

Annual Management Report of Fund Performance as at September 30, 2011

This annual Management Report of Fund Performance contains financial highlights but does not contain either interim or annual financial statements of the investment fund. You can get a copy of the interim or annual financial statements at your request, and at no cost, by calling 1-888-809-3333, by writing us at Northwest & Ethical Investments L.P., 155 University Avenue Suite 400, Toronto, ON M5H 3B7 or by visiting our website at www.neinvestments.com or SEDAR at www.sedar.com.

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

Management Discussion of Performance

Investment Objective and Strategies

The Fund aims to increase the value of your investment over the long term, protect your original investment and provide a high degree of current income. It invests mostly in a mix of Canadian and US equities and fixed income investments.

Risk

The risks associated with investing in the Fund remain as discussed in the prospectus. This Fund is suitable for investors with a below average tolerance for risk. It is best suited to those seeking exposure to both fixed-income and equity securities.

Interest rate risk arises on interest-bearing financial instruments held in the portfolio. The fund is exposed to the risk that the value of the interest-bearing instrument will fluctuate due to prevailing levels of market interest rates. Over the past year, the Fund has mitigated interest rate risk by shortening term to maturity and duration for the portfolio. Interest Rate risk is expected to increase over the upcoming year as central banks around the world may start raising short term rates. The increases are not expected to be significant.

Currency risk arises from financial instruments that are denominated in a currency other than Canadian dollars, the Fund's functional currency, which causes the Fund to be exposed to fluctuations in exchange rates. The Canadian dollar has experienced considerable volatility over the past 12 months, relative to the Euro and US dollar currencies. Up until the end of August, the Canadian dollar generally appreciated against these and other currencies which has impacted the Fund's returns as the Fund does not currently hedge against foreign currency. Currency risk is quite significant, particularly as it pertains to the US dollar which is experiencing considerable volatility due to concerns about the strength of the US and other economies.

Equity Risk or volatility remains elevated as investors are concerned that corporate profits may disappoint and/or the possibility of another economic slowdown. Relative to fixed income, equity risk appears to be relatively low in that dividend yields and free cash flow yields look attractive as compared to fixed income investments. Foreign equity markets pose similar risks to domestic ones. Risks that the fund has been exposed to, by investing in foreign securities, have been mitigated by generally investing in larger and higher quality businesses, operating in developed countries.

Capital markets have been heavily influenced by macro- economic issues and not necessarily by company fundamentals and specific financial results. These influences include, but are not limited to, Sovereign debt concerns, Unemployment, Consumer debt levels and geo-political issues.

Results of Operations

The Ethical Balanced series A units returned -2.24% for the 12 months ended September 30, 2011, compared to the blended benchmark return of 0.07%. Unlike the Index return, the Fund's return is after the deduction of fees and expenses paid by the Fund. Fees and expenses are summarized in the Ratios and Supplemental Data section of this MRFP. Performance differences between series of units are mainly attributable to differences in the level of management fees charged to each series as noted in the Management Fee section of this MRFP.

The blended benchmark for this Fund is comprised of 40% S&P TSX, 35% Dex Universe, 25% MSCI World (Converted and reported in C\$). Refer to the Past Performance section for the details of returns by Series.

Yearly Comparison of Holdings

Comparison Period – September 2010 – September 2011

The following table summarizes material changes in individual securities, whereby materiality is defined as 1% of the current year NAV

Material Changes

Name	Change in NAV Ownership (%)
Bank of Montreal	1.74
Canada Housing Trust	19.86
Cash and Cash Equivalents	-1.37
Government of Canada	-1.74
Province of British Columbia	3.41
Province of Ontario	-2.00
RBC Capital Trust	1.05
Royal Bank of Canada	-1.45

New Positions

Name	% of Current Year NAV
Cenovus Energy	1.03

Exited Positions

Sell AUD/CAD-1.01469275103 Oct26/2010	Sell USD/CAD-0.97189758143 Nov16/2010	Sell USD/CAD-0.96711798839 Oct12/2010
Sell USD/CAD-0.96626759815 Nov15/2010	Nexen	MacDonald, Dettwiler and Associates
Infosys Technologies, ADR	Johnson Controls	Metso
Teva Pharmaceutical Industries, ADR	Equitable Trust	Manulife Financial Corporation
Lloyds Banking Group, ADR	ICICI Bank, ADR	DBS Group Holdings, ADR
Telecom Corporation of New Zealand, ADR	Sino-Forest	The Macerich Company
Pioneer Natural Resources	SanDisk Corporation	MAp Group
WPP, ADR	CI Financial	Scotiabank, initial rate (until 2013)
Sherritt International Corporation	M&T Bank Corporation	Banco Santander Central Hispano, ADR
Teekay Corporation	Emerson Electric Co.	CSX Corporation
Anadarko Petroleum Corporation	El Paso Natural Gas	TJX Companies
Broadcom Corporation	Koninklijke KPN	Procter & Gamble
Capital One Financial Corporation	Flughafen Wien	Brookfield Office Properties
RONA	Sherritt International Corporation	Marine Harvest
Sherritt International Corporation	NOVA Chemicals Corporation	Hess Corporation
Marathon Oil Corporation	North American Energy Partners, Series 1	

Factors That Have Affected Performance

During the twelve month period the Fund's asset mix has remained stable with a target 40% in Canadian equities, 25% to Global Equities, and 35% to Fixed Income. Guardian Capital's process in managing the Fund's asset mix is to systematically adjust the asset class weights once it has deviated from the target weight by more than 5%. Despite the volatility of the markets, no rebalancing of the portfolio occurred during the period.

In the Canadian equity portion of the Fund, the stock market in the last twelve months experienced the tail end of the rally coming out of the 2008 credit crisis with a peak in the market on April 5, 2011. Since that time, the S&P/TSX Composite Index has fallen 17.5%. The decline can be attributed to a number of factors that gained momentum in the spring and fully weighed on the markets in the summer months. These concerns included the slowing effect of natural disasters such as the Japanese Tsunami, evidence of a relative weak economy in the U.S., and the yet unsettled sovereign debt crisis in Europe but particularly

in Greece. For the twelve months, the S&P/TSX Composite Index declined 3.6% with the weakest sectors including Energy, Consumer Discretionary, and Information Technology.

Holdings sold from the portfolio include CI Financial, Manulife Financial, and Sino Forest. New holdings include: MEG Energy, Shawcor, and Magna International.

Similar to the Canadian markets, the global equity markets were rising until the end of March and have since corrected. As the contagion of worry progressed through the spring and summer months, the Manager observed that the markets were paying less attention to fundamental factors and resulted in a cascade of selling based on macro-based concerns. During this period the Manager avoided Europe (correctly) and did not hold any banking stocks in the region. Instead, the focus was on the Asian markets (excluding Japan). This strategy was successful; however, in the sell-off of August and September, the Asian markets were also weak and, as a result, the strategy did not protect as much value as was originally hoped for.

In reviewing the activity for the past year, the strategy in Global Equities was somewhat different before and after the market peak. As the market was rising, the Fund focused on companies that exhibited very strong earnings growth and improving fundamentals. Since the March and April period, the Manager began rotating the portfolio to stocks that are less sensitive to market volatility. In general, the companies purchased in the last six months can be characterized as modest-to-good growers and with very strong financial strength. The strategy has been to reduce the risk in the portfolio while still participating in the markets.

During the period, examples of stocks sold include: Emerson Electric, Sandisk, and Procter & Gamble, while added to the Fund include: Kimberly Clark, McDonalds, Coca-Cola, and Johnson & Johnson.

In the Fixed Income section, the strategy has been to maintain a very high quality portfolio and to increase yield by overweighting corporate and provincial bonds. While this strategy has and will continue to benefit the Fund, the growing worries about a U.S. recession and a Greek default has resulted in a 'flight to quality' during the Third Quarter. This quality preference resulted in the outperformance of Government of Canada bonds and U.S. Treasuries in particular – the Fund is underweight Government of Canada bonds. The net result was that the Fund's overweight holdings in corporate and provincial debt were a recent relative drag on returns. The Manager believes that the higher yield from these securities will add value over the long term. Similarly, the Manager has held a portion of the short term bonds in variable rate notes instead of fixed rate securities. This strategy will benefit the portfolio in the future when interest rates rise, but with the recent decline in rates, this strategy has been a temporary detractor to results. Finally, part of the Manager's strategy has been to overweight a combination of short and long term bonds in the Fund – known as a barbell strategy. As part of this strategy, the overweight in long term bonds added significant value to the Fund in the past six months.

Recent Developments

The major global markets all experienced a selloff in the third quarter after a sound first half of 2011 that saw many markets hit new highs in the economic recovery. As global markets remain correlated a number of macro events occurred in the quarter that stalled global recovery. Global fears escalated with government ability to cover debt played out across the globe. The U.S. saw its debt rating slide from AAA early in the quarter, and continued fears over Greece have investors worried about the health of the European banking system.

As the year has progressed high quality bonds have led the way. Uncertainty in the U.S. continues with the Standard & Poor's downgrade in August and concern on the ability for the government to fund deficits with a growing debt burden. Continued structural issues in the European Union remain a significant global risk. The large reliance of funding government deficits remains a longer term risk to interest rates.

Over the first 2 quarters of the year the North American Economy had shown signs of life. The Canadian economy showed stronger performance than the U.S. economy, but has suffered slightly due to the interdependencies of the two economies. The manufacturing sector looked surprisingly strong and U.S. housing seemed ready for a turnaround and for a brief moment in the spring, the labour market actually showed signs of life. In the three months to April, private employment growth turned in its best performance in half a decade. However during the 3rd quarter there have been shocks to the market with the ongoing political turmoil in the U.S. leading to a credit downgrade by S&P. These unexpected shocks and policymakers' response to them took have taken their toll and turned what early in the year appeared to be a year of respectable growth rate for 2011 now seems to be slow growth.

Financial Notes

HST

Following the introduction of a single harmonized tax "HST" levy and collection system on July 1st, 2010 Investment Funds had to change the way in which government taxes are charged to the Funds. The new rules require HST to be calculated and

charged based on a blended tax rate derived from the residency of the unitholders and the current value of their units. This blended rate is required to be calculated and updated periodically and the table below indicate the rate charged to the Fund for the relevant reporting period plus the established rate for the next 12 month period.

Ethical Balanced Fund

	12 Month Period Ending September 30, 2011	12 Month Period Ending September 30, 2012
Series A	9.13%	9.09%
Series F	6.90%	9.03%

On August 5th, 2011 a referendum in British Columbia was completed and the outcome is that the Province will dissolve the HST model and reinstate the provincial sales tax “PST” model. On September 30th, 2011 Quebec announced that it will move to a harmonized tax system “HST” to be implemented January 1st, 2013. Management will be monitoring the impact and timing of these announcements and will make the necessary changes to the way that HST is charged to the Funds.

Change to IFRS

The Canadian Accounting Standards Board (“AsSB”) of the Canadian Institute of Chartered Accountants (“CICA”) had planned to adopt International Financial Reporting Standards (“IFRS”), as published by the ACSB, effective January 1, 2011. In January 2011, the AsCB deferred the adoption of IFRS for investment companies, which include investment funds. Investment companies may continue to apply existing Generally Accepted Accounting Principals (“GAAP”) until fiscal years beginning on or after January 1, 2013. Northwest & Ethical Investments L.P (the “Manager”) has chosen to defer IFRS implementation until this date.

Currently the Manager has determined two areas that may be impacted in the conversion to IFRS 1) IAS 32, Financial Instruments: Presentation and 2) IAS 7 Statement of Cash Flows.

The Manager has currently determined that any required changes will not materially impact the Funds’ valuation processes, or the NAV per unit. However, this current determination is subject to change resulting from the further issuance of new standards or interpretations up to the conversion date.

Related Party Transactions

Northwest & Ethical Investments L.P “NEILP” is the Manager, the Trustee, the Portfolio Manager and the Registrar of the Fund. NEILP is 50% owned by the Federation des caisses Desjardins du Quebec (Federation) and 50% indirectly owned by seven Provincial Credit Union Centrals.

NEILP charges the Funds a fixed administration fee in place of certain variable expenses. NEILP in turn, pays all operating expenses of the Fund, other than specified fund costs (e.g. the fees and expense of the Independent Review Committee, taxes, and brokerage commissions) which include payments to related parties of which the Federation is a significant owner. These services are in the normal course of operations and are measured at an exchange amount that is consistent with other independent parties.

At the end of the period ended September 30, accrued expenses payable to related parties are \$627,185 (\$692,487 as at September 30, 2010).

The Funds sub advisors may place a portion of their portfolio transactions with brokerage firms which are affiliates of NEILP; provided that the affiliates trade execution abilities and costs are comparable to those of non-affiliated qualified brokerage firms.

The Fund is distributed through Credential Asset Management Inc., Credential Securities Inc., Desjardins Securities Inc., Desjardins Financial Services Firm Inc., Desjardins Financial Securities Investments Inc., and Gestions SFL Inc., and other nonrelated parties by way of shared ownership. NEILP pays to these parties distribution and servicing fees based on a percentage of the daily values of the units of each held by the dealer’s clients and additionally, in some cases, on the amount of initial purchase.

This document contains forward-looking statements. Such statements are generally identifiable by the terminology used, such as “plan”, “anticipate”, “intend”, “expect”, “estimate”, or other similar wording. These forward-looking statements are subject to known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such factors include, but are not limited to: general economic, market and business conditions; fluctuations in securities prices, fluctuation in interest rates and foreign currency exchange rates; and actions by governmental authorities. Future events and their effects on the fund may not be those anticipated by us. Actual results may differ materially from the results anticipated in these forward-looking statements. We do not undertake, and specifically disclaim, any obligation to update or revise any forward-looking information, whether as a result of new information, future developments or otherwise.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for each of the past five years, as applicable.

Net Assets per Unit⁽¹⁾ – Ethical Balanced Fund, Series A

	September 30 2011 (12 months) \$	September 30 2010 (12 months) \$	September 30 2009 (12 months) \$	September 30 2008* (9 months) \$	December 31 2007 (12 months) \$	December 31 2006 (12 months) \$
Net assets, beginning of period	16.79	17.07	16.99	19.11	19.14	17.37
Increase (decrease) from operations:						
Total revenue	0.61	0.54	0.58	0.48	0.55	0.49
Total expenses	(0.40)	(0.38)	(0.36)	(0.31)	(0.43)	(0.42)
Realized gains (losses)	0.18	0.27	(1.15)	(0.06)	1.09	0.71
Unrealized gains (losses)	(0.70)	0.32	1.25	-2.04	(0.64)	1.14
Commissions and other portfolio transaction costs	(0.01)	(0.01)	(0.01)	-	-	-
Total increase (decrease) from operations ⁽²⁾	(0.32)	0.74	0.31	(1.93)	0.57	1.92
Distributions:						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	0.21	0	0	0	0	0
From capital gains	-	-	-	-	0	0
Return of capital	0.81	1	-	-	-	-
Total Distributions ⁽³⁾	1.02	1	0	0	1	0
Net Assets, End of Period	15.43	16.79	17.07	16.99	19.11	19.14

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

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

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

Ratios and Supplemental Data – Ethical Balanced Fund, Series A

	September 30 2011 (12 months)	September 30 2010 (12 months)	September 30 2009 (12 months)	September 30 2008* (9 months)	December 31 2007 (12 months)	December 31 2006 (12 months)
Total net asset value (000's of \$)	317,244	358,040	318,258	323,397	372,356	388,466
Number of units outstanding**	20,516,146	21,306,593	18,609,764	19,040	19,480	20,297
Management expense ratio (%) ⁽¹⁾	2.28	2.28	2.31	2.25	2.19	2.32
Management expense ratio before waivers and absorptions (%)	2.28	2.28	2.32	2.25	2.19	2.32
Trading expense ratio (%) ⁽²⁾	0.09	0.08	0.08	0.05	0.03	0.04
Portfolio turnover rate (%) ⁽³⁾	448.31	53.16	52.55	31.76	50.95	43.32
Net asset value per unit (\$)	15.46	16.8	17.1	17	19.16	19.14

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

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

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

(4) **Prior to September 30, 2009, the comparative figures were presented in thousands

Financial Highlights

Net Assets per Unit⁽¹⁾ – Ethical Balanced Fund, Series F

	September 30 2011 (12 months) \$	September 30 2010 (12 months) \$	September 30 2009 (12 months) \$	September 30 2008* (9 months) \$	December 31 2007 (12 months) \$	December 31 2006** (6 months) \$
Net assets, beginning of period	9.34	9.37	9.31	10.48	11.08	10.04
Increase (decrease) from operations:						
Total revenue	0.33	0.3	0.32	0.26	0.26	0.06
Total expenses	(0.12)	(0.11)	(0.11)	(0.09)	(0.11)	(0.04)
Realized gains (losses)	0.17	0.14	(0.64)	(0.02)	0.73	0.6
Unrealized gains (losses)	(0.15)	0.43	1.07	-1.09	(0.79)	-0.58
Commissions and other portfolio transaction costs	(0.01)	(0.01)	(0.01)	-	-	-
Total increase (decrease) from operations ⁽²⁾	0.22	0.75	0.63	(0.94)	0.09	0.04
Distributions:						
From income (excluding dividends)	0.03	-	-	0	0	0
From dividends	0.18	0	0	0	1	0
From capital gains	-	-	-	-	-	-
Return of capital	0.33	0	-	-	-	-
Total Distributions ⁽³⁾	0.54	1	0	0	1	0
Net Assets, End of Period	8.71	9.34	9.37	9.31	10.48	11.08

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

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

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

Ratios and Supplemental Data – Ethical Balanced Fund, Series F

	September 30 2011 (12 months)	September 30 2010 (12 months)	September 30 2009 (12 months)	September 30 2008* (9 months)	December 31 2007 (12 months)	December 31 2006 (12 months)
Total net asset value (000's of \$)	972	1,952	147	102	70	45
Number of units outstanding***	111,360	208,794	15,679	11	7	4
Management expense ratio (%) ⁽¹⁾	1.23	1.23	1.24	1.22	1.21	1.35
Management expense ratio before waivers and absorptions (%)	1.23	1.23	1.25	4.58	11.32	1.35
Trading expense ratio (%) ⁽²⁾	0.16	0.08	0.08	0.05	0.03	0.04
Portfolio turnover rate (%) ⁽³⁾	448.31	53.16	52.55	31.76	50.95	43.32
Net asset value per unit (\$)	8.73	9.35	9.39	9.32	10.5	11.08

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

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

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

(4) **Prior to September 30, 2009, the comparative figures were presented in thousands

Financial Highlights

Net Assets per Unit⁽¹⁾ – Ethical Balanced Fund, Series I

	September 30 2011 (12 months) \$	September 30 2010 (12 months) \$	September 30 2009 (12 months) \$	September 30 2008* (9 months) \$	December 31 2007 (12 months) \$	December 31 2006 (12 months) \$
Net assets, beginning of period	11.55	11.06	10.97	12.35	12.17	10.99
Increase (decrease) from operations:						
Total revenue	0.45	0.36	0.38	0.31	0.37	0.31
Total expenses	-	-	-	(0.02)	(0.03)	(0.02)
Realized gains (losses)	0.06	0.18	(0.75)	(0.05)	0.7	0.46
Unrealized gains (losses)	(0.99)	0.35	1.37	-1.4	(0.49)	0.67
Commissions and other portfolio transaction costs	(0.01)	(0.01)	(0.01)	-	-	-
Total increase (decrease) from operations ⁽²⁾	(0.49)	0.88	0.99	(1.16)	0.55	1.42
Distributions:						
From income (excluding dividends)	0.14	-	-	0	0	0
From dividends	0.20	0	0	0	0	0
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
Total Distributions ⁽³⁾	0.34	0	0	0	0	0
Net Assets, End of Period	11.23	11.55	11.06	10.97	12.35	12.17

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

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

Ratios and Supplemental Data – Ethical Balanced Fund, Series I

	September 30 2011 (12 months)	September 30 2010 (12 months)	September 30 2009 (12 months)	September 30 2008* (9 months)	December 31 2007 (12 months)	December 31 2006 (12 months)
Total net asset value (000's of \$)	9,021	3,558	2,296	1,175	1,135	2,741
Number of units outstanding**	814,085	307,752	207,318	107	92	225
Management expense ratio (%) ⁽¹⁾⁽⁴⁾	N/A	N/A	N/A	0.2	0.89	0.90
Management expense ratio before waivers and absorptions (%) ⁽⁴⁾	N/A	N/A	N/A	0.48	0.91	0.96
Trading expense ratio (%) ⁽²⁾	0.13	0.08	0.08	0.05	0.03	0.04
Portfolio turnover rate (%) ⁽³⁾	448.31	53.16	52.55	31.76	50.95	43.32
Net asset value per unit (\$)	11.25	11.56	11.08	10.98	12.38	12.17

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

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

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

(4) **Prior to September 30, 2009, the comparative figures were presented in thousands

Management Fees

The Manager is responsible for the management, supervision and administration of the Fund. The Manager receives from the Fund management fees, before HST, calculated daily on the net asset value of the Fund at an annual rate of 1.75% for Series A units and 0.75% for Series F units.

The management fee covers the cost of investment advisory fees, sales, marketing, and distribution expenses of the Fund. In addition, the Manager pays a trailer fee to dealers out of this management fee. The trailer fee is a percentage of the average daily value of the units of the Fund held by the dealer's clients.

The following table shows the major services paid for out of management fees as a percentage of the management fee for Series A and Series F units:

	Management Fee	Investment Advisory and other	Trailer Fee
Series A	1.75%	42.5%	57.5%
Series F	0.75%	100%	N/A ⁽¹⁾

(1) No trailer fees are paid in respect of any Series F units of the Fund.

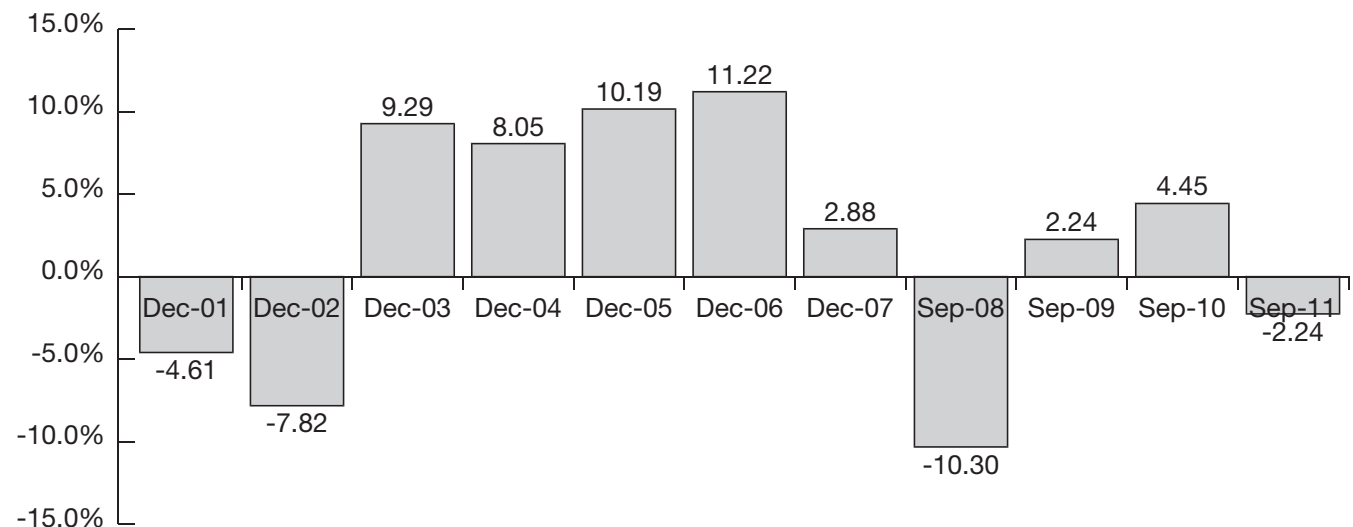
Past Performance

The following charts and tables show the past performance for each series of shares of the Fund and will not necessarily indicate how the Fund will perform in the future. The information shown assumes that distributions made by the Fund in the periods shown were reinvested in additional shares of the relevant series of the Fund. In addition, the information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance

The following charts show the annual performance for each series of units of the Fund for each year shown and illustrate how the Fund's performance has varied from year to year. The charts indicate how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.

Ethical Balanced Fund Series A

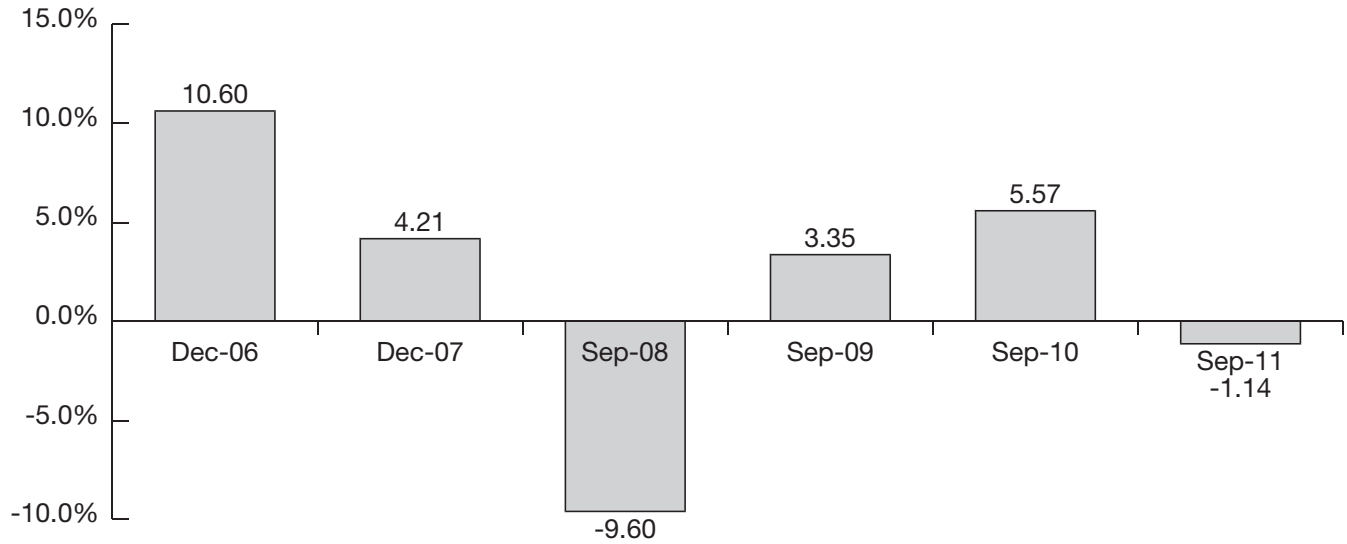
For the 12-month periods ended September 30 of each year.



The year-end date of this Fund was modified from December 31 to September 30 in 2008

Ethical Balanced Fund Series F

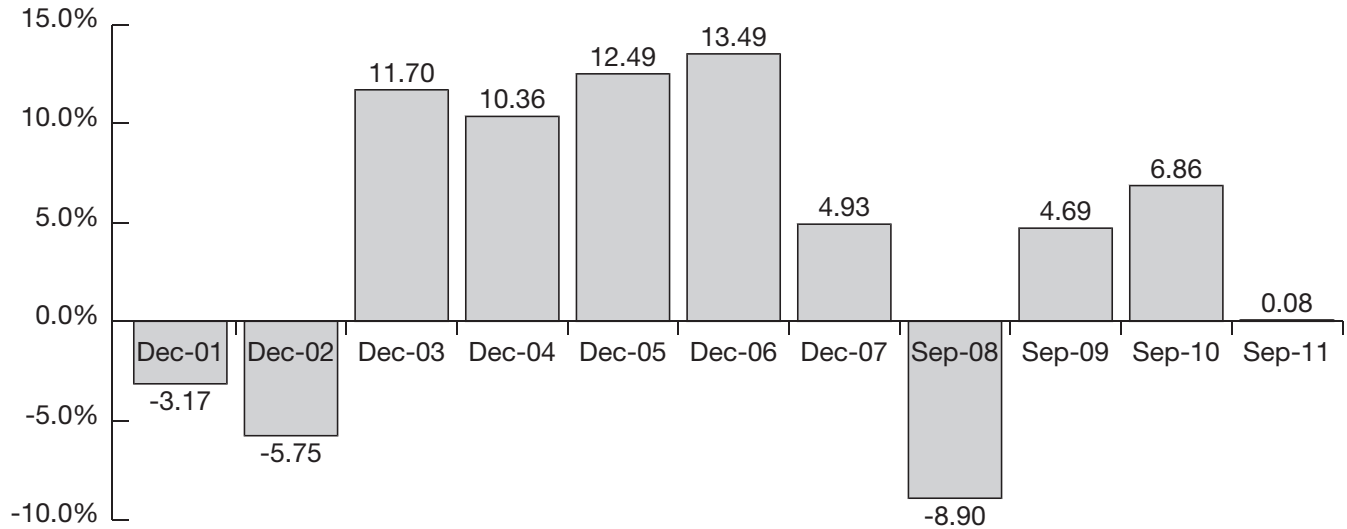
For the 12-month periods ended September 30 of each year.



The year-end date of this Fund was modified from December 31 to September 30 in 2008
From July 25, 2006

Ethical Balanced Fund Series I

For the 12-month periods ended September 30 of each year.



The year-end date of this Fund was modified from December 31 to September 30 in 2008

Annualized Compound Returns

The following table shows the annual compound returns for the Fund. All returns are in Canadian dollars, on a total return basis, net of all fees. For comparison, returns are included for the blended index, comprised of 35% Dex Universe Bond Index, 40% S&P/TSX Composite Total Return Index and 25% MSCI World Index ("Blended Index").

The DEX Universe Bond Index is designed to be a broad measure of the Canadian investment-grade fixed income market. Returns are calculated daily, and are weighted by market capitalization, so that the return on a bond influences the return on the index in proportion to the bond's market value.

The S&P/TSX Composite Total Return Index is a capitalization-weighted index that measures market activity of stocks traded on the Toronto Stock Exchange. The Index includes reinvestment of dividends and capital gains.

The MSCI World Index is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance.

While the Fund uses this benchmark for long-term performance comparisons, it is not managed relative to the composition of the Index. As a result, the Fund may experience periods when its performance is not aligned with the Index, either positively or negatively. Please see the "Results of Operations" section of this report for a discussion of recent performance results.

Group/Investment	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
Ethical Balanced	-2.24	1.44	0.66	3.16	
Ethical Balanced Class F	-1.14	2.55	1.81		2.27
Ethical Balanced Class I	0.08	3.84	2.91	5.43	
40% S&P TSX, 35% Dex Universe, 25% MSCI World	0.07	4.05	2.60	5.77	7.59
DEX Universe	6.66	8.10	6.08	6.48	8.40

Summary of Investment Portfolio as at September 30, 2011

Total Net Asset Value: \$346,403,039

Top 25 Positions(Long Positions)		%
1	Cash and Cash Equivalents	3.9
2	Canada Housing Trust	2.9
3	Province of Ontario	2.5
4	Suncor Energy	2.3
5	Royal Bank of Canada	2.1
6	Canada Housing Trust, floating rate Scotiabank, 4.990%, (floating rate from 2013-03-27), 2018-03-27	2.1
7	Royal Bank of Canada	2
8	Goldcorp	1.9
9	Barrick Gold Corporation	1.8
10	Enbridge	1.6
11	Province of British Columbia	1.6
12	Toronto-Dominion Bank	1.6
13	Canadian Natural Resources	1.6
14	Crescent Point Energy	1.5
15	Potash Corporation of Saskatchewan	1.5
16	407 International	1.5
17	Finning International	1.3
18	Canadian National Railway Company	1.3
19	Scotiabank	1.3
20	Cenovus Energy	1.2
21	Sun Life Financial	1.1
22	Research In Motion	1.1
23	Thomson Reuters Corporation	1.1
24	Canadian Imperial Bank of Commerce	1.1
25		44

* There is no short position in this Fund or underlying funds.

**This category includes all countries representing less than 5% of the Fund's net asset value.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the investment fund.

Net Asset Value Mix	%
Bond	31.7
Bond-CAD	31.1
Bond-CAD-Corporations	14.7
Bond-CAD-Gov't of Canada	8.4
Bond-CAD-Prov Gov't and Crown Corporations	8.0
Bond-USD	0.7
Cash and Cash Equivalents	3.9
Equity	64.4
Equities-Canadian	40.5
Equities-Foreign	13.7
Equities-U.S	10.2
	100.0

Sector Allocation	%
Financials	16.0
Corporations	14.7
Energy	13.8
Materials	10.0
Industrials	8.5
Government of Canada	8.4
Prov. Govern. and Crown Corp.	8.0
Consumer Discretionary	5.3
Cash and Cash Equivalents	3.9
Consumer Staples	3.4
Information Technology	3.1
Telecommunication Services	1.7
Health Care	1.6
Utilities	0.9
Foreign	0.7
	100.0

Geographic Distribution	%
Canada	71.5
Others	13.8
United States	10.8
Cash and Cash Equivalents	3.9
	100

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