

IA Clarington Investments Inc.

Simplified Prospectus

September 16, 2011

Offering Series A, Series E, Series E5, Series F, Series F5, Series I, Series L, Series L5, Series O and Series T5 units of:

IA Clarington Strategic Corporate Bond Fund
(the "Fund")

No securities regulatory authority has expressed an opinion about the merits of the Fund's units and it is an offence to claim otherwise. The Fund and the units of the Fund offered under this Simplified Prospectus are not registered with the United States Securities and Exchange Commission and they are sold in the United States only in reliance on exemptions from registration.

IA Clarington Investments Inc. also offers the IA Clarington Funds and the IA Clarington Target Click Funds, which are each described in separate simplified prospectuses and annual information forms.

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Introduction

This simplified prospectus contains selected important information to help you make an informed investment decision and to help you understand your rights as an investor. Throughout this simplified prospectus:

- “we”, “us”, “our” or “IA Clarington” refers to IA Clarington Investments Inc.,
- “Industrial Alliance” refers to Industrial Alliance Insurance and Financial Services Inc.,
- “you” refers to everyone who invests in our Fund,
- “Fund” refers to IA Clarington Strategic Corporate Bond Fund, the mutual fund offered by IA Clarington under this simplified prospectus,
- “IA Clarington Funds” refers to the Fund, as well as to the IA Clarington Funds and the IA Clarington Target Click Funds, which are offered by IA Clarington under separate simplified prospectuses,
- “unitholder” refers to an investor in the Fund, and
- “securities” refers to units or shares of the IA Clarington Funds.

This simplified prospectus contains information about the Fund and the risks of investing in mutual funds generally, as well as the names of the firms responsible for the management of the Fund. Additional information about the Fund is available in the following documents:

- the Fund’s Annual Information Form,
- the Fund’s most recently filed Fund Facts,
- the Fund’s most recently filed annual financial statements, once available,
- any interim financial statements of the Fund filed after those annual financial statements,
- the most recently filed annual management report of fund performance, once available, and
- any interim management report of fund performance filed after that annual management report of fund performance.

These documents are incorporated by reference into this simplified prospectus, which means that they legally form part of this document just as if they were printed as part of this document. You can get a copy of these documents, at your request and at no cost, by calling us toll free at **1-800-530-0204** or from your dealer.

These documents are also available on IA Clarington’s Internet site at **www.iaclarington.com** or by contacting the Fund at **funds@iaclarington.com**.

These documents and other information about the Fund are also available at **www.sedar.com**.

What is a Mutual Fund and What are the Risks of Investing in a Mutual Fund?

What is a Mutual Fund?

A mutual fund is a pool of money contributed by investors with similar investment objectives. Investors in the mutual fund share the income, expenses, gains and losses that the mutual fund makes on its investments according to the amount of the mutual fund they own.

There are several benefits to investing in a mutual fund as opposed to investing by yourself. An investment in a mutual fund gives you the opportunity to participate with other investors with similar investment objectives in professionally managed investment portfolios. Professional portfolio advisors make the investment decisions for the mutual fund in accordance with its investment objectives. Mutual funds also enable you to diversify your investment portfolio, which may be difficult for most individual investors to achieve.

How is a Mutual Fund Structured?

Trust or Corporation

A mutual fund may be set up as a trust or a corporation. The Fund is an open-ended mutual fund trust governed by a master declaration of trust under the laws of Ontario. The property and investments of the Fund are held in trust by IA Clarington as trustee. There is no limit to the number of units of the Fund you can buy.

Series of Units

The Fund offers ten series of units: Series A, Series E, Series E5, Series F, Series F5, Series I, Series L, Series L5, Series O and Series T5 units. Some of the other IA Clarington Funds offer other series of securities, including Series B, Series E6, Series F6, Series F8, Series F10, Series L6, Series L8, Series L10, Series LM, Series M, Series M6, Series M8, Series Q, Series T6, Series T8, Series T10, Series V, Series X and Series Y securities. A description of these securities can be found in the simplified prospectuses of the other IA Clarington Funds. A series of units may be viewed as a subdivision of the Fund for certain purposes (e.g. calculation of fees), but for other purposes (e.g. investment activity) the Fund remains undivided. See *“Purchases, Switches and Redemptions — Series of Units”* on page 6 for more information.

Throughout this document, unless we specify otherwise, all references to Series E units include Series E and Series E5 units, all references to Series F units include Series F and Series F5 units and all references to Series L units include Series L and Series L5 units.

What are the General Risks of Investing in Mutual Funds?

Mutual funds own different types of investments, depending upon their investment objectives. The value of these investments will change from day to day, reflecting changes in interest rates, economic conditions and market and company news. As a result, the value of a mutual fund's securities may go up and down and the value of your investment in a mutual fund may be more or less when you redeem it than when you purchased it.

Securities held by the Fund that are traded on a public exchange are generally valued based on their most recent closing sale price. If the price is not available or if the price is not a true reflection of the value of the security, we will use another method to determine the value. This practice is called fair value pricing. It may happen for many reasons, including where the value is affected by events that occur after a market where the security is principally traded has closed or where there has been minimal or infrequent trading in a security.

We use fair value pricing for all non-North American equity securities held by the Fund to avoid stale

prices being used in calculating the net asset value of the Fund.

The full amount of your investment in any IA Clarington Fund is not guaranteed. Unlike bank accounts or GICs, mutual fund units are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.

Under exceptional circumstances, a mutual fund may suspend redemptions. Please see *“Purchases, Switches and Redemptions”* on page 5 for more information.

Different Mutual Funds have Different Risks

All investments, including mutual funds, carry the risk that you will lose money or not make money. The degree of risk from one mutual fund to another varies considerably. Generally speaking, investments with the highest potential return carry the greatest risk.

In deciding how much risk you are prepared to take, you should consider how soon you will need the money you are investing. The longer you can leave your money invested, the more time there is for short-term market declines to be reversed.

What are the Specific Risks Associated with Mutual Funds?

Below are some of the specific risks that can affect the value of your investments in the Fund.

Capital Depletion Risk

Some units of the Fund are designed to provide a monthly cash flow to investors. A significant portion of this cash flow will be paid as a return of capital. Returns of capital may reduce the net asset value per security of the particular series of the Fund. As well, returns of capital may reduce the total assets of the Fund available for investment, which may reduce the ability of the Fund to generate future returns.

Credit Risk

This is the risk that the issuer of debt securities purchased by the Fund will not pay that obligation. This includes the risk that an issuer may suffer adverse changes in its financial condition, causing the credit rating of its securities to lower and increasing the volatility of the securities' price. Changes in the credit rating of a security can affect

its liquidity, making it more difficult to sell. If any of these events occurs, the Fund may suffer a loss.

Currency Risk

This is the risk that changes in the value of the Canadian dollar, compared to foreign currencies, will affect the value of securities in the Fund.

Derivatives Risk

A derivative is a contract between two parties, the value of which is based on the performance of other investments, such as equities, bonds, currencies or a market index. Derivatives may be traded in the over-the-counter market or on a stock exchange. A derivative is commonly a future or a forward contract or an option, but there are other types of derivative instruments as well. Futures or forward contracts are agreements to buy or sell a security, commodity or currency for a certain price on a certain future date. Options give the buyer the right to buy or sell a security, commodity or currency for a certain price on a certain future date. Derivatives may be used to limit, or hedge against, losses that may occur because of the Fund's investment in a security or exposure to a currency or market. This is called hedging. Derivatives may also be used to obtain exposure to financial markets, reduce transaction costs, create liquidity or increase the speed of portfolio transactions. These investments are made for non-hedging purposes. The following risks are associated with using derivatives:

- the use of derivatives for hedging may not be effective,
- a derivative contract may not be obtained when desired by the Fund because: (i) there may be a lack of parties wanting to buy or sell a derivative contract, or (ii) the exchanges on which some derivatives are traded may set daily trading limits on futures contracts, preventing the Fund from closing a contract,
- the other party to the derivative contract may not be able to meet its obligations and may default,
- if an exchange halts trading in a certain stock option, the Fund may not be able to close its position in that option,
- the cost of the derivative contract may increase,

- the price of a derivative may not accurately reflect the value of the underlying security or index,
- the *Income Tax Act* (Canada) (the "Tax Act"), or its interpretation, may change in respect of the tax treatment of derivatives and
- a large percentage of the assets of the Fund may be placed on deposit with one or more counterparties, which exposes the Fund to the credit risk of those counterparties.

Foreign Investment Risk

There is a risk that investments in foreign companies outside Canada and the United States will be affected by world economic factors in addition to changes in the value of the Canadian dollar. In addition, information about foreign companies may not be as complete and may not be subject to the same accounting, auditing, financial reporting standards and practices and other disclosure requirements that apply in Canada and the United States.

Different financial, political, social and environmental factors can significantly affect the value of the Fund's investment. Foreign markets may be volatile or lack liquidity, which may cause Fund prices to fluctuate more than if the Fund limited its investments to Canadian and United States securities. The costs of buying, selling and holding securities in foreign markets may be higher than those involved in domestic transactions.

Government Securities Risk

Some government agency securities may be subject to varying degrees of credit risk, particularly those not backed by the full faith and credit of the government. All government securities may be subject to price declines due to changing interest rates.

Income Trust Risk

Income trusts generally hold securities in, or are entitled to receive royalties from, an underlying active business. To the extent that an underlying business is susceptible to industry risks, interest rate fluctuations, commodity prices and other economic factors, investment returns from an income trust may be similarly affected. Although their returns are neither fixed nor guaranteed, income trusts are

structured in part to provide a constant stream of income to investors. As a result, an investment in an income trust may be subject to interest rate risk. There is also a risk that where claims against an income trust are not satisfied by that trust, investors in that trust could be held liable for any outstanding obligations.

Interest Rate Risk

Income trusts, bonds or other fixed income securities will tend to be affected by changes in interest rates. If interest rates increase, the value of the income trust, bond or other fixed income security purchased tends to fall.

Large Transaction Risk

Units of the Fund may be purchased by another IA Clarington Fund or a third party mutual fund (as part of that mutual fund's "fund-of-funds" portfolio), by large investors or by or in respect of other investment products. For example, banks or other institutional investors may purchase units of the Fund for their own investment products. This could result in large investments in the Fund. Any significant transaction made by a large investor could significantly impact the Fund's cash flow. If the investor buys large amounts of units of the Fund, the Fund could temporarily have a high cash balance. Conversely, if the investor redeems large amounts of units of the Fund, the Fund may be required to fund the redemption by selling securities from its portfolio at an inopportune time. This could include selling investments in a market cycle downturn when many investments have declined in value or at any other time when a particular investment may have to be sold below its anticipated worth. This can have a negative impact on the performance of the Fund.

Leveraged ETF Risk

The Fund has received regulatory relief to invest in certain exchange-traded funds ("Leveraged ETFs") which attempt to magnify returns by a multiple of 200% or an inverse multiple of up to 200% of a specified widely-quoted market index (the "benchmark index"). Leveraged ETFs typically achieve their objectives through the use of leverage or derivatives. This can result in the Leveraged ETF experiencing more volatility than the benchmark index, and achieving longer-term returns that deviate significantly from the benchmark index. An

investment in a Leveraged ETF may therefore be highly speculative. In addition, Leveraged ETFs can magnify potential gains or losses, and as a result typically have a higher degree of risk than investing in an exchange-traded fund that simply tracks the benchmark index. The Fund will not invest in a Leveraged ETF with a benchmark index that is based on (i) a physical commodity or (ii) a specified derivative of which the underlying interest is a physical commodity.

Liquidity Risk

Some companies are not well known or have few securities outstanding. If these companies have only a few securities outstanding or relatively few persons who regularly transact in those securities, a sale or purchase of a small number of securities may have a greater impact on the price of the securities. Securities issued by these companies may be difficult to buy or sell and the Fund may experience volatility if it buys or sells these securities.

Market Risk

This is the risk that the market value of the Fund's investments will rise or fall based on overall stock market conditions rather than each company's performance. The value of the market can vary with changes in the general economic and financial conditions. Political, social and environmental factors can also significantly affect the value of any investment.

Repurchase and Reverse Repurchase Transactions and Securities Lending Risk

The Fund may enter into repurchase and reverse repurchase transactions and/or securities lending agreements. Investors will be given 60 days' prior written notice before the Fund starts to enter into these types of transactions.

A repurchase transaction is where the Fund sells portfolio securities that it owns to a third party for cash and simultaneously agrees to buy back the securities at a later date at a specified price using the cash received by the Fund from the third party. While the Fund retains its exposure to changes in the value of the portfolio securities, it also earns fees for participating in the repurchase transaction.

A reverse repurchase transaction is where the Fund purchases securities from a third party and simultaneously agrees to sell the securities back to

the third party at a later date at a specified price. The difference between the Fund's purchase price for the securities and the resale price provides the Fund with additional income.

A securities lending agreement is similar to a repurchase agreement except that instead of selling the securities and agreeing to buy them back later, the Fund loans the securities for a fee and can demand the return of the securities at any time. While the securities are on loan, the borrower provides the Fund with collateral consisting of cash and/or securities.

The risks associated with these types of transactions arise if the other party to the agreement defaults or goes bankrupt and the Fund experiences losses or delays in recovering its investment. In a repurchase or securities lending transaction, the Fund could incur a loss if the value of the securities sold or loaned has increased in value relative to the value of the cash or collateral held by the Fund. In the case of a reverse repurchase transaction, the Fund could incur a loss if the value of the securities purchased by the Fund decreases in value relative to the value of the collateral held by the Fund.

To minimize these risks, the Fund will not enter into these types of transactions unless it is, at a minimum, fully collateralized by liquid securities with a value of at least 102% of the market value of the securities sold, purchased or loaned, as the case may be. The Fund will not enter into a repurchase or securities lending agreement if, immediately thereafter, the aggregate market value of all securities loaned by the Fund and not yet returned to it or sold by the Fund and not yet repurchased would exceed 50% of the total assets of the Fund, exclusive of cash held by the Fund. To minimize the risk of loss to the Fund, these transactions will only be entered into with parties that have adequate resources and financial strength to meet their obligations under the agreement.

Sector Risk

This is the risk that changes in a particular industrial, commercial or service sector will affect the Fund's investments that are heavily concentrated in that sector.

Series Risk

The Fund is available in more than one series of units. Each series has its own fees and expenses,

which the Fund tracks separately. If, for any reason, the Fund cannot pay the expenses of one series using its proportionate share of the Fund's assets, the Fund will be required to pay those expenses out of the other series' proportionate share of the assets. This could lower the investment return of the other series.

Short Selling Risk

The Fund is permitted to engage in a limited amount of short selling as a result of exemptive relief obtained from Canadian securities regulators. A "short sale" is where the Fund borrows securities from a lender and sells those securities in the open market (or "sold short"). Where the Fund sells securities short, it will generally see a profit if the securities decrease in value and a loss if they increase in value. Unlike a purchase of securities, where the maximum amount of the loss is limited to the amount invested, there is theoretically no limit to the Fund's exposure on a short sale. In addition, the securities loaned for the short sale may be recalled by the lender, and limitations on availability of securities may limit the Fund's freedom of action in connection with short sales.

Purchases, Switches and Redemptions

Units of the Fund may be purchased, switched (transferred from the Fund to another IA Clarington Fund) or redeemed through a registered dealer across Canada.

Units are purchased, switched or redeemed at their net asset value per unit. See "*Valuation of the Fund*" below for details on how to calculate the net asset value for each series of units. If we receive a completed purchase, switch or redemption order on or before 4:00 p.m. Eastern Time on a day that the Toronto Stock Exchange is open for business or before the Toronto Stock Exchange closes for the day, whichever is earlier, it will be processed at the net asset value per unit on that day. If we receive the order after that time, it will be processed at the net asset value per unit calculated on the next business day.

Valuation of the Fund

The value of a mutual fund is its net asset value ("NAV"). We calculate a separate NAV for each series

of units of the Fund. The NAV per series is calculated by adding together the total of the series' share of the Fund's assets and subtracting the total of the liabilities allocated to that series of units.

The NAV of each series of units of the Fund is calculated at the close of business on each day that the Toronto Stock Exchange is open for trading. Once the NAV of a series of units of the Fund is determined, the NAV for each unit of that series can be calculated by dividing the series NAV by the total number of units outstanding in that series of the Fund.

Further details concerning the valuation of the Fund's units are included in the Annual Information Form.

The Fund is valued in Canadian dollars for the purposes of purchases, switches and redemptions.

Series of Units

The Fund is permitted to have an unlimited number of series of units and may issue an unlimited number of units of each series. Please refer to "*Fund Details*" in the description of the Fund to determine what series of units the Fund offers.

Series A and Series T5 units of the Fund are available to all investors. Other than the amount of the monthly distribution and, in some cases, the management fee, Series T5 units have the same features as Series A units of the Fund.

Series E units are available to investors who invest at least \$150,000 in the Fund.

Series F units are available to investors who participate in fee-based programs through their dealer and whose dealer has signed a Series F agreement with us. Instead of paying sales charges, these investors pay an annual fee to their dealer for investment advice and other services. We do not pay any commission to dealers who sell Series F units, which means that we can charge a lower management fee. Series F units are also available to other groups of investors for whom we do not incur distribution costs.

Series L units are available to investors whose dealers have signed a Series L agreement with us and are sold under the Advisor Service Charge purchase option only. We pay your dealer a commission equal to 3.00% of the amount of your investment. Your dealer will pay us a redemption

fee on a declining scale if you redeem these units within three years of purchase. Your dealer is required to provide you with written disclosure of any conflicts of interest arising from your purchase of Series L units and to obtain your written acknowledgement of this disclosure prior to your first purchase of Series L units. Otherwise, Series L units have the same attributes as Series A and/or Series T5 units.

Series I and Series O units are special purpose units not sold to the general public. They are used in fund of fund arrangements and are available to such investors as we may determine from time to time on a case-by-case basis. No management fees are charged to the Fund with respect to the Series I or Series O units, although Series O units are charged a fixed expense charge of 0.15%. Instead, each investor negotiates a separate management fee that is paid directly to us and enters into an agreement with us governing the investment in Series I or Series O units. Series I and Series O units are not generally sold through dealers. There are no sales commissions payable to dealers on the sale of these units.

The consideration that you and other investors pay to purchase units of any series is tracked on a series by series basis in your Fund's administration records. However, the assets of all series of the Fund are combined in a single pool to create one portfolio for investment purposes.

How to Purchase the Fund

You may purchase units of the Fund through your dealer. For Series A, Series L and Series T5 units of the Fund, your initial investment should be at least \$500 in the Fund. For Series E units, your initial investment must be at least \$150,000 in the Fund. If you subscribe for Series E units of the Fund but do not meet the initial investment requirements for those units, we will purchase Series A or Series T5 units of the Fund. For Series F units, your initial investment must be at least \$10,000 in the Fund. Any subsequent purchase of units of any series of the Fund should be at least \$50. We do not currently enforce the minimum investment requirements applicable to Series A, Series F, Series L or Series T5 units, but may enforce them in our discretion in the future without notice to you. Where we enforce a minimum investment requirement, we may waive it at our discretion. Series I and Series O units do not have a minimum

purchase threshold, but are only available to investors who enter into a Series I or Series O agreement with us.

Once you have given a purchase order to your dealer, the dealer must send your order to us on the same day it is received, if received by the dealer within normal business hours, and otherwise on the next business day. Generally, your dealer will transmit purchase orders by courier, priority post or telecommunications facilities. It is the responsibility of your dealer to transmit orders to us in a timely manner and to assume all associated costs.

We have the right to accept or reject any purchase order within one business day of receiving the order. If an order is rejected, any amounts received will be returned to your dealer immediately. If your cheque for the purchase of units is not honoured, we may reverse the purchase order and hold you responsible for any costs involved. If we receive a purchase order that is otherwise valid but fails to specify the mutual fund, it will be treated as an order to purchase units of IA Clarington Money Market Fund under the Front End Option at a 0% sales charge.

We must receive payment for all purchases within three business days of receiving the order. If the payment and all necessary documents are not received within three business days, securities regulations require us to redeem the units on the next business day. The proceeds of the redemption will be used to reduce any amount owing to the Fund. Any excess will belong to the Fund. We will pay any shortfall to the Fund, but we may collect such amount, together with the charges or expenses incurred, with interest, from the dealer who placed the order. Your dealer has the right to collect these amounts from you.

We may at any time suspend or cease sales of the Fund or of any series of units of the Fund. This is commonly called a “cap” of the Fund or the series of the Fund. Even if we cap the Fund or a series of units of the Fund, we may re-open it for investment at our discretion.

If you purchase units of the Fund during a period when the NAV is suspended, you may either withdraw your purchase order prior to the end of the suspension period or receive the units based on the NAV per unit first calculated following the end of the suspension period.

Purchase Options

You may purchase Series A or Series T5 units of the Fund under three options:

- Front End Option,
- Low Load Option or
- Deferred Sales Charge Option.

If you do not specify an option, your purchase will be considered to be a purchase under the Front End Option, at a 0% sales charge.

Series E units are only available for purchase under the Front End Option.

Series F, Series I and Series O units have special attributes described previously. They are not sold under these three purchase options. Rather, these series of units are sold with no sales charge and no redemption fee, while any redemption fees applicable to Series I or Series O units will be set out in the Series I or Series O agreement relating to those units.

Series L units are only available under the Advisor Service Charge option.

Front End Option

At the time of purchase, you negotiate a sales charge with your dealer of no more than 5% of the total amount of units purchased under this option (5.26% of the net amount invested) and the balance is invested in the Fund. Units purchased under this option are referred to as “Front End Securities”. Additional fees may apply for short-term trades involving Front End Securities. Please see “*Short-Term Trading Fees*” on page 11 for details.

Low Load Option

At the time of purchase, the full amount of your purchase is invested in the Fund and we pay your dealer a commission equal to 2.50% of the amount of your investment. You then pay a redemption fee on a declining scale if you redeem units within three years of purchase. See “*Calculating Redemption Fees*” on page 10. Units purchased under this option are referred to as “Low Load Securities”. Additional fees may apply for short-term trades involving Low Load Securities. Please see “*Short-Term Trading Fees*” on page 11 for details.

Deferred Sales Charge Option

At the time of purchase, the full amount of your purchase is invested in the Fund and we pay your dealer a commission equal to 5% of the amount of your initial investment. You then pay a redemption fee on a declining scale if you redeem units within seven years of purchase. See *“Calculating Redemption Fees”* on page 10. Units purchased under this option are referred to as “DSC Securities”. Additional fees may apply for short-term trades involving DSC Securities. Please see *“Short-Term Trading Fees”* on page 11 for details.

Advisor Service Charge Option

At the time of purchase, the full amount of your purchase of Series L units is invested in the Fund and we pay your dealer a commission equal to 3.00% of the amount of your investment. Your dealer will pay us a redemption fee on a declining scale if you redeem units within three years of purchase. See *“Advisor Service Charge Option”* on page 11 for details. Additional fees may apply for short-term trades involving Series L units. Please see *“Short-Term Trading Fees”* on page 11 for details.

Switching Units of the Fund

Switching Between IA Clarington Funds

You may switch units of the Fund for securities of another IA Clarington Fund at any time, subject to the rules and criteria set out below. A switch from DSC Securities or Low Load Securities of the Fund to securities of another IA Clarington Fund that are held under the same purchase option will not trigger the redemption fee normally applicable to a redemption of those units.

Switches from the Fund to any other IA Clarington Fund are accomplished by redeeming units of the Fund and purchasing securities of the other IA Clarington Fund. These switches will constitute a disposition and will likely result in a capital gain or loss for income tax purposes. For more information please see *“Income Tax Considerations for Investors”* on page 19.

Certain restrictions may apply in connection with switches to the IA Clarington Funds. Please refer to the simplified prospectuses of the IA Clarington Funds for more details.

Switching Between Purchase Options

You may switch Front End Securities of the Fund for Low Load Securities of another IA Clarington Fund and vice versa. As described below, a switch fee may apply. In addition, a redemption fee may apply if you switch Low Load Securities that are still subject to a redemption fee schedule for Front End Securities.

You may switch DSC Securities of the Fund for Front End Securities of another IA Clarington Fund and vice versa. As described below, a switch fee may apply. In addition, a redemption fee may apply if you switch DSC Securities that are still subject to a redemption fee schedule for Front End Securities.

You may not switch DSC Securities of the Fund for Low Load Securities of another IA Clarington Fund or vice versa.

You may not switch Series L units under the Advisor Service Charge Option of the Fund for Low Load Securities or DSC Securities of the Fund or another IA Clarington Fund or vice versa.

All decisions regarding switching between purchase options are negotiated between you and your dealer. As described above, switches between purchase options may result in additional fees for you. In addition, these switches may result in your dealer receiving a higher trailer fee. See *“Trailer Fees”* on page 18 for the trailer fee paid in respect of each purchase option. You should understand the consequences to both you and your dealer before you switch between purchase options.

Switching Between Series

You may generally switch one series of the Fund for another series of the Fund or another IA Clarington Fund if you are eligible to purchase the new series.

You may switch Series L units of the Fund for Front End Securities of another series of the Fund, and vice versa. A switch fee may apply. In addition, your dealer will be required to pay us a redemption fee if you switch Series L units that are still subject to a redemption fee schedule for Front End Securities. If you switch from another series to Series L units, we will pay your dealer a commission, and your dealer will become subject to a redemption fee, as described under *“Advisor Service Charge Option”* on page 11. You may not switch Series L units for DSC Securities or Low Load Securities.

If you switch Low Load Securities or DSC Securities that are still subject to a redemption fee schedule for Series E or Series F units, you will have to pay a fee equal to the redemption fee you would pay if you redeemed your Low Load Securities or your DSC Securities. If you switch Series E or Series F units for Series A or Series T5 units, you can choose any available purchase option to apply to your new units. If you switch to either Low Load Securities or DSC Securities, the units you switch to will be subject to a fee upon redemption if you redeem the units while they are still subject to a redemption fee schedule. If you switch to Series F or Series L units, you must be eligible to buy them.

If we determine that you are no longer eligible to hold Series E, Series F, Series I or Series O units, we may switch you out of that series of units to Series A or Series T5 units of the Fund. These units will be held under the Front End Option if you are switched out of Series E, Series F, Series I or Series O units. You will cease to be eligible to hold Series E units if the value of your initial investment, less any redemptions and switches from that investment, is below \$150,000.

If we determine that you are no longer eligible to hold Series L units or if you move your account to a dealer that has not entered into a Series L agreement with us, we will switch you to Series A or Series T5 units of the Fund. Your dealer (your former dealer if you have moved your account to a new dealer) will be required to pay a redemption charge to us. See *"Fees and Expenses"* on page 13 for additional information.

Any switch to or from Series I or Series O units is subject to the terms of the Series I or Series O agreement governing those units.

Switching units of one series for units of another series of the Fund is not a disposition for tax purposes. See *"Income Tax Considerations for Investors"* on page 19 for more information.

Switch Fees

In addition to any applicable redemption fees, your dealer may charge you a switch fee of up to 2% of the value of the switched units.

If we determine that you are no longer eligible to hold Series E, Series F, Series I or Series O units and we switch you out of those units to Series A or

Series T5 Front End Securities of the Fund, you will not be charged a switch fee.

You may be charged a short-term trading fee in addition to a switch fee if you switch units within certain time periods. See *"Short-Term Trading Fees"* on page 11 for additional information.

How to Redeem the Fund

You may redeem your units of the Fund at any time. The amount you will receive is the NAV of the units redeemed less any redemption fee, short-term trading fees and/or withholding taxes that may apply. See *"Calculating Redemption Fees"* below.

You must give redemption instructions in writing. The instructions must also bear a signature guaranteed by a Canadian chartered bank, trust company or a member of a public stock exchange in Canada or be guaranteed to our satisfaction. For security reasons, we may refuse to accept a redemption request sent by you directly through telecommunications facilities. Additional documentation may be required if the investor is a corporation, partnership, agent, a trustee acting for someone else or a surviving joint owner.

Your dealer must forward your redemption request on the same day it is received, if received by the dealer during normal business hours, and otherwise on the next business day. Whenever possible, a dealer is required to transmit redemption requests by courier, Priority Post or telecommunications facilities. It is the responsibility of your dealer to transmit orders to us in a timely manner and to assume all associated costs.

We will pay the redemption proceeds within three business days of receiving all necessary redemption documents. If all necessary documents are not received by us within ten business days of receiving a redemption request, you will be deemed to repurchase the units on the tenth business day at the NAV per unit calculated that day. The redemption proceeds will be applied to the payment of the issue price of the units. If the cost to repurchase the units is less than the redemption proceeds, the difference will belong to the Fund. We will pay any shortfall to the Fund, but we may collect such amount, together with the charges and expenses incurred, with interest, from the dealer who placed the redemption request. Your dealer has the right to collect these amounts from you.

Given the high cost of maintaining accounts of less than \$500, the Fund has the right to redeem your units if the book value of your investment in the Fund is less than \$500. You may be notified that the book value of your units in the Fund is less than \$500 and given 30 days to make an additional investment to increase your investment in the Fund to \$500 or more before the redemption is processed.

We may suspend the right to redeem units of the Fund or postpone the date of payment upon redemption:

- during any period when normal trading is suspended on any exchange on which securities or specified derivatives are listed which represent more than 50% by value or underlying market exposure of the total assets of the Fund without allowance for liabilities and if those securities or specified derivatives are not traded on any other exchange that represents a reasonably practical alternative or
- with the prior permission of the Canadian securities regulatory authorities.

During any period of suspension there will be no calculation of NAV and no units will be issued, switched or redeemed by the Fund. The calculation of the NAV per unit will resume when trading resumes on the exchange or with the permission of the Canadian securities regulatory authorities.

If the right to redeem units of the Fund is suspended and you make a redemption request during that period, you may either withdraw your redemption request prior to the end of the suspension period or your units will be redeemed by the Fund in accordance with the redemption request at the NAV first calculated following the end of the suspension period.

Calculating Redemption Fees

If you purchase Low Load Securities or DSC Securities, you may have to pay a redemption fee when you redeem your units. The redemption fee is based on the date and original purchase price of your units. In certain circumstances (for example, redemption on death of a unitholder or transfer to the beneficiaries of a unitholder following his or her death) and with documentation satisfactory to us, we may waive or reimburse all or part of the

applicable redemption fee. The Series I or Series O agreement pertaining to Series I or Series O units may set out fees applicable to a redemption of those units.

Low Load Option

The redemption fees payable for redeeming Low Load Securities are shown under “*Fees and Expenses*” on page 13. The fees decline over time. No redemption fee will be payable by you for:

- switching your investment to another IA Clarington Fund purchased under the Low Load Option or
- units received through reinvestment of distributions.

Deferred Sales Charge Option

The redemption fees payable for redeeming DSC Securities are shown under “*Fees and Expenses*” on page 13. The fees decline over time. No redemption fee will be payable by you for:

- switching your investment to another IA Clarington Fund purchased under the Deferred Sales Charge Option,
- units received through reinvestment of distributions or
- redemptions in a calendar year that do not exceed the “Free Redemption Amount”.

The “Free Redemption Amount” is equal to:

- 10% of the number of eligible DSC Securities held by you at December 31 of the previous year, plus
- 10% of the number of eligible DSC Securities you have purchased during the calendar year on or prior to the date of redemption, less
- the number of units that would have been issued for any distributions received in cash that are not reinvested in units, less
- the number of units previously redeemed by you during the calendar year.

Any unused portion of the Free Redemption Amount cannot be carried forward to future years. If you switch units of the Fund for securities of another IA Clarington Fund, any Free Redemption Amount

attributable to those units exchanged will be transferred on a proportionate basis.

Additional information on how we calculate redemption fees may be obtained in the Annual Information Form.

Advisor Service Charge Option

You do not pay any redemption fees in respect of Series L units.

If you invest in Series L units, your dealer will be charged a redemption fee if you redeem your investment, if you switch your investment to units other than Series L units or if your units are redesignated as units of another series within three years of the date of purchase. The redemption fee is based on the original purchase price of Series L units as follows:

If redeemed during:

Year 1	3.00%
Year 2	2.50%
Year 3	2.00%
After Year 3	0%

Your dealer will not be required to pay a redemption charge if you switch your investment to securities of another IA Clarington Fund purchased under the Advisor Service Charge Option, or if your Series L units were received through the reinvestment of distributions.

Short-Term Trading Fees

An investment in the Fund is intended to be a long-term investment. Short-term trading can impose costs on the Fund and its investors.

If you redeem or switch units of the Fund within 90 days of purchase, then, subject to our policies and procedures, you may be charged a short-term trading fee of 2% of the value of the units redeemed or switched. We may waive this fee at our discretion in special circumstances.

These fees do not apply to units purchased under IA Clarington's systematic plans (such as Pre-Authorized Chequing Plan and Systematic Withdrawal Plan). A switch is treated as a redemption of units of the Fund and the simultaneous purchase of securities of another IA Clarington Fund. Short-term trading fees are paid to the Fund from which the units are redeemed or

switched and are in addition to any other redemption or switch fees that may be payable.

In addition to any applicable short-term trading fees, we may, in our sole discretion, refuse future purchase or switch orders if we determine that your trading activities may be detrimental to the Fund or the other IA Clarington Funds.

Optional Services

Pre-Authorized Chequing Plan

Our Pre-Authorized Chequing Plan (the “PAC Plan”) allows you to make periodic investments in the Fund. You may invest weekly, bi-weekly, semi-monthly, monthly, bi-monthly, quarterly, semi-annually or annually. A PAC Plan allows you to:

- make regular investments of as little as \$50 each (\$500 for Series E units),
- have the payments drawn directly from your bank account,
- change the amount you invest at any time and
- change the frequency of your investments, or cancel the arrangements, at any time.

When you enroll in a PAC Plan, your dealer will send you the current simplified prospectus and any amendments that have been made. You will not be sent a copy of any renewal prospectus (and any amendments to that prospectus) unless you request that it be sent to you at the time you enrol in a PAC Plan or subsequently request it from your dealer. You can obtain copies of these documents:

- by calling us toll free at 1-800-530-0204 or sending us an e-mail at funds@iaclarington.com,
- from our website at www.iaclarington.com,
- from your dealer or
- from the SEDAR website at www.sedar.com.

You may exercise your statutory right to withdraw from the initial purchase under the PAC Plan. This right does not apply in respect of any subsequent purchases under the plan, but you continue to have all other statutory rights under securities law, including rights arising from any misrepresentations that may have been made, irrespective of whether you request or receive a copy of the renewal prospectus. See “*What Are Your Legal Rights*” on page 20.

Systematic Withdrawal Plan

You can set up a systematic withdrawal program to receive payments from your investments. Our plan allows you to make periodic withdrawals of at least \$100.

You can receive payments weekly, bi-weekly, semi-monthly, monthly, bi-monthly, quarterly, semi-annually or annually.

We will automatically redeem enough units to make the payments to you. There is no charge for this service, other than any applicable redemption fees. You may cancel the plan at any time.

If your regular withdrawals are greater than the net increase in value of your Fund, you will erode your original investment.

Systematic Switch Plan

You can set up a systematic switch plan for automated switches between the Fund and another IA Clarington Fund. Subject to our switch rules, you may switch from the Fund to another IA Clarington Fund within the same account or from the Fund to the same or another IA Clarington Fund between accounts. You may select the frequency of your switches and may cancel the arrangements at any time. You may not switch between units bought in Canadian dollars and securities bought in U.S. dollars or vice versa. There may be tax consequences to switches. Please see “*Switching Units of the Fund*” on page 8 for more details on switching.

Redirected Distributions

Unless you elect to receive cash distributions from the Fund, distributions paid by the Fund are automatically reinvested in additional units of the Fund. If you elect to receive cash, you may also direct us to invest your cash distributions from the Fund in securities of another IA Clarington Fund.

Registered Plans

We can set up a:

- registered education savings plan (RESP),
- registered retirement savings plan (RRSP),
- locked-in retirement account (LIRA) or locked-in retirement savings plan (LRSP),
- prescribed retirement income fund (PRIF),
- registered retirement income fund (RRIF),
- life income fund (LIF) or locked-in retirement income fund (LRIF) and/or a
- tax-free savings account (TFSA)

for you, or you can purchase the Fund for your self-directed registered plan. You can only hold securities denominated in Canadian dollars in your IA Clarington registered plan. The IA Clarington RRSP and RRIF have each been accepted as a qualifying recognized overseas pension scheme for United Kingdom income tax purposes. We encourage you to consult your investment or tax advisor about the tax implications of registered plans. There are no administration fees for any of these plans. The minimum initial investment in any IA Clarington registered plan is \$500.

Fees and Expenses

This table lists the fees and expenses that you may have to pay if you invest in the Fund. You may have to pay some of these fees and expenses directly. The Fund may have to pay some of these fees and expenses, which will therefore reduce the value of your investment in the Fund. Unitholder approval is not required to effect a change to the basis of the calculation of a fee or expense that is charged to the Fund or its unitholders by an arm's length party that could result in an increase in charges to the Fund or its unitholders. However, any such change will only be made if unitholders are given at least 60 days' written notice before the change takes effect.

FEES AND EXPENSES PAYABLE BY THE FUND

Management Fees

The Fund pays us a management fee calculated as an annual percentage of NAV based upon the unique aspects of the Fund. This fee differs among series of units of the Fund. Management fees for Series I and Series O units are negotiated and paid directly by the investor or the portfolio manager, as the case may be, not by the Fund, and will not exceed the Series A or Series T5 management fees of the Fund. Management fees are subject to applicable taxes, such as HST. Please refer to the description of the management fees for each series of units later in this document.

We may reduce a portion of the management fees for certain investors in the Fund who pay or incur distribution or other expenses normally paid by the Fund or the Manager or to accommodate other special situations, such as investments by pension funds, insurers or other institutional investors. If we reduce a portion of the management fee, the Fund or the Manager pays an amount equal to the reduction as a distribution. The distribution is reinvested in additional units of the Fund. For additional information on reduced management fees, see “*Management Fee Distributions*” in the Fund’s Annual Information Form.

Operating Expenses

The Fund pays all expenses needed to operate and carry on its business. These expenses include:

- accounting, audit, legal, transfer agent and custodial fees,
- taxes and brokerage commissions,
- operating and administrative fees, costs and expenses,
- expenses for the issue, switch and redemption of units,
- costs of unitholder reports and prospectuses,
- expenses payable in connection with the Fund’s independent review committee, and
- other expenses.

We may, from time to time, absorb or waive expenses of the Fund. If we do so, we may cease to do so at any time.

Each series of units of the Fund is responsible for the operating expenses that relate specifically to that series and for its proportionate share of the operating expenses that are common to all series of units of the Fund. We pay all operating expenses for Series I units. We may recover all or a portion of Series I operating expenses from the investors in Series I units.

For Series O units, the Fund pays a fixed expense charge at an annual rate of 0.15% of the net assets attributed to Series O units. This charge covers all of the operating expenses of the Fund in respect of Series O units, other than new or increased taxes to which the Fund is or might be subject (such as capital tax or sales taxes), interest and other borrowing costs (if any) and costs associated with compliance with any new governmental or regulatory requirement introduced after July 6, 2010. The Fund is responsible for payment of any such additional expenses.

FEES AND EXPENSES PAYABLE DIRECTLY BY THE FUND

The expenses of the Fund's independent review committee include the compensation payable to the members of the committee and the expenses incurred by the independent review committee in the course of its affairs, including insurance, travel costs and the cost of outside advisors. Each member of the committee is paid an annual retainer of \$21,000 and the chair is paid an additional \$5,250. In addition, each IRC member is entitled to a payment of \$1,500 (\$500 for a meeting with a single agenda item) for each meeting in excess of four scheduled meetings. The compensation is allocated among all of the investment funds managed by the Manager for which the independent review committee acts. The committee may change its compensation from time to time as it sees fit.

FEEES AND EXPENSES PAYABLE DIRECTLY BY YOU

Sales Charges	Front End Option	Up to 5% of the total amount of Front End Securities purchased (or 5.26% of the net amount invested) negotiable with your dealer. Only Series A, Series E, Series E5 and Series T5 units of the Fund are sold under this purchase option.
	Low Load Option	Nil.
	Deferred Sales Charge Option	Nil.
	Advisor Service Charge Option	Nil. Only Series L units of the Fund are sold under this purchase option.

Switch Fees For all switches, up to 2% of the NAV of the units switched, as negotiated with your dealer.
A short-term trading fee may also be payable. See “*Short-Term Trading Fees*” below.

Redemption Fees	Front End Option	None. A short-term trading fee may be charged. See “ <i>Short-Term Trading Fees</i> ” below.									
	Low Load Option	<p>You will be charged a redemption fee if you redeem within three years of the date of purchase. The redemption fee is based on the original purchase price of Low Load Securities as follows:</p> <table border="0"> <tr> <td>If redeemed during:</td> <td>You pay:</td> </tr> <tr> <td>Year 1</td> <td>3.00%</td> </tr> <tr> <td>Year 2</td> <td>2.50%</td> </tr> <tr> <td>Year 3</td> <td>2.25%</td> </tr> <tr> <td>After Year 3</td> <td>0%</td> </tr> </table> <p>Only Series A and Series T5 units are sold under this purchase option. A short-term trading fee may also be charged. See “<i>Short-Term Trading Fees</i>” below.</p>	If redeemed during:	You pay:	Year 1	3.00%	Year 2	2.50%	Year 3	2.25%	After Year 3
If redeemed during:	You pay:										
Year 1	3.00%										
Year 2	2.50%										
Year 3	2.25%										
After Year 3	0%										

FEES AND EXPENSES PAYABLE DIRECTLY BY YOU

Deferred Sales Charge Option	<p>The redemption fee is based on the original purchase price of DSC Securities as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">If redeemed during:</th> <th style="text-align: left;">You pay:</th> </tr> </thead> <tbody> <tr><td>Year 1</td><td>5.75%</td></tr> <tr><td>Year 2</td><td>5.50%</td></tr> <tr><td>Year 3</td><td>5.00%</td></tr> <tr><td>Year 4</td><td>4.50%</td></tr> <tr><td>Year 5</td><td>4.00%</td></tr> <tr><td>Year 6</td><td>3.50%</td></tr> <tr><td>Year 7</td><td>2.00%</td></tr> <tr><td>After Year 7</td><td>0%</td></tr> </tbody> </table> <p>Only Series A and Series T5 units are sold under this purchase option. A short-term trading fee may also be charged. See “<i>Short-Term Trading Fees</i>” below.</p>	If redeemed during:	You pay:	Year 1	5.75%	Year 2	5.50%	Year 3	5.00%	Year 4	4.50%	Year 5	4.00%	Year 6	3.50%	Year 7	2.00%	After Year 7	0%
If redeemed during:	You pay:																		
Year 1	5.75%																		
Year 2	5.50%																		
Year 3	5.00%																		
Year 4	4.50%																		
Year 5	4.00%																		
Year 6	3.50%																		
Year 7	2.00%																		
After Year 7	0%																		
Advisor Service Charge Option	<p>None. Your dealer will be charged a redemption fee on a declining scale if you redeem within three years of the date of purchase. Only Series L and Series L5 units are sold under this purchase option. A short-term trading fee may be charged. See “<i>Short-Term Trading Fees</i>” below.</p>																		

Short-Term Trading Fees	A 2% short-term trading fee may be charged on the value of the units redeemed or switched within 90 days of purchase. Please see “ <i>Short-Term Trading Fees</i> ” on page 11 for additional information.
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Registered Plans	No annual administration fee.
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NSF Chequing Fee	We may levy a fee of \$30 per NSF cheque.
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Systematic Plans	No annual administration fee. If applicable, redemption fees may apply.
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Courier/Wire Charges	If you request courier delivery or wire order of your redemption proceeds, you may be charged the costs of such services.
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Impact of Sales Charges

The following table shows the amount of fees that you would have to pay under the different purchase options available to you if you made an investment of \$1,000 in the Fund and if you held that investment for one, three, five or ten years and redeemed immediately before the end of that period.

	At Time of Purchase	1 Year	3 Years	5 Years	10 Years
Sales Charge Option ¹	Up to \$50	Nil	Nil	Nil	Nil
Redemption Charge Option ^{2,3}	Nil	\$57.50	\$50	\$40	Nil
No Load Option ³	N/A	N/A	N/A	N/A	N/A
Low Load Option ³	Nil	\$30	\$22.50	Nil	Nil
Advisor Service Charge Option ⁴	Nil	Nil	Nil	Nil	Nil

¹ Referred to as the “Front End Option” throughout this document. There are no sales charges to purchase Series F, Series I or Series O units. However, Series F investors pay a separate fee to their dealer.

² Referred to as the “Deferred Sales Charge Option” throughout this document. Redemption charges only apply if you redeem your units in a particular year. Redemption charges are shown under “Fees and Expenses” above.

³ Units of the Fund are not offered under a “no load option”. However, there are no redemption fees if DSC Securities are not redeemed within seven years of purchase or if Low Load Securities are not redeemed within three years of purchase.

⁴ You are not required to pay a redemption charge under this purchase option. Your dealer will be required to pay a redemption charge if you redeem within three years of purchase, as described under the section “Advisor Service Charge Option” on page 8.

Dealer Compensation

Sales Commissions

Front End Option

You negotiate a commission with your dealer of up to 5% on the amount that you invest (\$50 per \$1,000 investment) in Series A, Series E, Series E5 or Series T5 units of the Fund. These charges are negotiable with your dealer.

Low Load Option

We pay your dealer a commission of 2.5% on the amount that you invest (\$25 per \$1,000 investment) in Series A or Series T5 units of the Fund.

Deferred Sales Charge Option

We pay your dealer a commission of 5% of the amount you invest (\$50 per \$1,000 investment) in Series A or Series T5 units of the Fund.

Advisor Service Charge Option

We pay your dealer a commission of 3% of the amount you invest (\$30 per \$1,000 investment) in Series L units.

Switching

On a switch, you may be required to pay up to 2% of the value of the units switched. This fee is negotiable with your dealer.

Trailer Fees

We pay your dealer a trailer fee relating to your investment in Series A, Series E, Series L or Series T5 units, which is calculated as a percentage of the daily market value of those units held by your dealer’s clients. The trailer fee will change, and may increase, if you switch from one purchase option to another. The trailer fee is paid out of management fees that are earned by IA Clarington.

Trailer Fee for Front End Option	Trailer Fee for Low Load Option and Advisor Service Charge Option ^(1,2)	Trailer Fee for Deferred Sales Charge Option ⁽²⁾
0.70%	0.30%	0.30%

¹ A trailer fee will not be paid for units of the Fund purchased under the Advisor Service Charge Option in the first year following purchase. Upon expiry of the redemption fee schedule applicable to those units, the trailer fee rate will increase to the trailer fee rate applicable to units of the Fund purchased under the Front End Option.

² For units of the Fund purchased under the Low Load Option or Deferred Sales Charge Option, upon expiry of the redemption fee schedule applicable to those units, the trailer fee rate will increase to the trailer fee rate applicable to units of the Fund purchased under the Front End Option.

Other Sales Incentives

We may assist dealers with marketing and educational programs by paying a portion of the cost of such programs. We may also provide promotional items of minimal value to representatives of dealers. These activities are in compliance with applicable laws and regulations and any costs incurred by them will be paid by us and not the Fund.

Equity Interests

IA Clarington Investments Inc. is wholly owned by Industrial Alliance. Industrial Alliance is a public company listed on the Toronto Stock Exchange. Industrial Alliance owns, directly or indirectly, 100% of each of FundEx Investments Inc., Investia Financial Services Inc. and Dundee Private Investors Ltd., each registered mutual fund dealers, and 100% of Industrial Alliance Securities Inc., an investment dealer.

Dealer Compensation from Management Fees

For the financial year ended December 31, 2010, IA Clarington paid total cash compensation (sales commissions, trailer fees and support of their marketing, fund promotion or educational activities) to dealers who distribute securities of the IA Clarington Funds representing approximately 51.8% of the total management fees received by IA Clarington from all of the IA Clarington Funds.

Income Tax Considerations for Investors

This summary outlines the Canadian federal income tax rules that generally apply to individuals, other than trusts, resident in Canada who hold units of the Fund as capital property. This summary is based on the current Canadian federal income tax rules under the Tax Act and the regulations thereunder and specific proposals to amend the Tax Act and regulations that have been publicly announced by the Minister of Finance (Canada) prior to the date hereof. This summary is not exhaustive of all tax considerations and is not intended to constitute legal or tax advice to an investor. You should seek independent advice regarding the tax consequences of investing in units based on your own particular

circumstances. More detailed tax information is in the Fund's Annual Information Form.

When You Earn Income

If you hold units of the Fund, you earn income on your investment:

- when the Fund pays a distribution out of net income or net realized capital gains and
- when you redeem or switch your units of the Fund and realize a capital gain.

Adjusted Cost Base

The adjusted cost base ("ACB") of your units is an important concept for income tax considerations. This term is used throughout this summary and can be calculated, for a particular series of the Fund, according to the following formula in most situations:

Calculation of ACB

- The amount of your initial investment, including any sales charges paid to your dealer, plus
- additional investments, including sales charges paid to your dealer, plus
- reinvested distributions, less
- the portion of any distribution that is a return of capital, less
- the ACB of any previous redemptions equals the aggregate ACB of your units of the Fund.

Distributions

Distributions (including management fee distributions) of income from the Fund are taxable in the year they are paid or payable by the Fund. This is the case whether these amounts were paid to you in cash or through reinvestment in additional units. Distributions may include interest income, foreign source income, capital gains and taxable Canadian dividends. Generally, these are taxed as if you had received the amounts directly. An enhanced gross-up and dividend tax credit is available for certain eligible dividends from Canadian corporations. Returns of capital are not taxable to you, but will reduce the ACB of the related units. If the ACB of your units is reduced to less than zero,

you will realize a capital gain. Monthly distributions on Series E5, Series F5, Series L5 and Series T5 are expected to include returns of capital. We will provide detailed information about the distributions paid to you.

The price of units of the Fund may include income and capital gains that it has earned and/or realized but not yet distributed. If you invest in a series of units of the Fund before a distribution date for that series, you will have to pay tax on any distributions paid to you. However, the amount of the distribution reinvested in additional units will be added to your ACB. This may be particularly significant if you are purchasing units late in the year.

Redeeming or Switching Units

If you redeem units or switch units for securities of another IA Clarington Fund, you will realize a capital gain (or loss). The capital gain (loss) will be equal to the difference between the amount you receive for the redemption or switch, net of any costs (such as a deferred sales charge), and the ACB of the units. One half of such a capital gain must be included in determining your income.

You will be provided with details on the proceeds from the redemption or switch after the transaction. However, in order to calculate your gain or loss, you need to know the ACB of your units before disposition. Distributions that include a return of capital will affect the ACB of your units.

Switching Between Series

Switching units of one series for units of another series of the Fund is not a disposition for tax purposes and no capital gain (or loss) will be realized. The cost of the units received on a switch between series of the Fund will be equal to the aggregate adjusted cost base of the units that were switched.

Series I and Series O Units

Management fees paid by an investor to us on Series I or Series O units will not be deductible from the income earned on those units.

Registered Plans

Units of the Fund are expected to be qualified investments under the Tax Act for RRSPs, RRIFs and other registered plans. If you hold units of the Fund in an RRSP, RRIF or other registered plan, you generally pay no tax on income earned from, or capital gains realized on the disposition of, those units as long as they remain in the registered plan. However, withdrawals from such registered plans (other than withdrawals from TFSA and returns of contributions from RESPs) will generally be subject to tax. Annuitants of RRSPs and RRIFs and holders of TFSA, should consult with their own tax advisors as to whether units of the Fund would be prohibited investments under the Tax Act in their particular circumstances.

High Portfolio Turnover Rate

The higher the Fund's portfolio turnover rate, the greater the likelihood the Fund will incur capital gains or losses. In the event the Fund realizes capital gains, the gains will, in most cases, be distributed to you and must be included in computing your income for tax purposes for that year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

What Are Your Legal Rights?

Securities legislation in some provinces gives you the right to withdraw from an agreement to buy mutual funds within two business days of receiving the Simplified Prospectus, or to cancel your purchase within 48 hours of receiving confirmation of your order.

Securities legislation in some provinces and territories also allows you to cancel an agreement to buy mutual fund securities and get your money back, or to make a claim for damages, if the Simplified Prospectus, Annual Information Form or financial statements misrepresent any facts about the Fund. These rights must usually be exercised within certain time limits.

For more information, refer to the securities legislation of your province or territory or consult your lawyer.

Specific Information about IA Clarington Strategic Corporate Bond Fund

Organization and Management of IA Clarington Strategic Corporate Bond Fund

IA Clarington Investments Inc. is wholly-owned by Industrial Alliance, a leading financial institution in Canada and an industry leader in the insurance and financial services sectors. Industrial Alliance is listed on the Toronto Stock Exchange under the symbol "IAG".

Companies that Work with the Fund

Manager IA Clarington Investments Inc. 522 University Avenue, Suite 700 Toronto, Ontario, M5G 1Y7 1-888-860-9888 www.iaclearington.com	The manager manages the overall business of the Fund, including administration services, promoting sales of the Fund's units, arranging for the provision of other services and hiring the Fund's portfolio advisor.
Trustee IA Clarington Investments Inc. Toronto, Ontario	The Fund is organized as a trust. When you invest in the Fund, you buy units of a trust. The trustee holds legal title to the property of the Fund for the benefit of all of the unitholders of the Fund.
Portfolio Advisor Industrial Alliance Investment Management Inc. Québec City, Québec	The portfolio advisor and the sub-advisor are companies retained to manage the investment portfolio of the Fund. Industrial Alliance Investment Management Inc. acts as portfolio advisor to the Fund. In this capacity, Industrial Alliance Investment Management Inc. has delegated its responsibilities to IA Clarington Investments Inc.
Custodian RBC Dexia Investor Services Trust Montréal, Québec	The custodian is responsible for the safekeeping of the assets of the Fund. It may retain the services of subcustodians in Canada and throughout the world to hold the investments of the Fund.
Registrar and Transfer Agent IA Clarington Investments Inc. Toronto, Ontario	The registrar and transfer agent keeps track of the owners of units of the Fund, processes purchase, switch and redemption orders and issues investor account statements, trade confirmations and annual tax reporting information.

Auditor

PricewaterhouseCoopers LLP
Québec City, Québec

The auditor audits the annual financial statements of the Fund.

Unitholder approval will not be required for a change of auditor of the Fund if the independent review committee of the Fund has approved the change and notice of the change is sent to unitholders of the Fund at least 60 days before the change.

Independent Review Committee

Stephen J. Griggs (Chair)
Jean Morissette
S. Robert Munroe

The independent review committee reviews matters that involve a conflict of interest within the meaning of National Instrument 81-107 — Independent Review Committee for Investment Funds. The independent review committee provides an annual report of its activities, which is available on IA Clarington's website at www.iaclarington.com or, at your request and at no cost, by contacting us at funds@iaclarington.com or calling us toll free at 1-800-530-0204. Additional information about the independent review committee is available in the Fund's annual information form.

Certain Changes without Securityholder Approval

The Fund may engage in a reorganization or transfer of assets with another mutual fund managed by us or an affiliate that meets certain criteria set out in National Instrument 81-102 — Mutual Funds, without unitholder approval, if the reorganization or transfer is approved by the Fund's independent review committee and the Fund sends written notice of the change to its unitholders at least 60 days prior to making the change.

Fund Details

Type of Fund
High Yield Fixed Income
Units Offered
Series A, Series E, Series E5, Series F, Series F5, Series I, Series L, Series L5, Series O and Series T5 units of a mutual fund trust
Start Date
Series A: September 16, 2011 Series E: September 16, 2011 Series E5: September 16, 2011 Series F: September 16, 2011 Series F5: September 16, 2011 Series I: September 16, 2011 Series L: September 16, 2011 Series L5: September 16, 2011 Series O: September 16, 2011 Series T5: September 16, 2011
Eligible for Registered Plans
Yes, qualified investment for Registered Plans
Management Fees
Series A: 1.65% Series E: 1.50% Series E5: 1.50% Series F: 1.00% Series F5: 1.00% Series I: negotiated and paid by each Series I investor Series L: 1.65% Series L5: 1.65% Series O: negotiated and paid by each Series O investor; Series O units are also subject to a fixed expense charge of 0.15% Series T5: 1.65%
Portfolio Advisor
Industrial Alliance Investment Management Inc. Québec City, Québec
Portfolio Sub-Advisor
IA Clarington Investments Inc. Toronto, Ontario

What Does the Fund Invest In?

Investment Objectives

The Fund's objective is to provide income and the potential for long term capital growth by investing primarily in fixed income securities with an emphasis on corporate and other higher yielding fixed income securities.

The fundamental investment objective may only be changed with the approval of a majority of securityholders at a meeting called for that purpose.

Investment Strategies

The portfolio sub-advisor uses fundamental analysis to select investments and reviews the values of the investments on an ongoing basis, paying particular attention to credit quality and diversification by geographic region, industry sector, size of issuer and credit rating.

The Fund:

- will invest primarily in fixed income securities of North American companies;
- may from time to time invest a significant portion of the Fund's assets in non-North American companies; such investments will generally be less than 50% of the cost amount of the Fund,
- may invest a portion (generally no more than 10% of the total net asset value of the Fund) of the portfolio in income-producing equity securities, such as trust units (including real estate investment trust or income trust units), limited partnership units or dividend paying common or preferred shares,
- may invest the fixed-income component of the Fund's portfolio in bonds, debentures, notes and other obligations, whether secured or unsecured, convertible or not, issued or guaranteed by Canadian federal and provincial governments or agencies, by foreign governments, international or supranational agencies or by companies. Generally, investments in corporate bonds are expected to have a weighted average credit rating of between B and BBB, and investments in foreign government bonds may include bonds issued by developed countries and emerging markets countries,

- may hold a portion of its assets in cash, government bonds or short-term debt securities to manage the liquidity of its portfolio or for defensive purposes to reflect general market or economic conditions,
- may invest in Leveraged ETFs,
- may enter into securities lending transactions and may, after giving investors 60 days' prior written notice, enter into repurchase and reverse repurchase transactions in order to earn additional income and manage its portfolio. For a description of these transactions and the strategies to be used by the Fund to minimize the risks associated with these transactions, please see the discussion under "*Repurchase and Reverse Repurchase Transactions and Securities Lending Risk*" on page 4,
- may use derivatives such as options, forwards and futures for hedging and non-hedging purposes, including hedging against foreign currency exposures, interest rate changes or stock market movements, gaining indirect exposure to individual securities or markets instead of buying the securities directly or seeking to generate additional income. If used for non-hedging purposes, the derivatives acquired will be consistent with the investment objectives of the Fund and securities law. Options acquired for non-hedging purposes will not constitute more than 10% of the net assets of the Fund, and
- may engage in short selling further to exemptive relief granted by the Canadian securities regulators to the Fund. The portfolio sub-advisor will engage in short selling as a complement to the Fund's current primary discipline of buying securities with the expectation that they will appreciate in market value. The portfolio sub-advisor may in the future sell short up to 20% of the net portfolio in securities which the portfolio sub-advisor believes are overpriced. This is balanced by the portfolio sub-advisor investing up to 70% of the net portfolio in long positions in what it believes are underpriced securities, resulting in a net 100% long exposure when "cash cover" is

taken into account. If the Fund engages in short selling:

- the Fund must hold "cash cover" (as defined in NI 81-102) in an amount, including the Fund assets deposited with borrowing agents as security in connection with short sale transactions, that is at least 150% of the aggregate market value of all securities sold short by the Fund on a daily marked-to-market basis, and
- no proceeds from short sales by the Fund will be used to purchase long positions in securities other than cash cover.

The Fund received exemptive relief from the Canadian securities regulatory authorities to permit it to invest in securities of Leveraged ETFs, which are exchange-traded funds (ETFs) that seek to provide daily results that replicate the daily performance of a specified widely-quoted market index (benchmark index), certain exchange-traded funds that seek to replicate the performance of gold or the value of a specified derivative the underlying interest of which is gold on an unlevered basis ("Gold ETFs"), and certain exchange-traded funds that seek to provide daily results that replicate the daily performance of gold or the value of a specified derivative the underlying interest of which is gold on an unlevered basis, by a multiple of 200% ("Leveraged Gold ETFs"). The Fund does not currently invest in Gold ETFs or Leveraged Gold ETFs. The Fund will only invest in a Leveraged ETF that is rebalanced daily to ensure that its performance and exposure to its underlying index will not exceed $\pm 200\%$ of the corresponding daily performance of its underlying index. The Fund will not invest in a Leveraged ETF if, immediately after the transaction, its aggregate investment in Leveraged ETFs would exceed 10% of the net assets of the Fund. Furthermore, the Fund will not invest in a Leveraged ETF if its aggregate investment in Leveraged ETFs, together with all securities sold short by the Fund, would exceed 20% of the net assets of the Fund. Investment in Leveraged ETFs entails certain risks, including market risk in relation to the performance of the benchmark index and derivatives risk in relation to the use of financial instruments by the ETFs. The Fund will not invest in a Leveraged ETF, other than a Gold ETF, with a benchmark index that is based on (i) a physical commodity or (ii) a specified

derivative of which the underlying interest is a physical commodity, and will only invest in Leveraged ETFs that are listed on a stock exchange in Canada or the United States. See “*Leveraged ETF Risk*” on page 4 for a description of the risks associated with such investment.

What are the Risks of Investing in this Fund?

The risks of investing in this Fund are:

- capital depletion risk
- credit risk
- currency risk
- derivatives risk
- foreign investment risk
- government securities risk
- income trust risk
- interest rate risk
- large transaction risk
- leveraged ETF risk
- liquidity risk
- market risk
- repurchase and reverse repurchase transactions and securities lending risk
- sector risk
- series risk
- short-selling risk

You will find an explanation of each risk under “*What are the Specific Risks Associated with Mutual Funds?*” beginning on page 2 of this document.

As at September 16, 2011, the Manager owned 100% of the units of the Fund.

Investment Risk Classification Methodology

The Fund’s investment risk level is based on the standard deviation of the Fund’s investment returns. The use of standard deviation as a measurement tool allows for a reliable and consistent quantitative comparison of the Fund’s relative volatility and

related risk. Standard deviation is widely used to measure volatility of return.

The Fund’s risk is measured using rolling one, three and five year standard deviation and comparing these values against those of the other mutual funds offered by IA Clarington and by using an industry standard framework, such as the Risk Classification Guidelines produced by the Investment Fund Industry of Canada. The standard deviation represents, generally, the level of volatility in returns that a mutual fund has historically experienced over the set measurement periods. Because the Fund is new, the Manager will use an appropriate benchmark index to estimate the expected volatility and therefore the expected risk level of the Fund.

- **Low** — standard deviation of 0 to 6 percentage points from the average return; typically associated with money market funds or Canadian fixed income funds;
- **Low to Medium** — standard deviation of 6 to 11 percentage points from the average return; typically associated with balanced funds or global or high yield fixed income funds;
- **Medium** — standard deviation of 11 to 16 percentage points from the average return; typically associated with equity funds that are diversified among larger Canadian or global equities;
- **Medium to High** — standard deviation of 16 to 20 percentage points from the average return; typically associated with equity funds that have concentrated investments in specific regions or economic sectors, or in smaller companies; and
- **High** — standard deviation over 20 percentage points from the average return; typically associated with equity funds that may have concentrated investments in specific regions and/or in particular sectors of the economy where there is a considerable risk of loss.

The Fund’s risk level is reviewed at least once a year and each time a material change is made to the Fund’s investment strategies and/or investment objective.

Details of the methodology used are available on request, at no cost by calling us toll-free at 1-800-530-0204 or e-mailing us at funds@iaclarington.com or by writing us at the address on the back cover of this document.

Who Should Invest in this Fund?

Investors:

- seeking income and the possibility for capital appreciation,
- with low to medium risk tolerance and
- planning to invest over the medium to long term.

The description of suitability in this section is of a general nature only, and may not be applicable to the circumstances of any particular investor.

Distribution Policy

Series A, E, F, and L units will not pay a monthly distribution.

For Series E5, F5, L5 and T5 units, the Fund will make a monthly distribution of a fixed dollar amount per unit determined for each such series in January of each year. If the annualized monthly distribution per unit of the series at that time is between approximately 4% and 6% of the net asset value per unit of the series as of December 31 of the previous year, the monthly distribution per unit will not change. If the annualized monthly distribution per unit of the series is outside that range, the monthly distribution amount will be adjusted to be approximately one-twelfth of 5% of the net asset value per unit of the series as of December 31 of the previous year. The current monthly distribution rate is \$0.0417 per Series E5, F5, L5 and T5 unit, which rates will remain in effect until adjusted in accordance with this distribution policy.

Series I and O units will undertake to pay a monthly distribution. This distribution is reviewed periodically, and does not necessarily target a fixed percentage of the net asset value of the Fund.

The distribution for any series of units of the Fund may be reduced in the future, if we determine that market conditions require a reduction of distributions or that payment of a distribution would have a negative effect on the investors in the Fund.

A portion of the monthly distribution for Series E5, F5, L5 and T5 is expected to consist of a return of capital, which is not taxable in the year received. The distribution rate on a series of units of the Fund may be greater than the return on the Fund's investments. If the cash distributions to you are greater than the net increase in value of your

investment, the distributions will erode the value of your investment. Please see "*Income Tax Considerations For Investors*" on page 19 for more details.

We will automatically invest monthly distributions in additional units of the Fund unless you tell us in writing that you would prefer to receive cash distributions. Distributions by this Fund are not guaranteed to occur on a specific date and neither we nor the Fund is responsible for any fees or charges incurred by you because the Fund did not effect a distribution on a particular day.

The Fund will distribute any excess income and capital gains annually in December such that it is not liable for income tax under the Tax Act. We may opt to reinvest this December distribution in additional units of the Fund, and to consolidate the units of the Fund immediately after that distribution, so that the total number of outstanding units after the distribution is the same as the number of outstanding units immediately before the distribution, even if you have otherwise opted to receive cash distributions.

Fund Expenses Indirectly Borne by Investors

As explained in "*Fees and Expenses Payable by the Fund*" on page 14, the Fund pays us a management fee and all expenses needed to operate and carry on its business. The Fund's management expense ratio is the fees and expenses payable by the Fund divided by its average net asset value over a year.

Because the Fund has not existed for a complete financial year, we are unable to provide an example of the expenses of the mutual fund indirectly borne by investors.

IA Clarington Investments Inc.

Offering Series A, Series E, Series E5, Series F, Series F5, Series I, Series L, Series L5, Series O and Series T5 units of:

IA Clarington Strategic Corporate Bond Fund

Additional information about the Fund is available in the Fund's Annual Information Form, Fund Facts, management reports of fund performance, once available, and financial statements. These documents are incorporated by reference into this Simplified Prospectus, which means that they legally form part of this document just as if they were printed as a part of this document.

You can get a copy of these documents, at your request and at no cost, by calling us toll free at **1-800-530-0204** or from your dealer or by e-mail at **funds@iaclarington.com**.

These documents and other information about the Fund, such as information circulars and material contracts, are also available on IA Clarington Investments Inc.'s Internet site at **www.iaclarington.com** or are available at the Internet site of SEDAR (the System for Electronic Document Analysis and Retrieval) at **www.sedar.com**.

Manager of the IA Clarington Strategic Corporate Bond Fund

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