

Annual Management Report of Fund Performance

For the nine month period ended September 30, 2008

Credential Select Conservative Portfolio

Portfolio Manager

Northwest & Ethical Investments L.P.

Toronto, Ontario

This annual management report of fund performance contains financial highlights but does not contain complete annual financial statements of the investment fund. You can get a copy of the interim or annual financial statements at your request, and at no cost, by calling 1.888.207.8121, by writing us at Northwest & Ethical Investments L.P., 155 University Avenue, Suite 400, Toronto, ON M5H 3B7 or Suite 800 –1111 West Georgia Street, Vancouver, BC V6E 4T6 or by visiting our website at www.ethicalfunds.com or SEDAR at www.sedar.com.

Security holders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

A note on forward-looking statements

This document contains forward-looking statements. Such statements are generally identifiable by the terminology used, such as "plan", "anticipate", "intend", "expect", "estimate", or other similar wording. These forward-looking statements are subject to known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such factors include, but are not limited to: general economic, market and business conditions; fluctuations in securities prices, fluctuation in interest rates and foreign currency exchange rates; and actions by governmental authorities. Future events and their effects on the fund may not be those anticipated by us. Actual results may differ materially from the results anticipated in these forward-looking statements. We do not undertake, and specifically disclaim, any obligation to update or revise any forward-looking information, whether as a result of new information, future developments or otherwise.

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Management Discussion of Fund Performance

Investment Objectives and Strategies

The Credential Select Conservative Portfolio aims to generate a moderate level of income while providing some potential for capital growth by investing in a mix of income-oriented mutual funds and equity mutual funds. The Fund invests in other mutual funds that are managed by different portfolio managers. The Fund will have a 65% exposure to fixed-income securities and 35% to equity securities. The portfolio manager uses strategic asset allocation, diversification and rebalancing to manage the Fund.

Risks

The risks of investing in the Fund have not changed from the prior year and remain as discussed in the prospectus. The Fund is suitable for investors seeking income who have a low to moderate tolerance for risk.

Results of Operations

The Credential Select Conservative Portfolio's Class A units returned -7.1% for the nine months ended September 30, 2008, compared with a return of -3.6% for a blended benchmark, explained below. Unlike the blended benchmark return, the Fund's returns are after the deduction of fees and expenses paid by the Fund. The Fund's net assets decreased by 17.3%, to \$19.1 million at September 30, 2008, from \$23.1 million at December 31, 2007. Of this change, \$1.5 million is attributable to a loss by investment performance and \$2.5 million to net redemptions. Performance differences between classes of units are mainly attributable to management fees charged to each class. Refer to the Past Performance section for the details of returns by Class.

Over the past nine months, the target portfolio weightings in the Fund were 50% in Canadian bonds, 15% in foreign bonds, 10% in Canadian equities, 25% in foreign equities.

The Fund's 25% weight in Global equities generally detracted from returns, while the 65% weight in foreign and Canadian fixed income added to performance.

High levels of volatility and uncertainty plagued both the equity and debt markets throughout the first nine months of 2008. Banks began shoring up their balance sheets with as much cash as possible and refused to offer loans at reasonable terms to other institutions for fear of their exposure to subprime loans and other toxic assets.

Short Term bonds (one to five years) were the strongest performers during the first nine months of the year, returning 4.1%, followed by mid term bonds (five to ten years) at 2.7% return, while long term bonds (ten years +) were the worst performers at -2.4%, as institutional investors reduced the term to maturity of their portfolios in the face of uncertainty. Federal bonds significantly outperformed both corporate bonds and the DEX Universe Index, returning 3.8% year to date vs. 0.5% for corporate bonds and 1.8% for the index

Despite reaching an all-time high of 15,073 on June 18, the S&P/TSX had a rollercoaster ride to end the first nine months of 2008 at 11,753, down 13.3%.

The earlier selloff was pointed to financials, but became indiscriminate towards the end of the period with all 10 subsectors of the index ending in double digit losses. Information Technology and Consumer Discretionary were the worst performing sectors at -37.1% and -28.1%. Consumer Staples, Energy and Financials were the best sectors, returning -10.3%, -11.3% and -11.8%, respectively.

Large Capitalization companies outperformed smaller companies as investors continued to seek safety in larger names, with the S&P/TSX 60 returning -11.0% and the BMO Nesbitt Burns Small Cap index returning -26.0%.

The center of all global market volatility was the US financial system in the first nine months of 2008. The S&P 500 Index lost 13.4% (in C\$ terms) year to date. The sectors that really led the declines were Financials, Telecommunications Services and Information Technology; all at different times. The brunt of the 31.0% decline in Financials came in June 2008 but the sector lost ground over the first two quarters and broke even in the last. The other two sectors lost 31.7% and 23.9%, respectively. Their losses were sustained in the first and third quarters.

All sectors posted losses for the year to date; a general economic slowdown, tight credit, and uncertainty about the future all contributed to an unprecedented sell off. Lessening this impact was the appreciation of the US dollar against many currencies, including the Canadian dollar, by about 7 cents.

International stocks have been impacted by various issues over the past nine months. As the year started, energy prices had an effect on business earnings in both Europe and the Far East. As the second quarter started, food prices and other related commodities drove inflationary fears and further impacted these economies, especially in the Far East and emerging markets. As the third quarter started, the full effect of the credit crisis was being felt by central banks and investors around the world. With connected people, businesses, and economies, these developments have sent international equity markets into declines that have not been felt for more than ten years.

The hardest hit market sectors over the past nine months were: Financials, Materials and Information Technology. Each declined by approximately 35% (in \$US terms). Regionally, the MSCI EAFE Index declined by 31.3% (in \$US terms). European markets declined by 33.6% and the Far East by 25.8% (all in \$US terms). Emerging markets, rising in significance in global benchmarks, declined by 36.8% (in \$US terms) since the beginning of the year.

Among the underlying funds, the Fund's fixed income holdings contributed most to relative performance as investors sought the safety of government bonds after the market for riskier housing-linked loans and related assets imploded amid imprudent lending and securitization practices at certain financial institutions. The largest positive contributor to performance was the Templeton Global Bond Fund, which returned 9.6% and added 1.4% to the Fund's gains as the Canadian dollar declined on falling oil and other commodity weakness. The Fidelity Canadian Short Term Bond Fund, with a target weight of 5% in the Fund, delivered a 3.3% return for the period and added approximately 0.2% to overall performance. Funds that detracted from performance include the Fidelity American Disciplined Equity Fund which had a return of -22.3% and lowered overall performance of the fund by 2.6%. With a 10% weight in the fund, AIM International Growth Fund had a -25.8% return, lowering overall performance by -2.6%. This fund's holdings in Western Europe including Germany, UK, and Switzerland detracted most from performance.

Recent Developments

During the year, some of the underlying portfolio holdings were changed. Mutual Discovery Fund and Trimark Floating Rate Income Fund were added to the Portfolio, while Mackenzie Cundill Value Fund was removed due to better total return opportunities elsewhere. We also reduced our positions in Trimark Canadian Bond Fund. These changes were made to better position the portfolio for the second half of 2008's anticipated market environment. The remaining portfolio holdings were rebalanced back to the Fund's strategic weights on July 8, 2008. Overall, we have increased our weighting in US equities, maintained our position in the Canadian corporate high yield bond market and maintained our overweight position in large cap stocks.

Going forward we expect markets to remain under pressure as hedge funds, financial sector firms and private equity firms further unwind leveraged positions and consumer confidence continues to erode. On the positive side, world governments have been implementing innovative measures to contain the spreading credit and liquidity crisis and appear to be doing whatever it takes to avoid a total financial meltdown. In this type of environment we believe investing in funds that own fundamentally strong stocks, that generate significant free cash flows and have little or no debt on the balance sheet will not only survive but become even stronger when markets stabilize. The funds in this portfolio hold stocks with these characteristics. Although we don't believe the current crisis will end overnight, we continue to believe the environment presents an opportunity for investors with a long term view.

Related Party Transactions

NEILP is the Manager of the Fund pursuant to a management agreement. NEILP ensures the daily administration of the Fund. NEILP provides the Fund or makes sure the Fund is provided with all services (accounting, custody, portfolio management, record maintenance, transfer agent) required to function properly. The fees are presented in the Management Fees section.

Dsjardins Trust Inc. is the custodian. Dsjardins Trust Inc. is a wholly-owned subsidiary of the Fédération des caisses Desjardins du Québec, which is a 50% owner of NEILP. The Custodian fees of Dsjardins Trust Inc. are at the Fund's expense and are established based on market conditions.

Management and administrative fees presented in the Statement of Operations are incurred by the Fund with the Manager. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In total, the Fund paid 2.09% of its average Class A net asset value for management and portfolio advisory services. In addition, the Fund paid \$39.50/unitholder per annum (aggregate across all funds) and \$35/day to NEILP.

During the nine months ended September 30, 2008, Northwest & Ethical Investments L.P. chose to waive a portion of the management fee, registrar fee and other expenses totalling 0.11% of the average net asset value, reducing the overall expenses charged to the Fund.

In accordance with its investment objectives, the Fund invests in Class D units of certain other funds managed by Northwest & Ethical Investments L.P. All transactions in those funds are executed based on the net asset value per unit determined in accordance with the stated policies of the respective fund on each transaction day. No commissions or other fees were received by the Fund in relation to these transactions. As at September 30, 2008, 24.8% of the Fund's net assets were invested in other funds managed by Northwest & Ethical Investments L.P.

The Fund is distributed through Credential Asset Management Inc., Credential Securities Inc. and other non-related dealers. Both Credential Asset Management Inc. and Credential Securities Inc. are related to NEILP by way of common ownership. NEILP pays to these related parties distribution and servicing fees based on a percentage of the average daily value of the units of each held by the dealer's clients and additionally, in some cases, on the amount of the initial purchase.

Credential Select Conservative Portfolio

For the nine month period ended September 30, 2008

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the periods indicated. This information is derived from the Fund's audited annual financial statements.

The Fund's Net Asset Value per Unit

	CLASS A				
	Sep 30 2008	Dec 31 2007	Dec 31 2006	Dec 31 2005	Dec 31 2004
Net asset value, beginning of year	\$ 11.20	\$ 11.75	\$ 11.10	\$ 10.91	\$ 10.39
Initial Adoption of new accounting policy ¹	n/a	-	n/a	n/a	n/a
Increase (decrease) from operations:					
Total revenue	0.32	0.43	0.42	0.41	0.41
Total expenses	(0.21)	(0.30)	(0.28)	(0.29)	(0.22)
Realized gain (loss) for the period	(0.18)	0.31	0.54	0.26	0.05
Unrealized gain (loss) for the period	(0.70)	(0.73)	0.34	(0.01)	0.39
Total increase (decrease) in net assets from operations²	(0.77)	(0.29)	1.02	0.37	0.63
Distributions:					
From income (excluding dividends)	-	(0.11)	(0.15)	(0.06)	(0.07)
From dividends	-	(0.02)	(0.01)	(0.05)	(0.01)
From realized gains on investments	-	(0.16)	(0.21)	(0.10)	(0.03)
From return of capital	-	-	-	-	-
Total annual distributions³	-	(0.29)	(0.37)	(0.21)	(0.11)
Net asset value, end of period	\$ 10.41	\$ 11.20	\$ 11.75	\$ 11.10	\$ 10.91

¹ The impact of the adoption of the new accounting policy for valuation of securities on the net assets per unit determined in accordance with GAAP as of October 1, 2006 is disclosed. The new accounting policy may result in a different valuation of securities held by the Fund for financial reporting purposes than the market value used to determine net asset value of the Fund for the purchase and redemption of the Fund's units ("transactional NAV"). As a result, the net asset value per unit presented may differ from the Transaction NAV as of December 31, 2007.

² Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. These calculations are prescribed by securities regulations and are not intended to be a reconciliation between opening and closing net asset value per unit.

³ Distributions were paid in cash/reinvested in additional units of the Fund, or both.

	CLASS A				
	Sep 30 2008	Dec 31 2007	Dec 31 2006	Dec 31 2005	Dec 31 2004
Ratios and Supplemental Data:					
Net assets (in 000's) ¹	\$ 19,132	\$ 23,074	\$ 21,320	\$ 19,346	\$ 10,336
Number of units outstanding (in 000's) ¹	1,838	2,060	1,814	1,744	948
Management expense ratio ²	2.55%	2.55%	2.55%	2.75%	2.75%
Management expense ratio before waivers or absorptions ²	2.66%	2.70%	2.85%	2.93%	3.33%
Portfolio turnover rate ³	20.94%	64.27%	81.78%	100.66%	78.89%
Trading expense ratio	0.00%	0.00%	0.00%	0.00%	n/a

¹ For each class of each Fund, the information is provided as at December 31 or September 30 of the period shown.

² Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the year. In the year a class is established or reinstated the management expense ratio is annualized from the date of inception or reinstatement to December 31 or September 30, as applicable.

³ The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

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Management Fees

The Fund pays NEILP a management fee for management services. The fee is calculated daily and paid monthly. The maximum annual management fee for Class A units of the Fund is 1.65%.

In addition to the management fee paid by the Fund, each underlying fund may pay a management fee for the investment services that the managers of the underlying funds provide. The arrangements in respect of the Fund and underlying funds are such as to avoid duplication of management fees. There are no sales or redemption fees payable by the Fund in relation to its purchases of any of the Ethical Funds.

Management fees are used to pay for investment management services, dealer remuneration (including trailer fees and commissions paid to dealers), administration costs and other expenses.

The following table shows the Fund's maximum trailer fee and commission rates paid to dealers for Class A units. The trailer fees are a percentage of the average daily value of the units of each Fund held by the dealer's clients. The fees depend on the Fund and the sales charge option chosen.

	CLASS A			
	Deferred Sales Charge	Low-Load	Low-Load 2	Front-End Sales Charge
Maximum Trailer Fee Paid to Dealers (annually)	0.50%	1.00%	1.00% ¹	1.00%
Maximum Commission Paid to Dealers (upon initial purchase)	5.00%	1.00%	2.50%	5.00%

¹ A maximum of 0.5% of the value of Class A units of the Fund held in your individual account during the first three years, and a maximum of 1% thereafter.

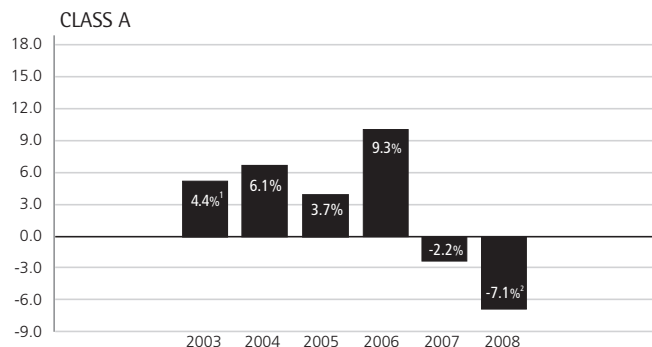
Past Performance

Past performance shows historical information for the Fund. This information is provided to show past performance only, and is not necessarily indicative of what may happen in the future.

Past performance information shown assumes that all distributions made by the Fund in the period shown are reinvested in additional units of the Fund. Performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance.

Year-by-year Returns

The bar charts that follow show the performance of each class of unit of the Fund for the nine-month period ended September 30, 2008, and for each of the previous 12-month periods ended December 31. The charts show, in percentage terms, how an investment made on January 1 would have increased or decreased by the end of the period.



¹ Return shown from the first date of distribution, July 2, 2003 to December 31, 2003.

² 2 Class A unit return shown from January 1, 2008 to September 30, 2008.

Annual Compound Returns

The following table shows the annual compound returns for Class A units of the Fund. All returns are in Canadian dollars, on a total return basis, net of all fees.

For comparison, returns are included for the blended index, comprised of 50% DEX Universe Bond Index, 15% Citigroup World Government Bond Index, 10% S&P/TSX Composite Total Return Index, 12.5% S&P 500 Total Return Index and 12.5% MSCI EAFE Index ("Blended Index").

Annual Compound Returns

For the periods ended September 30, 2008

Year	1	3	5	10	Since Inception
Class A	(7.6)	0.1	2.3	n/a	2.5
Blended Index	(2.5)	2.1	4.5	n/a	4.9

The DEX Universe Bond Index is designed to be a broad measure of the Canadian investment-grade fixed income market. Returns are calculated daily, and are weighted by market capitalization, so that the return on a bond influences the return on the index in proportion to the bond's market value.

The S&P/TSX Composite Total Return Index is a capitalization weighted index that measures market activity of stocks traded on the Toronto Stock Exchange. The Index includes reinvestment of dividends and capital gains.

The Citigroup World Government Bond Index tracks the performance of government bonds in developed nations that measure the total principal, interest, and returns in each market and provides a realistic measure of market performance.

The S&P 500 Total Return Index tracks the common share price of 500 leading American companies. These are generally large companies that dominate their industries in the US. The Index reflects the reinvestment of both ordinary and special dividends.

The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. As of September 2008, the MSCI EAFE Index consisted of 21 developed market country indices.

Credential

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Summary of Investment Portfolio

(%) as at September 30, 2008

Equity Sector Allocation	% of Portfolio
Consumer Discretionary	10.4
Consumer Staples	15.0
Energy	14.1
Financials	21.7
Health Care	8.3
Industrials	11.0
Information Technology	7.0
Materials	6.4
Telecommunication Services	3.7
Utilities	2.4
Total	100.0

Effective Allocation

Canadian Bonds	35.1
Canadian Mortgage-Backed Securities	0.4
Canadian Equities	8.4
Canadian Trust Units	1.1
US Equities	10.0
Foreign Bonds	17.4
International Equities	10.2
Cash, Short-Term and Other	17.4
Total	100.0

Top Twenty Five Holdings¹

(%) as at September 30, 2008

Underlying Fund		Type of Fund
Templeton Global Bond Fund - Series O	16.2	Foreign Bond
Mackenzie Sentinel Corporate Bond Fund - Series O	15.4	Canadian Corporate Bond
Ethical Income Fund - Class D	15.4	Canadian Bond
Trimark Canadian Bond Fund - Series I	10.4	Canadian Bond
Fidelity American Disciplined Equity Fund - Series O	9.4	US Equity
AIM International Growth Class - Series I	9.0	Global Equity
Fidelity Canadian Short Term Bond Fund - Series O	5.2	Canadian Short-Term Bond
Trimark Floating Rate Bond Fund - Series I	5.0	Canadian Bond
Mutual Discovery Fund - Series O	4.9	Global Equity
Ethical Canadian Dividend Fund - Class D	4.9	Canadian Dividend
Ethical Canadian Index Fund - Class D	4.5	Canadian Equity
Total	100.3	

¹ The investment portfolio of this Fund is comprised of 11 underlying funds.

This Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update is available.

This Fund invests in units of other investment funds. You can find the prospectus and additional information about the underlying investment funds at www.sedar.com.