

# INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

## Equity Portfolio

# Meritage Global Equity Class 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](mailto:infomeritage@nbc.ca), by visiting our website at [www.meritageportfolios.com](http://www.meritageportfolios.com), by visiting SEDAR's website at [www.sedar.com](http://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

Since the Fund's inception on March 23, 2011 the Meritage Global Equity Class Portfolio Advisor Series units returned 1.30% compared to -1.24% for the Portfolio's benchmark, the MSCI World Index (CA\$). Unlike the index, the Portfolio's return is calculated net of fees and expenses. Please see the *Past Performance* section for returns of the F Series and the T Series. Returns of the F Series and the T Series may vary mainly because of fees and expenses.

On June 30, 2011, the net assets of the Meritage Global Equity Class Portfolio totalled approximately \$1.4 million.

Global equities swung in both directions during the first half of the year, rising early on expectations of a global economic and earnings recovery but pressured lower later by a number of factors that included political unrest in the Middle East and North Africa, a triple disaster (earthquake, tsunami and nuclear meltdown) in Japan and last but not least, an increased probability of defaults in Europe.

After rising during January and February, stocks sunk deep into the red during March, following the Tohoku earthquake in Japan. However, most global stock indices managed to rally back from oversold levels during April, as investors became convinced that the quake's impact on the global supply chain will be limited. Late in the period, uncertainty related to European debt seeped back into the markets temporarily, but lifted shortly thereafter, following the adoption of austerity measures in Greece that led to a relief rally that sent most indices to end the period higher.

From a sector perspective, seven out of the ten sectors ended the period on the upside, 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. Investors sold those economically sensitive stocks during the last three months, on signs that global economic growth was slowing. In contrast, money flowed back into defensive stocks, those that offer investors refuge during uncertain economic times. Elsewhere, 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 100% of its assets in holdings in Global equity funds as at June 30, 2011.



For the review period, the portfolio outperformed its benchmark, the MSCI World Index (CA\$). Overall, the portfolio's holding in Mac Cundill Value Fund (30%) detracted the most from performance, while its exposure to Mac Ivy Foreign Equity Fund (30%) contributed positively to the performance.

During the first half of the year, the AGF Emerging Markets Fund underperformed its benchmark, the MSCI Emerging Market Index (CA\$), as relative sector allocation and country exposure (including currency) offset positive security selection. From a regional perspective, an overweight allocation to Hong Kong/China was positive, while an overweight in Singapore and Thailand, and an underweight in South Korea and Taiwan detracted in Asia. Within the EMEA (Europe, Middle East, Africa) region, an overweight to South Africa and Czech Republic and no exposure to Russia contributed to performance, while an overweight in Turkey detracted to performance. In Latin America, an underweight in Brazil and Chile contributed to performance, while an overweight in Mexico, Peru and Argentina detracted to performance. In terms of sector allocation, Information Technology, Utilities and Consumer Staples were the top contributors during the period, while Materials, Energy and Consumer Discretionary were the main detractors.

In the first half of the year, the Capital International - Global Equity Fund outperformed the MSCI World Index (CA\$). Consumer discretionary stocks were an important contributor to the Fund's returns in the first half of 2011. Demand for high-quality apparel and luxury goods remained strong especially in emerging markets. Top contributors were lululemon athletica, and Hugo Boss. Other positive contributors from this category included Inditex, adidas AG and Burberry Group. Health care stocks also played a part in the Fund's gain. The Fund's two largest holdings, Novo Nordisk and Roche were boosted in part by stronger currencies.

## Recent Developments

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.

The transition from a stimulus to a tightening policy stance in Emerging Markets appears to be achieving the desired effect of moderating growth and reducing the risk of overheating. While the current tightening cycle may not yet be complete, the recent pullback in commodity prices should provide some relief from inflationary pressure. Given near-term uncertainty in global markets from sovereign debt risk in Europe and a tepid economic recovery in the U.S., Emerging Markets have demonstrated a willingness and ability to provide policy support if necessary to maintain growth. Prospects for Emerging Markets remain favourable based on solid domestic macroeconomic fundamentals, despite recent economic data showing marginal declines in overall output and production. Policy reforms and increased savings and capital investments have translated into long-term structural improvements and enhancements in productivity.

Earlier concerns of a slowdown in Emerging Markets now appear to be unwarranted, and at current valuations, there are compelling investment opportunities for investors seeking exposure to the long-term growth potential of developing markets, from peripheral economies such as South Africa, Thailand, Turkey and Indonesia to the dominant markets of China, India and Brazil. While earnings growth remains positive overall, increasing headwinds from rising commodity and labour input costs will likely impact overall returns for companies in the near-term.

## 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.

### Holdings

As at June 30, 2011, National Bank Securities held 15,000 Fund units for a value of \$151,350.00, which represented 11.07% of the net asset value of the Fund at that date. Transactions between National Bank Securities and the Fund were carried out in the normal course of business and at the Fund’s net asset value as at the transaction date.

### 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.

## Advisor Series

The Fund's shareholder's equity per share<sup>(1)</sup>

	Period ended June 30, 2011 (100 days)
Shareholder's equity, beginning of year	\$ 10.00
<b>Increase (decrease) from operations</b>	
Total revenue	\$ —
Total expenses	\$ (0.07)
Realized gains (losses)	\$ —
Unrealized gains (losses)	\$ (0.03)
Transaction costs on purchase and sale investments	\$ —
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ (0.10)</b>
<b>Distributions:</b>	
From income (excluding dividends)	\$ —
From dividends	\$ —
From capital gains	\$ —
Return of capital	\$ —
<b>Total annual distributions<sup>(3)</sup></b>	<b>\$ —</b>
<b>Shareholder's equity as at June 30, 2011</b>	<b>\$ 10.13</b>

<sup>(1)</sup> This information is derived from the Fund's unaudited interim financial statements.

<sup>(2)</sup> Shareholder's equity and distributions are based on the actual number of shares outstanding at the relevant time. The increase or decrease from operations is based on the weighted average number of shares outstanding over the financial period.

<sup>(3)</sup> Distributions were paid in cash or reinvested in additional shares of the Fund, or both.

## Ratios and Supplemental Data

	Period ended June 30, 2011 (100 days)
Total net asset value (000's) <sup>(1)</sup>	\$ 673
Number of shares outstanding <sup>(1)</sup>	66,413
Management expense ratio <sup>(2)</sup>	2.54 %
Management expense ratio before waivers or absorptions	8.63 %
Trading expense ratio <sup>(3)</sup>	— %
Portfolio turnover rate <sup>(4)</sup>	0.85 %
Net asset value per share	\$ 10.13

<sup>(1)</sup> This information is provided as at June 30, 2011.

<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 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 shareholder's equity per share<sup>(1)</sup>

	Period ended June 30, 2011 (100 days)
Shareholder's equity, beginning of year	\$ 10.00
<b>Increase (decrease) from operations</b>	
Total revenue	\$ —
Total expenses	\$ (0.03)
Realized gains (losses)	\$ —
Unrealized gains (losses)	\$ 0.10
Transaction costs on purchase and sale investments	\$ —
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ 0.07</b>
<b>Distributions:</b>	
From income (excluding dividends)	\$ —
From dividends	\$ —
From capital gains	\$ —
Return of capital	\$ —
<b>Total annual distributions<sup>(3)</sup></b>	<b>\$ —</b>
<b>Shareholder's equity as at June 30, 2011</b>	<b>\$ 10.16</b>

<sup>(1)</sup> This information is derived from the Fund's unaudited interim financial statements.

<sup>(2)</sup> Shareholder's equity and distributions are based on the actual number of shares outstanding at the relevant time. The increase or decrease from operations is based on the weighted average number of shares outstanding over the financial period.

<sup>(3)</sup> Distributions were paid in cash or reinvested in additional shares of the Fund, or both.

## Ratios and Supplemental Data

	Period ended June 30, 2011 (100 days)
Total net asset value (000's) <sup>(1)</sup>	\$ 438
Number of shares outstanding <sup>(1)</sup>	43,128
Management expense ratio <sup>(2)</sup>	1.25 %
Management expense ratio before waivers or absorptions	3.28 %
Trading expense ratio <sup>(3)</sup>	— %
Portfolio turnover rate <sup>(4)</sup>	0.85 %
Net asset value per share	\$ 10.16

<sup>(1)</sup> This information is provided as at June 30, 2011.

<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 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

## T Series

The Fund's shareholder's equity per share<sup>(1)</sup>

	Period ended June 30, 2011 (100 days)
Shareholder's equity, beginning of year	\$ 10.00
<b>Increase (decrease) from operations</b>	
Total revenue	\$ —
Total expenses	\$ (0.07)
Realized gains (losses)	\$ —
Unrealized gains (losses)	\$ (0.02)
Transaction costs on purchase and sale investments	\$ —
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ (0.09)</b>
<b>Distributions:</b>	
From income (excluding dividends)	\$ —
From dividends	\$ —
From capital gains	\$ —
Return of capital	\$ 0.15
<b>Total annual distributions<sup>(3)</sup></b>	<b>\$ 0.15</b>
<b>Shareholder's equity as at June 30, 2011</b>	<b>\$ 9.98</b>

<sup>(1)</sup> This information is derived from the Fund's unaudited interim financial statements.

<sup>(2)</sup> Shareholder's equity and distributions are based on the actual number of shares outstanding at the relevant time. The increase or decrease from operations is based on the weighted average number of shares outstanding over the financial period.

<sup>(3)</sup> Distributions were paid in cash or reinvested in additional shares of the Fund, or both.

## Ratios and Supplemental Data

	Period ended June 30, 2011 (100 days)
Total net asset value (000's) <sup>(1)</sup>	\$ 256
Number of shares outstanding <sup>(1)</sup>	25,679
Management expense ratio <sup>(2)</sup>	2.54 %
Management expense ratio before waivers or absorptions	6.74 %
Trading expense ratio <sup>(3)</sup>	— %
Portfolio turnover rate <sup>(4)</sup>	0.85 %
Net asset value per share	\$ 9.98

<sup>(1)</sup> This information is provided as at June 30, 2011.

<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 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 <sup>†</sup>
Advisor Series and T Series*	Front end	2.25%	55.56%	44.44%
	Back end		22.22%	77.78%
	Low - Load 1 to 3 years		22.22%	77.78%
	Low - Load 4 years plus		44.44%	55.56%
F Series		1.00%	0.00%	100.00%

<sup>(\*)</sup> 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.

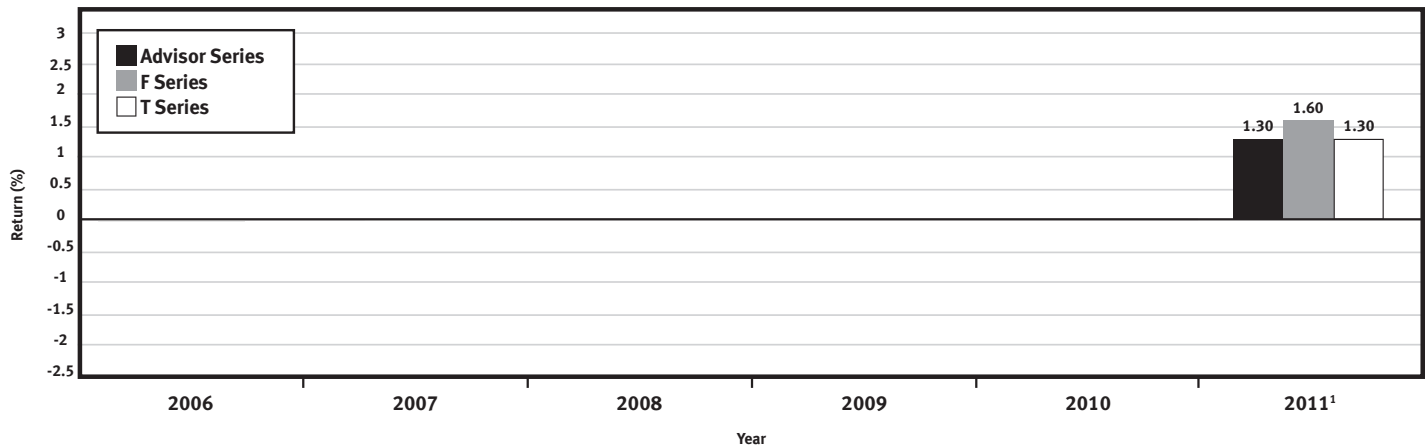
<sup>(†)</sup> Includes all costs related to management, investment advisory services, general administration and profit.

## 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.



<sup>1</sup> Returns for the period from March 23, 2011 (inception date) to June 30, 2011.

# Summary of Investment Portfolio

## Portfolio Top Holdings

	% of Net Asset Value
Mackenzie Ivy Foreign Equity Fund . . . . .	30.5
Capital International - Global Equity Fund . . . . .	30.1
Mackenzie Cundill Value Fund . . . . .	29.6
AGF Emerging Markets Fund . . . . .	10.0
Cash & Other Assets . . . . .	-0.2
	100.0

## Asset Mix

	% of Net Asset Value
Global Equity Funds . . . . .	100.2
Cash & Other Assets . . . . .	-0.2

Net Asset Value . . . . . \$1,366,718

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](mailto: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](http://www.sedar.com).

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### 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.

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