Annual Management Report of Fund Performance as at September 30, 2010

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.northwestfunds.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 Portfolio's investment objective is to provide a blend of long term growth and income with a bias towards growth. The Portfolio invests in both Canadian and foreign equities and to a lesser extent fixed income instruments. The Portfolio has been professionally constructed using the principles of modern portfolio theory. The Funds chosen for the Portfolio have been predetermined based on their individual mandates, risk profile and what they contribute to the Portfolio's overall objective.

Risk

The risks associated with investing in the Portfolio remain as discussed in the prospectus. This Portfolio 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.

The Canadian dollar has experienced considerable volatility over the past year relative to the Euro and US Dollar currencies. Over the past 12 months the Canadian dollar has generally appreciated against these and other currencies. This volatility in exchange rates has impacted returns of the Portfolio as investments are held in these currencies and components of the Portfolio do not currently hedge foreign currency holdings. Currency risk is quite significant, particularly as it pertains to the US Dollar which is under pressure due to concerns about the strength of the US economy and balance sheet. However, this risk maybe reduced given the already enormous downward move in the US Dollar versus most major currencies. Earlier this year, fears of a European credit crisis depressed the value of the Euro.

Over the past year, the Portfolio has mitigated interest rate risk by shortening term to maturity for the fixed income investments. The shorter term protects the value of holdings if long term bond yields increase. Over the year, long term interest rates have declined substantially, increasing risk to long term bond holders. Interest Rate risk is not expected to be significant for the upcoming year as it is anticipated that central banks around the world will keep interest rates at today's low levels until well into 2011.

Over the period, there was no direct exposure to securities in developing or emerging markets. While foreign securities tend to move in concert with their Canadian industry peers, European securities experienced a significant decline earlier in the year. Generally, the fragile recovery of foreign economies has resulted in heightened levels of volatility in Europe. Careful analysis controls foreign security risk, which is not a material factor to this Portfolio.

The portfolio managers systematically reduced exposure to the most volatile securities and sectors of the market. Early in the period, this had an adverse affect on performance but has since benefitted investors by reducing stock market risk, especially in sectors that exhibited the highest volatility. Equity Risk or volatility remains elevated as investors are concerned that corporate profits may disappoint and/or the possibility of another economic slowdown.

Results of Operations

The inception date of the Portfolio was December 14, 2009. Historic performance reporting is not permitted until the Portfolio has at least 12 months of performance. Since its inception, the Portfolio has held a portfolio of Ethical Funds and third party mutual funds.

The blended benchmark is composed of a 60% weight in MSCI World Index, a 15% weight in the S&P/TSX and a 25% weight in DEX Universe Bond Index.

For the full 12 months the benchmark returned 5.10%. The DEX Universe Bond Index returned 7.33%, the S&P/TSX returned 11.6% and the MSCI World Index (C$) returned 2.54%.

Asset Allocation

Upon inception, on December 14, the asset mix of the Portfolio was established. Two funds from Phillips, Hager & North and one fund from Acuity were included, along with the Ethical Funds, to enhance the quality of the portfolio management. These were added in Canadian fixed income, Canadian equity and global equity asset classes. At the end of the period, the Ethical Select Canadian Growth Portfolio had a 25% target portfolio weight in Canadian equities, coming from the Acuity Clean Environment Fund, Ethical Canadian Dividend Fund and Ethical Growth Fund, and an 50% weight in global stocks, coming from the Ethical American Multi-Strategy Fund and Ethical International Equity Fund and PH&N Community Values Global Equity Fund. The 25% target weight invested in Canadian fixed income is allocated between the NEI Canadian Bond Fund and the PH&N Community Values Bond Fund.

There were two dominant themes in the bond market during the past twelve months: The shape of the yield curve and yield spreads on corporate (and provincial) bonds.

With regard to the yield curve, throughout the past twelve months the yield differential between short and long term rates was relatively high from a historic perspective – known as a steep yield curve. Short term rates have been kept low by the Bank of Canada and the US Federal Reserve as part of the stimulus strategy. For example, Canadian 90-day Treasury-Bill rate hit a low yield of 0.18% in March but has steadily risen to 1% at the end of September. By contrast, 10 year Government of Canada bonds yielded between 3.2% and 3.7% for most of the past 12 months, but in May began drifting lower and reached 2.8% at the end of September. The strategy in managing the portfolio during this period was based on the belief that the shape of the yield curve would return to a more normal shape (i.e. a lower difference in yield between short and longer term bonds). To add value, the manager favoured a combination of short and longer term bonds and underweighted mid-term bonds. Throughout most of the past twelve months, the yield curve remained relatively steep, however, late in the second quarter and into the third quarter, the parts of the curve flattened and the strategy added value to the Fund.

The second major issue affecting the market was corporate bond yields relative to that of government bonds – known as the yield spread. During the credit crisis of 2008, the yield spread on corporate bonds widened significantly as investors feared the worst. As the economy improved and credit conditions eased, the relative yield spread narrowed significantly. The portfolio strategy during this period, therefore, has been to remain slightly overweight in corporate bonds but to take some profits and to reduce the Fund’s exposure from its peak levels.

The last twelve months have been characterized by well-defined swings in global investor sentiment. Optimism fuelled strong market returns during the fourth quarter of 2009 and through much of the first quarter of 2010, as positive economic releases led investors to believe in the potential for a V-shaped recovery for the U.S. economy and a brighter outlook for the rest of the developed world. More negative economic releases into May and June of 2010, combined with sovereign debt concerns in Greece and fears of fiscal austerity plans, led to a dramatic swing in sentiment during the second quarter, with global stock markets taking a significant step backwards on fears of a double dip recession. While volatility remained during the third quarter of 2010, September was a strong month, particularly for foreign stock markets. Returns in the third quarter of 2010 helped push global market indices into positive territory on a calendar year-to-date basis. This seems to be have driven by a more benign soft landing scenario. This improved outlook reflects a resilient Chinese economy, slow (but positive) growth in developed economies and the expectation for a second.

Recent Developments

Since inception, strategic asset allocations have resulted in a portfolio that is well diversified and has appreciable exposure to both large and small capitalization Canadian companies; some of which are in the clean technology or energy sectors. As well, the addition of another quality bond fund gives more depth and diversification to the significant fixed income allocation in this Portfolio. The selection of funds should continue to protect investors in the event of correction and the exposure to high quality stocks should allow the Portfolio to participate in true market growth.

With respect to fixed income, North American monetary policy still remains extremely accommodative in the current environment. In the United States, depressed real estate, a highly indebted consumer combined with high unemployment, and credit conditions that are still tight for most consumers, has contributed to the consensus that near term economic growth will be restrained. In Canada, although there is still uncertainty as to the path and degree of the recovery, the Bank of Canada continues to have low absolute interest rate levels in place but higher interest rate levels relative to some other major economies. With Canada’s largest trading partner economically challenged, and excess capacity overhanging the Canadian economy, the Bank of Canada may pause in their current tightening campaign until some degree of clarity regarding the path of the recovery is evident. In real terms, short-term interest rates are still negative and the fixed income sub advisor expects the Bank of Canada to continue removing the excessive accommodation in monetary policy towards a more normal level.

For the immediate future the sub advisor of the fixed income portion of the portfolio sees the risk of required austerity reflected more in depreciating currency markets and a flight for safety into Canada and U.S. Government bonds. North American yield curves are still steep relative to historical, longer term, relationships and it is expected that these yield curves will flatten to a more normal slope.

Provincial issuance is expected to remain elevated as funding requirements for larger deficits continue. Relative to short-term and mid-term provincials, longer term provincials provide better value. As such the fund will continue to maintain an overweight in longer dated provincial issues.

The fixed income portion of the portfolio will continue to maintain an overweight position in high quality, liquid corporate relative to the benchmark index and will continue to adjust exposure as changes in spreads present opportunities.

The outlook for the economy is uncertain, as can be seen with the tug-of-war between inflation and deflation, soft-landing vs. double dip and other topics of frequent debate. Several factors are contributing to a cautious outlook, including high unemployment, talk of fiscal austerity and sovereign debt worries. However, corporate balance sheets are in good shape, which should lead to an improved outlook for dividend sustainability and dividend growth.

Despite the lack of clarity regarding the near-term direction of equity markets, current low interest rates make equities look attractive, as dividend yields exceed government bond yields in most countries with the added bonus of providing inflation protection in the long term, which bonds do not. In fact, the yield advantage over government bonds are at levels not seen in several decades.

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The economic and market turbulence of the past few years will likely cause investors to continue to gravitate towards stability and certainty of income. In the current low interest rate environment, those companies that can provide shareholders with stable or growing dividends while maintaining financial prudence will be viewed positively by the market place.

The global recovery appears to be entering a different phase. In developed economies, the sharp but temporary boost from inventory restocking is almost complete. In some countries, fiscal austerity is mounting, causing renewed economic headwinds. House and auto sales in North America remain well below previous peak levels, reflecting a reduced appetite for discretionary consumption despite near record low interest rates. Emerging economies have shown stronger growth than developed nations but this growth is now causing above average inflation. If recent inflationary trends in emerging markets continue, growth will need to slow. The contrasting growth dynamics at play in emerging versus developed nations underline how uneven the global recovery has been. This has the potential to increase tensions between countries as all countries cannot simultaneously export their way to growth. Monetary adjustments need to occur, either by way of currency adjustment or via inflationary and deflationary pressure. Sovereign credit risk, higher taxation and scaled down stimulus remain conceivable risks that may gain traction in the coming months.

Based on unitholder approval on October 23, 2009 the fund adopted fixed administration fees. Fixed administration fees provide clarity and stability in the pre-tax MER that unitholders pay.

Effective July 1st, 2010, a single harmonized tax “HST” levy and collection system was introduced to the Fund.

Investment funds, including those of Northwest and Ethical Investments, have 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 blended tax rated derived from the residency of the unitholders and the current value of their units.

Since the HST rates in many provinces are higher than the previous goods and services “GST” 5% tax rate (eg: Ontario HST rate of 13%) the impact on the fund is to absorb higher expenses. This change in government tax methodology directly impacts the final management expense ratio “MER” that is borne by each unitholder of each series of the Fund.

The following table illustrates the tax rates paid by each investor of the fund pre and post HST implementation.

Ethical Select Global Growth Portfolio

	Pre-HST EffectiveTax Rate	Post HST EffectiveTax Rate*
Series A	5.00%	9.09%

*The post HST effective rate will change over time based on the residency of unitholders and the current value of their units. This effective tax rate is calculated and updated annually.

International Financial Reporting Standards

In February 2008, the Canadian Institute of Chartered Accountants (“CICA”) announced that Canadian Generally Accepted Accounting Principals (the “GAAP”), for publically accountable enterprises, will be replaced by International Financial reporting Standards (“IFRS”) and it will apply to semi-annual and annual financial statements for fiscal years beginning on or after January 1, 2011.

In October 2010, the CICA amended the date of application of IFRS for investment companies that apply the accounting guideline on investment companies (AcG-18). Hence, IFRS will be adopted for interim and annual financial statements for periods beginning January 1, 2012.

Northwest and Ethical Investments L.P. (the “Manager”) monitors developments in the IFRS conversion program and, in particular, the key elements below:

- Changes in accounting policies;
- Impacts on information technology and data systems;
- Impacts on internal control over financial reporting;
- Impacts on disclosure controls and procedures;
- Impacts on expertise in financial reporting.

As of today, the Manager has completed the identification phase and the effects of conversion to IFRS standards.

The Manager established that conversion to the current IFRS will essentially change the following policies:

• Classification of Units:
According to current accounting policies (EIC-149, *Accounting for Retractable or Mandatory Shares*) units are presented to the unitholders’ equity.

In accordance with IAS 1, *Presentation of Financial Statements*, and IAS 32, *Financial Instruments: Presentation*, units will be classified as liabilities or as unitholders equity based on the units’ characteristics.

• Statement of Cash Flows:
According to current accounting policies (Section 1540, Cash Flow Statements), presentation of the Cash Flow Statement is not required when the cash flow information is readily apparent from other financial statements or is adequately disclosed in the Notes to the Financial Statements.

In accordance with IAS 7, *Statements of Cash Flows*, the presentation of the Statement of Cash Flows will be required for all entities.

A team was appointed to oversee the IFRS conversion project. Beginning in 2011, the team will start gathering comparative information as of March 31, 2012 in order to prepare for the semi-annual financial statements ending March 31, 2013 under Canadian GAAP and in accordance with IFRS standards.

Currently, the Manager has determined that the transition to IFRS will have no significant impact on the Funds’ NAV per unit.

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 Fédération des caisses Desjardins du Québec (“Fédération”) and 50% owned indirectly by seven Provincial Credit Union Centrals.

NEILP is the Manager of the Fund pursuant to the administration agreement. The Manager ensures the daily administration of the Fund. NEILP provides the Fund or makes sure the Fund is provided with all services (accounting, custody, portfolio management, record maintenance, transfer agent) required to function properly.

NEILP is also the Portfolio Manager of the Fund. NEILP’s fees are paid entirely out of the fees paid by the Fund for management and portfolio advisory services. The fees are presented in the “Management Fees” section.

Desjardins Trust Inc. is the custodian of the Fund. Desjardins Trust Inc. is a wholly-owned subsidiary of the Fédération, which is a 50% owner of NEILP. Before November 1, 2009, the custodian fees of Desjardins Trust Inc. were at the Funds’ expense. Since that date, the fees are at NEILP’s expense and are established based on market conditions.

Management, custodian and administrative fees presented in the Statement of Operations are incurred by the Fund with NEILP or with other companies of which Fédération is a significant owner. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

At the end of the period ended September 30, 2010, accrued expenses payable to related parties are $9,003.

During the period ended September 30, 2010, the Fund received $12,884 of interest, $7,275 of dividends and $242 of gains from the underlying funds managed by the Fund’s Manager.

The Fund is distributed through Credential Asset Management Inc., Credential Securities Inc., Desjardins Securities Inc., Desjardins Financial Services Firm Inc., Desjardins Financial Security Investments Inc. and

Gestions SFL Inc. and other non-related dealers. The named dealers are related to NEILP by way of shared ownership. NEILP pays to these related parties distribution and servicing fees based on a percentage of the average daily value of the units of each held by the dealer's clients and additionally, in some cases, on the amount of the 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 the last period.

Net Assets per Unit(1) - Ethical Select Global Growth Portfolio, Series A

	September 30 2010* (10 months) $
Net assets, beginning of period	**10.00**
Increase (decrease) from operations:	
Total revenue	**0.13**
Total expenses	**(0.21)**
Realized gains (losses)	**-**
Unrealized gains (losses)	**0.73**
Commissions and other portfolio transaction costs	**-**
Total increase (decrease) from operations(2)	**0.65**
Distributions:	
From income (excluding dividends)	**-**
From dividends	**-**
From capital gains	**-**
Return of capital	**0.65**
Total Distributions(3)	**0.65**
Net Assets, End of Period	**9.81**

*Beginning of operations in December 2009.

(1) This information is derived from the Fund's audited annual 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 Select Global Growth Portfolio, Series A

	September 30 2010* (10 months)
Total net asset value (000's of $)	**3,955**
Number of units outstanding	**403,332**
Management expense ratio (%)(1)	**2.67**
Management expense ratio before waivers and absorptions (%)	**2.67**
Trading expense ratio (%)(2)	**-**
Portfolio turnover rate (%)(3)	**1.78**
Net asset value per unit ($)	**9.81**

*Beginning of operations in December 2009.

(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.

Management Fees

The Manager is responsible for the management, supervision and administration of the Fund. The Manager receives from the Ethical Select Global Growth Portfolio management fees, before GST, calculated daily on the net asset value of the Fund at an annual rate of 2.00% for Series A units and 1.00% 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	2.00%	64.40%	35.60%
Series F	1.00%	100%	N/A[1]

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

Summary of Investment Portfolio as at September 30, 2010

Total Net Asset Value: $3,948,260

POSITIONS (long positions)* AND NET ASSET VALUE MIX		%
1	Ethical International Equity Fund, Series I	15.4
2	Ethical American Multi-Strategy Fund, Series I	15.3
3	NEI Canadian Bond Fund, Series I	13.8
4	PH&N Community Values Bond Fund, Series O	10.9
5	PH&N Community Values Global Equities Fund, Series O	10.1
6	Ethical Global Dividend Fund, Series I	10.1
7	Ethical Special Equity Fund, Series I	7.1
8	Acuity Clean Environment Equity Fund, Class I	6.1
9	Ethical Growth Fund, Series I	6.1
10	Ethical Canadian Dividend Fund, Series I	6.0
11	Cash and Cash Equivalents	-0.9
	Total	**100.0**

* There is no short position in this Fund.
The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the investment fund.
A quarterly update is available.

Prospectus and other information about the underlying investment funds are available on the Internet at www.ethicalfunds.com

NET ASSET VALUE MIX as at September 30, 2010	%
Cash and Cash Equivalents	**-0.9**
Investment Funds	**100.9**
Total Net Asset Value	**100.0**

SECTOR ALLOCATION as at September 30, 2010	%
Investment Funds	100.9
Cash and Cash Equivalents	-0.9
Total Net Asset Value	**100.0**

GEOGRAPHIC DISTRIBUTION as at September 30, 2010	%
Canada	100.9
Cash and Cash Equivalents	-0.9
Total Net Asset Value	**100.0**

Ethical Funds

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