

IA Clarington Short-Term Income Class

Series A Shares

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 or SEDAR at 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 Short-Term Income Class (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 Share" 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 Share" 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 "Portfolio Advisor").

Results of Operations

The Fund's Net Assets decreased by 21.9% or \$2.3 million during the period, from \$10.5 million on December 31, 2010 to \$8.2 million on June 30, 2011. This change in Net Assets resulted from a decrease of \$2.3 million due to net redemptions.

The average Net Assets of the Fund decreased by 36.7% or \$5.4 million in comparison to the prior year, from \$14.7 million to \$9.3 million. Average Net Assets influence revenue earned and expenses incurred by the Fund during the period.

The Series A shares of the Fund returned 0.1% for the six-month period ending June 30, 2011. The Fund's benchmark and broad-based benchmark, the DEX 91 day T-Bill Index, returned 0.5% over the same six-month period. The Fund's return calculation 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 in the spotlight again: Europe's sovereign debt troubles, doubts over the economic recovery in the U.S., and fears of rising inflation. These events, combined with the after-effects of the earthquake and tsunami in Japan, and continued political turmoil in the Middle East made the first half of 2011 difficult for the stock market.

The Canadian economy must juggle with several opposing winds such as a high Canadian dollar, heavy consumer debt, the end of stimulus programs, a more restrictive federal budget, and a primary economic partner that is dealing with its own difficulties.

The last interest rate hike by the Bank of Canada was in September 2010. The latest inflation data showed that inflation has exceeded the 3% upper limit of the target range. The Portfolio Advisor might have expected an interest rate hike in the months to come, but the latest economic statistics from several regions have been rather anaemic. Thus, the Bank of Canada may wait until the situation returns to normal and push its next interest rates increase to the end of 2011 or early 2012. In the U.S., the Federal Reserve has maintained its position, indicating that it will keep its key rate stable until the economy improves. Interest rates still remain low by historical standards.

The Fund underperformed its benchmark index during the first half of the year. The Canadian yield curve moved slightly lower as investors continued to doubt the sustainability of global economic recovery. Canadian government bond yields rose, for the most part, until mid-April of this year and subsequently dropped over the following two months. The Portfolio Advisor expects the Bank of Canada will now keep interest rates on hold in the near future as it waits to see how Canada's economy rebuilds itself in the coming months.

At the end of the period, the Fund primarily held Treasury bills. The Portfolio Advisor continues to focus on high-quality issuers and maintaining a high degree of liquidity in the Fund. With the main investment objective of the Fund focused on capital preservation and liquidity, the Portfolio Advisor is not taking any unnecessary credit risk in the selection of securities.

The Manager is currently waiving a portion of the management fees and absorbing expenses of the Fund in order to ensure that the fees and expenses of the Fund do not exceed the yield on the portfolio. The Manager may change the level of absorption as well as the waiver of fees and expenses from time to time in response to changing market conditions.

Recent Developments

Among the risks for the coming year, the Portfolio Advisor is concerned about the inflation risk that seems to have been building since the beginning of the year.

The encouraging news is that Japan is slowly recovering from the March earthquake, the price of oil per barrel has come down more than \$20 in the last three months, and the banks that hold Greek bonds have agreed to contribute to the Greek rescue plan. With time, things should improve and the general nervousness should dissipate.

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. 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. 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 shares of the Fund with and without the waivers and absorptions are reported in the Ratios and Supplemental Data table below.

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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 Share (\$)¹						
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	12.26	12.26	12.27	11.97	11.58	11.22
Increase (decrease) from operations:						
Total revenue	0.08	0.09	0.11	0.39	0.56	0.52
Total expenses	(0.07)	(0.09)	(0.09)	(0.13)	(0.12)	(0.12)
Realized gains (losses) for the period	-	(0.01)	(0.01)	-	(0.03)	(0.22)
Unrealized gains (losses) for the period	-	0.01	(0.02)	0.01	(0.02)	0.14
Transaction costs	-	-	-	-	-	-
Total increase (decrease) from operations²	0.01	-	(0.01)	0.27	0.39	0.32
Dividends:						
From income (excluding dividends)	-	-	-	-	-	-
From dividends⁴	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
Total dividends³	-	-	-	-	-	-
Net Assets, end of period	12.27	12.26	12.26	12.27	11.97	11.58

- The per share 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 Share presented in the financial statements can differ from the Net Asset Value per Share 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 Share table act as a continuity of opening and closing Net Assets per Share.
- Net Assets and dividends are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.
- Dividends were paid in cash or reinvested in additional shares of the Fund, or both.
- Dividends 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)¹	8,212	10,491	17,369	25,380	6,599	4,686
Number of shares outstanding (000's)¹	670	856	1,417	2,069	551	404
Management expense ratio (%)²,³	1.14	0.73	0.73	1.04	1.04	1.04
Management expense ratio before waivers or absorptions (%)²,³,⁴	2.44	2.38	2.22	2.30	3.68	3.40
Trading expense ratio (%)⁵	n/a	n/a	n/a	n/a	n/a	n/a
Portfolio turnover rate (%)⁵	n/a	n/a	n/a	88.00	80.56	133.74
NAV per share (\$)	12.27	12.26	12.26	12.27	11.97	11.58

- This information is provided as at each period shown.
- 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.
- The annual management fee of the Fund is 1.50% for Series A shares, before the application of taxes.
- 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.
- 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.
- 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.

Management Fees

Management fees paid by the Fund are based on applying the annual management fee rate to the daily average NAV of the Fund 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	17	83
LL First 3 years	17	83
LL After 3 years	17	83
DSC First 7 years	17	83
DSC After 7 years	17	83

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

Other – includes general administration, investment advice and profit.

Past Performance

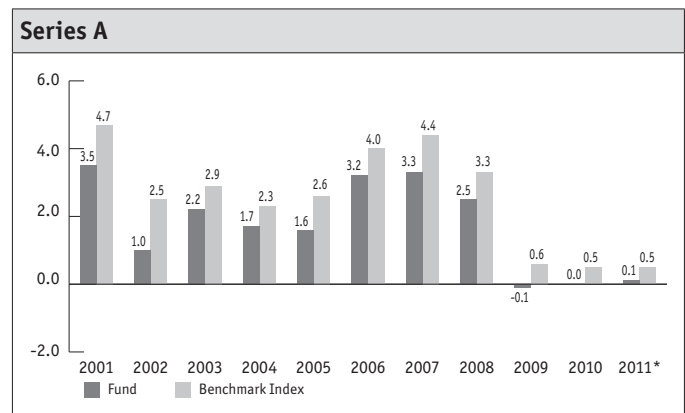
The performance information shown (based on NAV) assumes that all dividends made by the Fund in the periods shown were reinvested in additional shares of the Fund. The performance information does not take into account sales, redemptions, dividends or other optional charges that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

On April 1, 2006, IAIM assumed Portfolio Advisory responsibilities for the Fund. The Fund's investment strategy was changed as a result. The performance of the Fund for the period prior to April 1, 2006 could have been different had these changes been in effect during that period.

Year-by-Year Returns

The bar chart shows 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 chart shows 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 91 Day T-Bill Index.



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

The DEX 91-Day T-Bill Index is designed to track the performance of Government of Canada 3-month Treasury Bills. The index is designed to reflect the performance of a portfolio that only owns a single security, the current on the run T-Bill for the relevant term, switching into the new T-Bill at each auction.

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

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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	%
Cash and Cash Equivalents	97.32
Corporate Bonds	2.98
Other Assets less Liabilities	(0.30)
Total	100.00

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	97.32
Morgan Stanley Group, Floating Rate, 4.570%, 2012-02-23	1.81
Superior Trust, Floating Rate, 1.987%, 2016-09-28	1.17

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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