



# DIGIT

## Diversified Investment Grade Income Trust, Series 1

### FUND OVERVIEW

- DIGIT, Series 1(TSX: DGT.UN), is a trust providing investors with a levered exposure to a portfolio of 99 corporate credits. Distributions are paid quarterly and are 100% tax-deferred to the maturity date on October 9, 2007.
- Future distributions and the payment at maturity will vary according to the number of credit events to occur in the portfolio. To date, one credit event has occurred, Delphi Corp.
- On October 8, 2005, Delphi Corp. filed for bankruptcy protection for its U.S. operations. Following this event, JPMorgan Chase Bank, as counterparty, conducted a valuation process which resulted in a Net Loss Amount of \$0.31 per Unit, thereby reducing the price at which all outstanding Units will be redeemed at maturity on October 9, 2007 from \$9.30 to approximately \$8.99 per Unit. The Net Loss Amount resulted in a reduction of the quarterly distribution rate to \$0.34 per Unit.
- As of February 28, 2007, the Net Asset Value per Unit was \$9.28 after a complete write off of cost of issue of \$0.66. A distribution of \$0.34 per Unit has been paid on January 8, 2007 to holders on record as at December 29, 2006.

### PORTFOLIO RATINGS TRANSITIONS

- Since January 31, 2007, the following rating actions have been taken by Moody's and/or S&P on credits in the portfolio:

Company	Industry	Initial Moody's Rating	Actual 28-Feb-2007	Initial S&P Rating	Actual 28-Feb-2007
Bank of America	Bank Holding Company	Aa2	Aa2	A+	AA- → AA
Burlington Northern Santa Fe	Transportation	Baa2	Baa1	BBB+	BBB+ → BBB
Citigroup Inc.	Bank Holding Company	Aa1	Aa1	AA-	AA- → AA
Deere & Company	Capital Goods	A3	A3 → A2	A-	A
Federated Department Stores	Retail	Baa1	(P)Baa1→(P)Baa2	BBB+	BBB
FleetBoston Financial Co.	Bank Holding Company A1	Aa2	Aa2	A	AA- → AA
Hewlett-Packard Co.	High Technology	A3	A3	A-	A- → A
Shaw Communications Inc.	Media	Baa3	Ba2→Ba1	BBB	BB+
TELUS Corporation	Telecommunications	Ba1	Baa2→Baa1	BBB	BBB+

### MOODY'S RATINGS DISTRIBUTION

Moody's Rating	Initial	Jan. 2007	Feb. 2007
Aaa	3%	2%	2%
Aa1	1%	1%	1%
Aa2	1%	4%	4%
Aa3	3%	2%	2%
A1	5%	2%	2%
A2	9%	8%	9%
A3	14%	16%	15%
Baa1	20%	16%	16%
Baa2	23%	17%	17%
Baa3	20%	13%	13%
Ba1	1%	5%	6%
Ba2	0%	3%	2%
Ba3	0%	2%	2%
B1	0%	2%	2%
B2	0%	4%	4%
B3	0%	1%	1%
Caa1	0%	1%	1%
Caa2	0%	1%	1%

### PRICING INFORMATION

As at February 28, 2007, the units of DIGIT were trading at a price of \$8.87 on the TSX. This price translates into an IRR of 23.0%, based on expected quarterly distributions and the expected payment at maturity assuming no other credit events (estimated at \$8.99).

### DISTRIBUTIONS TO DATE

January 8, 2003	\$0.39	April 7, 2005	\$0.36
April 7, 2003	\$0.36	July 7, 2005	\$0.36
July 9, 2003	\$0.36	October 7, 2005	\$0.36
October 7, 2003	\$0.36	January 9, 2006	\$0.34
January 8, 2004	\$0.36	April 7, 2006	\$0.34
April 7, 2004	\$0.36	July 7, 2006	\$0.34
July 9, 2004	\$0.36	October 6, 2006	\$0.34
October 7, 2004	\$0.36	January 8, 2007	\$0.34
January 7, 2005	\$0.36		

### KEY CONTACT

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The information contained in this report was obtained from sources which we believe to be reliable but are not guaranteed by us and may be incomplete or inaccurate. The information provided in this report is not to be construed as a solicitation or offer to buy or sell the securities of DIGIT Series 1.

To make further inquiry regarding the securities of DIGIT, Series 1 or to undertake any transaction relating to these securities, please contact your National Bank Financial ("NBF") or other registered investment advisor.

NBF acted as the promoter of the offering of securities of DIGIT, Series 1. 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 DIGIT, Series 1. As of the date of this report National Bank of Canada is not a lender to DIGIT, Series 1.

NBF and/or its affiliates may have a position in the securities of DIGIT, Series 1 and may make purchase and/or sales of these securities from time to time. On the date of this report, NBF and its affiliates held in the aggregate less than 4% of the outstanding securities of DIGIT, Series 1. NBF is a Registered Trader on the Toronto Stock Exchange for DIGIT, Series 1.