

Monthly Update

August 31,
2011



INSURANCE AND FINANCIAL SERVICES INC.

Shaky markets

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A simple look at the month-end performances posted by the Canadian financial markets does not do justice to the turmoil that took place during the month of August. Indeed, -1.2% for the Canadian equities market (S&P/TSX index) and 1.2% for the Canadian bond market (DEX Universe index) are nothing to write home about. However, the full picture becomes clearer when we look at the returns of the foreign markets: -5.7% for the S&P 500 (U.S. market) and -9.0% for the MSCI - EAFE (international market), expressed in local currencies. The main explanation for this difference between the Canadian and foreign markets is, of course, the Canadian market's heavy proportion of gold stocks (13.52% of the S&P/TSX index at August 31, 2011). These stocks profited from a climate of deep uncertainty and the strength of gold, a safe haven currency, resulting in the Canadian stock market outperforming others in August.

Let us now look at the weekly movements of the U.S. S&P 500 index during the month of August in order to better understand the emotional climate suffered by investors. For the first five days of the month, i.e. the week ending August 5, this index's return was -7.2% (still in local currency); the following week, ending August 12, it was -1.7%; for the week ending August 19, it was -4.7%; and for the week ending August 26, the return was +4.7%. The last few days of the month of August were also positive (+3.6%), resulting in the cumulative monthly return of -5.7%, as stated earlier. The least we can say is that this type of rollercoaster ride is nerve-racking for investors! There are two avenues of analysis to explain these market movements: the "fundamentals" avenue, based on the state of the economy, and the "emotional" avenue, which looks

The market's manic behaviour, illustrated by the "risk on, risk off" catchphrase, is amplifying the downward market movement, caused by the lack of vigour of the U.S. economy and Europe's sovereign debt problems.

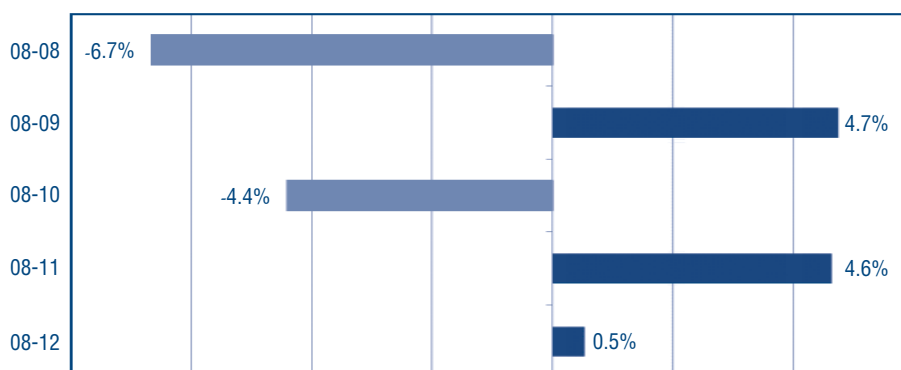
at the increasingly visible phenomenon of investors' crowd behaviour, or what some call "risk on/risk off."

First, there is the economic situation. The media made a great fuss over the downgrading of the U.S. debt by the credit rating agency Standard & Poor's to explain the storm that hit stock markets in August. This reduction in the credit rating from AAA to AA+ took place on August 5, after the S&P 500 index had already dropped 7.2%. Without minimizing the significance of this event, it appears that this downgrade did not change much in investors' risk assessments, despite all the media space devoted to the news. It is more likely that the market succumbed to its own mounting concerns over the strength of the U.S. economic recovery and the sovereign debt problems in Europe.

Here assiduous readers will recognize two themes that recur regularly in our reflections on the markets and the state of the economy. Europe's sovereign debt problems have been making headlines since February 2010, and the lack of vigour in the U.S. economy—the unemployment rate does not seem able to go below 9%—has been a nagging concern since the recovery began.

Manic market behaviour:

Daily S&P 500 index returns for the week of August 8, 2011 (in US \$)



Source: IAIM

Since the start of 2010, investors have been seeking signs to support their ingrained conviction that, like the eternal cycle of the seasons, after a great recession, economic activity will naturally resume, and the employment situation will naturally improve. However, the deterioration in U.S. economic data (GDP growth slowing since the third quarter of 2010, decline in the Philly Fed Leading Index, and disappointing employment figures yet again) is back at the forefront of the worries which, until now, investors had managed to push aside. This wake-up call is one of the main causes of the bearish trend seen in August.

Amplifying this "fundamental" movement is the trend increasingly observed in markets with mob behaviour, which can be likened to a manic attitude. As mentioned earlier, this phenomenon is often called "risk on/risk off." Picture the market as a relatively homogeneous whole that moves its holdings quickly and without other distinction than between "risky" or "less risky" assets. When the context is favourable to economic expansion and profit growth, the market launches into buying risky assets, i.e. the risk switch is "on". When the economic environment begins to cool, the market starts selling off its risky assets and buying safer ones, abandoning the equities market and the more cyclical stocks to take refuge in bonds, the U.S. dollar and gold.

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Gross returns as at August 31, 2011

	Reference Index	Net assets ¹ in millions \$	Simple returns ²			Compound annual returns				Investment advisor	
			1 month %	3 months %	YTD %	1 year %	3 years %	5 years %	10 years %		
ASSET ALLOCATION FUNDS											
GROUP											
FU506	Asset Allocation - Conservative	INDC506	36.6	(0.1)	0.2	3.2	6.2	5.8	5.2	6.3*	Various Managers
FU507	Asset Allocation - Moderate	INDC507	64.6	(0.8)	(1.7)	1.5	6.3	4.7	4.6	6.3*	Various Managers
FU508	Asset Allocation - Balanced	INDC508	174.1	(1.4)	(3.6)	(0.1)	6.4	3.6	4.0	6.3*	Various Managers
FU509	Asset Allocation - Growth	INDC509	108.0	(2.1)	(5.5)	(1.8)	6.4	2.3	3.3	6.1*	Various Managers
FU510	Asset Allocation - Aggressive Growth	INDC510	46.2	(2.8)	(7.4)	(3.5)	6.3	1.3	2.8	6.1*	Various Managers
INCOME FUNDS											
GROUP											
FU070	Money Market	IN018	259.5	0.1	0.3	0.8	1.0	0.9	2.3	2.6	Industrial Alliance
FU170	Short Term Bonds	IN019	199.7	0.8	2.0	3.7	3.6	5.0	4.9	5.0	Industrial Alliance
FU020	Bonds	IN021	1,642.8	1.1	3.3	5.9	5.5	7.0	6.1	6.7	Industrial Alliance
FU210	Bonds - series 2	IN021	655.1	1.0	3.1	5.4	5.5	6.8	5.9	6.4	Industrial Alliance
FU822	Bonds (Addenda)	IN021	3.0	0.5	2.3	5.0	5.3	6.6	5.9	6.5*	Addenda
FU860	Bonds (PIMCO)	IN021	39.7	(1.2)	0.6	3.1	3.7	6.9*	6.5*	-	PIMCO
FU472	Bonds (Natcan)	IN021	10.3	0.9	3.0	5.3	5.3	7.0	6.0	6.4*	Natcan
FU521	Bonds (PH&N)	IN021	8.7	0.8	2.7	4.9	5.4	7.5	6.2	6.7*	Phillips, Hager & North
FU489	Emerald Canadian Bond Index (TD)	IN021	54.1	1.2	3.3	5.6	5.6	6.7	5.8	6.2*	TD
FU504	Long Term Bonds	IN056	69.3	1.8	5.3	8.3	8.8	9.2	7.2	8.6*	Industrial Alliance
FU861	Long Term Bonds (PIMCO)	IN056	2.3	(0.6)	2.6	5.5	7.1	9.7*	-	-	PIMCO
DIVERSIFIED FUNDS											
GROUP											
FU240	Diversified Security	INDC240	301.5	0.1	(0.2)	2.5	6.5	6.0	5.6	7.0	Industrial Alliance
FU040	Diversified	INDC040	1,686.7	(0.7)	(2.9)	0.0	7.6	4.3	4.7	7.1	Industrial Alliance
FU463	Diversified (Jarislowsky)	INDC463	49.1	(1.8)	(4.2)	(0.2)	6.0	2.4	2.9	5.2	Jarislowsky
FU380	Diversified (McLean Budden)	INDC380	21.3	(2.4)	(6.9)	(5.0)	3.5	1.2	2.8	5.0	McLean Budden
FU522	Balanced (PH&N)	INDC522	28.4	(2.4)	(5.4)	(2.7)	5.0	2.1	2.8	4.7*	Phillips, Hager & North
FU486	Balanced (Invesco)	INDC486	16.1	(1.7)	(4.7)	(2.0)	4.8	2.2	2.5	6.2*	Invesco
FU250	Diversified Opportunity	INDC250	217.7	(1.2)	(4.8)	(1.8)	8.3	3.4	4.4	7.5	Industrial Alliance
FU462	Fidelity Canadian Asset Allocation	INDC462	497.7	(0.5)	(2.6)	(1.0)	9.4	4.2	6.5	8.5	Fidelity
CANADIAN EQUITY FUNDS											
GROUP											
FU160	Dividends	IN026	572.7	(0.5)	(6.5)	(0.7)	9.3	3.2	5.2	11.1	Industrial Alliance
FU474	Canadian Equity Index	IN026	147.5	(0.6)	(7.2)	(3.9)	7.3	(1.0)	4.0	7.4*	Industrial Alliance
FU010	Canadian Equity Value	INDC010	395.5	(1.4)	(7.1)	(4.8)	8.4	(0.1)	2.3	7.4	Industrial Alliance
FU494	100% Canadian Equity Value	IN024	66.4	(0.6)	(6.6)	(4.1)	9.8	1.8	4.4	-	Industrial Alliance
FU488	Canadian Equity (Jarislowsky)	IN024	102.8	(2.4)	(8.3)	(4.7)	5.4	(0.2)	3.5	9.3*	Jarislowsky
FU543	Canadian Equity (Scheer Rowlett)	IN024	32.3	(2.1)	(9.0)	(6.7)	5.8	(0.9)	2.8*	9.1*	Scheer Rowlett
FU835	Canadian Equity (Highstreet)	IN024	6.4	(1.7)	(7.2)	(6.4)	6.3	(3.3)*	2.4*	9.4*	Highstreet
FU487	Canadian Equity (Invesco)	IN024	7.1	(2.4)	(8.7)	(5.3)	6.6	2.8	4.8	6.9*	Invesco
FU862	Canadian Equity (Pyramis)	IN031	20.8	(1.0)	(5.7)	(2.0)	13.1	2.0*	6.8*	-	Pyramis
FU523	Canadian Equity (PH&N)	IN031	1.3	(3.5)	(9.4)	(5.6)	6.9	(1.2)	2.4*	7.1*	Phillips, Hager & North
FU464	Canadian Equity Growth	IN024	233.3	(2.4)	(8.0)	(5.9)	8.7	-2.9	7.2	-	Industrial Alliance
FU360	Canadian Equity (McLean Budden)	IN031	95.3	(4.1)	(13.4)	(12.1)	4.2	(3.1)	2.8	7.4	McLean Budden
FU473	Canadian Equity (Natcan)	IN024	27.9	(3.7)	(9.8)	(8.4)	5.9	1.8	4.2	7.7*	Natcan
FU270	Fidelity True North	IN031	357.6	(1.0)	(5.6)	(2.8)	10.0	(0.3)	5.2	9.2	Fidelity
FU511	Canadian Equity (Small Cap.) (Montrusco)	IN061	35.4	(3.3)	(8.4)	(7.4)	17.8	12.1	9.1	14.6*	Montrusco Bolton
FU541	Canadian Equity (Small Cap.) (QV)	IN061	26.5	(5.1)	(6.4)	(1.3)	11.5	3.4	3.7*	15.1*	QV Investors Inc.
FU514	Canadian Equity Responsible (McLean Budden)	IN024	2.0	(3.3)	(11.2)	(7.8)	6.1	0.0	2.9	7.4*	McLean Budden
FOREIGN FUNDS											
GROUP											
FU465	Global Equity (Templeton)	IN008	185.6	(6.7)	(12.6)	(6.3)	3.2	(3.8)	(2.7)	0.6*	Templeton
FU837	Global Equity (Artio)	IN008	2.0	(6.9)	(11.3)	(10.1)	2.3	(4.1)*	(2.3)*	0.5*	Artio
FU500	Global Equity (Hexavest)	IN008	31.2	(2.3)	(7.7)	(4.1)	0.9	(0.5)	0.2	3.0*	Hexavest
FU865	Global Equity (CS-Hedged) (Hexavest)	IN104	5.8	(4.6)	(9.3)	(5.4)	4.0	-	-	-	Hexavest
FU534	Global Dividends (BNP Paribas)	IN089	9.7	(6.2)	(9.4)	(5.0)	7.3	(1.8)	(2.0)*	-	BNP Paribas Inv Partners
FU485	Global Equity (Invesco)	IN008	9.2	(5.4)	(10.9)	(8.1)	1.2	(3.8)	(3.6)	1.4*	Invesco
FU390	Global Equity (McLean Budden)	IN008	79.5	(4.8)	(9.8)	(6.9)	1.4	(3.4)	(2.3)	(0.4)	McLean Budden
FU864	Global Equity (CS-Hedged) (McLean Budden)	IN104	7.2	(6.9)	(11.2)	(8.5)	4.8	-	-	-	McLean Budden
FU863	Global Equity (Pyramis)	IN008	1.9	(5.3)	(10.4)	(7.2)	4.6	(4.8)*	(2.0)*	-	Pyramis
FU531	Global Equity Small Cap. (DB Advisors) ³	IN079	80.2	(5.9)	(9.5)	(6.0)	10.0	0.5	-	-	DB Advisors
FU300	International Equity Index (BlackRock)	IN046	12.4	(6.8)	(10.7)	(7.3)	1.1	(4.7)	(3.5)	0.3	BlackRock
FU080	International Equity (Templeton)	IN002	60.9	(7.8)	(13.1)	(8.1)	(0.2)	(5.1)	(3.3)	0.4	Templeton
FU483	International Equity (Jarislowsky)	IN002	4.6	(5.7)	(8.1)	(0.4)	8.5	(1.4)	(2.3)	0.2*	Jarislowsky
FU838	International Equity (Artio)	IN002	1.1	(7.4)	(10.2)	(10.3)	(2.3)	(7.7)*	(3.6)*	-	Artio
FU852	International Equity (Hexavest)	IN002	6.8	(4.9)	(8.9)	(6.1)	(2.2)	(2.7)	(1.7)	3.1*	Hexavest
FU467	International Equity (McLean Budden)	IN002	6.4	(6.9)	(10.8)	(6.7)	(0.5)	(2.3)	(2.4)	0.3*	McLean Budden
FU180	U.S. Equity Index (SSGA)	IN098	28.0	(3.1)	(8.1)	(3.5)	8.3	(2.7)	(2.1)	(2.3)	SSG&A (State Street)
FU839	U.S. Equity (BatteryMarch)	IN014	2.0	(3.3)	(8.1)	(3.7)	8.2	(4.9)*	(2.6)*	(1.5)*	BatteryMarch
FU512	U.S. Equity (Jarislowsky)	IN014	1.3	(3.4)	(9.1)	(4.0)	6.6	(1.9)	(1.8)	(1.9)*	Jarislowsky
FU513	U.S. Equity (McLean Budden)	IN014	15.2	(4.4)	(9.8)	(7.3)	3.5	(4.3)	(1.9)	(0.3)*	McLean Budden
FU540	Global Real Estate (BNP Paribas)	IN080	6.2	(4.0)	(7.0)	(0.3)	6.2	(2.9)	(4.8)*	5.5*	BNP Paribas Inv Partners

The above returns are gross returns and do not take into account management and administration fees. Past performance is not a guarantee of future returns.

Benchmark indexes - Returns as at August 31, 2011

	Simple returns ²			Compound annual returns				
	1 month %	3 months %	YTD %	1 year %	3 years %	5 years %	10 years %	
TOTAL RETURN								
Money market index								
IN018	DEX 91 day Tbill Index	0.1	0.2	0.7	0.9	1.0	2.2	2.5
Bond indexes								
IN019	DEX Short Term Bond Index	0.7	1.9	3.5	3.3	5.1	5.1	5.0
IN056	DEX Long Term Bond Index	1.8	5.5	8.3	9.0	9.1	7.0	8.2
IN021	DEX Universe Bond Index	1.2	3.3	5.5	5.4	6.8	5.9	6.4
Equity indexes								
IN026	S&P/TSX 60	(0.5)	(7.1)	(3.8)	7.6	(1.2)	3.9	7.8
IN024	S&P/TSX Composite Index	(1.2)	(6.9)	(3.5)	9.9	0.4	4.0	8.1
IN031	S&P/TSX Capped Composite Index	(1.2)	(6.9)	(3.5)	9.9	0.4	4.0	8.1
IN061	BMO Nesbitt Burns Small Cap	(4.6)	(9.6)	(7.9)	18.8	9.8	5.0	11.2
IN008	MSCI - World (Can. \$)	(4.6)	(9.3)	(5.5)	5.3	(4.0)	(2.6)	(1.0)
IN104	MSCI - World (Local \$)	(6.8)	(10.7)	(6.7)	8.1	(2.9)	(2.0)	1.6
IN089	S&P Citigroup High Income Equity Index (Can. \$)	(4.7)	(9.5)	(4.4)	5.7	(1.4)	(3.8)	-
IN079	MSCI - World Small Cap. (Can. \$)	(5.9)	(11.4)	(6.7)	11.3	1.4	0.0	4.1
IN046	MSCI - EAFE (Can. \$) (Reuters)	(6.8)	(10.8)	(7.5)	0.9	(5.5)	(3.9)	0.2
IN002	MSCI - EAFE (Can. \$)	(6.7)	(10.7)	(7.6)	1.2	(5.6)	(3.9)	0.2
IN098	S&P 500 (Can. \$) (Reuters)	(3.1)	(8.1)	(3.3)	8.7	(2.1)	(1.7)	(1.9)
IN014	S&P 500 (Can. \$)	(3.0)	(8.0)	(3.4)	9.0	(2.2)	(1.7)	(1.9)
IN080	FTSE EPRA/NAREIT Global Index Net TRI (Can. \$) ⁴	(3.9)	(7.2)	(1.9)	5.5	(2.3)	(3.9)	4.5
Composite indexes								
INDC010	IN024 (90%), IN008 (10%)	(1.6)	(7.1)	(3.7)	9.5	0.1	3.4	7.2
INDC040	IN021 (50%), IN024 (35%), IN008 (10%), IN018 (5%)	(0.3)	(1.8)	1.0	6.9	3.6	4.6	6.3
INDC240	IN021 (65%), IN024 (20%), IN008 (5%), IN018 (10%)	0.3	0.3	2.7	6.0	4.7	5.0	6.2
INDC250	IN021 (30%), IN024 (50%), IN008 (15%), IN018 (5%)	(0.9)	(3.9)	(0.9)	7.6	2.1	3.8	6.2
INDC380	IN021 (35%), IN024 (30%), IN008 (30%), IN018 (5%) ⁵	(1.3)	(3.8)	(0.7)	6.7	1.7	2.8	5.3
INDC462	IN031 (65%), IN021 (30%), IN018 (5%)	(0.4)	(3.5)	(0.6)	8.2	2.8	4.8	7.6
INDC463	IN021 (39%), IN024 (30%), IN002 (12.5%), IN018 (6%), IN014 (12.5%)	(1.1)	(3.2)	(0.2)	6.6	2.3	3.3	5.1
INDC486	IN021 (35%), IN024 (35%), IN008 (25%), IN018 (5%)	(1.2)	(3.6)	(0.6)	6.9	2.0	3.3	5.2
INDC506	IN021 (80%), IN024 (10%), IN008 (10%)	0.3	0.9	3.5	5.9	5.2	5.0	6.0
INDC507	IN021 (65%), IN024 (20%), IN008 (15%)	(0.3)	(0.8)	2.0	6.4	4.2	4.5	5.8
INDC508	IN021 (50%), IN024 (30%), IN008 (20%)	(0.9)	(2.5)	0.5	6.8	3.1	3.9	5.7
INDC509	IN021 (35%), IN024 (40%), IN008 (25%)	(1.4)	(4.2)	(1.0)	7.2	1.9	3.3	5.5
INDC510	IN021 (20%), IN024 (50%), IN008 (30%)	(2.0)	(5.9)	(2.5)	7.6	0.7	2.6	5.2
INDC522	IN021 (35%), IN031 (35%), IN008 (25%), IN018 (5%)	(1.2)	(3.6)	(0.6)	6.9	2.0	3.3	5.2

¹ Total net assets of the fund including individual and group contracts.

² The rates of return for the period are non-annualized.

³ Fund managed by DB Advisors since March 31, 2008.

⁴ The returns presented are those of the FTSE EPRA/NAREIT Global Index Net TRI (Can. \$) since January 1, 2009. For periods to this date, the returns presented are those of GPR 250.

⁵ The current composition of this index has been in effect since July 1, 2007.

* Simulation of past returns as if the fund had been in effect for these periods.

Index funds: Simulation of past returns from the return of the index that the fund aims to reproduce.

Asset allocation funds: Simulation of past returns based on the return of the funds included in the asset allocation fund and on an asset allocation decision.

Returns as at August 31, 2011 (%)

	Special 1-day	1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years
GUARANTEED INVESTMENTS											
Published rates	0.05	0.50	0.45	1.00	1.10	1.40	1.25	1.25	1.25	1.25	2.35

The rates applicable to your guaranteed investments may differ from those presented above. To find out the applicable adjustment, please call Client Service at the following number: 1 800 567-5670.

ATTITUDE Portfolios

Gross Returns as at August 31, 2011

	Reference Index	Simple returns ¹			Compound annual returns			
		1 month %	3 months %	YTD %	1 year %	3 years %	5 years %	10 years %
CONSERVATIVE								
Conservative Portfolio 2010	INP001	0.0	0.5	3.3	5.8	5.7	5.3*	6.5*
Conservative Portfolio 2020	INP002	0.0	0.5	3.3	5.8	4.8	5.0*	7.0*
Conservative Portfolio 2030	INP003	(0.5)	(1.4)	1.4	6.2	4.8	5.1*	7.2*
Conservative Portfolio 2040	INP004	(0.6)	(2.0)	0.8	6.3	4.6	4.9*	7.1*
Conservative Portfolio 2050	INP005	(1.0)	(2.7)	0.2	6.2	4.1	4.5*	6.8*
Conservative Portfolio 2060	INP006	(1.3)	(3.4)	(0.4)	6.2	3.9*	4.4*	6.7*
MODERATE								
Moderate Portfolio 2010	INP007	(0.5)	(1.4)	1.4	6.2	5.1	5.2*	7.1*
Moderate Portfolio 2020	INP008	(0.5)	(1.4)	1.4	6.2	4.5	5.0*	7.4*
Moderate Portfolio 2030	INP009	(0.8)	(2.7)	0.2	6.4	4.3	4.8*	7.2*
Moderate Portfolio 2040	INP010	(1.2)	(3.4)	(0.4)	6.3	3.9	4.6*	7.3*
Moderate Portfolio 2050	INP011	(1.3)	(4.0)	(1.0)	6.4	3.6	4.3*	7.1*
Moderate Portfolio 2060	INP012	(1.7)	(4.7)	(1.6)	6.4	3.4*	4.2*	7.1*
BALANCED								
Balanced Portfolio 2010	INP013	(0.6)	(2.0)	0.8	6.3	4.9	5.1*	7.3*
Balanced Portfolio 2020	INP014	(0.6)	(2.0)	0.8	6.3	4.3	4.8*	7.2*
Balanced Portfolio 2030	INP015	(1.2)	(3.4)	(0.4)	6.3	3.5	4.3*	7.1*
Balanced Portfolio 2040	INP016	(1.7)	(4.7)	(1.6)	6.4	3.1	4.0*	6.8*
Balanced Portfolio 2050	INP017	(2.0)	(5.4)	(2.2)	6.3	2.6	3.6*	6.5*
Balanced Portfolio 2060	INP018	(2.3)	(6.1)	(2.8)	6.2	2.4*	3.5*	6.5*
GROWTH								
Growth Portfolio 2010	INP019	(1.2)	(3.4)	(0.4)	6.3	4.2	4.7*	7.2*
Growth Portfolio 2020	INP020	(1.2)	(3.4)	(0.4)	6.3	3.5	4.3*	7.1*
Growth Portfolio 2030	INP021	(1.7)	(4.7)	(1.6)	6.4	2.8	3.8*	6.9*
Growth Portfolio 2040	INP022	(2.2)	(6.0)	(2.8)	6.4	2.3	3.5*	6.7*
Growth Portfolio 2050	INP023	(2.5)	(6.7)	(3.4)	6.3	1.8	3.1*	6.4*
Growth Portfolio 2060	INP024	(2.9)	(7.4)	(4.0)	6.1	1.6*	2.9*	6.3*
AGGRESSIVE								
Aggressive Portfolio 2010	INP025	(1.7)	(4.7)	(1.6)	6.4	3.4	4.2*	7.1*
Aggressive Portfolio 2020	INP026	(1.7)	(4.7)	(1.6)	6.4	2.8	3.8*	6.9*
Aggressive Portfolio 2030	INP027	(2.2)	(6.0)	(2.8)	6.4	2.0	3.3*	6.8*
Aggressive Portfolio 2040	INP028	(2.7)	(7.4)	(4.0)	6.3	1.5	2.9*	6.5*
Aggressive Portfolio 2050	INP029	(3.0)	(8.1)	(4.7)	6.2	1.0	2.5*	6.2*
Aggressive Portfolio 2060	INP030	(3.4)	(8.8)	(5.3)	6.1	0.8*	2.4*	6.1*

¹ The rates of return for the period are non-annualized.

* Simulation of past returns as if the portfolio had been in effect for these periods. Simulation of past returns are based on the return of the funds included in the portfolios on the creation date and on the target asset allocation in effect at this time.

The above returns are gross returns and do not take into account management and administration fees. Past performance is not a guarantee of future returns.

Benchmark Indexes

Gross Returns as at August 31, 2011

		Simple returns ¹			Compound annual returns			
		1 month %	3 months %	YTD ² %	1 year %	3 years %	5 years %	10 years %
Bond index								
IN021	DEX Universe Bond Index	1.2	3.3	5.5	5.4	6.8	5.9	6.4
Equity indexes								
IN026	S&P/TSX 60 Index	(0.5)	(7.1)	(3.8)	7.6	(1.2)	3.9	7.8
IN031	S&P/TSX Capped Composite Index	(1.2)	(6.9)	(3.5)	9.9	0.4	4.0	8.1
IN024	S&P/TSX Composite Index	(1.2)	(6.9)	(3.5)	9.9	0.4	4.0	8.1
IN061	BMO Nesbitt Burns Small Cap.	(4.6)	(9.6)	(7.9)	18.8	9.8	5.0	11.2
IN008	MSCI - World (net ret.) (Can. \$)	(4.6)	(9.3)	(5.5)	5.3	(4.0)	(2.6)	(1.0)
IN079	MSCI - World Small Cap. (Can. \$)	(5.9)	(11.4)	(6.7)	11.3	1.4	0.0	4.1
Composite indexes (The percentages in the reference sub-indexes are those at the end of the period and these percentages vary over time.)								
INP001	IN021 (80%), IN026 (3%), IN031 (3%), IN024 (3%), IN061 (1%), IN008 (8%), IN079 (2%)	0.3	1.0	3.5	6.2	5.5	5.2	6.1
INP002	IN021 (80%), IN026 (3%), IN031 (3%), IN024 (3%), IN061 (1%), IN008 (8%), IN079 (2%)	0.3	1.0	3.5	6.2	4.4	4.8	6.4
INP003	IN021 (65%), IN026 (7.5%), IN031 (7.5%), IN024 (7.5%), IN061 (2.5%), IN008 (8%), IN079 (2%)	(0.1)	(0.6)	2.1	6.9	4.4	4.9	6.6
INP004	IN021 (60%), IN026 (9%), IN031 (9%), IN024 (9%), IN061 (3%), IN008 (8%), IN079 (2%)	(0.2)	(1.2)	1.6	7.2	4.1	4.6	6.4
INP005	IN021 (55%), IN026 (9%), IN031 (9%), IN024 (9%), IN061 (3%), IN008 (12%), IN079 (3%)	(0.5)	(1.8)	1.0	7.3	3.6	4.2	6.1
INP006	IN021 (50%), IN026 (9%), IN031 (9%), IN024 (9%), IN061 (3%), IN008 (16%), IN079 (4%)	(0.8)	(2.5)	0.5	7.3	3.5	4.2	6.0
INP007	IN021 (65%), IN026 (7.5%), IN031 (7.5%), IN024 (7.5%), IN061 (2.5%), IN008 (8%), IN079 (2%)	(0.1)	(0.6)	2.1	6.9	4.8	5.0	6.5
INP008	IN021 (65%), IN026 (7.5%), IN031 (7.5%), IN024 (7.5%), IN061 (2.5%), IN008 (8%), IN079 (2%)	(0.1)	(0.6)	2.1	6.9	4.0	4.7	6.7
INP009	IN021 (55%), IN026 (10.5%), IN031 (10.5%), IN024 (10.5%), IN061 (3.5%), IN008 (8%), IN079 (2%)	(0.3)	(1.7)	1.1	7.4	3.9	4.6	6.5
INP010	IN021 (50%), IN026 (10.5%), IN031 (10.5%), IN024 (10.5%), IN061 (3.5%), IN008 (12%), IN079 (3%)	(0.6)	(2.3)	0.6	7.5	3.3	4.3	6.5
INP011	IN021 (45%), IN026 (12%), IN031 (12%), IN024 (12%), IN061 (4%), IN008 (12%), IN079 (3%)	(0.7)	(2.9)	0.1	7.7	3.1	4.1	6.3
INP012	IN021 (40%), IN026 (12%), IN031 (12%), IN024 (12%), IN061 (4%), IN008 (16%), IN079 (4%)	(1.0)	(3.5)	(0.5)	7.8	3.0	4.0	6.2
INP013	IN021 (60%), IN026 (9%), IN031 (9%), IN024 (9%), IN061 (3%), IN008 (8%), IN079 (2%)	(0.2)	(1.2)	1.6	7.2	4.5	5.0	6.7
INP014	IN021 (60%), IN026 (9%), IN031 (9%), IN024 (9%), IN061 (3%), IN008 (8%), IN079 (2%)	(0.2)	(1.2)	1.6	7.2	3.7	4.5	6.5
INP015	IN021 (50%), IN026 (10.5%), IN031 (10.5%), IN024 (10.5%), IN061 (3.5%), IN008 (12%), IN079 (3%)	(0.6)	(2.3)	0.6	7.5	3.0	4.0	6.2
INP016	IN021 (40%), IN026 (12%), IN031 (12%), IN024 (12%), IN061 (4%), IN008 (16%), IN079 (4%)	(1.0)	(3.5)	(0.5)	7.8	2.6	3.7	6.0
INP017	IN021 (35%), IN026 (12%), IN031 (12%), IN024 (12%), IN061 (4%), IN008 (20%), IN079 (5%)	(1.4)	(4.2)	(1.0)	7.8	2.1	3.2	5.6
INP018	IN021 (30%), IN026 (12%), IN031 (12%), IN024 (12%), IN061 (4%), IN008 (24%), IN079 (6%)	(1.7)	(4.8)	(1.6)	7.9	2.0	3.2	5.6
INP019	IN021 (50%), IN026 (10.5%), IN031 (10.5%), IN024 (10.5%), IN061 (3.5%), IN008 (12%), IN079 (3%)	(0.6)	(2.3)	0.6	7.5	3.7	4.5	6.5
INP020	IN021 (50%), IN026 (10.5%), IN031 (10.5%), IN024 (10.5%), IN061 (3.5%), IN008 (12%), IN079 (3%)	(0.6)	(2.3)	0.6	7.5	3.0	4.0	6.2
INP021	IN021 (40%), IN026 (12%), IN031 (12%), IN024 (12%), IN061 (4%), IN008 (16%), IN079 (4%)	(1.0)	(3.5)	(0.5)	7.8	2.2	3.5	6.0
INP022	IN021 (30%), IN026 (13.5%), IN031 (13.5%), IN024 (13.5%), IN061 (4.5%), IN008 (20%), IN079 (5%)	(1.5)	(4.7)	(1.5)	8.0	1.8	3.1	5.7
INP023	IN021 (25%), IN026 (13.5%), IN031 (13.5%), IN024 (13.5%), IN061 (4.5%), IN008 (24%), IN079 (6%)	(1.8)	(5.3)	(2.1)	8.1	1.3	2.7	5.4
INP024	IN021 (20%), IN026 (13.5%), IN031 (13.5%), IN024 (13.5%), IN061 (4.5%), IN008 (28%), IN079 (7%)	(2.1)	(6.0)	(2.6)	8.1	1.1	2.6	5.3
INP025	IN021 (40%), IN026 (12%), IN031 (12%), IN024 (12%), IN061 (4%), IN008 (16%), IN079 (4%)	(1.0)	(3.5)	(0.5)	7.8	3.0	4.0	6.2
INP026	IN021 (40%), IN026 (12%), IN031 (12%), IN024 (12%), IN061 (4%), IN008 (16%), IN079 (4%)	(1.0)	(3.5)	(0.5)	7.8	2.2	3.5	6.0
INP027	IN021 (30%), IN026 (13.5%), IN031 (13.5%), IN024 (13.5%), IN061 (4.5%), IN008 (20%), IN079 (5%)	(1.5)	(4.7)	(1.5)	8.0	1.3	3.0	5.7
INP028	IN021 (20%), IN026 (15%), IN031 (15%), IN024 (15%), IN061 (5%), IN008 (24%), IN079 (6%)	(1.9)	(5.9)	(2.6)	8.3	0.9	2.6	5.4
INP029	IN021 (15%), IN026 (15%), IN031 (15%), IN024 (15%), IN061 (5%), IN008 (28%), IN079 (7%)	(2.2)	(6.5)	(3.1)	8.3	0.4	2.2	5.1
INP030	IN021 (10%), IN026 (15%), IN031 (15%), IN024 (15%), IN061 (5%), IN008 (32%), IN079 (8%)	(2.5)	(7.2)	(3.7)	8.3	0.3	2.1	5.0

Monthly Update

Continued from first page

This phenomenon is behind the large swings seen in August. As proof, the correlation of returns among the various stock market sectors became very pronounced in August, showing in a quantitative way that the market was alternating between “sell” mode and “buy” mode on the stock market, without much distinction as to sector or the specific stocks it was buying or selling.

This being said, the question that investors must now ask themselves is: are we heading into another recession, or is this simply a “bad patch” in economic growth? And, in echo to this fundamental question, should we be selling our risky assets, or buying more of them?

Let's place this alongside what we know at this moment about the U.S. economic situation. The most recent data on job creation in the U.S. (September 2) shows no new jobs; the September 1 reading of the ISM manu-

facturing index (leading indicator) is just above 50, suggesting a slowdown but not a recession; retail and car sales are good. Therefore, there are a certain number of positive indicators, or at least indicators that are not negative, with the exception of employment. How can the confidence of consumers and company managers be restored, and how can the economy be restarted?

Recently, U.S. Federal Reserve Chairman Ben Bernanke, in addition to announcing his intention to keep the U.S. key rate exceptionally low, as it has been for several years already, until 2013 (but without announcing a third round of quantitative easing), called on the U.S. government to take up the baton and play its part in stimulating the economy, by adding its own political and fiscal measures to the monetary measures the Fed has been taking for some time.

One potential avenue of intervention that is being invoked more and more would aim to make mortgage refinancing easier for individuals by forcing the hand of lending institutions. U.S. consumers could save tens of billions of dollars in interest if they refinanced their mortgages at the current market rate, but the refinancing process is made rather complicated (deliberately?) by banks. In addition to putting money back in consumers' pockets (which could lead to a renewal in spending), this approach could solidify the current stabilization of home prices and, through the principle of the virtuous circle, breathe new life into the very anaemic construction sector. To be continued in the U.S. political arena... ~