

## Interim Management Report of Fund Performance as at March 31, 2009

This interim management report of fund performance contains financial highlights but does not contain either interim or 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 1-888-809-3333, by writing us at Northwest & Ethical Investments L.P., 155 University Avenue Suite 400, Toronto, ON M5H 3B7 or by visiting our website at [www.northwestfunds.com](http://www.northwestfunds.com) or SEDAR at [www.sedar.com](http://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.

## Management Discussion of Performance

### Results of Operations

The Credential Select Balanced Portfolio's Class A units returned -9.6% for the six months ended March 31, 2009, compared with a return of -8.2% for a blended benchmark, explained below. Unlike the benchmark return, the Fund's returns are after the deduction of fees and expenses paid by the Fund. 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.

### Factors That Have Affected Fund Performance

Over the past six months, the Fund held a portfolio with target weights of 30% in Canadian bonds, 10% in foreign bonds, 25% in Canadian equities, and 35% in foreign equities. The portfolio manager may adjust the optimal asset mix in its sole discretion, depending on economic conditions and relative value of income and equity securities.

The Fund's weight in US, Canadian and global equities detracted most from returns, while the 40% weight in Global and Canadian fixed income added to performance.

Over the past six months, capital markets have experienced a sell-off and declines of a magnitude not seen in almost a century. Contributing factors that included: Excessive debt levels, complicated derivatives, real asset price declines, and a lack of consumer confidence, made for a global financial crisis and losses have been felt by all investors.

Equity markets, regardless of geography, experienced significant losses, as continuing globalization of capital markets ensured that companies in the same industry fell in unison. Financial Services stocks were the first and hardest hit. Energy and Industrials stocks followed close behind. In Canada, the best performing industry sector was Consumer Staples, losing only 4.1%.

From early October through to late November, world markets fell sharply. In December there was a short rally that gave the impression that the worst was over. However, February saw US and Canadian markets testing new lows. Finally, in March, a rally starting in the middle of the month reduced the losses incurred over the past six months.

There was considerable change in the exchange rate of the Canadian dollar in relation to other currencies. The falling price of oil and other commodities exported, as well as the perception of the US dollar as safe haven were largely responsible for this change. The Canadian dollar depreciated by 14 cents against the US dollar, effectively boosting the performance of US and EAFE investments by approximately 16%.

Bonds were the only asset class with gains over the past six months. The DEX Universe Index was up 6.1%. Returns of short, mid and long bond indices were 6.1%, 6.9% and 5.5%, respectively. During this period, the prices of non-government guaranteed, lower quality bonds fell dramatically as investors priced in the risk of default, and buyers were scarce. Higher yielding issues and income trusts suffered even more as business slowdowns contributed to the perception of risk. At their peak, yield spreads between government and higher yielding bonds exceeded 20%. The gap has since narrowed to about 15%.

Small cap stocks underperformed larger cap stocks as their respective indices fell by 26.9% and 24.3%. The Financials sector declined 36.1%, the Energy sector over 29%. The best performing stocks were gold mining companies as the price of gold surged during this period. The best performing sector was Consumer Staples, followed by Materials (which included mining companies). The S&P/TSX Index has constituents that are of such significant size that changes in market value of just their stock contributes materially to the performance of the Index. Such was the case with Manulife, Bank of Nova Scotia, Royal Bank, TD Bank, and Suncor, among others.

The S&P 500 Index, led by the Financial Services sector, declined 31.6%. As economic conditions worsened and global effects were felt, all major sectors of the Index declined. The least affected was the Telecommunications Services, at -17.8% and the most was the Financials sector, at -51.5%. Even relatively economy insensitive

# Credential Select Balanced Portfolio

sectors such as Consumer Staples and Utilities declined more than 24%. During this period the composition of the Financials sector also changed dramatically. The US federal budget, the new President's public addresses and recently announced programs have affected the make-up and outlook for many industries. Significantly positive changes in both foreign and domestic government policies have begun to restore positive sentiment in this market. Government assistance offered to auto manufacturers is forcing positive change. Extensive restructuring is expected to revive the industry and contribute to the overall economy. All figures are expressed in US dollar terms.

As international markets reacted to the US-led crisis by declining 31.1%, emerging markets stocks declined similarly, falling 27.6%. This was most evident in the last quarter of 2008, with the emerging region having a slightly positive return in the first quarter of 2009. Japan performed the best among other developed country markets and Finland, Italy, Austria and the UK among the worst. Globally, Financials declined by more than 55%. Utilities, Health Care and Consumer Staples sectors were all down by more than 24% each.

## Performance Attribution

Among the underlying funds held by the portfolio, fixed income funds added considerable value to overall performance. The largest positive contributor to performance was the Templeton Global Bond Fund which returned 18.9% and contributed 1.9% to the portfolio's return. The Fund's high quality issues benefited as investor panic and the flight to quality resulted in high quality issues outperforming the lower quality sectors in the global bond market. The Fund also benefited from being unhedged in a period where the US dollar appreciated by 16% versus the Canadian dollar. With a 10% target weight, the Ethical Income Fund (Class D) also made a positive contribution to the Fund's gains by approximately 0.6% but underperformed the DEX Universe Bond Index primarily due to an overweight exposure to the corporate sector, where spreads widened considerably over the past six months. Holdings that detracted from overall performance include: The Ethical Canadian Dividend Fund (Class D) and Fidelity American Disciplined Equity Fund which detracted 1.6% and 1.8% respectively from portfolio returns. The Ethical Canadian Dividend Fund (Class D) slightly outperformed the S&P/TSX due to a relatively large weight in Consumer Staples which was the best performing sector over the last six months. The Fidelity American Disciplined Equity Fund outperformed its benchmark the S&P 500 in CAD, but still posted a negative double digit loss due to indiscriminate selling of equities by investors.

## Recent Developments

### Asset Allocation

During the year, several significant changes were made to the Portfolio's holdings. In Canadian Equities, Fidelity Canadian Disciplined Equity Fund was eliminated with the proceeds going to the Fidelity Canadian Dividend Fund. For US equities, a new position in the Mackenzie Universal US Growth Leaders Fund was added. The portfolio manager also added to the Fund's weighting in the Fidelity Canadian Short Term Bond Fund, the Mutual Discovery Fund and Ethical Canadian Dividend Fund (Class D). The portfolio manager also reduced the Fund's positions in the Ethical Canadian Index Fund (Class D) and Fidelity American Disciplined Equity Fund. These changes were made to better position the Fund for the first half of 2009. The remaining portfolio holdings were rebalanced back to the Fund's strategic weights. Overall, within the Fixed Income portion, the overall duration of the portfolio was lowered and its exposure to corporate and high yield bonds was maintained. The portfolio manager favors these sectors over government holdings, which appear to be overvalued. Within the equities portion of the portfolio, the portfolio remains slightly overweight US equities versus international equities given the relatively defensive nature of the US market and overweight large cap stocks over small cap stocks given their attractive valuations relative to their longer-term earnings power.

The global financial crisis continued to worsen and has been transmitted globally through a combination of stress in the financial system, capital flight and declining global trade. Governments have stepped in as economic agents of last resort, bringing to bear substantial monetary and fiscal stimulus. However, lags in implementation and the severity of the credit crisis argue for economic contraction through much of 2009. Interest rates in many countries have been cut as low as possible leading to increased adoption of quantitative easing strategies, which entail the purchase of assets in the market to further drive down the cost of borrowing.

## Strategy Going Forward

The portfolio manager expects earnings to be weak in the quarters ahead and consumer confidence to remain relatively low. However, extreme pessimism, valuations at deep discounts, low inflation and the willingness of central banks and governments, particularly in North America, to entertain creative policy options leaves the door open for a rally over the short term. Tactically, however, the portfolio manager believes it is prudent to be patient and wait for more concrete signs of a bottoming before committing to a more aggressive stance.

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## Related Party Transactions

Northwest & Ethical Investments L.P. ("NEILP") is the Manager, the Trustee, the Portfolio Manager and the Registrar of the Fund. NEILP is 50% owned by the Fédération des caisses Desjardins du Québec ("Fédération") and 50% indirectly owned by seven Provincial Credit Union Centrals.

NEILP is the Manager of the Fund pursuant to the administration agreement. The Manager 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.

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

Management, custodian and administrative fees presented in the Statement of Operations are incurred by the Fund with NEILP or with other companies of which Fédération is a significant owner. 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.

At the end of the period ended March 31, 2009, accrued expenses payable to related parties are \$224,025 (\$210,620 as at September 30, 2008).

In accordance with its investment objectives, the Fund invests in Class D units of certain other funds managed by NEILP. All transactions in the Fund 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 paid by the Fund in relation to these transactions. As at March 31, 2009, 24.5% of the Fund's net assets were invested in other funds managed by NEILP (25.0% as at September 2008).

During the period ended March 31, 2009, the Fund received \$183,672 of interest (\$410,653 in 2008), \$313,266 of dividends (\$152,714 in 2008) and no gains (\$362,711 in 2008) from the underlying Ethical® Funds. These underlying funds have the same Manager as the Credential Select Balanced Portfolio Fund.

The Fund is distributed through Credential Asset Management Inc., Credential Securities Inc., Desjardins Securities Inc., Desjardins Financial Services Firm Inc., Desjardins Financial Security Investments Inc. and Gestions SFL Inc. and other non-related dealers. The named dealers are related to NEILP by way of shared 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.

*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.*

# Credential Select Balanced Portfolio

## 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 six-month period ended March 31, 2009 and for each of the past five periods.

### Net Assets per Unit<sup>(1)</sup> - Credential Select Balanced Portfolio, Class A

	March 31 2009 (6 months) \$	September 30 2008* (9 months) \$	December 31 2007 (12 months) \$	December 31 2006 (12 months) \$	December 31 2005 (12 months) \$	December 31 2004 (12 months) \$
Net assets, beginning of period	10.01	11.35	11.67	11.09	10.54	10.30
<b>Increase (decrease) from operations:</b>						
Total revenue	0.20	0.22	0.32	0.29	0.27	0.31
Total expenses	(0.13)	(0.22)	(0.32)	(0.31)	(0.30)	(0.23)
Realized gains (losses)	(1.05)	(0.17)	0.36	1.34	0.33	0.76
Unrealized gains (losses)	-	(1.16)	(0.51)	(0.11)	0.38	(0.09)
Commissions and other portfolio transaction costs	-	-	-	-	-	-
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.98</b>	1.33	0.15	1.21	0.68	0.75
<b>Distributions:</b>						
From income (excluding dividends)	-	-	-	-	-	0.02
From dividends	0.07	-	0.04	0.65	0.02	0.01
From capital gains	-	-	0.14	-	0.13	0.50
Return of capital	-	-	-	-	-	-
<b>Total Distributions<sup>(3)</sup></b>	<b>0.07</b>	-	0.18	0.65	0.15	0.53
<b>Net Assets, End of Period</b>	<b>8.98</b>	10.01	11.35	11.67	11.09	10.54

\*The year-end date of this Fund has been modified from December 31 to September 30.

(1) This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements.

(2) Net assets 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.

(3) Distributions were paid in cash or reinvested in additional units of the Fund.

### Ratios and Supplemental Data - Credential Select Balanced Portfolio, Class A

	March 31 2009 (6 months)	September 30 2008* (9 months)	December 31 2007 (12 months)	December 31 2006 (12 months)	December 31 2005 (12 months)	December 31 2004 (12 months)
Total net asset value (000's of \$)	75,538	87,412	104,719	102,424	93,724	75,830
Number of units outstanding**	8,412,921	8,733	9,225	8,775	8,454	7,192
Management expense ratio (%) <sup>(1)</sup>	2.90	2.65	2.70	2.80	2.88	2.90
Management expense ratio before waivers and absorptions (%)	2.90	2.65	2.70	2.80	2.88	3.17
Trading expense ratio (%) <sup>(2)</sup>	-	-	-	-	-	N/A
Portfolio turnover rate (%) <sup>(3)</sup>	54.68	34.49	53.14	104.46	118.38	94.97
Net asset value per unit (\$)	8.98	10.01	11.35	11.67	11.09	10.54

\*The year-end date of this Fund has been modified from December 31 to September 30.

\*\*The comparative figures are presented in thousands.

(1) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

(2) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(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 period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

# Credential Select Balanced Portfolio

## Management Fees

The Manager is responsible for the management, supervision and administration of the Fund. The Manager receives from the Select Balanced Portfolio management fees, before GST, calculated daily on the net asset value of the Fund at an annual rate of 1.65% for Class A units.

The management fee covers the cost of investment advisory fees, sales, marketing, and distribution expenses of the Fund. In addition, the Manager pays a trailer fee to dealers out of this management fee. The trailer fee is a percentage of the average daily value of the units of the Fund held by the dealer's clients.

The following table shows the major services paid for out of management fees as a percentage of the management fee for Class A units:

	<b>Management Fee</b>	<b>Investment Advisory and other</b>	<b>Trailer Fee</b>
<b>Class A</b>	1.65%	55.35%	44.65%

# Credential Select Balanced Portfolio

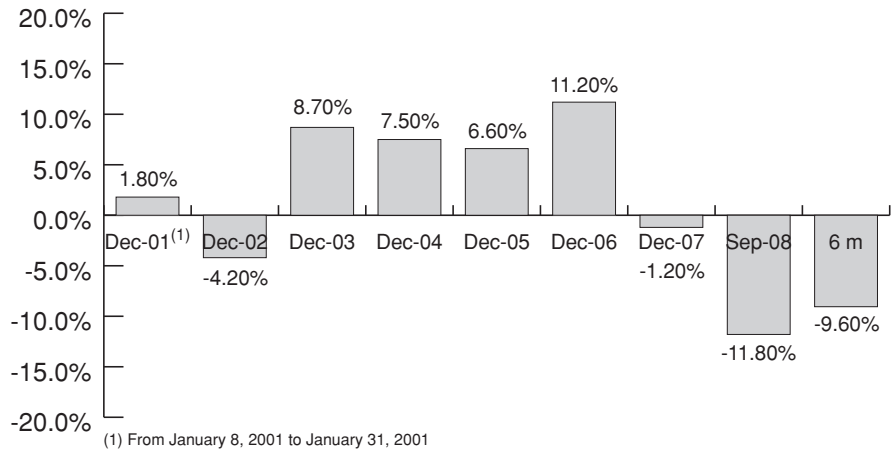
## Past Performance

The following charts and tables show the past performance for each class of shares of the Fund and will not necessarily indicate how the Fund will perform in the future. The information shown assumes that distributions made by the Fund in the periods shown were reinvested in additional shares of the relevant series of the Fund. In addition, the information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance

The following charts show the performance for each class of units of the Fund for the six-month period ended March 31, 2009, the nine month period ended September 30, 2008, and for each of the 12 month periods ended December 31 and illustrate how the Fund's performance has varied from year to year. The charts indicate how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.

### Credential Select Balanced Portfolio Class A

For the 12-month periods ended December 31, nine-month period ended September 30, 2008, and six-month period ended March 31, 2009



# Credential Select Balanced Portfolio

## Summary of Investment Portfolio as at March 31, 2009

Total Net Asset Value: \$75,537,841

<b>POSITIONS</b> <small>(long positions)*</small>		<b>%</b>
<b>AND NET ASSET VALUE MIX</b>		
1	Templeton Mutual Discovery Fund, Series O	14.9
2	Templeton Global Bond Fund, Series O	10.3
3	Ethical® Income Fund, Class D	10.3
4	Mackenzie Sentinel Corporate Bond Fund, Series O	10.3
5	Fidelity Canadian Short Term Bond Fund, Series O	10.2
6	AIM International Growth Class, Series I	9.7
7	Ethical® Canadian Dividend Fund, Class D	9.4
8	Mackenzie Universal U.S. Growth Leaders Fund, Series O	7.7
9	Fidelity American Disciplined Equity R, Series O	7.4
10	Fidelity Dividend Fund, Series O	4.9
11	Ethical® Canadian Index Fund, Class D	4.8
12	Cash and Cash Equivalents	0.1
	<b>Total</b>	<b>100.0</b>

\* There is no short position in this Fund.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the investment Fund.

A quarterly update is available.

Prospectus and other information about the underlying investment funds are available on the Internet at [www.credential.com](http://www.credential.com).

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