

Managed By:	Heritage Education Funds Inc.
Portfolio Advisor:	Scotia Asset Management L.P.
Invested Assets:	\$567,207
Primary Asset Class:	Canadian Fixed Income
Inception Date:	June 30, 2003
Management Fee:	1.95%
Minimum Initial Investment:	\$100**
Subsequent Purchase(s):	\$100
Minimum PAD Investment:	\$100
Membership Fee:	None
Investment Volatility:	Low

## Top 10 Holdings<sup>2</sup>

Investment	Coupon Rate	Maturity Date	%
Canada Government Bond Series WL 43	5.75%	1-Jun-29	23.50%
Canada Housing Trust Bond	3.80%	15-Jun-21	16.91%
Ontario Province Debentures	4.00%	2-Jun-21	9.74%
Canada Housing Trust Bond	2.20%	15-Mar-14	8.26%
Hydro Quebec Debentures	11.00%	15-Aug-20	5.76%
Canada Housing Trust Bond	3.35%	15-Dec-20	4.81%
British Columbia Province Debentures	5.70%	18-Jun-29	4.69%
Ontario Province CDA	6.50%	8-Mar-29	3.75%
Alberta Capital Finance Authority	4.65%	15-Jun-17	3.05%
Municipal Finance Authority	4.60%	23-Apr-18	3.02%

## Objective

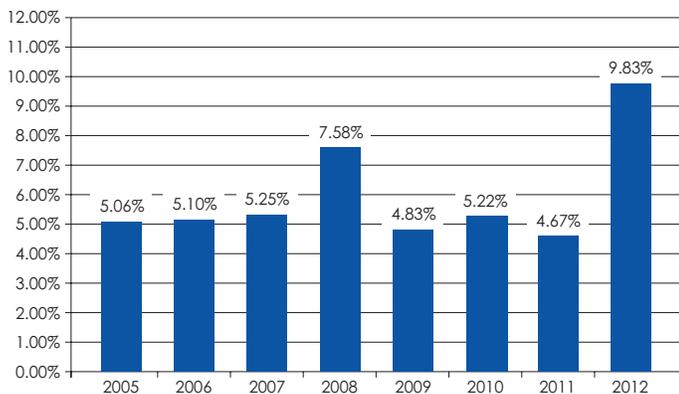
The investment objectives are to preserve capital while maximizing the long-term rate of returns for Subscribers within the guidelines set out in the investment policy statement. Investments consist of investment grade federal, provincial and municipal bonds, corporate debt securities and bank deposit notes. The Impression Plan takes a long-term, conservative, capital preservation approach to managing assets.

## Performance Analysis<sup>1</sup>

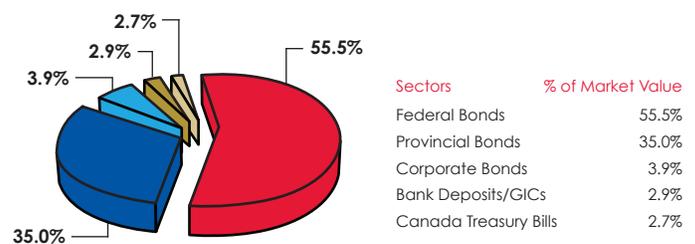
The following table illustrates the annual compounded returns for the periods shown. Investment returns have been calculated using market values and time-weighted cash flows during the periods.

Investment	1 year	3 year	5 year	Since Inception
Impression Plan <sup>2</sup>	9.83%	6.55%	6.41%	5.71%
DEX Universe All Government Bond Index <sup>3</sup>	9.86%	5.47%	5.96%	6.45%

## Portfolio Returns<sup>1</sup>



## Impression Plan Asset Weightings<sup>1</sup>



## Fees and Expenses Payable<sup>†</sup>

Type of Fee	Amount and Description	Paid from or by
Impression Management Fee <sup>4</sup>	1.95% of the amount in the Impression Account (includes Portfolio Management Fee), deducted monthly in arrears.	From the assets of the Plan.
Impression Sales Charge <sup>5</sup>	0.0% if funds withdrawn 7 years or more to a maximum of 5.0% if withdrawn within 1 year or less.	From Subscriber's account.

\* The Impression Plan RESP is offered by Prospectus only, please read before investing. As with all investments, we caution you that past performance is not indicative of future returns.

\*\* There is no minimum contribution requirement for an Impression Plan in which only Canada Learning Bond ("CLB") funds are held.

<sup>1</sup> The indicated rates of return are the historical annual compounded total market returns as of March 31<sup>st</sup> of each year. These returns are net of fees incurred by the Impression Plan RESPs, including administration fees and advisory fees. As with all investments, we caution you that past performance is not indicative of future returns. DEX Universe All Government Bond Index is a broad measure of the total return for the Canadian Bond market, covering approximately 900 marketable Canadian federal, provincial, municipal and corporate bonds that are rated A or higher with a maturity of greater than one year. Allocations and holdings may have changed. The bar chart illustrates the annual performance of the Impression Plan in each of the past eight years to March 31, 2012.

<sup>2</sup> Source: Heritage Educational Foundation (3.31.12).

<sup>3</sup> Source: Scotia Asset Management L.P. (3.31.12).

<sup>4</sup> The Management Fee was waived for this quarter. Future waiver of this fee is not guaranteed.

<sup>5</sup> The Impression Sales Charge will apply to the withdrawn amount, unless the amounts are withdrawn more than four years after the Plan is established and are withdrawn for an EAP. The charge will not be applicable for an Impression Plan in which only CLB funds are held.

<sup>†</sup> The information provided is not intended to be a complete listing of all fees associated with the Plan and transactions such as withdrawals, transfers and late application fees. Please see Prospectus for full details.

All information is for the period ending March 31, 2012. Heritage Education Funds is the trade name of Heritage Education Funds Inc.

## Overview of the Impression Plan

The Impression Plan is an RESP designed to help save for a child's post-secondary education. The Plan has two distinct periods:

- (i) accumulation of Contributions, government grants and income; and
- (ii) distributions from the Plans.

Government grants and incentives are not included in calculating the RESP lifetime contribution limit of \$50,000.

## Accumulation of Contributions, Government Grants and Income

- Subscriber(s) will make Contributions to the RESP based on a minimum Contribution amount of \$100.
- The Beneficiary must be a Canadian resident and have a valid Social Insurance Number.
- Heritage Education Funds will apply to Canada Revenue Agency on the Subscriber's behalf to obtain registration and to obtain any applicable government grants and incentives<sup>†</sup>.
- The portfolio advisor will invest RESP savings, grants and income earned thereon over the long-term, primarily in fixed income securities.
- Fees will be deducted as described previously.

## Payments from the Plan

- The pay-out period usually begins the year in which the Beneficiary turns 18 and is expected to begin post-secondary studies. The Subscriber receives a return of Contributions (less applicable fees).
- Income earned on Contributions, government grants and interest earned thereon are used to make Educational Assistance Payments (EAPs) to the eligible Beneficiary. EAPs are distributed to the eligible Beneficiary conditional upon meeting certain requirements (see Prospectus for details).

## Risk Factors

### Early Withdrawal

- May result in loss of interest earned and Impression Sales Charge may apply

### Failure to Provide a Beneficiary's Social Insurance Number (within 24 months of enrollment for RESP registration purposes)

- Plan will be terminated
- Principal and interest earned will be returned to the Subscriber

### Investment Risks

- Interest rate risk
- Credit risk
- Market risk
- Liquidity risk
- Pricing risk

### Beneficiary does not pursue post-secondary education

- Investment income may be available to the Subscriber as an Accumulated Income Payment<sup>‡</sup>.

## Commentary<sup>§</sup>

### Canadian Economic Commentary

Global equity markets continued their ascent with a second straight quarter of strong returns while bonds held reasonably steady in spite of the equity rally. Several factors drove these results including investor confidence in the stability of the European financial system following the successful implementation of the latest refinancing plan in Europe. The restructuring of Greek government debt proceeded with the support of the country's private sector. The risk of a disorderly default and the possible contagion that might have resulted has now dissipated. Meanwhile consumer confidence improved over the quarter, on employment gains and signs that the housing sector may be bottoming. Additional positive news came from the Federal Reserve's latest stress test for the largest U.S. banks. This stress test demonstrated capital requirements could withstand an extremely adverse economic scenario and many banks are now able to return money to investors through dividends and share repurchases.

### Canadian Fixed Income Market

The Canadian yield curve shifted upwards and flattened in the quarter. The 2-year yield rose 24 basis-points (bps) while 10-year and 30-year bond yields each rose by 17bps. Longer-term bonds underperformed shorter-term bonds because of their longer duration. Provincial bonds underperformed Government of Canada bonds in the quarter.

The portfolio outperformed its benchmark during the quarter. The portfolio's curve positioning (an underweight the long end of the curve) added to performance as the long end underperformed the rest of the curve. We reduced the exposure to Provincial bonds in the quarter adding to performance as Provincial spreads widened after the reduction.

### Canadian Strategy

We are cautious about the remainder of 2012 - sustained high unemployment, a still weak housing market, an over-leveraged consumer, and a move toward greater fiscal restraint will all weigh on growth in the second half of the year. If growth weakens as we expect, investors may return to higher quality investments to protect their money. In that scenario, Federal bonds should outperform as spreads could widen as economic fundamentals deteriorate. We are defensively positioned for a lower growth environment in which bonds rally and spreads widen. We have eliminated all floating rate notes from the portfolio and moved duration to above benchmark as we anticipate rates to fall in the second half of 2012. Furthermore, we have reduced our exposure to Provincial bonds to below benchmark weight. The resulting portfolio is conservatively positioned and should perform well in our forecasted environment.

† Certain conditions apply. Please see the Impression Plan prospectus for full details.

\* The Impression Plan RESPs are offered by Prospectus only, please read before investing. As with all investments, we caution you that past performance is not indicative of future returns.

§ Commentary provided by Scotia Asset Management L.P. Information is for the period ending March 31, 2012. Scotia Asset Management L.P. acts as Advisor to the Impression Plan RESP and The Royal Dexia Investor Services Trust acts as Trustee. Heritage Education Funds Inc. is a subsidiary of the Heritage Financial Group Ltd.

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