

# IA Clarington Aston Hill Tactical Yield Fund

## Semi-Annual Financial Statements

June 30, 2011



*The Fund's auditor has not performed a review of the interim financial statements that are included in this report.*



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# Message to Unitholders

June 30, 2011

To Investors in IA Clarington Aston Hill Tactical Yield Fund:

We are pleased to present the semi-annual report for IA Clarington Aston Hill Tactical Yield Fund. The accompanying financial statements contain important information about your investment for the period ending June 30, 2011.

The markets had to cope with a series of unexpected setbacks during the first quarter of the year. Unsettling geopolitical events in the Middle East and North Africa, coupled with a catastrophic earthquake and tsunami in Japan, increased investor doubts and anxiety. As investors await for a return to calmer conditions on stock markets, our Portfolio Managers will continue to seek investment opportunities in quality businesses at attractive prices.

IA Clarington Aston Hill Tactical Yield Fund is a part of the IA Clarington investment fund family. We offer a broad selection of investment products managed by leading managers from across Canada and around the world.

If you have any questions or comments we would appreciate hearing from you. Please contact our Client Services team at 1-800-530-0204 or visit us at [www.iaclarington.com](http://www.iaclarington.com).

We appreciate your ongoing trust and look forward to continuing to serve your needs.

Sincerely,



David Scandiffio, CFA  
President  
IA Clarington Investments Inc.

# IA Clarington Aston Hill Tactical Yield Fund

## Statements of Net Assets

As at	June 30 2011 (unaudited) \$	Dec. 31 2010 (audited) \$
In thousands (except per unit figures)		
<b>ASSETS (Note 7)</b>		
Investments at fair value <sup>1</sup>	96,987	101,454
Cash	6,646	5,581
Receivable for investments sold	2,226	-
Interest, dividends and other receivable	1,003	1,461
Open currency contracts receivable (Note 9)	-	866
	<b>106,862</b>	<b>109,362</b>
<b>LIABILITIES</b>		
Loan payable (Note 7)	-	10,000
Expenses payable	274	287
Distributions payable	515	515
Payable for investments purchased	6,678	-
Open currency contracts payable (Note 9)	22	-
	<b>7,489</b>	<b>10,802</b>
<b>NET ASSETS</b>	<b>99,373</b>	<b>98,560</b>
<b>UNITHOLDERS' EQUITY</b>		
Retained earnings	2,781	1,968
Units at stated value (Note 8)	96,592	96,592
	<b>99,373</b>	<b>98,560</b>
<b>UNITS OUTSTANDING</b>	<b>10,300</b>	<b>10,300</b>
<b>NET ASSETS PER UNIT</b>	<b>9.65</b>	<b>9.57</b>
<sup>1</sup> Investments at cost	<b>95,482</b>	<b>98,834</b>

Approved on behalf of the Board of Directors of IA Clarington Investments Inc.



Normand Pépin, Director



David Scandiffio, Director

## Statements of Operations and Retained Earnings

For the periods ended June 30 (unaudited) (Note 1)	2011 \$	2010 \$
In thousands (except per unit figures)		
<b>INVESTMENT INCOME</b>		
Interest	2,285	844
Dividends	1,135	183
Securities lending (Note 11)	5	-
	<b>3,425</b>	<b>1,027</b>
Foreign withholding taxes	(38)	(1)
	<b>3,387</b>	<b>1,026</b>
<b>EXPENSES (Note 6)</b>		
Management fees	689	244
Service fees	220	78
Custodial fees	7	3
Audit fees	15	9
Independent review committee fees	2	1
Legal fees	-	1
Interest expense (Note 7)	125	-
Unitholder reporting costs	22	17
Unitholder administration expenses	45	39
	<b>1,125</b>	<b>392</b>
<b>NET INVESTMENT INCOME (LOSS)</b>	<b>2,262</b>	<b>634</b>
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND TRANSACTION COSTS</b>		
Realized gain (loss) on sale of investments	3,727	(1,702)
Realized gain (loss) on foreign currency	48	89
Change in unrealized gain (loss) of investments	(1,115)	(3,283)
Change in unrealized gain (loss) of foreign currency	(885)	31
Transaction costs (Note 2)	(134)	(128)
<b>NET GAIN (LOSS) ON INVESTMENTS</b>	<b>1,641</b>	<b>(4,993)</b>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	<b>3,903</b>	<b>(4,359)</b>
<b>RETAINED EARNINGS (DEFICIT), BEGINNING OF THE PERIOD</b>	<b>1,968</b>	<b>-</b>
Distributions	(3,090)	(1,287)
<b>RETAINED EARNINGS (DEFICIT), END OF THE PERIOD</b>	<b>2,781</b>	<b>(5,646)</b>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT</b>	<b>0.38</b>	<b>(0.43)</b>

## Statements of Changes in Net Assets

For the periods ended June 30 (unaudited) (Note 1)	2011 \$	2010 \$
In thousands		
<b>NET ASSETS – BEGINNING OF THE PERIOD</b>	<b>98,560</b>	<b>-</b>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	<b>3,903</b>	<b>(4,359)</b>
<b>UNITHOLDERS' TRANSACTIONS</b>		
Proceeds from issuance of units (Note 8)	-	96,592
<b>DISTRIBUTIONS TO UNITHOLDERS</b>		
From net investment income	(862)	-
From return of capital	(2,228)	(1,287)
	<b>(3,090)</b>	<b>(1,287)</b>
<b>INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD</b>	<b>813</b>	<b>90,946</b>
<b>NET ASSETS – END OF THE PERIOD</b>	<b>99,373</b>	<b>90,946</b>

## Statement of Cash Flow

For the period ended June 30 (unaudited) (Note 1)	2011 \$
In thousands	
<b>OPERATING ACTIVITIES</b>	
Net investment income (loss) (Note 7)	2,262
Investments purchased	(485,588)
Proceeds from sale of investments	495,088
Net change in non-cash operating working capital	2,393
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>14,155</b>
<b>FINANCING ACTIVITIES</b>	
Proceeds from loan facility (Note 7)	6,000
Repayment of loan facility (Note 7)	(16,000)
Distributions paid	(3,090)
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(13,090)</b>
Net increase (decrease) in cash during the period	1,065
<b>CASH, BEGINNING OF THE PERIOD</b>	<b>5,581</b>
<b>CASH, END OF THE PERIOD</b>	<b>6,646</b>
<b>SUPPLEMENTAL INFORMATION</b>	
Interest paid during the period	104

The accompanying Notes to the Financial Statements are an integral part of these statements.

# IA Clarington Aston Hill Tactical Yield Fund

## Statement of Investment Portfolio

As at June 30, 2011 (unaudited) In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$	Country	Number of Securities	Average Cost \$	Fair Value \$
<b>CANADIAN EQUITIES (38.86%)</b>				<b>TELECOMMUNICATION SERVICES (1.01%)</b>			
<b>ENERGY (15.72%)</b>				BCE Inc.			
ARC Resources Ltd.	41,100	933	1,026		26,500	1,002	1,002
Athabasca Oil Sands Corp.	36,500	589	553	<b>UTILITIES (2.21%)</b>			
Baytex Energy Corp.	21,500	815	1,127	Brookfield Renewable Power Fund			
Bonavista Energy Corp.	25,100	658	714		31,000	622	713
Calfrac Well Services Ltd.	11,900	382	377	Capstone Infrastructure Corp.			
Crescent Point Energy Corp.	30,975	1,270	1,375		72,900	552	570
Enbridge Inc.	26,000	698	813	Northland Power Inc.			
Enerplus Corp.	21,600	665	657		56,600	782	909
Gibson Energy ULC	70,000	1,120	1,122	1,956 2,192			
Inter Pipeline Fund, Class A	75,300	891	1,193	<b>TOTAL CANADIAN EQUITIES</b>			
Keyera Corp.	12,200	452	533		35,906		38,613
Legacy Oil + Gas Inc.	59,200	831	693	<b>U.S. EQUITIES (11.25%)</b>			
Longview Oil Corp.	72,900	729	842	<b>ENERGY (4.43%)</b>			
MEG Energy Corp.	10,900	433	546	Cameron International Corp.			
Mullen Group	18,200	382	369		10,530	590	510
Parallel Energy Trust	93,500	936	931	National-Oilwell Varco Inc.			
Talisman Energy Inc.	41,300	894	816		6,600	483	498
Trican Well Service Ltd.	38,500	889	871	Occidental Petroleum Corp.			
Vermilion Energy Inc.	18,100	639	921		9,300	919	933
Western Energy Services Corp.	19,450	152	141	PPL Corp., Pfd.			
					27,260	1,481	1,475
				Targa Resources Partners LP			
					30,600	975	986
				4,448 4,402			
		14,358	15,620	<b>MATERIALS (0.95%)</b>			
<b>MATERIALS (2.53%)</b>				Freeport-McMoRan Copper & Gold Inc.			
Agrium Inc.	11,900	981	1,006		7,300	375	373
Canexus Income Fund	126,400	804	844	The Dow Chemical Co.			
Goldcorp Inc.	14,200	572	661		16,400	422	569
				797 942			
		2,357	2,511	<b>CONSUMER DISCRETIONARY (2.98%)</b>			
<b>INDUSTRIALS (2.64%)</b>				Cinemark Holdings Inc.			
Ag Growth International Inc.	18,900	924	865		45,000	899	897
Canadian Pacific Railway Co.	14,200	846	853	Coach Inc.			
Chorus Aviation Inc., Class B	178,400	914	905		7,500	425	463
				Ford Motor Co.			
					53,500	778	711
				General Motors Corp., Pfd., Series B			
					19,000	1,071	891
				3,173 2,962			
		2,684	2,623	<b>FINANCIALS (2.08%)</b>			
<b>CONSUMER DISCRETIONARY (2.55%)</b>				Ally Financial Inc., Pfd., Series A			
Cineplex Inc.	58,700	1,218	1,561		46,000	1,126	1,111
Dollarama Inc.	30,000	975	977	Annaly Capital Management, Inc.			
					55,260	986	960
				2,112 2,071			
		2,193	2,538	<b>INFORMATION TECHNOLOGY (0.81%)</b>			
<b>FINANCIALS (12.20%)</b>				Microsoft Corp.			
Allied Properties Real Estate Investment Trust	28,400	579	675		31,950	885	800
Artis Real Estate Investment Trust	25,000	352	350	<b>TOTAL U.S. EQUITIES</b>			
Bank of Nova Scotia	16,187	970	939		11,415		11,177
Brookfield Office Properties Inc.	58,800	1,047	1,093	<b>FOREIGN EQUITIES (1.30%)</b>			
Brookfield Office Properties, Canada	27,600	608	613	<b>ENERGY (1.26%)</b>			
Canadian Real Estate Investment Trust	27,000	759	897	Schlumberger Ltd.			
Chartwell Seniors Housing Real Estate Investment Trust	42,900	387	359		8,400	740	700
CI Financial Corp.	19,800	456	452	Weatherford International Ltd.			
Cominar Real Estate Investment Trust	21,000	385	462		30,300	679	548
Davis & Henderson Income Corp.	34,600	630	678	1,419 1,248			
Dundee Real Estate Investment Trust	19,500	650	631	<b>MATERIALS (0.04%)</b>			
GMP Capital Inc., Pfd., Series B	12,000	300	296	African Minerals Ltd.			
H&R Real Estate Investment Trust	48,500	837	1,045		5,622	-	45
Northern Property Real Estate Investment Trust	8,100	242	246	<b>TOTAL FOREIGN EQUITIES</b>			
Primaris Retail Real Estate Investment Trust	25,000	515	525		1,419		1,293
RioCan Real Estate Investment Trust	38,100	838	985				
The Toronto-Dominion Bank	12,900	968	1,055				
TMX Group Inc.	19,000	833	826				
		11,356	12,127				

# IA Clarington Aston Hill Tactical Yield Fund

## Statement of Investment Portfolio (continued)

As at June 30, 2011 (unaudited) In thousands	Face Value \$	Average Cost \$	Fair Value \$	As at June 30, 2011 (unaudited) In thousands	Face Value \$	Average Cost \$	Fair Value \$
<b>CANADIAN BONDS (20.66%)</b>				<b>U.S. BONDS (24.57%)</b>			
<b>CORPORATES (20.66%)</b>				<b>CORPORATES (24.57%)</b>			
Air Canada (USD) 9.250%, 2015-08-01	2,000	2,002	1,992	African Minerals Ltd. 11.500%, 2013-02-10	1,000	994	964
Bell Aliant Regional Communications, LP 5.410%, 2016-09-26	2,000	2,173	2,128	Allen Systems Group Inc. 10.500%, 2016-11-15	750	741	730
Calloway Real Estate Investment Trust 5.000%, 2019-02-01	2,000	2,020	1,985	American Casino & Entertainment Properties LLC 11.000%, 2014-06-15	1,656	1,710	1,663
CCS Inc. (USD) 11.000%, 2015-11-15	1,000	1,051	995	Appleton Papers Inc. 11.250%, 2015-12-15	1,000	936	964
Connacher Oil and Gas Ltd. 8.750%, 2018-08-01	450	450	443	Bank of America Corp. 8.000%, 2049-12-29	750	769	731
Connacher Oil and Gas Ltd. (USD) 8.500%, 2019-08-01	500	489	457	Brown Shoe Co. Inc. 7.125%, 2019-05-15	500	471	461
Data & Audio-Visual Enterprises Holdings Inc. 9.500%, 2018-04-29	1,000	1,000	1,000	Calfrac Holdings LP 7.500%, 2020-12-01	395	396	383
Detour Gold Corp., Conv. (USD) 5.500%, 2017-11-30	400	450	421	Chaparral Energy Inc. 8.875%, 2017-02-01	500	515	498
Essar Steel Algoma Inc. (USD) 9.375%, 2015-03-15	1,000	1,069	963	Chrysler Group Co./CG Co-Issuer Inc. 8.000%, 2019-06-15	1,000	970	939
Flint Energy Services Ltd. 7.500%, 2019-06-15	500	495	495	Freescale Semiconductor Inc. 10.125%, 2018-03-15	1,000	1,093	1,059
Garda World Security Corp. 9.750%, 2017-03-15	500	533	532	Harrah's Operating Company Inc. 11.250%, 2017-06-01	1,000	1,088	1,065
MDC Partners Inc. (USD) 11.000%, 2016-11-01	500	535	529	Hercules Offshore LLC 10.500%, 2017-10-15	1,000	1,004	999
MEG Energy Corp. (USD) 6.500%, 2021-03-15	1,000	989	963	IMS Health Inc. 12.500%, 2018-03-01	1,000	1,162	1,148
NEO Material Technologies Inc. (USD) 5.000%, 2017-12-31	500	485	484	MGM Resorts International 6.625%, 2015-07-15	500	478	456
RTL-Westcan LP 9.500%, 2017-04-07	2,000	1,970	2,070	MGM Resorts International 7.625%, 2017-01-15	1,000	928	929
Savanna Energy Services Corp. 7.000%, 2018-05-25	800	800	796	Midwest Gaming Borrower, LLC 11.625%, 2016-04-15	1,000	1,044	1,038
SkyLink Aviation Inc. 12.250%, 2016-03-15	1,000	1,000	998	NCL Corporation Ltd. 11.750%, 2016-11-15	1,000	1,138	1,113
Southern Pacific Resource Corp., Conv. 6.000%, 2016-06-30	500	500	512	Niska Gas Storage US, LLC 8.875%, 2018-03-15	1,000	1,076	1,011
Tembec Industries Inc. (USD) 11.250%, 2018-12-15	1,000	1,084	1,014	PHI Inc. 8.625%, 2018-10-15	1,000	1,017	1,010
Trident Exploration Corp. 8.250%, 2018-04-13	350	340	341	Pioneer Drilling Co. 9.875%, 2018-03-15	500	532	516
Vermilion Energy Inc. 6.500%, 2016-02-100	400	400	407	Rite Aid Corp. 8.000%, 2020-08-15	1,000	1,048	1,039
Videotron Ltd. 6.875%, 2021-07-15	500	500	502	RSC Equipment Rental Inc. 10.000%, 2017-07-15	1,450	1,627	1,557
WesternOne Equity Income Fund 8.000%, 2018-06-30	500	500	504	Seven Seas Cruises 9.125%, 2019-05-15	2,500	2,501	2,501
				Visteon Corp. 6.750%, 2019-04-15	1,000	965	919
<b>TOTAL CANADIAN BONDS</b>		<b>20,835</b>	<b>20,531</b>	WP Rocket Merger Sub, Inc. 10.125%, 2019-07-15	500	493	482
				Xinergy Corp. 9.250%, 2019-05-15	250	237	244
				<b>TOTAL U.S. BONDS</b>		<b>24,933</b>	<b>24,419</b>
				<b>FOREIGN BONDS (0.96%)</b>			
				<b>CORPORATES (0.96%)</b>			
				Consolidated Minerals Ltd. (USD) 8.875%, 2016-05-01	1,000	974	954
				<b>TOTAL INVESTMENT PORTFOLIO (97.60%)</b>		<b>95,482</b>	<b>96,987</b>
				OTHER NET ASSETS (2.40%)			2,386
				<b>TOTAL NET ASSETS (100.00%)</b>			<b>99,373</b>

The accompanying Notes to the Financial Statements are an integral part of these statements.

# IA Clarington Aston Hill Tactical Yield Fund

## Discussion of Financial Instrument Risk Management

As at June 30, 2011 (unaudited) and December 31, 2010 (Note 2 and Note 4) (in thousands of \$)

### Fair Value Measurements

As at June 30, 2011 and December 31, 2010, IA Clarington Aston Hill Tactical Yield Fund (the "Fund") had the following assets carried at fair value listed in the tables below. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities. For more information on valuation inputs, and their aggregation into the levels, please refer to the Valuation of Investments section in the accompanying Notes to the Financial Statements.

According to the hierarchy of fair value valuations, cash and bank overdraft are always valued according to level 1 parameters and are not part of the following tables.

#### As at June 30, 2011

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	51,083	–	–	51,083
Investment funds	–	–	–	–
Bonds	–	43,940	1,964	45,904
Short-term investments	–	–	–	–
Derivative financial instruments	–	(22)	–	(22)
Total	51,083	43,918	1,964	96,965

#### As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	46,803	–	–	46,803
Investment funds	–	–	–	–
Bonds	–	54,651	–	54,651
Short-term investments	–	–	–	–
Derivative financial instruments	–	866	–	866
Total	46,803	55,517	–	102,320

During the 6-month period ended June 30, 2011, there were no significant transfers between the levels.

The following table provides financial instruments recognized at fair value and for which Level 3 inputs were used in determining fair value for the period ended June 30, 2011:

	Fair Value Measurements for Level 3 Securities
	June 30, 2011 Bonds (\$)
Balance – beginning of period	–
Realized gain (loss) on sale of investments	–
Change in unrealized gain (loss) of investments	(30)
Purchases	1,994
Sales	–
Transfers into of Level 3	–
Transfers out of Level 3	–
Balance – end of period	1,964
Change in unrealized gain (loss) of investments held at end of period	(30)

### Credit Risk

As at June 30, 2011 and December 31, 2010, the Fund had invested in debt instruments with the following credit ratings:

Debt Instruments* by Credit Rating	Percentage of Net Assets as at June 30, 2011 (%)	Percentage of Net Assets as at December 31, 2010 (%)
A	–	0.25
BBB	5.62	11.27
BB	3.22	7.21
B	29.34	29.83
CCC	5.58	6.15
C	1.12	–
pf-d-3	0.30	–
Not rated	4.81	0.99

\* Excludes other Net Assets

Credit ratings are obtained from DBRS, Standard & Poor's or Moody's.

# IA Clarington Aston Hill Tactical Yield Fund

## Discussion of Financial Instrument Risk Management (continued)

As at June 30, 2011 (unaudited) and December 31, 2010 (Note 2 and Note 4) (in thousands of \$)

### Liquidity Risk

Liquidity risk represents the contingency that the Fund will be unable to gather the funds required in meeting obligations associated with financial liabilities at the appropriate time and under reasonable conditions. The Fund mitigates liquidity risk by closely monitoring its working capital position, ensuring sufficient cash, short-term investments or readily marketable securities are available to meet all liabilities when due.

In addition, the Fund is authorized to borrow funds, provided that the amount of the borrowing does not exceed 20% of the Net Asset Value of the Fund, to a maximum of \$20,000.

### Interest Rate Risk

The tables below summarize the Fund's exposure to interest rate risk by remaining terms to maturity as at June 30, 2011 and December 31, 2010. If the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, the Net Assets would have respectively decreased or increased by the amount presented under "Impact on Net Assets." The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### As at June 30, 2011

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non-interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	3,156	39,611	3,137	—	51,083	96,987	1,301
Cash and loan payable	6,646	—	—	—	—	6,646	—
Other assets	—	—	—	—	3,229	3,229	—
Liabilities	—	—	—	—	7,489	7,489	—

#### As at December 31, 2010

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non-interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	8,304	40,725	5,622	—	46,803	101,454	1,426
Cash and loan payable	(4,419)	—	—	—	—	(4,419)	—
Other assets	—	—	—	—	2,327	2,327	—
Liabilities	—	—	—	—	802	802	—

### Currency Risk

The tables below summarize the Fund's exposure to currency risk and the impact on Net Assets as at June 30, 2011 and December 31, 2010, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### As at June 30, 2011

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
GBP	45	—	45	0.05	2
USD	45,965	(38,345)	7,620	7.67	381

#### As at December 31, 2010

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
EUR	3,431	—	3,431	3.48	172
USD	42,685	(36,331)	6,354	6.45	318

See Note 9 to the Financial Statements for currency symbols.

### Other Price Risk

As at June 30, 2011 and December 31, 2010, the estimated impact on the Net Assets of the Fund due to a reasonably possible change in benchmark, with all other variables held constant, is presented in the tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### As at June 30, 2011

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX Universe Bond Index	3.00	40.00	1.17	1,164
S&P/TSX Composite Index	10.00	60.00	5.85	5,818

#### As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX Universe Bond Index	3.00	40.00	1.25	1,228
S&P/TSX Composite Index	10.00	60.00	6.23	6,139

# Notes to the Financial Statements (unaudited)

June 30, 2011 (in thousands of \$ or units, except for per unit amounts)

## 1- The Fund

### a) Establishment and Legal Structure of the Fund

IA Clarington Aston Hill Tactical Yield Fund (the "Fund") is a closed-end investment fund established under the laws of the Province of Ontario as at March 29, 2010. The manager and trustee of the Fund is IA Clarington Investments Inc. (the "Manager"). The Fund's portfolio advisor is Aston Hill Investments Inc. (formerly named Catapult Financial Management Inc., the "Portfolio Advisor"), which has been engaged to provide advisory services to the Manager pursuant to an investment advisory agreement dated March 29, 2010. The Manager pays a fee to the Portfolio Advisor for services rendered.

### b) Financial Reporting Dates

The Statements of Net Assets are as at June 30, 2011 and December 31, 2010. The Statements of Operations and Retained Earnings and the Statements of Changes in Net Assets are for the period ended June 30, 2011 and April 19, 2010 to June 30, 2010, and the Statement of Cash Flow is for the period ended June 30, 2011. The Statement of Investment Portfolio is at June 30, 2011.

## 2- Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and National Instrument 81-106 Investment Fund Continuous Disclosure ("NI 81-106"), and include estimates and assumptions made by management that may affect the reported amount of assets, liabilities, income and expenses during the reporting period. Actual results could differ from these estimates.

### Financial Instruments – Recognition and Measurement

The Net Assets of an investment fund for financial reporting purposes are calculated in accordance with Section 3855 Financial Instruments – Recognition and Measurement of the Canadian Institute of Chartered Accountants ("CICA") Handbook. In this section, the fair value of financial assets quoted on an active market are based on the bid price for a long position and the ask price for a short position rather than according to the closing price. The "Net Assets per Unit" and "Net Assets" as determined according to Canadian GAAP is used for financial statement purposes only. The "Net Asset Value per Unit," "Net Asset Value" or "NAV" calculated in accordance with NI 81-106 part 14 is used for all other purposes. The Net Assets per Unit versus the Net Asset Value per Unit are disclosed in Note 5.

The significant accounting policies are as follows:

#### a) Valuation of Investments

Investments are categorized as held for trading in accordance with Section 3855 and therefore are recorded at fair value.

Section 3862, Financial Instruments – Disclosures establishes a disclosure hierarchy that categorizes the inputs to valuations techniques used to value assets and liabilities at measurements date. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities. The hierarchy gives the highest priority to readily available unadjusted quoted prices in active markets for identical assets and lowest priority to unobserved inputs when market prices are not readily available or reliable. The three levels of the hierarchy are described below:

Level 1 – Valuation based on quoted prices in active markets (unadjusted) for identical assets or liabilities.

Level 2 – Valuation model based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Valuation model based on significant unobservable inputs that are supported by little or no market activity.

Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

### Credit risk and the Fair Value of Financial Assets and Financial Liabilities

In accordance with EIC-173 Credit Risk and Fair Value of Financial Assets and Financial Liabilities, the Fund considers its own credit risk and the credit risk of the counterparty when determining the fair value of its financial assets and financial liabilities, including derivative financial instruments.

#### i) Equities

Each listed investment security is valued at the latest bid price reported by the principal securities exchange on which the issue is traded or, if no bid price is reported, the closing sale price is used. Securities which are traded over-the-counter are priced at the bid price quoted by a major dealer in such securities.

#### ii) Bonds

Fixed-income investments are valued on bid prices using independent pricing services or by dealers who make markets in such securities. Pricing services consider yield or price of fixed-income securities of comparable quality, coupon, maturity and type as well as dealer supplied prices.

#### iii) Short-term investments

Short-term investments are accounted for at the bid rate using valuations based on a matrix system which considers such factors as security prices, yields and maturities of similar benchmarks.

The difference between the total fair value and the total cost of securities corresponds to the unrealized gain (loss) on investments, which is applicable for items 2i to 2iii.

#### iv) Cash and loan payable

Cash, loan payable and Bank overdraft are deemed to be held for trading and carried at fair value.

#### v) Derivative financial instruments

The fair value of currency contracts is based on current market quotes for the underlying currencies, whereby forward bid rates (for currencies held) and forward ask rates (for currencies sold short) are used. Gains or losses from daily valuation are included in "Change in unrealized gain (loss) of foreign currency." Realized gains or losses from settlement are included in "Realized gain (loss) on foreign currency."

If an investment security cannot be valued under the above criteria or under any valuation criteria set out in securities legislation, or if any of the valuation criteria adopted by the Manager but not set out in securities legislation, are at any time considered by the Manager to be inappropriate in the circumstances, then the Manager shall use a valuation that it considers to be fair in the circumstances.

### b) Investment Transactions and Income

Investment transactions are accounted for on the trade date (date that the order to buy or sell is executed). Dividend and income trust income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis and includes realized foreign exchange gains or losses on short-term investments. Realized and unrealized gains and losses of investments are calculated on an average cost basis, without giving effect to transaction costs.

### c) Transaction Costs

Transaction costs are expensed and are included in "Transaction costs" in the Statements of Operations and Retained Earnings. Transaction costs are incremental costs that are directly attributable to the acquisition, issuance or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

# Notes to the Financial Statements (unaudited)

June 30, 2011 (in thousands of \$ or units, except for per unit amounts)

## d) Foreign Currency Translation

The fair value of foreign currency denominated portfolio investments, foreign currency holdings and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange applicable on the valuation date. Investment transactions, income and expenses are translated at the rates of exchange on the dates of such transactions.

Realized and unrealized foreign currency gains or losses on investments are included in "Realized gain (loss) on sale of investments" and "Change in unrealized gain (loss) of investments," respectively. Realized and unrealized foreign currency gains or losses on assets other than investments, and on liabilities and income denominated in foreign currencies are included in "Realized gain (loss) on foreign currency" and "Change in unrealized gain (loss) of foreign currency," respectively.

## e) Increase (Decrease) In Net Assets from Operations Per Unit

Increase (decrease) in Net Assets from Operations per Unit in the Statements of Operations and Retained Earnings represents the increase (decrease) in Net Assets from Operations divided by the average number of Units outstanding during the period.

## f) Other Net Assets

Other financial assets and liabilities are short-term items and are recorded at cost or amortized cost. Interest, dividends and other receivable, receivable for investments sold, and other assets are designated to be loans and receivables. Similarly, redemption payable, payable for investments purchased, loan payable, and expenses payable are designated to be financial liabilities. As a result of their term, their carrying value approximates their fair value.

## 3- Change in Accounting Policies

### Future Change in Accounting Policies

#### *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 to January 1, 2013 the mandatory adoption of IFRS for investment funds that apply the Accounting Guideline on Investment Companies ("AcG-18") 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.

## 4- Management of Financial Risks

The Fund's investment activities expose it to a variety of financial risks which may include: credit risk, liquidity risk and market risk (including interest rate risk, currency risk and other price risk). The value of investments within the Fund's portfolio can fluctuate from day to day, reflecting changes in interest rates, economic conditions, and market and company news related to specific securities within the Fund. The Statement of Investment Portfolio groups securities by asset type, geographic region,

and market segment. The level of risk depends on the Fund's investment objectives and strategy.

The Manager manages the potential adverse effects of the financial risks on the Fund's performance by a Portfolio Advisor that regularly monitors the Fund's positions and market events and diversify the investment portfolio within the constraints of the investment guidelines. The Fund's overall risk management practice involves oversight of investment activities and monitoring and testing of compliance with the Fund's investment strategy and securities regulations.

### Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

Credit risk can also arise when there is a concentration of investments in entities with similar operations, in a same sector of activity, in a same geographic region or when a substantial investment is made with a single entity.

The Fund's investment strategy aims to limit this risk by ensuring sound diversification, by limiting exposure to a same issuer and by seeking a relatively high quality of issuers. The fair value of debt instruments includes consideration of the credit worthiness of the issuer, and represents the maximum credit risk exposure of the Fund.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

### Liquidity Risk

Liquidity risk represents the contingency that the Fund will be unable to gather the cash required to respect its financial obligations at the appropriate time and under reasonable conditions. The Fund's exposure to liquidity risk is limited to redemptions, which occur monthly for which the Manager receives 10 days' prior notice, or annually, for which the Manager receives 15 days' prior notice.

### Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of interest-bearing financial instruments. The Fund is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash, loan payable and short-term investments because they are invested at short-term market interest rates and usually held to maturity.

### Currency Risk

The Fund is exposed to the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises from holding financial instruments denominated in currencies other than the Canadian dollar, which represents the functional currency of the Fund.

### Other Price Risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market. All investments present a risk of loss of capital. The Portfolio Advisor of the Fund moderates this risk through a careful selection and diversification of securities and other financial instruments within the parameters of the Fund's investment objectives and strategy. Except for options and currency contracts, the maximum risk resulting from financial instruments is equivalent to their fair value. The Fund's overall market positions are monitored on a daily basis by the Fund's Portfolio Advisor.

Refer to the Discussion of Financial Instrument Risk Management for Fund specific risk disclosure.

# Notes to the Financial Statements (unaudited)

June 30, 2011 (in thousands of \$ or units, except for per unit amounts)

## 5- Comparison of Net Asset Value per Unit and Net Assets per Unit

Net Assets per Unit are the Net Assets of the Fund divided by the number of units outstanding at period end. Net Asset Value per Unit is the Net Asset Value of the Fund divided by the number of units outstanding, in accordance with NI 81-106, at period end.

In accordance with NI 81-106, a comparison between the Net Asset Value per Unit and the Net Assets per Unit of an investment fund, is required as described in Note 2.

The impact of Section 3855 is as follows:

	Net Asset Value per Unit (\$)	Net Assets per Unit (\$)
<b>As at June 30, 2011</b>	<b>9.66</b>	<b>9.65</b>
<b>As at December 31, 2010</b>	<b>9.58</b>	<b>9.57</b>

## 6- Related Party Transactions

### a) Fund Accounting

For the provision of fund accounting services, the Fund paid a fee to Industrial Alliance Insurance and Financial Services Inc. ("Industrial Alliance"). The Manager is wholly owned by Industrial Alliance.

As of June 30, 2011 and 2010, the amount paid to Industrial Alliance for fund accounting services was \$7 and \$2 respectively.

### b) Management Fees

As compensation for management services rendered to the Fund, the Manager is entitled to receive an annual management fee in an amount equal to 1.25% of the NAV of the Fund calculated daily and payable monthly in arrears plus applicable taxes.

The Harmonized Sales Tax for Ontario and British Columbia came into effect July 1, 2010, combining the Goods and Services Tax and retail sales tax into a single sales tax.

### c) Administrative Expenses

The Fund is also responsible for all its expenses incurred in connection with its operations and administration, including but not limited to custodial fees, audit fees, accounting fees, independent review committee fees, legal fees, unitholder reporting costs and administration expenses.

### d) Service Fees

The Manager collects service fees and pays to registered dealers of the Fund an annual fee of 0.40% of the NAV held by clients of the registered dealers, calculated and payable quarterly.

## 7- Loan Facility

The Manager, on behalf of the Fund, has entered into a revolving term credit facility with a major Canadian chartered bank. The Fund may borrow up to a maximum principal amount of \$20,000 or 20% of the Fund's NAV, determined at the time of borrowing, in the form of Bankers' Acceptances, Prime Rate loans, Base Rate Canada loans, LIBOR loans or any combination thereof. Amounts borrowed from the lender are collateralized by a security interest in the assets of the Fund. The loan facility bears interest at the rate per annum equal to (a) in the case of Prime Rate loans, the Prime Rate, (b) in the case of Base Rate Canada loans, the Alternate Base Rate Canada, and (c) in the case of LIBOR loans,

LIBOR plus 0.75%. In addition, the Fund is required to pay a commitment fee of 0.1875% per annum on the unused portion of the maximum principal amount, as calculated daily.

As at June 30, 2011 the Fund had paid down all of its loan obligation on its loan facility. The minimum amount borrowed in the period was \$5,000. The maximum amount borrowed in the period was \$16,000.

## 8- Unit Capital

The Manager considers the Fund's capital to consist of unitholders' equity which represents the Net Assets of the Fund. The Fund's capital is managed in accordance with its investment objectives. The Statements of Changes in Net Assets identifies the changes in the Fund's capital during the period. The Fund has a cash constraint due to redemptions, which occur monthly for which the Manager receives 10 days' prior notice, or annually, for which the Manager receives 15 days' prior notice.

On April 19, 2010, the Fund completed an initial public offering of 10,000,000 trust Units (the "Units") at \$10 per Unit. On April 30, 2010, an over-allotment option granted to agents was exercised for an additional 300,000 Units at \$10 per Unit. Each Unit consists of one transferable trust Unit and one warrant unit. Each warrant unit entitles the holder to purchase one trust Unit at a subscription price of \$10 at or before 5:00 p.m. (Eastern Standard Time) on April 29, 2011, the warrant expiry time. The Fund's Units are listed on the Toronto Stock Exchange (the "TSX") under the symbol TYF.UN.

The Fund will implement a conversion on or before April 30, 2012 (the "Conversion Date"), either by way of conversion to an open-ended mutual fund or by way of a merger with an open-ended mutual fund managed by the Manager or an affiliate thereof.

The Fund has a monthly and annual redemption feature. A unitholder may redeem a Unit monthly for a redemption price equal to the lesser of (i) 94% of the weighted average trading price of the Units on the TSX for the ten trading days before the monthly redemption date (which is the second last business day of each month, except for September 2011, March 2012 and April 2012), and (ii) 100% of the closing price on the TSX on the monthly redemption date, less brokerage fees, commissions and other costs incurred by the Fund in connection with the redemption. A unitholder may also redeem a Unit for a redemption price equal to the Net Asset Value per Unit on the last business day of September 2011 and March 2012, less brokerage fees, commissions and other costs incurred by the Fund in connection with the redemption.

The movement in Unit Capital is summarized as follows:

### June 30, 2011

	Warrants	Units	\$
<b>Opening Balance</b>	<b>10,300</b>	<b>10,300</b>	<b>96,952</b>
Sales of units	-	-	-
Agent fees	-	-	-
Unit issue costs	-	-	-
Units redeemed	-	-	-
Expiration of Warrants	(10,300)	-	-
<b>Ending Balance</b>	<b>-</b>	<b>10,300</b>	<b>96,952</b>

### December 31, 2010

	Warrants	Units	\$
<b>Opening Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>
Sales of units	10,300	10,300	103,000
Agent fees	-	-	(5,408)
Unit issue costs	-	-	(1,000)
Units redeemed	-	-	-
Expiration of Warrants	-	-	-
<b>Ending Balance</b>	<b>10,300</b>	<b>10,300</b>	<b>96,952</b>

# Notes to the Financial Statements (unaudited)

June 30, 2011 (in thousands of \$ or units, except for per unit amounts)

The security exchange option, as part of the initial public offering, was exercised and resulted in issuing 365 Units to unitholders, in lieu of cash. The total cash proceeds of the initial public offering, net of expenses, was \$92,942.

## 9- Currency Contracts

The Fund has entered into currency contracts.

The details of these currency contracts as at June 30, 2011 are as follows:

Settlement Date	Number of Contracts		To Purchase (\$)		To Sell (\$)	Unrealized Gain (Loss) – CAD (\$)
August 17, 2011	6	CAD	30,015	USD	31,200	(111)
October 12, 2011	2	CAD	8,308	USD	8,500	89
	<u>8</u>					<u>(22)</u>

EUR — Euro; USD — United States Dollar

## 10- Income Taxes

Temporary differences between the carrying values of assets and liabilities for accounting and income tax purposes give rise to future income tax assets and liabilities. The most significant temporary difference is that between the reported fair value of the Fund's investment portfolio and its adjusted cost base ("ACB") for income tax purposes. To the extent that the fair value of the Fund's portfolio exceeds its ACB, a future tax liability arises. Since capital gains taxes payable by the Fund are refundable under the relevant provisions of the Canadian *Income Tax Act*, the future tax liability is fully offset by these future refundable taxes. Conversely, when the ACB exceeds the fair values of the portfolio, a future tax asset is generated. In such cases, a full valuation allowance is taken to offset this asset given the uncertainty that such future tax assets will ultimately be realized. Unused capital and non-capital losses represent future tax assets to the Fund for which a full valuation allowance has been established such that no net benefit has been recorded by the Fund.

The Fund qualifies as a mutual fund trust under the provisions of the Canadian *Income Tax Act*, and, accordingly, is not subject to income tax on the portion of its net investment income, including net realized gains, that is distributed to unitholders. Such distributed income is taxable in the hands of the unitholders. Income tax on net realized capital gains is generally recoverable, as redemptions occur, by virtue of the refunding provisions contained in the Canadian *Income Tax Act*. No provision for income taxes has been recorded in the accompanying financial statements as sufficient income and net realized capital gains are distributed to the unitholders.

	Capital Losses (\$)
As at the 2010 tax year end	<u>413</u>

These capital losses may not be allocated among the unitholders but may be carried forward against capital gains of the Fund in future years. Capital losses may be carried forward indefinitely.

## 11- Securities Lending

The Fund may enter into securities lending transactions. These transactions will be used in conjunction with other investment strategies in order to seek enhanced returns. The minimum allowable collateral is 102% of the fair value of the loaned securities. This amount is deposited by the borrower with a lending agent until the underlying security has been returned to the Fund in order to provide for the risk of counterparty default or collateral deficiency. The fair value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market values fluctuate. It is the Fund's practice to obtain a guarantee from the lending agent against counterparty default, including collateral deficiency. Income from securities lending is disclosed separately in the Statements of Operations and Retained Earnings.

	Aggregate Value of Securities on Loan (\$)	Aggregate Value of Collateral for Loan (\$)
As at June 30, 2011	<u>6,643</u>	<u>6,858</u>
As at December 31, 2010	<u>8,652</u>	<u>8,967</u>

## 12- Soft Dollar Commissions

In addition to paying for the cost of brokerage services in respect of security transactions, commissions paid to certain brokers may also cover research services provided to the investment manager. The value of the research services included in the commissions paid by the Fund to brokers are as follows:

Soft Dollar Commissions (\$)	
As at June 30, 2011	As at June 30, 2010
<u>12</u>	<u>–</u>



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