

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

Income Portfolio

Meritage Moderate Income Portfolio

For the period ended June 30, 2009

This interim management report of fund performance contains financial highlights, but does not contain interim or annual financial statements of the Portfolio. You can get a copy of the interim or annual financial statements at your request, and at no cost, by calling toll-free 1-866-603-3601, by emailing 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.

Securityholders may also contact us using one of these methods to request a copy of the portfolio's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Management Discussion of Fund Performance

Results of Operations

The Meritage Moderate Income Portfolio Advisor Series units returned 7.44% for the six-month period ended June 30, 2009 compared to 2.79% for the DEX Universe Bond Index. The blended benchmark, which is comprised of the DEX Universe Bond Index (proportion of 65%) and the S&P/TSX Composite Index (proportion of 30%) and the MSCI World Index (\$C) (proportion of 5%), had a 7.11% return during the same period. Unlike the benchmark, the Portfolio's return is calculated after the deduction of fees and expenses. Please see the Past Performance section for performance returns of the F Series. Performance returns of the F Series may differ from Adviser Series due mainly to the varying level of fees and expenses.

On June 30, 2009, the net asset value of the Meritage Moderate Income Portfolio was about \$16.80 million compared to \$16.50 million on December 31, 2008. The increase in the net asset value is attributable to the positive market's trend reduced by the negative net sales.

The global stock markets experienced significant gains from early March to early June, as authorities injected trillions of dollars into the economy and the marketplace. Most major equity indices advanced by double digit levels as fear of a disastrous outcome for the global economy were appeased. Emerging markets and commodity driven economies, such as Canada, experienced even stronger moves. Canada's S&P/TSX Composite Index performed strongly returning 17.56% for the span of six-month period.

In fixed-income markets, the huge expansion of central bank balance sheets and government deficits are now working against the government bond market. For the six-month period, the DEX Universe Bond Index returned 2.79%, with the corporate sector leading while the Government of Canada sector ended in negative territory.

For the six month period, the Portfolio outperformed the benchmark. The Mackenzie Sentinel Corporate Bond Fund had strongly outperformed the benchmark. The Fund was the largest contributor to the Portfolio's performance as it returned 16.30%. The Fund's positive return was due to the improvement of the credit market and the positive tone over the period. This drove the bond credit spread to tighten, primarily attributable to the energy, infrastructure, telecommunications and industrial sectors. The Fund reduced its cash weighting to make some bond investments in Cascades (7.25% - 2013) and Calfrac Holdings (7.75% - 2015), both leaders in their respective fields with strong asset value support relative to their market prices. This contributed strongly to the Fund's performance.



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In line with the Mackenzie Sentinel Corporate Bond Fund, the CI Signature Dividend Fund was also a strong contributor to the Portfolio's performance. The Fund returned 16.12%, outperforming the benchmark by about 10.00%. The Fund's overweight position in financials and underweight position in materials contributed positively to performance. The Fund's overweight position in telecom, and underweight position in energy and information technology detracted from performance. The Fund invests primarily in preferred shares and dividend-paying common shares of Canadian companies. This was highly rewarded, as the Canadian preferred share market continued to build on first quarter gains, an improved tone from the credit markets and improving demand from retail investors. The global equity market rallied 16.00% in local currencies, and the most significant rally came in global financials, which appreciated more than 30%. This provided a further boost in confidence for preferred share investors and girded the Fund's outperformance compared to the benchmark.

The RBC Canadian Dividend Fund gained 14.4% over the six-month period. Signs of stability in North America and emerging markets, most notably Asia, coupled with weakness in the U.S. dollar, resulted in a dramatic turn in sentiment toward energy and basic-materials companies, as growth in Asia tends to be more commodity-intensive. This clearly helped the Fund outperform the benchmark by about 9.00%, due to its holdings in the energy and materials sectors. The Fund also benefited from its biggest weighting in financials stocks with high dividend yields, as the financial sector rallied strongly during the period. An underweight position in the telecommunication services sector also aided the Fund's performance in the first half of 2009, as the sector was one of the few that actually declined during the period.

The Dynamic Focus + Diversified Income Fund generated a positive return at 9.70%. The Fund's holdings in Crescent Point Energy Trust and Canadian Oil Sands Trust were the largest contributors to performance, as energy trusts remained the largest component of the Fund. Real estate investment trust generated solid returns over the period, benefiting from an improvement in accessing capital as there were a number of successful debt and equity issuances. The Fund's holdings within the consumer discretionary sector that included Keg Royalties Income Fund and Pizza Pizza Royalty Income Fund were positive contributors to the Fund's returns. The Fund's position in Livingston International Income Fund had the most negative impact on performance among business trusts held. The Fund's holdings in the Royal Bank of Canada and Toronto Dominion Bank contributed positively to the performance.

The TD Real Return Bond Fund returned 5.80%. This was attributed to the positive tone in the credit market with trading activity and liquidity improving. As a result, corporate bonds generally outperformed government bonds during the period. The TD Canadian Bond Fund returned 5.00%. The Fund's significant allocation to mid-term corporate was the main contribution to the positive performance. The Fund's allocation to real return bonds, also contributed to positive performance.

The Capital International-Global Equity Fund rose by 3.72%. The Fund's positive results for the semi-annual period, is in part due to the Fund's exposure to the information technology sector, based on the selection of companies with healthy balance sheets and strong prospects. The rebound of the worldwide demand for energy showed tentative signs of a rebound from last year's lows. The Fund was well positioned in this area, which yielded positive results.

The TD Short Term Bond Fund had a fairly positive return. The Fund's return of 2.90%, as the Canadian corporate credit spread narrowed throughout the period.

Recent Developments

During the period, the asset allocation of the Portfolio remained unchanged. The Portfolio remained broadly diversified across sectors, regions and assets.

The Portfolio Advisers of the Mackenzie Sentinel Corporate Bond Fund became slightly more optimistic over the past three months, as new deals and debt financings have come back to the marketplace. Corporate bonds outperformed equities and treasuries during recent periods of weakness. Most of the cash sitting in the sidelines has begun to make it back to the markets.

The Portfolio Advisers of the CI Signature Dividend Fund believe that the preferred share market has improved, but they also believe that the credit crisis is still affecting the economy. According to them, confidence is slowly returning to the financial system, and with the actual credit spread, the better functioning of credit markets, and the deceleration of negative economic data, preferred shares should continue to post positive returns. They believe that the ability of the global financial system to substantially improve bank balance sheets by raising capital is extremely positive and should gradually be reflected in improving investors' confidence.

The Portfolio Advisers of the RBC Canadian Dividend believe that rising unemployment in North America, continued uncertainty in the U.S. housing market and the impact of growing government budget deficits will largely determine the magnitude and pace of a sustainable economic recovery. In Canada, retail sales and home sales have recently surprised to the upside, while manufacturing remains weak. The increase in positive news has helped to restore investor confidence in equity markets and shift the focus from risk-aversion to undervalued stocks and the possibility of an earning recovery.

According to the Portfolio Advisers of the Dynamic Focus + Diversified Income Fund, in early March, equity markets have rallied strongly turning investors cautiously optimistic and cash to be slowly deployed. But despite the stabilization in the financial system and an improvement in some of the economic data, uncertainty related to the recession remained resulting in continued volatility, particularly in the month of June.

The Portfolio Advisers of the TD Real Return Bond Fund believe that over the long term, real return bonds should be viewed as a form of insurance for investors that are concerned about higher levels of inflation.

The Portfolio Advisers of the Beutel Goodman Income Fund believe that credit spreads will likely tighten and the central banks in both Canada and the U.S. will use more tools in their monetary and fiscal toolboxes to tighten corporate bond spreads to help the economy.

New Accounting Policies

The Accounting Standards Board of Canada (AcSB) as ruled that as of January 1st, 2011, the financial statements of companies with an obligation of public accountability will be presented by the International Financial reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and will replace the Canadian Generally Accepted Accounting Policies (GAAP). Changes to these new standards will come into force on October 1st, 2011 for the funds currently under review.

Management is currently reviewing and developing a plan to meet the timetable for implementation of the Canadian Institute of Chartered Accountants (CICA) regarding the adoption of IFRS. Key elements of this plan are to provide information concerning qualitative impact of these new standards in the financial statements, the information required with respect to their quantitative impact in the financial statements, if any, and the preparation of the financial statements 2011 with comparative figures under IFRS.

Related Party Transactions

Manager

As described in the *Management Fee* 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 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 and Sales Commissions

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.

Financial Highlights

The following tables show selected key financial information about the Portfolio and are intended to help you understand the Portfolio's financial performance for the last period ended June 30, 2009 and the past 3 years.

Advisor Series

The Portfolio's Net Assets per Unit⁽¹⁾

	6-month period ended June 30, 2009	2008	2007	2006 95 days
Net Assets, beginning of year	\$ 8.01	\$ 9.40	\$ 9.99	\$10.00
Increase (decrease) from operations:				
total revenue	\$ 0.20	\$ 0.48	\$ 0.49	\$ 0.11
total expenses	\$(0.08)	\$(0.18)	\$(0.20)	\$ (0.05)
realized gains (losses) for the period	\$(0.16)	\$(0.13)	\$ 0.14	\$ 0.20
unrealized gains (losses) for the period	\$ 0.61	\$(1.05)	\$(0.40)	\$ (0.14)
Total increase (decrease) from operations⁽²⁾	\$ 0.57	\$(0.88)	\$ 0.03	\$ 0.12
Distributions:				
From income (excluding dividends)	\$(0.14)	\$(0.24)	\$(0.19)	\$ (0.02)
From dividends	\$ —	\$(0.06)	\$(0.09)	\$ (0.01)
From capital gains	\$ —	\$ —	\$(0.12)	\$ (0.09)
Return of capital	\$(0.08)	\$(0.25)	\$(0.27)	\$ (0.06)
Total annual distributions⁽³⁾	\$(0.22)	\$(0.55)	\$(0.67)	\$ (0.18)
Net Assets as at June 30, 2009 and as at December 31 of year shown	\$ 8.37	\$ 8.01	\$ 9.40	\$ 9.99

⁽¹⁾ This information is derived from the Portfolio's unaudited interim financial statements and audited annual financial statements. The net assets per security presented in the financial statements differs from the net asset value calculated for portfolio pricing purposes. An explanation of these differences can be found in the notes to the financial statements.

⁽²⁾ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/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 Portfolio, or both.

Ratios and Supplemental Data

	6-month period ended June 30, 2009	2008	2007	2006 95 days
Total net asset value (000's) ⁽¹⁾	\$16,387	\$15,937	\$15,864	\$6,227
Number of units outstanding ⁽¹⁾	1,957,705	1,989,692	1,688,359	623,403
Management expense ratio ⁽²⁾	2.00 %	2.01 %	2.03 %	2.04 %
Management expense ratio before waivers or absorptions	2.20 %	2.28 %	2.47 %	2.87 %
Trading expense ratio ⁽³⁾	— %	— %	— %	— %
Portfolio turnover rate ⁽⁴⁾	10.33 %	25.23 %	18.89 %	0.25 %
Net asset value per unit	\$ 8.37	\$ 8.01	\$ 9.40	\$ 9.99

⁽¹⁾ This information is provided as at June 30, 2009 and as at December 31 for the year shown.

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

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

Financial Highlights

F Series

The Portfolio's Net Assets per Unit⁽¹⁾

	6-month period ended June 30, 2009	2008	2007	2006 95 days
Net Assets, beginning of year	\$ 8.09	\$ 9.43	\$ 9.94	\$ 10.00
Increase (decrease) from operations:				
total revenue	\$ 0.19	\$ 0.60	\$ 0.46	\$ 0.13
total expenses	\$ (0.07)	\$ (0.22)	\$ (0.12)	\$ (0.03)
realized gains (losses) for the period	\$ (0.15)	\$ (0.17)	\$ 0.15	\$ 0.21
unrealized gains (losses) for the period	\$ 0.56	\$ (1.31)	\$ (0.42)	\$ (0.12)
Total increase (decrease) from operations⁽²⁾	\$ 0.53	\$ (1.10)	\$ 0.07	\$ 0.19
Distributions:				
From income (excluding dividends)	\$ (0.17)	\$ (0.33)	\$ (0.23)	\$ (0.07)
From dividends	\$ —	\$ (0.07)	\$ (0.08)	\$ (0.04)
From capital gains	\$ —	\$ —	\$ (0.12)	\$ (0.10)
Return of capital	\$ (0.05)	\$ (0.16)	\$ (0.24)	\$ (0.03)
Total annual distributions⁽³⁾	\$ (0.22)	\$ (0.56)	\$ (0.67)	\$ (0.24)
Net Assets as at June 30, 2009 and as at December 31 of year shown	\$ 8.49	\$ 8.09	\$ 9.43	\$ 9.94

⁽¹⁾ This information is derived from the Portfolio's unaudited interim financial statements and audited annual financial statements. The net assets per security presented in the financial statements differs from the net asset value calculated for portfolio pricing purposes. An explanation of these differences can be found in the notes to the financial statements.

⁽²⁾ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/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 Portfolio, or both.

Ratios and Supplemental Data

	6-month period ended June 30, 2009	2008	2007	2006 95 days
Total net asset value (000's) ⁽¹⁾	\$384	\$575	\$143	\$102
Number of units outstanding ⁽¹⁾	45,277	71,079	15,141	10,222
Management expense ratio ⁽²⁾	1.21 %	1.22 %	1.24 %	1.20 %
Management expense ratio before waivers or absorptions	1.41 %	1.49 %	1.68 %	1.82 %
Trading expense ratio ⁽³⁾	— %	— %	— %	— %
Portfolio turnover rate ⁽⁴⁾	10.33 %	25.23 %	18.89 %	0.25 %
Net asset value per unit	\$ 8.49	\$ 8.09	\$ 9.43	\$ 9.94

⁽¹⁾ This information is provided as at June 30, 2009 and as at December 31 for the year shown.

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

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

Management Fees

The Portfolio pays annual management fees to the Manager in consideration for management, portfolio advisor 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 Goods and Services Tax (GST) 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 Fee	Distribution	Others [†]
Advisor Series	1.75%	Front	42.86%
		Back	14.29%
		Low Load 2 – Year 1 to 3**	14.29%
		Low Load 2 – Year 4 and after	42.86%
F Series*	1.00%	0.00%	100.00%

(*) For F Series, no trailer commissions are paid. The dealer or broker is paid an annual fee based on the asset value of your account instead of paying a commission for each purchase, switch or redemption.

(**) Excluding sales commissions paid on the Advisor Series with low load and back end fees.

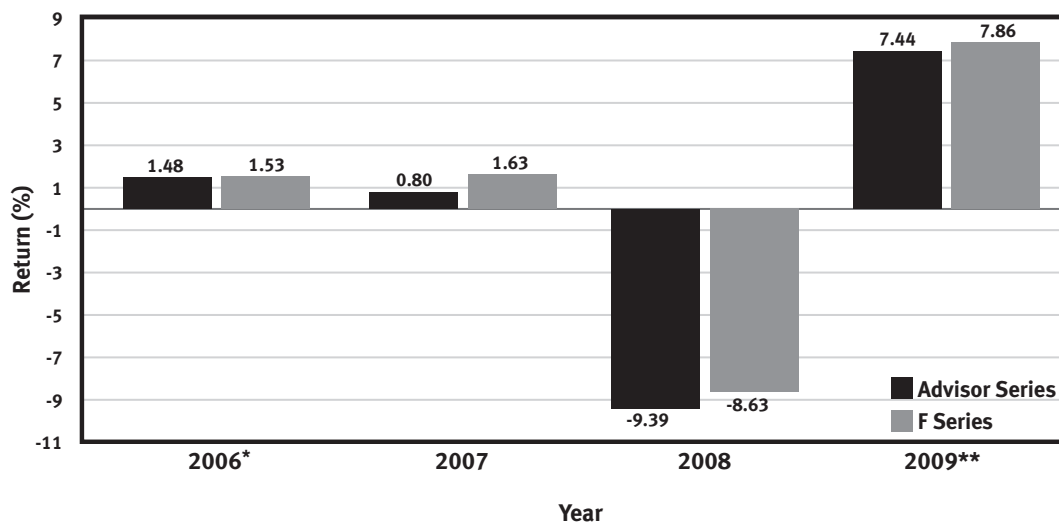
(†) Includes all costs related to management, investment advisory services, general administration and profit.

Past Performance

The returns of each Portfolio or series of a Portfolio are calculated as of December 31 in each year, 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.

Year-by-Year 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 1st would have increased or decreased by December 31 for each year and by June 30 of this year.



* Returns for the period of September 25, 2006 to December 31, 2006.

** Returns for the six-month period ended June 30, 2009.

Summary of Investment Portfolio

Top 25 Holdings

	% of Net Asset Value
Beutel Goodman Income Fund	20.8
TD Canadian Bond Fund	20.2
Mackenzie Sentinel Corporate Bond Fund	10.2
TD Short Term Bond Fund	9.8
CI Signature Dividend Fund	7.5
RBC Canadian Dividend Fund	7.4
Dynamic Focus+ Diversified Income Fund	7.2
BMO Guardian Monthly High Income Fund II	6.9
TD Real Return Bond Fund	5.1
Capital International - Global Equity Fund	5.0
Cash & Other Assets	-0.1
	100.0

Asset Mix

	% of Net Asset Value
Fixed Income Funds	80.2
Canadian Equity Funds	14.9
Global Equity Funds	5.0
Cash & Other Assets	-0.1

Net asset value \$16,771,293

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

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

Note on forward-looking statements

This document may contain forward-looking statements concerning the Portfolio, 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.

By their very nature, forward-looking statements imply the use of assumptions and necessarily involve inherent risks and uncertainties, both general and specific. 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 fact, a number of factors could cause future results, conditions or events to differ materially from the objectives, expectations, 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, specifically those related to the war on terrorism, and other risks described in detail in the Portfolio's current simplified prospectus.

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 the uncertainties and risks they contain. We caution readers not to place undue reliance on these forward-looking statements.

Forward-looking statements are issued in good faith and may be modified without notice. 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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