

# IA Clarington Bond Fund

## Series A, F, I, L, O and X Units

### 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 Bond 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, which is used for transactional purposes, including fund purchases and fund redemptions.

The Fund's portfolio advisor is Industrial Alliance Investment Management Inc. ("IAIM" or the "Portfolio Advisor").

## Results of Operations

The Fund's Net Assets increased by 8.0% or \$23.3 million during the period, from \$289.6 million on December 31, 2010 to \$312.9 million on June 30, 2011. This change in Net Assets resulted from an increase of \$22.1 million due to net sales, a decrease of \$4.6 million due to distributions and an increase of \$5.8 million due to investment operations, including market volatility, income and expense.

The average Net Assets of the Fund increased by 3.7% or \$10.8 million in comparison to the prior year, from \$290.0 million to \$300.8 million. Average Net Assets influence revenue earned and expenses incurred by the Fund during the period.

The Series A units of the Fund returned 1.4% for the six-month period ending June 30, 2011. The performance of the other series of the Fund is substantially similar, save for differences in expense structure. Refer to the "Past Performance" section for the performance information of each series.

The Fund's benchmark and broad-based benchmark, the DEX Universe Bond Index, returned 2.2% over the same six-month period. The Fund's return calculation for all series includes fees and expenses which are not applicable in generating a return for the benchmark.

One year later, the same issues that were making headlines at this time in 2010 are again in the spotlight: Greece's sovereign debt troubles, doubts over the economic recovery in the U.S., and inflation. Since 2010, however, the effects of the tsunami in Japan and geopolitical trouble in the Middle East have been added to the mix.

The optimism that seemed to have been crystallizing at the start of the year took a turn toward caution in the second quarter. The first quarter's positive returns were wiped out and became the second quarter's losses. Weak economic data in the United States, the measures China has taken to contain inflation, instability in the Middle East, and sovereign debt troubles in Europe sapped the optimism of stock market investors. As a result, investors modified their portfolios by turning to less cyclical sectors, and the bond market took advantage of this climate of uncertainty, once again.

The Canadian bond market has benefitted from the poor economic news and from the uncertainty surrounding Greece's troubles, making gains in the second quarter as the yield curve declined. All bond terms along the yield curve generated positive returns. The medium to long-term bonds achieved the best returns. Thus, bond managers who favoured medium-term securities achieved the best returns, with a gain of 2.70%, followed by longer-term bonds, up 2.48%, and finally short-term bonds, which earned 1.77%.

Among corporate issuers, A-rated bonds generated the best return for the quarter with 3.21%, followed by BBB-rated bonds with 2.42%, while higher quality, AAA/AA-rated bonds ended the quarter with 2.39%.

Overall, the DEX Universe Bond Index, representing the Canadian bond market, was up 2.2% year-to-date, with second quarter returns erasing the slight loss recorded in the first three months of 2011.

The Fund detracted value when comparing it to its benchmark in the first six-months of the year. The Fund's shorter duration, compared to that of its benchmark, was a drag on performance, mostly in the second quarter, as longer maturities outperformed shorter maturities. Another source of detraction came from the Fund's overweighting of higher-quality corporate bonds since these underperformed the lower quality corporate bonds, as mentioned earlier. The Fund's underweight in provincial holdings yielded mixed results, being positive in the first quarter, and then detracting value in the second quarter.

The Portfolio Advisor lengthened the duration of the Portfolio slightly and purchased real return bonds (RRBs) in the second quarter as a protection against inflation, but sold them by quarter end as the outlook became tamer. The different sectors were slightly repositioned so that the Fund has reduced its corporate weightings slightly, and increased its positions in both the federal and provincial sectors.

## Recent Developments

Europe's sovereign debt problems continue to make headlines, with Greece as the focal point, even though there are other countries in financial difficulty as well. Greece is in need of financial aid to make it through this liquidity crisis as its revenues are not sufficient to cover its expenses. The International Monetary Fund (IMF) is ready to portion out another 12 billion Euros in assistance, but they are asking creditors to agree to help Greece which, in return, will have to apply its austerity plan.

As for the United States, the Federal Reserve has revised its gross domestic product (GDP) growth forecast downward for the current year, from 3.2% to 2.8%, as well as for 2012, from 3.9% to 3.5%. This is not surprising given that the economic statistics of the last few months have shown weakening on several fronts.

The Portfolio Advisor maintains a moderately defensive positioning, with the expectation of moderate economic growth, and an on-going sovereign debt crisis in Europe. To this end, the Portfolio Advisor will reduce the Fund's exposure to the Corporate sector as opportunities arise.

In the next 12 months, the Portfolio Advisor expects a slight uptick in the interest rate curve, which should have an impact on the bond market, given the inverse relationship between interest rates and bond prices. Thus, the Portfolio Advisor believes that bond returns will be rather modest for the next 12 months.

Effective March 2, 2011, the Fund commenced offering Series L units.

## 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 Portfolio Advisor is affiliated with the Manager as they are both under common control of Industrial Alliance Insurance and Financial Services Inc. ("Industrial Alliance"). For its Portfolio Advisory services, IAIM charged the Manager fees based on the Fund's Net Asset Value.

The Fund also paid fund accounting fees to Industrial Alliance. The amounts paid are disclosed in the financial statements.

For the provision of investment management services, the Manager receives management fees from the Fund, based on the average Net Asset Values of the respective series. The management fees paid are disclosed in the financial statements.

The Fund is responsible for payment of all expenses relating to the operation of the Fund and the carrying on of its business, except for those expenses relating to Series I units. This includes, but is not limited to, legal, audit and custodial fees, taxes, brokerage fees, interest, operating and administrative fees, costs and expenses. In addition, the Fund is also responsible for the fees, costs and expenses of financial and other reports and prospectuses required to comply with all regulatory requirements in connection with the distribution of securities of the Fund, except for those expenses relating to Series I units. A certain portion of these fees (including fund accounting fees) and expenses are initially paid for by the Manager, and then recovered from the Fund.

At its sole discretion, the Manager waived management fees or absorbed expenses of the Fund. The management expense ratios of each of the series of units of the Fund with and without the waivers and absorptions are reported in the following Ratios and Supplemental Data table.

## 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>						
Series A	06/30 2011	12/31 2010	12/31 2009	12/31 2008	12/31 2007	12/31 2006
Net Assets, beginning of period	11.97	11.71	11.61	11.49	11.70	11.69
<b>Increase (decrease) from operations:</b>						
Total revenue	0.23	0.47	0.51	0.53	0.55	0.53
Total expenses	(0.11)	(0.22)	(0.21)	(0.20)	(0.20)	(0.20)
Realized gains (losses) for the period	(0.02)	0.10	0.08	0.14	(0.04)	(0.02)
Unrealized gains (losses) for the period	0.06	0.15	0.11	0.12	(0.18)	0.03
Transaction costs	-	-	-	-	-	-
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.16</b>	<b>0.50</b>	<b>0.49</b>	<b>0.59</b>	<b>0.13</b>	<b>0.34</b>
<b>Distributions:</b>						
From income (excluding dividends)	(0.12)	(0.26)	(0.32)	(0.33)	(0.36)	(0.35)
From dividends <sup>4</sup>	-	-	-	-	-	-
From capital gains	-	(0.002)	(0.10)	(0.13)	-	(0.02)
Return of capital	-	-	-	-	-	-
<b>Total distributions<sup>3</sup></b>	<b>(0.12)</b>	<b>(0.26)</b>	<b>(0.42)</b>	<b>(0.46)</b>	<b>(0.36)</b>	<b>(0.37)</b>
<b>Net Assets, end of period</b>	<b>12.01</b>	<b>11.97</b>	<b>11.71</b>	<b>11.61</b>	<b>11.49</b>	<b>11.70</b>

The Fund's Net Assets per Unit (\$) <sup>1</sup>						
Series F	06/30 2011	12/31 2010	12/31 2009	12/31 2008	12/31 2007	12/31 2006
Net Assets, beginning of period	12.08	11.80	11.68	11.56	11.77	11.74
<b>Increase (decrease) from operations:</b>						
Total revenue	0.23	0.47	0.52	0.53	0.55	0.01
Total expenses	(0.03)	(0.06)	(0.06)	(0.05)	(0.06)	(0.01)
Realized gains (losses) for the period	(0.02)	0.13	-	0.14	(0.04)	-
Unrealized gains (losses) for the period	0.07	0.08	0.08	0.15	0.17	-
Transaction costs	-	-	-	-	-	-
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.25</b>	<b>0.62</b>	<b>0.54</b>	<b>0.77</b>	<b>0.62</b>	<b>-</b>
<b>Distributions:</b>						
From income (excluding dividends)	(0.20)	(0.41)	(0.46)	(0.48)	(0.49)	(0.04)
From dividends <sup>4</sup>	-	-	-	-	-	-
From capital gains	-	(0.003)	(0.10)	(0.13)	-	(0.01)
Return of capital	-	-	-	-	-	-
<b>Total distributions<sup>3</sup></b>	<b>(0.20)</b>	<b>(0.41)</b>	<b>(0.56)</b>	<b>(0.61)</b>	<b>(0.49)</b>	<b>(0.05)</b>
<b>Net Assets, end of period</b>	<b>12.11</b>	<b>12.08</b>	<b>11.80</b>	<b>11.68</b>	<b>11.56</b>	<b>11.77</b>

The Fund's Net Assets per Unit (\$) <sup>1</sup>						
Series I	06/30 2011	12/31 2010	12/31 2009	12/31 2008	12/31 2007	12/31 2006
Net Assets, beginning of period	10.31	10.08	9.98	9.88	10.00	9.99
<b>Increase (decrease) from operations:</b>						
Total revenue	0.20	0.40	0.44	0.45	0.46	0.52
Total expenses	-	-	-	-	-	(0.01)
Realized gains (losses) for the period	(0.03)	0.08	0.08	0.13	(0.03)	(0.02)
Unrealized gains (losses) for the period	0.07	0.16	0.08	0.06	0.11	0.04
Transaction costs	-	-	-	-	-	-
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.24</b>	<b>0.64</b>	<b>0.60</b>	<b>0.64</b>	<b>0.54</b>	<b>0.53</b>
<b>Distributions:</b>						
From income (excluding dividends)	(0.20)	(0.41)	(0.43)	(0.46)	(0.43)	(0.45)
From dividends <sup>4</sup>	-	-	-	-	-	-
From capital gains	-	(0.002)	(0.09)	(0.11)	-	(0.03)
Return of capital	-	-	-	-	-	-
<b>Total distributions<sup>3</sup></b>	<b>(0.20)</b>	<b>(0.41)</b>	<b>(0.52)</b>	<b>(0.57)</b>	<b>(0.43)</b>	<b>(0.48)</b>
<b>Net Assets, end of period</b>	<b>10.34</b>	<b>10.31</b>	<b>10.08</b>	<b>9.98</b>	<b>9.88</b>	<b>10.00</b>

The Fund's Net Assets per Unit (\$) <sup>1</sup>						
Series L	06/30 2011	12/31 2010	12/31 2009	12/31 2008	12/31 2007	12/31 2006
Net Assets, beginning of period	11.72	-	-	-	-	-
<b>Increase (decrease) from operations:</b>						
Total revenue	0.16	-	-	-	-	-
Total expenses	(0.08)	-	-	-	-	-
Realized gains (losses) for the period	(0.01)	-	-	-	-	-
Unrealized gains (losses) for the period	0.17	-	-	-	-	-
Transaction costs	-	-	-	-	-	-
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.24</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Distributions:</b>						
From income (excluding dividends)	(0.12)	-	-	-	-	-
From dividends <sup>4</sup>	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
<b>Total distributions<sup>3</sup></b>	<b>(0.12)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets, end of period</b>	<b>11.96</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Financial Highlights (continued)

The Fund's Net Assets per Unit (\$) <sup>1</sup>						
Series O	06/30 2011	12/31 2010	12/31 2009	12/31 2008	12/31 2007	12/31 2006
Net Assets, beginning of period	10.31	10.25	-	-	-	-
<b>Increase (decrease) from operations:</b>						
Total revenue	0.20	0.18	-	-	-	-
Total expenses	(0.01)	(0.01)	-	-	-	-
Realized gains (losses) for the period	(0.02)	0.06	-	-	-	-
Unrealized gains (losses) for the period	0.06	(0.01)	-	-	-	-
Transaction costs	-	-	-	-	-	-
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.23</b>	<b>0.22</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Distributions:</b>						
From income (excluding dividends)	(0.19)	(0.18)	-	-	-	-
From dividends <sup>4</sup>	-	-	-	-	-	-
From capital gains	-	(0.002)	-	-	-	-
Return of capital	-	-	-	-	-	-
<b>Total distributions<sup>3</sup></b>	<b>(0.19)</b>	<b>(0.18)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets, end of period</b>	<b>10.35</b>	<b>10.31</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Fund's Net Assets per Unit (\$) <sup>1</sup>						
Series X	06/30 2011	12/31 2010	12/31 2009	12/31 2008	12/31 2007	12/31 2006
Net Assets, beginning of period	12.01	11.74	11.64	11.52	11.76	11.74
<b>Increase (decrease) from operations:</b>						
Total revenue	0.23	0.47	0.51	0.53	0.55	0.09
Total expenses	(0.06)	(0.12)	(0.12)	(0.11)	(0.11)	(0.03)
Realized gains (losses) for the period	(0.03)	0.08	-	0.14	(0.04)	-
Unrealized gains (losses) for the period	0.03	0.21	0.33	0.11	(0.23)	-
Transaction costs	-	-	-	-	-	-
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.17</b>	<b>0.64</b>	<b>0.72</b>	<b>0.67</b>	<b>0.17</b>	<b>0.06</b>
<b>Distributions:</b>						
From income (excluding dividends)	(0.17)	(0.35)	(0.41)	(0.43)	(0.47)	(0.04)
From dividends <sup>4</sup>	-	-	-	-	-	-
From capital gains	-	(0.003)	(0.10)	(0.13)	-	(0.01)
Return of capital	-	-	-	-	-	-
<b>Total distributions<sup>3</sup></b>	<b>(0.17)</b>	<b>(0.35)</b>	<b>(0.51)</b>	<b>(0.56)</b>	<b>(0.47)</b>	<b>(0.05)</b>
<b>Net Assets, end of period</b>	<b>12.04</b>	<b>12.01</b>	<b>11.74</b>	<b>11.64</b>	<b>11.52</b>	<b>11.76</b>

1 The per unit data is derived from the Fund's audited annual financial statements for prior periods 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 can differ from the Net Asset Value per Unit calculated for fund pricing purposes. An explanation of these differences can be found in the Notes to the Financial Statements. 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 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, or both.

4 Distributions qualified for Canadian dividend tax credit.

Ratios and Supplemental Data						
Series A	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>	128,696	123,236	99,076	71,104	62,845	72,555
Number of units outstanding (000's) <sup>1</sup>	10,714	10,292	8,461	6,124	5,472	6,202
Management expense ratio (%) <sup>2,3</sup>	1.84	1.82	1.79	1.76	1.76	1.77
Management expense ratio before waivers or absorptions (%) <sup>2,3,4</sup>	1.90	1.94	1.98	2.07	2.07	1.99
Trading expense ratio (%) <sup>5</sup>	n/a	n/a	n/a	n/a	n/a	n/a
Portfolio turnover rate (%) <sup>6</sup>	33.55	80.96	59.10	93.59	82.73	83.95
NAV per unit (\$)	12.01	11.97	11.71	11.61	11.49	11.70

Ratios and Supplemental Data						
Series F	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>	4,828	4,534	935	115	116	53
Number of units outstanding (000's) <sup>1</sup>	399	375	79	10	10	4
Management expense ratio (%) <sup>2,3</sup>	0.51	0.49	0.48	0.47	0.48	0.48
Management expense ratio before waivers or absorptions (%) <sup>2,3,4</sup>	0.68	0.68	0.56	0.56	1.72	0.62
Trading expense ratio (%) <sup>5</sup>	n/a	n/a	n/a	n/a	n/a	n/a
Portfolio turnover rate (%) <sup>6</sup>	33.55	80.96	59.10	93.59	82.73	83.95
NAV per unit (\$)	12.11	12.08	11.80	11.69	11.56	11.77

Ratios and Supplemental Data						
Series I	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>	155,059	136,240	160,245	121,133	131,557	37,388
Number of units outstanding (000's) <sup>1</sup>	14,993	13,217	15,894	12,137	13,322	3,739
Management expense ratio (%) <sup>2,3</sup>	-	-	-	-	-	0.05
Management expense ratio before waivers or absorptions (%) <sup>2,3,4</sup>	0.02	0.02	0.03	0.03	0.03	0.18
Trading expense ratio (%) <sup>5</sup>	n/a	n/a	n/a	n/a	n/a	n/a
Portfolio turnover rate (%) <sup>6</sup>	33.55	80.96	59.10	93.59	82.73	83.95
NAV per unit (\$)	10.34	10.31	10.08	9.98	9.88	10.00

Ratios and Supplemental Data						
Series L	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>	67	-	-	-	-	-
Number of units outstanding (000's) <sup>1</sup>	6	-	-	-	-	-
Management expense ratio (%) <sup>2,3</sup>	1.95	-	-	-	-	-
Management expense ratio before waivers or absorptions (%) <sup>2,3,4</sup>	2.18	-	-	-	-	-
Trading expense ratio (%) <sup>5</sup>	n/a	-	-	-	-	-
Portfolio turnover rate (%) <sup>6</sup>	33.55	-	-	-	-	-
NAV per unit (\$)	11.96	-	-	-	-	-

Ratios and Supplemental Data						
Series O	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>	18,213	17,359	-	-	-	-
Number of units outstanding (000's) <sup>1</sup>	1,760	1,683	-	-	-	-
Management expense ratio (%) <sup>2,3</sup>	0.11	0.11	-	-	-	-
Management expense ratio before waivers or absorptions (%) <sup>2,3,4</sup>	0.16	0.16	-	-	-	-
Trading expense ratio (%) <sup>5</sup>	n/a	n/a	-	-	-	-
Portfolio turnover rate (%) <sup>6</sup>	33.55	80.96	-	-	-	-
NAV per unit (\$)	10.35	10.31	-	-	-	-

## Financial Highlights (continued)

Ratios and Supplemental Data						
Series X	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>	5,999	8,229	11,788	1,594	2,148	3,699
Number of units outstanding (000's) <sup>1</sup>	498	685	1,004	137	186	314
Management expense ratio (%) <sup>2,3</sup>	1.06	1.03	1.01	0.97	0.98	0.99
Management expense ratio before waivers or absorptions (%) <sup>2,3,4</sup>	1.44	1.46	1.49	1.56	1.60	1.93
Trading expense ratio (%) <sup>5</sup>	n/a	n/a	n/a	n/a	n/a	n/a
Portfolio turnover rate (%) <sup>6</sup>	33.55	80.96	59.10	93.59	82.73	83.95
NAV per unit (\$)	12.04	12.01	11.74	11.64	11.52	11.76

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 each series for the stated period and are expressed as an annualized percentage of each series' daily average NAV during the period.

3 The annual management fee of the Fund is 1.45% for Series A and Series L units, 0.50% for Series F units, 0% for Series I and Series O units and 1.00% for Series X units, before the application of taxes. Series O units were charged a fixed expense fee at 0.15%, but paid 0.10%, net of waivers by the Manager, before application of taxes.

4 At its sole discretion, the Manager waived management fees or absorbed expenses of the Fund. Such waivers and absorptions can be terminated at any time, but can be expected to continue for the Fund until such time as the Fund is of sufficient size to reasonably absorb all management fees and expenses incurred in its operation, although the amount of any such waiver or absorption may change from time to time.

5 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.

6 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 value of any trades to realign the Fund's portfolio after fund merger, if any, is excluded from the portfolio turnover rate.

## Management Fees

Management fees paid by the Fund per series are based on applying the annual management fee rate per series to the daily average NAV of each series and are recorded on an accrual basis.

Breakdown of major services received by the Fund in consideration of the management fees for the period, as a percentage of the management fee:

Management Fees (%)		
Series	Trailer commissions	Other
Series A		
FE	38	62
LL First 3 years	17	83
LL After 3 years	38	62
DSC First 7 years	17	83
DSC After 7 years	38	62
Series F	–	100
Series I	–	–
Series L		
ASC First year	–	100
ASC Year 2 and 3	17	83
ASC After 3 years	38	62
Series O	–	–
Series X	–	100

FE – front end; LL – low load; DSC – deferred sales charge; ASC – advisor service 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 periods shown were reinvested in additional units of the Fund. The performance information does not take into account sales, redemptions, distributions or other optional charges 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.

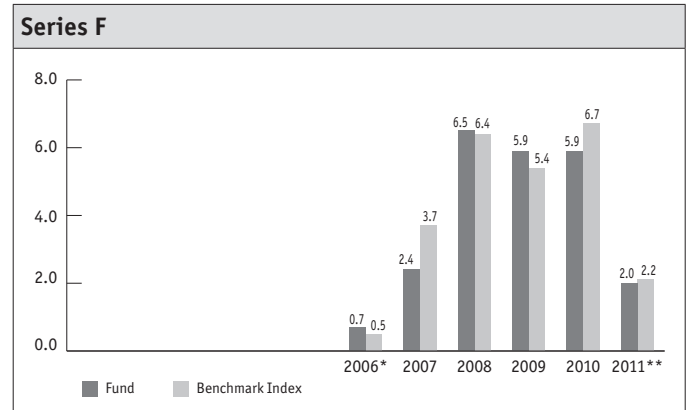
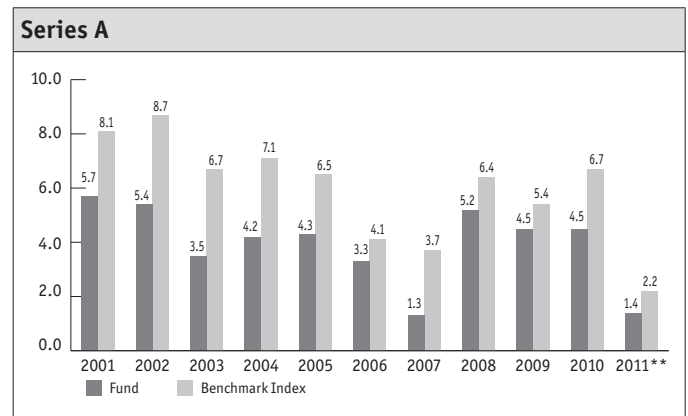
On January 2, 2002, the Fund changed its investment objectives and policies.

On February 10, 2005, IAIM assumed portfolio advisory responsibilities of the Fund. The performance of the Fund in the periods prior to these dates could have been different had these changes been in effect during those periods.

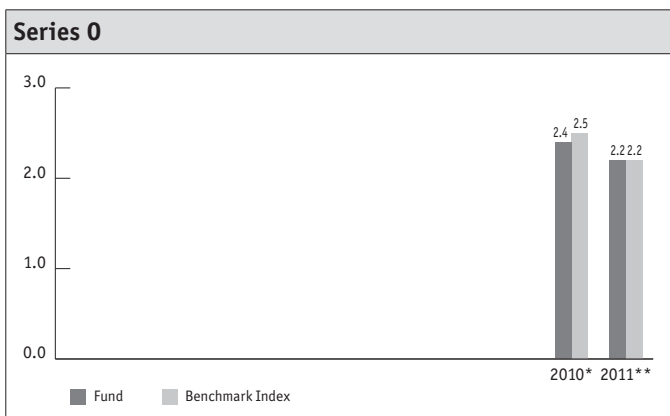
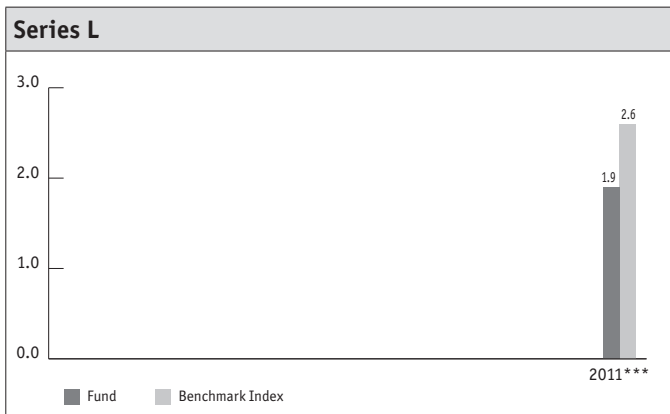
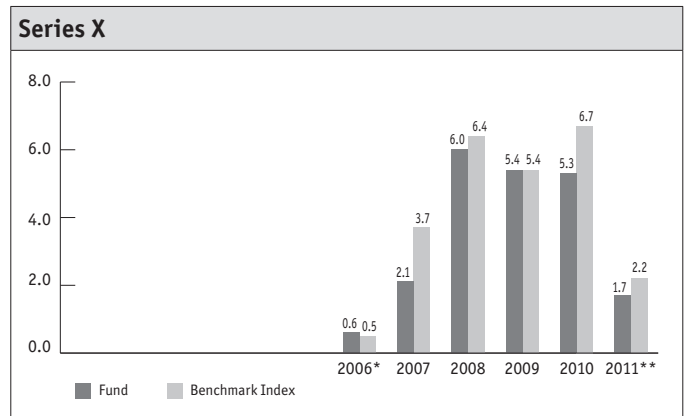
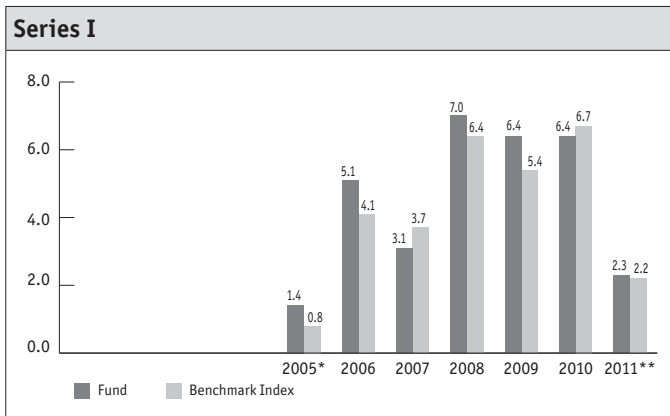
## Year-by-Year Returns

The bar charts show the Fund's and the benchmark index's performance for the six-month period ended June 30, 2011, and for each of the previous 12-month periods ended December 31. The charts show in percentage terms how an investment made on January 1 would have increased or decreased by the end of the period.

The benchmark index (the "Benchmark Index") consists of the DEX Universe Bond Index.



## Past Performance (continued)



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

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

\*\*\* Return shown is for the partial period ending June 30, 2011.

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 "Results of Operations" section of this report.

# IA Clarington Bond Fund

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	41.59
Provincial Bonds	21.94
Federal Guarantee	17.66
Federal Government Bonds	12.85
Cash and Cash Equivalents	3.19
Municipal Bonds	1.93
Other Assets less Liabilities	0.84
<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	%
Government of Canada, 3.750%, 2019-06-01	4.97
Canada Housing Trust, Floating Rate, 3.202%, 2013-06-15	3.54
Province of Ontario, 4.000%, 2021-06-02	3.44
Canada Housing Trust, 2.950%, 2015-03-15	3.28
Cash and Cash Equivalents	3.19
Government of Canada, 4.000%, 2017-06-01	2.91
Canada Housing Trust, 3.550%, 2013-09-15	2.80
Province of British Columbia, 4.700%, 2037-06-18	2.73
Canada Housing Trust, 2.750%, 2014-09-15	2.39
Golden Credit Card Trust, 3.510%, 2016-05-15	2.15
Province of Quebec, 4.250%, 2021-12-01	1.99
Government of Canada, 5.000%, 2037-06-01	1.90
Province of Ontario, 4.650%, 2041-06-02	1.85
Canada Housing Trust, 3.600%, 2013-06-15	1.62
Canada Housing Trust, 2.750%, 2016-06-15, Series 41-1	1.59
Province of Ontario, 4.400%, 2019-06-02	1.53
Province of Saskatchewan, 4.750%, 2040-06-01	1.39
Laurentian Bank of Canada, Floating Rate, 2.052% 2014-02-14	1.38
Caisse centrale Desjardins, Floating Rate, 1.822% 2014-02-11	1.28
407 International Inc., 4.300%, 2021-05-26	1.28
Greater Toronto Airports Authority, 7.100%, 2031-06-04	1.24
Bank of Nova Scotia, Fixed - Floating Rate, 4.990% 2018-03-27	1.15
Cadillac Fairview Finance Trust, 3.240%, 2016-01-25	1.11
The Toronto-Dominion Bank, 4.854%, 2013-02-13	1.08
Master Credit Card Trust, 4.444%, 2011-11-21	1.07

## 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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