

**Global Educational Trust Plan**  
*For the period ended March 31, 2013*

This annual management report of fund performance contains financial highlights but does not contain the complete annual audited financial statements of the Global Educational Trust Plan ("Plan"). You may obtain a copy of the audited financial statements at your request and at no cost by calling Global Client Services at 1-877-460-7377, by writing to us at 100 Mural St, Suite 102, Richmond Hill, Ontario L4B 1J3, or by visiting our Website at [www.globalfinancial.ca](http://www.globalfinancial.ca) or SEDAR at [www.sedar.com](http://www.sedar.com).

The Global Educational Trust Foundation (the Foundation) views corporate governance and compliance as important contributors to overall corporate performance and long-term investment returns. Currently, the investments of the Plan are limited to specified government bonds, guaranteed investment certificates, principal protected notes, and corporate debt securities with an approved rating. These securities do not carry voting rights. . Therefore, , the Plan's policies and procedures on voting and proxy voting are limited to exceptional circumstances where creditors of an issuer are given a right to vote in accordance with applicable laws.

## MANAGEMENT REPORT OF FUND PERFORMANCE

Global Growth Assets Inc. ("GGAI" or the "Manager") has retained the services of Scotia Asset Management L.P. ("Scotia Asset Management"), UBS Investment Management Canada Inc. ("UBS") and Yorkville Asset Management ("Yorkville") to act as the portfolio advisors for the Plan.

The views of the portfolio advisors contained in this report are as of March 31, 2013 and this report is not intended to provide legal, accounting, tax or specific investment advice. Views, portfolio holdings and allocations may have changed subsequent to this date.

The Plan has changed its fiscal year end from December 31<sup>st</sup> to March 31<sup>st</sup>. The period covered by this report is from January 1, 2012 to March 31, 2013.

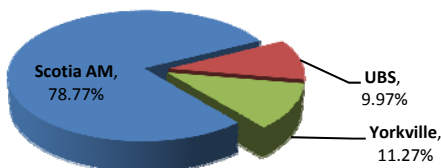
## INVESTMENT OBJECTIVE AND STRATEGIES

Global Growth Assets Inc. ("GGAI") invests in a prudent manner, with the objective of protecting your principal and delivering a positive return on your Global Educational Trust Plan investment. In setting the Foundation's investment objective, we focused on two fundamental factors: matching assets to liabilities and the Plan's ability to assume risk. GGAI invests primarily in federal, provincial and investment grade corporate bonds, guaranteed investment certificates, and principal protected notes.

Scotia Asset Management, UBS and Yorkville manage assigned portions of the Plan's assets. The assets are allocated among different market sectors and different maturity segments at the portfolio advisors' discretion, but subject to the guidelines defined in GGAI's investment policies and mandates.

As at March 31, 2013 the investment advisors managed the following percentage of assets on behalf of the Plan:

### Allocation by Portfolio Advisor



## RISK

The risks of investing in the Plan and its suitability for investors are outlined in the Prospectus. As the portfolio is primarily invested in fixed income instruments, the key risks associated with fixed income investing are interest rate risk, liquidity risk, pricing risk and credit risk.

## RESULTS OF OPERATIONS

The assets of the Plan as of March 31, 2013 topped \$511 million of which approximately \$505 million represents the Plan's investment portfolio. The Plan's rate of return during the 15 month period was 4.52% compared to the DEX Universe All Government Index ("Benchmark") return of 3.86%. Unlike the Index, the Plan's return is after the deduction of its fees and expenses. In a low yield fixed income environment, it is reasonable that the Plan's portfolio will experience relatively low returns.

According to Scotia Asset Management, the Government of Canada yield curve continued to flatten over the course of 2012.

Longer term yields fell while yields for one to seven year maturities rose, decreasing the differential between the two ends of the curve. Although the rate of flattening has declined, the Canada yield curve is considerably flatter now than where it stood last year.

The shape of the yield curve is used as a barometer of economic activity – a steep yield curve often signals a period of economic growth while a flat to inverse yield curve may foretell a coming period of economic slowdown.

Portfolio performance in 2012 was positively influenced by the implementation of a barbell strategy in the second quarter of the year (concentrating bond maturities in the 0-3 and 7-10 year areas of the yield curve). Bond prices and yields have an inverse relationship. Due to the portfolio being overweight the long end of the curve, there was an overall positive effect on the portfolio as the yields decreased. The Government of Canada Yield curve steepened throughout the first quarter of 2013, with short term rates falling while longer term rates rose.

Some of the changes in the Plan's overall investment mix from the previous fiscal year are as follows:

- due to decreasing spreads in the second half of 2012, the Plan reduced exposure to Provincial bonds and increased exposure to Federal issues to 36% from 17% in 2011 resulting in increased credit quality of the portfolio;
- in order to protect the portfolio during interest rate increases, the portfolio's duration was kept modestly shorter than that of the Benchmark for majority of the fiscal year; and
- the Plan has increased its exposure to Principal Protected Notes as of March 31, 2013 to 16.39% from 12.2% in 2011.

## RECENT DEVELOPMENTS

*(prepared by Scotia Asset Management L.P.)*

Headline risk was a dominant theme and mover of markets during 2012. As the European Sovereign Debt saga continued, France and Greece held their national elections in spring. While Mr. Hollande's victory in France was foretold by the polls, the Greek elections were not so smooth. With the election failing to determine a clear majority and the unwillingness of the parties to form a coalition, a re-election took place a month later. The French and Greek elections displayed a growing voter sentiment against austerity measures in the region. Spain contributed to European malaise by requesting financial assistance for its banking sector which is heavily reliant on their faltering domestic real estate market. The speculation of a break-up of the Euro zone, coupled with the above events, led European Central Bank chair Mario Draghi to issue a statement that the ECB is prepared to "do what it takes" to save the Euro. The Bank of Canada consequently maintained an overnight borrowing rate of 1.0% for the year, amidst all the uncertainty and weakening global economic data, which was expected by many market participants. What took the market by surprise was the announcement that Mark Carney, the Governor of the Bank of Canada, will step down and take office as the head of the Bank of England in summer 2013. Mr. Carney is widely held to be a major factor in Canada's resilience through the financial crisis.

The U.S. Election was another event to make headlines and rouse markets in 2012. This campaign was scrutinized even more than most due to the economic implications it would have on the

looming Fiscal Cliff and Debt Ceiling debates in the Republican dominated House and Senate. Republican candidate Mitt Romney favoured spending cuts, while incumbent President Barack Obama pressed for tax measures on the wealthiest tier of Americans. Romney managed to gain momentum in the final months of the election race after fumbling early, with no clear winner predicted going into election night. Mr. Obama was ultimately re-elected and the two sides continued their debate without missing a beat, finding compromise at the final hour in 2012, at least on the Fiscal Cliff.

Broad-based government spending cuts imposed by the U.S. 'sequester' went into effect on March 1<sup>st</sup> which will likely have a dampening effect on growth as these cuts filter through the economy. Europe has continued to make headlines, with Italian elections failing to determine a ruling government and the Cyprus banking crisis rattling investor confidence, if only temporarily. This only increases the probability that capital outflows could occur to stronger Eurozone members at the expense of the weaker members.

With no shortage of headlines to choose from, returns were again volatile in 2012. Bond yields seemed to have found a floor in July following Draghi's statement and traded range-bound for the remainder of the year. We believe this low yield environment will continue for some time with rates not venturing too far outside their established ranges. We expect modest returns for fixed income investments in 2013, and for these returns to be based primarily on income rather than capital gains. The portfolio has moved up the quality scale, increasing its exposure to federal issues, while reducing the weighting in provincials. If the economy continues to weaken as expected, the federally guaranteed issues should outperform.

The U.S. Federal Reserve is likely to remain very accommodative and the Bank of Canada is unlikely to raise rates any time soon, all of which should be neutral to positive for bonds as yields are unlikely to significantly rise further in the first half of the year. Yield continues to be in short supply and we expect investors to seek ways to increase income. The uncertainty surrounding the U.S debt ceiling, the ongoing European debt crisis, and the resulting economic slowdown should help provide support to the bond market.

#### Independent Review Committee ("IRC")

The Manager has established an IRC for the Fund, comprised of three individuals, who are fully independent of the Manager and its affiliates. In 2012, Sue Bochner's and Bibi Nazreen Ali's terms ended, and Richard Healy resigned. As a result, a new committee was constituted with Bruce Monus, P.Eng, MGA, CFA as Chair; Chandler Singh, CGA; and Ahmed A. Khan, CFA, as members. All of these individuals reside in Toronto, Ontario.

#### International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board ("AcSB") announced that, for publically accountable enterprises, Canadian GAAP will be replaced by International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board. In December 2011, the AcSB amended the deadline for adoption of IFRS for investment companies to fiscal years

beginning on or after January 1, 2014.

#### Amendments to Educational Financial Assistance Agreement ("EFA Agreement")

During the fiscal year, the EFA Agreement was amended in accordance with the terms approved by Canada Revenue Agency (CRA) to reflect certain fee changes. The amendments were effective as of November 15, 2012.

The main changes in the amended EFA Agreement reflect fee increases: the Administration Fee was increased from 1% to 1.2%, resulting in an increase of the contribution to the Enhancement Fund for the benefit of Qualified Students. The Enrolment Fees paid to the Foundation was not increased; however, from these fees, the Foundation increased its discretionary contribution to the Enhancement Fund from 3% to 5%, for the benefit of Qualified Students.

Other fee increases included the annual Account Maintenance Fees for deposits, which were each increased by \$2.00, and the minimum Special Services Fee, increased from \$12.00 to \$15.00. The annual Inactive Account Fee was increased to \$250.00.

## FINANCIAL AND OPERATING HIGHLIGHTS

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.

(Dollar amounts in \$'000)

<b>Balance Sheet</b>	<b>2013<sup>1</sup></b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Total Assets	\$511,804	\$432,489	\$365,259	\$302,038	\$242,163
Net Assets	\$200,777	\$164,391	\$133,800	\$101,165	\$80,731
% change in Net Assets	22.64%	22.90%	32.30%	25.30%	32.40%
<b>Statement of Operations</b>					
Net Investment Income	<b>\$13,003</b>	<b>\$9,591</b>	<b>\$10,361</b>	<b>\$7,405</b>	\$6,696
<b>Statement of Changes in Net Assets</b>					
Educational Assistance Payments <sup>2</sup>	\$4,390	\$2,712	\$2,292	\$2,056	\$1,644
Canadian Education Savings Grant	\$4,854	\$3,299	\$2,720	\$2,302	\$1,798
<b>Other</b>					
Total No. of Agreements	<b>94,057</b>	<b>86,422</b>	<b>78,025</b>	70,127	64,254
% change in No. of Agreements	<b>8.83%</b>	<b>10.80%</b>	<b>11.30%</b>	9.10%	11.10%

1) During 2012, the Plan made the decision to change its year-end to March 31 from December 31 to better align with its business model. The period covered by fiscal year 2013 is from January 2012 to March 31, 2013 (15 month period).

2) The education assistance payments does not include discretionary Enhancement Fund payouts

## MANAGEMENT FEES

Total administration fee expenses for the year ended March 31, 2013 were \$7.02 million (2011-\$4.4 million). From the Administration fees received by GGAI, investment advisory fees and Trustee fees of \$762,793 were paid representing 11% of the total administration expense (2011 - \$548,000 representing 12%). The net administration fee of \$ 6.3 million representing 89% (2011-\$3.8 million and 82% respectively) of total fees, comprises the Plan's administration and financial reporting expenses.

The administration functions of the Plan include processing and call center services related to new and existing agreements, fund payments, Grant collection, plan modifications, terminations, maturities and Education Assistance Payments (EAP).

## RELATED PARTY TRANSACTIONS

Under the terms of an Administrative Services Agreement which is renewable on an annual basis, the Foundation has delegated administrative functions to GGAI and distribution functions to Global RESP Corporation ("GRESP"), registered as a scholarship plan dealer under securities legislation in each of the provinces and territories in which it sells scholarship plans. GRESP is the primary distributor of the Global Educational Trust Plan.

The Foundation receives enrolment fees which are deducted from deposits made by subscribers. In exchange for its administrative services, GGAI is entitled to receive administration fees of 1.2% per annum of the assets of the Plan. As contribution to the Enhancement Fund, the Foundation contributes 25% of

the net administration fees and 5% of the net enrollment fees collected. In addition, 20% to 40% of optional insurance premiums collected from subscribers and special service fees charged to subscribers principally in respect of dishonored and returned cheques, are remitted by the GGAI to GRESP.

At March 31, 2013 the Global Educational Trust Plan's accounts payable included \$1,290,543 (2011 - \$1,269,605) receivable from the Foundation for discretionary EFA payments made to subscribers; \$2,582,687(2011 - \$2,338,329) payable to GRESP settled through the Foundation as sales commission from enrollment fees collected; and \$0 (2011 - \$9,966) payable to GGAI settled through the Foundation for administration fees.

As Distributors of the Global Educational Trust Plan, GRESP and Global Maxfin Investments Inc. may be considered to be related entities to the Plan because of their common connection to certain parties, which may mean that the Distributors and the issuer (the Plan) may or may not be independent of each other.

In a prior year, an amount of \$350,575 was incorrectly recorded to the credit of Global Maxfin Capital Inc.

### Enhancement Fund

The Foundation intends to enhance Educational Financial Assistance (EFA) payments paid each year to Qualified Students whose Subscribers have completed all their scheduled deposits. The amount is at the sole discretion of the Foundation, subject to the maximum limit described below, and paid from the Enhancement Fund. The total amount paid to a Qualified Student will not exceed the total amount of Enrolment Fees paid by the Subscriber in respect to that Student. These discretionary

payments from the Enhancement Fund is not guaranteed and may fluctuate from year to year. The Foundation may, in any given year, choose to pay less than the amount available within the Enhancement Fund in order to reserve funds within the Enhancement Fund for payment in future years.

Since inception, discretionary payments advanced to Qualified Students from the Enhancement Fund totaled to \$9.1 million.

DEX Universe All Government Bond Index

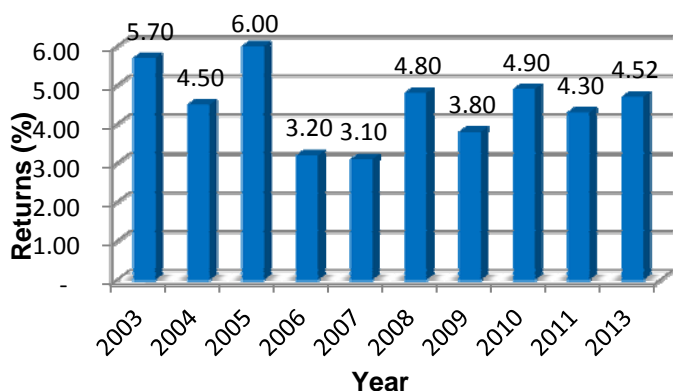
The Plan is measured against the DEX Universe All Government Bond Index for performance. This Index tracks the performance of Government-issued bonds. It is designed to be a broad measure of the Canadian fixed income markets with the exclusion of corporate bonds.

**PAST PERFORMANCE**

The performance information shown assumes that all of the income, interest earned and capital gains distributions are reinvested in the Plan and would be lower if distributions were not reinvested. Past performance is not indicative of how the Fund may perform in the future.

**Year-by-Year Returns**

The bar chart indicates the Plan's performance for each of the financial years shown. Annual return is the percentage change in the value of an investment from January to December 31, unless otherwise noted. The charts show, 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) The Plan has changed its fiscal year end from December 31<sup>st</sup> to March 31<sup>st</sup> resulting in skipping fiscal year 2012. The period covered by fiscal year 2013 is from January 2012 to March 31, 2013 (15 month period).

**Annual Compound Returns**

The following table compares the historical annual compound returns of the Plan for the periods shown ended December 31<sup>st</sup> with its benchmark, the DEX Universe All Government Bond Index.

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years
Plan	4.52%	4.57%	4.46%	4.48%
Benchmark	3.86%	6.22%	5.33	5.89%

The Benchmark index returns do not include any costs of investing. See **Results of Operation** for a discussion of performance relative to the Benchmark index. Unlike the Index, the Plan's returns are after the deduction of its fees and expenses.

**SUMMARY OF INVESTMENT PORTFOLIO**  
*As of March 31, 2013*

**Top 25 Holdings\***

<b>Issuer</b>	<b>% of Plan's Portfolio Assets</b>
1 Canada Housing Trust 2.4% December 15,2022	19.44%
2 Canada Housing Trust 3.8% June 15, 2021	8.62%
3 Ontario Province 4.0% June 2, 2019	4.28%
4 Canada Government 3.0% June 1, 2014	3.95%
5 Ontario Province 6.5% March 8, 2029	3.84%
6 Canada Government 5.8% June 1, 2029	3.37%
7 RBC Bankers Acceptance due April 10, 2013	3.17%
8 BAC Canada Finance Ser 1 PPN August 24, 2017	3.07%
9 TD Principle Protected Note March 22, 2018	2.06%
10 Hydro-Quebec 11.0% August 15, 2020	2.03%
11 Ontario Province 4.0% June 2, 2021	2.01%
12 National Bank of Canada Yorkville CDN PPN due March 21, 2018	2.00%
13 BNS Yorkville Canadian Equity PPN March 21, 2018	1.99%
22 JP Morgan PPN February 26, 2020	1.98%
14 Pacific & Western Bank 11.0% February 27, 2019	1.98%
15 Pacific & Western Bank 8.0% March 11, 2021	1.98%
16 Bank of Nova Scotia Global Alpha Strat Dep Nts Ser-1, August 29, 2014	1.91%
17 British Columbia Province 5.7% June18,2029	1.90%
18 Pacific & Western Bank GIC 4.5% August 3, 2021	1.83%
19 Cash	1.82%
20 British Columbia Province 3.7% December 18, 2020	1.41%
21 TD Bank 4.8% December 14, 2016-2105	1.41%
23 Canada T-Bill June 20, 2013	1.34%
24 Bank of Nova Scotia 4.1% June 8,2017	1.33%
25 BAC Canada Finance Principle Protected Note September 15, 2016	1.24%
<b>TOTAL</b>	<b>79.96%</b>

\*All holdings in the Plan are long positions as at March 31, 2013.

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