, due December 24, 2007	20,000,000	19,789,800			<u>113,695,543</u>
		<u>32,471,368</u>			
			Term deposits (1.64%)		
Province of Quebec (2.84%)			Royal Bank of Canada		
4.29%, due November 23, 2007	15,000,000	14,841,300	4.50%, due October 1, 2007	10,000,000	10,000,000
4.30%, due December 7, 2007	2,500,000	2,473,475			
		<u>17,314,775</u>	Total money market		<u>219,661,590</u>
Total Treasury bills		<u>76,326,197</u>			
			Bonds and debentures (63.38%)		
Bankers' acceptances (2.44%)			Issued and guaranteed by		
Canadian Imperial Bank of Commerce			the Government of Canada (21.82%)		
4.97%, due November 13, 2007	10,000,000	9,926,300	6.00%, due June 1, 2008	5,000,000	5,061,065
Caisse Centrale Desjardins du Québec			Canada Housing Trust		
4.90%, due December 19, 2007	5,000,000	4,940,300	4.40%, due March 15, 2008	65,000,000	64,991,361
		<u>14,866,600</u>	3.70%, due September 15, 2008	50,700,000	50,340,140
			Floating, due September 15, 2010	12,500,000	12,556,508
Commercial paper (0.78%)					<u>132,949,074</u>
HSBC Bank Canada			Issued and guaranteed by		
4.75%, due May 30, 2008	5,000,000	4,773,250	a province (26.96%)		
			Province of Quebec		
Short-term notes (18.66%)			6.50%, due October 1, 2007	43,500,000	43,505,335
Montreal Island School Board			Province of Ontario		
4.55%, due October 1, 2007	10,025,000	10,021,253	Floating, due January 25, 2008	12,500,000	12,500,000
Corporation d'hébergement du Québec			Hydro-Québec		
4.39%, due October 10, 2007	2,500,000	2,446,725	Floating, due October 27, 2009	20,000,000	20,041,208
Caisse Centrale Desjardins du Québec			Financement-Québec		
5.10%, due November 1, 2007	17,000,000	16,844,620	Floating, due December 1, 2010	24,000,000	24,072,098
Alberta Treasury Branches			Province of Quebec		
4.28%, due November 2, 2007	10,000,000	9,946,300	Floating, due May 16, 2011	16,000,000	16,047,319
Bank of Nova Scotia			Financement-Québec		
4.94%, due November 7, 2007	10,500,000	10,409,805	Floating, due April 25, 2012	6,000,000	6,010,014
Bank of Montreal			Floating, due September 16, 2013	15,000,000	15,030,482
4.98%, due November 13, 2007	5,000,000	4,957,400	Province of Quebec		
Province of Quebec			Floating, due December 10, 2013	27,000,000	27,067,971
4.27%, due November 13, 2007	10,000,000	9,933,800			<u>164,274,427</u>

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

Corporate Cash Management Fund *(continued)*

Investment Portfolio as at September 30, 2007

	Par Value \$	Market Value \$		Par Value \$	Market Value \$
Corporations (13.21%)			Global (1.39%)		
Caisse Centrale Desjardins du Québec Floating, due November 13, 2007	11,000,000	11,000,000	Australia and New Zealand Banking Group. Floating, due January 25, 2008	5,000,000	4,999,466
Canada Mortgage and Housing Corp. 4.31%, due November 15, 2007	5,000,000	5,000,000	Bear Stearns Companies Inc. Floating, due June 30, 2008	3,500,000	3,500,000
Royal Bank of Canada 4.34%, due December 5, 2007	5,000,000	5,000,000			<u>8,499,466</u>
Floating, due January 28, 2008	14,000,000	14,000,000	Total bonds and debentures		<u>386,219,804</u>
General Electric Capital Canada Funding Floating, due February 28, 2008	9,000,000	8,999,179	Total investments (99.43%)		<u>605,881,394</u>
Toronto-Dominion Bank 4.40%, due March 20, 2008	10,000,000	10,000,000	Cash and other net assets (0.57%)		<u>3,496,391</u>
Bank of Nova Scotia 4.45%, due March 25, 2008	7,500,000	7,500,000	Net assets (100%)		<u><u>609,377,785</u></u>
Canada Capital Auto Receivables Asset Trust 4.56%, due April 17, 2008	4,000,000	4,000,000			
Ford Floorplan Auto Securitization Trust Floating, due November 15, 2008	6,000,000	6,000,000			
Merrill Lynch & Co. Inc. Floating, due November 9, 2009	9,000,000	8,997,658			
		<u>80,496,837</u>			

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

Corporate Cash Management Fund

Financial Statements

Statements of net assets as at September 30

	<u>2007</u>	<u>2006</u>	
	\$	\$	
Assets			
Investments, at market value	605,881,394	677,165,905	
Cash	62,359	175,990	
Margin deposited on future contracts	-	5,079	
Subscriptions receivable	2,083,177	5,794,884	
Interests receivable	4,317,487	4,495,698	
Other assets receivable	186,310	40,627	
	<u>612,530,727</u>	<u>687,678,183</u>	
Liabilities			
Distributions payable	104,647	131,423	
Redeemed units payable	2,823,558	5,542,486	
Accrued expenses	224,738	250,767	
	<u>3,152,943</u>	<u>5,924,676</u>	
Net assets, Investor Series	<u>609,377,785</u>	<u>681,753,507</u>	Approved on behalf of the Manager National Bank Securities Inc. Charles Guay, Director Michel Tremblay, Director
Net assets per unit, Investor Series	10.00	10.00	

Statements of operations for the years ended September 30

	<u>2007</u>	<u>2006</u>
	\$	\$
Income		
Interests	31,863,912	26,367,359
Income (losses) from derivatives	(22,404)	5,079
	<u>31,841,508</u>	<u>26,372,438</u>
Expenses		
Management fees	3,043,664	2,957,244
Custodial fees	91,536	94,778
Directors fees of independent review committee	606	318
Audit fees	22,820	30,378
Legal fees	14,509	16,379
Rights and deposits	14,340	14,290
Securityholders reporting costs	69,548	67,235
	<u>3,257,022</u>	<u>3,180,622</u>
Net investment income	<u>28,584,486</u>	<u>23,191,816</u>
Increase in net assets from operations:		
Investor Series	<u>28,584,486</u>	<u>23,191,816</u>
Increase in net assets from operations per unit:		
Investor Series	0.40	0.33

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

Corporate Cash Management Fund *(continued)*

Financial Statements

Statements of changes in net assets per Series for the years ended september 30

	Investor Series	
	2007	2006
	\$	\$
Net assets, beginning of the year	681,753,507	779,634,560
Increase in net assets from operations	28,584,486	23,191,816
Capital unit transactions		
Units issued	1,070,974,749	965,564,518
Units issued on reinvestment of distributions	26,870,928	21,708,440
Units redeemed	(1,170,221,399)	(1,085,154,011)
	(72,375,722)	(97,881,053)
Distributions to investors		
Net investment income	28,584,486	23,191,816
Decrease in net assets for the year	(72,375,722)	(97,881,053)
Net assets, end of the year	609,377,785	681,753,507

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

Treasury Management Fund

Investment Portfolio as at September 30, 2007

	Par Value \$	Market Value \$		Par Value \$	Market Value \$
Money market (35.93%)			Term deposits (0.62%)		
Treasury bills (20.72%)			Royal Bank of Canada		
Alberta Treasury Branches (5.54%)			4.50%, due October 1, 2007	2,700,000	2,700,000
4.20%, due October 22, 2007	24,100,000	23,934,674	Total money market		
					155,192,440
Government of Canada (1.53%)			Bonds and debentures (62.97%)		
4.25%, due September 4, 2008	5,000,000	4,804,200	Issued and guaranteed by		
4.33%, due September 4, 2008	1,900,000	1,823,012	the Government of Canada (11.93%)		
		6,627,212	6.00%, due June 1, 2008	5,000,000	5,061,065
Province of Newfoundland (0.23%)			Canada Housing Trust		
4.24%, due December 18, 2007	1,000,000	989,880	4.40%, due March 15, 2008	30,500,000	30,494,585
			3.70%, due September 15, 2008	11,000,000	10,921,282
Province of Ontario (10.21%)			Floating, due September 15, 2010	5,000,000	5,022,603
4.28%, due November 13, 2007	35,500,000	35,163,305			51,499,535
4.10%, due November 14, 2007	3,000,000	2,973,930	Issued and guaranteed by		
4.26%, due December 24, 2007	6,000,000	5,936,940	a province (32.29%)		
		44,074,175	Province of Quebec		
Province of Quebec (3.21%)			6.50%, due October 1, 2007	38,000,000	38,004,595
4.29%, due November 23, 2007	14,000,000	13,851,880	Province of Ontario		
			Floating, due January 25, 2008	10,000,000	10,000,000
Total Treasury bills		89,477,821	Province of British Columbia		
Bankers' acceptances (2.29%)			6.00%, due June 9, 2008	700,000	707,572
Caisse Centrale Desjardins du Québec			Hydro-Québec		
4.90%, due December 19, 2007	10,000,000	9,880,600	Floating, due October 27, 2009	20,000,000	20,041,208
Commercial paper (1.10%)			Financement-Québec		
HSBC Bank Canada			Floating, due December 1, 2010	18,000,000	18,054,752
4.75%, due May 30, 2008	5,000,000	4,773,250	Province of Quebec		
Short-term notes (11.20%)			Floating, due August 6, 2011	12,000,000	12,063,140
Corporation d'hébergement du Québec			Financement-Québec		
4.39%, due October 10, 2007	2,500,000	2,446,725	Floating, due April 25, 2012	2,000,000	2,003,338
Bank of Nova Scotia			Floating, due September 16, 2013	12,000,000	12,021,338
4.94%, due November 7, 2007	3,400,000	3,370,794	Province of Quebec		
Province of Quebec			Floating, due December 10, 2013	26,500,000	26,565,632
4.27%, due November 13, 2007	10,000,000	9,933,800			139,461,575
Société de transport de Montréal			Corporations (16.90%)		
4.94%, due November 19, 2007	5,000,000	4,964,400	Caisse Centrale Desjardins du Québec		
Toronto-Dominion Bank			Floating, due November 13, 2007	11,000,000	11,000,000
4.88%, due November 26, 2007	8,000,000	7,900,720	Canada Mortgage and Housing Corp.		
Alberta Treasury Branches			4.31%, due November 15, 2007	5,000,000	5,000,000
4.32%, due December 10, 2007	4,500,000	4,452,030	Royal Bank of Canada		
Bank of Nova Scotia			4.34%, due December 5, 2007	5,000,000	5,000,000
4.45%, due April 16, 2008	10,000,000	9,574,000	Floating, due January 28, 2008	12,000,000	12,000,000
Bank of Montreal			General Electric Capital Canada Funding		
4.94%, due July 8, 2008	6,000,000	5,718,300	Floating, due February 28, 2008	7,000,000	6,999,362
		48,360,769	Toronto-Dominion Bank		
			4.40%, due March 20, 2008	10,000,000	10,000,000
			Bank of Nova Scotia		
			4.45%, due March 25, 2008	7,500,000	7,500,000

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

Treasury Management Fund *(continued)*

Investment Portfolio as at September 30, 2007

	Par Value	Market Value		Par Value	Market Value
	\$	\$		\$	\$
Corporations (16.90%) (continued)			Global (1.85%)		
Canada Capital Auto Receivables Asset Trust 4.56%, due April 17, 2008	3,500,000	3,500,000	Danske Bank A/S Floating, due March 18, 2008	5,000,000	4,998,509
Ford Floorplan Auto Securitization Trust Floating, due November 15, 2008	4,000,000	4,000,000	Bear Stearns Companies Inc. Floating, due June 30, 2008	3,000,000	3,000,000
Merrill Lynch & Co. Inc. Floating, due November 9, 2009	8,000,000	7,998,077			7,998,509
		<u>72,997,439</u>	Total bonds and debentures		<u>271,957,058</u>
			Total investments (98.90%)		427,149,498
			Cash and other net assets (1.10%)		<u>4,737,175</u>
			Net assets (100%)		<u><u>431,886,673</u></u>

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

Treasury Management Fund

Financial Statements

Statements of net assets as at September 30

	2007	2006	
	\$	\$	
Assets			
Investments, at market value	427,149,498	530,464,029	
Cash	48,830	39,397	
Margin deposited on future contracts	-	3,220	
Subscriptions receivable	5,829,011	4,970,753	
Interests receivable	3,699,347	4,099,310	
Other assets receivable	241,383	126,405	
	<u>436,968,069</u>	<u>539,703,114</u>	
Liabilities			
Distributions payable	276,908	241,036	
Redeemed units payable	4,702,465	4,172,852	
Accrued expenses	102,022	149,640	
	<u>5,081,396</u>	<u>4,563,528</u>	
Net assets, Investor Series	<u>431,886,673</u>	<u>535,139,586</u>	Approved on behalf of the Manager National Bank Securities Inc. Charles Guay, Director Michel Tremblay, Director
Net assets per unit, Investor Series	10.00	10.00	

Statements of operations for the years ended September 30

	2007	2006
	\$	\$
Income		
Interests	25,022,394	23,129,010
Income (losses) from derivatives	(21,843)	3,220
	<u>25,000,552</u>	<u>23,132,230</u>
Expenses		
Management fees	1,493,405	1,633,078
Custodial fees	70,365	94,369
Directors fees of independent review committee	368	216
Audit fees	20,234	24,445
Legal fees	12,866	13,180
Rights and deposits	46,148	10,050
Securityholders reporting costs	42,230	45,640
Fees paid by the manager	(101,978)	(103,327)
	<u>1,583,639</u>	<u>1,717,651</u>
Net investment income	<u>23,416,913</u>	<u>21,414,579</u>
Increase in net assets from operations:		
Investor Series	<u>23,416,913</u>	<u>21,414,579</u>
Increase in net assets from operations per unit:		
Investor Series	0.42	0.35

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

Treasury Management Fund *(continued)*

Financial Statements

Statements of changes in net assets per Series for the years ended September 30

	Investor Series	
	2007	2006
	\$	\$
Net assets, beginning of the year	535,139,586	777,287,521
Increase in net assets from operations	23,416,913	21,414,579
Capital unit transactions		
Units issued	1,167,875,454	1,219,425,711
Units issued on reinvestment of distributions	19,941,646	18,323,015
Units redeemed	(1,291,070,013)	(1,479,896,661)
	(103,252,913)	(242,147,935)
Distributions to investors		
Net investment income	23,416,913	21,414,579
Decrease in net assets for the year	(103,252,913)	(242,147,935)
Net assets, end of the year	431,886,673	535,139,586

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

Notes to Financial Statements

As at September 30

1- GOVERNING STATUTES

Each of the funds is a trust created under the laws of the Province of Ontario pursuant to a Declaration of Trust dated as of the date indicated in the table below:

Funds	Date Established
National Bank Corporate Cash Management Fund	January 10, 1995
National Bank Treasury Management Fund	August 7, 1997

The manager of the funds, National Bank Securities Inc., is a wholly owned National Bank of Canada subsidiary.

On September 30, 2007, the National Bank deposits were rated "AH" by the Dominion Bond Rating Service Inc. agency.

2- ACCOUNTING POLICIES

The financial statements of the funds have been prepared in accordance with Canadian generally accepted accounting principles and with the regulation 81-106 on continuous information.

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. However, bonds and debentures can be valued at the mean of the bid and ask price on the valuation date, if the method is considered more appropriated.

Futures contracts

To gain exposure to different financial markets, the funds can enter into futures contracts under which they are entitled to receive or required to pay a sum of money based upon increases or decreases in the value of the underlying financial instrument. These payments are either received or made daily through brokers acting as intermediaries and are presented under "Margin deposited on futures contracts" in the statement of net assets. These daily payments, as well as payments made or received when the funds exit the futures contracts are reported on the statement of operations under "Income (losses) from derivatives". Futures contracts listed on a recognized public securities exchange are valued at their closing bid and securities not traded are valued at the average of the closing bid and ask price.

The funds can also enter into currency futures contracts to gain exposure to international currency markets or to reduce foreign currency risk within their portfolio. The gains or losses on these futures contracts are reported on the statement of operations under "Income (losses) from derivatives". The currency futures contracts' market value corresponds to the gain (loss) that would be realized if they were liquidated at the valuation date.

The type of futures contracts that the funds have traded is on bankers' acceptances.

Investment transactions and recognition of income and expenses

Investment transactions are accounted for on the trade date. Income and expenses are recorded using the accrual basis of accounting. Interest income is recorded as earned.

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. These estimates are based on management's best knowledge of current events and actions that the fund may undertake in the future. Actual results may differ from these estimates.

Valuation of units

The net asset value of a unit is derived on a daily basis by dividing net assets at market value by the number of units outstanding.

Increase in nets assets from operations

The increase or decrease in net assets from operations per unit presented in the statement of operations represents the increase or decrease in net assets from operations represents the increase or decrease in net assets from operations for the year, divided by the average number of units outstanding during the year.

Distributions to unitholders

The net income of each of the funds is calculated as of the valuation time on the last valuation day of the month. Such amounts are paid, at such time, to unitholders of record of the relevant fund on the immediately preceding valuation day, pro rata to the number of units held by them. In order to maintain the net asset value of units at a stable level, the aggregate net income of such funds accrued and accruing is credited on a daily basis to the account of the unitholders pro rata to the number of units held by them.

Foreign currency transactions

The market value of investments and other assets in foreign currencies are translated into Canadian dollars at the rates of exchange in effect as the balance sheet date.

Purchases and sales of investments, as well as income and expenses are translated at the prevailing rates of exchange on the respective dates of such transactions.

3- CICA HANDBOOK SECTION 3855, FINANCIAL INSTRUMENTS – RECOGNITION AND MEASUREMENT

As at October 1, 2006, the Funds retroactively applied the requirements of CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, without restating prior years' financial statements. Since the Funds are considered investment companies, the changes in accounting policy resulting from application of this section are, therefore, limited to such items.

Notes to Financial Statements *(continued)*

As at September 30

Listed financial instruments are measured at fair value, defined as the bid price for assets and the asking price for liabilities at the close of markets. The bid and asking price at the close of markets should also be used to determine the fair value of derivative financial instruments, if any. Previously, these instruments were valued on the basis of the closing price.

To make it possible for the concerned parties to assess the impact of this new accounting standard on investment funds, Canadian Securities Administrators have granted an exemption authorizing the deferment of the application of Section 3855 for purposes of calculating the NAV of investment funds, which, however, is subject to the following conditions:

- Each fund may continue to calculate its NAV for purposes other than the preparation of its financial statements (purchase and redemption of units or calculation of returns, for example) in accordance with Canadian GAAP without application of Section 3855;
- A note to the financial statements must present a reconciliation of the NAV of the funds presented in the financial statements with the NAV calculated for other purposes.

The exemption granted regarding the deferment of the application of Section 3855 must end at the earlier of i) September 30, 2008 or ii) the date on which will become effective the changes to be made to the securities legislation applicable to the calculation of the NAV of the funds for purposes other than the preparation of their financial statements.

The Section 3855, *Financial Instruments – Recognition and Measurement* has no impact on the presentation of the financial statements of these investment funds.

CICA Handbook Section 3865, *Hedges*, applies to interim periods and fiscal years beginning on or after October 1, 2006. This Section establishes standards for when hedge accounting may be applied. This Section has no impact on the presentation of the financial statements of these investment funds.

4- UNITS OUTSTANDING

The number of outstanding units of the Investor Series as at September 30, is indicated in the following table:

Funds	Investor Series	
	2007	2006
Corporate Cash Management	60,937,752	68,175,346
Treasury Management	43,188,655	53,513,957

5- UNITS ISSUED AND REDEEMED

The number of units issued and redeemed for the last two years of the Investor Series is indicated in the following table:

Funds	2007		2006	
	Issued	Redeemed	Issued	Redeemed
Corporate Cash Management	109,784,546	117,022,140	98,727,291	108,515,401
Treasury Management	118,781,699	129,107,001	123,774,875	147,989,667

6- MANAGEMENT FEES AND OTHER EXPENSES

As manager of the funds, National Bank Securities Inc. provides investment and administrative services. In exchange for these services, each fund pays management fees based on the average daily net asset value of each fund for the year, up to the maximum indicated in the following table. These fees are paid monthly to the manager.

Funds	Annual Management Fees (Maximum)
Corporate Cash Management	0.40%
Treasury Management	0.25%

7- TRAILER AND SALES CHARGES

As of the manager of the funds, National Bank Securities Inc. pay trailer and sales charges to the broker as of the rate indicated in the following table:

	Advisor Series					Investor Series
	Front-end load	Low Sales charge		Back-end load		No load
	Trailer charge	Sales charge	Trailer charge	Sales charge	Trailer charge	Trailer charge
Corporate Cash Management	-	-	-	-	-	Up to 0.25 %
Treasury Management	-	-	-	-	-	Up to 0.25%

8- BROKERAGE COMMISSIONS

Total commissions paid to brokers in connection with investment portfolio transactions for the last two years ended September 30, 2007 and 2006 are indicated in the following table.

Funds	Commissions	
	2007	2006
	\$	\$
Corporate Cash Management	379	1,084
Treasury Management	368	1,043

Soft dollars

There were no soft dollars affected to goods or services related to the National Bank Funds over the last two years ended September 30, 2007 and 2006.



Notes to Financial Statements *(continued)*

As at September 30

9- INCOME TAXES

The funds qualify as mutual fund trusts under the Income Tax Act (Canada). Each trust distributes all of its net income in order not to be subject to income taxes.

As at September 30, 2007, there were no accumulated losses carried forward from previous years.

10- STATEMENTS OF DETAILED PORTFOLIO MOVEMENTS

Unaudited statements of detailed portfolio movements of the funds for the year ended September 30, 2007 may be obtained, without charge, by writing to National Bank Securities Inc., 1100, University Street, 10th floor, Montreal, Quebec, H3B 2G7.

11- SECURITY TRANSACTIONS WITH NATIONAL BANK

According to the exemption granted by the Canadian Securities Administrators, National Bank of Canada bought all the asset-backed commercial paper (ABCP) held by National Bank Funds. ABCPs were sold at cost plus accrued income. These transactions were paid in cash and settled on August 23, 2007 and are indicated in the following table:

Funds	\$
Corporate Cash Management	382,244,633
Treasury Management	292,049,755

Auditors' Reports

To the unitholders of
**the National Bank Corporate Cash Management Fund and
the National Bank Treasury Management Fund.**

Collectively called the "Funds".

We have audited the investment portfolios of the funds as at September 30, 2007, the statements of net assets as at September 30, 2007 and 2006, the statements of operations and the statements of change in net assets for the years then ended. These financial statements are the responsibility of the funds' 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. It 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 portfolios of the funds as at September 30, 2007, their financial position as at September 30, 2007 and 2006, the results of their operations and the changes in their net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

/S/ Raymond Chabot Grant Thornton LLP

Chartered Accountants

Montreal

November 23, 2007

Redemption of Units

When National Bank Securities Inc. (“NBSI”) receives your request to redeem units of a National Bank Mutual Fund (“fund” or “funds”), the redemption of the units is made at their net asset value. If the redemption request is received after 4:00 p.m., Montreal time, NBSI will redeem the units at their net asset value calculated on the following valuation day. Orders to redeem funds shall be made in accordance with the minimum redemption and the minimum balance requirements contained in the Simplified Prospectus.

Units of the funds may be redeemed:

- By mail, by sending a written request for redemption to National Bank Securities Inc., National Bank Securities Advisory Service, 1100 University Street, 10th Floor, Montreal, Quebec, H3B 2G7. A written request for redemption must indicate the unitholder’s name, the name of the subject fund, the number of units or the dollar amount to be redeemed and the address to which the redemption proceeds are to be sent. The request must be signed by the unitholder with the signature guaranteed by a Canadian chartered bank or trust company or by any member firm of a recognized stock exchange in Canada. NBSI may require further documentation from corporations, fiduciaries and partnerships. The redemption proceeds will be sent to the address specified in the request for redemption without charge.
- Through a representative in a branch of the National Bank of Canada (“Bank”) or in a CABN Investment Inc. (“Investments”) office by means of a form provided for such purpose.
- Through a representative of a Registered Dealer from whom unitholders have purchased units by completing formalities required by this representative of a Registered Dealer.
- By telephone or through Internet, provided the unitholder has completed the requisite forms.

Each fund will make payment for all units redeemed as soon as possible, but, in any event, within three business days after the valuation day upon which the net asset value used for purposes of the redemption was determined.

Should the unitholder requesting redemption of his units not comply with all the requirements of the subject fund that must be complied with prior to the payment by the subject fund of the redemption proceeds payable on the redemption of the units which have been redeemed within ten business days from the date of the determination of the net asset value for the purposes of effecting such a redemption, the subject fund shall be deemed to have received and accepted on behalf of the unitholder on the next business day an order for the purchase of the equivalent number of units which have been redeemed and shall apply the amount of the redemption proceeds to the payment of the purchase price of such units. If the amount of the purchase price of such units is less than the redemption proceeds, the excess shall belong to the subject fund. If the amount of the purchase price of the units exceeds the redemption proceeds, NBSI is required to pay to the subject fund the amount of the deficiency and is entitled to collect such amount together with its costs, charges and expenses in so doing and interest thereon from the registered dealer who placed the order. When no other registered dealer is involved, NBSI may collect such amounts from the unitholder who has failed to comply with all the requirements of the subject fund.

Please refer to the Simplified Prospectus and the Annual Information Form for more details on redemption of units.

