

Managed By:	Heritage Education Funds International, LLC ¹
Investment Advisors:	Scotia Asset Management L.P.
Invested Assets:	US \$107.2 million
Asset Class:	U.S. and Canadian Fixed Income
Inception Date:	September 1, 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

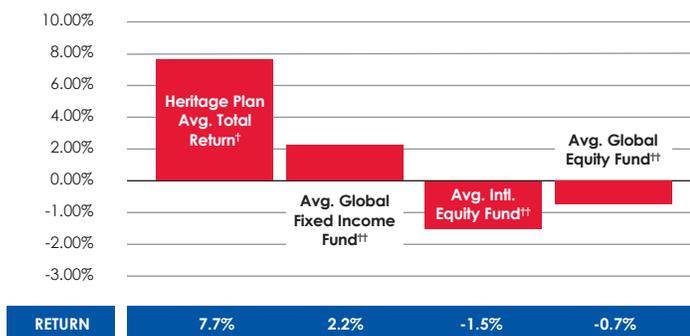
Investment	Coupon Rate	Maturity Date	%
Ontario Province	1.60%	21-Sep-16	9.06%
U.S. Treasury Notes	4.38%	15-May-41	6.96%
Ontario Province	4.40%	14-Apr-20	5.01%
British Columbia Provincial Bond	7.25%	1-Sep-36	4.61%
Export Development Canada	2.38%	19-Mar-12	4.27%
British Columbia Provincial Bond	6.50%	15-Jan-26	3.31%
KFW	4.50%	16-Jul-18	3.29%
Saskatchewan Provincial Bond	7.38%	15-Jul-13	3.13%
Bank of Montreal	1.30%	31-Oct-14	2.83%
Province of Quebec	6.35%	30-Jan-26	2.51%

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, 2011 (enhancements⁴ included) compared to other Mutual Fund Investments.

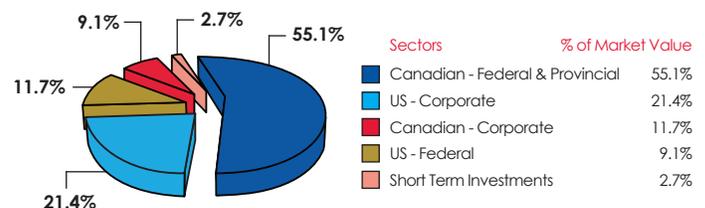


Heritage International Scholarship Trust Plan Market Returns (Net of fees)⁶

The following table illustrates the Plan's annual compounded returns for the periods shown ending December 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	7.98%	5.65%	7.03%	7.33%

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 (12.31.11). Based on students who have received their final scholarships, as of 2011. 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 5.5%.

‡ Source: Morningstar Canada (12.31.11). These returns represent the 10-year returns of the investments listed.

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.

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

6 Information is for the period ending December 31, 2011, allocations and holdings may have changed since then. Scotia Asset Management L.P. acts as Advisor to the Plan 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

- Subscriber(s) will make Contributions to the ESP based on a pre-determined Contribution schedule which is selected at the account opening.
- 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.

2011-2012 Maturity and Educational Assistance Payments (EAP) Season

- Approximately 600 plans matured in 2011
- Approximately 1,670 plans are eligible for an EAP/Scholarship for the 2011-2012 academic year
- Subscribers can expect to receive the return of their Principal during the first or second week of August[†]
- Beneficiaries can expect to receive their EAPs/Scholarships during the second week of September (an Advancement of the EAP/Scholarship may be available[†])

Commentary⁸

U.S. Economic Commentary

Capital markets continued to be dominated by sovereign debt issues in the Euro zone. Following the issues over the status of Greek debt earlier in 2012, concern had now spread beyond "peripheral" Eurodollar countries such as Greece, Portugal, Ireland, and Spain, and had now moved to more "core" countries, especially Italy, and to a smaller degree, France. Economic fundamentals had largely taken a back seat to the Euro zone issues. However, the U.S. economy continued to bounce along with modest economic growth throughout the period, with the trend moving more positively as the quarter progressed - seen in declining jobless claims, rising employment, and some firming in the housing market. As the situation in the Euro zone continued to deteriorate during the quarter, the risks increased accordingly. U.S. Treasury notes/bonds remained the preferred choice for investors looking to "hide" from the volatility in riskier assets. The US Treasury 10 year note yield declined a modest 4 basis points over the quarter.

U.S. Fixed Income Market

Entering the quarter, the portfolio had a modest short duration position versus the index. Early in the period this position was moved to neutral versus the index, as cash flows into U.S. Treasuries kept rates from moving up. Therefore, duration was a negligible factor in relative portfolio performance. The portfolio's curve positioning was kept at close to neutral versus the index throughout the period. While the U.S. Treasury yield curve reshaped over the quarter - 2Y unchanged, 5Y down 12 bps, 10Y down 4 bps, 30Y down 2 bps - the portfolio's positioning would have little impact on relative performance. The portfolio maintained its overweight in Canadian provincial names, while remaining significantly underweight U.S. Treasuries, and modest underweight in corporates. This sector allocation was the primary factor in the portfolio's performance versus the benchmark, as Treasuries outperformed all other sectors over the period.

U.S. Strategy

The forecast is for more of the same as we enter 2012. Confirmation of a recession in the Euro zone, potential modest, uneven improvement in the U.S. economy, Chinese growth relatively high but constant, and status quo in Japan are expectations. Capital markets will continue to struggle between focusing on economic fundamentals and sovereign debt issues. A resolution to those problems is not anticipated well into 2012, if at all this year. The view for global capital markets is that cash flows will be driven toward deemed less risky assets - generally, sovereign debt in non-Euro zone countries, especially the U.S. and Japan. This will serve to keep interest rates low globally, and yield curves relatively flat. Little change in this outlook is expected as the year progresses. Should low Treasury rates prevail as expected, spread product may improve as investors look for higher yields in high grade credits.

† Certain conditions apply. Please see prospectus or Scholarship Agreement for full details.

* 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.

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