

# **Onyx Trust, Series A-1**

Financial Statements

**June 30, 2007**

(unaudited)

# Onyx Trust, Series A-1

## Statements of Net Assets

As at June 30, 2007 and December 31, 2006

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	June 30, 2007 (unaudited) \$	December 31, 2006 (audited) \$
<b>Assets</b>		
Cash	1,896	2,767
Short-term investments (note 3)	11,663,260	12,179,916
Credit default swap related asset, at replacement cost (note 4)	362,235	502,567
Credit default swap receivable (note 5)	4,147,228	3,637,755
Other accounts receivable	4,135	4,823
	<hr/>	<hr/>
	16,178,754	16,327,828
<b>Liabilities</b>		
Accounts payable and accrued liabilities	37,525	31,105
Distributions payable (note 7)	240,000	240,000
	<hr/>	<hr/>
	277,525	271,105
<b>Net Assets, representing Unitholders' Equity</b>	<hr/>	<hr/>
	15,901,229	16,056,723
Unitholders' capital (note 7)	11,626,757	12,081,757
Retained earnings	4,274,472	3,974,966
	<hr/>	<hr/>
	15,901,229	16,056,723
<b>Number of units outstanding</b>	<hr/>	<hr/>
	160,000	160,000
<b>Net assets per unit</b>	<hr/>	<hr/>
	99.38	100.35

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

**Approved by the Trustee, Metcalfe & Mansfield Alternative Investments Corp.**

Claude Dalphond Director  
Claude Dalphond

Benoit Deschamps Director  
Benoit Deschamps

# Onyx Trust, Series A-1

## Statements of Operations and Retained Earnings

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

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	<b>June 30, 2007</b> (unaudited) \$	<b>June 30, 2006</b> (unaudited) \$
<b>Revenue</b>		
Interest on cash	179	87
Interest on short-term investments	247,720	236,975
Interest on credit default swap	(249,558)	(236,885)
Income from credit default swap	504,055	507,856
	<hr/> 502,396	<hr/> 508,033
<b>Expenses</b>		
Audit fees	17,361	7,079
Legal fees	20,100	7,078
Administrative fees	13,200	9,563
Regularory and reporting expenses	2,456	7,988
Directors' fees	9,441	8,245
	<hr/> 62,558	<hr/> 39,953
<b>Net investment income for the period</b>	439,838	468,080
<b>Decrease in unrealized depreciation in value of credit default swap related asset</b>	<hr/> (140,332)	<hr/> (786,168)
<b>Increase (decrease) in net assets from operations for the period</b>	299,506	(318,088)
<b>Retained earnings – Beginning of period</b>	<hr/> 3,974,966	<hr/> 3,761,207
<b>Retained earnings – End of period</b>	<hr/> 4,274,472	<hr/> 3,443,119
<b>Increase (decrease) in net assets from operations per unit</b>	<hr/> 1.87	<hr/> (1.99)

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

# Onyx Trust, Series A-1

Statements of Changes in Net Assets

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

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	<b>June 30, 2007</b> (unaudited) \$	<b>June 30, 2006</b> (unaudited) \$
<b>Increase (decrease) in net assets from operations for the period</b>	299,506	(318,088)
<b>Distributions to unitholders</b>		
Return of capital (note 7)	(480,000)	(480,000)
<b>Contributed capital</b> (note 7)	25,000	-
<b>Decrease in net assets for the period</b>	(155,494)	(798,088)
<b>Net assets – Beginning of period</b>	16,056,723	16,777,964
<b>Net assets – End of period</b>	<u>15,901,229</u>	<u>15,979,876</u>

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

# Onyx Trust, Series A-1

## Statements of Cash Flows

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

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	June 30, 2007 (unaudited) \$	June 30, 2006 (unaudited) \$
<b>Cash flows from</b>		
<b>Operating activities</b>		
Increase (decrease) in net assets from operations for the period	299,506	(318,088)
Adjustments for		
Change in unrealized depreciation in value of credit default swap related asset	140,332	786,168
Decrease in other accounts receivable	688	3,899
Increase in accounts payable and accrued liabilities	6,420	6,355
	147,440	796,422
	446,946	478,334
<b>Investing activities</b>		
Increase in credit default swap receivable	(509,473)	(484,402)
<b>Financing activities</b>		
Contributed capital	25,000	-
Distributions paid to unitholders	(480,000)	(480,000)
	(455,000)	(480,000)
<b>Decrease in cash and cash equivalents</b>	(517,527)	(486,068)
<b>Cash and cash equivalents – Beginning of period</b>	12,182,683	13,178,069
<b>Cash and cash equivalents – End of period</b>	11,665,156	12,692,001
Cash and cash equivalents comprise:		
Cash	1,896	3,058
Short-term investments	11,663,260	12,668,943
	11,665,156	12,692,001

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

# Onyx Trust, Series A-1

Notes to Financial Statements

June 30, 2007

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## 1 Creation of Trust and nature of operations

The Onyx Trust, Series A-1 (the “Trust”) is a closed-end income trust which was established under the laws of the Province of Ontario on April 25, 2003 by a trust agreement.

National Bank of Canada acts as administrative agent since October 16, 2006 (2005 and previously – National Bank Trust Inc.) and National Bank Financial Inc., the promoter of the Trust, holds no voting securities of the Trustee, Metcalfe & Mansfield Alternative Investments Corp.

In order to provide the Trust with the means to meet its investment objectives, the Trust entered on May 2, 2003 into a credit default swap agreement with a financial institution (the “Bank”) having a S&P rating of AA-.

The Trust provides an exposure to a mezzanine tranche of a portfolio of 99 corporate credits (2006 – 99) (“reference entities”), the objective of which is to provide unitholders with a stream of quarterly distributions and redeem all outstanding units on May 17, 2008. This tranche benefits from a first loss tranche of \$37,490,000 (2006 – \$37,490,000), which absorbs all cumulative net losses in relation to any credit event of reference entities up to a maximum of 4.73% of the reference entities’ portfolio size. Losses in excess of the first loss tranche are limited to a cumulative net loss of \$16,000,000.

Through to the maturity date, the redemption price and the net asset value will vary depending on a number of factors such as the quarterly distributions to be made on the units, interest rates, the creditworthiness of the reference entities and cumulative net loss amounts incurred upon the occurrence of credit events in the portfolio over the first loss tranche. Credit events include bankruptcy, failure to pay and restructuring of a reference entity.

## 2 Significant accounting policies

### Generally accepted accounting principles

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

### 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 financial statements and accompanying notes. The Trustee believes that the estimates used in preparing its financial statements are reasonable and prudent. Actual results could differ from those estimates.

### Short-term investments

Short-term investments are carried at the lower of cost and net realizable value, increased by related accrued interest.

# Onyx Trust, Series A-1

## Notes to Financial Statements

June 30, 2007

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### Income recognition

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

### Valuation of the credit default swap

The credit default swap is presented on the statement of net assets at its estimated replacement cost with changes in the unrealized appreciation or depreciation for the year reported in the statement of operations. The replacement cost is estimated by using several assumptions, including the discounting of the expected contractual cash flows using a rate that reflects the credit quality of the reference entities of the swap. The replacement cost is strongly influenced by other assumptions such as the amount and timing of future estimated cash flows, discount rates, time value of money and yield curves. The estimated replacement cost reflects market conditions on a given date and for this reason cannot be representative of future fair values. Also, the replacement cost does not necessarily reflect the value at which the credit default swap could be liquidated.

### 3 Short-term investments

Under the credit default swap agreement, short-term investments are pledged to the Bank. They are issued or fully and unconditionally guaranteed as to principal and interest by the Government of Canada or a Canadian financial institution, having a short-term or long-term rating from Standard & Poor's Rating Service of at least A-1 or AA- and a short-term or long-term rating from Moody's of at least P-1 or Aa3 respectively. The amount outstanding as at June 30, 2007 had a maturity date of July 6, 2007 (July 7, 2006 as at June 30, 2006) and bears interest at 4.32% (2006 – 4.02%).

### 4 Financial derivative instrument

The Trust has entered into a credit default swap agreement with the Bank pursuant to which the Trust will pay the Bank if a credit event occurs in the reference entities resulting in a cumulative net loss exceeding the first loss tranche of \$37,490,000 (2006 – \$37,490,000). The maximum loss that could be assumed by the Trust for each credit event with respect to a reference entity amounts to \$8,000,000, up to a cumulative net loss of \$16,000,000.

The notional amount of the credit default swap as at June 30, 2007 is \$16,000,000 for a portfolio that consists of a pool of \$792,000,000 (2006 – \$792,000,000) in reference bonds of 99 (2006 – 99) equally weighted entities that had an average Moody's rating of Ba1 on June 30, 2007 (December 31, 2006 – Baa3). The credit default swap will mature on May 17, 2008. The net quarterly payments under the swap are based on:

- a) a quarterly payment by the Trust to the Bank based on a banker's acceptance three-month rate on the collateral amount outstanding on the immediately preceding quarterly payment date, pro-rated based on the number of days of the period; and
- b) a quarterly release by the Bank to the Trust of the outstanding collateral amount calculated at an annual rate of 6.46% of the initial amount of \$16,000,000 (less any cumulative net losses exceeding the first loss tranche from credit events on underlying entities of the credit default swap).

# Onyx Trust, Series A-1

Notes to Financial Statements

June 30, 2007

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## 4 Financial derivative instrument (continued)

### Credit risk

As a result of entering into a credit default swap agreement, the Trust is exposed to a levered credit exposure. Any credit event of a reference entity would result in a loss that would accumulate as a cumulative net loss for the Trust. The cumulative net loss over the first loss tranche of \$ 37,490,000 (2006 – \$37,490,000) would be assumed by the Trust up to a cumulative net loss of \$16,000,000.

In addition, the Trust is exposed to counterparty credit risk arising from any unrealized gain on the credit default swap plus any amount receivable from the Bank. As the maturity date of the Trust approaches, the amount of exposure to the counterparty risk will gradually grow to approximately \$5,200,000 plus any unrealized gain or minus any unrealized loss on the credit default swap. Management believes that the probability of default is low. The counterparty credit risk exposure on June 30, 2007 was \$4,509,463 (December 31, 2006 – 4,140,322).

During the six months period ended June 30, 2007, no credit events occurred in the portfolio of reference obligations.

### Interest rate risk

There is an interest rate risk associated with the derivative instrument, which has several components, one of which is to compensate for a risk assumed with time. Market rates can vary and cause fluctuations on the fair value of the derivative instrument having a fixed rate at the signing of the contract.

## 5 Credit default swap receivable

The credit default swap receivable consists of the unpaid amount to the Trust with regard to the income on the credit default swap, which is calculated at the annual rate of 6.46%, and is reduced by the amount of interest paid on the credit default swap to the Bank at the Canadian banker's acceptance three-month rate.

The amount receivable, net of any excess net loss amounts incurred upon the occurrence of credit events over the short-term investments given as a collateral amount, will be received on May 17, 2008, the maturity date of the Trust.

## 6 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.

# Onyx Trust, Series A-1

Notes to Financial Statements

June 30, 2007

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## 6 Income taxes (continued)

Any amount payable under the credit default swap is considered to be an amount of income payable under the swap agreement and taxable as such. According to the terms of the swap agreement, 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 the maturity date.

## 7 Unitholders' capital

### Authorized units

The Trust is authorized to issue an unlimited number of transferable and redeemable units of Series A-1, 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 is entitled 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 March, June, September and December (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 95% of the unwind price per unit as determined by a bid provided by the Bank in its sole discretion, reflecting market conditions on the first business day of each quarter.

### Quarterly distributions

Distributions to unitholders constitute partial capital reimbursement at the issue price of the units and may fluctuate from quarter to quarter depending on the occurrence of credit events in the portfolio.

	2007	2006
	\$	\$
Unitholders' capital – Beginning of period	12,081,757	13,016,757
Contributed capital	25,000	-
Distributions to unitholders	(480,000)	(480,000)
	<hr/>	<hr/>
Unitholders' capital – End of period	11,626,757	12,536,757

On April 25, 2007, the Trust received a cash contribution of \$25,000 from the promoter of the Trust, National Bank Financial Inc.

# Onyx Trust, Series A-1

## Schedule

As at June 30, 2007

Name	Moody's Industries	Moody's Rating		S&P Rating	
		Initial May 2, 2003	June 30, 2007	Initial May 2, 2003	June 30, 2007
ACE Limited	Insurance	A3	(P)A3	BBB+	A-
Agrium Inc.	Farming and Agriculture	Baa2	Baa2	BBB	BBB
Albertsons Inc.	Grocery	Baa1	B1	BBB+	B
Alcoa Inc.	Mining, Steel, Iron and Non-precious Metals	A2	A2	A	BBB+
Amerada Hess Corp.	Oil and Gas	Baa3	Baa3	BBB	BBB-
American International Group Inc.	Insurance	Aaa	Aa2	AAA	AA
Amgen Inc.	Healthcare, Education and Childcare	A2	A2	A+	A+
AOL Time Warner Inc.	Leisure, Amusement, Motion Pictures, Entertainment	Baa1	Baa2	BBB+	BBB+
Aramark Corp.	Personal, Food and Misc. Services	Baa3	(P)B3	BBB-	B+
Arrow Electronics Inc.	Electronics	Baa3	Baa3	BBB-	BBB-
ArvinMeritor Inc.	Automobile	Baa3	Ba3	BBB-	BB-
AT&T Corp.	Telecommunications	Baa2	A2	BBB+	A
Bank of America Corp.	Banking	Aa2	Aa1	A+	AA
Baxter International Inc.	Healthcare, Education and Childcare	A3	Baa1	A	A
BCE Inc.	Telecommunications	Baa1	Baa2	A	A-
BellSouth Corp.	Telecommunications	A1	A2	A+	A
Boeing Capital Corp.	Aerospace and Defense	A3	A2	A+	A+
Carnival Corp.	Leisure, Amusement, Motion Pictures, Entertainment	A3	A3	A	A-
Caterpillar Inc.	Machinery (Non-agriculture, Non-construction, Non-electronic)	A2	A2	A+	A
Cendant Corp.	Diversified/Conglomerate Services	Baa1	Ba2	BBB	BB+
Centex Corp.	Buildings and Real Estate	Baa2	Baa2	BBB	BBB
Cingular Wireless LLC	Telecommunications	A3	A3	A+	A
Citigroup Inc.	Banking	Aa1	Aa1	AA-	AA
Clear Channel Communications Inc.	Broadcasting	Baa3	Baa3	BBB-	B+
CNA Financial Corp.	Insurance	Baa2	Baa3	BBB-	BBB-
Columbia Energy Group	Oil and Gas	Baa2	Baa3	BBB	BBB
Comcast Cable Communications	Broadcasting	Baa3	Baa2	BBB	BBB+
Computer Associates International Inc.	Electronics	Baa2	Ba1	BBB+	BB
Conagra Foods Inc.	Beverage, Food and Tobacco	Baa1	Baa2	BBB+	BBB+
ConocoPhillips	Oil and Gas	A3	A1	A-	A-
Cooper Industries Inc.	Machinery (Non-agriculture, Non-construction, Non-electronic)	A3	A3	A-	A
Countrywide Home Loans Inc.	Finance	A3	A3	A	A
Cox Enterprises Inc.	Broadcasting	Baa1	Baa3	BBB	BBB-
CSX Corp.	Cargo Transport	Baa2	Baa3	BBB	BBB-
CVS Corp.	Retail Stores	A2	Baa2	A	BBB+
Deere and Company	Farming and Agriculture	A3	A2	A-	A
Devon Energy Corp.	Oil and Gas	Baa2	Baa2	BBB	BBB
Eastman Kodak Company	Healthcare, Education and Childcare	Baa1	B2	BBB+	B+
Electronic Data Systems Corp.	Electronics	Baa2	Ba1	A-	BBB-
ERAC USA Finance Company	Personal Transportation	Baa1	Baa2	BBB+	BBB
Federated Department Stores Inc.	Retail Stores	Baa1	(P)Baa2	BBB+	BBB
FirstEnergy Corp.	Utilities	Baa2	Baa3	BBB	BBB
FleetBoston Financial Corp.	Banking	A1	Aa1	A	AA
Ford Motor Credit Company	Finance	A3	B1	BBB	B

# Onyx Trust, Series A-1

Schedule ... *continued*

As at June 30, 2007

Name	Moody's Industries	Moody's Rating		S&P Rating	
		Initial May 2, 2003	June 30, 2007	Initial May 2, 2003	June 30, 2007
FPL Group Capital Inc.	Utilities	A2	A2	A	A
General Electric Capital Corp.	Finance	Aaa	Aaa	AAA	AAA
General Motors Acceptance Corp.	Finance	A2	Ba1	BBB	BB+
Goodrich Corp.	Aerospace and Defense	Baa3	Baa2	BBB	BBB
Harrah's Entertainment Inc.	Hotels, Motels, Inns and Gaming	Baa3	Baa3	BBB-	BB
Hewlett-Packard Company	Electronics	A3	A2	A-	A
Household Finance Corp.	Finance	A2	Aa3	A	AA-
Inco Ltd.	Mining, Steel, Iron and Non-precious Metals	Baa3	Baa3	BBB-	BBB
International Business Machines Corp.	Electronics	A1	A1	A+	A+
International Lease Finance Corp.	Diversified/Conglomerate Services	A1	A1	AA-	AA-
International Paper Company	Printing and Publishing	Baa2	Baa3	BBB	BBB
Laboratory Corp. of America Holdings	Healthcare, Education and Childcare	Baa3	Baa3	BBB	BBB
Marriott International Inc.	Hotels, Motels, Inns and Gaming	Baa2	Baa2	BBB+	BBB+
MBIA Insurance Corp.	Insurance	Aaa	Aaa	AAA	AAA
MBNA Corp.	Banking	Baa2	Aa1	BBB	AA
McDonald's Corp.	Personal, Food and Misc. Services	A2	A2	A+	A
McKesson Corp.	Healthcare, Education and Childcare	Baa2	Baa3	BBB	BBB
Merrill Lynch and Company Inc.	Finance	Aa3	Aa3	A+	AA-
MetLife Inc.	Insurance	A2	A2	A	A
Monsanto Company	Chemicals, Plastics and Rubber	Baa1	Baa1	A	A-
Motorola Inc.	Electronics	Baa2	Baa1	BBB	A-
Nabors Industries Inc.	Oil and Gas	A3	A3	A-	A-
National Rural Utilities Coop. Finance Corp.	Utilities	A2	A2	A	A
Newmont Mining Corp.	Mining, Steel, Iron and Non-precious Metals	Baa3	Baa1	BBB	BBB+
News America Inc.	Broadcasting	Baa3	Baa2	BBB-	BBB
Nordstrom Inc.	Retail Stores	Baa1	Baa1	A-	A
Omnicom Group Inc.	Broadcasting	Baa1	(P)Baa1	A-	A-
PSEG Power LLC	Utilities	Baa1	Baa1	BBB	BBB
Radian Group Inc.	Insurance	A2	A2	A	A
Raytheon Co.	Aerospace and Defense	Baa3	Baa1	BBB-	BBB+
Rydersystem Inc.	Personal Transportation	Baa1	Baa1	BBB	BBB+
Sabre Holdings Corp.	Electronics	Baa2	Caa1	BBB+	B+
Safeway Inc.	Grocery	Baa2	Baa2	BBB	BBB-
SBC Communications Inc.	Telecommunications	A1	A2	AA-	A
Sears Roebuck Acceptance Corp.	Finance	Baa1	Ba2	BBB+	BB+
Sempra Energy	Utilities	Baa1	Baa1	A-	BBB+
Simon Property Group L.P.	Buildings and Real Estate	Baa2	A3	BBB+	A-
Southwest Airlines Company	Personal Transportation	Baa1	Baa1	A	A
Supervalu Inc.	Grocery	Baa3	B1	BBB	BB-
Target Corp.	Retail Stores	A2	A1	A+	A+
Temple-Inland Inc.	Printing and Publishing	Baa3	Baa3	BBB	BBB
Textron Inc.	Diversified/Conglomerate Services	A3	A3	A	A-
The Dow Chemical Company	Chemicals, Plastics and Rubber	A3	A3	A-	A-
The Hertz Corp.	Personal Transportation	Baa2	Ba1	BBB	BB-
The PMI Group Inc.	Insurance	A1	A1	A+	A
Toys R Us Inc.	Retail Stores	Baa3	Caa1	BBB-	B-

# Onyx Trust, Series A-1

Schedule ... *continued*

As at June 30, 2007

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Name	Moody's Industries	Moody's Rating		S&P Rating	
		Initial May 2, 2003	June 30, 2007	Initial May 2, 2003	June 30, 2007
Transocean Inc.	Oil and Gas	Baa2	Baa1	A-	A-
Tyson Foods Inc.	Beverage, Food and Tobacco	Baa3	Ba2	BBB	BBB-
Verizon Global Funding Corp.	Telecommunications	A2	A3	A+	A
Viacom Inc.	Broadcasting	A3	Baa3	A-	BBB
Visteon Corp.	Automobile	Baa2	Caa2	BBB	B
Walt Disney Company	Broadcasting	Baa1	A2	BBB+	A-
Weyerhaeuser Company	Diversified Natural Resources, Precious Metals, and Minerals	Baa2	Baa2	BBB	BBB
Wyeth	Healthcare, Education and Childcare	A3	A3	A	A+
XL Capital Ltd.	Insurance	A1	A3	A+	A-