

Managed By:	Heritage Education Funds International, LLC ¹
Investment Advisors:	Scotia Asset Management L.P.
Invested Assets:	US \$101.6 million
Asset Class:	U.S. and Canadian Fixed Income
Inception Date:	September 1 st , 1988
Administration Fee:	0.75%
Depository Fee ² :	\$1.00, \$2.00 or \$5.00 per unit/annum
Portfolio Management Fee:	0.175%
Membership Fee:	\$110/unit
Investment Volatility:	Low

Top 10 Holdings⁵

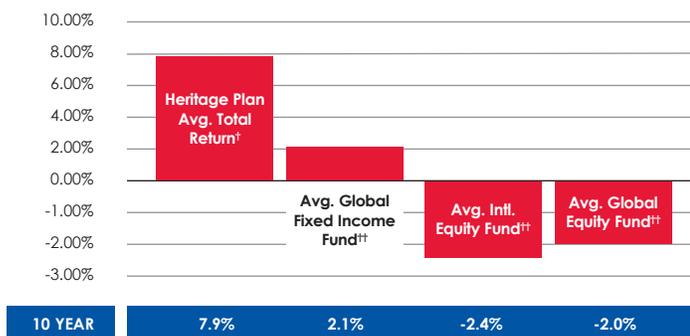
Investment	Coupon Rate	Maturity Date	%
U.S. Treasury Notes	4.50%	15-Feb-36	15.30%
Export Development Canada	2.38%	19-Mar-12	7.69%
U.S. Treasury Security Stripped	0.00%	15-May-19	4.47%
Saskatchewan Provincial Bond	7.38%	15-Jul-13	3.40%
U.S. Treasury Notes	0.63%	31-Jan-13	3.28%
KFW	4.50%	16-Jul-18	3.24%
British Columbia Provincial Bond	4.30%	30-May-13	2.67%
U.S. Treasury Notes	1.38%	15-Oct-12	2.62%
Manitoba Province	2.13%	22-Apr-13	2.55%
Export Development Canada	1.75%	24-Sep-12	2.13%

Objective

The investment objectives of the fund 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 U.S. and Canadian federal and provincial bonds, corporate debt securities and bank deposit notes. The fund takes a long-term, conservative, capital preservation approach to managing assets.

Heritage International Scholarship Trust Plan Average Total Return³

as at December 31, 2010 (enhancements⁴ included) compared to other Mutual Fund Investments.

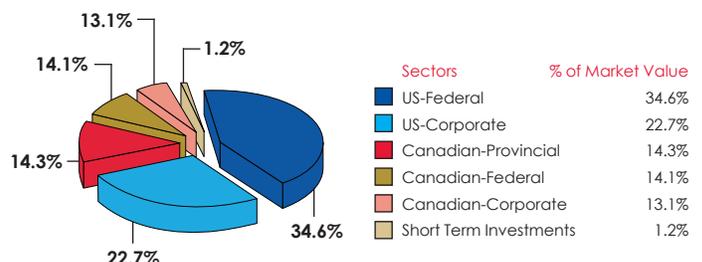


Heritage International Scholarship Trust Plan Market Returns (Net of fees)⁶

The following table illustrates the Plan's annual compounded returns for the periods shown ending March 31st of each year. Investment returns have been calculated using market values and time-weighted cash flows during the periods.

Investment	1 Year	3 Year	5 Year	10 Year
HIST Plan	4.01%	5.48%	6.92%	6.65%

Heritage International Scholarship Trust Plan Asset Weightings



* As with all investments, we caution you that past performance is not indicative of future returns.

† Source: Heritage International Scholarship Trust Foundation (12.31.10). Based on students who have received their final scholarships, as of 2010. Past results may not be indicative of future returns. Enhancements are included in this return. This return represents Plan E. Plan A's return was 6.2%.

†† Source: Morningstar Canada (12.31.10).

1 Heritage Education Funds International, LLC and Heritage Education Funds International (Jamaica) Ltd. are the distributors, and are members of the Heritage Financial Group Ltd.

2 Depending on the mode of contribution, as follows: Monthly contribution is \$5.00/unit, Annual contribution is \$2.00/unit and Lump Sum is \$1.00/unit to a maximum of \$50.00/annum, per Plan.

3 Information is the average return for the students receiving their third and final Scholarships.

4 The EAP amount may be topped up by funds from the Enhancement Fund. Payments from the Enhancement Fund are discretionary payments. **Discretionary Payments are not guaranteed.** You should not count on receiving a discretionary payment. The Foundation decides if it will make a payment in any year and how much that payment will be.

5 Allocations and holdings may have changed since the creation of this report.

6 Information is for the period ending March 31, 2011, allocations and holdings may have changed since then. Scotia Asset Management L.P. acts as Advisor to the Plans and commentary and strategy provided by Scotia Asset Management L.P. As with all investments we caution you that past performance is not indicative of future returns.

Overview of the Heritage International Scholarship Trust Plan

The Heritage International Scholarship Trust Plan (the "Plan") is designed to help save for a child's post-secondary/tertiary education. The Plan has two distinct periods:

- (i) accumulation of Contributions and income; and
- (ii) distributions from the Plan.

Accumulation of Contributions and Income

- By enrolling in the Plan, you become a Subscriber and your child becomes a Beneficiary.
- If Subscribers enroll jointly in the Plan, all rights are enjoyed and exercised by both Subscribers.
- The portfolio advisor will invest the savings and income earned thereon over the long-term, primarily in fixed income securities.
- Fees will be deducted as per the Prospectus.

Payments from the Plan

- The pay-out period begins once the plan matures, usually the year in which the Beneficiary turns 18 and is expected to begin post-secondary/tertiary studies.
- At maturity, the Subscriber receives a return of Contributions (less applicable fees).
- Income earned on savings is used to make Educational Assistance Payments (EAPs) in U.S. Dollars to the eligible Beneficiary⁷ over the next three years after maturity.

Risk Factors

Investment Risks

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

Early Withdrawal

- Will result in loss of interest earned.

Commentary⁸

U.S. Economic Commentary

Many world events added volatility to markets in the first quarter of 2011. The widespread revolution that is currently underway in the Middle East has seen several governments overthrown as their citizens demanded change. These events have put upward pressure on oil prices. Concerns have been raised over the negative impact of increased pump prices on consumer spending such that there had been discussions on tapping into the strategic petroleum reserves. The catastrophic earthquake and resulting tsunami in Japan highlighted the intertwined nature of just-in-time inventory management as parts supplies dried up in the aftermath. Uncertainty surrounds the degree to which supply chain disruptions could impact the manufacturing industry and deflate corporate profit margins. High levels of unemployment and debt, as well as a weak housing market have all burdened the U.S. consumer from leading a strong economic recovery. Currently, U.S. treasury rates remain at very low levels, but signs of stronger economic growth have emerged, placing upward pressure on interest rates.

U.S. Fixed Income Market

The U.S. Treasury yield curve shifted upwards this quarter and steepened marginally, with the two-year, five-year, ten-year and thirty year notes rising 9 bps, 14 bps, 14 bps and 17 bps, respectively. During the quarter, the portfolio maintained its barbell positioning along the yield curve. While the overweight in the one to three-year segment remained intact, the overweight in the seven to 10-year segment was moved further along the curve to the 10 to 30-year segment. The underweight allocation was broadened to include the three to 10-year segment of the curve. Over the period, the portfolio's overweight allocation to the short end of the curve had a negative impact on performance, while the overweight allocation to the long end of the curve had a positive impact. The duration of the portfolio was relatively neutral to that of the Index. The portfolio ended the quarter with an underweight in Sovereign debt while overweight Foreign Government and Corporate issues.

U.S. Strategy

The U.S. economic outlook is expected to weaken over the remainder of 2011 as higher food and energy prices consume a larger proportion of personal disposable income, which will slow economic growth. With the housing market still very weak and job growth limited, consensus expectations for GDP are likely to be revised lower. The U.S. yield curve remains steep, but we believe that the five-year segment of the curve remains vulnerable should the current round of Quantitative Easing end as expected in June. For this reason, the portfolio remains underweight the five-year segment of the yield curve in favour of the two and 10-year segments.

* As with all investments, we caution you that past performance is not indicative of future returns.

⁷ The EAP amount may be topped up by funds from the Enhancement Fund. Payments from the Enhancement Fund are discretionary payments. **Discretionary Payments are not guaranteed.** You should not count on receiving a discretionary payment. The Foundation decides if it will make a payment in any year and how much that payment will be.

⁸ Commentary provided by Scotia Asset Management L.P. Information is for the period ending March 31, 2011. Scotia Asset Management L.P. acts as Advisor to the Plan and Butterfield Trust (Bermuda) Ltd. acts as Trustee.