

# IA Clarington Aston Hill Tactical Yield Fund

## Interim Management Report of Fund Performance

June 30, 2011

This interim management report of fund performance contains financial highlights but does not contain the complete interim financial statements of the Fund. You can get a copy of the interim financial statements at your request, and at no cost, by calling 1-888-860-9888, by writing to us at 522 University Avenue, Suite 700, Toronto, ON M5G 1Y7, or by visiting our website at [www.iaclarington.com](http://www.iaclarington.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

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

## Management Discussion of Fund Performance

The management discussion of fund performance for IA Clarington Aston Hill Tactical Yield Fund (the "Fund") represents management's view of the significant factors and developments affecting the Fund's performance and outlook. IA Clarington Investments Inc. is the manager (the "Manager") of the Fund.

In this report, "Net Assets" or "Net Assets per Unit" are references to net assets as determined in accordance with Canadian generally accepted accounting principles ("GAAP") as presented in the Fund's financial statements. All references to "Net Asset Value", "Net Asset Value per Unit" or "NAV" are referenced to the net asset value as determined in accordance with National Instrument 81-106 – Investment Fund Continuous Disclosure.

IA Clarington Aston Hill Tactical Yield Fund is a closed-end investment fund managed by IA Clarington Investments Inc. The Fund's portfolio advisor is Aston Hill Investments Inc. (the "Portfolio Advisor" and formerly Catapult Financial Management Inc.), a wholly owned subsidiary of Aston Hill Financial Inc. The Portfolio Advisor through its knowledge and expertise seeks to provide its investors with the opportunity for an attractive level of income and capital appreciation through tactical asset allocation.

## Results of Operations

The Fund's Net Assets increased by 0.8% or \$0.8 million during the period, from \$98.6 million on December 31, 2010 to \$99.4 million on June 30, 2011. This change in Net Assets resulted from a decrease of \$3.1 million due to distributions and an increase of \$3.9 million due to investment operations, including market volatility, income and expense. As of June 30, 2011, no Trust Units have been redeemed.

The average Net Assets of the Fund during the period increased by 8.1% or \$7.5 million from \$92.9 million to \$100.4 million. Average Net Assets influence revenue earned and expenses incurred by the Fund during the period.

The units of the Fund returned 4.0% for the six-month period ending June 30, 2011. Refer to the "Past Performance" section for the performance information.

The Fund's broad-based benchmark, the S&P/TSX Composite Index, returned 0.2% over the same period. The comparison to this broad-based index has been provided to help you understand the Fund's performance relative to the general performance of the market. The Fund's blended benchmark, which is composed of the DEX Universe Bond Index (40%) and the S&P/TSX Composite Index (60%), returned 1.0% over the same six-month period. This comparison to Fund performance is a more useful reflection of the asset classes in which the Fund invests. The Fund's return calculation for the series includes fees and expenses which are not applicable in generating a return for the benchmark.

During the first two quarters of 2011 the asset mix of the Fund changed substantially. The Fund employed leverage at times and had more than 50% invested in equities. This reflected the Portfolio Advisor's belief that the global economy was recovering and that government bond interest rates had bottomed out. In that scenario, it was expected that equity markets would outperform their bond counterparts and thus, the Fund should have a high percentage of the asset mix invested in equities. However, sovereign debt issues in Europe, the earthquake and tsunami disaster in Japan, plus geopolitical uncertainty in North Africa all worked together to slow growth expectations for the global economy. While the Fund did have an equity weighting of more than 50% for some time, the Fund ended the period at 48% equities and 52% in bonds, preferred shares and cash. The weighting in equities detracted from performance as equities underperformed high yield bonds in the first half of the year. The S&P/TSX Composite Index returned just 0.2% for the first six-months of 2011, while the Merrill Lynch U.S. High Yield Cash Pay Index returned 4.9%.

The Fund seeks to generate a high level of income while protecting investor capital. Protecting investors' capital, as interest rates rise, can require greater exposure to equities as fixed income securities, including high yield bonds, will generally fall in value in a rising interest rate environment. Ten-year U.S. government bond yields rose, for the most part, until mid-April of this year and subsequently dropped 75 basis points over the following two months. While it did make sense for the Fund to have high exposure to equities at the beginning of the year, the Portfolio Advisor made a few adjustments after mid-April to reflect the new environment.

The Portfolio Advisor believes that the following three events had the greatest bearing on Fund performance. First, political uprisings in Egypt, Libya and Syria triggered reactions from equity markets and affected crude oil prices. The geopolitical events in North Africa and the Middle East caused crude oil prices in North America to reach a peak of almost \$115 by the end of April. The rise in crude oil prices rallied major oil stocks initially; however, the slowing global economy caused crude oil prices to fall below \$100 by the end of June, and oil stocks decreased 1.6% at the end of this period. Second, Japan was struck by a major earthquake in March and the tsunami that followed created more devastation and triggered a nuclear disaster at the Fukushima plant. These disastrous events have grounded the Japanese economy to a halt, and this has compounded the global economic slowdown. Third, Europe has been dealing with another potential meltdown in Greece as Greek citizens have rallied against the government in protest of the dramatic cuts to government services and employees. The uncertainty regarding Greek debt caused equity markets to move lower in the second quarter of this year. The uncertainty was most felt by European financials as they are considered to have the most exposure to sovereign Greek debt. The Fund does not currently have any exposure to European banks or other financial companies in Europe.

As at June 30, 2011, the Fund had paid off in full its outstanding loan obligation. The minimum amount borrowed in the period was \$5 million while the maximum amount borrowed in the period was \$16 million.

In light of the troubles in the Middle East and Japan, the Portfolio Advisor continues to focus the Fund's investments on companies that offer a reasonable yield, and will experience minimal effects from geopolitical events and commodity prices. Bonds like the RSC Equipment Rental Inc., 10.0% of 2017, and Rite Aid Corp., 8.0% of 2020 offer investors yields of 8% to 10%, and the Portfolio Advisor has great confidence in their ability to pay principal and interest. In the Fund, Davis & Henderson Income Corp., Cineplex Inc., and REITs (Real Estate Investment Trust) such as RioCan Real Estate Investment Trust, H&R Real Estate Investment Trust, and Canadian Real Estate Investment Trust offer investors a dependable dividend, or distribution and the possibility of growth in that income stream. The Portfolio Advisor believes that this investment strategy will offer investors the best possible returns with a minimal amount of risk.

## Recent Development

The Portfolio Advisor expects that the global economic environment will continue to slow in the second half of 2011. In addition to the global macroeconomic events listed above, the Portfolio Advisor also expects that the rate of economic growth will slow due to the end of the Federal Reserve's second quantitative easing program. The Portfolio Advisor remains cautious about the tightening of monetary conditions they see occurring in China. Tighter lending standards and higher short-term interest rates will certainly hurt their domestic real estate market at some point in the next twelve months. Once markets reassess their growth expectations for the world's second largest economy, there will likely be an increase in volatility in equity markets and credit markets.

If there is an increased risk to the growth profile of global economies for the remainder of 2011, then it is possible that equity market returns will be subdued in that environment. Therefore, it will make sense, at some point, to increase exposure to higher yielding debt markets in the Fund. That point is not now because of the Portfolio Advisor's belief that credit spreads may also be too tight in this environment and spreads might widen in the next few months. However, once the high yield bond market offers nominal yields between eight to nine percent, then this asset class will be getting a good risk-adjusted return, and that is the Portfolio Advisor's target for adding to high yield securities.

In January 2011, Catapult Financial Management Inc. changed its name to Aston Hill Investments Inc.

All warrants issued by the Fund expired April 30, 2011.

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## International Financial Reporting Standards (IFRS)

The Accounting Standards Board of the Canadian Institute of Chartered Accountants has announced in January 2011 that it has decided to defer the mandatory adoption of IFRS for investment funds that apply the Accounting Guideline on Investment Companies ("AcG-18") to January 1, 2013 instead of January 1, 2012, as it had been previously decided. The Fund, therefore, will adopt IFRS in the financial year beginning on January 1, 2013, and will produce its first financial statements in accordance with IAS 34, Interim Financial Reporting, for the semi-annual period ending on June 30, 2013.

In order to be ready for the changeover to IFRS, the Fund, by way of the Manager, has developed a transition plan containing three phases: 1) identification of the risks; 2) implementation of the new standards; and 3) conversion. During the next two years, the Fund will evaluate the financial consequences and impacts of the conversion to IFRS and complete the design of financial statements and the notes to the financial statements according to IFRS requirements. The Fund will also evaluate the impact of the new accounting standards on disclosure controls and procedures and internal control over financial reporting and make the necessary changes. The Manager anticipates there will be changes to the financial statements but the impact, if any, cannot be reasonably estimated at this time. Training and communication plans will continue throughout the year to prepare and assess the required information.

Given the evolution of accounting standards, the overall impact of adopting IFRS on the Fund's financial situation and future results cannot be reasonably established until the process is completed.

## Related Party Transactions

The Fund paid the Manager management fees that are calculated daily on the Net Asset Value. The management fees paid are disclosed in the financial statements. Industrial Alliance Insurance and Financial Services Inc. ("Industrial Alliance") is the sole parent of the Manager. During the period, the Fund paid fund accounting fees to Industrial Alliance. The amounts paid are disclosed in the financial statements.

The Fund is responsible for payment of all expenses relating to the operation and administration of the Fund. The Fund will also be responsible for commissions and other costs of portfolio transactions and extraordinary expenses of the Fund that may be incurred from time to time.

## 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.

The Fund's Net Assets per Unit (\$) <sup>1</sup>						
	06/30 2011	12/31 2010	12/31 2009	12/31 2008	12/31 2007	12/31 2006
Net Assets, beginning of period <sup>2</sup>	9.57	9.38	-	-	-	-
<b>Increase (decrease) from operations:</b>						
Total revenue	0.33	0.50	-	-	-	-
Total expenses	(0.11)	(0.15)	-	-	-	-
Realized gains (losses) for the period	0.36	(0.05)	-	-	-	-
Unrealized gains (losses) for the period	(0.19)	0.34	-	-	-	-
Transaction costs	(0.01)	(0.02)	-	-	-	-
<b>Total increase (decrease) from operations<sup>3</sup></b>	<b>0.38</b>	<b>0.62</b>	-	-	-	-
<b>Distributions:</b>						
From income (excluding dividends)	(0.08)	(0.18)	-	-	-	-
From dividends <sup>5</sup>	-	(0.04)	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	(0.22)	(0.21)	-	-	-	-
<b>Total distributions<sup>4</sup></b>	<b>(0.30)</b>	<b>(0.43)</b>	-	-	-	-
<b>Net Assets, end of period</b>	<b>9.65</b>	<b>9.57</b>	-	-	-	-

1 This information is derived from the Fund's audited annual financial statements for the prior period and from the interim unaudited financial statements, for the current period ended June 30, 2011. The Net Assets per Unit presented in the financial statements differ from the NAV calculated for fund pricing purposes. An explanation of these differences can be found in the "Recent Developments" section and in the Notes to the Financial Statements. The difference is due to differences in valuation techniques for certain investments. It is not intended that the Fund's Net Assets per Unit table act as a continuity of opening and closing Net Assets per Unit.

2 Net Assets reflects the issue price of units of \$10.00 less agent fees.

3 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.

4 Distributions were paid in cash.

5 Distributions qualified for Canadian dividend tax credit.

Ratios and Supplemental Data						
	06/30 2011	12/31 2010	12/31 2009	12/31 2008	12/31 2007	12/31 2006
Total NAV (\$) (000's) <sup>1</sup>	99,486	98,644	-	-	-	-
Number of Trust units outstanding (000's) <sup>1</sup>	10,300	10,300	-	-	-	-
Management expense ratio (%) <sup>2*</sup>	2.26	3.75	-	-	-	-
Management expense ratio excluding issuance expense (%) <sup>3</sup>	2.26	2.25	-	-	-	-
Trading expense ratio (%) <sup>4</sup>	0.13	0.19	-	-	-	-
Portfolio turnover rate (%) <sup>5</sup>	104.60	81.01	-	-	-	-
NAV per Unit (\$)	9.66	9.58	-	-	-	-
Closing market price – Trust Units (TSX) (\$)	9.36	9.22	-	-	-	-
Closing market price – Warrant Units (TSX) (\$)	n/a	0.02	-	-	-	-

1 This information is provided as at each period shown.

2 Management expense ratios are based on total expenses (excluding commissions and other portfolio transaction costs) of the Fund for the stated period and are expressed as an annualized percentage of the Fund daily average NAV during the period.

3 The annual management fee of the Fund is 1.25%, before the application of taxes.

4 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of the Fund's daily average NAV during the period.

5 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 or correlation between a high turnover rate and the performance of a Fund.

\* The management expense ratio includes issue expenses of \$1,000,000 incurred on the launch of the Fund.

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## Management Fees

As compensation for the administrative, management and investment advisory services provided to the Fund, the Manager will receive a Management fee from the Fund equal to 1.25% per annum of the Net Asset Value of the Fund, calculated daily and payable monthly in arrears. The Manager will use a portion of the Management Fee to pay the Portfolio Advisor.

Management Fees (%)	
Other	100

FE – front end; LL – low load; DSC – deferred sales charge

Other – includes general administration, investment advice and profit.

## Past Performance

The performance information shown (based on NAV) assumes that all distributions made by the Fund in the period shown were paid out in cash. The performance information does not take into account sales, redemptions, distributions or other optional changes that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

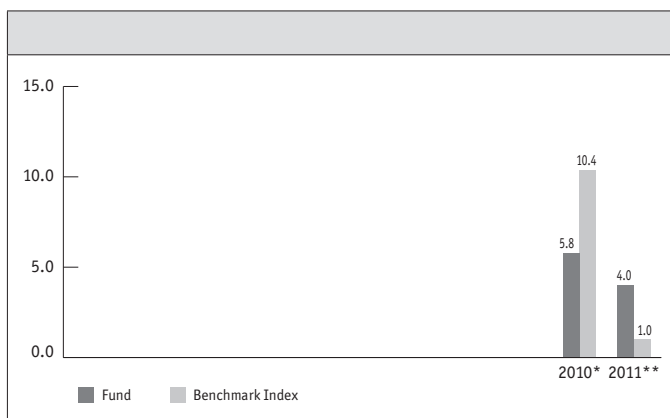
## Year-by-Year Return

The bar chart shows the year-by-year return of the Fund compared to the benchmark index (the "Benchmark Index" which consists of the S&P/TSX Composite Index (60%) and the DEX Universe Bond Index (40%) for the six-month period ended June 30, 2011, and for the previous partial period ended December 31, 2010. The chart shows in percentage terms how an investment made on January 1 would have increased or decreased by the end of the period.

The S&P/TSX Composite Index is the premier indicator of market activity for Canadian equity markets, with 95% coverage of Canadian-based, TSX-listed companies. The index includes common stock and income trust units and is designed to offer the representation of a broad benchmark index while maintaining the liquidity characteristics of narrower indices.

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.

A discussion of the performance of the Fund as compared to the Benchmark Index is found in the "Results of Operations" section.



\* Return shown is for the partial period ending December 31.

\*\* Return shown is for the six-month period ended June 30, 2011.

## Summary of Investment Portfolio

As at June 30, 2011

The summary of investment portfolio shown, as a percentage of total NAV, may change due to ongoing portfolio transactions of the Fund and a quarterly update is available on the Manager's website.

Sector Allocation	%
Corporate Bonds	46.14
Energy	21.43
Financials	14.30
Cash and Cash Equivalents	6.68
Consumer Discretionary	5.54
Materials	3.52
Industrials	2.64
Utilities	2.21
Telecommunication Services	1.01
Information Technology	0.81
Other Assets less Liabilities	(4.28)
<b>Total</b>	<b>100.00</b>

The top positions held by the Fund (up to 25) are shown as a percentage of the total NAV:

Top Holdings	%
Cash and Cash Equivalents	6.68
Seven Seas Cruises, 9.125%, 2019-05-15	2.51
Bell Aliant Regional Communications, LP, 5.410% 2016-09-26	2.14
RTL-Westcan LP, 9.500%, 2017-04-07	2.08
Air Canada, 9.250%, 2015-08-01	2.00
Calloway Real Estate Investment Trust, 5.000% 2019-02-01	2.00
American Casino & Entertainment Properties LLC 11.000%, 2014-06-15	1.67
Cineplex Inc.	1.58
RSC Equipment Rental Inc., 10.000%, 2017-07-15	1.57
PPL Corp., Pfd.	1.48
Crescent Point Energy Corp.	1.39
Inter Pipeline Fund, Class A	1.20
IMS Health Inc., 12.500%, 2018-03-01	1.15
Baytex Energy Corp.	1.14
Gibson Energy ULC	1.13
NCL Corporation Ltd., 11.750%, 2016-11-15	1.12
Ally Financial Inc., Pfd., Series A	1.12
Brookfield Office Properties Inc.	1.10
Harrah's Operating Company Inc., 11.250%, 2017-06-01	1.07
Freescale Semiconductor Inc., 10.125%, 2018-03-15	1.07
The Toronto-Dominion Bank	1.06
H&R Real Estate Investment Trust	1.05
Rite Aid Corp., 8.000%, 2020-08-15	1.04
Midwest Gaming Borrower, LLC, 11.625%, 2016-04-15	1.04
ARC Resources Ltd.	1.03

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## Forward-Looking Statements

This management report of fund performance may contain forward-looking statements which reflect the current expectations of the Manager (or, where indicated, the Portfolio Advisor or Portfolio Sub-Advisor) regarding the Fund's future growth, results of operations, performance and business prospects and opportunities. These statements reflect the current beliefs of the person to which the statements are attributed with respect to future events and are based on information currently available to that person. Forward-looking statements involve significant risks, uncertainties and assumptions. Many factors could cause the Fund's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. These factors could include, among other things, general economic, political and market factors, including interest and foreign exchange rates, business competition, changes in government regulations or in tax laws. Although the forward-looking statements contained in this report are based upon what management currently believes to be reasonable assumptions, the Manager cannot assure current or prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements.





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