



## Canadian Scholarship Trust **Family Savings Plan**

Audited Financial Statements and  
Management Report of Fund Performance

October 31, 2010 and 2009



Distributed by  
C.S.T. Consultants Inc.

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### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain portions of the Management Report of Fund Performance, including but not limited to, “Results of Operations” and “Recent Developments”, may contain forward-looking statements about the Plan, including its strategy, risks, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” and similar forward-looking expressions or negative versions thereof.

In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Plan action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Plan and economic factors. Accordingly, assumptions concerning future economic and other factors may prove to be incorrect at a future date.

Forward-looking statements are not guarantees of future performance, and actual events could differ materially from those expressed or implied in any forward-looking statements made by the Plan. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

It should be stressed that the above-mentioned list of important factors is not exhaustive. You are encouraged to consider these and other factors carefully before making any investment decisions and you are urged to avoid placing undue reliance on forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

# Management Report of Fund Performance

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Canadian Scholarship Trust – Family Savings Plan (“Plan”). A copy of the annual financial statements can be obtained on request, and at no cost, by visiting our website at [www.cst.org](http://www.cst.org) or SEDAR at [www.sedar.com](http://www.sedar.com), or by calling our customer service area at 1-877-333-7377, or by writing to us at 2225 Sheppard Avenue East, Suite 600, Toronto, Ontario M2J 5C2.

The Canadian Scholarship Trust Foundation, as the Plan sponsor, and C.S.T. Consultants Inc., as the Investment Fund Manager, view corporate governance and compliance as important contributors to overall corporate performance and long-term investment returns, and as such we support the proxy voting guidelines established by our investment managers. Investment restrictions contained in Canadian Securities Administration policy, as well as the Foundation’s investment policy, result in the Plan primarily investing in federal and provincial government fixed income securities. As a result, proxy voting is not applicable at this time.

## Investment Objective and Strategy

The Plan invests in a prudent manner, with the objective to protect your principal and deliver a positive return on your investment.

The Plan invests primarily in fixed income securities issued by the Canadian federal or provincial governments, as well as money market securities issued by Canadian chartered banks and federally or provincially licensed trust and loan companies.

McLean Budden Limited manages the Plan’s assets and focuses on strategies where value can be added on a sustainable basis while meeting the short to medium-term cash flow requirements of the Plan.

## Risk

The overall risk of the Plan remains as described in the prospectus. There were no material changes to the Plan over the financial year that affected the level of risk.

## Results of Operations

For 2010, the Plan’s rate of return, net of fees, was 1.6% compared to the investment policy benchmark (“benchmark”) return of 2.9% and the broad-based DEX Short-Term All Government Bond Index return of 3.9%. The DEX Short-Term All Government Bond Index measures Canadian investment grade fixed income securities with maturities from 1 to 5 years issued by the Government of Canada, including Crown Corporations and provincial governments. The Plan’s return is after the deduction of fees and expenses of 1.2%, while the benchmark and broad-based index returns do not include any costs of investing such as fees, expenses and commissions.

Given the structure of the Plan’s liabilities, the composition of the Plan’s assets are managed to meet the short-term cash flow requirements of plan holders. These requirements are over a shorter duration than the DEX Short-Term All Government Bond Index. As a result, the benchmark for this Plan is blended and comprised of 70% DEX Short-Term All Government Bond Index, and 30% DEX 91-Day Treasury Bill Index. The 91-Day Treasury Bill Index is based upon the average daily yield of 91-Day Treasury Bills. In comparison to the broad-based index, the Plan’s investment strategy requires a higher allocation of lower yielding money market securities to best meet its short-term obligations to plan holders.

Both federal and provincial government bonds posted strong gains throughout the year. Our investment managers took advantage of these market opportunities and maintained overweight positions in short and mid-term bonds versus money market securities. In particular, provincials and Crown Corporates have continued to outperform federal government bond issues as spreads steadily narrowed.

The Plan’s overall asset mix did not change significantly from the previous period, as assets are managed to meet short-term cash outflow requirements. At October 31, 2010, 30.3% of the Plan assets were invested in Cash and Money Market Securities and 69.7% in Short and Mid-Term Bonds.

In the early part of 2010, market optimism was very much on the rise. The U.S. reported a very strong 5% GDP number for the fourth quarter of 2009, while Canada posted a 6% GDP rate for the first quarter of 2010, and Chinese growth surged to 12%. However, the powerful rally in the stock and corporate credit markets lost momentum as investor confidence was dealt a serious blow in April 2010, when the sovereign debt crisis in Europe erupted. Fortunately, a financial crisis was defused when the European Economic and Monetary Union and the International Monetary Fund established a rescue package for troubled Eurozone members. This helped ease some financial market concerns about a double dip recession.

After navigating through the global recession in relatively good shape, Canada enjoyed a strong bounce back in the early stages of the recovery, which produced strong job gains and a decline in the unemployment rate. However, in the second quarter of 2010, Canada’s economy subsequently slowed to a relatively subdued growth rate of only 2.0%, caused by the deterioration in the U.S. outlook, a downswing in Canadian housing and nervousness about the ability of the global economy to weather the implementation of much needed fiscal tightening. Nonetheless, Canada remains a major supplier of needed commodities for nations like China and India, whose economies continue to expand.

## Recent Developments and Other Information

Recently, there have been signs of a change in sentiment, with investors appearing to embrace the idea that the global economy has built sufficient momentum to withstand the downward pressure of Europe’s sovereign debt crisis. Although doubts about the financial strength of some of the European members (such as Ireland and Spain) resurfaced at the end of the third quarter, there is no longer

an immediate threat that this crisis will shatter investor confidence. Global trade volumes have returned to pre-2008 crisis levels, and although there is a long way to go before the global economy is running smoothly, the risk of another dip into recession is no longer dominating market sentiment. A continued improvement in credit conditions in the U.S. and domestic household balance sheets should slowly begin to heal the wounds from the recession, but the recovery and eventual economic prosperity are likely to proceed at a pace of 1.5% to 2.5% per annum for a number of years.

Although Canada is one of the very few countries to recover virtually all of its production output and job losses after the recession, the economy slowed in the third quarter of 2010, with annualized growth dropping to 1.0%. The slowing pace of growth is expected to be short lived with the economy forecast to accelerate in the fourth quarter and throughout 2011, though at a somewhat slower pace than previously expected.

With central banks pledging to do whatever is necessary to keep the global recovery on track, interest rates will remain low, thereby supporting business and consumer spending until confidence is restored. At its October and December meetings in 2010, the Bank of Canada suspended further increases to its policy rate, as it revised its 2011 growth projections downwards to 2.3%. The combination of disappointing growth and below-target core inflation will likely keep Canada's central bank on the sidelines in the first quarter of 2011. It will provide the Bank with the opportunity to assess the need for higher interest rates in the context of both domestic and international developments.

Together, the low interest rate environment, substantial corporate profit recovery and improved access to financing, provide support to a positive outlook for Canadian businesses. At the same time, the unemployment rate is expected to decline to 7.3% by the end of 2011 from 8.0% currently. Further, core inflation has been remarkably stable during the economic downturn and subsequent recovery. Economists are now looking to business investments and exports, rather than household expenditures and governments to drive Canada's growth during this recovery.

Our portfolio managers believe that longer-term yields will remain low. Contained inflation, high excess capacity, demographic trends, investor caution and the current demand for longer-term assets support this viewpoint. Until consumers and governments deal with their debt loads, the yield curve will remain flat.

Looking beyond 2010, the expectation exists that Canada's economy will return to a faster growth track in the quarters ahead and that the U.S. economy will be able to sustain upward momentum. With core inflation projected below its 2% target, the Bank of Canada will likely be in a position to resume gradually raising its key policy interest rates to 2.0% by the end of 2011.

We are confident that our investment strategy based on our conservative management approach will continue to provide value. Our goal as always is to provide safety of principal and deliver competitive returns for our contributors and beneficiaries.

### ***Investment Fund Manager Registration***

In accordance with the National Instrument 31-103 – Registration Requirements and Exemptions issued by the Canadian Securities Administrators, the Board of the Canadian Scholarship Trust Foundation (“Foundation”) approved the registration of C.S.T. Consultants Inc. (“CSTC”) as the Plan's Investment Fund Manager (“IFM”) effective September 28, 2010. As the IFM, CSTC directs the business, operations and affairs of the Plan and is responsible for its management and administration. The Foundation retains its role as the sponsor of the Plans and has general oversight of the various service providers.

### ***Future Accounting Standards***

In February 2008 the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required for publicly accountable enterprises. In September 2010, the Canadian Institute of Chartered Accountants (“CICA”) extended the deadline for adoption of IFRS by certain qualifying investment funds by one year. Therefore, IFRS will replace Canadian GAAP and become effective for the Plan's interim and annual financial statements relating to the fiscal year ending October 31, 2013 with comparatives. We are taking the following steps to transition to IFRS:

- Identification of areas where changes in disclosure will be required under IFRS standards;
- Identification of operational areas impacted by the adoption of IFRS;
- Identification of major differences between current accounting policies and IFRS standards;
- Assessment of current reporting systems and their readiness for IFRS implementation; and
- Implementation of an IFRS transition plan

## Financial and Operating Highlights (with comparative figures)

The following table shows key financial data for the Plan and is intended to help you understand the financial results for the past five fiscal years ended October 31.

(\$ thousands)	2010	2009	2008	2007	2006
<b>Statement of Net Assets</b>					
Total Assets	\$ 150,687	\$ 130,824	\$ 115,467	\$ 99,059	\$ 89,293
Net Assets	67,764	57,716	48,761	42,460	36,382
% Change of Net Assets	17.4%	18.4%	14.8%	16.7%	14.6%
<b>Statement of Investment Operations</b>					
Net Investment Income	\$ 2,743	\$ 4,965	\$ 2,821	\$ 2,115	\$ 1,778
<b>Statement of Changes in Net Assets</b>					
Education Assistance Payments	\$ (6,974)	\$ (6,717)	\$ (5,936)	\$ (5,595)	\$ (4,778)
Net Government Grants Received, Net of Payments	(1,304)	(973)	(876)	(747)	(2,012)
<b>Other</b>					
Total number of agreements	33,968	30,140	26,601	23,467	20,764
% Change in the total number of agreements	12.7%	13.3%	13.4%	13.0%	12.3%

## Management Fees

### Administration Fees

An administration fee of \$1,514 thousand comprising Plan administration and processing fees and financial reporting expenses was paid to the Canadian Scholarship Trust Foundation, the sponsor and administrator of the Plan, in accordance with contributors' Education Savings Plan Agreements. The administration of the Plan includes processing and call centre services related to new agreements, Government Grants, plan modifications, terminations, maturities and Education Assistance Payments (EAP). The annual administration fee is calculated as 1% of the total amount of Principal, Government Grants and income in the contributors' accounts, which is paid monthly.

The Foundation has delegated certain administrative and distribution functions to its wholly-owned subsidiary, C.S.T. Consultants Inc., which is registered as the Plan's Investment Fund Manager and scholarship plan dealer under securities legislation of each of the provinces and territories of Canada in which it operates to sell scholarship plans. C.S.T. Consultants Inc. is the exclusive distributor of the Canadian Scholarship Trust Plans.

In exchange for its administrative services, C.S.T. Consultants Inc. receives an amount equal to the administration costs incurred plus a percentage of such costs from the Foundation. The administration services agreement is renewable on an annual basis.

### Portfolio Management Fees

The Plan's annual investment management fee is 0.13% of the weighted average monthly net assets.

### Trustee and Custodian Fees

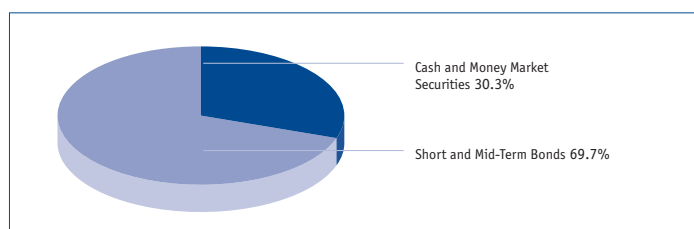
The Plan pays trustee and custodian fees to RBC Dexia Investor Services Trust to settle all investment trades and disburse fees, Education Assistance Payments and other amounts in accordance with the terms of the Plan Agreement. For 2010 these fees charged to the Plan amounted to \$23 thousand.

## Summary of Plan Investment Portfolio

The Plan's assets are comprised of the principal and accumulated investment income on all education savings plan agreements that has not been paid out to beneficiaries and/or withdrawn by contributors. The income earned on the Plan's assets is the main component in determining the value of Education Assistance Payments (EAPs) to be paid to beneficiaries. As a result, the Plan's investment portfolio does not include the allocation of assets from the Government Grants belonging to this Plan.

The following chart illustrates the Plan's assets by appropriate investment categories.

### Asset Mix as at October 31, 2010



The Family Savings Plan is a self-determined plan. The following table details the long positions currently in the Plan. The Plan is prohibited from holding short positions in securities.

Issuer			Fair Value (\$)	% of Plan Portfolio Assets
Government of Canada	3.50%	1 Jun 2013	7,752	7.1%
Province of Quebec	6.00%	1 Oct 2012	7,353	6.8%
Government of Canada	1.00%	1 Sep 2011	6,896	6.4%
Canada Housing Trust	4.60%	15 Sep 2011	6,432	5.9%
Province of Ontario	4.40%	2 Dec 2011	6,382	5.9%
Province of British Columbia	5.75%	9 Jan 2012	6,152	5.7%
Canada Housing Trust	4.80%	15 Jun 2012	6,129	5.6%
Province of Ontario	5.38%	2 Dec 2012	5,363	4.9%
Province of Ontario	4.75%	2 Jun 2013	5,189	4.8%
Government of Canada	3.75%	1 Jun 2019	4,945	4.6%
Government of Canada	3.75%	1 Jun 2012	3,119	2.9%
Province of Quebec	5.50%	1 Dec 2014	2,963	2.7%
Province of British Columbia	4.65%	18 Dec 2018	2,688	2.5%
Province of Quebec	4.50%	1 Dec 2020	1,649	1.5%
Canada Housing Trust	3.75%	15 Mar 2020	1,501	1.4%
Canada Housing Trust	4.10%	15 Dec 2018	704	0.6%
Government of Canada	1.25%	1 Jun 2011	425	0.4%

Long positions as a percentage of Plan portfolio assets **69.7%**

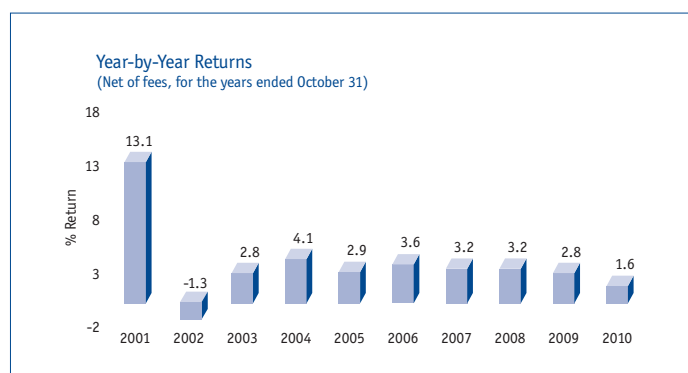
## Past Performance

Our investment philosophy has always been to safeguard our contributors' investments while providing stable and consistent returns.

Past performance of the Plan is set out in the following chart and the annual compound returns table and is based on the growth in assets over the term of the plan to maturity. The returns presented are based on the income earned on the Plan's investment portfolio only and do not reflect the investment income or allocation of assets from the Government Grants. Investment returns have been calculated using market values and time-weighted cash flows during the periods. Total expenses incurred by the Plan, including administration, portfolio management, custody and trustee fees have been deducted and only net returns are displayed in each period. Past returns of the Plan do not necessarily indicate how it will perform in the future.

### Year-by-Year Returns

The following bar chart illustrates the Plan's annual performance in each of the past ten years to October 31, 2010. The chart illustrates in percentage terms how much an investment made on the first day of each financial year would have increased or decreased by the last day of each financial year:



### Annual Compound Returns

The following table illustrates the Plan's annual compounded returns for the periods shown ended on October 31, 2010:

The blended benchmark (the "Benchmark") is composed of:  
70% DEX Short-Term All Government Bond Index ★  
30% DEX 91-Day Treasury Bill Index ★

The broad-based index is the DEX Short-Term All Government Bond Index.

	Period			
	1 Year	3 Years	5 Years	10 Years
<b>Net Plan Return</b>	<b>1.6</b>	<b>2.5</b>	<b>2.9</b>	<b>3.5</b>
<b>Benchmark*</b>	<b>2.9</b>	<b>4.5</b>	<b>4.2</b>	<b>4.6</b>
<b>Broad-based index: DEX Short-Term All Government Bond Index*</b>	<b>3.9</b>	<b>5.8</b>	<b>4.9</b>	<b>5.4</b>

\*Note: Investors cannot invest in the index without incurring fees, expenses and commissions, which are not reflected in the index returns.



# Management’s Responsibility for Financial Reporting

The accompanying financial statements of Canadian Scholarship Trust – Family Savings Plan (the “Plan”) are prepared by management and are approved by the Board of Directors of Canadian Scholarship Trust Foundation (the “Foundation”). Management is responsible for the information and representations contained in these financial statements. The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management’s performance of its financial reporting responsibilities.

The Foundation, through C.S.T. Consultants Inc., a wholly-owned subsidiary which administers the Plan, maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. The significant accounting policies, which management believes are appropriate for the Plan, are described in Note 2 to the financial statements.

Deloitte & Touche LLP are the external auditors of the Plan. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the Board of Directors and Members of the Foundation their opinion on the financial statements. Their report is set out below.



**Sherry J. MacDonald, CA**  
President and Chief Executive Officer



**Jeffrey Bernstein, CA**  
Chief Financial Officer

Toronto, Ontario  
December 21, 2010

## Auditors’ Report

To the Board of Directors and Members of Canadian Scholarship Trust Foundation (the “Foundation”):

We have audited the statements of net assets available for education assistance payments of Canadian Scholarship Trust – Family Savings Plan (the “Plan”) as at October 31, 2010 and 2009 and the statements of investment operations, changes in net assets available for education assistance payments and cash flows for the years then ended. These financial statements are the responsibility of the management of the Foundation. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at October 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Licensed Public Accountants

Toronto, Ontario  
December 21, 2010

# Statements of Net Assets Available for Education Assistance Payments

As at October 31, 2010 and 2009 (in thousands of dollars)

	2010	2009
<b>Assets</b>		
Investments, at fair value <i>(Note 4 and Schedule I)</i>	\$ 116,066	\$ 103,342
Cash and cash equivalents	11,556	6,470
Short-term investments	21,604	19,276
Accrued interest and other receivables	1,387	1,698
Receivables for securities sold	33	19
Government grants receivable	41	19
	<b>150,687</b>	<b>130,824</b>
<b>Liabilities</b>		
Accounts payable, accrued liabilities and unclaimed contributors' funds	639	1,110
Payables for securities purchased	102	215
Contributors' deposits <i>(Schedule II)</i>	82,182	71,783
	<b>82,923</b>	<b>73,108</b>
<b>Net Assets Available for Education Assistance Payments</b>	<b>67,764</b>	<b>57,716</b>
<b>Represented by:</b>		
<b>Non-Discretionary Funds</b>		
Accumulated interest held for future education assistance payments <i>(Schedule II)</i>	34,773	32,291
Government grants	23,908	18,610
Interest on Government grants	7,472	5,813
<b>Unrealized Gains</b>	<b>1,611</b>	<b>1,002</b>
	<b>\$ 67,764</b>	<b>\$ 57,716</b>

Approved on behalf of the Board



Blair A. Corkum, CA  
Director



Sherry J. MacDonald, CA  
Director



# Statements of Investment Operations

For the years ended October 31, 2010 and 2009 (in thousands of dollars)

	2010	2009
<b>Income</b>		
Interest income	\$ 4,535	\$ 4,116
Realized (losses) gains	(74)	2,307
	4,461	6,423
<b>Expenses</b>		
Plan administration and processing fees (Note 3)	991	782
Financial reporting (Note 3)	523	500
Portfolio management fees	181	160
Custodian fees	15	13
Trustee fees	8	3
	1,718	1,458
<b>Net Investment Income</b>	2,743	4,965
<b>Increase (decrease) in Unrealized Gains</b>	609	(1,111)
<b>Increase in Net Assets from Investment Operations</b>	\$ 3,352	\$ 3,854

# Statements of Changes in Net Assets Available for Education Assistance Payments

For the years ended October 31, 2010 and 2009 (in thousands of dollars)

	2010	2009
<b>Net Assets Available for Education Assistance Payments, Beginning of Year</b>	\$ 57,716	\$ 48,761
<b>Increase in Net Assets from Investment Operations</b>	3,352	3,854
Transfers from internal and external plans	15,018	12,823
	18,370	16,677
<b>Receipts</b>		
Government grants received (net of repayments)	338	432
<b>Disbursements</b>		
Payments to beneficiaries		
Education assistance payments	(6,974)	(6,717)
Government grants	(1,642)	(1,405)
Return of interest	(44)	(32)
	(8,660)	(8,154)
<b>Receipts less Disbursements</b>	(8,322)	(7,722)
<b>Increase in Net Assets Available for Education Assistance Payments</b>	10,048	8,955
<b>Net Assets Available for Education Assistance Payments, End of Year</b>	\$ 67,764	\$ 57,716

# Statements of Cash Flows

For the years ended October 31, 2010 and 2009 (in thousands of dollars)

	2010	2009
<b>Operating Activities</b>		
Increase in Net Assets from Investment Operations	\$ 3,352	\$ 3,854
Net disbursements for purchases of investments	(14,644)	(11,937)
Items not affecting cash		
Realized losses (gains) on sale of investments	74	(2,307)
(Increase) decrease in Unrealized Gains	(609)	1,111
Change in non-cash operating working capital		
Decrease (increase) in Accrued interest and other receivables	311	(615)
(Increase) decrease in Government grants receivable	(22)	3
(Decrease) increase in Accounts payable, accrued liabilities and unclaimed contributors' funds	(471)	133
<b>Cash flow from Operating Activities</b>	<b>(12,009)</b>	<b>(9,758)</b>
<b>Financing Activities</b>		
Transfers from internal and external plans	15,018	12,823
Government grants received (net of repayments)	338	432
Increase in Contributors' deposits <i>(Schedule II)</i>	10,399	8,287
Payments to beneficiaries	(8,660)	(8,154)
<b>Cash flow from Financing Activities</b>	<b>17,095</b>	<b>13,388</b>
<b>Net increase in Cash and cash equivalents</b>	<b>5,086</b>	<b>3,630</b>
<b>Cash and cash equivalents, Beginning of Year</b>	<b>6,470</b>	<b>2,840</b>
<b>Cash and cash equivalents, End of Year</b>	<b>\$ 11,556</b>	<b>\$ 6,470</b>

# Schedule I – Statement of Investment Portfolio

As at October 31, 2010 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds</b>			
<b>Federal – 34.9%</b>			
Government of Canada			
1.25%	1 Jun 2011	425	425
1.00	1 Sep 2011	6,905	6,896
3.75	1 Jun 2012	3,005	3,119
3.50	1 Jun 2013	7,380	7,752
3.75	1 Jun 2019	4,575	4,945
Canada Housing Trust			
4.60	15 Sep 2011	6,250	6,432
4.80	15 Jun 2012	5,820	6,129
4.10	15 Dec 2018	645	704
3.75	15 Mar 2020	1,420	1,501
		37,903	37,645
<b>Provincial – 34.8%</b>			
Province of British Columbia			
5.75	9 Jan 2012	5,850	6,152
4.65	18 Dec 2018	2,420	2,688
Province of Ontario			
4.40	2 Dec 2011	6,180	6,382
5.38	2 Dec 2012	4,980	5,363
4.75	2 Jun 2013	4,825	5,189
Province of Quebec			
6.00	1 Oct 2012	6,790	7,353
5.50	1 Dec 2014	2,620	2,963
4.50	1 Dec 2020	1,535	1,535
		37,739	37,415
<b>Plan Investments – 69.7%</b>		<b>75,642</b>	<b>75,060</b>
<b>Plan Cash and Short-term Investments – 30.3%</b>		32,931	32,931
<b>Plan Portfolio Assets – 100.0%</b>		<b>108,573</b>	<b>107,991</b>
<b>Investments Allocation (Note 4)</b>			
<b>Government Grants (Appendix I)</b>		40,424	39,395
<b>Cash and Short-term Investments (Appendix I)</b>		229	229
<b>Total Investment Fund</b>		<b>149,226</b>	<b>147,615</b>
<b>Represented by :</b>			
<b>Investments, at fair value</b>		116,066	
<b>Cash and cash equivalents</b>		11,556	
<b>Short-term Investments</b>		21,604	
		<b>149,226</b>	

## Schedule II – Contributors’ Deposits and Accumulated Interest

As at October 31, 2010 and 2009 (in thousands of dollars)

The following is a summary of Family Savings Plan agreements:

Opening Agreements	Inflow Agreements	Outflow Agreements	Closing Agreements	Contributors’ Deposits	Accumulated Interest
30,140	7,649	3,821	33,968	\$ 82,182	\$ 34,773

The changes in Contributors’ deposits are as follows:

	2010	2009
Payments from contributors	\$ 5,707	\$ 4,887
Inter-Plan principal transfers	25,393	22,307
Enrolment fees collected	(25)	(40)
Return of principal	(20,676)	(18,867)
Net increase in Contributors’ deposits	10,399	8,287
<b>Balance, Beginning of Year</b>	<b>71,783</b>	<b>63,496</b>
<b>Balance, End of Year</b>	<b>\$ 82,182</b>	<b>\$ 71,783</b>

# Notes to the Financial Statements

October 31, 2010 and 2009 (in thousands of dollars)

## Note 1. Nature of Operations

The Canadian Scholarship Trust Family Savings Plan (“Family Savings plan” or the “Plan”) is a self-determined Education Savings Plan, established on March 1, 1997. The objective of the Family Savings Plan is to assist parents and others to save for the post-secondary education of children.

Deposits are made by a contributor to an account maintained by the depository trustee on behalf of a beneficiary. The contributor authorizes deductions of enrolment fees from deposits. The principal accumulated over the term of the education savings plan agreement is returned in whole or in part at any time at the request of the contributor. A beneficiary is deemed to be a qualified student upon receipt by the Canadian Scholarship Trust Foundation (the “Foundation”) of evidence of enrolment in a qualifying educational program at an eligible institution. Education assistance payments paid to qualified students from the Family Savings Plan are determined by the contributor and are paid from the income earned on the contributor’s principal.

The Canada Education Savings Grant Program (“CESG”) is a grant from the Federal Government whereby Registered Education Savings Plans (“RESPs”) receive grant amounts dependent on family income. Any child born on or after January 1, 2004 and who also qualifies for the National Child Benefit Supplement may be eligible for the Canada Learning Bond (“CLB”). Any child born in the province of Alberta on or after January 1, 2005 may be eligible for the initial Alberta Centennial Education Savings Grant (“ACES”). Subsequent grants may be paid to all children attending school in Alberta at certain eligible ages.

On February 21, 2007, the Québec government introduced the Québec Education Savings Incentive (“QESI”) for beneficiaries who are under eighteen years of age and reside in Québec on December 31 of each year. The amount of QESI to be received will depend on annual family income.

The Family Savings Plan receives the CESG, CLB, ACES and QESI (collectively, “Government grants”) which are paid directly into a beneficiary’s RESP and invests these funds in accordance with the Plan’s investment policies. The Government grants along with investment income earned thereon are paid to qualified students.

Contributor education savings plan contracts (“agreements”) are registered, if all required information is provided, with appropriate government authorities and, once registered, are subject to the rules for RESPs under the *Income Tax Act* (Canada). The current tax legislation provides that income credited on contributors’ deposits is not taxable income of the contributor. The deposits are not deductible for income tax purposes and are not taxable when returned to the contributor. Payments made to a qualified student will constitute taxable income of that student in the year that the payments are made.

The Family Savings Plan is administered and distributed through the Foundation and its wholly-owned subsidiary, C.S.T. Consultants Inc. (“C.S.T.C.”). The Foundation was created to encourage and promote post-secondary education by making education savings plans available to Canadian residents.

## Note 2. Significant Accounting Policies

### (a) Generally accepted accounting principles

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”).

### (b) Future accounting standards

In February 2008 the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required for publicly accountable enterprises. In September 2010, the Canadian Institute of Chartered Accountants (“CICA”) amended the deadline for adoption of IFRS by certain qualifying investment funds to extend the adoption date by one year. Therefore, IFRS will replace Canadian GAAP and become effective for the Plan’s interim and annual financial statements relating to the fiscal year ending October 31, 2013. Management is in the process of developing a transition plan, which will include identifying differences between the Plan’s current accounting policies and those it expects to apply under IFRS, as well as any accounting policy and implementation decisions and their resulting impact, if any, on the financial statements of the Plan.

### (c) Investment valuation

Investments, at fair value include the following types of securities: bonds and variable rate securities.

Bonds are valued using bid prices at year end. In the event that quoted market prices are not available, the fair values presented are estimated using present value or other valuation techniques.

Variable rate securities are hybrid financial debt instruments issued by governments, Canadian chartered banks and licensed trust and loan companies that have embedded components that change the risk/return profile of the security. Included in this class are structured notes that are debt instruments whose returns are based on indices or underlying assets rather than typical interest payments. Variable rate securities are carried at fair values using external pricing models to value their components.

Note 6 provides further guidance on the fair value measurements.

### (d) Investment transactions and income recognition

Investment transactions are accounted on a trade-date basis. Interest income on investments is recognized using the effective interest method. Realized gains (losses) on the sale of investments and change in unrealized gains (losses) on investments are calculated with reference to the average cost of the related investments and are recognized in the period that such gains (losses) occur.

### (e) Contributors’ deposits and Enrolment fees

Contributors’ deposits reflect amounts received from contributors and do not include future amounts receivable on outstanding agreements. An enrolment fee is required as part of the initial contribution under each educational savings plan agreement. Enrolment fees collected during the reporting period are paid to C.S.T.C.

# Notes to the Financial Statements (continued)

October 31, 2010 and 2009 (in thousands of dollars)

## Note 2. Significant Accounting Policies (continued)

### (f) Income taxes

Family Savings Plan is exempt from income taxes under Section 146.1 of the *Income Tax Act* (Canada).

### (g) Cash and cash equivalents

Cash and cash equivalents include short-term investments with a purchase date to maturity of 90 days or less.

### (h) Use of estimates

In preparing the financial statements, management is required to use estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the current estimates. Significant estimates included in these financial statements relate to valuation of Level 3 financial instruments as discussed in Note 6.

## Note 3. Related Party Transactions

### Distribution and Administration of the Family Savings Plan

The Foundation has appointed its wholly-owned subsidiary, C.S.T.C., to administer and distribute the Family Savings Plan. This distribution agreement is renewable annually on November 1st. Administration fees (comprising Plan administration and processing fees and financial reporting expenses) are paid to the Foundation.

Administration fees are annual fees of 1% of the total amount of principal, Government grants and income earned thereon. Enrolment fees are paid to C.S.T.C.

## Note 4. Investment Holdings

The investment holdings are disclosed in Schedule I – Statement of Investment Portfolio – and the related Appendix I to the schedule, which are explained below.

The Government grants received from Human Resources and Skills Development Canada are collectively invested together with other C.S.T.C. administered plans. The principal and income received are separately tracked for each contributor's agreement. The portfolio holdings are allocated across all plans based on the proportion of principal and income attributable to agreements within each plan. The Government grant allocation across the plans is provided in Appendix I to Schedule I.

## Note 5. Risks Associated with Financial Instruments

In the normal course of business the Plan may be exposed to a variety of risks arising from financial instruments. The Plan's exposures to such risks are concentrated in its investment holdings and are related to market risk (which includes interest rate risk and other price risk), credit risk, liquidity risk and currency risk.

The Plan's risk management process includes monitoring compliance with the Plan's investment policy. The Plan manages the effects of these financial risks to the Plan portfolio performance by retaining and overseeing professional external investment managers. The investment managers regularly monitor the Plan's positions, market events and manage the investment portfolio within the constraints of the investment policy.

### (a) Market risk

#### i. Interest rate risk

Interest rate risk is the risk of a decrease in the Plan's yield on interest-bearing investments as a result of fluctuations in market interest rates. There is an inverse relationship between changes in interest rates and changes in the fair value of bonds. This risk is actively managed using duration, yield curve analysis, sector and credit selection. There is reduced risk to interest rate changes for cash and cash equivalents due to their short-term nature.

As at October 31, the Plan's holdings of debt instruments by maturity are as follows:

Debt Instruments by Maturity Date	% of Total Investment Fund	
	2010	2009
Less than 1 year (including short-term investments)	35%	27%
1-3 years	37%	35%
3-5 years	7%	12%
Greater than 5 years	21%	26%
<b>Total debt instruments</b>	<b>100%</b>	<b>100%</b>

As at October 31, 2010, if prevailing interest rates had increased or decreased by 1%, the Total Investment Fund amount of \$149,226 (2009 – \$129,088) as per the Statement of Investment Portfolio would have decreased or increased by \$4,430 (2009 – \$4,031). This 1% change assumes a parallel shift in the yield curve with all other variables held constant. In practice, the actual trading results may differ materially.

#### ii. Other price risk

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, other than those arising from interest rate risk. Factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or market segment affect other price risk. The asset class that is most impacted by other price risk is variable rate securities, which represents 1% (2009 – 1%) of the Total Investment Fund amount as at October 31, 2010. The risk is managed by security selection and active management by external managers within approved investment policies and manager mandates.

### (b) Credit risk

Credit risk refers to the ability of the issuer of debt securities to make interest payments and repay principal. The Plan's portfolio comprises bonds issued or guaranteed by federal or provincial governments along with corporate debt instruments with a minimum approved credit rating as set by Canadian Securities Administrators, currently A-low. Family Savings Plan has a



# Notes to the Financial Statements (continued)

October 31, 2010 and 2009 (in thousands of dollars)

## Note 5. Risks Associated with Financial Instruments (continued)

### (b) Credit risk (continued)

concentration of investments in government and government guaranteed bonds, which are considered to be high credit quality investments thereby moderating credit risk.

As of October 31, the Plan's credit risk exposure is listed below:

Credit rating	2010		2009	
	% of Total Investment Fund	Amount (in thousands)	% of Total Investment Fund	Amount (in thousands)
AAA/AAH/AAL	61%	\$ 90,517	62%	\$ 79,424
AA/AH/AL	7%	9,738	16%	20,677
A	10%	15,343	2%	2,809
R-1	22%	33,563	20%	25,681
Short-term unrated	0%	65	0%	497
<b>Total Investment Fund</b>	<b>100%</b>	<b>\$ 149,226</b>	<b>100%</b>	<b>\$ 129,088</b>

The Dominion Bond Rating Service ("DBRS") was the primary source for obtaining credit ratings. Secondary sources used include Standard & Poor's and Moody's.

### (c) Liquidity risk

Liquidity risk is the risk that the Plan may not be able to meet its obligations on time. The Plan's exposure to liquidity risk is concentrated in principal repayments to subscribers and payments of Education Assistance Payments. The Plan primarily invests in securities that are traded in the active markets and can be readily disposed. The Plan retains sufficient cash and cash equivalents positions to meet liquidity requirements by utilizing cash forecasting models incorporating aging of Accumulated interest and Contributors' deposits. All other financial liabilities are short term and due within one year.

### (d) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Plan is not exposed to currency risk as it only holds Canadian securities.

## Note 6. Fair Value of Financial Instruments

Investments, at fair value, Cash and cash equivalents and Short-term investments are carried at fair value. The carrying values of other financial instruments such as Accrued interest and other receivables, Receivables for securities sold, Government grants receivable, Accounts payable, accrued liabilities and unclaimed contributors' funds, Payables for securities purchased and Contributors' deposits approximate their fair values as these financial instruments are short term in nature.

Fair value represents the amount at which a financial instrument could be exchanged in an arm's-length transaction between willing parties under no compulsion to act and is best evidenced by a quoted bid price in an active market, if one exists.

The following table presents the Plan's financial instruments carried at fair value in the statements of net assets available for educational assistance payments classified by the fair value hierarchy set out in CICA Handbook Section 3862 *Financial Instruments – Disclosures*:

- "Level 1" financial instruments are valued using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- "Level 2" financial instruments are valued using observable inputs other than quoted prices included in Level 1; and
- "Level 3" financial instruments are valued using unobservable inputs for the asset or liability.

Assets Measured at Fair Value as of October 31, 2010				
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 11,556	\$ –	\$ –	\$ 11,556
Short-term Investments	–	21,604	–	21,604
Fixed Income Securities	–	114,847	–	114,847
Variable Rate Securities	–	–	1,219	1,219
<b>Total Investment Fund</b>	<b>\$ 11,556</b>	<b>\$ 136,451</b>	<b>\$ 1,219</b>	<b>\$ 149,226</b>

Assets Measured at Fair Value as of October 31, 2009				
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 6,470	\$ –	\$ –	\$ 6,470
Short-term Investments	–	19,276	–	19,276
Fixed Income Securities	–	102,040	–	102,040
Variable Rate Securities	–	–	1,302	1,302
<b>Total Investment Fund</b>	<b>\$ 6,470</b>	<b>\$ 121,316</b>	<b>\$ 1,302</b>	<b>\$ 129,088</b>

For the years ended October 31, 2010 and 2009, there were no transfers between Levels 1, 2, or 3.

The Plan's financial instruments classified as Level 3 represent the Plan's investment in Equity Linked Notes, which are principal protected by a major Canadian bank (DBRS rating "AA"). Equity Linked Notes are hybrid securities comprised of a bond and an option. The price of the variable rate securities are based on external pricing models provided from third-party brokers. These valuations are derived from the information on similar publicly traded bonds and options using standard pricing methodology. Such techniques include assumptions related to the assessment and quantification of market, credit, liquidity and currency risks referred to in Note 5. There are no reasonable alternative assumptions.

### Level 3 – Variable Rate Securities

	2010	2009
Opening Balance	\$ 1,302	\$ 13,010
Net Sales	(97)	(15,752)
Increase in Unrealized Gains/Losses	14	4,044
<b>Closing Balance</b>	<b>\$ 1,219</b>	<b>\$ 1,302</b>

# Government Grants

(Appendix I to Schedule I)

## Statement of Investment Portfolio

As at October 31, 2010 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)				
<b>Bonds</b>				<b>Bonds (continued)</b>							
<b>Federal – 46.6%</b>				<b>Municipal and Provincial – 27.2% (continued)</b>							
Government of Canada				Province of British Columbia							
2.75%	1 Dec 2010	1,095	1,097	1,126	4.70%	1 Dec 2017	2,250	2,517	2,356		
1.25	1 Jun 2011	32,080	32,112	32,160	4.10	18 Dec 2019	3,014	3,078	3,021		
1.00	1 Sep 2011	2,080	2,077	2,067	8.75	19 Aug 2022	801	1,184	1,155		
1.25	1 Dec 2011	85,740	85,771	85,527	5.70	18 Jun 2029	7,194	8,736	7,972		
1.23	15 Sep 2014	1,554	1,571	1,566	4.95	18 Jun 2040	600	681	631		
4.00	1 Jun 2017	4,225	4,663	4,334	4.30	18 Jun 2042	962	990	956		
4.25	1 Jun 2018	750	841	848	Province of Manitoba						
3.50	1 Jun 2020	14,484	15,320	15,023	4.75	11 Feb 2020	3,226	3,564	3,216		
5.75	1 Jun 2029	4,632	6,163	5,847	4.15	3 Jun 2020	841	888	894		
5.75	1 Jun 2033	4,475	6,105	5,490	4.60	5 Mar 2038	993	1,059	1,060		
5.00	1 Jun 2037	13,284	16,864	15,607	Province of New Brunswick						
4.00	1 Jun 2041	3,012	3,358	3,041	4.45	26 Mar 2018	5,060	5,535	5,444		
Business Development Bank of Canada				4.50				2 Jun 2020	683	736	706
4.75	26 Jul 2021	175	198	175	4.55	26 Mar 2037	1,831	1,898	1,758		
Canada Housing Trust				Province of Newfoundland							
4.60	15 Sep 2011	38,697	39,823	40,269	4.50	17 Apr 2037	829	861	797		
4.00	15 Jun 2012	10,883	11,321	10,975	Province of Nova Scotia						
4.80	15 Jun 2012	2,785	2,933	2,788	5.80	1 Jun 2033	2,471	3,005	2,828		
4.55	15 Dec 2012	9,045	9,604	9,444	4.70	1 Jun 2041	795	853	852		
0.81	15 Jun 2013	3,920	3,912	3,912	Province of Ontario						
2.75	15 Sep 2014	5,400	5,562	5,444	3.25	8 Sep 2014	2,400	2,504	2,457		
2.75	15 Dec 2014	7,190	7,404	7,187	4.40	8 Mar 2016	3,282	3,599	3,471		
1.43	15 Mar 2015	17,814	17,857	17,840	4.30	8 Mar 2017	7,710	8,401	7,415		
3.15	15 Jun 2015	38,039	39,794	38,065	4.40	2 Jun 2019	3,220	3,475	3,280		
4.10	15 Dec 2018	4,400	4,800	4,497	4.20	2 Jun 2020	26,561	28,028	26,893		
3.75	15 Mar 2020	3,744	3,957	3,750	6.20	2 Jun 2031	4,079	5,207	4,951		
Canada Post				5.85				8 Mar 2033	4,000	4,938	4,705
4.08	16 Jul 2025	600	634	600	5.60	2 Jun 2035	15,885	19,164	18,135		
4.36	16 Jul 2040	1,082	1,163	1,081	4.70	2 Jun 2037	625	670	623		
Farm Credit Corporation				4.65				2 Jun 2041	1,780	1,918	1,852
4.55	12 Apr 2021	350	390	347	Province of Quebec						
Ontario Infrastructure				0.41				16 Sep 2013	3,275	3,260	3,280
3.95	3 Jun 2013	877	921	873	0.83	10 Dec 2013	2,685	2,668	2,680		
4.70	1 Jun 2037	769	769	760	0.73	1 Dec 2014	6,790	6,699	6,765		
			326,984	320,643	4.50	1 Dec 2016	500	551	524		
<b>Municipal and Provincial – 27.2%</b>				4.50				1 Dec 2017	1,865	2,047	1,828
55 School Board Trust Series A Secured Debenture				4.50				1 Dec 2018	2,570	2,802	2,519
5.90	2 Jun 2033	501	583	521	4.50	1 Dec 2019	775	838	792		
Alberta Capital Finance				11.00				15 Aug 2020	2,076	3,336	3,250
4.45	15 Dec 2025	3,185	3,360	3,121	4.50	1 Dec 2020	18,809	20,197	19,749		
Ottawa Hydro Holdings				6.00				1 Oct 2029	2,170	2,673	2,634
4.93	9 Feb 2015	1,453	1,586	1,518	5.75	1 Dec 2036	8,325	10,148	9,372		
					5.00	1 Dec 2038	3,160	3,505	3,163		
					5.00	1 Dec 2041	3,270	3,667	3,559		

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

# Government Grants (continued)

(Appendix I to Schedule I)

## Statement of Investment Portfolio

As at October 31, 2010 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>			
<b>Municipal and Provincial – 27.2% (continued)</b>			
Province of Saskatchewan			
4.65% 5 Sep 2017	1,109	1,237	1,131
3.90 28 Jul 2020	720	752	718
6.40 5 Sep 2031	4,648	6,148	5,604
4.75 1 Jun 2040	1,087	1,205	1,071
		190,751	181,227
<b>Corporate – 21.8%</b>			
407 International Inc.			
7.13 26 Jul 2040	2,895	3,747	3,476
Bank of Canada			
4.05 5 May 2014	130	137	133
5.02 31 Aug 2039	484	462	456
Bank of Montreal			
5.04 8 Apr 2013	3,317	3,554	3,535
6.02 2 May 2018	1,300	1,516	1,430
4.63 29 Dec 2049	2,900	3,071	2,827
5.47 31 Dec 2049	3,335	3,635	3,519
Bank of Nova Scotia			
6.63 30 Jun 2012	3,435	3,665	3,766
6.28 30 Jun 2053	1,900	2,074	2,101
BCIMC Realty Corporation			
3.38 29 Jan 2015	159	163	159
4.65 10 Feb 2015	2,095	2,250	2,161
5.65 5 Jan 2018	1,385	1,561	1,506
Bell Canada			
6.90 15 Dec 2011	2,500	2,635	2,758
Blue Water Bridge Authority			
6.41 9 Jul 2027	2,371	2,205	2,178
Canadian Capital Auto Receivables Asset Trust			
2.00 17 Jul 2016	993	990	993
Canadian Imperial Bank of Commerce			
4.75 22 Dec 2014	5,460	5,945	5,514
Caterpillar Financial Services Ltd.			
5.20 3 Jun 2013	950	1,020	999
CBC			
4.69 15 May 2027	2,396	2,479	2,541
CDP Financial			
4.60 15 Jul 2020	793	843	791
Citigroup Finance Canada			
4.75 17 Mar 2014	2,000	2,053	2,060
Gaz Metropolitan Inc.			
4.93 18 Jun 2019	2,500	2,716	2,545

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>			
<b>Corporate – 21.8% (continued)</b>			
GE Capital Canada			
4.65% 11 Feb 2015	5,650	6,019	5,653
4.55 17 Jan 2017	800	839	750
5.53 17 Aug 2017	1,800	1,982	1,782
5.73 22 Oct 2037	2,000	2,091	1,704
Gloucester Credit Card Trust			
5.38 15 May 2014	2,176	2,365	2,277
Great West Lifeco Inc.			
6.14 21 Mar 2018	1,352	1,547	1,482
4.65 13 Aug 2020	186	190	186
Greater Toronto Airports			
5.96 20 Nov 2019	2,849	3,309	3,112
5.63 7 Jun 2040	200	220	200
Green Timbers LP			
6.83 30 Jun 2037	684	730	746
Honda Canada Finance Inc.			
5.68 26 Sep 2012	1,200	1,278	1,280
5.08 9 May 2013	83	88	88
5.61 12 Sep 2013	1,135	1,232	1,135
Hydro One Inc.			
5.49 16 Jul 2040	3,040	3,370	3,053
Investors Group Inc.			
6.75 9 May 2011	1,545	1,583	1,690
Leisureworld			
4.81 24 Nov 2015	1,616	1,679	1,674
Manulife Financial Capital Trust			
4.85 12 Dec 2015	1,865	1,922	1,880
6.70 31 Dec 2051	3,920	4,143	4,346
7.41 31 Dec 2108	1,200	1,314	1,200
Manulife Financial Corporation			
4.90 2 Jun 2014	214	224	226
5.16 26 Jun 2015	2,423	2,558	2,556
4.08 20 Aug 2015	531	536	538
7.77 8 Apr 2019	614	731	743
Maritimes and Northeast Pipelines			
4.34 30 Nov 2019	2,410	2,524	2,498
Merrill Lynch Canadian Finance Corporation			
5.00 18 Feb 2014	1,722	1,789	1,807
Merrill Lynch Financial Assets			
4.82 12 Feb 2015	815	841	820
4.62 12 Nov 2015	1,235	1,274	1,222
4.71 12 Nov 2016	1,192	1,215	1,201
4.48 12 Jul 2037	920	938	900
Milit-Air Inc.			
5.75 30 Jun 2019	3,140	3,508	3,393

# Government Grants (continued)

(Appendix I to Schedule I)

## Statement of Investment Portfolio

As at October 31, 2010 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>			
<b>Corporate – 21.8% (continued)</b>			
N-45 First CMBS			
5.67%	15 Nov 2020	1,048	1,118
National Bank of Canada			
5.55	15 Nov 2018	1,456	1,579
NAV Canada			
4.71	24 Feb 2016	2,940	3,224
OMERS Realty Corporation			
4.74	4 Jun 2018	3,585	3,869
Ontrea Inc.			
5.57	9 Apr 2013	1,670	1,811
Peoples Trust			
4.10	1 Jul 2015	2,000	1,758
Power Corporation of Canada			
7.57	22 Apr 2019	1,308	1,581
PSP Capital Inc.			
4.57	9 Dec 2013	4,396	4,720
RBC Capital Trust			
4.87	29 Dec 2049	6,000	6,446
Real Estate Asset Liquidity Series Class A			
4.62	12 Sep 2016	1,350	1,403
5.08	12 Oct 2036	745	787
Royal Bank of Canada			
5.00	20 Jan 2014	760	826
3.18	16 Mar 2015	313	322
3.55	1 Sep 2019	5,387	5,279
Royal Office Finance			
5.21	12 Nov 2032	2,236	2,430
SNC Lavalin Group			
6.63	30 Jun 2044	657	720
Sun Life Capital Trust			
6.87	31 Dec 2011	1,540	1,615
5.86	31 Dec 2108	2,000	2,099
Toronto Community Housing Corporation			
4.88	11 May 2037	283	285
5.40	22 Feb 2040	791	863
Toronto Dominion Bank			
4.85	13 Feb 2013	1,868	1,989
Transcanada Pipelines			
5.65	15 Jan 2014	4,050	4,460
8.29	5 Feb 2026	1,824	2,458
Vancouver Fraser			
4.63	20 Apr 2020	1,243	1,334

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>			
<b>Corporate – 21.8% (continued)</b>			
Wells Fargo Finance Canada			
4.40%	12 Dec 2012	1,400	1,459
		153,195	147,563
<b>Total Fixed Income – 95.6%</b>		<b>670,930</b>	<b>649,433</b>
<b>Variable Rate Securities – 3.6%</b>			
Toronto-Dominion Bank S&P/TSX 60 Index Linked Note			
	19 Oct 2011	5,000	5,405
	26 Oct 2012	5,000	4,997
Toronto-Dominion Bank Global Indices Linked Note			
	20 Oct 2011	15,000	14,858
		25,260	25,001
<b>Total Fixed Income – 99.2%</b>		<b>696,190</b>	<b>674,434</b>
<b>Cash and Short-term Investments – 0.8%</b>		<b>4,977</b>	<b>4,977</b>
<b>Total Portfolio Assets – 100.0%</b>		<b>701,167</b>	<b>679,411</b>
<b>Government Grant Investments Allocation</b>			
Plan II		472	421
Founders' Plan		44,871	43,369
Group Savings Plan		201,185	194,748
Group Savings Plan 2001		406,303	393,612
Family Savings Plan		40,424	39,395
Individual Savings Plan		2,935	2,889
		<b>696,190</b>	<b>674,434</b>
<b>Cash and Short-term Investments Allocation</b>			
Plan II		10	10
Founders' Plan		307	307
Group Savings Plan		1,319	1,319
Group Savings Plan 2001		3,100	3,100
Family Savings Plan		229	229
Individual Savings Plan		12	12
		<b>4,977</b>	<b>4,977</b>

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

## Canadian Scholarship Trust Plan

### Sponsor

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