

March 15, 2012

Dear Investor,

We are the independent review committee ("IRC") for the investment funds listed at Schedule A to this report (the "Funds"), which includes all of the investment funds managed by IA Clarington Investments Inc. ("IA Clarington"). This report covers the period from January 1, 2011 to December 31, 2011, and is made in accordance with the reporting requirements set out in *National Instrument 81-107 – Independent Review Committee for Investment Funds*.

The IRC was established to review and provide a recommendation or their approval regarding actions proposed by IA Clarington that involve a conflict of interest between IA Clarington and the Funds. Among other things, we are required to determine whether such proposed action achieves a fair and reasonable result for the Funds.

Members of the IRC

The members of the IRC are Stephen Griggs, who is the Chair of the IRC, Robert Munroe and Jean Morissette. Mr. Griggs was appointed chair of the IRC on December 19, 2008 and was appointed to another three-year term on December 18, 2011. Mr. Munroe was appointed on May 1, 2007, and Mr. Morissette was appointed on March 31, 2009; Mr. Morissette was appointed to an additional three-year term, effective March 30, 2012.

Mr. Griggs currently serves as President and CEO of OPSEU Pension Trust. He was formerly the executive director of the Canadian Coalition for Good Governance, Chair of Investeco Capital Corp., the President of Legg Mason Canada Inc., and held senior positions with AIC Limited and BPI Financial Corporation, as well as having been a partner at the law firm of Smith Lyons (now Gowlings LLP). He is also a member of the independent review committee of the ING Direct Streetwise Funds and is a member of the board of directors of the Greater Toronto Airports Authority.

Mr. Munroe is a chartered accountant and has been involved in the financial services industry since 1981. He was president of FPC Investments Inc. from its inception in 1986, through its acquisition by Assante Capital Management Inc. in 1998, to 2001. Mr. Munroe is no longer active on any other industry boards or committees nor does he serve on the independent review committee of any other investment fund.

Mr. Morissette has been involved in the financial services industry since 1978, and has held senior positions with Services Financiers Dundee Ltée, Cartier Partners Financial Group, Talvest Fund Management Inc. and the Desjardins Group. He also serves on the independent review committee of the Férique Funds.

The IRC members collectively beneficially owned, directly or indirectly, less than 10% of the securities of any of the Funds as at December 31, 2011 and none of the members beneficially

owned securities of IA Clarington or of its parent company, Industrial Alliance Insurance and Financial Services Inc., or more than 0.5% of the outstanding securities of any class of voting or equity securities issued by any other person or company that provides services to the Funds or IA Clarington.

Compensation of the IRC

The total cost of the IRC during 2011 was approximately \$131,494, including compensation of \$79,974, insurance of \$48,861 and other expenses of \$2,659. This was allocated among all of the Funds by IA Clarington. No indemnities were paid by the Funds to the members of the IRC during 2011.

The compensation for the IRC for 2011 was as follows:

- Annual retainer of \$21,000 per member; the IRC Chair received an additional \$5,250;
- A per meeting fee of \$1,500 for meetings in excess of four scheduled meetings per year, or \$500 for ad hoc meetings with a single agenda item.

The compensation paid to the members (exclusive of statutory employer contributions) in respect of 2011 is as follows:

MEMBER NAME	RETAINER	MEETINGS ATTENDED/ SCHEDULED	NUMBER OF ADDITIONAL MEETINGS	ADDITIONAL PER MEETING FEES
Stephen Griggs	\$26,250	5/5	1	\$0
Jean Morissette	\$21,000	5/5	1	\$0
Robert Munroe	\$21,000	5/5	1	\$0

The compensation of the IRC in 2012 will change to the following:

- Annual retainer of \$21,750 per member, with the IRC Chair to receive an additional \$5,400;
- A per meeting fee of \$1,500 for meetings in excess of four scheduled meetings per year, or \$500 for ad hoc meetings with a single agenda item.

IRC Approvals and Recommendations

In 2011, the IRC gave a positive recommendation in respect of the following matters:

1. A proposal by IA Clarington to increase the level of subsidization of expenses in the IA Clarington Target Click Funds in response to difficult market conditions; and
2. proposed changes to the IA Clarington Target Click Funds including changes to the guarantor of the Target Click Funds', changes to the underlying fund forming the active component of the Target Click Funds' portfolios, and changes to the Target Click Funds' portfolio manager.

The IRC approved the following:

1. A harmonized error correction standing instruction relating to Fund errors; and
2. an inter-fund trade of securities between IA Clarington Global Tactical Income Fund and IA Clarington Tactical Income Fund.

The IRC is not aware of any instance in 2011 where IA Clarington acted in a conflict of interest matter referred to the IRC for which the IRC did not give a positive recommendation or where IA Clarington did not meet a condition imposed by the IRC in its recommendation or approval.

Yours truly,

"Stephen Griggs"

Chair of the Independent Review Committee

SCHEDULE A

LIST OF FUNDS

IA Clarington Bond Fund	IA Clarington Global Equity Class
IA Clarington Money Market Fund	IA Clarington Strategic Corporate Bond Fund
IA Clarington Short-Term Bond Fund	IA Clarington Canadian Growth Class
IA Clarington Short-Term Income Class	IA Clarington Global Small Cap Fund
IA Clarington Real Return Bond Fund	IA Clarington Global Value Fund
IA Clarington Tactical Bond Fund	IA Clarington Sarbit U.S. Equity Fund
IA Clarington Tactical Bond Class	IA Clarington Sarbit U.S. Equity Class (Unhedged)
IA Clarington Canadian Dividend Fund	Distinction Prudent Portfolio
IA Clarington Strategic Income Fund	Distinction Prudent Class
IA Clarington Dividend Growth Fund	Distinction Conservative Portfolio
IA Clarington Dividend Growth Class	Distinction Conservative Class
IA Clarington Strategic Equity Income Fund	Distinction Balanced Portfolio
IA Clarington Tactical Income Fund	Distinction Balanced Class
IA Clarington Tactical Income Class	Distinction Growth Portfolio
IA Clarington Monthly Income Balanced Fund	Distinction Growth Class
IA Clarington Global Dividend Fund	Distinction Bold Portfolio
IA Clarington Global Tactical Income Fund	Distinction Bold Class
IA Clarington Global Tactical Income Class	Distinction Monthly Income Portfolio Distinction
IA Clarington Canadian Balanced Fund	Monthly Income Class
IA Clarington Canadian Balanced Class	IA Clarington Inhance Monthly Income SRI Fund
IA Clarington Canadian Conservative Equity Fund	IA Clarington Inhance Canadian Equity SRI Class
IA Clarington Canadian Conservative Equity Class	IA Clarington Inhance Global Equity SRI Portfolio
IA Clarington Canadian Growth Fund	IA Clarington Inhance Conservative SRI Portfolio
IA Clarington Canadian Leaders Fund	IA Clarington Inhance Balanced SRI Portfolio
IA Clarington Canadian Leaders Class	IA Clarington Inhance Growth SRI Portfolio
IA Clarington Canadian Small Cap Fund	IA Clarington Target Click 2015 Fund
IA Clarington Canadian Small Cap Class	IA Clarington Target Click 2020 Fund
IA Clarington Energy Class	IA Clarington Target Click 2025 Fund
IA Clarington American Fund	IA Clarington Target Click 2030 Fund
IA Clarington Global Equity Fund	IA Clarington Aston Hill Tactical Yield Fund
	Clarington Limited Partnership 1997