

Global Diversified Investment Grade Income Trust

Financial Statements for the semester ended
June 30, 2011
(Unaudited)

The interim financial statements as at June 30, 2011 and 2010 have not been reviewed by our independent auditors.

Global Diversified Investment Grade Income Trust

Statements of Net Assets

	June 30, 2011	December 31, 2010
	\$	\$
	(unaudited)	
Assets		
Investment (note 7)	36,702,302	37,433,222
Credit default swaps receivable (note 8)	20,460,152	19,334,775
Short-term investments	-	1,998,931
Cash and interest-bearing deposit (note 9)	2,115,950	96,829
Interest receivable on investment and credit default swaps receivable	55,433	57,415
Other assets (note 10)	346,547	350,604
	<hr/>	<hr/>
	59,680,384	59,271,776
Liabilities		
Accounts payable and accrued liabilities	153,813	135,266
Credit default swaps payable	179,142	186,072
Distributions payable	167,123	167,123
Credit default swaps related liability (note 11)	26,605,480	29,208,190
	<hr/>	<hr/>
	27,105,558	29,696,651
Net Assets representing Unitholders' Equity (note 13)	<hr/>	<hr/>
	32,574,826	29,575,125
Number of units outstanding (note 13)	<hr/>	<hr/>
	6,189,750	6,189,750
Net assets per unit	<hr/>	<hr/>
	5.26	4.78

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

Approved by the Trustee, GD-I Management Inc.

Claude Dalphond

Claude Dalphond

Director

Benoît Deschamps

Benoît Deschamps

Director

Global Diversified Investment Grade Income Trust

Statements of Operations

For the six month period ended June 30

(Unaudited)

	2011 \$	2010 \$
Investment income from trading activities		
Interest on investment and credit default swaps receivable	401,807	182,395
Income from credit default swaps	2,193,844	1,973,310
Other income	37,807	65,741
	<u>2,633,458</u>	<u>2,221,446</u>
Investment-related expenses		
Expenses on credit default swaps	<u>1,297,462</u>	<u>1,078,050</u>
Net investment income before administrative expenses	<u>1,335,996</u>	<u>1,143,396</u>
Administrative expenses		
Audit fees	38,614	55,177
Legal fees	109,224	109,848
Directors' fees of the Trustees	68,171	62,179
Administrative agent fees	14,175	14,175
Register and transfer agent	3,947	3,952
Custodial fees	4,789	3,514
Unitholder reporting cost and listing fees	20,075	15,234
Insurance	43,805	44,933
Independent review committee fees and expenses	23,985	23,950
Chief compliance officer fees	3,937	-
	<u>330,722</u>	<u>332,962</u>
Net investment income for the period	<u>1,005,274</u>	<u>810,434</u>
Gains (losses) on investment and credit default swaps		
Change in unrealized appreciation of fair value of investment and credit default swaps receivable	394,455	448,245
Change in unrealized appreciation (depreciation) of fair value of credit default swaps	<u>2,602,712</u>	<u>(3,759,470)</u>
	<u>2,997,167</u>	<u>(3,311,225)</u>
Increase (decrease) in net assets from operations	<u>4,002,441</u>	<u>(2,500,791)</u>
Increase (decrease) in net assets from operations per unit	<u>0.65</u>	<u>(0.40)</u>

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

Global Diversified Investment Grade Income Trust

Statements of Changes in Net Assets

For the six month period ended June 30

(Unaudited)

	2011 \$	2010 \$
Increase (decrease) in net assets from operations	4,002,441	(2,500,791)
Distributions to unitholders		
Return of capital (note 13)	(1,002,740)	(755,150)
Increase (decrease) in net assets during the period	2,999,701	(3,255,941)
Net assets – Beginning of period	29,575,125	23,863,015
Net assets – End of period	32,574,826	20,607,074

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

Global Diversified Investment Grade Income Trust

Statements of Cash Flows

For the six month period ended June 30

(Unaudited)

	2011 \$	2010 \$
Cash flows from		
Operating activities		
Net investment income for the period	1,005,274	810,434
Adjustments for:		
Decrease in investment	1,002,740	742,770
Increase in credit default swaps receivable	(1,002,740)	(742,770)
Decrease (increase) in interest receivable on investment and credit default swaps receivable	1,982	(2,533)
Decrease in other assets	4,057	17,311
Increase (decrease) in accounts payable and accrued liabilities	18,547	(36,022)
Decrease in credit default swaps payable	(6,930)	(2,415)
	<u>17,656</u>	<u>(23,659)</u>
	<u>1,022,930</u>	<u>786,775</u>
Financing activities		
Distributions paid to unitholders	(1,002,740)	(742,770)
Increase in cash and cash equivalents during the period	20,190	44,005
Cash and cash equivalents – Beginning of period	<u>2,095,760</u>	<u>2,119,469</u>
Cash and cash equivalents – End of period	<u>2,115,950</u>	<u>2,163,474</u>
Cash and cash equivalents		
Cash and interest-bearing deposit	2,115,950	158,490
Short-term investments	-	2,004,984
	<u>2,115,950</u>	<u>2,163,474</u>

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

Global Diversified Investment Grade Income Trust

Statement of Investment Portfolio

As at June 30, 2011

(Unaudited)

Investment and credit default swaps receivable	Description	Interest rate	Maturity	Nominal amount \$	Cost \$	Fair value \$
National Bank of Canada ^{a)}	Investment - term deposit	b)	September 7, 2014	37,136,049	37,136,049	36,702,302
Deutsche Bank	Long-term receivable	b)	September 7, 2014	<u>20,701,951</u>	<u>20,701,951</u>	<u>20,460,152</u>
				<u>57,838,000</u>	<u>57,838,000</u>	<u>57,162,454</u>

a) - On a monthly basis, Deutsche Bank AG acquires from the Trust a contractually determined portion of the term deposit pledged as security as defined in the supplemental long form prospectus filed on August 31, 2004; this portion is equal to the monthly payment for the month in consideration (referred to in note 11).

b) - Bears interest at a rate of one-month bankers' acceptances plus 20 basis points per year.

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

Global Diversified Investment Grade Income Trust

Notes to Financial Statements (Unaudited)

As at June 30, 2011

1 Creation of Trust and nature of operations

Global Diversified Investment Grade Income Trust (TSX: DG.UN) is a limited purpose closed-end income trust (the “**Trust**”) which was established under the laws of the Province of Ontario on August 30, 2004 by a trust agreement. Global DIGIT Management Inc. and GD-I Management Inc. are the co-trustees (together the “**Trustees**”) of the Trust. On August 25, 2010, the Trustees delegated the power of management of the Trust to GD-I Management Inc. (the “**Trustee**”) by way of a general management agreement. The Trustee is registered with the *Autorité des marchés financiers* as an investment fund manager. The Trustee is responsible for the management of the Trust. National Bank of Canada is the administrative agent and Natcan Trust Company acts as custodian of the assets of the Trust. Natcan Trust Company will also act as investment advisor of the Trust if so required by the Trustee. The promoter of the Trust is National Bank Financial Inc. The directors of the Trustees benefit from an indemnity provided by National Bank of Canada.

The Trust provides its unitholders with a mezzanine exposure to three portfolios (collectively, the “**portfolio**”) containing 126 securities each (December 31, 2010 – 127 securities each) (the “**reference obligations**”), the objective being to provide unitholders with a stream of monthly distributions and to redeem all of the outstanding units on or following September 7, 2014 (the “**expected maturity date**”), but no later than September 7, 2016 (the “**legal maturity date**”). In order to meet its investment objectives, on September 9, 2004, the Trust entered into three credit default swap agreements with a counterparty, MMAI-I Trust (“**MMAI-I**”), which was replaced by Deutsche Bank AG (the “**Bank**”) on January 20, 2009, following the events described in note 2.

Until the expected maturity date (or the legal maturity date, as applicable), the redemption price of the Trust’s units and the net asset value of the Trust will vary depending on a number of factors such as the monthly distributions to be made on the units, interest rates, the ratings of the reference obligations and the cumulative net losses incurred upon the occurrence of credit events in the portfolio. Credit events include bankruptcy, failure to pay and other specified loss events.

On October 30, 2007, the Trust entered into amendments for its three credit default swaps. As a result of these amendments, the Trust will not experience any loss under any credit default swaps pursuant to credit events under mortgage-backed securities or asset-backed securities (the “**Contingent Exposure**”) included in the portfolios of reference obligations related to such credit default swaps until the corporate debt exposures (the “**Primary Exposure**”) in such portfolios have all defaulted and their notional amounts have been reduced to zero.

Global Diversified Investment Grade Income Trust

Notes to Financial Statements (Unaudited)

As at June 30, 2011

2 Restructuring plan

Commencing August 13, 2007, the Canadian third party structured finance asset-backed commercial paper (“**Third Party ABCP**”) market experienced a disruption during which Third Party ABCP conduits, such as MMAI-I, were unable to repay their commercial paper as they came due. On August 16, 2007, a group of major Canadian investors (the “**Investors Committee**” or “**Committee**”) and market participants reached an agreement aimed at re-establishing normal operations in the Third Party ABCP market. Under the terms of this agreement, holders of Third Party ABCP who are signatories agreed, notably, to continue to hold their Third Party ABCP for a period of 60 days (the “**Standstill Period**”) and, after this period, to convert all outstanding Third Party ABCP into term floating rate notes maturing no earlier than the scheduled termination date of the corresponding underlying assets of each conduit. The Standstill Period was further extended until the filing under the Companies Creditors Arrangement Act (“**CCAA**”) on March 17, 2008 and since then, the Standstill Period was extended periodically up to the closing date of the definitive CCAA restructuring plan on January 21, 2009.

On August 14, 2007, MMAI-I notified the Trust that its payments to the Trust were being withheld and that MMAI-I would not be providing the Trust with the necessary funding to pay the distribution of August 15, 2007. Accordingly, the Trust suspended the distribution of \$0.0495 per unit declared on July 18, 2007 and due on August 15, 2007 to the holders of record at the close of business on July 31, 2007. This followed an announcement of a market disruption in asset-backed commercial paper (“**ABCP**”) and the inability of MMAI-I to repay its maturing ABCP.

Further to this development, the Trust entered into a standstill agreement (the “**Standstill Agreement**”) with MMAI-I in order to formalize arrangements between them and preserve their respective rights and entitlements until finalization of a solution. Pursuant to this agreement, all amounts normally paid to the Trust since August were deposited in a segregated account with an escrow agent. The Standstill Agreement was signed on September 27, 2007 and was extended periodically.

On December 14, 2007, the Investors Committee announced a framework for a restructuring plan for the Third Party ABCP. This plan includes the replacement of Third Party ABCP with notes having maturities in line with the underlying assets.

On December 21, 2007, the Trust entered into an agreement in principle to negotiate in good faith a transaction pursuant to which MMAI-I would effectively be replaced by the Bank as counterparty to the three mirror credit default swaps that were in place between the Trust and MMAI-I (the “**Disengagement Transaction**”). Accordingly, the Trust would receive all amounts included in the segregated account and resume distribution payments to unitholders. The Disengagement Transaction would come into effect on a date prior to the date upon which the restructuring of the Third Party ABCP comes into effect or such other date as the parties of the Disengagement Transaction may agree upon.

On March 17, 2008, the Ontario Superior Court of Justice granted an application by the Committee for Third Party ABCP under the provision of the CCAA establishing a procedure for approval of a Plan of compromise and arrangement (the “**Plan**”) by holders of Third Party ABCP (collectively the “**Noteholders**”). A Plan information package was then sent by the Committee to all Noteholders of Third Party ABCP and on April 25, 2008, the Noteholders approved such Plan. Moreover, on June 5, 2008, the Ontario Superior Court of Justice issued a sanction order approving the Plan.

Global Diversified Investment Grade Income Trust

Notes to Financial Statements (Unaudited)

As at June 30, 2011

On January 12, 2009 the Committee announced that the Superior Court of Ontario had granted the Plan Implementation Order and on January 20, 2009, the Disengagement Transaction was completed, followed by the ABCP restructuring plan on January 21, 2009. The Trust issued a press release on January 21, 2009 confirming that MMAI-I as counterparty to the credit default swaps with the Trust was replaced by the Bank. As of the date of the Disengagement Transaction, the Bank was rated Aa1 by Moody's, A+ by Standard and Poor's Rating Service ("**S&P**") and AA- with a negative outlook by Fitch.

Following the Disengagement Transaction, all amounts payable to the Trust under the swaps since August 13, 2007 were released to the Trust. As a result, the Trust paid the distribution of \$0.0495 per unit declared on July 18, 2007 on January 30, 2009 and declared during the year ended December 31, 2009 three extraordinary cash distributions aggregating \$1.33 per unit.

3 Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the Trustee to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Trustee believes that the estimates used in preparing the financial statements are reasonable. Actual results may differ from those estimates. The significant accounting policy is the following:

Basis of recognition for income and expenses

Interest income, income other than interest income, as well as income and expenses on credit default swaps are recorded on an accrual basis.

4 Fair value of financial instruments

The financial instruments are accounted for at fair value, and any transaction fees are included directly in the Statement of Operations. The Trust is an investment company as per *Accounting Guideline 18 – Investment Companies* ("**AcG18**") and measures all of its investments at fair value and presents them on this basis in its financial statements. Realized and unrealized gains and losses on such financial instruments are recorded in gains and losses on investment and credit default swaps in the Statement of Operations. The fair value of the financial instruments is determined as follows:

Global Diversified Investment Grade Income Trust

Notes to Financial Statements (Unaudited)

As at June 30, 2011

a) Establishing fair value

When a financial instrument is recognized, its fair value is the amount of consideration for which the financial instrument would be exchanged in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration received or given. In certain circumstances, the initial fair value may be based on other observable current market transactions in the same instrument, without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. At initial recognition, the difference between the transaction price and the initial estimated fair value is recognized in the Statement of Operations when based on observable inputs.

When the financial instruments are subsequently remeasured, quoted market prices in an active market are the best evidence of fair value and, when these exist, the Trust uses them to measure the financial instruments. A financial instrument is considered to be quoted in an active market when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices reflect actual and regularly occurring market transactions on an arm's length basis. The fair value of a financial asset or liability traded in an active market generally reflects its market price. If the market for a financial instrument is not active, the Trust establishes the fair value by using a valuation technique that makes use of observable market data. Such valuation techniques include using available information concerning recent market transactions, referencing to the current fair value of another comparable financial instrument, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants where it has been demonstrated that the technique provides reliable estimates.

i) Valuation of credit default swaps

The credit default swaps are presented at their fair value with changes in the unrealized gain or loss for the period recorded in the Statement of Operations. As a market quotation is not readily available, the fair value of credit default swaps is established using valuation models. The Trust makes assumptions about the amount, the timing of estimated future cash flows and the discounted rates used. The main inputs are based on factors observable in external markets, such as interest rate yield curves and credit curves. Their fair value will also vary depending on a number of factors such as interest rates, the credit ratings and credit spreads of the reference obligations and the cumulative net losses incurred upon the occurrence of credit events in the portfolio of securities. Credit events include bankruptcy, failure to pay and other specified loss events.

ii) Investment and credit default swaps receivable

The fair value of the investment and the credit default swaps receivable is determined by discounting the estimated cash flows at the current market rate for similar instruments.

Global Diversified Investment Grade Income Trust

Notes to Financial Statements (Unaudited)

As at June 30, 2011

iii) Other financial instruments

The carrying value of a number of short-term financial instruments presented in the Statement of Net Assets approximates their fair value. These financial instruments include short-term investments, other assets, accounts payable and accrued liabilities, credit default swaps payable and distributions payable.

b) Fair value hierarchy

Financial instruments recorded at fair value on the Statement of Net Assets are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The following table presents the financial instruments recorded at fair value in the Statement of Net Assets on a recurring basis, classified using the fair value hierarchy described above:

June 30, 2011

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Investment	-	36,702,302	-	36,702,302
Credit default swaps receivable	-	20,460,152	-	20,460,152
Cash and interest-bearing deposit	2,115,950	-	-	2,115,950
Total financial assets	2,115,950	57,162,454	-	59,278,404
Financial liabilities				
Credit default swaps related liability	-	26,605,480	-	26,605,480
Total financial liabilities	-	26,605,480	-	26,605,480

Global Diversified Investment Grade Income Trust

Notes to Financial Statements (Unaudited)

As at June 30, 2011

December 31, 2010	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Investment	-	37,433,222	-	37,433,222
Credit default swaps receivable	-	19,334,775	-	19,334,775
Short-term investments	-	1,998,931	-	1,998,931
Cash and interest-bearing deposit	96,829	-	-	96,829
Total financial assets	96,829	58,766,928	-	58,863,757
Financial liabilities				
Credit default swaps related liability	-	29,208,190	-	29,208,190
Total financial liabilities	-	29,208,190	-	29,208,190

5 Management of risks associated with financial instruments

The Trust is exposed to various types of risks owing to the nature of its business activities, including those related to the use of financial instruments. In order to manage the risks associated with using financial instruments, whenever applicable, controls consistent with the Trust's strategy have been implemented, such as limited permitted financial instruments. The main risks to which the Trust is exposed are described below:

Market risk

Market risk corresponds to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk associated with financial instruments comprises currency risk, interest rate risk, credit risk, liquidity risk and other price risks. More specifically, through to the expected maturity date of the credit default swaps, their fair value will vary depending on a number of factors such as interest rates, the credit ratings and credit spreads of the reference obligations and the cumulative net losses incurred upon the occurrence of credit events in the portfolio of securities. Credit events include bankruptcy, failure to pay and other specified loss events. Since the Trust's objective is to provide Unitholders with an economic interest in exposures relating to the performance of the underlying portfolio of securities, there is no principal protection. Market rates can vary and cause fluctuations in the fair value of the term deposit. As at June 30, 2011, the effect of an increase or a decrease of 100 basis points on the September 2005 CDX.NA.IG 3/7 index (a North America Corporate Investment Grade Index with an attachment point of 3% and a detachment point of 7%), on the Trust's credit default swaps would result respectively in a \$1,359,000 decrease or increase (December 31, 2010 - \$1,284,000 decrease or increase) in the fair value on the Trust's credit default swaps. In addition, there is a discount rate associated with the term deposit and long-term receivable. The effect of an increase or a decrease of 100 basis points in the discount rate on the term deposit and the long-term receivable would result respectively in a \$1,812,000 decrease or \$1,891,000 increase (December 31, 2010 - \$2,020,000 decrease or \$2,116,000 increase) in the fair value on the Trust's term deposit and the long-term receivable.

Global Diversified Investment Grade Income Trust

Notes to Financial Statements (Unaudited)

As at June 30, 2011

Credit risk

The credit risk is the risk of financial loss arising from a counterparty's inability or failure to honour its contractual obligations. The amount that best represents the maximum exposure to credit risk of the Trust as at June 30, 2011 and December 31, 2010 is the sum of the financial assets on the Statement of Net Assets. As described above, the credit default swap also has significant credit risk exposure with respect to the reference obligations included in the portfolio and counterparty credit risk. The Primary risk resides with static (no changes) corporate exposures while the Contingent risk is on asset-backed securities managed by the Trust as per the criteria established in the credit default swaps (referred to in notes 7, 8 and 11).

Liquidity risk

The liquidity risk represents the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Trust's overall liquidity is managed in accordance with policies to ensure that the Trust has sufficient cash resources to meet its current and future obligations, both under normal and unusual conditions. The financial liabilities of the Trust mature on a monthly basis except for the credit default swaps related liability. The credit default swaps related liability pertains to the credit default swap agreements with the Bank and is expected to mature in September 2014 but no later than September 2016. Under the credit default swap agreements, the term deposit investment is pledged to the Bank. Accordingly, if losses occur, the Trust has the option to deliver its investment and credit default swaps receivable to settle the related payment. The amounts recoverable on the expected maturity date of the investment and of the long-term receivable (or the legal maturity date, as applicable) will be reduced by any loss incurred as a result of credit events. The maximum loss that could be borne by the Trust for credit events with respect to the reference obligations under swap agreements D, E and F amounts to \$57,838,000 (December 31, 2010 - \$57,838,000), which corresponds to the nominal amount of the Trust's investment and credit default swaps receivable.

6 Carrying values of financial assets and liabilities by category

Financial assets and liabilities are recognized in the Statement of Net Assets at fair value, cost or amortized cost, which approximates their fair value according to the categories determined by the accounting framework for financial instruments. The carrying value for each category of financial asset and liability is presented in the table below:

Global Diversified Investment Grade Income Trust

Notes to Financial Statements (Unaudited)

As at June 30, 2011

June 30, 2011	Held for trading \$	Loans and receivables \$	Financial liabilities at cost or amortized cost \$
Investment ^(a)	36,702,302	-	-
Credit default swaps receivable ^(a)	20,460,152	-	-
Cash and interest-bearing deposit	2,115,950	-	-
Interest receivable on investment and credit default swaps receivable	-	55,433	-
Other assets	-	346,547	-
Total financial assets	59,278,404	401,980	-
Financial liabilities			
Accounts payable and accrued liabilities	-	-	153,813
Credit default swaps payable	-	-	179,142
Distributions payable	-	-	167,123
Credit default swaps related liability	26,605,480	-	-
Total financial liabilities	26,605,480	-	500,078

(a) Measured at fair value as per AcG-18.

December 31, 2010	Held for trading \$	Loans and receivables \$	Financial liabilities at cost or amortized cost \$
Financial assets			
Investment ^(a)	37,433,222	-	-
Credit default swaps receivable ^(a)	19,334,775	-	-
Short-term investments ^(a)	1,998,931	-	-
Cash and interest-bearing deposit	96,829	-	-
Interest receivable on investment and credit default swaps receivable	-	57,415	-
Other assets	-	350,604	-
Total financial assets	58,863,757	408,019	-
Financial liabilities			
Accounts payable and accrued liabilities	-	-	135,266
Credit default swaps payable	-	-	186,072
Distributions payable	-	-	167,123
Credit default swaps related liability	29,208,190	-	-
Total financial liabilities	29,208,190	-	488,461

(a) Measured at fair value as per AcG-18.

Global Diversified Investment Grade Income Trust

Notes to Financial Statements (Unaudited)

As at June 30, 2011

7 Investment

The investment consists of a term deposit note issued on an unsubordinated and unsecured basis by National Bank of Canada having a long-term solvency rating of A from S&P.

The term deposit has a fair value of \$36,702,302 (December 31, 2010 – \$37,433,222), with a nominal amount of \$37,136,049 (December 31, 2010 – \$38,138,789), bears interest at a rate of one-month banker's acceptances plus 20 basis points per year, payable monthly until September 2014.

Under the credit default swap agreements and following the Disengagement Transaction described in note 2, the term deposit investment is pledged to the Bank since January 20, 2009. The amounts recoverable on the expected maturity date of the investment (or the legal maturity date, as applicable) will be reduced by any loss incurred as a result of credit events in excess of the subordination under the credit default swaps.

8 Credit default swaps receivable

The fair value of the total credit default swaps receivable of \$20,460,152 (December 31, 2010 – \$19,334,775) from the Bank represents the best possible estimate of the amount for which reasonable assurance of collection exists in light of current conditions and assuming the continuation of the business as a "going concern". On June 30, 2011, the nominal amount of the credit default swaps receivable is \$20,701,951 (December 31, 2010 – \$19,699,211). The credit default swaps receivable mature in September 2014 and bear interest at a rate of one-month banker's acceptances plus 20 basis points per year, payable monthly until September 2014.

9 Cash and interest-bearing deposit

Up until May 13, 2011, the Trust was investing its cash balances in bankers' acceptances. Since that date, cash balances have been invested in an interest-bearing deposit at a rate equal to the prime rate minus 1.80%. As at June 30, 2011, the prime rate was 3%.

10 Other assets

The other assets of \$346,547 (December 31, 2010 – \$350,604) are composed of the short-term receivable corresponding to the amounts that were accrued monthly by the Bank for the benefit of the Trust, the financial contract fees receivable and other receivables.

Other assets	2011 \$	2010 \$
Short-term receivable (financial contract fees)	331,798	343,248
Other receivables	14,749	7,356
Total	<u>346,547</u>	<u>350,604</u>

Global Diversified Investment Grade Income Trust

Notes to Financial Statements (Unaudited)

As at June 30, 2011

11 Derivative financial instruments and reference obligation portfolios

Credit default swap agreements with the Bank

Following the Disengagement Transaction described in note 2, MMAI-I was replaced by the Bank effective January 20, 2009. The Trust has entered into three credit default swap agreements (“**swap agreements D, E and F**”), pursuant to which the Trust may be required to compensate the Bank if credit events occur in connection with the reference obligations until September 2014 at the earliest and September 2016 at the latest. The maximum loss that may be incurred for credit events with respect to swap agreements D, E and F amounts to \$57,838,000 (December 31, 2010 – \$57,838,000). Under swap agreements D, E and F, a monthly payment by the Trust to the Bank corresponding to a contractual rate of 3.08% is applied to the notional amount of the contracts and the contractual interest rate of one-month banker’s acceptances plus 20 basis points per year is applied to the investments pledged as security. These amounts are exchanged between the Trust and the Bank with the net return being paid to the Trust. On a monthly basis, the Bank acquires from the Trust a contractually determined portion of the term deposit pledged as security as defined in the supplemental long form prospectus filed on August 31, 2004; this portion is equal to the monthly payment for the month in consideration.

At maturity, the Trust will pay an amount equal to the excess of the notional amount of the contracts less the net losses incurred on those contracts over the residual amount of the investments pledged as security.

The aggregate notional amount of swap agreements D, E and F as at June 30, 2011 totalled \$57,838,000 (December 31, 2010 – \$57,838,000) for the reference obligation portfolios of \$22,184,112,250 (December 31, 2010 – \$22,184,112,250). The Trust estimated the cumulative unrealized loss of swap agreements D, E and F and the credit default swaps related liability as at June 30, 2011 at \$26,605,480 (December 31, 2010 – cumulative unrealized loss of \$29,208,190), an amount consistent with the valuation provided by the Bank.

Credit risk

As a result of entering into the credit default swap agreements with the Bank, the Trust is exposed to credit risk with respect to the reference obligations included in the portfolio. Credit events (bankruptcy, failure to pay or other specified loss event) in relation to the reference obligations could result in a loss for the Trust. The maximum loss that could be borne by the Trust for credit events with respect to the reference obligations under swap agreements D, E and F amounts to \$57,838,000 (December 31, 2010 – \$57,838,000).

Additionally, the Trust is exposed to counterparty credit risk arising from any unrealized gain on the credit default swaps, plus any amount receivable from the counterparty. The net counterparty credit risk exposure (credit default swaps receivable plus the total of the short-term receivable presented in the other assets minus credit default swaps payable) as at June 30, 2011 was \$20,612,808 (December 31, 2010 – \$19,491,951).

Global Diversified Investment Grade Income Trust

Notes to Financial Statements (Unaudited)

As at June 30, 2011

Credit events

There were no credit events within the portfolio of reference obligations during the six month period ended June 30, 2011. During the year ended December 31, 2010, the Trust experienced one credit event with respect to Ambac Assurance Corporation and the recovery rate for such credit event was 20%. The following table summarizes the 11 credit events experienced so far:

<u>Entity</u>	<u>Date</u>	<u>Recovery Rate</u>
Delphi Corporation	October 2005	63.000%
Federal National Mortgage Association	October 2008	91.510%
Federal Home Loan Mortgage Corporation	October 2008	94.000%
Lehman Brothers Holdings Inc.	October 2008	8.625%
Controladora Comercial Mexicana SAB	October 2008	44.000%
Idearc Inc.	March 2009	1.750%
Syncora Guarantee Inc.	May 2009	15.000%
Chemtura Corporation	May 2009	18.250%
General Motors Corporation	June 2009	12.500%
CIT Group Inc.	November 2009	68.125%
Ambac Assurance Corporation	March 2010	20.000%

As described in note 1, the Trust will not experience any loss under the credit default swap (“CDS”) pursuant to credit events under mortgage-backed securities or asset-backed securities (the “Contingent Exposure”) included in the portfolio of reference obligations in the CDS until the corporate debt exposures (the “Primary Exposure”) in this portfolio have all defaulted and their notional amount has been reduced to zero. The Primary Exposure consists of multiple tranches exposures within five corporate portfolios with attachment points (the point in the capital structure where the exposure to losses in the portfolio begins) at inception varying between 7.85% and 11.00% and detachment points (the point in the capital structure where the exposure to losses ends) at inception varying between 9.55% and 13.00%. Subsequent to the aforementioned credit events, the attachment points now vary between 2.90% and 7.50% and the detachment points, between 4.60% and 9.50%. Therefore the corporate debt exposures have less subordination but the Trust has not yet experienced any loss.

Reference obligation portfolios

The Trust has exposure to three portfolios within three separate swap agreements (D, E, and F) with an aggregate notional amount as at June 30, 2011 totalling \$57,838,000 (December 31, 2010 – \$57,838,000). Each of the three portfolios refers to five corporate debt exposures comprising 93, 94, 93, 95 and 95 securities, respectively. The payments under the swaps are made on a monthly basis. Each portfolio has exposure to different tranches of the same five synthetic corporate collateralized debt obligations (“CDO”) (the Primary Exposure) and the same asset-backed security portfolio (the Contingent Exposure).

Global Diversified Investment Grade Income Trust

Notes to Financial Statements (Unaudited)

As at June 30, 2011

The composition by asset class as at June 30, 2011 and December 31, 2010 in each portfolio was as follows:

Asset class	June 30, 2011		December 31, 2010	
	Number of reference obligations	% of Assets	Number of reference obligations	% of Assets
Consumer asset-backed securities ⁽ⁱ⁾	34	21.1	35	21.5
Residential mortgage-backed securities ⁽ⁱ⁾	87	53.9	87	53.5
Corporate debt exposures ⁽ⁱⁱ⁾	5	25.0	5	25.0
	126	100.0	127	100.0

(i) Contingent Exposure since the October 2007 amendment

(ii) Primary Exposure since the October 2007 amendment.

Global Diversified Investment Grade Income Trust

Notes to Financial Statements (Unaudited)

As at June 30, 2011

The Primary Exposure

The securities underlying the static corporate debt exposures for the three portfolios had an S&P average weighted rating of BBB-/BB+ as at June 30, 2011 and December 31, 2010. The weighted average rating is calculated by adding the product of the notional amount of each reference obligation and its assigned S&P rating factor and dividing this sum by the total notional amount and by assigning this result to the corresponding S&P rating. The S&P equivalent ratings as at June 30, 2011 and December 31, 2010 in each portfolio were distributed as follows:

Rating	June 30, 2011	December 31, 2010
	(by equivalent S&P rating [*])	(by equivalent S&P rating [*])
	% of Assets	% of Assets
AAA	1.29	1.29
AA+	0.64	0.64
AA	1.71	2.36
AA-	3.88	3.23
A+	5.80	5.80
A	13.70	13.70
A-	11.27	12.34
BBB+	15.83	12.64
BBB	7.94	9.21
BBB-	12.42	13.70
BB+	2.56	2.98
BB	2.35	1.50
BB-	5.58	4.30
B+	5.17	5.60
B	1.50	2.35
B-	2.35	2.35
CCC+	0.64	0.64
CCC	-	-
CC	-	-
C	-	-
Not Rated	5.37	5.37
Total	100.00	100.00

* S&P rating if available, if not then Moody's rating and if no S&P or Moody's ratings are available then the rating from Fitch is used.

Global Diversified Investment Grade Income Trust

Notes to Financial Statements (Unaudited)

As at June 30, 2011

The Contingent Exposure

The reference obligations underlying of the mortgage-backed securities and asset-backed securities for the three portfolios had an S&P average weighted rating of AAA/AA+ as at June 30, 2011 and December 31, 2010. As at June 30, 2011 and December 31, 2010, the S&P equivalent ratings of the mortgage-backed securities and asset-backed securities of the three reference portfolios were distributed as follows:

Rating	June 30, 2011	December 31, 2010
	(by equivalent S&P rating*)	(by equivalent S&P rating*)
	% of Assets	% of Assets
AAA	95.9	97.6
AA	2.5	0.8
A	1.6	1.6
Total	100.0	100.0

* S&P rating if available, if not then Moody's rating and if no S&P or Moody's ratings are available then the rating from Fitch is used.

The three swap agreements are as follows:

Swap Agreement D

Swap Agreement D refers to the credit performance of 126 reference obligations as at June 30, 2011 (December 31, 2010 – 127). Within this portfolio, there are five underlying corporate portfolios (the Primary Exposure) to which the Trust has tranching exposures with attachment points varying between 4.63% and 7.45% (December 31, 2010 – 4.63% and 7.45%) and detachment points varying between 6.33% and 9.45% (December 31, 2010 – 6.33% and 9.45%).

Swap Agreement E

Swap Agreement E refers to the credit performance of 126 reference obligations as at June 30, 2011 (December 31, 2010 – 127). Within this portfolio, there are five underlying corporate portfolios (the Primary Exposure) to which the Trust has tranching exposures with attachment points varying between 2.90% and 7.50% (December 31, 2010 - 2.90% and 7.50%) and detachment points varying between 4.60% and 9.50% (December 31, 2010 - 4.60% and 9.50%).

Swap Agreement F

Swap Agreement F refers to the credit performance of 126 reference obligations as at June 30, 2011 (December 31, 2010 – 127). Within this portfolio, there are five underlying corporate portfolios (the Primary Exposure) to which the Trust has tranching exposures with attachment points varying between 4.35% and 7.45% (December 31, 2010 - 4.35% and 7.45%) and detachment points varying between 6.05% and 9.45% (December 31, 2010 - 6.05% and 9.45%).

Global Diversified Investment Grade Income Trust

Notes to Financial Statements (Unaudited)

As at June 30, 2011

12 Income taxes

The Trust qualifies as a unit trust within the meaning of the Income Tax Act (Canada). The Trust is subject to income taxes under the Act on the amount of taxable income for the year and can make deductions in computing its income tax for all amounts paid or payable to the Trust's unitholders in determining its income for tax purposes.

Any amount payable under the credit default swaps is considered to be payable under the swap agreements and is taxable as such. According to the terms of the swap agreements, the amount will be determinable only on the expected maturity date (or the legal maturity date, as applicable), and therefore, the swap payment to the Trust should be taxable as income at that date.

13 Unitholders' equity

Authorized units

The Trust is authorized to issue in series an unlimited number of transferable and redeemable units, each of which represents an equal undivided interest in the net assets of the Trust.

All units have equal rights and privileges. Each whole unit entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Trust.

Quarterly redemption

Units may be surrendered to the Administrative Agent for redemption at any time prior to the twentieth business day preceding the last business day of each of the months of February, May, August and November (the "**Redemption Date**"). Subject to the right of the Trust to suspend redemptions in certain circumstances, units surrendered for redemption will be redeemed on such Redemption Date at the redemption price. The payment of the redemption price will be made on the tenth business day following the Redemption Date.

The redemption price will be equal to the lesser of:

- a) 95% of the daily weighted average trading price per unit on the principal exchange on which the units are listed for the five trading days following the redemption date; and
- b) an amount equal to:
 - i) the closing price of the units on the principal exchange on which the units are listed; or
 - ii) the average of the highest and lowest prices of the units if the exchange or other markets on which the units are listed provides only the highest and lowest trading prices; or
 - iii) the average of the latest bid and ask prices on the principal exchange on which the units are listed if there was no trading on such redemption date.

Global Diversified Investment Grade Income Trust

Notes to Financial Statements (Unaudited)

As at June 30, 2011

Annual redemption

Units may also be surrendered to the Administrative Agent for redemption at any time prior to the 20th business day preceding the last business day of August (the “**Annual Redemption Date**”). Subject to the right of the Trust to suspend redemptions in certain circumstances, units surrendered for redemption will be redeemed on such Annual Redemption Date at the unwind price. The payment of the unwind price will be made on the 10th business day following the Annual Redemption Date. The unwind price will be an amount equal to the sum of (i) the bid price received by the Trust to terminate the applicable tranche of swap agreements D, E and F and (ii) the market value of the tranche of the Trust’s \$37,136,049 (December 31, 2010 – \$38,138,789) term deposit and long-term receivable of credit default swap of \$20,701,951 (December 31, 2010 – \$19,699,211), less applicable unwind costs.

No redemptions occurred during the six month period ended June 30:

Number of units	2011	2010
Balance – Beginning and end of period	6,189,750	6,189,750

Unitholders’ equity is made up of capital issued, deficit, contributed surplus and reserve for on-going cost. The following transactions took place during the six month period ended June 30:

	2011	2010
	\$	\$
Capital issued		
Balance – Beginning of period	33,632,241	35,470,597
Return of capital to unitholders	(1,002,740)	(755,150)
Balance – End of period	32,629,501	34,715,447
Deficit		
Balance – Beginning of period	(15,087,579)	(22,841,144)
Transfer of on-going cost of the period	105,918	100,121
Increase in net assets from operations	4,002,441	(2,500,791)
Balance – End of period	(10,979,220)	(25,241,814)
Contributed surplus ^(a)		
Balance – Beginning and end of period	9,915,472	9,915,472
Reserve for on-going cost		
Balance – Beginning of period	1,114,991	1,318,090
Transfer to deficit of the period	(105,918)	(100,121)
Balance – End of period	1,009,073	1,217,969
Net Assets representing Unitholders’ Equity	32,574,826	20,607,074

As at June 30, 2011 and December 31, 2010, National Bank of Canada and its subsidiaries held 1.4% of the outstanding units of the Trust.

Global Diversified Investment Grade Income Trust

Notes to Financial Statements (Unaudited)

As at June 30, 2011

Distributions and management of Unitholders' equity

The Trustee manages the capital of the Trust corresponding to Unitholders' equity with the goal of ensuring that it will be able to continue as a going concern while maximizing the return to Unitholders.

The original objectives of the Trust were to provide Unitholders with a fixed rate stream of monthly distributions equal to \$0.0495 per unit (\$0.594 per annum) up to on or about September 7, 2009 and thereafter, a floating distribution rate equal to the rate of bankers acceptances plus 2% and to repay to Unitholders on September 7, 2014 (the **Expected Maturity Date**), but no later than on September 7, 2016 (the **Legal Maturity Date**), an amount equal to the residual value of the Trust. The distributions declared by the Trust are accounted for once declared but are payable on the tenth business day of the following month.

Following the Disengagement Transaction, all amounts payable to the Trust under the swaps since August 13, 2007 were released to the Trust. As a result, the Trust resumed the monthly distribution, paid the distribution declared on July 18, 2007 on January 30, 2009 and declared during the year ended December 31, 2009 three extraordinary cash distributions aggregating \$1.33 per unit. In addition, during the year ended December 31, 2010, the Trust declared an extraordinary cash distribution of \$0.022 per unit.

14 Related party transactions

The Trustee is responsible for the management of the Trust. On August 25, 2010, the Trustees delegated the power of management of the Trust to GD-I Management Inc. by way of a general management agreement. National Bank of Canada is the administrative agent. Natcan Trust Company, a subsidiary of National Bank of Canada, acts as custodian of the assets of the Trust. Natcan Trust Company will also act as investment advisor of the Trust if so required by the Trustee. The promoter is National Bank Financial, a subsidiary of National Bank of Canada. As described in note 7, the term deposit has been subscribed from the National Bank of Canada. In addition to the transactions separately identified in these financial statements, the following transactions took place during the six month period ended June 30:

Expenses incurred during the period		2011	2010
		\$	\$
Global DIGIT Management Inc.	Directors' fees of the trustees	-	31,090
GD-I Management Inc.	Directors' fees of the trustees	68,171	31,089
National Bank of Canada	Administrative agent fees	14,175	14,175
Natcan Trust Company	Custodial fees	4,789	3,514
		<hr/>	<hr/>
		87,135	79,868
		<hr/>	<hr/>

Global Diversified Investment Grade Income Trust

Notes to Financial Statements (Unaudited)

As at June 30, 2011

Accounts payable and accrued liabilities	June 30, 2011	December 31, 2010
	\$	\$
Global DIGIT Management	-	3,555
GD-I Management	12,230	3,556
National Bank of Canada	7,088	7,088
Natcan Trust Company	2,300	2,100
	<hr/>	<hr/>
	21,618	16,299
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These transactions occurred in the normal course of business and were measured at the exchange value, which is the amount established and agreed between the related parties.