

# GLOBAL ♦ DIGIT II

GLOBAL DIVERSIFIED INVESTMENT GRADE INCOME TRUST II, SERIES 2005-1

## FUND OVERVIEW

- Global DIGIT II (TSX: GII.UN) is a trust providing investors with equity exposures to the credit performance of three globally diversified portfolios containing 599 securities as of its most recent performance report. The portfolios are comprised of structured finance securities, mortgage-backed securities and asset-backed securities.
- In order to achieve its investment objectives, Global DIGIT II has entered into credit default swaps with Silverstone Trust ("Silverstone") and has made a security deposit with Silverstone to secure its obligations under the swaps. Substantially all of the assets of Global DIGIT II are made of these swaps or are related to these swaps. Further, Silverstone has entered into additional credit default swaps with Deutsche Bank (the "Bank") and has made a security deposit with the Bank to secure its obligations under the latter swaps, which was sourced from the issuance of \$2 billion of asset-backed commercial paper (ABCP).
- Since August 13, 2007, Silverstone has interrupted the refinancing of its senior debt as it matures and is currently in discussion with certain of its creditors. Silverstone has also interrupted payments it is required to make under the credit default swaps with Global DIGIT II. The current situation could impair the ability of Global DIGIT II to achieve its investment objectives. As a result of the interruption of payments by Silverstone, Global DIGIT II has suspended its monthly distributions to unitholders and its redemption privilege of units.
- Global DIGIT II has entered into a standstill agreement with Silverstone, pursuant to which all amounts payable by Silverstone to Global DIGIT II under the swaps are deposited into a segregated account until the rights on such amounts are clarified. The standstill agreement expires on June 30, 2008, but may be extended on mutual agreement. On December 24, 2007, Global DIGIT II announced that it and Silverstone have signed an Agreement in Principle to negotiate in good faith a transaction pursuant to which Silverstone would effectively be replaced by the Bank as the counterparty to the three credit default swaps ("Financial Contracts") that are presently between Global DIGIT II and Silverstone (the "Disengagement"). The Disengagement, is conditional, among other factors, on the completion of the Third Party Structured Asset Backed Commercial Paper restructuring plan.
- One of the original Global DIGIT II objectives was to provide investors with a fixed five-year yield of 8.25% of the initial issue price of \$10 and thereafter, a fixed-rate reset every 5 years targeted to be 4.00% to 4.50% over the then 5-year Government of Canada bond rate, providing yield protection to investors in a rising interest rate environment. The regular distributions paid by Global DIGIT II are treated as return of capital. The income realized by Global DIGIT II at maturity is expected to trigger income inclusion for its unitholders unless they dispose of their Units prior to maturity.
- The Financial Contracts entered into by Global DIGIT II have been structured so that unitholders who hold their Units until the maturity or the call date are subject to default risk and are expected to receive at maturity an amount equal to the original subscription price if no losses are incurred on the portfolios. Such recovery may be impaired by the current situation of Silverstone. Nevertheless, the monthly reported NAV and the value of the Units in the secondary market may fluctuate with market conditions.
- Global DIGIT II has not suffered any losses but, since August 15, 2007, has suspended all distributions until further notice. Certain of the creditors holding Silverstone's senior debt have filed a Plan of Arrangement under the Companies' Creditors Arrangement Act for the restructuring of the terms of outstanding Silverstone senior notes.
- Further to an agreement between National Bank Financial and the Bank, starting January 1, 2009, the Bank will not exercise its ramp-up and replenishment option under the Financial Contracts. Therefore, the principal amount of the assets in the portfolios will start to decline after January 1, 2009 as maturing portfolio assets will not be replaced, decreasing the likelihood that the transaction will reach the maximum 2045 maturity date if the Bank exercises, each five years, its right to postpone the maturity date.

## PORTFOLIO COMPOSITION (AS OF MOST RECENT PERFORMANCE REPORT)

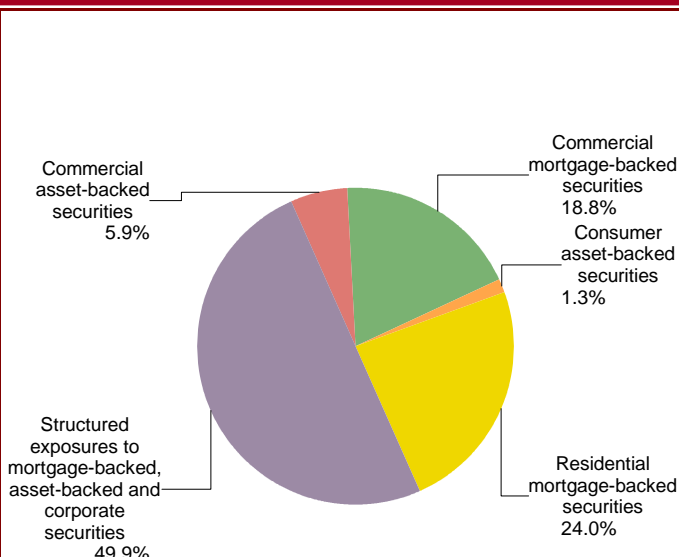
### RATINGS DISTRIBUTION

#### Standard & Poor's Rating \*

	May-08	Apr-08
AAA	59.8%	59.8%
AA+	2.3%	2.3%
AA	4.9%	5.2%
AA-	1.4%	1.5%
A+	4.8%	4.7%
A	13.8%	13.9%
A-	4.3%	4.3%
BBB+	1.2%	1.2%
BBB	0.5%	0.6%
BBB-	1.0%	1.0%
BB+	0.6%	0.5%
BB	1.2%	1.2%
BB-	0.3%	0.3%
B+	0.2%	1.2%
B	0.4%	0.3%
B-	1.0%	0.3%
CCC+	0.6%	0.6%
CCC	0.7%	0.5%
CCC-	1.1%	0.7%
Total	100%	100%

\* Or equivalent

### BREAKDOWN BY ASSET CLASS



## KEY CONTACT

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See [www.nbfinancial.com](http://www.nbfinancial.com) under the "Individual Investor Services – Income Trusts" for further information

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NBF acted as the promoter of the offering of securities of Global Digit II and NBF or its subsidiaries continues to provide services to Global Digit II in respect of which they receive remuneration. NBF is an indirect wholly-owned subsidiary of National Bank of Canada. From time to time National Bank of Canada may enter into lending or other financial arrangements with Global Digit II. As of the date of this report National Bank of Canada is not a lender to Global Digit II.

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