



# DIGIT

## Diversified Investment Grade Income Trust, Series 1

May 31, 2007

### 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 May 31, 2007, the Net Asset Value per Unit was \$9.36 after a complete write off of cost of issue of \$0.66. A distribution of \$0.34 per Unit has been paid on April 10, 2007 to holders on record as at March 31, 2007.

### PORTFOLIO RATINGS TRANSITIONS

- Since April 30, 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 31-May-2007	Initial S&P Rating	Actual 31-May-2007
Cinergy Corp.	Utilities	Baa2	Baa2	BBB+	BBB→A-
CSX Corporation	Transportation	Baa2	Baa2→Baa3	BBB	BBB→BBB-
ERAC USA Finance Co.	Transportation	Baa1	Baa1→Baa2	A	NR
Walt Disney Company	Media & Entertainment	A3	A3→A2	A-	A-

### MOODY'S RATINGS DISTRIBUTION

Moody's Rating	Initial	Apr. 2007	May 2007
Aaa	3%	2%	2%
Aa1	1%	4%	4%
Aa2	1%	1%	1%
Aa3	3%	2%	2%
A1	5%	2%	2%
A2	9%	10%	11%
A3	14%	13%	12%
Baa1	20%	16%	15%
Baa2	23%	17%	17%
Baa3	20%	13%	14%
Ba1	1%	5%	5%
Ba2	0%	3%	3%
Ba3	0%	2%	2%
B1	0%	2%	2%
B2	0%	2%	2%
B3	0%	3%	3%
Caa1	0%	2%	2%
Caa2	0%	1%	1%

### PRICING INFORMATION

As at May 31, 2007, the units of DIGIT were trading at a price of \$8.76 on the TSX. Moreover, assuming no other credit events until the maturity, the expected payment at maturity will be approximately \$9.33 (redemption price plus the last quarterly distribution).

### 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	April 10, 2007	\$0.34

### 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.