

Global Diversified Investment Grade Income Trust II

Consolidated Financial Statements
December 31, 2006 and 2005

March 27, 2007

Auditors' Report

To the Unitholders of Global Diversified Investment Grade Income Trust II

We have audited the consolidated statements of net assets of **Global Diversified Investment Grade Income Trust II** as at December 31, 2006 and 2005 and the consolidated statements of operations, changes in net assets and cash flows for the year ended December 31, 2006 and the period from March 2, 2005 to December 31, 2005. These financial statements are the responsibility of the Trustee. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2006 and 2005 and the results of its operations, the changes in its net assets and its cash flows for the year ended December 31, 2006 and the period from March 2, 2005 to December 31, 2005 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Global Diversified Investment Grade Income Trust II

Consolidated Statements of Net Assets

As at December 31, 2006 and 2005

	2006 \$	2005 \$
Assets		
Cash	247,734	409,414
Interest receivable on investments	7,230,002	6,027,227
Credit default swaps receivable	22,215,069	11,597,327
Other accounts receivable	16,350	93,559
Prepaid expenses	12,889,363	14,455,233
Investments, at cost (note 3)	2,110,913,540	2,131,107,740
Interest rate swaps related asset (note 4)	14,288	112,864
	<u>2,153,526,346</u>	<u>2,163,803,364</u>
Liabilities		
Accounts payable and accrued liabilities	4,184,845	2,549,806
Brokers' commissions payable	172,639	86,063
Credit default swaps payable	1,049,000	1,204,233
Commercial paper (note 5)	1,824,392,870	1,752,110,409
Floating rate notes (note 6)	175,000,000	250,000,000
Placement and structuring fee note (note 7)	13,466,627	14,756,610
Distributions payable	959,023	1,027,065
Credit default swaps related liability, at replacement cost (note 4)	12,418,875	-
	<u>2,031,643,879</u>	<u>2,021,734,186</u>
Net Assets representing Unitholders' Equity (note 10)	<u>121,882,467</u>	<u>142,069,178</u>
Number of units outstanding (note 10)	<u>13,959,575</u>	<u>14,950,000</u>
Net assets per unit	<u>8.73</u>	<u>9.50</u>

The accompanying notes form an integral part of these consolidated financial statements.

Approved by the Trustee, Global DIGIT II Management Inc.

Claude Dalphond Director
Claude Dalphond

Benoît Deschamps Director
Benoît Deschamps

Global Diversified Investment Grade Income Trust II

Consolidated Statements of Operations

	For the year ended December 31, 2006 \$	For the period from March 2, 2005 to December 31, 2005 \$
Investment income		
Interest on investments	89,429,554	52,186,605
Income from credit default swap	31,590,029	26,851,415
Interest on cash	19,888	11,827
Realized loss on the partial settlement of credit default swap	(695,616)	-
Realized gain on sale of investment and credit default swaps receivable	102,953	-
Change in unrealized appreciation (depreciation) in value of credit default swaps and interest rate swaps related asset or related liability	(12,517,451)	112,864
	107,929,357	79,162,711
Investment-related expenses		
Expenses on credit default swaps	13,822,767	11,846,589
Interest from interest rate swaps	352,333	46,504
Interest on commercial paper	72,424,064	40,600,789
Interest on floating rate notes	9,963,585	5,863,712
Interest on placement and structuring fee note	704,551	601,538
Brokers' commissions	1,068,483	1,174,858
Liquidity premiums	1,200,000	1,005,507
Financial services fees (note 8(a))	6,571,220	4,689,977
Follow-up fees (note 8(b))	565,277	481,267
	106,672,280	66,310,741
Net investment income before administrative expenses	1,257,077	12,851,970
Administrative expenses		
Audit fees	164,058	40,000
Legal fees	304,942	119,452
Directors' fees	109,930	65,526
Administrative agent fees	52,284	48,534
Indenture trustee fees	-	16,992
Custodial fees	108,694	98,384
Communications	5,060	54,105
Regulatory fees	88,521	70,072
Insurance	45,974	52,990
Information technology fees	-	7,084
Banking fees	4,142	3,829
	883,605	576,968
Net income for the period	373,472	12,275,002
Net income per unit	0.03	0.82

The accompanying notes form an integral part of these consolidated financial statements.

Global Diversified Investment Grade Income Trust II

Consolidated Statements of Changes in Net Assets

	For the year ended December 31, 2006 \$	For the period from March 2, 2005 to December 31, 2005 \$
Net income for the period	373,472	12,275,002
Distributions to unitholders		
Return of capital (note 10)	(11,644,358)	(9,919,325)
Equity transactions (note 10)	(8,913,825)	139,713,501
Distribution of income to beneficiary	(2,000)	-
Increase (decrease) in net assets during the period	(20,186,711)	142,069,178
Net assets – Beginning of period	142,069,178	-
Net assets – End of period	121,882,467	142,069,178

The accompanying notes form an integral part of these consolidated financial statements.

Global Diversified Investment Grade Income Trust II

Consolidated Statements of Cash Flows

	For the year ended December 31, 2006 \$	For the period from March 2, 2005 to December 31, 2005 \$
Cash flows from		
Operating activities		
Net income for the period	373,472	12,275,002
Adjustments for		
Change in unrealized depreciation (appreciation) in value of credit default swaps and interest rate swaps related asset or related liability	12,517,451	(112,864)
Increase in interest receivable on investments	(1,202,775)	(6,027,227)
Increase in credit default swaps receivable	(10,617,742)	(11,597,327)
Decrease (increase) in other accounts receivable	77,209	(93,559)
Decrease in prepaid expenses	1,565,870	1,256,977
Increase in accounts payable and accrued liabilities	1,635,039	2,549,806
Increase in brokers' commissions payable	86,576	86,063
Increase (decrease) in credit default swaps payable	(155,233)	1,204,233
Interest on placement and structuring fee note	710,017	544,400
Realized gain on sale of investment and credit default swaps receivable	(102,953)	-
Amortization of discount on commercial paper	72,424,064	40,600,789
	76,937,523	28,411,291
	77,310,995	40,686,293
Investing activities		
Purchases of investments	-	(2,140,000,000)
Proceeds from sale of investments	20,297,153	8,892,260
	20,297,153	(2,131,107,740)
Financing activities		
Proceeds from issuance of commercial paper	18,708,814,361	19,199,102,951
Maturities of commercial paper	(18,708,955,964)	(17,487,593,331)
Proceeds from issuance of floating rate notes	25,000,000	400,000,000
Maturities of floating rate notes	(100,000,000)	(150,000,000)
Payments on placement and structuring fee note	(2,000,000)	(1,500,000)
Issue of units	-	149,500,000
Unit issue expenses	-	(9,786,499)
Redemption of units	(8,913,825)	-
Distributions paid to unitholders	(11,712,400)	(8,892,260)
Distribution of income to beneficiary	(2,000)	-
	(97,769,828)	2,090,830,861
Increase (decrease) in cash during the period	(161,680)	409,414
Cash – Beginning of period	409,414	-
Cash – End of period	247,734	409,414
Additional information		
Interest paid	79,797,664	40,149,259

The accompanying notes form an integral part of these consolidated financial statements.

Global Diversified Investment Grade Income Trust II

Notes to Consolidated Financial Statements

December 31, 2006 and 2005

1 Creation of Trust and nature of operations

Global Diversified Investment Grade Income Trust II (the “Trust”) is a limited purpose close-end income trust which was established under the laws of the Province of Ontario on February 28, 2005 by a trust agreement.

Global DIGIT II Management Inc. is the issuing trustee (the “Trustee”) of the Trust. National Bank of Canada acts as administrative agent since October 16, 2006 (2005 and previously – Natcan Trust Company). Natcan Trust Company acts as custodian of the assets of the Trust and transfer agent and registrar of its units. Natcan Trust Company will also act as investment advisor of the Trust if so required by the Trustee. The promoter of the Trust is National Bank Financial Inc. Natcan Trust Company and National Bank Financial Inc. do not have a representative on the board of directors of the Trustee.

The Trust provides its unitholders with a leverage exposure to four portfolios (collectively, the “portfolio”) containing 205, 137, 233 (2005 – 149, 208, 195) and 576 (2005 – 553) securities (the “reference obligations”), the objective being to provide unitholders with a stream of monthly distributions and to redeem all of the outstanding units on or following March 2, 2010 (the “reset date”), or subsequent reset date on a multiple of five years. The maturity date will not be later than 40 years after initial execution. In order to meet its investment objectives, the Trust entered into credit default swap agreements with a creditworthy financial institution (the “Bank”).

Through to the maturity date, the redemption price of the Trust’s units and the net asset value of the Trust will vary depending on a number of factors such as the monthly distributions to be made on the units, interest rates, the rating of the reference obligations and the cumulative net losses incurred upon the occurrence of credit events in the portfolio. Credit events include bankruptcy, failure to pay and other specified loss events. However, the Trust will not be exposed to losses greater than the unitholders’ equity.

2 Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are the following.

Consolidation

The consolidated financial statements include the assets and liabilities and the results of operations of the Trust and of Silverstone Trust, a variable interest entity of which the Trust is the main beneficiary, after elimination of intercompany transactions and balances.

Investments

Investments are carried at cost.

Global Diversified Investment Grade Income Trust II

Notes to Consolidated Financial Statements

December 31, 2006 and 2005

Prepaid expenses

Prepaid expenses consist of the placement and structuring fees paid in advance to National Bank Financial Inc. They are amortized on a straight-line basis over approximately ten years, which is the term of the corresponding financial instrument.

Revenue recognition

Interest income, interest expense and income and expense from the credit default swaps are recorded on an accrual basis.

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the Trustee to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Trustee believes that the estimates used in preparing the consolidated financial statements are reasonable. Actual results may differ from those estimates.

Fair value of financial instruments

The fair value of the financial instruments is determined as follows.

Valuation of credit default swaps and interest rate swaps

The credit default swaps are presented at their net estimated replacement cost and the interest rate swaps are presented at their estimated fair value, with changes in the unrealized gain or loss of the period recorded in the consolidated statement of operations. Replacement cost is evaluated based on the quotation provided by the Bank. The calculated replacement cost reflects market conditions on a given date and for this reason may not be representative of future fair values. Also, the replacement cost does not necessarily reflect the value at which the credit default swaps could be liquidated.

Financial instruments valued at book value

The book value of a number of short-term financial instruments presented in the consolidated statement of net assets approximates their fair value. These financial instruments include cash, interest receivable on investments, credit default swaps receivable and payable, other accounts receivable, accounts payable and accrued liabilities, commercial paper and distributions payable.

Investments and credit default swaps receivable

The fair value of the floating rate term deposit approximates its book value. The estimated fair value of the fixed rate term deposit and the credit default swaps receivable is determined by discounting the contractual cash flows at the interest rate on the term deposit and swaps.

Global Diversified Investment Grade Income Trust II

Notes to Consolidated Financial Statements

December 31, 2006 and 2005

Floating rate notes

The fair value of the floating rate notes approximates their book value.

3 Investments

These investments consisting of term deposits that are issued on an unsubordinated and unguaranteed basis by financial institutions. The investments mature in March 2010.

- a) A \$110,913,540 (2005 – \$131,107,740) term deposit with a financial institution, having a long-term solvency rating of A from Standards & Poor's Rating Service ("S&P") as of the date of issuance, together with credit default swaps receivable of \$19,811,460 (2005 – \$8,892,260) bear interest at a rate of 3.922% payable monthly until or about March 2, 2010, after which date their rate of return will be reset for five years as of each reset date until the maturity date. The fair value on December 31, 2006 was \$128,909,230 (2005 – \$137,242,000).
- b) For 2006 and 2005, a \$2,000,000,000 term deposit with a financial institution, having an S&P long-term solvency rating of AAA, bears interest at the rate of one-month banker's acceptances plus a fixed margin, payable monthly until the end of the term.

Under the credit default swap agreements, the term deposit investments are pledged to the Bank. The amounts recoverable on the maturity date of the investments will be reduced by any loss incurred as a result of credit events.

On February 28, 2006, a notice of redemption from unitholders of the Trust was received and consequently, the Trust sold, as at March 14, 2006, a part of the investment for a nominal amount of \$8,490,510 and a part of the credit default swaps receivable for an unwind amount of \$784,490 at a price of 101.11% plus interest.

Global Diversified Investment Grade Income Trust II

Notes to Consolidated Financial Statements

December 31, 2006 and 2005

4 Financial derivative instruments

Credit default swap agreements with the Bank

The Trust has entered into three credit default swap agreements (“swap agreements A, B and C”) with the Bank pursuant to which the Trust will pay the Bank if credit events occur in connection with the reference obligations until March 2010 or subsequent reset date on a multiple of five years. The maximum loss that may be incurred for credit events with respect to swap agreements A, B and C amounts to \$130,725,000 (2005 – \$140,000,000). On March 14, 2006 the Trust optionally terminated a portion of \$9,275,000 of the swap agreements A, B and C (2005 – nil). The Trust paid an unwind amount of \$695,616 (2005 – nil) to terminate. Under swap agreements A, B and C, a monthly payment, made by the Trust to the Bank corresponding to a contractual rate applied to the notional amount of the contracts and equal to the contractual interest rate applied to the investment pledged as security, is made, and the Bank will pay at term an amount equal to the excess of the notional amount of the contracts less net losses incurred on those contracts over the residual amount of the investments pledged as security. On a monthly basis, the Bank will acquire from the Trust a portion contractually determined of the term deposit pledged as security; this portion is equal to the monthly payment for the month in consideration.

The Trust has also entered into credit default swap agreement (“swap agreement D”) with the Bank pursuant to which the Trust will pay the Bank if credit events occur in connection with the reference obligations until March 2010 or subsequent reset date on a multiple of five years. The maximum loss that may be incurred for credit events with respect to swap agreement D amounts to \$2,000,000,000 (2005 – 2,000,000,000). The income from those contracts received by the Trust is equal to a contractual rate applied to the contract notional amount.

The funded aggregate notional amount of the four swap agreements (A, B, C and D) as at December 31, 2006 totalled \$2,130,725,000 (2005 – \$2,140,000,000) for the reference obligations portfolio of \$80,000,000,000 (2005 – \$80,000,000,000), which had an average S&P rating of AA+/AA as at December 31, 2006 (2005 – AA/AA-).

Interest rate swap agreements

From time to time, the Trust enters into interest rate swap agreements with National Bank of Canada in order to manage interest rate spread risks relating to the commercial paper and the investments. These contracts have not been designated for hedge accounting. They had a total notional amount of \$35,509,530 as at December 31, 2006 (2005 – \$787,368,690) and a fair value of \$14,288 (2005 – \$112,864).

Credit risk

As a result of entering into the credit default swap agreements with the Bank, the Trust is exposed to credit risk with respect to the reference obligations included in the portfolio. Credit events (bankruptcy, failure to pay or other loss event) in relation to the reference obligations could result in a loss for the Trust. The maximum loss that could be borne by the Trust for credit events with respect to the reference obligations under swap agreements A, B and C amounts to \$130,725,000 (2005 – \$140,000,000). Any loss from swap agreement D will be borne by the holders of the commercial paper and floating rate notes.

Global Diversified Investment Grade Income Trust II

Notes to Consolidated Financial Statements

December 31, 2006 and 2005

Additionally, the Trust is exposed to counterparty credit risk arising from any unrealized gain on the credit default swaps and interest rate swaps, plus any amount receivable from the counterparty. The Trustee believes that the probability of default is low. The counterparty net credit risk exposure on December 31, 2006 was \$8,747,194 (2005 – \$10,393,094).

During the periods ended December 31, 2006 and 2005, no credit event had occurred in the portfolio of reference obligations.

Interest rate risk

There is interest rate risk associated with the financial instruments. Market rates can vary and cause fluctuations in the fair value of financial instruments having a fixed rate at the signing of the contract.

5 Commercial paper

Commercial paper as at December 31, 2006, including accrued interest of \$8,769,142 (2005 – \$5,555,512), mature between January and May 2007, as shown in the table below:

Maturity date	2006	
	Interest rate	Amount \$
January 2007	4.39%	1,041,244,087
February 2007	4.40%	328,235,610
March 2007	4.38%	408,598,765
April 2007	4.46%	1,973,040
May 2007	4.38%	44,341,368
		<u>1,824,392,870</u>
Maturity date	2005	
	Interest rate	Amount \$
January 2006	3.04% to 3.48%	954,392,417
February 2006	3.17% to 3.50%	424,702,309
March 2006	3.41% to 3.67%	351,244,681
April 2006	3.67%	2,080,761
May 2006	2.88%	4,953,212
June 2006	3.86%	14,737,029
		<u>1,752,110,409</u>

Global Diversified Investment Grade Income Trust II

Notes to Consolidated Financial Statements

December 31, 2006 and 2005

6 Floating rate notes

	2006	
Maturity date	Interest rate	Amount \$
March 2007	CDOR 1 month + 0.17%	75,000,000
April 2007	CDOR 1 month + 0.16%	50,000,000
March 2007	CDOR 3 months + 0.17%	25,000,000
October 2007	CDOR 3 months + 0.12%	<u>25,000,000</u>
		<u>175,000,000</u>
		2005
Maturity date	Interest rate	Amount \$
September 2006	CDOR 1 month + 0.15%	100,000,000
March 2007	CDOR 1 month + 0.17%	75,000,000
March 2007	CDOR 3 months + 0.17%	25,000,000
April 2007	CDOR 1 month + 0.16%	<u>50,000,000</u>
		<u>250,000,000</u>

7 Placement and structuring fee note ("PSF Note")

The Trust issued a PSF Note, having a face value of \$20,000,000, in consideration of \$15,712,210 pursuant to a Financial Services Agreement dated August 27, 2004 between National Bank Financial Inc. and the Trust. The principal sum of \$20,000,000 will be paid by the Trust in equal monthly instalments of \$166,667 consisting of capital and interest of 5%.

The maturity date of the PSF Note is March 3, 2015.

Global Diversified Investment Grade Income Trust II

Notes to Consolidated Financial Statements

December 31, 2006 and 2005

Payments due over the next years are as follows:

	2006 \$	2005 \$
2006	-	2,000,000
2007	2,000,000	2,000,000
2008	2,000,000	2,000,000
2009	2,000,000	2,000,000
2010	2,000,000	2,000,000
2011	2,000,000	2,000,000
Thereafter	6,500,000	6,500,000
	<hr/>	<hr/>
	16,500,000	18,500,000
Less: Amount representing interest	3,033,373	3,743,390
	<hr/>	<hr/>
	13,466,627	14,756,610
	<hr/>	<hr/>

8 Operating expenses

- a) The Trust pays financial services fees of up to 0.35% (2005 – up to 0.35%) per annum to National Bank Financial Inc. of the funded initial amount of the swap contract entered into by the Trust. These fees include the placement and structuring fee and the performance fee.
- b) The Trust pays investment advisors follow-up fees equal to 0.40% (2005 – 0.40%) annually of the outstanding amount on a per unit basis held by clients of such investment advisors.

9 Income taxes

The Trust qualifies as a unit trust within the meaning of the Income Tax Act (Canada). The Trust is subject to income taxes under this Act on the amount of taxable income for the period and can deduct in computing its income tax for all amounts paid or payable to the Trust's unitholders in determining its income for tax purposes.

Any amount payable under the credit default swaps is considered to be payable under the swap agreements and is taxable as such. According to the terms of the swap agreements, the amount will be determinable only on the maturity date, and therefore the swap payment to the Trust should only be taxable as income at that date only.

Global Diversified Investment Grade Income Trust II

Notes to Consolidated Financial Statements

December 31, 2006 and 2005

10 Unitholders' equity

Authorized units

The Trust is authorized to issue in series an unlimited number of transferable and redeemable units, each of which represents an equal, undivided interest in the net assets of the Trust.

All units have equal rights and privileges. Each whole unit entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Trust.

Units may be surrendered for redemption at any time but will be redeemed only on a quarterly basis on the last business day of each of the months of February, May, August and November (the "redemption date") for an amount equal to the redemption price of the units determined as of such redemption date.

The redemption price will be equal to the lesser of:

- (a) 95% of the daily weighted average trading price per unit on the principal exchange on which the units are listed for the five trading days following the redemption date; and
- (b) an amount equal to:
 - (i) the closing price of the units on the principal exchange on which the units are listed; or
 - (ii) the average of the highest and lowest prices of the units if the exchange or other markets on which the units are listed provides only the highest and lowest trading prices; or
 - (iii) the average of the latest bid and ask prices on the principal exchange on which the units are listed if there was no trading on such redemption date.

Units may be surrendered for redemption at any time but will be redeemed only on an annual basis on the last business day of each month of February (the "annual redemption date") for an amount equal to the unwind price of swap agreements A, B and C determined as of such annual redemption date. The unwind price will be an amount equal to the sum of (i) the bid price received by the Trust to terminate the applicable tranche of swaps agreements A, B and C and (ii) the market value of the tranche of the Trust's \$140,000,000 (2005 – \$140,000,000) term deposit, less applicable unwind costs.

Global Diversified Investment Grade Income Trust II

Notes to Consolidated Financial Statements

December 31, 2006 and 2005

The following transactions took place during the year ended December 31, 2006 and for the period from March 2, 2005 to December 31 2005:

	2006	2005
Number of units		
Balance – Beginning of period	14,950,000	-
Issued during the period	-	14,950,000
Redeemed during the period	(990,425)	-
	<hr/>	<hr/>
Balance – End of period	13,959,575	14,950,000

Unitholders' equity is made up of capital issued and retained earnings. The following transactions took place during the year ended December 31, 2006 and the period from March 2, 2005 to December 31, 2005:

	2006	2005
	\$	\$
Capital issued		
Balance – Beginning of period	129,794,176	-
Issued during the period	-	149,500,000
Issue expenses	-	(9,786,499)
Return of capital to unitholders	(11,644,358)	(9,919,325)
Redeemed during the period	(8,913,825)	-
	<hr/>	<hr/>
Balance – End of period	109,235,993	129,794,176
Retained earnings		
Balance – Beginning of period	12,275,002	-
Net income for the period	373,472	12,275,002
Distribution of income to beneficiary	(2,000)	-
	<hr/>	<hr/>
Balance – End of period	12,646,474	12,275,002
	<hr/>	<hr/>
	121,882,467	142,069,178

On February 28, 2006, a notice of redemption of 990,425 units from unitholders of the Trust was received. These units were redeemed on March 14, 2006 at an unwind price of \$9 per unit for a total amount of \$8,913,825.

Global Diversified Investment Grade Income Trust II

Notes to Consolidated Financial Statements

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Monthly distributions

Distributions to unitholders constitute partial capital reimbursement at the issue price of the units and may fluctuate from month to month depending on the occurrence of credit events in the portfolio. In the event that no credit default occurs, the Trust expects distributions in the form of return of capital to be made until March 2010 at an annual fixed rate of 8.25%, after which they will be equal to the applicable five-year Government of Canada bond rate plus 4.0% to 4.5%.

The distributions declared by the Trust are accounted for once declared but are payable on the tenth business day of the following month.

Global Diversified Investment Grade Income Trust II

Schedule – Derivative Instruments and Reference Obligation Portfolios

As at December 31, 2006 and 2005

The portfolios of reference obligations, to which swap agreements A, B and C refer, are subject to asset eligibility and portfolio guidelines which may, over time, modify the overall economic exposure of the Trust to the credit performance of these portfolios. The information provided below is subject to such asset eligibility and portfolio guidelines. The portfolios of reference obligations, as disclosed in the prospectus, have been structured between December 13, 2004 and February 8, 2005 (the “inception date”).

Swap Agreement A

Swap Agreement A refers to the credit performance of the reference obligations in Portfolio 1 that comprised 205 reference obligations as at December 31, 2006 and 249 reference obligations as at the inception date.

Portfolio 1’s composition by asset class as at December 13, 2006 and the inception date was as follows:

Asset class	December 31, 2006		Inception date	
	Number of reference obligations	% of Assets	Number of reference obligations	% of Assets
Commercial asset-backed securities	12	5.9	8	3.4
Consumer asset-backed securities	10	3.4	22	8.1
Residential mortgage-backed securities	78	31.7	102	31.7
Commercial mortgage-backed securities	19	10.2	47	15.5
Synthetic corporate exposures	1	0.9	1	0.9
Other structured finance and fixed-income securities	83	46.8	69	40.4
Financial receivables	2	1.1	-	-
	205	100.0	249	100.0

The S&P ratings of the mortgage-backed securities, asset-backed securities, structured finance securities, synthetic corporate exposures and other fixed-income securities comprised in Portfolio 1 were distributed as follows:

Rating	December 31, 2006	Inception date
	(by equivalent S&P rating)	(by equivalent S&P rating)
	% of Assets	% of Assets
AAA	76.6	75.8
AA	10.1	13.5
A	13.1	10.7
BB	0.2	-

Global Diversified Investment Grade Income Trust II

Schedule – Derivative Instruments and Reference Obligation Portfolios ...*continued*

As at December 31, 2006 and 2005

The weighted average assigned Moody's rating factor of the mortgage-backed securities, asset-backed securities, other fixed-income securities and synthetic corporate exposures comprised in Portfolio 1 was 19 as at December 31, 2006 (between Aa1 and Aa2) and 18 as at the inception date (between Aa1 and Aa2). The reference obligations comprised in Portfolio 1 had a weighted average default probability equivalent to a rating of between AA and AA- as at December 31, 2006 and of AA by S&P as at the inception date.

Swap Agreement B

Swap Agreement B refers to the credit performance of the reference obligations in Portfolio 2 that comprised 137 reference obligations as at December 31, 2006 and 161 reference obligations as at the inception date.

Portfolio 2's composition by asset class as at December 31, 2006 and the inception date was as follows:

Asset class	December 31, 2006		Inception date	
	Number of reference obligations	% of Assets	Number of reference obligations	% of Assets
Commercial asset-backed securities	9	10.8	8	5.0
Consumer asset-backed securities	3	2.6	3	0.5
Residential mortgage-backed securities	44	22.2	77	38.8
Commercial mortgage-backed securities	14	10.6	17	10.2
Synthetic corporate exposures	-	-	2	2.6
Other structured finance and fixed-income securities	67	53.8	54	42.9
	137	100.0	161	100.0

The S&P ratings of the mortgage-backed securities, asset-backed securities, structured finance securities, synthetic corporate exposures and other fixed-income securities comprised in Portfolio 2 were distributed as follows:

Rating	December 31, 2006	Inception date
	(by equivalent S&P rating)	(by equivalent S&P rating)
	% of Assets	% of Assets
AAA	83.7	72.9
AA	3.2	16.2
A	13.1	10.9

Global Diversified Investment Grade Income Trust II

Schedule – Derivative Instruments and Reference Obligation Portfolios ... *continued*

As at December 31, 2006 and 2005

The weighted average assigned Moody's rating factor of the mortgage-backed securities, asset-backed securities, other structured finance and fixed-income securities and synthetic corporate exposures comprised in Portfolio 2 was 19 as at December 31, 2006 (between Aa1 and Aa2) and 21 as at the inception date (between Aa2 and Aa3). The reference obligations comprised in Portfolio 2 had a weighted average default probability equivalent to a rating of between AA+ and AA as at December 31, 2006 and of AA by S&P as at the inception date.

Swap Agreement C

Swap Agreement C refers to the credit performance of the reference obligations in Portfolio 3 that comprised 233 reference obligations as at December 31, 2006 and 208 reference obligations as at the inception date.

Portfolio 3's composition by asset class as at December 31, 2006 and the inception date was as follows:

Asset class	December 31, 2006		Inception date	
	Number of reference obligations	% of Assets	Number of reference obligations	% of Assets
Commercial asset-backed securities	13	7.8	2	0.9
Consumer asset-backed securities	-	-	1	0.5
Residential mortgage-backed securities	86	24.5	122	41.4
Commercial mortgage-backed securities	29	14.4	9	7.9
Synthetic corporate exposures	1	0.1	5	7.2
Other structured finance and fixed-income securities	100	51.7	69	42.1
Financial receivables	4	1.5	-	-
	233	100.0	208	100.0

The S&P ratings of the mortgage-backed securities, asset-backed securities, structured finance securities, synthetic corporate exposures and other fixed-income securities comprised in Portfolio 3 were distributed as follows:

Rating	December 31, 2006	Inception date
	(by equivalent S&P rating)	(by equivalent S&P rating)
	% of Assets	% of Assets
AAA	83.7	66.1
AA	3.2	9.7
A	13.1	24.2

Global Diversified Investment Grade Income Trust II

Schedule – Derivative Instruments and Reference Obligation Portfolios ...*continued*

As at December 31, 2006 and 2005

The weighted average assigned Moody's rating factor of the mortgage-backed securities, asset-backed securities, other structured finance and fixed-income securities and synthetic corporate exposures comprised in Portfolio 3 was 57 as at December 31, 2006 (between Aa3 and A1) and 39 as at the inception date (between Aa2 and Aa3). The reference obligations comprised in Portfolio 3 had a weighted average default probability equivalent to a rating of between AA- and AA+ as at December 31, 2006 and of AA- by S&P as at the inception date.

