

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

Income Portfolio

Meritage Growth Income Portfolio

For the period ended June 30, 2011

This Interim Management Report of Fund Performance contains financial highlights, but does not contain the interim or annual financial statements of the Portfolio. A copy of the interim or annual financial statements can be obtained on request, and at no cost, by calling 1-866-603-3601, by writing to us at infomeritage@nbc.ca, by visiting our website at www.meritageportfolios.com, by visiting SEDAR's website at www.sedar.com, or by contacting your 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 Advisor Series units of the Meritage Growth Income Portfolio returned 3.39%, compared to 1.19% for the Portfolio's blended benchmark composed of 35% of the DEX Universe Bond Index (CA\$) (return of 2.20%), 50% of the S&P/TSX Composite Index (CA\$) (return of 0.16%) and 15% of the MSCI World Index (CA\$) (return of 2.26%). Unlike these indexes, the Portfolio's return is calculated net of fees and expenses. Please see the *Past Performance* section for returns of the F Series. Returns of the F Series may vary mainly because of fees and expenses.

On June 30, 2011, the net assets of the Meritage Growth Income Portfolio totalled approximately \$45.1 million compared to \$33.9 million on December 31, 2010. Its increase (33.09%) is mainly attributable to net sales.

The first half of 2011 was dominated by concerns over the global economic recovery and fears of a new crisis in Europe, in reaction to the worsening financial situation in Portugal, Ireland, Greece and Spain. On the policy front, monetary conditions were kept loose in both Canada and the U.S., as central banks on both sides opted for caution. Here at home, the Bank of Canada decision was supported by tame inflation, while in the U.S., the Federal Reserve decision to keep interest rates at zero was driven by stubbornly high unemployment and stagnant housing market. In the bond market, the reaction was swift and as was the case in 2010, rates climbed early in the year in anticipation of tighter monetary policies across the globe, however, the possibility of an economic relapse and sovereign default caused a reversal that sent rates back below where they started the year. Overall, bonds generated positive returns across all segments of the yield curve, however, mid and long-term notes (five years or more) notched the best performances, while shorter-term issues posted more modest gains.



meritage
PORTFOLIOS®

In the equity markets, Canadian stocks traded higher during the first quarter, boosted by optimism that the world economy has transitioned out of the recovery stage and into expansion. However, fortunes turned during the second, in reaction to political uprisings in parts of the Arab world and renewed fears of a financial contagion. Best performing sectors were, Health Care, Telecommunications and Industrials, while Materials, Consumer Discretionary and Energy stocks figured amongst the worst decliners. Globally, equities were impacted more by the political unrest in the Middle East and North Africa and the triple disaster (earthquake, tsunami and nuclear meltdown) in Japan. Consequently, sector performances differed slightly, with defensive industries such as Health Care, Telecommunications and Consumer Staples reclaiming the lead from cyclical sectors, such as Technology and Materials that sunk back into negative territory. Furthermore, Utilities shares experienced a difficult period, on reverberations from the nuclear crisis at Fukushima, while Energy and Financial shares rallied, in reaction to the release of better than expected earnings results.

The Portfolio held approximately 35% of its holdings in fixed income, 50% in Canadian equity funds and 15% in Global equity funds as at June 30, 2011.

For the review period, the portfolio outperformed its blended benchmark. Overall, the portfolio's holding in Dynamic Equity Income Fund (20%) contributed the most to the performance, while its exposure to Mackenzie Cundill Value Fund (5%) detracted the most.

Dynamic Equity Income Fund's Energy and Financials weightings were the largest contributors to the Fund's returns. Holdings in H&R REIT and Riocan REIT were the top two contributors to performance within the portfolio benefiting from investor interest in securities that generated attractive yields. Another holding within the Financials that had a positive contribution to performance was Toronto-Dominion Bank. Despite a decline in oil prices beginning in May, overall prices remained high during the six-months ending June helping Vermillion Energy Inc. and Keyera Corporation deliver a positive impact on portfolio returns.

As the majority of income trusts converted to dividend paying corporations by January 1, 2011, the Dynamic Equity Income Fund (underlying fund) asset mix saw a corresponding increase in its exposure to equities from 38% to 66% by the end of June. The Fund's investment in income trusts decreased from 50% to 23%, with approximately 15% of that weighting in real estate investment trusts.

Mackenzie Cundill Value Fund underperformed the MSCI World Index for the period largely due to the Fund's weightings in Financials - as all holdings were down with the exception of new addition American International Group which went up slightly over cost and Willis Group Holdings which gained almost 19%. The Fund benefited from its holdings in Energy and certain select stocks such as Dell Inc., Pfizer and Viacom.

Recent Developments

Ongoing uncertainties that may affect the portfolio's performance include the unresolved sovereign debt situation, fiscal austerity packages, continued high unemployment, the end of QE2, inflation in the emerging markets and the ever present geopolitical risks.

The Portfolio Managers of an underlying fund think that the valuations of individual companies remain encouraging as many US companies are in good shape even as the US economy remains weak. Large cap US equities remain unpopular, they have been the laggards since 2009 and investors are cautious on US banks. Given the attractiveness of the valuations and a thesis for continued but slow improvement, the upcoming quarters could prove to be quite rewarding.

Some managers anticipate that high yield spreads will likely narrow over the next 12 months as the economy continues its slow recovery. This will provide an opportunity for modest capital appreciation in addition to the yield carry offered by high yield corporate bonds.

Putnam Investments took over management of the Mackenzie Sentinel Corporate Bond Fund on June 1, 2011. As a result, the portfolio will likely be more diversified with a greater number of issuers, especially in the U.S. component of the portfolio. The new portfolio management team is currently finding many opportunities in the Canadian high yield space.

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 impacts 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 Portfolio are as follows:

Manager

As described in the *Management Fees* section, the Portfolio pays annual management fees to National Bank Securities Inc. (the “Manager”) in consideration for management services. The management fees cover mainly the Manager’s costs of managing the Portfolio’s investments. The Manager is an indirect wholly-owned subsidiary of National Bank of Canada (the “Bank”).

The Portfolio reimbursed in part the Manager for operating expenses incurred in administering the Portfolio, including trustee, record-keeping, custodial, legal, audit, investor servicing, and securityholder reporting fees.

Portfolio Advisor

The Manager has appointed National Bank Trust (“NBT”), an indirect wholly-owned subsidiary of the Bank, as the portfolio advisor for the Portfolio. A flat fee is payable annually to NBT for its management services.

Trustee, custodian and registrar

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

NTC also acts as the Portfolio’s custodian, registrar and transfer agent. The Manager pays NTC for its services as custodian based on the assets held by the Portfolio. In addition, a flat fee per transaction is paid to NTC. With respect to the registrar and transfer agent services for the Portfolio, a fixed annual amount is paid to NTC by the Manager.

NTC also has responsibility for valuation of the Portfolio and the Portfolio’s accounting and records. NTC is paid for these functions by the Manager.

Brokerage Fees

NBT carries out the Portfolio transactions in the underlying funds through National Bank Direct Brokerage Inc. (“NBDB”), a wholly-owned subsidiary of the Bank. Each month, the Manager pays a flat fee for each transaction carried out in the underlying fund securities.

Dealer Compensation

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.

Financial Highlights

The following tables show key financial information about the Portfolio and are intended to help you understand the Portfolio's financial performance for the period ended June 30, 2011 and the past five years.

Advisor Series

The Fund's Net Assets per Unit⁽¹⁾

	Period ended June 30, 2011	2010	2009	2008	2007	2006 (95 days)
Net Assets, beginning of year	\$ 8.44	\$ 8.14	\$ 7.14	\$ 9.23	\$ 10.04	\$ 10.00
Increase (decrease) from operations						
Total revenue	\$ 0.17	\$ 0.35	\$ 0.39	\$ 0.43	\$ 0.45	\$ 0.12
Total expenses	\$ (0.10)	\$ (0.20)	\$ (0.17)	\$ (0.19)	\$ (0.22)	\$ (0.06)
Realized gains (losses)	\$ 0.04	\$ 0.04	\$ (0.12)	\$ (0.21)	\$ 0.28	\$ 0.25
Unrealized gains (losses)	\$ 0.15	\$ 0.68	\$ 1.39	\$ (1.57)	\$ (0.57)	\$ —
Transaction costs on purchase and sale investments	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Total increase (decrease) from operations⁽²⁾	\$ 0.26	\$ 0.87	\$ 1.49	\$ (1.54)	\$ (0.06)	\$ 0.31
Distributions:						
From income (excluding dividends)	\$ —	\$ 0.01	\$ 0.05	\$ 0.13	\$ 0.08	\$ 0.01
From dividends	\$ 0.06	\$ 0.17	\$ 0.18	\$ 0.11	\$ 0.15	\$ 0.02
From capital gains	\$ —	\$ —	\$ —	\$ —	\$ 0.21	\$ 0.11
Return of capital	\$ 0.21	\$ 0.35	\$ 0.24	\$ 0.35	\$ 0.42	\$ 0.08
Total annual distributions⁽³⁾	\$ 0.27	\$ 0.53	\$ 0.47	\$ 0.59	\$ 0.86	\$ 0.22
Net Assets as at June 30, 2011 and December 31 of years shown	\$ 8.45	\$ 8.44	\$ 8.14	\$ 7.14	\$ 9.23	\$ 10.04

⁽¹⁾ This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements.

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

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

Ratios and Supplemental Data

	Period ended June 30, 2011	2010	2009	2008	2007	2006 (95 days)
Total net asset value (000's) ⁽¹⁾	\$ 43,405	\$ 32,404	\$ 18,286	\$ 12,593	\$ 15,091	\$ 6,495
Number of units outstanding ⁽¹⁾	5,134,611	3,840,351	2,245,945	1,763,729	1,653,067	646,684
Management expense ratio ⁽²⁾	2.41 %	2.38 %	2.34 %	2.23 %	2.26 %	2.27 %
Management expense ratio before waivers or absorptions	2.47 %	2.59 %	2.52 %	2.49 %	2.67 %	3.02 %
Trading expense ratio ⁽³⁾	— %	— %	— %	— %	— %	— %
Portfolio turnover rate ⁽⁴⁾	6.59 %	15.88 %	10.29 %	29.01 %	6.22 %	0.08 %
Net asset value per unit	\$ 8.45	\$ 8.44	\$ 8.14	\$ 7.14	\$ 9.23	\$ 10.04

⁽¹⁾ This information is provided as at June 30, 2011 and December 31 of years shown.

⁽²⁾ Management expense ratio is based on total expenses for the period indicated (excluding commissions and other portfolio transaction costs) and is expressed as an annualized percentage of the daily average net asset value during the period.

⁽³⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

⁽⁴⁾ The Fund's portfolio's turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Financial Highlights

F Series

The Fund's Net Assets per Unit⁽¹⁾

	Period ended June 30, 2011	2010	2009	2008	2007	2006 (95 days)
Net Assets, beginning of year	\$ 8.84	\$ 8.42	\$ 7.30	\$ 9.32	\$ 10.04	\$ 10.00
Increase (decrease) from operations						
Total revenue	\$ 0.17	\$ 0.38	\$ 0.40	\$ 0.55	\$ 0.66	\$ 0.12
Total expenses	\$ (0.06)	\$ (0.12)	\$ (0.17)	\$ (0.24)	\$ (0.22)	\$ (0.03)
Realized gains (losses)	\$ 0.04	\$ 0.07	\$ (0.13)	\$ (0.26)	\$ 0.27	\$ 0.21
Unrealized gains (losses)	\$ 0.19	\$ 0.83	\$ 1.45	\$ (1.99)	\$ (0.57)	\$ —
Transaction costs on purchase and sale investments	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Total increase (decrease) from operations⁽²⁾	\$ 0.34	\$ 1.16	\$ 1.55	\$ (1.94)	\$ 0.14	\$ 0.30
Distributions:						
From income (excluding dividends)	\$ 0.04	\$ 0.11	\$ 0.14	\$ 0.23	\$ 0.16	\$ 0.04
From dividends	\$ 0.07	\$ 0.18	\$ 0.18	\$ 0.11	\$ 0.13	\$ 0.04
From capital gains	\$ —	\$ —	\$ —	\$ —	\$ 0.22	\$ 0.14
Return of capital	\$ 0.16	\$ 0.24	\$ 0.15	\$ 0.26	\$ 0.36	\$ 0.02
Total annual distributions⁽³⁾	\$ 0.27	\$ 0.53	\$ 0.47	\$ 0.60	\$ 0.87	\$ 0.24
Net Assets as at June 30, 2011 and December 31 of years shown	\$ 8.92	\$ 8.84	\$ 8.42	\$ 7.30	\$ 9.32	\$ 10.04

⁽¹⁾ This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements.

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

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

Ratios and Supplemental Data

	Period ended June 30, 2011	2010	2009	2008	2007	2006 (95 days)
Total net asset value (000's) ⁽¹⁾	\$ 1,710	\$ 1,475	\$ 308	\$ 108	\$ 132	\$ 118
Number of units outstanding ⁽¹⁾	191,674	166,864	36,641	14,814	14,141	11,742
Management expense ratio ⁽²⁾	1.32 %	1.30 %	1.29 %	1.18 %	1.20 %	1.17 %
Management expense ratio before waivers or absorptions	1.70 %	2.25 %	1.47 %	1.44 %	1.61 %	1.17 %
Trading expense ratio ⁽³⁾	— %	— %	— %	— %	— %	— %
Portfolio turnover rate ⁽⁴⁾	6.59 %	15.88 %	10.29 %	29.01 %	6.22 %	0.08 %
Net asset value per unit	\$ 8.92	\$ 8.84	\$ 8.42	\$ 7.30	\$ 9.32	\$ 10.04

⁽¹⁾ This information is provided as at June 30, 2011 and December 31 of years shown.

⁽²⁾ Management expense ratio is based on total expenses for the period indicated (excluding commissions and other portfolio transaction costs) and is expressed as an annualized percentage of the daily average net asset value during the period.

⁽³⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

⁽⁴⁾ The Fund's portfolio's turnover rate indicates how actively the Fund's portfolio advisor 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 Portfolio pays annual management fees to the Manager in consideration for management, portfolio advisory and administrative services and facilities required by the Portfolio in its day-to-day operations. A portion of the management fees paid by the Portfolio covers trailer and sales commissions paid to dealers. As the Portfolio invests in underlying funds, the fees and expenses payable in connection with the management of the underlying funds are in addition to those payable by the Portfolio. However, the Manager makes sure that the Portfolio does not pay any management (or operating) fees that, to a reasonable person, would duplicate a fee payable by the underlying fund for the same service.

The management fees are calculated as a fixed percentage of the Portfolio's daily net asset value, are accrued on a daily basis and are paid monthly. The Portfolio is required to pay applicable taxes on the management fees.

The breakdown of the main services received in consideration for the management fees, as a percentage of the management fees collected from the Portfolio, is as follows:

Series		Management fees	Distribution	Others [†]
Advisor Series*	Front end	2.00%	50.00%	50.00%
	Back end		25.00%	75.00%
	Low - Load 1 to 3 years		25.00%	75.00%
	Low - Load 4 years plus		50.00%	50.00%
F Series		1.00%	0.00%	100.00%

^(*) Excluding sales commissions paid on the Advisor Series with low load and back end fees, which are not paid for out of the management fees.

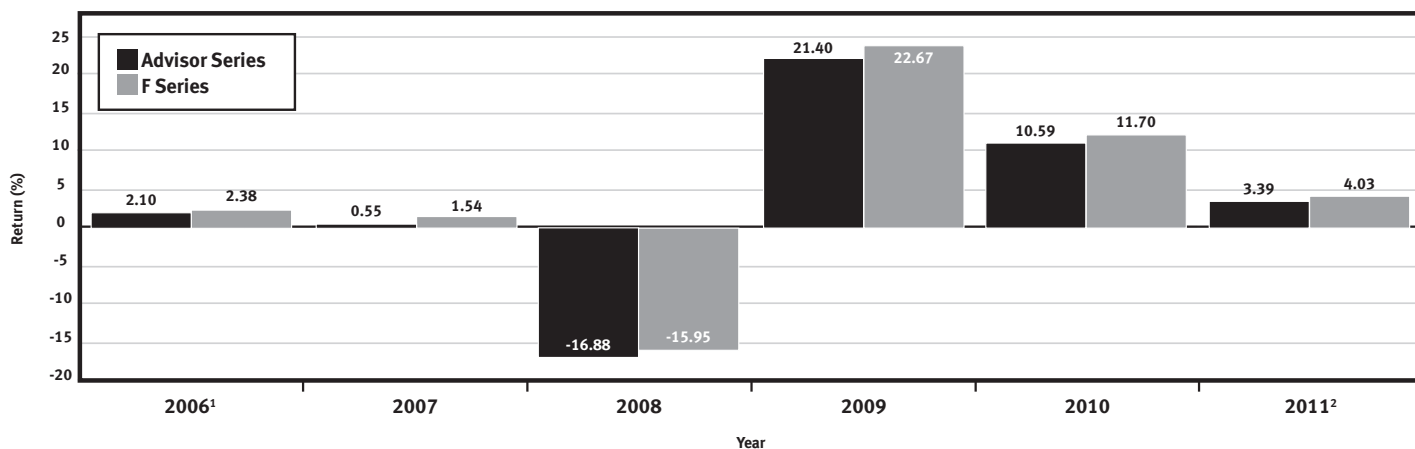
^(†) Includes all costs related to management, investment advisory services, general administration and profit.

Past Performance

The returns of each Portfolio or series of a Portfolio presented below are calculated as of December 31 of each year. They assume the reinvestment of all distributions and do not take into account sales, redemption charges, distributions, or optional charges that would have reduced returns. Past performance of a Portfolio or series of a Portfolio does not necessarily indicate how it will perform in the future.

Annual Returns

The following bar chart shows the Portfolio's annual performance in each of the years shown and illustrates how the Portfolio'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 and for the period ended June 30, 2011.



¹Returns for the period from September 25, 2006 to December 31, 2006.

²Returns for the period from January 1, 2011 to June 30, 2011.

Summary of Investment Portfolio

Portfolio Top Holdings

	% of Net Asset Value
Dynamic Equity Income Fund	21.3
CI Signature Dividend Fund	14.9
RBC Canadian Dividend Fund	14.9
TD Canadian Bond Fund	12.0
Beutel Goodman Income Fund	11.9
Mackenzie Sentinel Corporate Bond Fund	9.9
Capital International - Global Equity Fund	5.1
Mackenzie Ivy Foreign Equity Fund	5.0
Mackenzie Cundill Value Fund	4.9
Cash & Other Assets	0.1
	100.0

Net Asset Value \$45,115,039

Asset Mix

	% of Net Asset Value
Canadian Equity Funds	51.1
Fixed Income Funds	33.9
Global Equity Funds	14.9
Cash & Other Assets	0.1

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Portfolio. A quarterly update is available. For more information please contact us at infomeritage@nbc.ca, call toll-free at 1-866-603-3601, or contact your advisor.

The prospectus and other information on the underlying investment funds are available on the Internet at www.sedar.com.

Note 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.

"Meritage Portfolios®" and the Meritage Portfolio logo are registered trademarks of National Bank of Canada, used under licence by National Bank Securities Inc.