
GlobalBanc Advantaged 8 Split Corp.

**Interim Management Report of Fund Performance
and Financial Statements
for the period
January 1, 2008 to June 30, 2008**



INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

FUND:

GlobalBanc Advantaged 8 Split Corp.

SECURITIES:

Preferred Shares – Listed TSX: GBA.PR.A

Capital Shares – Listed TSX: GBA

A “unit” means a notional unit consisting of one Preferred Security and one Class A Share.

PERIOD:

January 1, 2008 to June 30, 2008

ADMINISTRATOR:

National Bank Financial Inc.

130 King Street West, Suite 3200

Toronto, ON M5H 3T9

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NOTES:

1. This interim management report of fund performance contains financial highlights, along with interim financial statements of the Fund. Holders may also contact us to request a free copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure. Our contact information is above.
2. This report may contain forward looking statements. Forward looking statements involve risks and uncertainties and are predictive in nature and actual results could differ materially from those contemplated by the forward looking statements.
3. Unless otherwise indicated all information is as at June 30, 2008.

Interim Management Report of Fund Performance

Results of Operations

The Fund provides holders of its shares with tax efficient exposure, through the use of a forward agreement, to the price performance and dividend payments of a basket of securities of Citigroup Inc., Bank of America Corp. (DE), Royal Bank of Scotland Group plc, Deutsche Bank AG, UBS AG, Banco Santander Central Hispano SA, BNP Paribas and Société Générale Group (the “GlobalBanc Portfolio”).

The Fund’s net assets were \$26.6 million as at June 30, 2008, a decrease from \$41.2 million as at December 31, 2007. The contributing factor to this decrease is the decline in value of stock prices of the issuers comprising the GlobalBanc Portfolio. The financial sector has come under significant pressure due to the global credit crisis. Asset write-downs and earnings declines have led to re-pricing of global bank stock. The environment continues to be difficult leading to near-term uncertainty for the underlying bank shares comprising the GlobalBanc Portfolio.

For the six month period ending June 30, 2008, the net asset value per unit of the Fund was \$9.88 after payment of distributions to holders compared to \$15.35 per unit on December 31, 2007. The Fund distributed \$0.225 per Preferred Shares during the period. In order to protect the net asset value of the Fund, the Board of Directors of the Fund decided against paying a distribution on the Class A Shares, effective for the quarter ended March 31, 2008. As a result, total return for the Fund was -34.2% over the period.

The net asset value per unit of \$9.88 as at June 30, 2008 was comprised of \$9.88 per Preferred Share and \$0.00 per Class A Share. Since the net asset value per unit is currently below the \$10 principal value of the Preferred Shares, the holders of the Preferred Shares would receive less than \$10 if the portfolio were liquidated and proceeds distributed as at June 30, 2008. Based on the most recent dividends paid by the underlying companies, the GlobalBanc Portfolio currently generates enough yield to pay the fixed cumulative quarterly preferred dividends in the amount of \$0.1125 per Preferred Share and the expenses of the Fund. However, future changes in dividend policy by any of the banks included in the GlobalBanc Portfolio, among other things, may require the Fund to further reduce the net asset value per unit in order to sustain the dividend on the Preferred Shares. The redemption price payable for each Preferred Share outstanding on December 15, 2012 (the final redemption date) is equal to the lesser of: (i) \$10.00 plus accrued interest and unpaid distributions; and (ii) the net asset value per Preferred Share on that date.

As at August 21, 2008, the net asset value per unit is \$10.02, comprised of \$10.00 per Preferred Share, and \$0.02 per Class A Share.

Recent Developments

January 1, 2008: The Fund adopted the following new accounting standards: CICA Handbook Section 3862, *Financial Instruments – Disclosures* and CICA Handbook Section 3863, *Financial Instruments*

- *Presentation.* These sections emphasize disclosure on how the Fund manages its financial risk exposure on financial instruments. The standards include new requirements to quantify certain risk exposures and to provide sensitivity analysis for certain risks. (See note 3 of financial statements.)

January 16, 2008: The Fund announced that DBRS Limited lowered the rating on the Fund's Preferred Shares from Pfd-2 to Pfd-3(high) with a Stable Trend.

March 19, 2008: The Fund announced: (i) it was not paying distributions on the Class A Shares for the quarter-ended March 31, 2008; (ii) it was moving to daily publication of its net asset value; and (iii) that it had been advised by DBRS Limited that the rating of certain structured preferred shares with significant exposure to the financial sector, including the Fund's Preferred Shares, had been placed "Under Review with Developing Implications".

April 17, 2008: The Fund announced that DBRS Limited lowered the rating on the Fund's Preferred Shares from Pfd-3 (high) to Pfd-4 (high).

July 2, 2008: The Fund announced that DBRS Limited has lowered the rating on the Fund's Preferred Shares from Pfd-4 (high) to Pfd-5 with a Stable Trend.

While there have been no other developments affecting the Fund, the securities of the issuers comprising the GlobalBanc Portfolio may be affected by factors which are not within the control of the Fund, including factors that affect companies in the financial sector generally and the banking sector in particular, such as fluctuations in interest rates as well as factors unique to each issuer such as changes in its management and other events that may affect the value of the securities of the issuers comprising the GlobalBanc Portfolio. Readers may wish to consult the continuous disclosure documents of the issuers comprising the GlobalBanc Portfolio. For greater certainty, such documents are not incorporated by reference herein.

Related Party Transactions

In connection with its initial public offering, the Fund entered into an Agency Agreement with National Bank Financial Inc. (the "Administrator"), CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc., TD Securities Inc., Canaccord Capital Corporation, Desjardins Securities Inc., Dundee Securities Corporation, Raymond James Ltd., Blackmont Capital Inc. and Wellington West Capital Inc. (collectively, the "Agents") dated as of May 29, 2007 pursuant to which the Agents agreed to offer the Shares for sale on a best efforts basis when issued by the Fund (the "Offering"). In connection with their services, the Agents received \$0.30 per Preferred Share and \$0.60 per Class A Share. In connection with the Offering, the Administrator was also the promoter. The Administrator also receives a fee for administrative services it provides to the Fund.

The Administrator is an affiliate of National Bank of Canada (the “Counterparty”). The Counterparty is the counterparty under the forward agreement which provides the Fund with exposure to the economic performance of the GlobalBanc Portfolio. The Fund pays the Counterparty an amount under the forward agreement, calculated daily and payable quarterly in arrears, equal to 0.40% per annum of the notional amount of the forward agreement, being the value of securities upon which the payment obligation of the Counterparty is based, and 0.20% per annum in respect of hedging costs incurred in connection with securities pledged to the Counterparty to secure the obligations of the Fund under the forward agreement.

The Fund established a revolving credit facility for the purpose of paying redemptions and for working capital purposes. Amounts borrowed under the facility are collateralized by a security interest in the assets and undertakings of the Fund. The lender under the credit facility is National Bank of Canada, an affiliate of the Administrator. The amount of the loan ranged between nil and \$450,000 during the period and represented 1.69% of the Fund’s net asset value as at June 30, 2008. The terms, conditions, interest rates and expenses are typical for a loan of this nature.

First Asset Investment Management Inc. (“First Asset”), which has been retained by the Administrator to provide certain services to the Fund, is also considered to be a related party. First Asset receives a fee for the services it provides (see “Management Fees” below).

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 since inception. This information is derived from the Fund's audited annual financial statements and latest unaudited interim financial statements.

The Fund's Net Asset Value (NAV) per Unit

	For the Six Months Ended June 30	For the Period Ended December 31
	2008	2007 ⁽¹⁾
Net Asset Value, beginning of period ⁽²⁾	\$15.35	\$19.28
Increase (decrease) from operations		
Total revenue	0.00	0.01
Total expenses	(0.15)	(0.19)
Realized losses for the period	(1.87)	(0.63)
Unrealized losses for the period	(3.22)	(2.86)
Total increase (decrease) from operations ⁽³⁾	(5.24)	(3.67)
Distributions per Preferred Share:		
From income (excluding dividends)	0.00	0.00
From dividends	0.00	0.00
From capital gains	0.00	0.00
Return of capital	(0.23)	(0.23)
Total Preferred Share Distributions ^{(3) (4)}	(0.23)	(0.23)
Distributions per Class A Share:		
From income (excluding dividends)	0.00	0.00
From dividends	0.00	0.00
From capital gains	0.00	0.00
Return of capital	0.00	(0.05)
Total Class A Distributions ^{(3) (4)}	0.00	(0.05)
Net Asset Value, end of period ⁽⁵⁾	\$9.88	\$15.35

(1) Results for the period from May 1, 2007 (inception date) to December 31, 2007.

(2) The Net Asset Value reflects the issue price of \$10 per Class A Share and \$10 per Preferred Share less share issue expenses. A unit represents one Preferred Share and one Class A Share. Net asset value per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities excluding the Preferred Shares of the Fund on that date divided by the number of units then outstanding.

(3) Distributions are based on the actual number of Preferred Shares and Class A Shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(4) Distributions were paid in cash.

(5) This is not a reconciliation of the beginning and ending Net Asset Value per unit.

Ratios and Supplemental Data

	2008	2007
Net assets (000's) ⁽¹⁾	\$26,552	\$41,234
Number of units outstanding (000's) ⁽¹⁾	2,687	2,687
Management expense ratio before share issue expenses and interest on Preferred Shares ⁽²⁾	1.87%	1.24%
Management expense ratio ⁽²⁾	5.64%	10.00%
Management expense ratio before waivers or absorptions	5.64%	10.00%
Portfolio turnover rate ⁽³⁾	0.00%	0.00%
Trading expense ratio ⁽⁴⁾	0.00%	0.00%
Closing market price – Preferred Shares	\$6.36	\$8.60
Closing market price – Class A Shares	\$2.31	\$4.49

- (1) This information is provided as at December 31 of the year shown, except 2008 which is provided as at June 30. A unit represents one Preferred Share and one Class A Share. Net Asset Value is equal to Net Asset Value per unit multiplied by the number of units outstanding.
- (2) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. Total expenses include interest on the Fund's Preferred Shares. The Preferred Shares form part of the Fund's dual security capital structure. The MER for the period ending December 31, 2007 annualizes expenses incurred from inception date to the end of the period and it also includes all Agents' fees and other offering expenses, which are one time expenses and therefore are not annualized.
- (3) The Fund's portfolio turnover rate indicates how actively the Fund's investment 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 year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.
- (4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of monthly average net assets during the period.

Management Fees

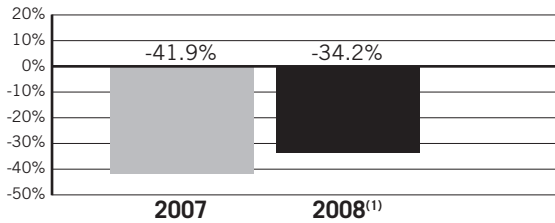
The Administrator is responsible for providing, or arranging for the provision of administrative services required by the Fund. As compensation for the services it provides, the Administrator is entitled to receive an annual fee from the Fund in an amount equal to 0.25% of the net asset value of the Fund, which is calculated daily and paid monthly in arrears. The Administrator has retained First Asset to provide administrative services, including investment advisory services required by the Fund. Fees payable to First Asset for such services are paid by the Administrator out of its fee.

Past Performance

Please note that the performance information shown in this section assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. Also note that the performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns on performance. The performance of the Fund in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The following bar chart shows the Fund's annual performance for the financial years shown and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, 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.



(1) Total return for the period from January 1, 2008 to June 30, 2008

SUMMARY OF INVESTMENT PORTFOLIO

In order to gain exposure to the price performance and dividend payments of the GlobalBanc Portfolio, the Fund invested the net proceeds of the offering of units in a portfolio of common shares of Canadian public companies (the “Canadian Securities Portfolio”) and entered into a forward agreement with the Counterparty. Pursuant to the agreement, the Fund will agree to transfer on or about the termination date of the Fund the Canadian Securities Portfolio to the Counterparty in exchange for an amount determined by reference to the Canadian dollar value of the GlobalBanc Portfolio. The individual securities in the Canadian Securities Portfolio of the Fund as of June 30, 2008 are disclosed in the notes to the financial statements.

STATEMENTS OF NET ASSETS (Unaudited)

As at	June 30, 2008 \$	December 31, 2007 \$
ASSETS		
Canadian Securities Portfolio, at fair value <i>[note 7]</i>	37,101,743	44,941,102
Forward Agreement, at fair value <i>[note 7]</i>	(11,474,799)	(4,548,367)
Cash and cash equivalents	51,386	171,077
Receivable from Canadian Securities Portfolio	805,000	458,364
	26,483,330	41,022,176
LIABILITIES		
Accounts payable and accrued liabilities	103,011	178,339
Redemptions payable	–	77,413
Distributions payable <i>[note 8]</i>	302,231	365,364
Bank indebtedness <i>[note 4]</i>	449,374	198,284
Preferred Shares <i>[note 5]</i>	25,941,893	25,833,971
	26,796,509	26,653,371
	(313,179)	14,368,805
CAPITAL SHAREHOLDERS' EQUITY (DEFICIENCY)		
Class A Shares <i>[note 5]</i>	25,015,231	25,015,231
Class J Shares <i>[note 5]</i>	150	150
Deficit	(25,328,560)	(10,646,576)
	(313,179)	14,368,805
Number of units outstanding <i>[note 5]</i>	2,686,500	2,686,500
Net Asset Value per Class A Share	\$0.00	\$5.35
Redemption value per Preferred Share <i>[note 5]</i>	\$9.88	\$10.00
Net Asset Value per unit	\$9.88	\$15.35

See accompanying notes

STATEMENTS OF INVESTMENT OPERATIONS AND RETAINED EARNINGS (DEFICIT) (Unaudited)

	For six months ended June 30, 2008 \$	Period from May 1 to June 30, 2007 \$
INVESTMENT INCOME		
Interest	150	17,036
	150	17,036
EXPENSES		
Forward Agreement fee <i>[note 7]</i>	117,775	–
Securityholder reporting costs	48,552	1,773
Administrator fees <i>[note 6]</i>	41,343	1,716
Legal fees	39,371	397
Custodial fees	17,000	822
Audit fees	14,919	793
Interest expense	6,405	–
Goods and Services Tax	5,891	330
Independent review committee fees	4,575	–
Other administrative expense	3,257	–
	299,088	5,831
Net investment income (loss) before the undernoted:	(298,938)	11,205
Preferred Shares issue costs amortization <i>[note 5]</i>	(107,922)	(2,763)
Distributions on Preferred Shares <i>[note 8]</i>	(604,462)	–
Net investment income (loss)	(1,011,322)	8,442
REALIZED AND UNREALIZED GAIN (LOSS) ON FORWARD AGREEMENT AND CANADIAN SECURITIES PORTFOLIO		
Realized loss on Canadian Securities Portfolio <i>[note 7]</i>	(5,027,136)	–
Change in unrealized appreciation (depreciation) of Forward Agreement and Canadian Securities Portfolio	(8,643,526)	218,354
Net gain (loss) on Forward Agreement and Canadian Securities Portfolio	(13,670,662)	218,354
Results of investment operations for the period	(14,681,984)	226,796
Results of investment operations per Class A Share	\$ (5.4651)	\$ 0.0872
Retained earnings (deficit), beginning of period	(10,646,576)	–
Results of investment operations for the period	(14,681,984)	226,796
Retained earnings (deficit), end of period	(25,328,560)	226,796

See accompanying notes

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

	For six months ended June 30, 2008 \$	Period from May 1 to June 30, 2007 \$
Shareholders' equity, beginning of period	14,368,805	–
Operations		
Increase (decrease) in net assets from investment operations	(14,681,984)	226,796
Shareholder transactions [note 5]		
Proceeds from issuance of Class A Shares	–	26,000,000
Proceeds from issuance of Class J Shares	–	150
Issue costs on Class A Shares	–	(1,885,000)
	–	24,115,150
Net increase (decrease) in shareholders' equity	(14,681,984)	24,341,946
Shareholders' equity (deficiency), end of period	(313,179)	24,341,946

See accompanying notes

STATEMENTS OF CASH FLOWS (Unaudited)

	For six months ended June 30, 2008 \$	Period from May 1 to June 30, 2007 \$
OPERATING ACTIVITIES		
Net investment income (loss) for the period	(1,011,322)	8,442
Net change in non-cash items		
Preferred Share issue cost amortization	107,922	2,763
Change in interest on bank indebtedness	48	-
Change in other assets and liabilities	(394,609)	5,831
Cash flows from (used in) operating activities	(1,297,961)	17,036
FINANCING ACTIVITIES		
Issuance of Preferred Shares	-	26,000,000
Issuance of Class A Shares	-	26,000,000
Issuance of Class J Shares	-	150
Issue costs on Preferred Shares	-	(1,105,000)
Issue costs on Class A Shares	(27,354)	(1,235,000)
Redemption of Preferred Shares	(60,000)	-
Redemption of Class A Shares	(20,509)	-
Discount on Preferred Shares redeemed	3,096	-
Distributions on Class A Shares	(63,133)	-
Borrowings of bank indebtedness	251,042	-
Cash flows from financing activities	83,142	49,660,150
INVESTING ACTIVITIES		
Proceeds from partial settlement of Forward Agreement	1,095,128	-
Purchase of Forward Agreement	-	(49,109,357)
Cash flows from (used in) investing activities	1,095,128	(49,109,357)
Net increase (decrease) in cash and cash equivalents during the period	(119,691)	567,829
Cash and cash equivalents, beginning of period	171,077	-
Cash and cash equivalents, end of period	51,386	567,829

See accompanying notes

SCHEDULE OF INVESTMENTS (Unaudited)

As at June 30, 2008

	Fair Value (\$)	% of Total Investments
Canadian Securities Portfolio (<i>note 7</i>)	37,101,743	144.78
Value of Forward Agreement (<i>note 7</i>)	(11,474,799)	(44.78)
Total value of investments (including Forward Agreement)	25,626,944	100.00

As a result of the Forward Agreement described in Note 7, the above total investments (including Forward Agreement) are represented by the Net Asset Value of the GlobalBanc Portfolio as at June 30, 2008 as listed below:

Number of shares	Description	Fair value \$	% of GlobalBanc Portfolio
126,200	Bank of America Corp.	3,056,224	11.93
44,200	BNP Paribas	4,065,348	15.86
119,100	Citigroup Inc.	2,025,159	7.90
36,200	Deutsche Bank AG	3,149,579	12.29
25,700	Société Générale Group	2,271,357	8.86
478,700	Royal Bank of Scotland Group plc	2,078,074	8.11
290,100	Banco Santander Central Hispano SA	5,411,582	21.12
77,700	UBS AG	1,659,265	6.47
	Cash and other assets net of liabilities	1,910,356	7.45
	Value of GlobalBanc Portfolio	25,626,944	100.00

See accompanying notes

NOTES TO FINANCIAL STATEMENTS (Unaudited)

June 30, 2008

1. INCORPORATION

GlobalBanc Advantaged 8 Split Corp. (the "Fund"), incorporated under the laws of Ontario on May 1, 2007, is a mutual fund corporation. The Fund provides holders of its shares with tax-efficient exposure, through the use of a forward agreement, to the price performance and dividend payments (including any increases thereof) of an initially equally weighted basket of securities consisting of eight of the world's largest banks ("GlobalBanc Portfolio").

On June 26, 2007, 2,600,000 Preferred Shares and 2,600,000 Class A Shares were issued by the Fund for gross proceeds of \$26,000,000 in respect of the Preferred Shares and \$26,000,000 in respect of the Class A Shares.

On July 6, 2007, 100,000 Preferred Shares and 100,000 Class A Shares were issued by the Fund for gross proceeds of \$1,000,000 in respect of the Preferred Shares and \$1,000,000 in respect of the Class A Shares.

The Administrator of the Fund is National Bank Financial Inc. (the "Administrator").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). In applying Canadian GAAP, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

Adoption of new accounting standards

On January 1, 2008, the Fund adopted the following new accounting standards: CICA Handbook Section 3862, *Financial Instruments – Disclosures* and CICA Handbook Section 3863, *Financial Instruments – Presentation*. These sections emphasize disclosure on how the Fund manages its financial risk exposure on financial instruments. The standards include new requirements to quantify certain risk exposures and to provide sensitivity analysis for certain risks. These standards did not affect the Fund's financial position or results of operations.

Changeover to International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) has confirmed its plan to adopt all International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board, on or by January 1, 2011. The Fund will adopt all of the International Financial Reporting Standards in accordance with the AcSB's plan. The Administrator has presently determined that there will be no impact to net asset value per unit from the changeover to IFRS. The impact of IFRS on accounting policies and implementation decisions will mainly be in the areas of additional note disclosure in the financial statements of the Fund.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash and short-term investments with a term to maturity of less than three months from date of purchase. Short-term investments are valued at cost plus accrued interest, which approximates fair value.

Income recognition

The accrual method of recording income and expenses is followed with dividend income being recorded on the ex-dividend date.

Forward Agreement and Canadian Securities Portfolio

The Forward Agreement is valued at an amount equal to the gain or loss that would be realized if the position was to be closed out in accordance with its terms, in which case the fair value shall be based on the current fair value of the GlobalBanc Portfolio. On settlement, the fair value of the Forward Agreement would equal the difference between the fair value of the Canadian Securities Portfolio and the GlobalBanc Portfolio, net of expenses. The investments comprising the Canadian Securities Portfolio are valued at the closing bid price.

NOTES TO FINANCIAL STATEMENTS (Unaudited)

The difference between fair value and average cost is shown as unrealized appreciation (depreciation) of Canadian Securities Portfolio. Average cost is used to determine the gain or loss on the sale of the Canadian Securities Portfolio.

Results of investment operations per Class A Share

The results of investment operations per Class A Share in the statement of investment operations and retained earnings represents the results of investment operations during the period, divided by the average number of Class A Shares outstanding during the period.

Net Asset Value per unit

The Net Asset Value per unit is calculated as net assets at fair value divided by the number of units outstanding of the Fund. The Preferred Shares are not treated as liabilities for this purpose. A unit is a notional unit comprising of one Preferred Share and one Class A Share.

Preferred Shares

The Preferred Shares are carried at amortized cost using the effective interest method and are presented as liabilities in the Statement of Net Assets.

The costs incurred to issue Preferred Shares are amortized over the term of the Preferred Shares. On redemption or early retraction of the Preferred Shares or Class A Shares, any unamortized issue cost relating to these shares will be written off.

3. FINANCIAL INSTRUMENTS

Fair value of financial instruments

The Fund's financial instruments include Canadian Securities Portfolio, Forward Agreement, cash and cash equivalents, receivable from Canadian Securities Portfolio, accounts payable and accrued liabilities, redemptions payable, distributions payable and bank indebtedness. Canadian Securities Portfolio, Forward Agreement and cash equivalents are valued at fair value, using the policies described in Note 2. Canadian Securities Portfolio and Forward Agreement are held for trading and changes in fair value are reflected in the Fund's Statements of Operations and Retained Earnings. The other financial instruments are carried at amortized cost. The fair value of the other financial instruments closely approximates their carrying values, given their short-term maturities.

Management of financial risks

In the normal course of business, the Fund is exposed to various financial risks, including credit risk, liquidity risk and market risk (consisting of interest rate risk, currency risk and other price risk). To assist in managing risk, the Administrator maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy, investment guidelines and securities regulators.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

In entering into the Forward Agreement, the Fund is exposed to the credit risk associated with the Counterparty. Depending upon the relative values of the GlobalBanc Portfolio and the Canadian Securities Portfolio, the Fund's exposure to the credit risk of the Counterparty may be significant.

The Counterparty credit risk is managed by dealing with counterparties the Fund believes to be creditworthy and by regular monitoring of credit exposures. As at June 30, 2008, the Counterparty has a credit rating of A according to Standard & Poor's.

Liquidity risk

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligation on time or at a reasonable price. As at June 30, 2008, the holdings in the Canadian Securities Portfolio and GlobalBanc Portfolio are considered readily realizable as they are actively traded on public exchanges. In addition, the Fund may borrow up to 5% of its net assets for the purpose of paying redemptions and for working capital purposes.

NOTES TO FINANCIAL STATEMENTS (Unaudited)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

The Fund is exposed to interest rate risk relating to borrowings under the loan facility. A rise in interest rates will increase the borrowing costs of the Fund. If the prevailing interest rates on the loan facility increased or decreased by 0.50% during the period with all other variables held constant, the borrowing costs for the period would increase or decrease by \$721 respectively.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The assets and liabilities of the Fund are predominantly held in the functional currency of the Fund which is the Canadian dollar. The Fund is exposed to the performance of the GlobalBanc Portfolio which is denominated in foreign currencies. As the Forward Agreement, through which the exposure is obtained, includes a foreign currency hedge, the Fund is not exposed to significant foreign currency risks.

Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

All investments in securities present a risk of loss of capital. The maximum market price risk resulting from these investments is equivalent to their fair value. The value of the Class A Shares and Preferred Shares will vary with the value of the GlobalBanc Portfolio by virtue of the Forward Agreement. The value of the GlobalBanc Portfolio will be influenced by factors which are not within the control of the Fund including the performance of the portfolio securities, the condition of the equity markets generally and other factors. The Fund's exposure is concentrated in the financial services sector and as such will be exposed to the specific factors that affect this sector. Although the Fund's investment portfolio is passively managed, market price risk is mitigated through the daily monitoring of the Fund's investment portfolio by the Administrator.

By utilizing a split share structure, holders of the Class A Shares receive leveraged exposure such that any capital appreciation or depreciation of the GlobalBanc Portfolio will be borne by the Class A Shares. Accordingly, any increase or decrease in the value of the GlobalBanc Portfolio will result in a greater proportionate increase or decrease in the Net Asset Value of the Class A Shares.

As at June 30, 2008, 96.5% of the Fund's net assets were exposed to the holdings in the GlobalBanc Portfolio which are traded on global stock exchanges. If equity prices on the global stock exchanges had increased or decreased by 10% as at the period end, with all other factors remaining constant, net assets would have increased or decreased by \$2,562,694, respectively.

4. BANK INDEBTEDNESS

The Administrator, on behalf of the Fund, has entered into a revolving term facility with a Canadian bank. Under the terms of the facility, the Fund may borrow up to 5% of the net assets of the Fund. Amounts borrowed under the facility are collateralized by security interest in the assets and undertakings of the Fund. Amounts borrowed bear interest at the bank's prime rate or, if incurred by way of banker's acceptance, at rates slightly below prime. As at June 30, 2008, the indebtedness was in the form of bankers' acceptances having a weighted average term of 14 days and effective rate of 3.15%. The fair value of the bank indebtedness approximates the carrying value as at June 30, 2008.

5. SHARE CAPITAL

The Fund is authorized to issue an unlimited number of Preferred Shares, Class A Shares and Class J Shares.

NOTES TO FINANCIAL STATEMENTS (Unaudited) continued

The Fund issued 150 Class J Shares for a cash consideration of \$150.

A summary of the Fund's issued and outstanding share capital and related share issue costs is as follows:

	Class J Shares	Number of Units	Class A Shares	Preferred Shares	Preferred Share Issue Costs
Issued, beginning of period	\$150	2,686,500	\$25,015,231	\$26,865,000	(\$1,031,029)
Amortization	–	–	–	–	\$107,922
Outstanding, end of period	\$150	2,686,500	\$25,015,231	\$26,865,000	(\$923,107)

Preferred Shares

Holders of Preferred Shares will be entitled to receive fixed cumulative preferential quarterly cash distributions of \$0.1125 per Preferred Share or 4.5% per annum on the issue price of the Preferred Shares. Such quarterly distributions will be paid on or about the last business day of March, June, September and December in each year commencing September 28, 2007.

Preferred Shares may be surrendered at any time for redemption by the Fund, but will be redeemed only on the monthly Redemption Date. Holders of Preferred Shares whose shares are surrendered for redemption will be entitled to receive the Preferred Share Redemption Price which will be equal to the lesser of (i) (a) 95% of the Net Asset Value per unit less (b) the cost to the Fund of the purchase of a Class A Share in the market for cancellation and (ii) \$10.00. Any unamortized issue costs relating to any offering of Preferred Shares by the Fund will be deducted in calculating the Net Asset Value per unit for this purpose.

Commencing in November 2008, a holder of a Preferred Share may concurrently redeem an equal number of Preferred Shares and Class A Shares on the Redemption Date in November of each year. The amount received per unit by the redeeming shareholder for such concurrent redemption will be equal to the Net Asset Value per unit. Any unamortized issue costs relating to any offering of Preferred Shares by the Fund will be deducted in calculating the Net Asset Value per unit for this purpose.

The Preferred Shares will be redeemed on December 15, 2012 (the "Final Redemption Date"). The redemption price payable by the Fund for each Preferred Share outstanding on the Final Redemption Date will be equal to the lesser of (i) \$10.00 plus any accrued and unpaid distributions on a Preferred Share, and (ii) the Net Asset Value on that date divided by the number of Preferred Shares then outstanding.

The Preferred Shares rank in priority to the Class A Shares and Class J Shares with respect to the payment of distributions and the repayment of capital upon the dissolution, liquidation or winding-up of the Fund.

Class A Shares

Holders of Class A Shares will receive cash distributions if, as and when declared by the board of directors, that are expected to consist of non-taxable returns of capital and capital gains.

Class A Shares may be surrendered at any time for redemption by the Fund, but will be redeemed only on the monthly Redemption Date. Holders of Class A Shares whose shares are surrendered for redemption will be entitled to receive the Class A Redemption Price which will be equal to the lesser of (i) 95% of the Net Asset Value per unit less (ii) the cost to the Fund of the redemption of a Preferred Share at a premium or purchase of a Preferred Share in the market for cancellation. Any unamortized issue costs relating to any offering of Preferred Shares by the Fund will be deducted in calculating the Net Asset Value per unit for this purpose.

Commencing in November 2008, a holder of Class A Share may concurrently redeem an equal number of Class A Shares and Preferred Shares on the Redemption Date in November of each year. The amount received per unit by the redeeming shareholder for such concurrent redemption will be equal to the Net Asset Value per unit. Any unamortized issue costs relating to any offering of Preferred Shares by the Fund will be deducted in calculating the Net Asset Value per unit for this purpose.

The Class A Shares will be redeemed on the Final Redemption Date. The redemption price payable by the Fund for each

NOTES TO FINANCIAL STATEMENTS (Unaudited) continued

Class A Share outstanding on the Final Redemption Date will be equal to the greater of (i) the Net Asset Value per unit on that date minus \$10.00 and minus any accrued and unpaid distributions on a Preferred Share, and (ii) nil.

The Class A Shares rank subsequent to the Preferred Shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation or winding up of the Fund.

Class J Shares

The holders of Class J Shares are not entitled to receive dividends. The holders of Class J Shares are entitled to one vote per share.

The Class J Shares are redeemable at a price of \$1.00 per share and retractable at any time at either (i) a price of \$1.00 per share if any of the Class A Shares or Preferred Shares are then outstanding, or (ii) the Net Asset Value of the Fund divided by number of Class J Shares outstanding if one of the Class A Shares or Preferred Shares are then outstanding.

6. EXPENSES OF THE FUND

The Administrator is entitled to an annual fee of 0.25% per annum of the Net Asset Value, calculated daily and payable monthly, plus applicable taxes. The Administrator has retained First Asset Investment Management Inc. ("First Asset") to provide the administrative services, including investment advisory services, required by the Fund. Fees payable to First Asset for such services will be paid by the Administrator out of its fee.

The Fund pays the forward counterparty, National Bank of Canada, an additional purchase amount under the Forward Agreement, calculated daily and payable quarterly in arrears, of 0.40% per annum of the notional amount of the Forward Agreement, being the value of securities upon which the payment obligation of the Counterparty under the Forward Agreement is based, and 0.20% per annum in respect of hedging costs incurred in connection with the Canadian Securities Portfolio.

The Fund is responsible for all costs relating to its administration.

No commissions or other transaction costs were paid by the Fund for its portfolio transactions during the period.

7. FORWARD AGREEMENT AND CANADIAN SECURITIES PORTFOLIO

In order to gain exposure to the price performance and dividend payments of the GlobalBanc Portfolio, the Fund invested the net proceeds of the offering of units in a portfolio of common shares of Canadian public companies (the "Canadian Securities Portfolio") and entered into a Forward Agreement with National Bank of Canada (the "Counterparty").

Pursuant to the agreement, the Fund will agree to transfer on or about the Final Redemption Date the Canadian Securities Portfolio to the Counterparty in exchange for an amount determined by reference to the Canadian dollar value of the GlobalBanc Portfolio. The Fund will partially settle the Forward Agreement prior to the Final Redemption Date in order to fund distributions and retractions, redemptions and repurchases of shares and to pay any expenses or liabilities of the Fund.

NOTES TO FINANCIAL STATEMENTS (Unaudited) continued

As at June 30, 2008, the Canadian Securities Portfolio for the Fund consists of the following investments:

Number of shares	Description	Fair Value \$
32,000	Duvernay Oil Corp.	1,992,000
109,700	FNX Mining Company Inc.	2,643,770
242,800	Galleon Energy Inc., Class A	4,999,252
109,200	Gildan Activewear Inc.	2,716,896
135,400	Hudbay Minerals Inc.	1,914,556
290,200	IVANHOE Mines Ltd.	3,206,710
95,900	MacDonald Dettwiler & Associates	3,625,979
45,675	Research In Motion Limited	5,343,975
187,500	RONA Inc.	2,296,875
119,900	Stantec Inc.	3,140,181
134,800	Viterra Inc.	1,884,504
265,900	Westjet Airlines Ltd	3,337,045
		37,101,743

8. DISTRIBUTIONS

An objective of the Fund is to provide fixed cumulative preferential quarterly cash distributions equal to of \$0.1125 per share to holders of Preferred Shares, as and when declared, to yield 4.5% per annum on the original issue price of the Preferred Shares.

9. INCOME TAXES

The Fund qualifies and intends to continue to qualify as a mutual fund corporation under the Income Tax Act (Canada). Mutual fund corporations are generally subject to tax in the same manner as other public corporations except that income taxes payable on realized capital gains are refundable on a formula basis when shares of the Fund are redeemed or capital gains dividends are paid by the Fund to its shareholders.

The Fund is subject to a special tax at the rate of 33 1/3% on taxable dividends received from taxable Canadian corporations.

This tax is refundable to the Fund upon the payment of taxable dividends to its shareholders at the rate of \$1 of tax for every \$3 of dividends paid.

10. TAX LOSS CARRYFORWARD

As at June 30, 2008, the Fund had capital loss carryforwards for income tax purposes which may be carried forward indefinitely to be applied against future capital gains. The non-capital losses may be utilized to reduce taxable income of future years and expire in the year indicated.

Capital Losses	Non-Capital Losses	Expiration of Non-Capital Losses 2027
\$1,704,438	\$650,918	\$650,918

NOTES TO FINANCIAL STATEMENTS (Unaudited) continued

11. SUBSEQUENT EVENT

On July 2, 2008, DBRS Limited has lowered the rating on the Fund's Preferred Shares from Pfd-4 (high) to Pfd-5 with a Stable Trend.

12. RECLASSIFICATION

Certain comparative figures have been reclassified to conform to the current period's presentation.

