

Global Diversified Investment Grade Income Trust II

Consolidated Financial Statements
June 30, 2007
(unaudited)

Global Diversified Investment Grade Income Trust II

Consolidated Statements of Net Assets

As at June 30, 2007 and December 31, 2006

	June 30, 2007 (unaudited) \$	December 31, 2006 (audited) \$
Assets		
Cash	429,123	247,734
Interest receivable on investments	6,990,072	7,230,002
Credit default swaps receivable	20,717,708	22,215,069
Other accounts receivable	13,943	16,350
Prepaid expenses	12,304,220	12,889,363
Investments, at cost (note 3)	2,075,794,737	2,110,913,540
Interest rate swaps related asset (note 4)	-	14,288
	<hr/>	<hr/>
	2,116,249,803	2,153,526,346
Liabilities		
Accounts payable and accrued liabilities	4,155,135	4,184,845
Brokers' commissions payable	72,381	172,639
Credit default swaps payable	835,000	1,049,000
Commercial paper (note 5)	1,824,678,860	1,824,392,870
Floating rate notes (note 6)	175,000,000	175,000,000
Placement and structuring fee note (note 7)	12,795,554	13,466,627
Distributions payable	713,950	959,023
Interest rate swaps related liability (note 4)	290,247	-
Credit default swaps related liability, at replacement cost (note 4)	37,954,410	12,418,875
	<hr/>	<hr/>
	2,056,495,537	2,031,643,879
Net Assets representing Unitholders' Equity (note 10)	<hr/>	<hr/>
	59,754,266	121,882,467
Number of units outstanding (note 10)	<hr/>	<hr/>
	10,392,283	13,959,575
Net assets per unit	<hr/>	<hr/>
	5.75	8.73

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

Approved by the Trustee, Global DIGIT II Management Inc.

Claude Dalphond

Director Benoît Deschamps

Director

Global Diversified Investment Grade Income Trust II

Consolidated Statements of Operations

For the six month period ended June 30, 2007 and 2006

	June 30, 2007 (unaudited) \$	June 30, 2006 (unaudited) \$
Investment income		
Interest on investments	46,740,367	41,807,359
Income from credit default swap	14,688,984	15,335,119
Interest on cash	47,346	4,118
Realized loss on the partial settlement of credit default swap	(7,326,315)	-
Realized (loss) gain on sale of investment and credit default swaps receivable	(589,744)	102,952
Change in unrealized appreciation (depreciation) in value of investment and credit default swaps receivable	(1,006,481)	-
Change in unrealized appreciation (depreciation) in value of credit default swaps and interest rate swaps related asset or related liability	(25,840,070)	(7,896,062)
	<u>26,714,087</u>	<u>49,353,486</u>
Investment-related expenses		
Expenses on credit default swaps	6,259,000	7,165,383
Interest from interest rate swaps	48,085	308,489
Interest on commercial paper	39,650,551	32,980,753
Interest on floating rate notes	3,809,661	5,162,399
Interest on placement and structuring fee note	324,599	357,171
Brokers' commissions	574,526	541,511
Liquidity premiums	595,069	595,069
Financial services fees (note 8(a))	3,285,610	2,385,610
Follow-up fees (note 8(b))	259,496	285,795
	<u>54,806,597</u>	<u>49,782,180</u>
Net investment loss before administrative expenses	<u>(28,092,510)</u>	<u>(428,694)</u>
Administrative expenses		
Audit fees	87,705	131,502
Legal fees	160,892	201,743
Directors' fees	68,781	56,922
Administrative agent fees	19,998	30,428
Custodial fees	50,594	57,083
Communications	-	13,677
Regulatory fees	138,211	99,060
Insurance	37,487	22,987
Banking fees	3,232	2,968
	<u>566,900</u>	<u>616,370</u>
Net loss for the period	<u>(28,659,410)</u>	<u>(1,045,064)</u>
Net loss per unit	<u>(2.76)</u>	<u>(0.07)</u>

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

Global Diversified Investment Grade Income Trust II

Consolidated Statements of Changes in Net Assets

For the six month period ended June 30, 2007 and 2006

	June 30, 2007 (unaudited) \$	June 30, 2006 (unaudited) \$
Net loss for the period	(28,659,410)	(1,045,064)
Distributions to unitholders		
Return of capital (note 10)	(5,204,836)	(5,890,222)
Equity transactions (note 10)	(26,448,185)	(8,913,825)
Impact of initial adoption of financial instruments standards (note 2)	(1,815,770)	-
Decrease in net assets during the period	(62,128,201)	(15,849,111)
Net assets – Beginning of period	121,882,467	142,069,178
Net assets – End of period	<u>59,754,266</u>	<u>126,220,067</u>

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

Global Diversified Investment Grade Income Trust II

Consolidated Statements of Cash Flows

For the six month period ended June 30, 2007 and 2006

	June 30, 2007 (unaudited) \$	June 30, 2006 (unaudited) \$
Cash flows from		
Operating activities		
Net loss for the period	(28,659,410)	(1,045,064)
Adjustments for		
Change in unrealized depreciation (appreciation) in value of credit default swaps and interest rate swaps related asset or related liability	25,840,070	7,896,062
Change in unrealized depreciation (appreciation) in investments and credit default swaps receivable	1,006,481	
Decrease (increase) in interest receivable on investments	239,931	(1,433,753)
Decrease (increase) in credit default swaps receivable	938,805	(5,867,143)
Decrease (increase) in other accounts receivable	2,407	(15,378)
Decrease in prepaid expenses	585,143	785,610
Increase (decrease) in accounts payable and accrued liabilities	(29,713)	710,042
Increase (decrease) in brokers' commissions payable	(100,258)	6,092
Increase (decrease) in credit default swaps payable	(214,000)	74,767
Interest on placement and structuring fee note	328,928	362,705
Realized loss (gain) on sale of investment and credit default swaps receivable	589,744	(102,952)
Amortization of discount on commercial paper	39,650,553	32,980,753
	<u>68,838,091</u>	<u>35,396,805</u>
	<u>40,178,681</u>	<u>34,351,741</u>
Investing activities		
Proceeds from sale of investments	<u>32,265,264</u>	<u>15,268,175</u>
Financing activities		
Proceeds from issuance of commercial paper	8,966,209,045	9,607,593,606
Maturities of commercial paper	(9,005,573,608)	(9,666,492,786)
Proceeds from issuance of floating rate notes	100,000,000	25,000,000
Maturities of floating rate notes	(100,000,000)	-
Payments on placement and structuring fee note	(1,000,000)	(999,996)
Redemption of units	(26,448,185)	(8,913,825)
Distributions paid to unitholders	(5,449,908)	(5,958,264)
	<u>(72,262,656)</u>	<u>(49,771,265)</u>
Increase (decrease) in cash during the period	181,389	(151,349)
Cash – Beginning of period	<u>247,734</u>	<u>409,414</u>
Cash – End of period	<u>429,123</u>	<u>258,065</u>

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

Global Diversified Investment Grade Income Trust II

Notes to Consolidated Financial Statements

June 30, 2007

1 Creation of Trust and nature of operations

Global Diversified Investment Grade Income Trust II (the “Trust”) is a limited purpose close-end income trust which was established under the laws of the Province of Ontario on February 28, 2005 by a trust agreement.

Global DIGIT II Management Inc. is the issuing trustee (the “Trustee”) of the Trust. National Bank of Canada has been acting as administrative agent since October 16, 2006 (2005 and previously – Natcan Trust Company). Natcan Trust Company acts as custodian of the assets of the Trust and transfer agent and registrar of its units. 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. Natcan Trust Company and National Bank Financial Inc. do not have a representative on the board of directors of the Trustee.

The Trust provides its unitholders with a leverage exposure to four portfolios (collectively, the “portfolio”) containing 221, 153, 231 (December 31, 2006 – 205, 137, 195) and 606 (December 31, 2006 – 576) securities (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 March 2, 2010 (the “reset date”), or subsequent reset date on a multiple of five years. The maturity date will not be later than 40 years after initial execution. In order to meet its investment objectives, the Trust entered into credit default swap agreements with a creditworthy financial institution (the “Bank”).

Through to the maturity date, 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 rating 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. However, the Trust will not be exposed to losses greater than the unitholders’ equity.

2 Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are the following.

Recent accounting standards adopted

In January 2005, the CICA issued three new accounting standards: Section 1530, Comprehensive Income; Section 3855, Financial Instruments – Recognition and Measurement; and section 3865, Hedges. The significant accounting policies relating to financial instruments that the Trust apply effective January 1, 2007 are summarized below.

The new accounting standards for financial instruments require that all financial assets and liabilities be classified according to their characteristics, management’s intention, or the choice of category in certain circumstances. All financial assets must be classified as either held for trading, held to maturity, available for sale or as loans and receivables. Financial liabilities must be classified as held for trading or not held for trading.

Global Diversified Investment Grade Income Trust II

Notes to Consolidated Financial Statements

June 30, 2007

The Trust has determined that all financial assets be classified as held for trading and will be recognized at their fair value, and the realized and unrealized gains or losses will be recorded in the Consolidated Statement of Income.

Transition

The recognition and measurement methods used to prepare the consolidated financial statements of periods prior to the effective date of the new standards were changed and, therefore, those financial statements will not be restated.

Consolidation

The consolidated financial statements include the assets and liabilities and the results of operations of the Trust and of Silverstone Trust, a variable interest entity of which the Trust is the main beneficiary, after elimination of intercompany transactions and balances.

Investments

As at January 1st, 2007, pursuant to new accounting standards, investments are carried at fair value. The fair value is determined by calculating the present value of expected cash flows where the discount rate reflects market conditions as at June 30, 2007. Pursuant to these new accounting standards, the impact as at December 31, 2006 is an unrealized loss of \$1,815,770 recorded in Consolidated Statements of Changes in Net Assets.

Prepaid expenses

Prepaid expenses consist of the placement and structuring fees paid in advance to National Bank Financial Inc. They are amortized on a straight-line basis over approximately ten years, which is the term of the corresponding financial instrument.

Revenue recognition

Interest income, interest expense and income and expense from the credit default swaps are recorded on an accrual basis.

Accounting estimates

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 consolidated financial statements and accompanying notes. The Trustee believes that the estimates used in preparing the consolidated financial statements are reasonable. Actual results may differ from those estimates.

Fair value of financial instruments

The fair value of the financial instruments is determined as follows.

Valuation of credit default swaps and interest rate swaps

Global Diversified Investment Grade Income Trust II

Notes to Consolidated Financial Statements

June 30, 2007

The credit default swaps are presented at their net estimated replacement cost and the interest rate swaps are presented at their estimated fair value, with changes in the unrealized gain or loss of the period recorded in the consolidated statement of operations. Replacement cost is evaluated based on the quotation provided by the Bank. The calculated replacement cost reflects market conditions on a given date and for this reason may not be representative of future fair values. Also, the replacement cost does not necessarily reflect the value at which the credit default swaps could be liquidated.

Financial instruments valued at book value

The book value of a number of short-term financial instruments presented in the consolidated statement of net assets approximates their fair value. These financial instruments include cash, interest receivable on investments, credit default swaps receivable and payable, other accounts receivable, accounts payable and accrued liabilities, commercial paper and distributions payable.

Investments and credit default swaps receivable

The fair value of the floating rate term deposit approximates its book value. The estimated fair value of the fixed rate term deposit and the credit default swaps receivable is determined by discounting the contractual cash flows at the interest rate on the term deposit and swaps.

Floating rate notes

The fair value of the floating rate notes approximates their book value.

3 Investments

These investments consisting of term deposits that are issued on an unsubordinated and unguaranteed basis by financial institutions. The investments mature in March 2010.

- a) A \$78,058,431 (December 31, 2006 – \$110,913,540) term deposit with a financial institution, having a rating of A from Standards & Poor's Rating Service ("S&P") as of the date of issuance, and a credit default swaps receivable of \$19,260,569 (December 31, 2006 – \$19,811,460), both bearing interest at a rate of 3.922% payable monthly until or about March 2, 2010, after which date their rate of return will be reset for five years as of each reset date until the maturity date. As at June 30, 2007, the fair values of term deposit and credit default swap receivable were \$75,794,737 and \$18,702,012 respectively.
- b) For June 30, 2007 and 2006, a \$2,000,000,000 term deposit with a financial institution, having an S&P long-term solvency rating of AAA, bears interest at the rate of one-month banker's acceptances plus a fixed margin, payable monthly until the end of the term.

Under the credit default swap agreements, the term deposit investments are pledged to the Bank. The amounts recoverable on the maturity date of the investments will be reduced by any loss incurred as a result of credit events.

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Notes to Consolidated Financial Statements

June 30, 2007

On February 28, 2007, a notice of redemption from unitholders of the Trust was received and consequently, the Trust sold, as at March 14, 2007, a part of the investment for a nominal amount of \$11,525,300 and a part of the credit default swaps receivable for a nominal amount of \$2,297,700 at a price of 98.82%.

On May 31, 2007, pursuant to the special redemption opportunity, the Trust received a notice of redemption from unitholders and consequently, the Trust sold, as at June 14, 2007, a part of the investment for a nominal amount of \$15,879,900 and a part of the credit default swaps receivable for a nominal amount of \$3,703,100 at a price of 97.82%.

Last year, on February 28, 2006, a notice of redemption from unitholders of the Trust was received and consequently, the Trust sold, as at March 14, 2006, a part of the investment for a nominal amount of \$8,490,510 and a part of the credit default swaps receivable for a nominal amount of \$784,490 at a price of 101.11%.

4 Financial derivative instruments

Credit default swap agreements with the Bank

The Trust has entered into three credit default swap agreements (“swap agreements A, B and C”) with the Bank pursuant to which the Trust will pay the Bank if credit events occur in connection with the reference obligations until March 2010 or subsequent reset date on a multiple of five years. The maximum loss that may be incurred for credit events with respect to swap agreements A, B and C amounts to \$97,319,000 (2006 – \$130,725,000). On March 14, 2007 and June 14, 2007 the Trust optionally terminated a portion of \$13,823,000 and \$19,583,000 respectively of the swap agreements A, B and C. The Trust paid an unwind amount of \$1,451,415 and 5,874,900 respectively to terminate such portions. Under swap agreements A, B and C, a monthly payment, made by the Trust to the Bank corresponding to a contractual rate applied to the notional amount of the contracts and equal to the contractual interest rate applied to the investment pledged as security, is made, and the Bank will pay at term an amount equal to the excess of the notional amount of the contracts less net losses incurred on those contracts over the residual amount of the investments pledged as security. On a monthly basis, the Bank will acquire from the Trust a portion contractually determined of the term deposit pledged as security; this portion is equal to the monthly payment for the month in consideration.

The Trust has also entered into credit default swap agreement (“swap agreement D”) with the Bank pursuant to which the Trust will pay the Bank if credit events occur in connection with the reference obligations until March 2010 or subsequent reset date on a multiple of five years. The maximum loss that may be incurred for credit events with respect to swap agreement D amounts to \$2,000,000,000 (2006 – 2,000,000,000). The income from those contracts received by the Trust is equal to a contractual rate applied to the contract notional amount.

The funded aggregate notional amount of the four swap agreements (A, B, C and D) as at June 30, 2007 totalled \$2,097,319,000 (December 31, 2006 – \$2,130,725,000) for the reference obligations portfolio of \$80,000,000,000 (2006 – \$80,000,000,000), which had an average S&P rating of AA/AA- as at June 30, 2007 (December 31, 2006 – AA+/AA).

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Notes to Consolidated Financial Statements

June 30, 2007

Interest rate swap agreements

From time to time, the Trust enters into interest rate swap agreements with National Bank of Canada in order to manage interest rate spread risks relating to the commercial paper and the investments. These contracts have not been designated for hedge accounting. They had a total notional amount of \$589,734,012 as at June 30, 2007 and a negative fair value of \$290,247 (December 31, 2006 – a positive fair value of \$14,288).

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 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 A, B and C amounts to \$97,319,000 (December 31, 2006 – \$130,725,000). Any loss from swap agreement D will be borne by the holders of the commercial paper and floating rate notes.

Additionally, the Trust is exposed to counterparty credit risk arising from any unrealized gain on the credit default swaps and interest rate swaps, plus any amount receivable from the counterparty. The Trustee believes that the probability of default is low. The counterparty net credit risk exposure on June 30, 2007 was Nil (December 31, 2006 – \$8,747,194).

During the periods ended June 30, 2007 and 2006, no credit event had occurred in the portfolio of reference obligations.

Interest rate risk

There is interest rate risk associated with the financial instruments. Market rates can vary and cause fluctuations in the fair value of financial instruments having a fixed rate at the signing of the contract.

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June 30, 2007

5 Commercial paper

Commercial paper as at June 30, 2007, including accrued interest of \$10,007,827 (December 31, 2006 – \$8,769,142), mature between July 2007 and February 2008, as shown in the table below:

	June 30, 2007	
Maturity date	Interest rate	Amount \$
July 2007	4.42%	1,088,168,434
August 2007	4.44%	376,718,716
September 2007	4.56%	340,217,925
October 2007	4.63%	14,528,973
January 2008	4.41%	4,654,908
February 2008	4.37%	389,904
		<u>1,824,678,860</u>
	December 31, 2006	
Maturity date	Interest rate	Amount \$
January 2007	4.39%	1,041,244,087
February 2007	4.40%	328,235,610
March 2007	4.68%	408,598,765
April 2007	4.46%	1,973,040
May 2007	4.38%	44,341,368
		<u>1,824,392,870</u>

6 Floating rate notes

	June 30, 2007	
Maturity date	Interest rate	Amount \$
October 2007	CDOR 3 months + 0.12%	25,000,000
March 2009	CDOR 1 month + 0.17%	100,000,000
May 2009	CDOR 1 month + 0.17%	50,000,000
		<u>175,000,000</u>

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Notes to Consolidated Financial Statements

June 30, 2007

Maturity date	Interest rate	December 31, 2006
		Amount \$
March 2007	CDOR 1 month + 0.17%	75,000,000
April 2007	CDOR 1 month + 0.16%	50,000,000
March 2007	CDOR 3 months + 0.17%	25,000,000
October 2007	CDOR 3 month + 0.12%	25,000,000
		<u>175,000,000</u>

7 Placement and structuring fee note ("PSF Note")

The Trust issued a PSF Note, having a face value of \$20,000,000, in consideration of \$15,712,210 pursuant to a Financial Services Agreement dated August 27, 2004 between National Bank Financial Inc. and the Trust. The principal sum of \$20,000,000 will be paid by the Trust in equal monthly instalments of \$166,667 consisting of capital and interest of 5%.

The maturity date of the PSF Note is March 3, 2015.

Payments due over the next years are as follows:

	2007 \$
2007	1,000,000
2008	2,000,000
2009	2,000,000
2010	2,000,000
2011	2,000,000
Thereafter	<u>6,500,000</u>
	15,500,000
Less: Amount representing interest	<u>2,704,446</u>
	<u>12,795,554</u>

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Notes to Consolidated Financial Statements

June 30, 2007

8 Operating expenses

- a) The Trust pays financial services fees of up to 0.35% (2005 – up to 0.35%) per annum to National Bank Financial Inc. of the funded initial amount of the swap contract entered into by the Trust. These fees include the placement and structuring fee and the performance fee.
- b) The Trust pays investment advisors follow-up fees equal to 0.40% (2005 – 0.40%) annually of the outstanding amount on a per unit basis held by clients of such investment advisors.

9 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 this Act on the amount of taxable income for the period and can deduct 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 maturity date, and therefore the swap payment to the Trust should only be taxable as income at that date only.

10 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.

Units may be surrendered for redemption at any time but will be redeemed only on a quarterly basis on the last business day of each of the months of February, May, August and November (the "redemption date") for an amount equal to the redemption price of the units determined as of such 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

Global Diversified Investment Grade Income Trust II

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June 30, 2007

- (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.

Units may be surrendered for redemption at any time but will be redeemed only on an annual basis on the last business day of each month of February (the “annual redemption date”) for an amount equal to the unwind price of swap agreements A, B and C determined as of such 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 swaps agreements A, B and C and (ii) the market value of the tranche of the Trust’s \$140,000,000 (2006 – \$140,000,000) term deposit, less applicable unwind costs.

The following transactions took place during the periods ended June 30, 2007 and 2006:

	2007	2006
Number of units		
Balance – Beginning of period	13,959,575	14,950,000
Redeemed during the period	<u>(3,567,292)</u>	<u>(990,425)</u>
Balance – End of period	<u>10,392,283</u>	<u>13,959,575</u>

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June 30, 2007

Unitholders' equity is made up of capital issued and retained earnings. The following transactions took place during the periods ended June 30, 2007 and 2006:

	2007 \$	2006 \$
Capital issued		
Balance – Beginning of period	109,235,993	129,794,176
Return of capital to unitholders	(5,204,836)	(5,890,222)
Redeemed during the period	(26,448,185)	(8,913,825)
	<hr/>	<hr/>
Balance – End of period	77,582,972	114,990,129
Retained earnings (Deficit)		
Balance – Beginning of period	12,646,474	12,275,002
Impact of initial adoption of financial instruments standards (note 2)	(1,815,770)	-
Net loss for the period	(28,659,410)	(1,045,064)
	<hr/>	<hr/>
Balance – End of period	(17,828,706)	11,229,938
	<hr/>	<hr/>
	59,754,266	126,220,067

On February 28, 2007, a notice of redemption of 1,476,120 units from unitholders of the Trust was received. These units were redeemed on March 14, 2007 at an unwind price of \$8.21 per unit for a total amount of \$12,118,945.

On May 31, 2007, pursuant to the special redemption opportunity, the Trust was received a notice of redemption of 2,091,172 units from unitholders of the Trust. These units were redeemed on June 14, 2006 at an unwind price of \$6.63 per unit for a total amount of \$13,864,470.

Last year, on February 28, 2006, a notice of redemption of 990,425 units from unitholders of the Trust was received. These units were redeemed on March 14, 2006 at an unwind price of \$9.00 per unit for a total amount of \$8,913,825.

Monthly distributions

Distributions to unitholders constitute partial capital reimbursement at the issue price of the units and may fluctuate from month to month depending on the occurrence of credit events in the portfolio. In the event that no credit default occurs, the Trust expects distributions in the form of return of capital to be made until March 2010 at an annual fixed rate of 8.25%, after which they will be equal to the applicable five-year Government of Canada bond rate plus 4.0% to 4.5%.

The distributions declared by the Trust are accounted for once declared but are payable on the tenth business day of the following month.

Global Diversified Investment Grade Income Trust II

Schedule – Derivative Instruments and Reference Obligation Portfolios

June 30, 2007

The portfolios of reference obligations, to which swap agreements A, B and C refer, are subject to asset eligibility and portfolio guidelines which may, over time, modify the overall economic exposure of the Trust to the credit performance of these portfolios. The information provided below is subject to such asset eligibility and portfolio guidelines. The portfolios of reference obligations, as disclosed in the prospectus, have been structured between December 13, 2004 and February 8, 2005 (the “inception date”).

Swap Agreement A

Swap Agreement A refers to the credit performance of the reference obligations in Portfolio 1 that comprised 221 reference obligations as at June 30, 2007 and 249 reference obligations as at the inception date.

Portfolio 1’s composition by asset class as at June 30, 2007 and the inception date was as follows:

Asset class	June 30, 2007		Inception date	
	Number of reference obligations	% of Assets	Number of reference obligations	% of Assets
Commercial asset-backed securities	4	2.0	8	3.4
Consumer asset-backed securities	7	2.3	22	8.1
Residential mortgage-backed securities	90	31.0	102	31.7
Commercial mortgage-backed securities	32	15.7	47	15.5
Synthetic corporate exposures	83	47.2	1	0.9
Other structured finance and fixed-income securities	5	1.7	69	40.4
Financial receivables	-	-	-	-
	221	100.0	249	100.0

The S&P ratings of the mortgage-backed securities, asset-backed securities, structured finance securities, synthetic corporate exposures and other fixed-income securities comprised in Portfolio 1 were distributed as follows:

Rating	June 30, 2007	Inception date
	(by equivalent S&P rating category)	(by notched S&P rating category)
	% of Assets	% of Assets
AAA	73.6	75.8
AA	12.1	13.5
A	14.1	10.7
BB	0.2	-

Global Diversified Investment Grade Income Trust II

Schedule – Derivative Instruments and Reference Obligation Portfolios

June 30, 2007

The weighted average assigned Moody's rating factor of the mortgage-backed securities, asset-backed securities, other fixed-income securities and synthetic corporate exposures comprised in Portfolio 1 was 19 as at June 30, 2007 (between Aa1 and Aa2) and 18 as at the inception date (between Aa1 and Aa2). The reference obligations comprised in Portfolio 1 had a weighted average default probability equivalent to a rating of between AA and AA- as at June 30, 2007 and of AA by S&P as at the inception date.

Swap Agreement B

Swap Agreement B refers to the credit performance of the reference obligations in Portfolio 2 that comprised 153 reference obligations as at June 30, 2007 and 161 reference obligations as at the inception date.

Portfolio 2's composition by asset class as at June 30, 2007 and the inception date was as follows:

Asset class	June 30, 2007		Inception date	
	Number of reference obligations	% of Assets	Number of reference obligations	% of Assets
Commercial asset-backed securities	8	9.6	8	5.0
Consumer asset-backed securities	3	2.6	3	0.5
Residential mortgage-backed securities	48	19.4	77	38.8
Commercial mortgage-backed securities	20	16.1	17	10.2
Synthetic corporate exposures	72	50.7	2	2.6
Other structured finance and fixed-income securities	2	1.6	54	42.9
	153	100.0	161	100.0

The S&P ratings of the mortgage-backed securities, asset-backed securities, structured finance securities, synthetic corporate exposures and other fixed-income securities comprised in Portfolio 2 were distributed as follows:

Rating	June 30, 2007 (by equivalent S&P rating category)	Inception date (by notched S&P rating category)
	% of Assets	% of Assets
AAA	75.7	72.9
AA	4.0	16.2
A	19.4	10.9
BBB	1.0	-

Global Diversified Investment Grade Income Trust II

Schedule – Derivative Instruments and Reference Obligation Portfolios

June 30, 2007

The weighted average assigned Moody's rating factor of the mortgage-backed securities, asset-backed securities, other structured finance and fixed-income securities and synthetic corporate exposures comprised in Portfolio 2 was 30 as at June 30, 2007 (between Aa2 and Aa3) and 21 as at the inception date (between Aa2 and Aa3). The reference obligations comprised in Portfolio 2 had a weighted average default probability equivalent to a rating of between AA and AA- as at June 30, 2007 and of AA by S&P as at the inception date.

Swap Agreement C

Swap Agreement C refers to the credit performance of the reference obligations in Portfolio 3 that comprised 231 reference obligations as at June 30, 2007 and 208 reference obligations as at the inception date.

Portfolio 3's composition by asset class as at June 30, 2007 and the inception date was as follows:

Asset class	June 30, 2007		Inception date	
	Number of reference obligations	% of Assets	Number of reference obligations	% of Assets
Commercial asset-backed securities	4	4.8	2	0.9
Consumer asset-backed securities	1	0.2	1	0.5
Residential mortgage-backed securities	75	21.9	122	41.4
Commercial mortgage-backed securities	48	21.9	9	7.9
Synthetic corporate exposures	103	51.2	5	7.2
Other structured finance and fixed-income securities	-	-	69	42.1
Financial receivables	-	-	-	-
	231	100.0	208	100.0

The S&P ratings of the mortgage-backed securities, asset-backed securities, structured finance securities, synthetic corporate exposures and other fixed-income securities comprised in Portfolio 3 were distributed as follows:

Rating	June 30, 2007	Inception date
	(by equivalent S&P rating category)	(by notched S&P rating category)
	% of Assets	% of Assets
AAA	47.7	66.1
AA	13.3	9.7
A	37.5	24.2
BBB	1.5	-

Global Diversified Investment Grade Income Trust II

Schedule – Derivative Instruments and Reference Obligation Portfolios

June 30, 2007

The weighted average assigned Moody's rating factor of the mortgage-backed securities, asset-backed securities, other structured finance and fixed-income securities and synthetic corporate exposures comprised in Portfolio 3 was 59 as at June 30, 2007 (between Aa3 and A1) and 39 as at the inception date (between Aa2 and Aa3). The reference obligations comprised in Portfolio 3 had a weighted average default probability equivalent to a rating of between AA- and A+ as at June 30, 2007 and of AA- by S&P as at the inception date.