



meritage
PORTFOLIOS®

Annual Financial Statements

For the period ended December 31, 2010

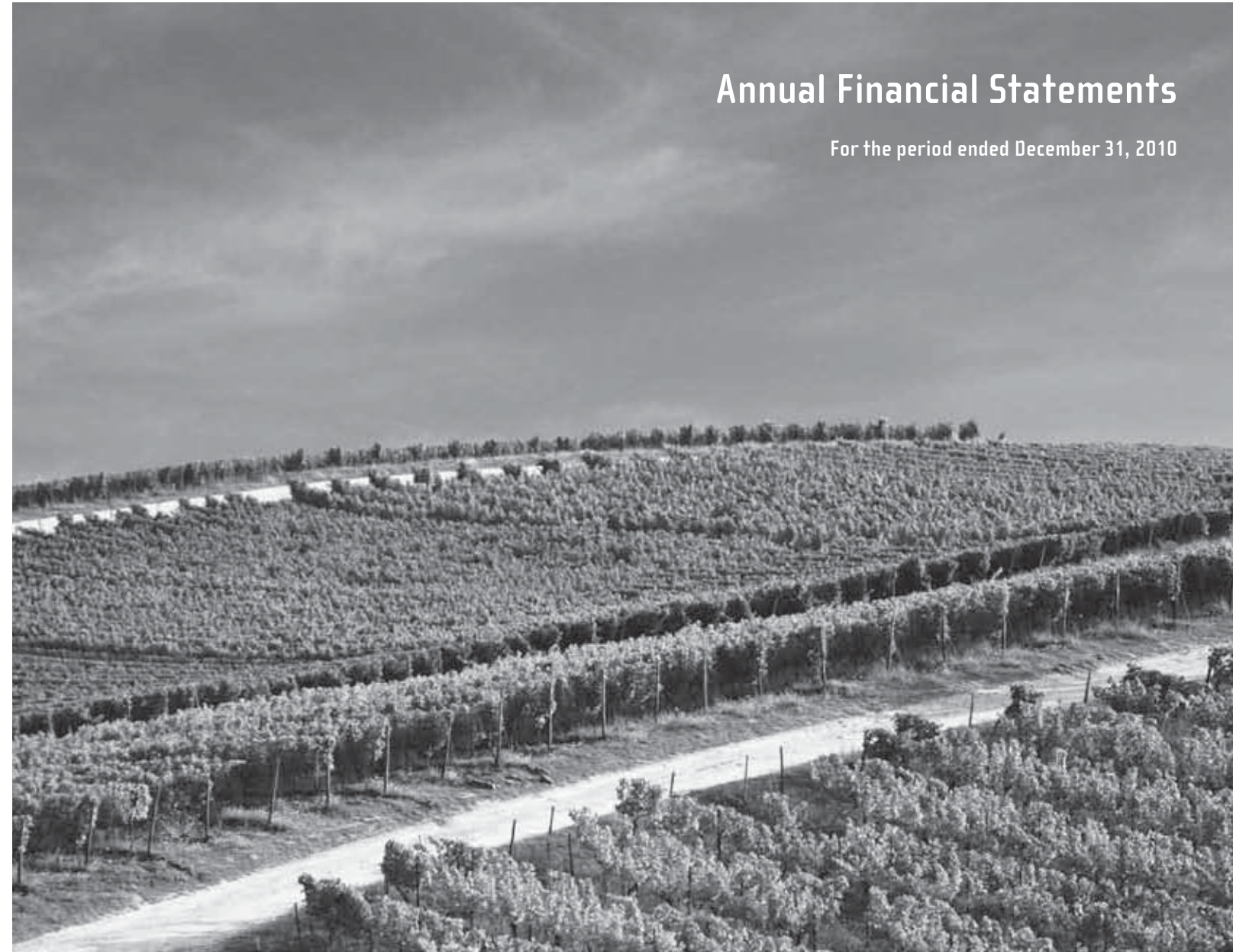


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INVESTMENT PORTFOLIOS

This section is for investors who may want to have a detailed list of the specific securities that make up the portfolios. For each security, you will find information such as its average cost and its fair value as at December 31, 2010.

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 December 31, 2010. 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, gains and expenses generated by the fund during the period.
- The Statement of changes in net assets per Series reconciles the changes in net assets per Series during the period, 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 Unitholders

The year that has just ended proved to be a highly volatile one. Indicators for the main asset classes both rose and fell from month to month. Final returns ranged from satisfactory (for global equities) to good (for fixed-income securities) and even outstanding (for small- and large-cap Canadian equities). Despite the many market ups and downs, investors have reason to celebrate some excellent performances.

The MSCI World Index ended December up 3.86% (CDNS), and gained 5.93% overall (CDNS) on the year. All index sectors turned in positive returns. In the U.S., the S&P 500 gained 3.66% (CDNS) for December (9.21% for the year) with nine out of 10 sectors finishing in the black. The S&P/TSX Composite Index notched a return of 4.09% for December, closing out the year with an exceptional performance of 17.61%. Small-cap equities continued to gain ground in December (6.76%), bringing their performance on the year up to 35.10%. Lastly, the DEX Universe Bond Index posted a return of 0.16% for December, bringing the Index's annual performance for 2010 to 6.74%. Two of the main financial market highlights of 2010 were the announcement of a new round of quantitative easing in the United States in late August and the adoption of a fiscal stimuli program in December.

The first of these announcements helped whet investors' appetite for risk once again and gave markets in general a much-needed boost. In contrast, tax stimuli measures proved less interesting for investors, although the scope and timing of the measures should help boost the U.S. economy beginning in early 2011.

The upbeat attitude that characterized the markets in 2010 also carried over to Meritage Portfolios®. After a year that saw strong sales increase, assets under management for this turnkey solution reached \$1 billion in November, a mere four years after the Portfolios were launched. Meritage Portfolios® were also mentioned twice by mutual fund guru Michel Marcoux in his list of the top 100 funds for 2010.

We therefore begin 2011 filled with enthusiasm and confidence that our Meritage Portfolios® managers will adapt their approach based on market developments, so as to continue to make the best possible investment decisions to safeguard and grow your capital. Thank you for your trust in Meritage Portfolios®.



Meritage Canadian Equity Portfolio

INVESTMENT PORTFOLIO

as at December 31, 2010

	NUMBER OF UNITS	AVERAGE COST	FAIR VALUE
		\$	\$
MUTUAL FUNDS (100.06%)			
Beutel Goodman Canadian Equity Fund	474,807	11,723,801	12,901,133
Dynamic Value Fund of Canada	1,217,058	11,891,279	13,095,541
Fidelity Canadian Disciplined Equity Fund	404,630	9,820,506	13,307,159
Mackenzie Saxon Small Cap Fund	180,399	3,714,481	4,647,624
		<u>37,150,067</u>	<u>43,951,457</u>
TOTAL INVESTMENTS (100.06%)		<u>37,150,067</u>	43,951,457
Cash And Other Net Assets (-0.06%)			<u>(24,196)</u>
NET ASSETS (100%)			<u>43,927,261</u>

* Average cost of investments as at December 31, 2009 is \$26,609,959.

PRICE RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding equities	43,951,457	100.06%	28,015,997	100.10%

Based on the assumption that equity prices had increased or decreased by 10%, all other variables held constant, net assets and results would have increased or decreased, respectively, by approximately \$4,395,146 (\$2,801,600 in 2009).

FAIR VALUE OF FINANCIAL INSTRUMENTS TABLE (note 4)

December 31, 2010	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	43,951,457	n/a	n/a	43,951,457

During the year ended December 31, 2010, there were no significant investment transfers between Level 1 and Level 2.

December 31, 2009	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	28,015,997	n/a	n/a	28,015,997

During the year ended December 31, 2009, there were no significant investment transfers between Level 1 and Level 2.

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

Meritage Canadian Equity Portfolio

FINANCIAL STATEMENTS

Statements of net assets as at December 31

	2010	2009
	\$	\$
Assets		
Investments, at fair value	43,951,457	28,015,997
Cash	37,956	63,214
Subscriptions receivable	70,825	106,600
Other assets receivable	13,718	11,421
	<u>44,073,956</u>	<u>28,197,232</u>
Liabilities		
Redeemed units payable	9,207	10,644
Investments payable	36,378	137,752
Accrued expenses	101,110	59,989
	<u>146,695</u>	<u>208,385</u>
Net assets	<u>43,927,261</u>	<u>27,988,847</u>
Net assets per Series:		
Advisor Series	43,101,359	27,257,779
F Series	825,902	731,068
	<u>43,927,261</u>	<u>27,988,847</u>
Net assets per unit, per Series:		
Advisor Series	11.03	9.60
F Series	11.64	10.00

Approved on behalf of the Manager,
National Bank Securities Inc.
Charles Guay, Director
Éric Laflamme, Director

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

Meritage Canadian Equity Portfolio (continued)

FINANCIAL STATEMENTS

Statements of operations for the years ended December 31

	2010	2009
	\$	\$
Income		
Interest	14,295	49,227
Dividends	275,689	212,187
	<u>289,984</u>	<u>261,414</u>
Expenses		
Management fees	832,153	395,742
Custodial fees	28,608	26,005
Directors fees' of independent review committee	266	2,581
Audit fees	8,866	16,209
Legal fees	2,234	609
Rights and deposits	17,411	12,419
Securityholders' reporting costs	34,606	36,164
Fees paid by the manager	(19,145)	(35,171)
	<u>904,999</u>	<u>454,558</u>
Net investment loss	<u>(615,015)</u>	<u>(193,144)</u>
Net gains		
Net realized gains (losses) on sale of investments	705,823	(65,630)
Change in unrealized appreciation/depreciation on investments	5,395,352	5,338,804
	<u>6,101,175</u>	<u>5,273,174</u>
Increase in net assets from operations	<u>5,486,160</u>	<u>5,080,030</u>
Increase in net assets from operations per Series:		
Advisor Series	5,360,309	4,928,802
F Series	125,851	151,228
	<u>5,486,160</u>	<u>5,080,030</u>
Increase in net assets from operations per unit, per Series:		
Advisor Series	1.53	2.37
F Series	1.71	2.56

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

Meritage Canadian Equity Portfolio (continued)

FINANCIAL STATEMENTS

Statements of changes in net assets per Series for the years ended December 31

	Advisor Series		F Series	
	2010	2009	2010	2009
	\$	\$	\$	\$
Net assets, beginning of the year	27,257,779	12,123,173	731,068	389,598
Increase in net assets from operations	5,360,309	4,928,802	125,851	151,228
Capital unit transactions				
Units issued	16,163,145	12,092,773	545,764	445,000
Units redeemed	(5,679,874)	(1,886,969)	(576,781)	(254,758)
	10,483,271	10,205,804	(31,017)	190,242
Increase in net assets for the year	15,843,580	15,134,606	94,834	341,470
Net assets, end of the year	43,101,359	27,257,779	825,902	731,068

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

Meritage Global Equity Portfolio

INVESTMENT PORTFOLIO

as at December 31, 2010

	NUMBER OF UNITS	AVERAGE COST	FAIR VALUE
		\$	\$
MUTUAL FUNDS (100.22%)			
AGF Emerging Markets Fund	807,960	8,827,781	10,422,681
Capital International – Global Equity Fund	1,978,645	29,198,975	29,023,757
Mackenzie Cundill Value Fund	4,201,798	29,618,003	28,534,410
Mackenzie Ivy Foreign Equity Fund	3,197,888	25,693,093	27,844,011
		<u>93,337,852</u>	<u>95,824,859</u>
TOTAL INVESTMENTS (100.22%)		<u>93,337,852</u>	<u>95,824,859</u>
Cash And Other Net Assets (-0.22%)			<u>(209,918)</u>
NET ASSETS (100%)			<u>95,614,941</u>

* Average cost of investments as at December 31, 2009 is \$99,557,945.

CURRENCY RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding investments in foreign currencies	95,824,859	100.22%	90,490,800	100.18%

Based on the assumption that the Canadian dollar strengthened or weakened by 5% in relation to all other currencies, with all other variables held constant, net assets and results would have decreased or increased, respectively by approximately \$4,791,243 (\$4,524,540 in 2009).

PRICE RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding equities	95,824,859	100.22%	90,490,800	100.18%

Based on the assumption that equity prices had increased or decreased by 10%, all other variables held constant, net assets and results would have increased or decreased, respectively, by approximately \$9,582,486 (\$9,049,080 in 2009).

FAIR VALUE OF FINANCIAL INSTRUMENTS TABLE (note 4)

December 31, 2010	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	95,824,859	n/a	n/a	95,824,859

During the year ended December 31, 2010, there were no significant investment transfers between Level 1 and Level 2.

December 31, 2009	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	90,490,800	n/a	n/a	90,490,800

During the year ended December 31, 2009, there were no significant investment transfers between Level 1 and Level 2.

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

Meritage Global Equity Portfolio

FINANCIAL STATEMENTS

Statements of net assets as at December 31

	2010	2009
	\$	\$
Assets		
Investments, at fair value	95,824,859	90,490,800
Cash	59,761	-
Subscriptions receivable	145,302	71,388
Proceeds from sale of investments receivable	-	17,440
Other assets receivable	29,900	41,268
	<u>96,059,822</u>	<u>90,620,896</u>
Liabilities		
Bank overdraft	-	24,118
Redeemed units payable	184,542	18,115
Investments payable	44,158	47,568
Accrued expenses	216,181	201,618
	<u>444,881</u>	<u>291,419</u>
Net assets	<u>95,614,941</u>	<u>90,329,477</u>
Net assets per Series:		
Advisor Series	92,886,941	87,769,696
F Series	2,728,000	2,559,781
	<u>95,614,941</u>	<u>90,329,477</u>
Net assets per unit, per Series:		
Advisor Series	9.49	8.69
F Series	10.11	9.14

Approved on behalf of the Manager,
National Bank Securities Inc.
Charles Guay, Director
Éric Laflamme, Director

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

Meritage Global Equity Portfolio (continued)

FINANCIAL STATEMENTS

Statements of operations for the years ended December 31

	2010	2009
	\$	\$
Income		
Interest	290,425	508,059
Dividends	99,356	601,433
	<u>389,781</u>	<u>1,109,492</u>
Expenses		
Management fees	2,107,815	1,787,000
Custodial fees	35,364	35,185
Directors fees' of independent review committee	605	9,009
Audit fees	14,272	45,602
Legal fees	3,596	1,932
Rights and deposits	17,153	12,419
Securityholders' reporting costs	77,535	152,428
Fees paid by the manager	(32,475)	(64,036)
	<u>2,223,865</u>	<u>1,979,539</u>
Net investment loss	<u>(1,834,084)</u>	<u>(870,047)</u>
Net gains		
Net realized losses on sale of investments	(1,669,148)	(3,477,708)
Change in unrealized appreciation/depreciation on investments	11,554,153	16,579,523
	<u>9,885,005</u>	<u>13,101,815</u>
Increase in net assets from operations	<u>8,050,921</u>	<u>12,231,768</u>
Increase in net assets from operations per Series:		
Advisor Series	7,806,646	11,868,659
F Series	244,275	363,109
	<u>8,050,921</u>	<u>12,231,768</u>
Increase in net assets from operations per unit, per Series:		
Advisor Series	0.78	1.17
F Series	0.93	1.45

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

Meritage Global Equity Portfolio (continued)

FINANCIAL STATEMENTS

Statements of changes in net assets per Series for the years ended December 31

	Advisor Series		F Series	
	2010	2009	2010	2009
	\$	\$	\$	\$
Net assets, beginning of the year	87,769,696	77,140,791	2,559,781	1,769,353
Increase in net assets from operations	7,806,646	11,868,659	244,275	363,109
Capital unit transactions				
Units issued	15,736,619	10,880,599	727,260	963,159
Units redeemed	(18,426,020)	(12,120,353)	(803,316)	(535,840)
	(2,689,401)	(1,239,754)	(76,056)	427,319
Increase in net assets for the year	5,117,245	10,628,905	168,219	790,428
Net assets, end of the year	92,886,941	87,769,696	2,728,000	2,559,781

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

Meritage American Equity Portfolio

INVESTMENT PORTFOLIO

as at December 31, 2010

	NUMBER OF UNITS	AVERAGE COST	FAIR VALUE
		\$	\$
MUTUAL FUNDS (100.15%)			
CI American Small Companies Fund	49,917	542,043	619,972
Fidelity American Disciplined Equity Fund	155,151	1,709,911	1,785,442
McLean Budden American Equity Fund	56,163	1,731,865	1,720,626
RBC O'Shaughnessy U.S. Value Fund	203,924	1,751,156	1,801,424
		<u>5,734,975</u>	<u>5,927,464</u>
TOTAL INVESTMENTS (100.15%)		<u>5,734,975</u>	<u>5,927,464</u>
Cash And Other Net Assets (-0.15%)			<u>(9,031)</u>
NET ASSETS (100%)			<u>5,918,433</u>

* Average cost of investments as at December 31, 2009 is \$3,850,668.

CURRENCY RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding investments in foreign currencies	5,927,464	100.15%	3,501,529	100.17%

Based on the assumption that the Canadian dollar strengthened or weakened by 5% in relation to all other currencies, with all other variables held constant, net assets and results would have decreased or increased, respectively by approximately \$296,373 (\$175,076 in 2009).

PRICE RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding equities	5,927,464	100.15%	3,501,529	100.17%

Based on the assumption that equity prices had increased or decreased by 10%, all other variables held constant, net assets and results would have increased or decreased, respectively, by approximately \$592,746 (\$350,153 in 2009).

FAIR VALUE OF FINANCIAL INSTRUMENTS TABLE (note 4)

December 31, 2010	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	5,927,464	n/a	n/a	5,927,464

During the year ended December 31, 2010, there were no significant investment transfers between Level 1 and Level 2.

December 31, 2009	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	3,501,529	n/a	n/a	3,501,529

During the year ended December 31, 2009, there were no significant investment transfers between Level 1 and Level 2.

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

Meritage American Equity Portfolio

FINANCIAL STATEMENTS

Statements of net assets as at December 31

	2010	2009
	\$	\$
Assets		
Investments, at fair value	5,927,464	3,501,529
Cash	-	725
Subscriptions receivable	25	19,663
Proceeds from sale of investments receivable	8,117	52,718
Other assets receivable	2,574	1,548
	<u>5,938,180</u>	<u>3,576,183</u>
Liabilities		
Bank overdraft	5,838	-
Redeemed units payable	-	65,918
Investments payable	779	7,088
Accrued expenses	13,130	7,691
	<u>19,747</u>	<u>80,697</u>
Net assets	<u>5,918,433</u>	<u>3,495,486</u>
Net assets per Series:		
Advisor Series	5,894,231	3,456,032
F Series	24,202	39,454
	<u>5,918,433</u>	<u>3,495,486</u>
Net assets per unit, per Series:		
Advisor Series	7.38	6.79
F Series	7.65	6.95

Approved on behalf of the Manager,
National Bank Securities Inc.
Charles Guay, Director
Éric Laflamme, Director

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

Meritage American Equity Portfolio (continued)

FINANCIAL STATEMENTS

Statements of operations for the years ended December 31

	2010	2009
	\$	\$
Income		
Dividends	60,712	59,142
Expenses		
Management fees	102,551	58,663
Custodial fees	22,871	19,820
Directors fees' of independent review committee	109	674
Audit fees	5,889	7,750
Legal fees	1,484	309
Rights and deposits	14,977	12,419
Securityholders' reporting costs	14,778	10,443
Other expenses	217	139
Fees paid by the manager	(48,158)	(41,474)
	114,718	68,743
Net investment loss	(54,006)	(9,601)
Net gains		
Net realized losses on sale of investments	(53,443)	(167,734)
Change in unrealized appreciation/depreciation on investments	541,627	585,992
	488,184	418,258
Increase in net assets from operations	434,178	408,657
Increase (decrease) in net assets from operations per Series:		
Advisor Series	432,060	421,112
F Series	2,118	(12,455)
	434,178	408,657
Increase (decrease) in net assets from operations per unit, per Series:		
Advisor Series	0.63	0.90
F Series	0.59	(0.95)

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

Meritage American Equity Portfolio (continued)

FINANCIAL STATEMENTS

Statements of changes in net assets per Series for the years ended December 31

	Advisor Series		F Series	
	2010	2009	2010	2009
	\$	\$	\$	\$
Net assets, beginning of the year	3,456,032	2,468,076	39,454	120,219
Increase (decrease) in net assets from operations	432,060	421,112	2,118	(12,455)
Capital unit transactions				
Units issued	3,111,768	1,022,808	6,800	101,000
Units redeemed	(1,105,629)	(455,964)	(24,170)	(169,310)
	2,006,139	566,844	(17,370)	(68,310)
Increase (decrease) in net assets for the year	2,438,199	987,956	(15,252)	(80,765)
Net assets, end of the year	5,894,231	3,456,032	24,202	39,454

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

Meritage International Equity Portfolio

INVESTMENT PORTFOLIO

as at December 31, 2010

	NUMBER OF UNITS	AVERAGE COST	FAIR VALUE
		\$	\$
MUTUAL FUNDS (100.20%)			
AGF Emerging Markets Fund	47,063	468,691	607,107
AGF International Stock Class	136,359	1,841,060	1,693,575
Invesco International Growth Class	130,226	1,692,235	1,797,764
McLean Budden International Equity Fund	180,168	1,751,795	1,681,079
		<u>5,753,781</u>	<u>5,779,525</u>
TOTAL INVESTMENTS (100.20%)		<u>5,753,781</u>	<u>5,779,525</u>
Cash And Other Net Assets (-0.20%)			<u>(11,479)</u>
NET ASSETS (100%)			<u>5,768,046</u>

* Average cost of investments as at December 31, 2009 is \$4,302,882.

CURRENCY RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding investments in foreign currencies	5,779,525	100.20%	4,182,285	99.92%

Based on the assumption that the Canadian dollar strengthened or weakened by 5% in relation to all other currencies, with all other variables held constant, net assets and results would have decreased or increased, respectively by approximately \$288,976 (\$209,114 in 2009).

PRICE RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding equities	5,779,525	100.20%	4,182,285	99.92%

Based on the assumption that equity prices had increased or decreased by 10%, all other variables held constant, net assets and results would have increased or decreased, respectively, by approximately \$577,953 (\$418,229 in 2009).

FAIR VALUE OF FINANCIAL INSTRUMENTS TABLE (note 4)

December 31, 2010	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	5,779,525	n/a	n/a	5,779,525

During the year ended December 31, 2010, there were no significant investment transfers between Level 1 and Level 2.

December 31, 2009	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	4,182,285	n/a	n/a	4,182,285

During the year ended December 31, 2009, there were no significant investment transfers between Level 1 and Level 2.

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

Meritage International Equity Portfolio

FINANCIAL STATEMENTS

Statements of net assets as at December 31

	2010	2009
	\$	\$
Assets		
Investments, at fair value	5,779,525	4,182,285
Cash	2,275	4,694
Subscriptions receivable	-	13,100
Proceeds from sale of investments receivable	-	177
Other assets receivable	1,850	1,850
	<u>5,783,650</u>	<u>4,202,106</u>
Liabilities		
Investments payable	2,238	6,871
Accrued expenses	13,366	9,503
	<u>15,604</u>	<u>16,374</u>
Net assets	<u>5,768,046</u>	<u>4,185,732</u>
Net assets per Series:		
Advisor Series	5,547,161	4,078,782
F Series	220,885	106,950
	<u>5,768,046</u>	<u>4,185,732</u>
Net assets per unit, per Series:		
Advisor Series	8.00	8.03
F Series	8.35	8.26

Approved on behalf of the Manager,
National Bank Securities Inc.
Charles Guay, Director
Éric Laflamme, Director

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

Meritage International Equity Portfolio (continued)

FINANCIAL STATEMENTS

Statements of operations for the years ended December 31

	2010	2009
	\$	\$
Income		
Dividends	45,774	37,538
Expenses		
Management fees	116,925	69,658
Custodial fees	22,851	20,115
Directors fees' of independent review committee	108	641
Audit fees	5,914	7,613
Legal fees	1,490	308
Rights and deposits	14,977	12,419
Securityholders' reporting costs	14,579	10,029
Other expenses	224	176
Fees paid by the manager	(47,584)	(39,737)
	129,484	81,222
Net investment loss	(83,710)	(43,684)
Net gains		
Net realized losses on sale of investments	(36,493)	(197,240)
Change in unrealized appreciation/depreciation on investments	146,341	822,397
	109,848	625,157
Increase in net assets from operations	26,138	581,473
Increase in net assets from operations per Series:		
Advisor Series	21,594	580,706
F Series	4,544	767
	26,138	581,473
Increase in net assets from operations per unit, per Series:		
Advisor Series	0.03	1.35
F Series	0.16	0.04

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

Meritage International Equity Portfolio (continued)

FINANCIAL STATEMENTS

Statements of changes in net assets per Series for the years ended December 31

	Advisor Series		F Series	
	2010	2009	2010	2009
	\$	\$	\$	\$
Net assets, beginning of the year	4,078,782	2,733,068	106,950	134,868
Increase in net assets from operations	21,594	580,706	4,544	767
Capital unit transactions				
Units issued	2,369,245	1,241,095	181,680	241,535
Units redeemed	(922,460)	(476,087)	(72,289)	(270,220)
	1,446,785	765,008	109,391	(28,685)
Increase (decrease) in net assets for the year	1,468,379	1,345,714	113,935	(27,918)
Net assets, end of the year	5,547,161	4,078,782	220,885	106,950

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

Meritage Conservative Portfolio

INVESTMENT PORTFOLIO

as at December 31, 2010

	NUMBER OF UNITS	AVERAGE COST	FAIR VALUE
		\$	\$
MUTUAL FUNDS (100.04%)			
Beutel Goodman Income Fund	1,062,461	12,867,324	13,198,421
Capital International – Global Equity Fund	392,662	5,271,518	5,759,762
Dynamic Value Fund of Canada	598,080	5,850,817	6,435,342
Mackenzie Sentinel Corporate Bond Fund	594,632	4,981,486	5,548,924
TD Canadian Bond Fund	1,239,929	12,631,023	12,994,453
TD Real Return Bond Fund	254,131	2,577,309	2,800,527
TD Short Term Bond Fund	1,195,907	12,121,876	12,293,928
		<u>56,301,353</u>	<u>59,031,357</u>
TOTAL INVESTMENTS (100.04%)		<u>56,301,353</u>	<u>59,031,357</u>
Cash And Other Net Assets (-0.04%)			<u>(21,819)</u>
NET ASSETS (100%)			<u>59,009,538</u>

* Average cost of investments as at December 31, 2009 is \$37,230,415.

CURRENCY RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding investments in foreign currencies	5,759,762	9.76%	4,058,899	10.56%

Based on the assumption that the Canadian dollar strengthened or weakened by 5% in relation to all other currencies, with all other variables held constant, net assets and results would have decreased or increased, respectively by approximately \$287,988 (\$202,945 in 2009).

INTEREST RATE RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	INTEREST- BEARING INSTRUMENTS	NON INTEREST- BEARING INSTRUMENTS	INTEREST- BEARING INSTRUMENTS	NON INTEREST- BEARING INSTRUMENTS
	\$	\$	\$	\$
Investments	46,836,253	12,195,104	30,292,908	8,055,849

Based on the assumption that prevailing interest rates raised or lowered, a falling or a rising variation of the net assets and results would result.

PRICE RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding equities	12,195,104	20.67%	8,055,849	20.97%

Based on the assumption that equity prices had increased or decreased by 10%, all other variables held constant, net assets and results would have increased or decreased, respectively, by approximately \$1,219,510 (\$805,585 in 2009).

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

Meritage Conservative Portfolio (continued)

INVESTMENT PORTFOLIO

as at December 31, 2010

FAIR VALUE OF FINANCIAL INSTRUMENTS TABLE (note 4)

December 31, 2010	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	59,031,357	n/a	n/a	59,031,357

During the year ended December 31, 2010, there were no significant investment transfers between Level 1 and Level 2.

December 31, 2009	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	38,348,757	n/a	n/a	38,348,757

During the year ended December 31, 2009, there were no significant investment transfers between Level 1 and Level 2.

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

Meritage Conservative Portfolio

FINANCIAL STATEMENTS

Statements of net assets as at December 31

	2010	2009
	\$	\$
Assets		
Investments, at fair value	59,031,357	38,348,757
Cash	-	164,280
Subscriptions receivable	180,549	54,009
Proceeds from sale of investments receivable	26,378	16,681
Other assets receivable	14,905	13,477
	<u>59,253,189</u>	<u>38,597,204</u>
Liabilities		
Bank overdraft	47,957	-
Redeemed units payable	16,306	3,203
Investments payable	71,434	103,006
Accrued expenses	107,954	68,657
	<u>243,651</u>	<u>174,866</u>
Net assets	<u>59,009,538</u>	<u>38,422,338</u>
Net assets per Series:		
Advisor Series	57,592,462	37,632,846
F Series	1,417,076	789,492
	<u>59,009,538</u>	<u>38,422,338</u>
Net assets per unit, per Series:		
Advisor Series	10.72	10.27
F Series	10.47	10.03

Approved on behalf of the Manager,
National Bank Securities Inc.
Charles Guay, Director
Éric Laflamme, Director

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

Meritage Conservative Portfolio (continued)

FINANCIAL STATEMENTS

Statements of operations for the years ended December 31

	2010	2009
	\$	\$
Income		
Interest	1,820,747	1,140,192
Dividends	7,568	122,983
Other income	5,381	-
	<u>1,833,696</u>	<u>1,263,175</u>
Expenses		
Management fees	894,477	538,193
Custodial fees	47,391	44,768
Directors fees' of independent review committee	252	2,152
Audit fees	10,068	20,544
Legal fees	2,536	835
Rights and deposits	18,010	12,419
Securityholders' reporting costs	32,636	32,540
Fees paid by the manager	(12,161)	(24,544)
	<u>993,209</u>	<u>626,907</u>
Net investment income	<u>840,487</u>	<u>636,268</u>
Net gains		
Net realized gains on sale of investments	503,874	156,496
Change in unrealized appreciation/depreciation on investments	1,611,662	2,590,784
	<u>2,115,536</u>	<u>2,747,280</u>
Increase in net assets from operations	<u>2,956,023</u>	<u>3,383,548</u>
Increase in net assets from operations per Series:		
Advisor Series	2,867,894	3,370,710
F Series	88,129	12,838
	<u>2,956,023</u>	<u>3,383,548</u>
Increase in net assets from operations per unit, per Series:		
Advisor Series	0.63	1.08
F Series	0.71	0.86

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

Meritage Conservative Portfolio (continued)

FINANCIAL STATEMENTS

Statements of changes in net assets per Series for the years ended December 31

	Advisor Series		F Series	
	2010	2009	2010	2009
	\$	\$	\$	\$
Net assets, beginning of the year	37,632,846	26,320,445	789,492	48,233
Increase in net assets from operations	2,867,894	3,370,710	88,129	12,838
Capital unit transactions				
Units issued	26,214,117	14,153,680	765,968	729,149
Units issued on reinvestment of distributions	772,888	609,375	30,393	5,800
Units redeemed	(9,073,295)	(6,181,340)	(224,967)	-
	17,913,710	8,581,715	571,394	734,949
Distributions to investors				
Net investment income	821,988	640,024	31,939	6,528
Increase in net assets for the year	19,959,616	11,312,401	627,584	741,259
Net assets, end of the year	57,592,462	37,632,846	1,417,076	789,492

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

Meritage Moderate Portfolio

INVESTMENT PORTFOLIO

as at December 31, 2010

	NUMBER OF UNITS	AVERAGE COST	FAIR VALUE
		\$	\$
MUTUAL FUNDS (100.01%)			
Beutel Goodman Canadian Equity Fund	88,430	2,183,284	2,402,759
Beutel Goodman Income Fund	757,184	9,193,187	9,406,113
Capital International – Global Equity Fund	250,735	3,406,510	3,677,909
Dynamic Value Fund of Canada	362,092	3,545,675	3,896,107
Fidelity Canadian Disciplined Equity Fund	67,370	1,645,461	2,215,618
Mackenzie Cundill Value Fund	379,126	2,393,700	2,574,646
Mackenzie Ivy Foreign Equity Fund	277,108	2,235,946	2,412,777
Mackenzie Sentinel Corporate Bond Fund	483,488	4,102,750	4,511,763
TD Canadian Bond Fund	884,734	9,055,736	9,272,009
TD Real Return Bond Fund	205,026	2,095,341	2,259,381
TD Short Term Bond Fund	477,331	4,847,405	4,906,962
		<u>44,704,995</u>	<u>47,536,044</u>
TOTAL INVESTMENTS (100.01%)		<u>44,704,995</u>	<u>47,536,044</u>
Cash And Other Net Assets (-0.01%)			<u>(4,565)</u>
NET ASSETS (100%)			<u>47,531,479</u>

* Average cost of investments as at December 31, 2009 is \$28,756,791.

CURRENCY RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding investments in foreign currencies	8,665,332	18.23%	5,285,342	17.89%

Based on the assumption that the Canadian dollar strengthened or weakened by 5% in relation to all other currencies, with all other variables held constant, net assets and results would have decreased or increased, respectively by approximately \$433,267 (\$264,267 in 2009).

INTEREST RATE RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	INTEREST-BEARING INSTRUMENTS	NON INTEREST-BEARING INSTRUMENTS	INTEREST-BEARING INSTRUMENTS	NON INTEREST-BEARING INSTRUMENTS
	\$	\$	\$	\$
Investments	30,356,228	17,179,816	18,850,063	10,682,375

Based on the assumption that prevailing interest rates raised or lowered, a falling or a rising variation of the net assets and results would result.

PRICE RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding equities	17,179,816	36.14%	10,682,375	36.16%

Based on the assumption that equity prices had increased or decreased by 10%, all other variables held constant, net assets and results would have increased or decreased, respectively, by approximately \$1,717,982 (\$1,068,238 in 2009).

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

Meritage Moderate Portfolio (continued)

INVESTMENT PORTFOLIO

as at December 31, 2010

FAIR VALUE OF FINANCIAL INSTRUMENTS TABLE (note 4)

December 31, 2010

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	47,536,044	n/a	n/a	47,536,044

During the year ended December 31, 2010, there were no significant investment transfers between Level 1 and Level 2.

December 31, 2009

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	29,532,438	n/a	n/a	29,532,438

During the year ended December 31, 2009, there were no significant investment transfers between Level 1 and Level 2.

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

Meritage Moderate Portfolio

FINANCIAL STATEMENTS

Statements of net assets as at December 31

	2010	2009
	\$	\$
Assets		
Investments, at fair value	47,536,044	29,532,438
Subscriptions receivable	226,490	26,104
Proceeds from sale of investments receivable	2,703	34,730
Other assets receivable	11,828	9,389
	<u>47,777,065</u>	<u>29,602,661</u>
Liabilities		
Bank overdraft	14,741	5,671
Redeemed units payable	65,672	-
Investments payable	78,441	1,571
Accrued expenses	86,732	49,899
	<u>245,586</u>	<u>57,141</u>
Net assets	<u>47,531,479</u>	<u>29,545,520</u>
Net assets per Series:		
Advisor Series	46,584,344	29,095,946
F Series	947,135	449,574
	<u>47,531,479</u>	<u>29,545,520</u>
Net assets per unit, per Series:		
Advisor Series	10.84	10.20
F Series	10.86	10.20

Approved on behalf of the Manager,
National Bank Securities Inc.
Charles Guay, Director
Éric Laflamme, Director

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

Meritage Moderate Portfolio (continued)

FINANCIAL STATEMENTS

Statements of operations for the years ended December 31

	2010	2009
	\$	\$
Income		
Interest	1,179,660	653,031
Dividends	56,330	137,298
Other income	2,312	-
	<u>1,238,302</u>	<u>790,329</u>
Expenses		
Management fees	695,691	365,581
Custodial fees	67,297	63,658
Directors fees' of independent review committee	197	1,577
Audit fees	8,988	16,373
Legal fees	2,265	651
Rights and deposits	17,607	12,419
Securityholders' reporting costs	25,641	23,491
Fees paid by the manager	(51,396)	(60,772)
	<u>766,290</u>	<u>422,978</u>
Net investment income	<u>472,012</u>	<u>367,351</u>
Net gains		
Net realized gains on sale of investments	386,724	59,607
Change in unrealized appreciation/depreciation on investments	2,055,402	2,302,669
	<u>2,442,126</u>	<u>2,362,276</u>
Increase in net assets from operations	<u>2,914,138</u>	<u>2,729,627</u>
Increase in net assets from operations per Series:		
Advisor Series	2,854,449	2,676,566
F Series	59,689	53,061
	<u>2,914,138</u>	<u>2,729,627</u>
Increase in net assets from operations per unit, per Series:		
Advisor Series	0.80	1.25
F Series	0.93	1.40

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

Meritage Moderate Portfolio (continued)

FINANCIAL STATEMENTS

Statements of changes in net assets per Series for the years ended December 31

	Advisor Series		F Series	
	2010	2009	2010	2009
	\$	\$	\$	\$
Net assets, beginning of the year	29,095,946	17,992,567	449,574	221,346
Increase in net assets from operations	2,854,449	2,676,566	59,689	53,061
Capital unit transactions				
Units issued	19,627,183	11,634,614	442,392	214,053
Units issued on reinvestment of distributions	451,859	352,035	12,590	9,056
Units redeemed	(4,973,670)	(3,191,401)	(2,600)	(38,886)
	15,105,372	8,795,248	452,382	184,223
Distributions to investors				
Net investment income	471,423	368,435	14,510	9,056
Increase in net assets for the year	17,488,398	11,103,379	497,561	228,228
Net assets, end of the year	46,584,344	29,095,946	947,135	449,574

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

Meritage Balanced Portfolio

INVESTMENT PORTFOLIO

as at December 31, 2010

	NUMBER OF UNITS	AVERAGE COST	FAIR VALUE
		\$	\$
MUTUAL FUNDS (99.93%)			
AGF Emerging Markets Fund	783,149	8,670,992	10,102,625
Beutel Goodman Canadian Equity Fund	647,542	16,313,290	17,594,573
Beutel Goodman Income Fund	3,017,368	36,365,830	37,483,253
Capital International – Global Equity Fund	796,447	10,954,740	11,682,690
Dynamic Value Fund of Canada	1,087,526	10,634,380	11,701,783
Fidelity Canadian Disciplined Equity Fund	552,504	13,007,584	18,170,301
Mackenzie Cundill Value Fund	2,753,831	17,747,942	18,701,264
Mackenzie Ivy Foreign Equity Fund	1,914,198	15,470,053	16,666,918
Mackenzie Saxon Small Cap Fund	501,089	10,645,067	12,909,560
Mackenzie Sentinel Corporate Bond Fund	2,363,632	19,726,914	22,056,704
TD Canadian Bond Fund	3,546,312	36,183,431	37,165,347
TD Real Return Bond Fund	955,142	9,287,510	10,525,661
		<u>205,007,733</u>	<u>224,760,679</u>
TOTAL INVESTMENTS (99.93%)		<u>205,007,733</u>	<u>224,760,679</u>
Cash And Other Net Assets (0.07%)			<u>164,824</u>
NET ASSETS (100%)			<u>224,925,503</u>

* Average cost of investments as at December 31, 2009 is \$144,522,282.

CURRENCY RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding investments in foreign currencies	57,153,497	25.41%	37,537,509	25.49%

Based on the assumption that the Canadian dollar strengthened or weakened by 5% in relation to all other currencies, with all other variables held constant, net assets and results would have decreased or increased, respectively by approximately \$2,857,675 (\$1,876,875 in 2009).

INTEREST RATE RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	INTEREST- BEARING INSTRUMENTS	NON INTEREST- BEARING INSTRUMENTS	INTEREST- BEARING INSTRUMENTS	NON INTEREST- BEARING INSTRUMENTS
	\$	\$	\$	\$
Investments	107,230,965	117,529,714	70,816,011	76,379,551

Based on the assumption that prevailing interest rates raised or lowered, a falling or a rising variation of the net assets and results would result.

PRICE RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding equities	117,529,714	52.25%	76,379,551	51.86%

Based on the assumption that equity prices had increased or decreased by 10%, all other variables held constant, net assets and results would have increased or decreased, respectively, by approximately \$11,752,971 (\$7,637,955 in 2009).

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

Meritage Balanced Portfolio (continued)

INVESTMENT PORTFOLIO

as at December 31, 2010

FAIR VALUE OF FINANCIAL INSTRUMENTS TABLE (note 4)

December 31, 2010

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	224,760,679	n/a	n/a	224,760,679

During the year ended December 31, 2010, there were no significant investment transfers between Level 1 and Level 2.

December 31, 2009

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	147,195,562	n/a	n/a	147,195,562

During the year ended December 31, 2009, there were no significant investment transfers between Level 1 and Level 2.

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

Meritage Balanced Portfolio

FINANCIAL STATEMENTS

Statements of net assets as at December 31

	2010	2009
	\$	\$
Assets		
Investments, at fair value	224,760,679	147,195,562
Cash	372,143	236,797
Subscriptions receivable	542,991	547,701
Other assets receivable	112,118	55,895
	<u>225,787,931</u>	<u>148,035,955</u>
Liabilities		
Redeemed units payable	133,755	113,984
Investments payable	282,337	347,009
Accrued expenses	446,336	290,613
	<u>862,428</u>	<u>751,606</u>
Net assets	<u>224,925,503</u>	<u>147,284,349</u>
Net assets per Series:		
Advisor Series	221,579,080	146,084,327
F Series	3,346,423	1,200,022
	<u>224,925,503</u>	<u>147,284,349</u>
Net assets per unit, per Series:		
Advisor Series	10.93	9.95
F Series	11.07	10.05

Approved on behalf of the Manager,
National Bank Securities Inc.
Charles Guay, Director
Éric Laflamme, Director

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

Meritage Balanced Portfolio (continued)

FINANCIAL STATEMENTS

Statements of operations for the years ended December 31

	2010	2009
	\$	\$
Income		
Interest	4,588,741	2,582,013
Dividends	461,258	829,807
Other income	6,419	-
	<u>5,056,418</u>	<u>3,411,820</u>
Expenses		
Management fees	3,864,048	2,176,091
Custodial fees	91,449	82,294
Directors fees' of independent review committee	782	8,691
Audit fees	22,937	60,569
Legal fees	5,779	2,396
Rights and deposits	26,643	12,419
Securityholders' reporting costs	104,113	143,242
Fees paid by the manager	-	(3,708)
	<u>4,115,751</u>	<u>2,481,994</u>
Net investment income	<u>940,667</u>	<u>929,826</u>
Net gains		
Net realized gains (losses) on sale of investments	1,129,444	(186,677)
Change in unrealized appreciation/depreciation on investments	17,079,666	18,269,730
	<u>18,209,110</u>	<u>18,083,053</u>
Increase in net assets from operations	<u>19,149,777</u>	<u>19,012,879</u>
Increase in net assets from operations per Series:		
Advisor Series	18,886,941	18,897,245
F Series	262,836	115,634
	<u>19,149,777</u>	<u>19,012,879</u>
Increase in net assets from operations per unit, per Series:		
Advisor Series	1.07	1.58
F Series	1.25	1.62

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

Meritage Balanced Portfolio (continued)

FINANCIAL STATEMENTS

Statements of changes in net assets per Series for the years ended December 31

	Advisor Series		F Series	
	2010	2009	2010	2009
	\$	\$	\$	\$
Net assets, beginning of the year	146,084,327	94,443,661	1,200,022	494,014
Increase in net assets from operations	18,886,941	18,897,245	262,836	115,634
Capital unit transactions				
Units issued	82,823,381	47,191,657	2,251,128	696,302
Units issued on reinvestment of distributions	936,354	929,017	34,029	13,710
Units redeemed	(26,178,205)	(14,409,417)	(363,205)	(104,535)
	57,581,530	33,711,257	1,921,952	605,477
Distributions to investors				
Net investment income	973,718	967,836	38,387	15,103
Increase in net assets for the year	75,494,753	51,640,666	2,146,401	706,008
Net assets, end of the year	221,579,080	146,084,327	3,346,423	1,200,022

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

Meritage Growth Portfolio

INVESTMENT PORTFOLIO

as at December 31, 2010

	NUMBER OF UNITS	AVERAGE COST	FAIR VALUE
		\$	\$
MUTUAL FUNDS (100.09%)			
AGF Emerging Markets Fund	623,456	6,875,177	8,042,588
Beutel Goodman Canadian Equity Fund	460,949	11,623,843	12,524,597
Beutel Goodman Income Fund	1,123,845	13,518,129	13,960,969
Capital International – Global Equity Fund	425,946	5,976,250	6,247,991
Dynamic Value Fund of Canada	612,464	5,984,615	6,590,113
Fidelity Canadian Disciplined Equity Fund	393,359	9,120,389	12,936,478
Mackenzie Cundill Value Fund	1,966,186	12,825,852	13,352,367
Mackenzie Ivy Foreign Equity Fund	1,362,230	10,967,991	11,860,935
Mackenzie Saxon Small Cap Fund	402,223	8,699,630	10,362,476
Mackenzie Sentinel Corporate Bond Fund	1,258,617	10,436,451	11,745,035
TD Canadian Bond Fund	1,347,430	13,710,345	14,121,070
		<u>109,738,672</u>	<u>121,744,619</u>
TOTAL INVESTMENTS (100.09%)		<u>109,738,672</u>	<u>121,744,619</u>
Cash And Other Net Assets (-0.09%)			<u>(113,070)</u>
NET ASSETS (100%)			<u>121,631,549</u>

* Average cost of investments as at December 31, 2009 is \$90,374,779.

CURRENCY RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding investments in foreign currencies	39,503,881	32.48%	29,641,918	32.80%

Based on the assumption that the Canadian dollar strengthened or weakened by 5% in relation to all other currencies, with all other variables held constant, net assets and results would have decreased or increased, respectively by approximately \$1,975,194 (\$1,482,096 in 2009).

INTEREST RATE RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	INTEREST- BEARING INSTRUMENTS	NON INTEREST- BEARING INSTRUMENTS	INTEREST- BEARING INSTRUMENTS	NON INTEREST- BEARING INSTRUMENTS
	\$	\$	\$	\$
Investments	39,827,074	81,917,545	30,134,642	60,324,369

Based on the assumption that prevailing interest rates raised or lowered, a falling or a rising variation of the net assets and results would result.

PRICE RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding equities	81,917,545	67.35%	60,324,369	66.75%

Based on the assumption that equity prices had increased or decreased by 10%, all other variables held constant, net assets and results would have increased or decreased, respectively, by approximately \$8,191,755 (\$6,032,437 in 2009).

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

Meritage Growth Portfolio (continued)

INVESTMENT PORTFOLIO

as at December 31, 2010

FAIR VALUE OF FINANCIAL INSTRUMENTS TABLE (note 4)

December 31, 2010

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	121,744,619	n/a	n/a	121,744,619

During the year ended December 31, 2010, there were no significant investment transfers between Level 1 and Level 2.

December 31, 2009

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	90,459,011	n/a	n/a	90,459,011

During the year ended December 31, 2009, there were no significant investment transfers between Level 1 and Level 2.

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

Meritage Growth Portfolio

FINANCIAL STATEMENTS

Statements of net assets as at December 31

	2010	2009
	\$	\$
Assets		
Investments, at fair value	121,744,619	90,459,011
Cash	169,317	117,232
Subscriptions receivable	159,590	64,624
Proceeds from sale of investments receivable	-	71,369
Other assets receivable	46,242	33,468
	<u>122,119,768</u>	<u>90,745,704</u>
Liabilities		
Redeemed units payable	93,935	79,819
Investments payable	145,557	111,686
Accrued expenses	248,727	175,823
	<u>488,219</u>	<u>367,328</u>
Net assets	<u>121,631,549</u>	<u>90,378,376</u>
Net assets per Series:		
Advisor Series	120,031,293	89,764,781
F Series	1,600,256	613,595
	<u>121,631,549</u>	<u>90,378,376</u>
Net assets per unit, per Series:		
Advisor Series	10.77	9.62
F Series	11.07	9.79

Approved on behalf of the Manager,
National Bank Securities Inc.
Charles Guay, Director
Éric Laflamme, Director

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

Meritage Growth Portfolio (continued)

FINANCIAL STATEMENTS

Statements of operations for the years ended December 31

	2010	2009
	\$	\$
Income		
Interest	1,922,274	1,164,323
Dividends	331,431	585,206
	<u>2,253,705</u>	<u>1,749,529</u>
Expenses		
Management fees	2,189,457	1,270,089
Custodial fees	75,589	70,332
Directors fees' of independent review committee	520	6,084
Audit fees	15,393	39,235
Legal fees	3,878	1,525
Rights and deposits	22,183	12,419
Securityholders' reporting costs	66,468	91,091
Fees paid by the manager	(10,957)	(45,403)
	<u>2,362,531</u>	<u>1,445,372</u>
Net investment income (loss)	<u>(108,826)</u>	<u>304,157</u>
Net gains		
Net realized gains (losses) on sale of investments	446,056	(299,275)
Change in unrealized appreciation/depreciation on investments	11,921,715	12,920,336
	<u>12,367,771</u>	<u>12,621,061</u>
Increase in net assets from operations	<u>12,258,945</u>	<u>12,925,218</u>
Increase in net assets from operations per Series:		
Advisor Series	12,099,588	12,826,497
F Series	159,357	98,721
	<u>12,258,945</u>	<u>12,925,218</u>
Increase in net assets from operations per unit, per Series:		
Advisor Series	1.17	1.74
F Series	1.50	1.78

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

Meritage Growth Portfolio (continued)

FINANCIAL STATEMENTS

Statements of changes in net assets per Series for the years ended December 31

	Advisor Series		F Series	
	2010	2009	2010	2009
	\$	\$	\$	\$
Net assets, beginning of the year	89,764,781	54,281,808	613,595	525,106
Increase in net assets from operations	12,099,588	12,826,497	159,357	98,721
Capital unit transactions				
Units issued	36,239,307	30,513,449	979,476	135,923
Units issued on reinvestment of distributions	-	324,136	-	6,054
Units redeemed	(18,072,383)	(7,846,942)	(152,172)	(145,510)
	18,166,924	22,990,643	827,304	(3,533)
Distributions to investors				
Net investment income	-	334,167	-	6,699
Increase in net assets for the year	30,266,512	35,482,973	986,661	88,489
Net assets, end of the year	120,031,293	89,764,781	1,600,256	613,595

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

Meritage Equity Portfolio

INVESTMENT PORTFOLIO

as at December 31, 2010

	NUMBER OF UNITS	AVERAGE COST	FAIR VALUE
		\$	\$
MUTUAL FUNDS (100.08%)			
AGF Emerging Markets Fund	573,817	6,335,683	7,402,238
Beutel Goodman Canadian Equity Fund	318,397	8,006,597	8,651,268
Beutel Goodman Income Fund	284,791	3,429,049	3,537,822
Capital International – Global Equity Fund	588,461	8,262,806	8,631,833
Dynamic Value Fund of Canada	846,415	8,271,623	9,107,429
Fidelity Canadian Disciplined Equity Fund	271,816	6,296,663	8,939,281
Mackenzie Cundill Value Fund	1,358,523	8,821,411	9,225,729
Mackenzie Ivy Foreign Equity Fund	940,959	7,596,779	8,192,930
Mackenzie Saxon Small Cap Fund	370,659	8,021,288	9,549,297
Mackenzie Sentinel Corporate Bond Fund	869,135	7,224,077	8,110,511
TD Canadian Bond Fund	372,149	3,789,564	3,900,124
		<u>76,055,540</u>	<u>85,248,462</u>
TOTAL INVESTMENTS (100.08%)		<u>76,055,540</u>	<u>85,248,462</u>
Cash And Other Net Assets (-0.08%)			<u>(66,006)</u>
NET ASSETS (100%)			<u>85,182,456</u>

* Average cost of investments as at December 31, 2009 is \$61,979,871.

CURRENCY RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding investments in foreign currencies	33,452,730	39.27%	24,347,534	39.96%

Based on the assumption that the Canadian dollar strengthened or weakened by 5% in relation to all other currencies, with all other variables held constant, net assets and results would have decreased or increased, respectively by approximately \$1,672,637 (\$1,217,377 in 2009).

INTEREST RATE RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	INTEREST-BEARING INSTRUMENTS	NON INTEREST-BEARING INSTRUMENTS	INTEREST-BEARING INSTRUMENTS	NON INTEREST-BEARING INSTRUMENTS
	\$	\$	\$	\$
Investments	15,548,457	69,700,005	11,554,959	49,458,078

Based on the assumption that prevailing interest rates raised or lowered, a falling or a rising variation of the net assets and results would result.

PRICE RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding equities	69,700,005	81.82%	49,458,078	81.18%

Based on the assumption that equity prices had increased or decreased by 10%, all other variables held constant, net assets and results would have increased or decreased, respectively, by approximately \$6,970,001 (\$4,945,808 in 2009).

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

Meritage Equity Portfolio (continued)

INVESTMENT PORTFOLIO

as at December 31, 2010

FAIR VALUE OF FINANCIAL INSTRUMENTS TABLE (note 4)

December 31, 2010

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	85,248,462	n/a	n/a	85,248,462

During the year ended December 31, 2010, there were no significant investment transfers between Level 1 and Level 2.

December 31, 2009

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	61,013,037	n/a	n/a	61,013,037

During the year ended December 31, 2009, there were no significant investment transfers between Level 1 and Level 2.

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

Meritage Equity Portfolio

FINANCIAL STATEMENTS

Statements of net assets as at December 31

	2010	2009
	\$	\$
Assets		
Investments, at fair value	85,248,462	61,013,037
Cash	140,647	86,774
Subscriptions receivable	215,208	31,434
Other assets receivable	26,439	25,120
	<u>85,630,756</u>	<u>61,156,365</u>
Liabilities		
Redeemed units payable	28,508	19,122
Investments payable	225,617	83,322
Accrued expenses	194,175	131,742
	<u>448,300</u>	<u>234,186</u>
Net assets	<u>85,182,456</u>	<u>60,922,179</u>
Net assets per Series:		
Advisor Series	83,799,784	60,046,136
F Series	1,382,672	876,043
	<u>85,182,456</u>	<u>60,922,179</u>
Net assets per unit, per Series:		
Advisor Series	10.50	9.27
F Series	11.07	9.65

Approved on behalf of the Manager,
National Bank Securities Inc.
Charles Guay, Director
Éric Laflamme, Director

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

Meritage Equity Portfolio (continued)

FINANCIAL STATEMENTS

Statements of operations for the years ended December 31

	2010	2009
	\$	\$
Income		
Interest	916,355	543,268
Dividends	246,767	423,091
	<u>1,163,122</u>	<u>966,359</u>
Expenses		
Management fees	1,687,300	968,726
Custodial fees	71,365	67,388
Directors fees' of independent review committee	388	4,361
Audit fees	12,287	28,612
Legal fees	3,096	1,119
Rights and deposits	18,766	12,419
Securityholders' reporting costs	49,871	66,518
Fees paid by the manager	(37,136)	(54,541)
	<u>1,805,937</u>	<u>1,094,602</u>
Net investment loss	<u>(642,815)</u>	<u>(128,243)</u>
Net gains		
Net realized losses on sale of investments	(83,092)	(417,719)
Change in unrealized appreciation/depreciation on investments	10,159,756	10,744,690
	<u>10,076,664</u>	<u>10,326,971</u>
Increase in net assets from operations	<u>9,433,849</u>	<u>10,198,728</u>
Increase in net assets from operations per Series:		
Advisor Series	9,267,080	10,055,599
F Series	166,769	143,129
	<u>9,433,849</u>	<u>10,198,728</u>
Increase in net assets from operations per unit, per Series:		
Advisor Series	1.27	1.91
F Series	1.37	2.04

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

Meritage Equity Portfolio (continued)

FINANCIAL STATEMENTS

Statements of changes in net assets per Series for the years ended December 31

	Advisor Series		F Series	
	2010	2009	2010	2009
	\$	\$	\$	\$
Net assets, beginning of the year	60,046,136	36,069,679	876,043	469,976
Increase in net assets from operations	9,267,080	10,055,599	166,769	143,129
Capital unit transactions				
Units issued	24,855,079	19,328,768	749,492	306,318
Units redeemed	(10,368,511)	(5,407,910)	(409,632)	(43,380)
	14,486,568	13,920,858	339,860	262,938
Increase in net assets for the year	23,753,648	23,976,457	506,629	406,067
Net assets, end of the year	83,799,784	60,046,136	1,382,672	876,043

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

Meritage Conservative Income Portfolio

INVESTMENT PORTFOLIO

as at December 31, 2010

	NUMBER OF UNITS	AVERAGE COST	FAIR VALUE
		\$	\$
MUTUAL FUNDS (98.58%)			
Beutel Goodman Income Fund	2,467,495	29,986,637	30,652,456
CI Signature Dividend Fund	685,636	6,951,644	7,007,195
Dynamic Equity Income Fund	2,454,328	13,768,764	14,750,508
Mackenzie Sentinel Corporate Bond Fund	1,502,741	13,771,671	14,023,131
RBC Canadian Dividend Fund	147,439	6,588,341	7,036,421
TD Canadian Bond Fund	2,924,777	29,985,354	30,651,666
TD Real Return Bond Fund	638,365	6,562,815	7,034,776
TD Short Term Bond Fund	2,603,277	26,377,601	26,761,692
		<u>133,992,827</u>	<u>137,917,845</u>
TOTAL INVESTMENTS (98.58%)		<u>133,992,827</u>	<u>137,917,845</u>
Cash And Other Net Assets (1.42%)			<u>(200,396)</u>
NET ASSETS (100%)			<u>137,717,449</u>

* Average cost of investments as at December 31, 2009 is \$72,036,194.

INTEREST RATE RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	INTEREST- BEARING INSTRUMENTS	NON INTEREST- BEARING INSTRUMENTS	INTEREST- BEARING INSTRUMENTS	NON INTEREST- BEARING INSTRUMENTS
	\$	\$	\$	\$
Investments	109,123,721	28,794,124	64,541,296	7,635,046

Based on the assumption that prevailing interest rates raised or lowered, a falling or a rising variation of the net assets and results would result.

PRICE RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding equities	28,794,124	20.91%	7,635,046	10.61%

Based on the assumption that equity prices had increased or decreased by 10%, all other variables held constant, net assets and results would have increased or decreased, respectively, by approximately \$2,879,412 (\$763,505 in 2009).

FAIR VALUE OF FINANCIAL INSTRUMENTS TABLE (note 4)

December 31, 2010	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	137,917,845	n/a	n/a	137,917,845

During the year ended December 31, 2010, there were no significant investment transfers between Level 1 and Level 2.

December 31, 2009	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	72,176,342	n/a	n/a	72,176,342

During the year ended December 31, 2009, there were no significant investment transfers between Level 1 and Level 2.

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

Meritage Conservative Income Portfolio

FINANCIAL STATEMENTS

Statements of net assets as at December 31

	2010	2009
	\$	\$
Assets		
Investments, at fair value	137,917,845	72,176,342
Cash	183,508	-
Subscriptions receivable	2,240,026	211,828
Proceeds from sale of investments receivable	26,274	-
Other assets receivable	31,076	26,279
	<u>140,398,729</u>	<u>72,414,449</u>
Liabilities		
Bank overdraft	-	102,016
Redeemed units payable	34,869	120,209
Investments payable	2,412,581	76,244
Accrued expenses	233,830	130,923
	<u>2,681,280</u>	<u>429,392</u>
Net assets	<u>137,717,449</u>	<u>71,985,057</u>
Net assets per Series:		
Advisor Series	132,006,388	70,940,089
F Series	5,711,061	1,044,968
	<u>137,717,449</u>	<u>71,985,057</u>
Net assets per unit, per Series:		
Advisor Series	9.40	9.21
F Series	9.75	9.47

Approved on behalf of the Manager,
National Bank Securities Inc.
Charles Guay, Director
Éric Laflamme, Director

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

Meritage Conservative Income Portfolio (continued)

FINANCIAL STATEMENTS

Statements of operations for the years ended December 31

	2010	2009
	\$	\$
Income		
Interest	3,773,120	2,371,596
Dividends	869,968	632,576
Other income	660	-
	<u>4,643,748</u>	<u>3,004,172</u>
Expenses		
Management fees	1,786,608	1,043,509
Custodial fees	62,515	61,899
Directors fees' of independent review committee	381	3,569
Audit fees	14,740	33,842
Legal fees	3,714	1,390
Rights and deposits	18,490	12,419
Securityholders' reporting costs	48,624	64,586
Fees paid by the manager	(621)	(3,061)
	<u>1,934,451</u>	<u>1,218,153</u>
Net investment income	<u>2,709,297</u>	<u>1,786,019</u>
Net gains		
Net realized gains on sale of investments	427,542	252,104
Change in unrealized appreciation/depreciation on investments	3,784,870	5,741,021
	<u>4,212,412</u>	<u>5,993,125</u>
Increase in net assets from operations	<u>6,921,709</u>	<u>7,779,144</u>
Increase in net assets from operations per Series:		
Advisor Series	6,678,954	7,665,334
F Series	242,755	113,810
	<u>6,921,709</u>	<u>7,779,144</u>
Increase in net assets from operations per unit, per Series:		
Advisor Series	0.65	1.14
F Series	0.80	1.24

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

Meritage Conservative Income Portfolio (continued)

FINANCIAL STATEMENTS

Statements of changes in net assets per Series for the years ended December 31

	Advisor Series		F Series	
	2010	2009	2010	2009
	\$	\$	\$	\$
Net assets, beginning of the year	70,940,089	52,248,033	1,044,968	682,052
Increase in net assets from operations	6,678,954	7,665,334	242,755	113,810
Capital unit transactions				
Units issued	75,415,069	19,513,058	5,135,878	592,693
Units issued on reinvestment of distributions	3,362,660	2,278,483	111,171	28,902
Units redeemed	(19,597,417)	(7,463,129)	(676,549)	(327,237)
	59,180,312	14,328,412	4,570,500	294,358
Distributions to investors				
Net investment income	2,650,523	1,771,360	113,351	31,664
Net realized gains	-	384,613	-	5,250
Return of capital	2,142,444	1,145,717	33,811	8,338
	4,792,967	3,301,690	147,162	45,252
Increase in net assets for the year	61,066,299	18,692,056	4,666,093	362,916
Net assets, end of the year	132,006,388	70,940,089	5,711,061	1,044,968

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

Meritage Moderate Income Portfolio

INVESTMENT PORTFOLIO

as at December 31, 2010

	NUMBER OF UNITS	AVERAGE COST	FAIR VALUE
		\$	\$
MUTUAL FUNDS (100.06%)			
Beutel Goodman Income Fund	618,296	7,513,219	7,680,778
Capital International – Global Equity Fund	137,799	1,873,563	2,021,302
CI Signature Dividend Fund	385,239	3,891,859	3,937,143
Dynamic Equity Income Fund	690,583	3,894,098	4,150,406
Mackenzie Sentinel Corporate Bond Fund	423,285	3,885,599	3,949,970
RBC Canadian Dividend Fund	82,867	3,722,015	3,954,741
TD Canadian Bond Fund	732,893	7,509,907	7,680,714
TD Real Return Bond Fund	179,940	1,847,124	1,982,944
TD Short Term Bond Fund	366,734	3,715,917	3,770,027
		<u>37,853,301</u>	<u>39,128,025</u>
TOTAL INVESTMENTS (100.06%)		<u>37,853,301</u>	<u>39,128,025</u>
Cash And Other Net Assets (-0.06%)			<u>(23,327)</u>
NET ASSETS (100%)			<u>39,104,698</u>

* Average cost of investments as at December 31, 2009 is \$20,607,387.

CURRENCY RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding investments in foreign currencies	2,021,302	5.17%	1,049,809	5.16%

Based on the assumption that the Canadian dollar strengthened or weakened by 5% in relation to all other currencies, with all other variables held constant, net assets and results would have decreased or increased, respectively by approximately \$101,065 (\$52,490 in 2009).

INTEREST RATE RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	INTEREST- BEARING INSTRUMENTS	NON INTEREST- BEARING INSTRUMENTS	INTEREST- BEARING INSTRUMENTS	NON INTEREST- BEARING INSTRUMENTS
	\$	\$	\$	\$
Investments	25,064,433	14,063,592	16,159,071	4,199,928

Based on the assumption that prevailing interest rates raised or lowered, a falling or a rising variation of the net assets and results would result.

PRICE RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding equities	14,063,592	35.96%	4,199,928	20.66%

Based on the assumption that equity prices had increased or decreased by 10%, all other variables held constant, net assets and results would have increased or decreased, respectively, by approximately \$1,406,359 (\$419,993 in 2009).

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

Meritage Moderate Income Portfolio (continued)

INVESTMENT PORTFOLIO

as at December 31, 2010

FAIR VALUE OF FINANCIAL INSTRUMENTS TABLE (note 4)

December 31, 2010

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	39,128,025	n/a	n/a	39,128,025

During the year ended December 31, 2010, there were no significant investment transfers between Level 1 and Level 2.

December 31, 2009

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	20,358,999	n/a	n/a	20,358,999

During the year ended December 31, 2009, there were no significant investment transfers between Level 1 and Level 2.

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

Meritage Moderate Income Portfolio

FINANCIAL STATEMENTS

Statements of net assets as at December 31

	2010	2009
	\$	\$
Assets		
Investments, at fair value	39,128,025	20,358,999
Cash	18,962	-
Subscriptions receivable	78,803	19,434
Proceeds from sale of investments receivable	-	9,806
Other assets receivable	9,336	7,342
	<u>39,235,126</u>	<u>20,395,581</u>
Liabilities		
Bank overdraft	-	17,621
Redeemed units payable	20,884	2,905
Investments payable	40,355	10,300
Accrued expenses	69,189	36,535
	<u>130,428</u>	<u>67,361</u>
Net assets	<u>39,104,698</u>	<u>20,328,220</u>
Net assets per Series:		
Advisor Series	38,260,253	20,012,972
F Series	844,445	315,248
	<u>39,104,698</u>	<u>20,328,220</u>
Net assets per unit, per Series:		
Advisor Series	9.07	8.85
F Series	9.32	9.01

Approved on behalf of the Manager,
National Bank Securities Inc.
Charles Guay, Director
Éric Laflamme, Director

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

Meritage Moderate Income Portfolio (continued)

FINANCIAL STATEMENTS

Statements of operations for the years ended December 31

	2010	2009
	\$	\$
Income		
Interest	948,355	617,169
Dividends	326,667	244,927
	<u>1,275,022</u>	<u>862,096</u>
Expenses		
Management fees	507,145	293,900
Custodial fees	58,368	59,118
Directors fees' of independent review committee	167	1,241
Audit fees	8,093	13,977
Legal fees	2,039	574
Rights and deposits	15,475	12,419
Securityholders' reporting costs	21,932	19,720
Fees paid by the manager	(51,559)	(58,590)
	<u>561,660</u>	<u>342,359</u>
Net investment income	<u>713,362</u>	<u>519,737</u>
Net gains		
Net realized gains (losses) on sale of investments	113,418	(257,278)
Change in unrealized appreciation/depreciation on investments	1,523,112	2,332,789
	<u>1,636,530</u>	<u>2,075,511</u>
Increase in net assets from operations	<u>2,349,892</u>	<u>2,595,248</u>
Increase in net assets from operations per Series:		
Advisor Series	2,297,186	2,537,910
F Series	52,706	57,338
	<u>2,349,892</u>	<u>2,595,248</u>
Increase in net assets from operations per unit, per Series:		
Advisor Series	0.74	1.26
F Series	0.84	1.22

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

Meritage Moderate Income Portfolio (continued)

FINANCIAL STATEMENTS

Statements of changes in net assets per Series for the years ended December 31

	Advisor Series		F Series	
	2010	2009	2010	2009
	\$	\$	\$	\$
Net assets, beginning of the year	20,012,972	15,937,109	315,248	574,872
Increase in net assets from operations	2,297,186	2,537,910	52,706	57,338
Capital unit transactions				
Units issued	20,149,983	4,592,979	601,417	167,000
Units issued on reinvestment of distributions	1,028,539	573,870	7,941	5,721
Units redeemed	(3,694,876)	(2,728,963)	(101,298)	(468,762)
	17,483,646	2,437,886	508,060	(296,041)
Distributions to investors				
Net investment income	709,921	509,633	19,657	13,755
Return of capital	823,630	390,300	11,912	7,166
	1,533,551	899,933	31,569	20,921
Increase (decrease) in net assets for the year	18,247,281	4,075,863	529,197	(259,624)
Net assets, end of the year	38,260,253	20,012,972	844,445	315,248

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

Meritage Balanced Income Portfolio

INVESTMENT PORTFOLIO

as at December 31, 2010

	NUMBER OF UNITS	AVERAGE COST	FAIR VALUE
		\$	\$
MUTUAL FUNDS (99.95%)			
Beutel Goodman Income Fund	1,898,802	22,908,270	23,587,862
CI Signature Dividend Fund	2,024,537	20,758,168	20,690,770
Dynamic Equity Income Fund	3,645,972	20,616,686	21,912,294
Mackenzie Cundill Value Fund	1,031,789	6,663,129	7,006,878
Mackenzie Ivy Foreign Equity Fund	780,781	6,292,437	6,798,260
Mackenzie Sentinel Corporate Bond Fund	1,486,647	13,783,675	13,872,947
RBC Canadian Dividend Fund	290,667	13,156,923	13,871,841
TD Canadian Bond Fund	2,250,552	22,933,819	23,585,788
TD Real Return Bond Fund	632,381	6,452,650	6,968,840
		<u>133,565,757</u>	<u>138,295,480</u>
TOTAL INVESTMENTS (99.95%)		<u>133,565,757</u>	<u>138,295,480</u>
Cash And Other Net Assets (0.05%)			<u>74,081</u>
NET ASSETS (100%)			<u>138,369,561</u>

* Average cost of investments as at December 31, 2009 is \$84,485,733.

CURRENCY RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding investments in foreign currencies	13,805,138	9.98%	8,158,232	9.97%

Based on the assumption that the Canadian dollar strengthened or weakened by 5% in relation to all other currencies, with all other variables held constant, net assets and results would have decreased or increased, respectively by approximately \$690,257 (\$407,912 in 2009).

INTEREST RATE RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	INTEREST- BEARING INSTRUMENTS	NON INTEREST- BEARING INSTRUMENTS	INTEREST- BEARING INSTRUMENTS	NON INTEREST- BEARING INSTRUMENTS
	\$	\$	\$	\$
Investments	68,015,437	70,280,043	56,914,791	24,903,840

Based on the assumption that prevailing interest rates raised or lowered, a falling or a rising variation of the net assets and results would result.

PRICE RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding equities	70,280,043	50.79%	24,903,840	30.44%

Based on the assumption that equity prices had increased or decreased by 10%, all other variables held constant, net assets and results would have increased or decreased, respectively, by approximately \$7,028,004 (\$2,490,384 in 2009).

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

Meritage Balanced Income Portfolio (continued)

INVESTMENT PORTFOLIO

as at December 31, 2010

FAIR VALUE OF FINANCIAL INSTRUMENTS TABLE (note 4)

December 31, 2010

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	138,295,480	n/a	n/a	138,295,480

During the year ended December 31, 2010, there were no significant investment transfers between Level 1 and Level 2.

December 31, 2009

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	81,818,631	n/a	n/a	81,818,631

During the year ended December 31, 2009, there were no significant investment transfers between Level 1 and Level 2.

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

Meritage Balanced Income Portfolio

FINANCIAL STATEMENTS

Statements of net assets as at December 31

	2010	2009
	\$	\$
Assets		
Investments, at fair value	138,295,480	81,818,631
Subscriptions receivable	392,972	219,074
Proceeds from sale of investments receivable	266,518	31,236
Other assets receivable	36,776	32,704
	<u>138,991,746</u>	<u>82,101,645</u>
Liabilities		
Bank overdraft	235,683	97,773
Redeemed units payable	67,966	2,153
Investments payable	42,808	24,429
Accrued expenses	275,728	163,427
	<u>622,185</u>	<u>287,782</u>
Net assets	<u>138,369,561</u>	<u>81,813,863</u>
Net assets per Series:		
Advisor Series	135,043,026	81,024,001
F Series	3,326,535	789,862
	<u>138,369,561</u>	<u>81,813,863</u>
Net assets per unit, per Series:		
Advisor Series	8.79	8.53
F Series	9.26	8.87

Approved on behalf of the Manager,
National Bank Securities Inc.
Charles Guay, Director
Éric Laflamme, Director

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

Meritage Balanced Income Portfolio (continued)

FINANCIAL STATEMENTS

Statements of operations for the years ended December 31

	2010	2009
	\$	\$
Income		
Interest	2,937,949	2,051,425
Dividends	1,686,723	1,289,576
	<u>4,624,672</u>	<u>3,341,001</u>
Expenses		
Management fees	2,197,635	1,309,135
Custodial fees	68,576	67,951
Directors fees' of independent review committee	456	4,741
Audit fees	15,572	37,706
Legal fees	3,923	1,538
Rights and deposits	18,951	12,419
Securityholders' reporting costs	58,173	75,474
Fees paid by the manager	(5,723)	(10,794)
	<u>2,357,563</u>	<u>1,498,170</u>
Net investment income	<u>2,267,109</u>	<u>1,842,831</u>
Net gains		
Net realized gains (losses) on sale of investments	404,172	(389,000)
Change in unrealized appreciation/depreciation on investments	7,396,825	10,220,961
	<u>7,800,997</u>	<u>9,831,961</u>
Increase in net assets from operations	<u>10,068,106</u>	<u>11,674,792</u>
Increase in net assets from operations per Series:		
Advisor Series	9,879,311	11,550,962
F Series	188,795	123,830
	<u>10,068,106</u>	<u>11,674,792</u>
Increase in net assets from operations per unit, per Series:		
Advisor Series	0.81	1.38
F Series	1.00	1.61

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

Meritage Balanced Income Portfolio (continued)

FINANCIAL STATEMENTS

Statements of changes in net assets per Series for the years ended December 31

	Advisor Series		F Series	
	2010	2009	2010	2009
	\$	\$	\$	\$
Net assets, beginning of the year	81,024,001	60,276,737	789,862	378,346
Increase in net assets from operations	9,879,311	11,550,962	188,795	123,830
Capital unit transactions				
Units issued	61,636,150	18,676,563	2,804,248	457,396
Units issued on reinvestment of distributions	3,552,751	2,076,786	50,288	18,493
Units redeemed	(14,727,034)	(7,722,877)	(405,763)	(152,824)
	50,461,867	13,030,472	2,448,773	323,065
Distributions to investors				
Net investment income	2,265,251	1,837,506	57,902	24,366
Return of capital	4,056,902	1,996,664	42,993	11,013
	6,322,153	3,834,170	100,895	35,379
Increase in net assets for the year	54,019,025	20,747,264	2,536,673	411,516
Net assets, end of the year	135,043,026	81,024,001	3,326,535	789,862

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

Meritage Growth Income Portfolio

INVESTMENT PORTFOLIO

as at December 31, 2010

	NUMBER OF UNITS	AVERAGE COST	FAIR VALUE
		\$	\$
MUTUAL FUNDS (99.94%)			
Beutel Goodman Income Fund	329,881	4,001,756	4,097,949
Capital International – Global Equity Fund	117,659	1,602,835	1,725,875
CI Signature Dividend Fund	492,609	5,020,414	5,034,468
Dynamic Equity Income Fund	1,184,195	6,650,285	7,117,012
Mackenzie Cundill Value Fund	250,728	1,596,868	1,702,696
Mackenzie Ivy Foreign Equity Fund	189,975	1,526,991	1,654,116
Mackenzie Sentinel Corporate Bond Fund	361,724	3,325,347	3,375,501
RBC Canadian Dividend Fund	105,906	4,752,959	5,054,302
TD Canadian Bond Fund	391,041	4,001,193	4,098,111
		<u>32,478,648</u>	<u>33,860,030</u>
TOTAL INVESTMENTS (99.94%)		<u>32,478,648</u>	<u>33,860,030</u>
Cash And Other Net Assets (0.06%)			<u>19,280</u>
NET ASSETS (100%)			<u>33,879,310</u>

* Average cost of investments as at December 31, 2009 is \$19,325,601.

CURRENCY RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding investments in foreign currencies	5,082,687	15.00%	2,726,586	14.66%

Based on the assumption that the Canadian dollar strengthened or weakened by 5% in relation to all other currencies, with all other variables held constant, net assets and results would have decreased or increased, respectively by approximately \$254,134 (\$136,329 in 2009).

INTEREST RATE RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	INTEREST-BEARING INSTRUMENTS	NON INTEREST-BEARING INSTRUMENTS	INTEREST-BEARING INSTRUMENTS	NON INTEREST-BEARING INSTRUMENTS
	\$	\$	\$	\$
Investments	11,571,561	22,288,469	11,185,707	7,393,304

Based on the assumption that prevailing interest rates raised or lowered, a falling or a rising variation of the net assets and results would result.

PRICE RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding equities	22,288,469	65.79%	7,393,304	39.76%

Based on the assumption that equity prices had increased or decreased by 10%, all other variables held constant, net assets and results would have increased or decreased, respectively, by approximately \$2,228,847 (\$739,330 in 2009).

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

Meritage Growth Income Portfolio (continued)

INVESTMENT PORTFOLIO

as at December 31, 2010

FAIR VALUE OF FINANCIAL INSTRUMENTS TABLE (note 4)

December 31, 2010

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	33,860,030	n/a	n/a	33,860,030

During the year ended December 31, 2010, there were no significant investment transfers between Level 1 and Level 2.

December 31, 2009

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	18,579,011	n/a	n/a	18,579,011

During the year ended December 31, 2009, there were no significant investment transfers between Level 1 and Level 2.

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

Meritage Growth Income Portfolio

FINANCIAL STATEMENTS

Statements of net assets as at December 31

	2010	2009
	\$	\$
Assets		
Investments, at fair value	33,860,030	18,579,011
Subscriptions receivable	230,789	54,780
Proceeds from sale of investments receivable	-	18,046
Other assets receivable	9,063	7,270
	<u>34,099,882</u>	<u>18,659,107</u>
Liabilities		
Bank overdraft	55,085	25,628
Redeemed units payable	(4,055)	-
Investments payable	101,628	2,246
Accrued expenses	66,914	36,995
	<u>220,572</u>	<u>64,869</u>
Net assets	<u>33,879,310</u>	<u>18,594,238</u>
Net assets per Series:		
Advisor Series	32,404,068	18,285,823
F Series	1,475,242	308,415
	<u>33,879,310</u>	<u>18,594,238</u>
Net assets per unit, per Series:		
Advisor Series	8.44	8.14
F Series	8.84	8.42

Approved on behalf of the Manager,
National Bank Securities Inc.
Charles Guay, Director
Éric Laflamme, Director

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

Meritage Growth Income Portfolio (continued)

FINANCIAL STATEMENTS

Statements of operations for the years ended December 31

	2010	2009
	\$	\$
Income		
Interest	592,475	412,400
Dividends	529,914	337,305
	<u>1,122,389</u>	<u>749,705</u>
Expenses		
Management fees	531,674	278,576
Custodial fees	57,654	57,583
Directors fees' of independent review committee	171	1,255
Audit fees	7,905	13,117
Legal fees	1,991	521
Rights and deposits	15,003	12,419
Securityholders' reporting costs	22,464	19,175
Fees paid by the manager	(60,091)	(64,143)
	<u>576,771</u>	<u>318,503</u>
Net investment income	<u>545,618</u>	<u>431,202</u>
Net gains		
Net realized gains (losses) on sale of investments	116,831	(237,885)
Change in unrealized appreciation/depreciation on investments	2,127,972	2,670,072
	<u>2,244,803</u>	<u>2,432,187</u>
Increase in net assets from operations	<u>2,790,421</u>	<u>2,863,389</u>
Increase in net assets from operations per Series:		
Advisor Series	2,673,628	2,835,414
F Series	116,793	27,975
	<u>2,790,421</u>	<u>2,863,389</u>
Increase in net assets from operations per unit, per Series:		
Advisor Series	0.87	1.49
F Series	1.16	1.55

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

Meritage Growth Income Portfolio (continued)

FINANCIAL STATEMENTS

Statements of changes in net assets per Series for the years ended December 31

	Advisor Series		F Series	
	2010	2009	2010	2009
	\$	\$	\$	\$
Net assets, beginning of the year	18,285,823	12,592,744	308,415	108,078
Increase in net assets from operations	2,673,628	2,835,414	116,793	27,975
Capital unit transactions				
Units issued	14,650,062	4,936,114	1,277,813	191,000
Units issued on reinvestment of distributions	1,144,579	610,202	27,738	5,219
Units redeemed	(2,703,597)	(1,794,644)	(201,240)	(15,154)
	13,091,044	3,751,672	1,104,311	181,065
Distributions to investors				
Net investment income	531,974	430,808	28,447	6,203
Return of capital	1,114,453	463,199	25,830	2,500
	1,646,427	894,007	54,277	8,703
Increase in net assets for the year	14,118,245	5,693,079	1,166,827	200,337
Net assets, end of the year	32,404,068	18,285,823	1,475,242	308,415

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

Meritage Equity Income Portfolio

INVESTMENT PORTFOLIO

as at December 31, 2010

	NUMBER OF UNITS	AVERAGE COST	FAIR VALUE
		\$	\$
MUTUAL FUNDS (100.34%)			
AGF Emerging Markets Fund	185,278	2,051,222	2,390,082
Beutel Goodman Income Fund	172,765	2,069,409	2,146,175
Capital International – Global Equity Fund	153,419	2,125,481	2,250,432
CI Signature Dividend Fund	857,880	8,974,317	8,767,529
Dynamic Equity Income Fund	1,548,434	8,954,721	9,306,091
Mackenzie Cundill Value Fund	326,386	2,166,451	2,216,485
Mackenzie Ivy Foreign Equity Fund	247,950	2,012,104	2,158,898
Mackenzie Sentinel Corporate Bond Fund	473,324	4,404,839	4,416,922
RBC Canadian Dividend Fund	184,380	8,483,038	8,799,386
TD Canadian Bond Fund	204,803	2,089,927	2,146,336
		<u>43,331,509</u>	<u>44,598,336</u>
TOTAL INVESTMENTS (100.34%)		<u>43,331,509</u>	<u>44,598,336</u>
Cash And Other Net Assets (-0.34%)			<u>(152,472)</u>
NET ASSETS (100%)			<u>44,445,864</u>

* Average cost of investments as at December 31, 2009 is \$27,615,367.

CURRENCY RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding investments in foreign currencies	9,015,897	20.29%	5,138,311	20.49%

Based on the assumption that the Canadian dollar strengthened or weakened by 5% in relation to all other currencies, with all other variables held constant, net assets and results would have decreased or increased, respectively by approximately \$450,795 (\$256,916 in 2009).

INTEREST RATE RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	INTEREST- BEARING INSTRUMENTS	NON INTEREST- BEARING INSTRUMENTS	INTEREST- BEARING INSTRUMENTS	NON INTEREST- BEARING INSTRUMENTS
	\$	\$	\$	\$
Investments	8,709,433	35,888,903	12,412,928	12,616,957

Based on the assumption that prevailing interest rates raised or lowered, a falling or a rising variation of the net assets and results would result.

PRICE RISK (note 4)

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	FAIR VALUE	PERCENTAGE OF NET ASSETS	FAIR VALUE	PERCENTAGE OF NET ASSETS
	\$		\$	
Underlying funds holding equities	35,888,903	80.75%	12,616,957	50.31%

Based on the assumption that equity prices had increased or decreased by 10%, all other variables held constant, net assets and results would have increased or decreased, respectively, by approximately \$3,588,890 (\$1,261,696 in 2009).

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

Meritage Equity Income Portfolio (continued)

INVESTMENT PORTFOLIO

as at December 31, 2010

FAIR VALUE OF FINANCIAL INSTRUMENTS TABLE (note 4)

December 31, 2010

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	44,598,336	n/a	n/a	44,598,336

During the year ended December 31, 2010, there were no significant investment transfers between Level 1 and Level 2.

December 31, 2009

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$	\$	\$	\$
Investments in funds	25,029,885	n/a	n/a	25,029,885

During the year ended December 31, 2009, there were no significant investment transfers between Level 1 and Level 2.

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

Meritage Equity Income Portfolio

FINANCIAL STATEMENTS

Statements of net assets as at December 31

	2010	2009
	\$	\$
Assets		
Investments, at fair value	44,598,336	25,029,885
Cash	4,466	-
Subscriptions receivable	9,367	127,046
Proceeds from sale of investments receivable	71,165	14,900
Other assets receivable	13,400	11,266
	<u>44,696,734</u>	<u>25,183,097</u>
Liabilities		
Bank overdraft	-	42,658
Redeemed units payable	91,313	5,627
Investments payable	60,217	-
Accrued expenses	99,340	55,572
	<u>250,870</u>	<u>103,857</u>
Net assets	<u>44,445,864</u>	<u>25,079,240</u>
Net assets per Series:		
Advisor Series	43,617,242	24,772,279
F Series	828,622	306,961
	<u>44,445,864</u>	<u>25,079,240</u>
Net assets per unit, per Series:		
Advisor Series	7.85	7.51
F Series	8.35	7.86

Approved on behalf of the Manager,
National Bank Securities Inc.
Charles Guay, Director
Éric Laflamme, Director

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

Meritage Equity Income Portfolio (continued)

FINANCIAL STATEMENTS

Statements of operations for the years ended December 31

	2010	2009
	\$	\$
Income		
Interest	573,027	508,412
Dividends	815,873	588,338
	<u>1,388,900</u>	<u>1,096,750</u>
Expenses		
Management fees	805,306	473,078
Custodial fees	64,122	63,766
Directors fees' of independent review committee	195	1,735
Audit fees	8,743	16,086
Legal fees	2,203	668
Rights and deposits	14,977	12,419
Securityholders' reporting costs	25,407	28,924
Fees paid by the manager	(53,093)	(60,084)
	<u>867,860</u>	<u>536,592</u>
Net investment income	<u>521,040</u>	<u>560,158</u>
Net gains		
Net realized losses on sale of investments	(209,830)	(899,136)
Change in unrealized appreciation/depreciation on investments	3,852,309	5,243,518
	<u>3,642,479</u>	<u>4,344,382</u>
Increase in net assets from operations	<u>4,163,519</u>	<u>4,904,540</u>
Increase in net assets from operations per Series:		
Advisor Series	4,088,357	4,842,686
F Series	75,162	61,854
	<u>4,163,519</u>	<u>4,904,540</u>
Increase in net assets from operations per unit, per Series:		
Advisor Series	0.90	1.52
F Series	1.09	1.60

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

Meritage Equity Income Portfolio (continued)

FINANCIAL STATEMENTS

Statements of changes in net assets per Series for the years ended December 31

	Advisor Series		F Series	
	2010	2009	2010	2009
	\$	\$	\$	\$
Net assets, beginning of the year	24,772,279	20,505,690	306,961	295,028
Increase in net assets from operations	4,088,357	4,842,686	75,162	61,854
Capital unit transactions				
Units issued	19,975,060	3,361,001	631,903	48,000
Units issued on reinvestment of distributions	1,836,059	1,026,316	18,693	3,636
Units redeemed	(4,638,515)	(3,515,425)	(167,081)	(84,120)
	17,172,604	871,892	483,515	(32,484)
Distributions to investors				
Net investment income	482,884	554,860	14,006	10,370
Return of capital	1,933,114	893,129	23,010	7,067
	2,415,998	1,447,989	37,016	17,437
Increase in net assets for the year	18,844,963	4,266,589	521,661	11,933
Net assets, end of the year	43,617,242	24,772,279	828,622	306,961

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

Meritage Mutual Funds

NOTES TO THE FINANCIAL STATEMENTS

as at December 31, 2010

1. Governing statutes

The following are open-ended mutual fund trusts formed under the laws of the Province of Ontario by an instrument of trust on the following dates:

Meritage Canadian Equity Portfolio	September 25, 2006
Meritage Global Equity Portfolio	September 25, 2006
Meritage American Equity Portfolio	September 25, 2007
Meritage International Equity Portfolio	September 25, 2007
Meritage Conservative Portfolio	September 25, 2006
Meritage Moderate Portfolio	September 25, 2006
Meritage Balanced Portfolio	September 25, 2006
Meritage Growth Portfolio	September 25, 2006
Meritage Equity Portfolio	September 25, 2006
Meritage Conservative Income Portfolio	September 25, 2006
Meritage Moderate Income Portfolio	September 25, 2006
Meritage Balanced Income Portfolio	September 25, 2006
Meritage Growth Income Portfolio	September 25, 2006
Meritage Equity Income Portfolio	September 25, 2006

As of November 1, 2008, Altamira Investment Services Inc., until then manager of the Meritage Portfolios, has consolidated its activities with those of Altamira Financial Services Ltd. and National Bank Securities Inc., the manager of the National Bank Funds. The above-mentioned entities, are subsidiaries of the National Bank of Canada, were merged and the name of the resulting company is National Bank Securities Inc. Following said merger, which was approved by the competent authorities, National Bank Securities Inc. became manager and principal distributor of the Meritage Portfolios.

Collectively the mutual fund trusts are known as the Meritage Funds or the "Funds". The manager of the Funds, National Bank Securities Inc., and the trustee, Natcan Trust Company, are National Bank of Canada subsidiaries.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and with the Regulation 81-106 on continuous information.

The following is a summary of the significant accounting policies consistently applied by the Funds:

Investments

The units of underlying funds are valued at their last published price.

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 and dividend income is recorded on the ex-dividend date. Foreign revenue is presented net of the withholding taxes deducted by foreign countries. Gains or losses arising from the sale of investments and unrealized appreciation or depreciation on Investments are determined from the cost using the average cost basis.

The income, the realized and unrealized gains (losses) are divided between the two Series, to pro rata the net assets of each Series.

The method of dividing expenses is made directly between the funds and different series of the same funds. Specific expenses include the custodial fees and the rights and deposits.

The method of splitting common expenses to the various funds or all funds, as well as to different series, is calculated based on a percentage determined by the pro rata of the average net assets, of the number of unit holders of each fund, or series, and according to the total number of funds. Common expenses include the audit fees, legal fees and securityholders' reporting costs.

Financial instruments

The classification of financial assets and liabilities under Section 3862 is as follows:

- Investments, cash and bank overdrafts are classified as held for trading and accounted for at their fair value;
- Subscriptions receivable, proceeds from sale of investments receivable, interest and dividends receivable and other assets receivable are classified as loans and amounts receivable and are accounted for amortized cost;
- Redeemed units payable, investments payable, distributions payable and accrued expenses are classified as financial liabilities and are accounted for amortized cost.

Accounting estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and disclosed in the notes. These estimates, including the fair value of investments and accrued expenses, are based on management's best knowledge of current events and actions that the Funds may undertake in the future. Actual results may differ from these estimates.

Valuation of units

The net asset value of a unit of each Series within a fund is determined each business day when the Toronto Stock Exchange is open by dividing net assets at fair market value attributable to each series by the number of units outstanding for the corresponding series.

Canadian Securities Administration (CSA) made changes to their regulations that allow funds to adopt the provisions of Section 3855 without changing their method of calculating the transactional net asset value. Due to the nature of the investments held in the funds, the application of the modification to the accounting policy has no effect on the financial statements.

Increase in net assets from operations per unit

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 for the year, divided by the average number of units outstanding during the year.

Meritage Mutual Funds (continued)

NOTES TO THE FINANCIAL STATEMENTS

as at December 31, 2010

Distributions to unitholders

The net income and net realized capital gains of each of the Funds are distributed to unitholders of record of the relevant Fund according to the period specified in the following table:

	Distribution of Net Income	Distribution of Net Realized Capital Gains
Meritage Canadian Equity Portfolio	Annually	Annually
Meritage Global Equity Portfolio	Annually	Annually
Meritage American Equity Portfolio	Annually	Annually
Meritage International Equity Portfolio	Annually	Annually
Meritage Conservative Portfolio	Quarterly	Annually
Meritage Moderate Portfolio	Quarterly	Annually
Meritage Balanced Portfolio	Quarterly	Annually
Meritage Growth Portfolio	Quarterly	Annually
Meritage Equity Portfolio	Quarterly	Annually
Meritage Conservative Income Portfolio*	Monthly	Annually
Meritage Moderate Income Portfolio*	Monthly	Annually
Meritage Balanced Income Portfolio*	Monthly	Annually
Meritage Growth Income Portfolio*	Monthly	Annually
Meritage Equity Income Portfolio*	Monthly	Annually

* These Funds may also distribute return of capital on a monthly basis.

All annual distributions take place in December of each year.

3. Future Accounting Standards Changes

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 the Accounting Guideline AcG-18 "Investment Companies".

The deferral of the transition date to IFRS to January 1, 2013 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.

4. Risks associated with financial instruments

Investment activities of the Funds expose them to some financial risks. Meritage Portfolios are made up entirely of underlying funds, whose risks affect the Portfolios.

The Funds apply the requirements of Section 3862 of the Canadian Institute of Chartered Accountants ("CICA") Handbook on presenting information with respect to the nature and extent of risks arising from financial instruments and how the entity manages those risks. This accounting standard has no impact on the daily value of net assets of the Funds.

Currency risk

Changes in the value of the Canadian Dollar compared to currencies will affect the Canadian dollar value, of any foreign securities in an underlying fund. In order to quantify the currency risk, a table appears at the investment portfolio of each Fund holding underlying funds having a significant exposure to foreign currencies at the end of the period. Numbers shown include monetary and non-monetary instruments. In practice, actual results may differ from the analysis and the difference can be significant.

Credit risk

Credit risk is the risk that an agreement with the Fund is not respected by the counterparty of the financial instrument. The credit risk of the fund is derived primarily from debt securities. The fair value of investments represents the maximum credit risk of December 31, 2010. The fair value of a financial instrument reflects the creditworthiness and the credit rating of the issuer. The underlying funds are not rated, but the investments held by these Funds are rated.

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

Interest rate risk

Changes in market interest rates expose income securities, such as bonds, to interest rate risk. Underlying funds that hold income securities are exposed to this risk since changes in prevailing market interest rates will affect the value of income securities. In order to quantify the interest rate risk, a table appears at the investment portfolio of each Fund holding an underlying fund that has a significant exposure to interest rate risks at the end of the year. In practice, actual results may differ from this analysis and the difference can be significant.

Price risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. The underlying funds are exposed to market risk since all financial instruments held by the underlying funds are exposed to market risk and present a risk of loss of capital. Maximum risk resulting from financial instruments is equivalent to their fair value. In order to quantify the price risk, a table appears at the investment portfolio of each Fund holding underlying fund having a significant exposure to price risk at the end of the year. In practice, actual results may differ from this analysis and the difference can be significant.

Meritage Mutual Funds (continued)

NOTES TO THE FINANCIAL STATEMENTS

as at December 31, 2010

Liquidity risk

Liquidity risk is defined as the risk of an entity having difficulty meeting its obligations, making a commitment or suffering a financial loss to another party. The unitholders may redeem their units each evaluation day. In accordance with securities regulations, at least 90% of a portfolio should be composed of liquid investments traded on active markets and it should easily move away. The deadlines for financial liabilities remain below three months. The Funds maintain a level of cash and short-term investments to maintain sufficient liquidity.

Fair value of financial instruments

For the purposes of the presentation of information, the changes establish a hierarchy of assessments of fair value. This three-level hierarchy is established according to the transparency of data taken into account in assessing the fair value of assets and liabilities and is presented below:

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

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

Meritage Mutual Funds (continued)

NOTES TO THE FINANCIAL STATEMENTS

as at December 31, 2010

5. Units outstanding, units issued and redeemed

The number of outstanding units of Advisor Series and the number of issued and redeemed units of Advisor Series for the years ended 2010 and 2009 is indicated in the following table:

	Meritage Canadian Equity Portfolio		Meritage Global Equity Portfolio		Meritage American Equity Portfolio		Meritage International Equity Portfolio		Meritage Conservative Portfolio	
	Advisors Series		Advisors Series		Advisors Series		Advisors Series		Advisors Series	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Beginning balance of the year	2,839,919	1,650,303	10,094,734	10,272,441	508,688	412,555	508,215	409,722	3,664,281	2,804,831
Units issued	1,647,655	1,409,641	1,786,688	1,385,478	451,519	169,363	305,508	165,648	2,576,662	1,482,672
Units redeemed	(579,931)	(220,025)	(2,097,989)	(1,563,185)	(161,761)	(73,230)	(120,538)	(67,155)	(867,956)	(623,222)
Ending balance of the year	3,907,644	2,839,919	9,783,433	10,094,734	798,446	508,688	693,185	508,215	5,372,987	3,664,281

	Meritage Moderate Portfolio		Meritage Balanced Portfolio		Meritage Growth Portfolio		Meritage Equity Portfolio		Meritage Conservative Income Portfolio	
	Advisors Series		Advisors Series		Advisors Series		Advisors Series		Advisors Series	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Beginning balance of the year	2,851,577	1,978,199	14,678,243	11,193,211	9,332,015	6,855,985	6,478,113	4,869,421	7,701,214	6,103,608
Units issued	1,919,282	1,204,011	8,142,713	5,079,475	3,638,166	3,407,864	2,588,855	2,278,432	8,455,076	2,431,811
Units redeemed	(474,999)	(330,633)	(2,546,307)	(1,594,443)	(1,821,823)	(931,834)	(1,083,964)	(669,740)	(2,105,624)	(834,205)
Ending balance of the year	4,295,860	2,851,577	20,274,649	14,678,243	11,148,358	9,332,015	7,983,004	6,478,113	14,050,666	7,701,214

	Meritage Moderate Income Portfolio		Meritage Balanced Income Portfolio		Meritage Growth Income Portfolio		Meritage Equity Income Portfolio	
	Advisors Series		Advisors Series		Advisors Series		Advisors Series	
	2010	2009	2010	2009	2010	2009	2010	2009
Beginning balance of the year	2,262,200	1,989,692	9,501,588	7,918,670	2,245,945	1,763,729	3,300,471	3,192,805
Units issued	2,369,204	606,587	7,571,786	2,557,829	1,923,604	726,802	2,871,476	633,705
Units redeemed	(413,861)	(334,079)	(1,711,085)	(974,911)	(329,198)	(244,586)	(612,299)	(526,039)
Ending balance of the year	4,217,542	2,262,200	15,362,289	9,501,588	3,840,351	2,245,945	5,559,648	3,300,471

Meritage Mutual Funds (continued)

NOTES TO THE FINANCIAL STATEMENTS

as at December 31, 2010

Some funds offer units of the F Series. Which are only available to investors with a fixed fee account for dealers that have entered into an agreement regarding an F Series account with these funds. This has been described in the simplified prospectus of the funds. The number of outstanding units of the F Series and the number of issued and redeemed units of the F Series for the years ended 2010 and 2009 are indicated in the following table:

	Meritage Canadian Equity Portfolio		Meritage Global Equity Portfolio		Meritage American Equity Portfolio		Meritage International Equity Portfolio		Meritage Conservative Portfolio	
	F Series		F Series		F Series		F Series		F Series	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Beginning balance of the year	73,109	51,569	280,169	227,192	5,673	19,893	12,948	19,898	78,710	5,301
Units issued	54,280	52,346	76,556	118,403	948	17,504	22,641	37,172	78,243	73,409
Units redeemed	(56,453)	(30,806)	(86,839)	(65,426)	(3,459)	(31,724)	(9,121)	(44,122)	(21,552)	-
Ending balance of the year	70,936	73,109	269,886	280,169	3,163	5,673	26,468	12,948	135,401	78,710

	Meritage Moderate Portfolio		Meritage Balanced Portfolio		Meritage Growth Portfolio		Meritage Equity Portfolio		Meritage Conservative Income Portfolio	
	F Series		F Series		F Series		F Series		F Series	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Beginning balance of the year	44,064	24,368	119,458	58,244	62,697	65,536	90,786	61,761	110,325	78,197
Units issued	43,386	23,471	217,700	72,928	96,785	15,313	75,048	34,216	545,976	68,234
Units redeemed	(249)	(3,775)	(34,729)	(11,714)	(14,912)	(18,152)	(40,947)	(5,191)	(70,366)	(36,106)
Ending balance of the year	87,201	44,064	302,429	119,458	144,571	62,697	124,887	90,786	585,935	110,325

	Meritage Moderate Income Portfolio		Meritage Balanced Income Portfolio		Meritage Growth Income Portfolio		Meritage Equity Income Portfolio	
	F Series		F Series		F Series		F Series	
	2010	2009	2010	2009	2010	2009	2010	2009
Beginning balance of the year	34,993	71,079	89,032	48,373	36,641	14,814	39,062	44,570
Units issued	66,702	20,667	315,032	59,432	153,448	23,984	80,514	7,100
Units redeemed	(11,058)	(56,753)	(44,990)	(18,773)	(23,225)	(2,157)	(20,382)	(12,608)
Ending balance of the year	90,636	34,993	359,074	89,032	166,864	36,641	99,194	39,062

Meritage Mutual Funds (continued)

NOTES TO THE FINANCIAL STATEMENTS

as at December 31, 2010

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 Serie of every Fund pays management fees based on the average daily net asset value of each Fund for the year which are paid monthly to the manager. The maximum annual management fees for the Investor Series are indicated in the following table:

	Maximum
Meritage Canadian Equity Portfolio	2.25%
Meritage Global Equity Portfolio	2.25%
Meritage American Equity Portfolio	2.25%
Meritage International Equity Portfolio	2.25%
Meritage Conservative Portfolio	1.75%
Meritage Moderate Portfolio	1.75%
Meritage Balanced Portfolio	2.00%
Meritage Growth Portfolio	2.00%
Meritage Equity Portfolio	2.25%
Meritage Conservative Income Portfolio	1.75%
Meritage Moderate Income Portfolio	1.75%
Meritage Balanced Income Portfolio	2.00%
Meritage Growth Income Portfolio	2.00%
Meritage Equity Income Portfolio	2.25%

The maximum annual management fees for the F Series are indicated in the following table:

	Maximum
Meritage Canadian Equity Portfolio	1.00%
Meritage Global Equity Portfolio	1.00%
Meritage American Equity Portfolio	1.00%
Meritage International Equity Portfolio	1.00%
Meritage Conservative Portfolio	1.00%
Meritage Moderate Portfolio	1.00%
Meritage Balanced Portfolio	1.00%
Meritage Growth Portfolio	1.00%
Meritage Equity Portfolio	1.00%
Meritage Conservative Income Portfolio	1.00%
Meritage Moderate Income Portfolio	1.00%
Meritage Balanced Income Portfolio	1.00%
Meritage Growth Income Portfolio	1.00%
Meritage Equity Income Portfolio	1.00%

In addition to the management fee, the Funds are responsible for the payment of taxes to pertaining to the funds, brokerage commissions, and other expenses of buying and selling securities of the Funds' portfolios. The Funds are also responsible for the payment of all expenses relating to the operation of the Funds, including legal, audit, trustee, custodial and safekeeping fees, interest, operating and administrative costs (other than advertising and promotional expenses which are the responsibility of the Manager), investor servicing costs and costs of financial and other reports and prospectuses used by the Fund.

The Manager may also negotiate a lower management fee for institutional accounts or other large investors in certain of the Funds.

As the Funds invest 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 Fund. However, a Fund does not pay any management fees or incentive fees that, to a reasonable person, would duplicate a fee payable by an underlying fund of that Fund for the same service. In addition, a Fund does not pay any sales fees or redemption fees in relation to its purchases or redemptions of securities of an underlying fund that, to a reasonable person, would duplicate a fee payable by an investor in the Fund.

7. Trailer and sale charges

As the manager of the Funds, National Bank Securities Inc. pays trailing commissions to the brokers and assumes that the dealers will pay part of that commission to their registered representatives to compensate them for the services they provide their clients. These commissions represent a percentage of the average daily value of the units of each Portfolio held by a dealer's clients. The maximum trailing commission rates are indicated in Table 1 on p.75.

There are no trailer and sale charges paid to brokers for the F Series.

8. Income taxes

The Funds are qualified as mutual fund trusts under the *Income Tax Act* (Canada). Each trust distributes all of its net income and a sufficient portion of its net realized capital gains in order not to be subject to income taxes.

Under the *Income Tax Act* (Canada), mutual funds may claim a refund of the capital gains tax. A mathematical formula takes units redeemed during the year into account is utilized to maximize the claim in order to retain capital gains in the Funds and minimize income taxes payable by unitholders.

The taxation year for the Meritage portfolios ends December 15.

Certain Funds have accumulated capital losses that can be used to reduce capital gains in future years and accumulated non-capital losses that can be used to reduce capital gains or net income in future years as shown in Table 2 p.75

Non-capital losses can be carried forward for up to ten years and be deducted from future income or capital gains. Since 2006, the new losses can be carried forward for up to twenty years. The Funds' non-capital losses expire in 2028. Under the *Income Tax Act* (Canada), capital losses can be carried forward indefinitely and deducted from realized capital gains in subsequent years.

9. Capital Management

The Fund's capital corresponds to the net assets. The Fund's capital is managed in accordance with each of the Fund's investment objectives, policies, and restrictions, as outlined in the Fund's prospectus. Changes in the Fund's capital during the period are reflected in the Statements of Changes in Net Assets.

10. Statement of detailed portfolio movements

Unaudited statements of detailed portfolio movements of the Funds for the year ended December 31, 2010 may be obtained, without charge, by writing to National Bank Securities Inc.,

National Bank Securities Inc.
1100 University Street, 10th floor
Montreal, Quebec H3B 2G7

Meritage Mutual Funds (continued)

NOTES TO THE FINANCIAL STATEMENTS

as at December 31, 2010

Table 1: Advisor Series Units

Portfolio Category	Initial Sales Charge Option		Deferred Sales Charge Option		Low Load 2 Sales Charge Option		
	Commission (%)	Trailing Commission (%)	Commission (%)	Trailing Commission (%)	Commission (%)	Trailing Commission (%) (1-3 yrs)	Trailing Commission (%) (+3 yrs)
	Meritage Canadian Equity Portfolio	0 – 5.0	1.25	5.0	0.50	2.5	0.50
Meritage Global Equity Portfolio	0 – 5.0	1.25	5.0	0.50	2.5	0.50	1.00
Meritage American Equity Portfolio	0 – 5.0	1.25	5.0	0.50	2.5	0.50	1.00
Meritage International Equity Portfolio	0 – 5.0	1.25	5.0	0.50	2.5	0.50	1.00
Meritage Conservative Portfolio	0 – 5.0	0.75	5.0	0.25	2.5	0.25	0.75
Meritage Conservative Income Portfolio	0 – 5.0	0.75	5.0	0.25	2.5	0.25	0.75
Meritage Moderate Portfolio	0 – 5.0	1.00	5.0	0.50	2.5	0.50	1.00
Meritage Moderate Income Portfolio	0 – 5.0	1.00	5.0	0.50	2.5	0.50	1.00
Meritage Balanced Portfolio	0 – 5.0	1.00	5.0	0.50	2.5	0.50	1.00
Meritage Balanced Income Portfolio	0 – 5.0	1.00	5.0	0.50	2.5	0.50	1.00
Meritage Growth Portfolio	0 – 5.0	1.25	5.0	0.50	2.5	0.50	1.00
Meritage Growth Income Portfolio	0 – 5.0	1.25	5.0	0.50	2.5	0.50	1.00
Meritage Equity Portfolio	0 – 5.0	1.25	5.0	0.50	2.5	0.50	1.00
Meritage Equity Income Portfolio	0 – 5.0	1.25	5.0	0.50	2.5	0.50	1.00

Table 2: Losses carried forward

Portfolio Category	Capital Losses	Non-Capital Losses		Capital Losses	Non-Capital Losses	
	2010	2010	Maximum Due Date	2009	2009	Maximum Due Date
		\$	\$			
Canadian Equity Portfolio	1,843,822	436,252	2030	1,843,822	156,169	2029
Global Equity Portfolio	13,842,678	3,768,980	2030	12,300,134	1,942,084	2029
American Equity Portfolio	217,673	101,014	2030	217,673	58,005	2029
International Equity Portfolio	215,644	135,035	2030	215,644	63,016	2029
Conservative Portfolio	324,705	-	s.o.	346,824	-	n/a
Moderate Portfolio	477,757	-	s.o.	570,428	-	n/a
Balanced Portfolio	4,291,197	-	s.o.	4,291,197	-	n/a
Growth Portfolio	2,763,565	-	s.o.	2,763,565	-	n/a
Equity Portfolio	3,253,053	680,884	2029	3,013,254	65,343	2028
Conservative Income Portfolio	-	-	s.o.	-	-	n/a
Moderate Income Portfolio	235,478	-	s.o.	235,478	-	n/a
Balanced Income Portfolio	490,340	-	s.o.	490,340	-	n/a
Growth Income Portfolio	190,837	-	s.o.	190,837	-	n/a
Equity Income Portfolio	2,099,792	-	s.o.	1,789,960	-	n/a

Independent Auditor's Report

To the unitholders of:

Meritage Canadian Equity Portfolio	Meritage Growth Portfolio
Meritage Global Equity Portfolio	Meritage Equity Portfolio
Meritage American Equity Portfolio	Meritage Conservative Income Portfolio
Meritage International Equity Portfolio	Meritage Moderate Income Portfolio
Meritage Conservative Portfolio	Meritage Balanced Income Portfolio
Meritage Moderate Portfolio	Meritage Growth Income Portfolio
Meritage Balanced Portfolio	Meritage Equity Income Portfolio

Collectively called the "Funds".

We have audited the accompanying financial statements of the Funds which comprise the statements of net assets as at December 31, 2010 and 2009, the statements of operations and the statements of changes in net assets per Series for the years then ended, as well as the investment portfolios as at December 31, 2010 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Funds as at December 31, 2010 and 2009, and the results of their operations and changes in their net assets per Series for the years then ended in accordance with Canadian generally accepted accounting principles.

/S/ Samson Bélair/Deloitte & Touche s.e.n.c.r.l.¹

Montreal, Québec

March 11, 2011

¹ Chartered accountant auditor permit no. 8845



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