

# monthly update

January 31,  
2010



INDUSTRIAL  
ALLIANCE  
INSURANCE AND FINANCIAL SERVICES INC.

## An unbearable wait

By Frédéric Gamache, M.B.A., CFA

Fund Manager, Institutional Advisor  
Industrial Alliance Investment Management Inc.

**A**fter having witnessed a spectacular rebound in the financial markets in 2009, investors became wary in January. At least, that is what returns on the different world stock markets seemed to indicate. January's retreat, which we will talk more about in the latter half of this text, was sharp, especially in Canada. Two key items in particular seem to have been on investors' minds, causing this decline.

Firstly, even though this item dates back to December, fears of defaults on payment by the PIGS countries (Portugal, Ireland, Greece and Spain), and by Greece in particular, continued to dampen foreign currency markets in January, greatly affecting the value of the euro in relation to the U.S. dollar. In January alone, the euro dropped 3.2% against the greenback.

Secondly, China is seeking to impose increasingly strict controls on credit lending by Chinese banks. The objective is to keep rampant economic expansion in check so as to prevent an overheating of the Chinese economy. That is one problem that western countries would probably love to have! Up until now, the Chinese government has shown a surprising ability to keep a relatively tight rein on economic development and will probably manage to control economic growth in 2010 without stifling it. We should not forget that the Chinese government must maintain a much higher rate of economic growth than the developing countries if it is to absorb the flow of migrants from rural areas to the cities. However, to date, investors have perceived this tightening of credit as bad news.

Fears of a Chinese economic slowdown triggered a decline in most materials. For example, zinc plummeted 17.4% in January, and copper dropped 6.7%. As a

**Equity funds are almost fully invested.**

whole, the commodities market, represented by the CRB index, was down 6.3% in January. This decline is not without consequence for the Canadian stock market, as we will discuss later.

However, outside of these items, which seemed to preoccupy investors the most, economic indicators and company earnings continue to improve. The leading indicator of the U.S. Institute for Supply Management (ISM)—which groups together several indicators on manufacturing activity and employment with a goal to predicting the direction of the economy—is up, and has now reached 58, its highest level since August 2004. The employment component in particular is showing significant improvement. Furthermore, when this article was written, 44% of companies making up the U.S. stock market, as defined by the S&P 500 index, had announced their earnings for the fourth quarter of 2009. Seventy-eight percent (78%) of these companies announced profits that exceeded financial analysts' expectations!

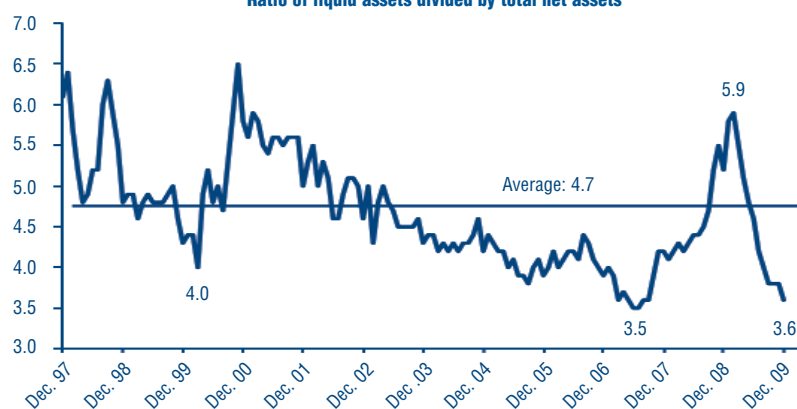
From a purely rational point of view, these data are promising for the market. A lot of money was injected into the bond and money markets during the crisis,

and little money into equity funds, despite the impressive rebound in 2009. Now the only ingredient missing to set off a return of funds to the stock market is confidence. Until then, and given that equity funds are almost fully invested—their cash levels are very low—stock markets could face a struggle, as they require demand, i.e. new capital, to climb.

### Financial markets

At the heart of our concerns, the Canadian market, as represented by the S&P/TSX Total Return Index (i.e. including reinvested dividends) was down 5.3% in January. In the U.S., the S&P 500, which represents the 500 leading U.S. companies in terms of market capitalization, retreated 3.6% in U.S. dollars during the same period. The international market, represented by the MSCI EAFE index, was down 3.5% in local currency. With the U.S. dollar gaining against the Canadian loonie, the return of the U.S. market converted back in Canadian dollars—what a typical Canadian investor not hedged for currency risk would obtain—improved slightly at -2.0%. In the same vein, the Canadian dollar also lost ground against other international currencies (especially the euro and the yen), thereby somewhat improving the Canadian dollar return for the international market: -2.8%.

**Equity Mutual Funds: Liquid Asset Ratio (%)**  
Ratio of liquid assets divided by total net assets



Source: Scotia Capital, CI

Continued on last page

## Gross returns as at January 31, 2010

	Reference Index	Net assets <sup>1</sup> in millions \$	Simple returns <sup>2</sup>			Compound annual returns				Investment advisor	
			1 month	3 months	YTD	1 year	3 years	5 years	10 years		
			%	%	%	%	%	%	%		%
<b>ASSET ALLOCATION FUNDS</b>											
<b>GROUP</b>											
FU506	Asset Allocation - Conservative	INDC506	24.5	0.5	1.9	0.5	14.6	3.9	5.4	7.0*	Various managers
FU507	Asset Allocation - Moderate	INDC507	47.8	(0.4)	1.9	(0.4)	17.7	2.5	5.3	7.0*	Various managers
FU508	Asset Allocation - Balanced	INDC508	142.9	(1.3)	1.9	(1.3)	21.0	1.0	5.3	7.1*	Various managers
FU509	Asset Allocation - Growth	INDC509	90.7	(2.3)	2.0	(2.3)	24.2	(0.6)	5.0	7.0*	Various managers
FU510	Asset Allocation - Aggressive Growth	INDC510	42.4	(3.2)	2.1	(3.2)	27.4	(1.8)	5.0	7.0*	Various managers
<b>INCOME FUNDS</b>											
<b>GROUP</b>											
FU070	Money Market	IN018	216.0	0.0	0.1	0.0	0.4	2.7	3.0	3.4	Industrial Alliance
FU170	Short Term Bonds	IN019	104.3	1.4	1.9	1.4	8.4	5.2	4.5	5.8	Industrial Alliance
FU020	Bonds	IN021	1,248.6	1.9	1.8	1.9	8.7	6.1	5.7	7.3	Industrial Alliance
FU210	Bonds - series 2	IN021	508.9	1.9	1.9	1.9	9.4	5.8	5.5	7.1	Industrial Alliance
FU822	Bonds (Addenda)	IN021	6.8	1.7	1.2	1.7	11.7	6.3	5.5*	7.4*	Addenda
FU860	Bonds (PIMCO)	IN021	7.8	2.2	2.3*	2.2	15.3*	7.0*	-	-	PIMCO
FU472	Bonds (Natcan)	IN021	12.7	2.0	2.0	2.0	9.8	6.3	5.5	7.0*	Natcan
FU521	Bonds (PH&N)	IN021	2.9	2.0	2.1	2.0	12.9	6.3	5.7*	7.3*	Phillips, Hager & North
FU489	Emerald Canadian Bond Index (TD)	IN021	23.8	1.8	1.6	1.8	7.9	5.7	5.3	6.7*	TD
FU504	Long Term Bonds	IN056	54.8	2.7	1.8	2.7	11.4	5.6	6.4	8.7*	Industrial Alliance
FU861	Long Term Bonds (PIMCO)	IN056	0.5	2.8	2.3*	2.8	15.3*	7.6*	-	-	PIMCO
<b>DIVERSIFIED FUNDS</b>											
<b>GROUP</b>											
FU240	Diversified Security	INDC240	212.1	(0.3)	1.7	(0.3)	19.1	4.3	6.0	7.5	Industrial Alliance
FU040	Diversified	INDC040	1,614.8	(2.0)	1.5	(2.0)	23.2	1.7	5.9	7.8	Industrial Alliance
FU463	Diversified (Jarislowsky)	INDC463	49.1	(1.3)	1.9	(1.3)	17.5	(0.7)	4.1	6.4*	Jarislowsky
FU380	Diversified (McLean Budden)	INDC380	26.4	(1.5)	1.8	(1.5)	23.7	(0.3)	4.8	5.5*	McLean Budden
FU522	Balanced (PH&N)	INDC522	25.7	(1.9)	2.1	(1.9)	23.4	(1.1)	3.7*	-	Phillips, Hager & North
FU486	Balanced (Invesco)	INDC486	16.4	(1.1)	2.7	(1.1)	19.5	(1.5)	2.9	8.4*	Invesco
FU250	Diversified Opportunity	INDC250	199.4	(3.2)	1.7	(3.2)	30.2	0.8	6.1	7.6	Industrial Alliance
FU462	Fidelity Canadian Asset Allocation	INDC462	338.3	(3.0)	1.9	(3.0)	25.7	3.1	7.9	8.0*	Fidelity
<b>CANADIAN EQUITY FUNDS</b>											
<b>GROUP</b>											
FU160	Dividends	IN026	596.2	(5.1)	2.0	(5.1)	31.9	(0.4)	8.7	13.0	Industrial Alliance
FU474	Canadian Equity Index	IN026	29.0	(5.9)	1.2	(5.9)	27.9	(1.8)	7.3	4.5*	Industrial Alliance
FU010	Canadian Equity Value	INDC010	447.7	(5.5)	0.6	(5.5)	31.0	(3.9)	5.5	8.6	Industrial Alliance
FU494	100% Canadian Equity Value	IN024	65.8	(5.6)	2.0	(5.6)	44.1	(0.4)	7.3	-	Industrial Alliance
FU488	Canadian Equity (Jarislowsky)	IN024	88.1	(5.1)	3.1	(5.1)	26.2	(1.4)	7.2	11.5*	Jarislowsky
FU543	Canadian Equity (Scheer Rowlett)	IN024	22.1	(6.1)	1.6	(6.1)	38.0	(3.6)*	7.3*	9.9*	Scheer Rowlett
FU835	Canadian Equity (Highstreet)	IN024	1.3	(5.3)	2.1	(5.3)	28.9	(2.7)*	6.5*	9.2*	Highstreet
FU487	Canadian Equity (Invesco)	IN024	5.3	(3.6)	2.7	(3.6)	26.9	(0.2)	5.6	8.0*	Invesco
FU862	Canadian Equity (Pyramis)	IN031	11.4	(5.8)	2.2*	(5.8)	31.2*	1.0*	9.8*	-	Pyramis
FU523	Canadian Equity (PH&N)	IN031	0.8	(4.9)	3.0	(4.9)	32.5	(4.2)*	4.8*	7.0*	Phillips, Hager & North
FU464	Canadian Equity Growth	IN024	105.1	(4.4)	4.2	(4.4)	43.9	2.8	11.0	-	Industrial Alliance
FU360	Canadian Equity (McLean Budden)	IN031	94.6	(4.8)	3.3	(4.8)	40.3	(2.3)	7.3	7.9*	McLean Budden
FU473	Canadian Equity (Natcan)	IN024	27.0	(4.6)	4.0	(4.6)	36.5	(1.1)	7.2	9.1*	Natcan
FU270	Fidelity True North	IN031	336.3	(5.7)	1.9	(5.7)	28.9	(1.4)	8.1	8.9	Fidelity
FU511	Canadian Equity (Small Cap.) (Montrusco)	IN061	23.2	(3.1)	15.5	(3.1)	62.2	2.0	8.5	13.3*	Montrusco Bolton
FU541	Canadian Equity (Small Cap.) (QV)	IN061	7.6	(2.3)	4.4	(2.3)	29.8	(0.1)	7.3*	16.1*	QV Investors Inc.
FU514	Canadian Equity Select (McLean Budden)	IN024	1.4	(4.9)	3.0	(4.9)	32.1	(3.0)	5.9	-	McLean Budden
<b>FOREIGN FUNDS</b>											
<b>GROUP</b>											
FU465	Global Equity (Templeton)	IN008	180.4	(1.9)	1.1	(1.9)	24.4	(10.0)	0.4	2.1*	Templeton
FU836	Global Equity (AXA Rosenberg)	IN008	1.1	(2.2)	0.1	(2.2)	8.2	(12.8)*	(2.3)*	(1.3)*	AXA Rosenberg
FU837	Global Equity (Artio)	IN008	1.8	(4.2)	1.5	(4.2)	17.1	(10.0)*	0.1*	(1.1)*	Artio
FU500	Global Equity (Hexavest)	IN008	5.7	(1.0)	0.3	(1.0)	21.2	(4.2)	2.4*	2.0*	Hexavest
FU865	Global Equity (C\$-Hedged) (Hexavest)	IN104	0.5	(2.1)	-	(2.1)	-	-	-	-	Hexavest
FU534	Global Dividends (Fortis)	IN089	9.1	(2.5)	4.3	(2.5)	26.1	(11.2)	1.4*	-	Fortis
FU485	Global Equity (Invesco)	IN008	8.4	(1.6)	3.5	(1.6)	27.6	(11.4)	(0.8)	3.9*	Invesco
FU390	Global Equity (McLean Budden)	IN008	58.2	(2.3)	0.4	(2.3)	20.9	(8.2)	0.0	(0.7)*	McLean Budden
FU864	Global Equity (C\$-Hedged) (McLean Budden)	IN104	0.5	(3.3)	-	(3.3)	-	-	-	-	McLean Budden
FU863	Global Equity (Pyramis)	IN008	0.5	(3.1)	0.0*	(3.1)	16.0*	(9.8)*	-	-	Pyramis
FU531	Global Equity Small Cap. (DB Advisors) <sup>3</sup>	IN079	45.0	(2.0)	1.6	(2.0)	31.8	(8.1)	-	-	DB Advisors
FU300	International Equity Index	IN046	12.5	(2.9)	(2.2)	(2.9)	19.3	(9.9)	0.0	(1.9)	BlackRock
FU080	International Equity (Templeton)	IN002	83.2	(2.8)	(1.2)	(2.8)	24.0	(9.8)	0.7	0.8	Templeton
FU483	International Equity (Jarislowsky)	IN002	6.4	(2.7)	(0.1)	(2.7)	23.1	(9.4)	(0.2)	0.0*	Jarislowsky
FU838	International Equity (Artio)	IN002	1.1	(4.4)	(1.8)	(4.4)	13.0	(10.7)*	-	-	Artio
FU852	International Equity (Hexavest)	IN002	6.1	(2.9)	(3.4)	(2.9)	21.7	(5.7)	2.3	2.1*	Hexavest
FU467	International Equity (McLean Budden)	IN002	6.8	(2.9)	(1.3)	(2.9)	26.0	(8.2)	1.7	-	McLean Budden
FU180	U.S. Equity Index	IN098	26.8	(2.0)	3.0	(2.0)	14.0	(10.9)	(3.3)	(4.3)	SSGA (State Street)
FU839	U.S. Equity (BatteryMarch)	IN014	3.2	(1.8)	3.2	(1.8)	7.4	(11.5)*	(2.9)*	-	BatteryMarch
FU512	U.S. Equity (Jarislowsky)	IN014	1.2	(0.8)	1.9	(0.8)	12.2	(8.3)	(2.0)	(1.1)*	Jarislowsky
FU513	U.S. Equity (McLean Budden)	IN014	12.7	(1.9)	2.0	(1.9)	18.1	(8.0)	(1.0)	-	McLean Budden
FU540	Global Real Estate (Fortis)	IN080	3.4	(3.3)	(0.5)	(3.3)	29.7	(19.3)	(2.1)*	6.7*	Fortis

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 January 31, 2010

	Simple returns <sup>2</sup>			Compound annual returns						
	1 month %	3 months %	YTD %	1 year %	3 years %	5 years %	10 years %			
<b>TOTAL RETURN</b>										
<b>Money market index</b>										
IN018	DEX 91 day Tbill Index			0.0	0.1	0.0	0.6	2.7	2.9	3.2
<b>Bond indexes</b>										
IN019	DEX Short Term Bond Index			1.1	1.3	1.1	6.0	6.0	4.8	5.9
IN056	DEX Long Term Bond Index			2.8	2.0	2.8	11.1	5.0	6.1	8.2
IN021	DEX Universe Bond Index			1.8	1.7	1.8	8.4	5.8	5.4	6.9
IN047	DEX MBS Composite Index			1.4	1.8	1.4	5.0	6.0	5.0	6.3
<b>Equity indexes</b>										
IN026	S&P/TSX 60			(6.3)	0.8	(6.3)	27.7	(2.1)	7.5	4.8
IN024	S&P/TSX Composite Index			(5.3)	2.4	(5.3)	31.7	(2.4)	6.6	4.9
IN031	S&P/TSX Capped Composite			(5.3)	2.4	(5.3)	31.7	(2.4)	6.6	6.5
IN061	BMO Nesbitt Burns Small Cap.			(1.2)	11.5	(1.2)	68.7	(2.7)	5.6	8.6
IN008	MSCI - World (Can. \$)			(2.4)	0.4	(2.4)	17.6	(10.4)	(1.4)	(3.1)
IN104	MSCI - World (Local \$)			(3.6)	3.0	(3.6)	30.4	(8.6)	1.0	(1.2)
IN089	S&P Citigroup High Income Equity Index (Can. \$)			(3.2)	3.6	(3.2)	35.0	(10.9)	(0.7)	-
IN079	MSCI - World Small Cap. (Can. \$)			(0.7)	3.3	(0.7)	31.7	(9.5)	(0.2)	-
IN046	MSCI - EAFE (Can. \$) (Reuters)			(2.8)	(2.2)	(2.8)	20.0	(10.7)	(0.1)	-
IN002	MSCI - EAFE (Can. \$)			(2.7)	(2.2)	(2.7)	20.3	(10.7)	(0.1)	(1.7)
IN098	S&P 500 (Can. \$) (Reuters)			(2.0)	3.0	(2.0)	14.4	(10.4)	(2.8)	-
IN014	S&P 500 (Can. \$)			(1.9)	3.0	(1.9)	14.7	(10.3)	(2.8)	(3.8)
IN080	FTSE EPRA/NAREIT Global Index Net TRI (Can. \$) <sup>4</sup>			(4.1)	(1.8)	(4.1)	27.8	(18.5)	(1.7)	5.8
<b>Composite indexes</b>										
INDC010	IN024 (90%), IN008 (10%)			(5.1)	2.2	(5.1)	30.4	(3.1)	5.8	4.2
INDC040	IN021 (50%), IN024 (35%), IN008 (10%), IN018 (5%)			(1.2)	1.9	(1.2)	17.1	1.5	5.4	5.4
INDC240	IN021 (65%), IN024 (20%), IN008 (5%), IN018 (10%)			0.0	1.7	0.0	12.7	3.3	5.3	5.9
INDC250	IN021 (30%), IN024 (50%), IN008 (15%), IN018 (5%)			(2.5)	1.9	(2.5)	21.1	(0.5)	5.2	4.6
INDC380	IN021 (35%), IN024 (30%), IN008 (30%), IN018 (5%) <sup>5</sup>			(1.7)	1.5	(1.7)	17.9	(1.1)	4.1	4.2
INDC462	IN031 (65%), IN021 (30%), IN018 (5%)			(2.9)	2.2	(2.9)	23.1	0.7	6.4	6.8
INDC463	IN021 (39%), IN024 (30%), IN002 (12.5%), IN018 (6%), IN014 (12.5%)			(1.5)	1.6	(1.5)	17.3	(0.6)	4.2	4.0
INDC486	IN021 (35%), IN024 (35%), IN008 (25%), IN018 (5%)			(1.8)	1.6	(1.8)	18.6	(1.0)	4.3	3.8
INDC506	IN021 (80%), IN024 (10%), IN008 (10%)			0.7	1.7	0.7	11.7	3.5	5.0	5.9
INDC507	IN021 (65%), IN024 (20%), IN008 (15%)			(0.2)	1.7	(0.2)	14.5	2.0	4.9	5.3
INDC508	IN021 (50%), IN024 (30%), IN008 (20%)			(1.2)	1.8	(1.2)	17.3	0.4	4.7	4.6
INDC509	IN021 (35%), IN024 (40%), IN008 (25%)			(2.1)	1.8	(2.1)	20.2	(1.2)	4.5	3.9
INDC510	IN021 (20%), IN024 (50%), IN008 (30%)			(3.0)	1.8	(3.0)	23.0	(2.9)	4.2	3.2
INDC522	IN021 (35%), IN031 (35%), IN008 (25%), IN018 (5%)			(1.8)	1.6	(1.8)	18.6	(1.0)	4.3	4.3

<sup>1</sup> Total net assets of the fund including individual and group contracts.

<sup>2</sup> The rates of return for the period are non-annualized.

<sup>3</sup> Fund managed by DB Advisors since March 31, 2008.

<sup>4</sup> 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.

<sup>5</sup> 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 January 31, 2010 (%)

	Special 1-day	1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years
<b>GUARANTEED INVESTMENTS</b>											
Published rates	0.05	0.40	1.10	1.95	2.40	2.75	2.10	2.10	2.10	2.10	3.40

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 January 31, 2010

	Reference Index	Simple returns <sup>1</sup>			Compound annual returns			
		1 month %	3 months %	YTD %	1 year %	3 years %	5 years %	10 years %
<b>CONSERVATIVE</b>								
Conservative Portfolio 2010	INP001	0.8	2.0	0.8	13.6	3.9	5.5*	7.2*
Conservative Portfolio 2020	INP002	0.8	2.2	0.8	18.2	3.0	5.9*	7.8*
Conservative Portfolio 2030	INP003	(0.2)	2.3	(0.2)	19.7	2.7	6.0*	8.0*
Conservative Portfolio 2040	INP004	(0.6)	2.3	(0.6)	20.5	1.9	5.8*	7.7*
Conservative Portfolio 2050	INP005	(0.8)	2.3	(0.8)	21.3	1.1	5.5*	7.4*
Conservative Portfolio 2060	INP006	(1.0)	2.2*	(1.0)	21.2*	1.1*	5.5*	7.4*
<b>MODERATE</b>								
Moderate Portfolio 2010	INP007	(0.2)	2.2	(0.2)	18.1	3.0	5.9*	7.8*
Moderate Portfolio 2020	INP008	(0.2)	2.4	(0.2)	21.2	2.3	6.1*	8.3*
Moderate Portfolio 2030	INP009	(0.9)	2.4	(0.9)	22.0	1.6	5.9*	7.9*
Moderate Portfolio 2040	INP010	(1.1)	2.4	(1.1)	23.5	1.2	6.0*	8.1*
Moderate Portfolio 2050	INP011	(1.5)	2.4	(1.5)	24.4	0.5	5.7*	7.8*
Moderate Portfolio 2060	INP012	(1.7)	2.3*	(1.7)	24.3*	0.4*	5.7*	7.8*
<b>BALANCED</b>								
Balanced Portfolio 2010	INP013	(0.6)	2.3	(0.6)	19.6	2.6	6.0*	8.0*
Balanced Portfolio 2020	INP014	(0.6)	2.4	(0.6)	22.0	1.6	5.9*	7.9*
Balanced Portfolio 2030	INP015	(1.1)	2.4	(1.1)	24.4	0.5	5.7*	7.8*
Balanced Portfolio 2040	INP016	(1.7)	2.3	(1.7)	25.1	(0.3)	5.5*	7.5*
Balanced Portfolio 2050	INP017	(1.9)	2.3	(1.9)	26.0	(1.1)	5.2*	7.2*
Balanced Portfolio 2060	INP018	(2.1)	2.2*	(2.1)	25.9*	(1.1)*	5.2*	7.2*
<b>GROWTH</b>								
Growth Portfolio 2010	INP019	(1.1)	2.3	(1.1)	22.0	1.6	5.9*	7.9*
Growth Portfolio 2020	INP020	(1.1)	2.4	(1.1)	24.4	0.5	5.7*	7.8*
Growth Portfolio 2030	INP021	(1.7)	2.4	(1.7)	26.8	(0.7)	5.5*	7.7*
Growth Portfolio 2040	INP022	(2.3)	2.4	(2.3)	27.5	(1.4)	5.3*	7.4*
Growth Portfolio 2050	INP023	(2.5)	2.3	(2.5)	28.4	(2.2)	5.0*	7.0*
Growth Portfolio 2060	INP024	(2.7)	2.3*	(2.7)	28.3*	(2.2)*	5.0*	7.0*
<b>AGGRESSIVE</b>								
Aggressive Portfolio 2010	INP025	(1.7)	2.3	(1.7)	24.3	0.4	5.7*	7.8*
Aggressive Portfolio 2020	INP026	(1.7)	2.4	(1.7)	26.8	(0.7)	5.5*	7.7*
Aggressive Portfolio 2030	INP027	(2.3)	2.5	(2.3)	29.2	(1.8)	5.3*	7.5*
Aggressive Portfolio 2040	INP028	(2.8)	2.4	(2.8)	29.9	(2.6)	5.1*	7.2*
Aggressive Portfolio 2050	INP029	(3.0)	2.3	(3.0)	30.7	(3.3)	4.8*	6.9*
Aggressive Portfolio 2060	INP030	(3.2)	2.3*	(3.2)	30.7*	(3.3)*	4.8*	6.9*

<sup>1</sup> 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 January 31, 2010

	Simple returns <sup>1</sup>			Compound annual returns			
	1 month %	3 months %	YTD <sup>2</sup> %	1 year %	3 years %	5 years %	10 years %
<b>Bond index</b>							
IN021	DEX Universe Bond Index						
	1.8	1.7	1.8	8.4	5.8	5.4	6.9
<b>Equity indexes</b>							
IN026	S&P/TSX 60 Index						
	(6.3)	0.8	(6.3)	27.7	(2.1)	7.5	4.8
IN031	S&P/TSX Capped Composite Index						
	(5.3)	2.4	(5.3)	31.7	(2.4)	6.6	6.5
IN024	S&P/TSX Composite Index						
	(5.3)	2.4	(5.3)	31.7	(2.4)	6.6	4.9
IN061	BMO Nesbitt Burns Small Cap.						
	(1.2)	11.5	(1.2)	68.7	(2.7)	5.6	8.6
IN008	MSCI – World (net ret.) (Can. \$)						
	(2.4)	0.4	(2.4)	17.6	(10.4)	(1.4)	(3.1)
IN079	MSCI – World Small Cap. (Can. \$)						
	(0.7)	3.3	(0.7)	31.7	(9.5)	(0.2)	-
<b>Composite indexes</b> (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%)						
	0.7	1.8	0.7	12.2	3.6	5.1	-
INP002	IN021 (80%), IN026 (3%), IN031 (3%), IN024 (3%), IN061 (1%), IN008 (8%), IN079 (2%)						
	0.7	2.1	0.7	16.1	2.6	5.5	-
INP003	IN021 (65%), IN026 (7.5%), IN031 (7.5%), IN024 (7.5%), IN061 (2.5%), IN008 (8%), IN079 (2%)						
	(0.3)	2.1	(0.3)	17.3	2.2	5.6	-
INP004	IN021 (60%), IN026 (9%), IN031 (9%), IN024 (9%), IN061 (3%), IN008 (8%), IN079 (2%)						
	(0.7)	2.1	(0.7)	17.9	1.4	5.2	-
INP005	IN021 (55%), IN026 (9%), IN031 (9%), IN024 (9%), IN061 (3%), IN008 (12%), IN079 (3%)						
	(0.9)	2.1	(0.9)	18.5	0.5	4.9	-
INP006	IN021 (50%), IN026 (9%), IN031 (9%), IN024 (9%), IN061 (3%), IN008 (16%), IN079 (4%)						
	(1.1)	2.0	(1.1)	18.5	0.5	4.9	-
INP007	IN021 (65%), IN026 (7.5%), IN031 (7.5%), IN024 (7.5%), IN061 (2.5%), IN008 (8%), IN079 (2%)						
	(0.3)	2.0	(0.3)	16.0	2.5	5.4	-
INP008	IN021 (65%), IN026 (7.5%), IN031 (7.5%), IN024 (7.5%), IN061 (2.5%), IN008 (8%), IN079 (2%)						
	(0.3)	2.2	(0.3)	18.6	1.8	5.7	-
INP009	IN021 (55%), IN026 (10.5%), IN031 (10.5%), IN024 (10.5%), IN061 (3.5%), IN008 (8%), IN079 (2%)						
	(1.0)	2.2	(1.0)	19.2	1.0	5.3	-
INP010	IN021 (50%), IN026 (10.5%), IN031 (10.5%), IN024 (10.5%), IN061 (3.5%), IN008 (12%), IN079 (3%)						
	(1.2)	2.2	(1.2)	20.5	0.6	5.4	-
INP011	IN021 (45%), IN026 (12%), IN031 (12%), IN024 (12%), IN061 (4%), IN008 (12%), IN079 (3%)						
	(1.6)	2.2	(1.6)	21.1	(0.2)	5.1	-
INP012	IN021 (40%), IN026 (12%), IN031 (12%), IN024 (12%), IN061 (4%), IN008 (16%), IN079 (4%)						
	(1.8)	2.1	(1.8)	21.0	(0.3)	5.1	-
INP013	IN021 (60%), IN026 (9%), IN031 (9%), IN024 (9%), IN061 (3%), IN008 (8%), IN079 (2%)						
	(0.7)	2.1	(0.7)	17.2	2.2	5.6	-
INP014	IN021 (60%), IN026 (9%), IN031 (9%), IN024 (9%), IN061 (3%), IN008 (8%), IN079 (2%)						
	(0.7)	2.2	(0.7)	19.3	1.0	5.3	-
INP015	IN021 (50%), IN026 (10.5%), IN031 (10.5%), IN024 (10.5%), IN061 (3.5%), IN008 (12%), IN079 (3%)						
	(1.2)	2.2	(1.2)	21.2	(0.2)	5.1	-
INP016	IN021 (40%), IN026 (12%), IN031 (12%), IN024 (12%), IN061 (4%), IN008 (16%), IN079 (4%)						
	(1.8)	2.1	(1.8)	21.7	(1.1)	4.7	-
INP017	IN021 (35%), IN026 (12%), IN031 (12%), IN024 (12%), IN061 (4%), IN008 (20%), IN079 (5%)						
	(2.0)	2.1	(2.0)	22.4	(1.9)	4.4	-
INP018	IN021 (30%), IN026 (12%), IN031 (12%), IN024 (12%), IN061 (4%), IN008 (24%), IN079 (6%)						
	(2.2)	2.0	(2.2)	22.3	(1.9)	4.4	-
INP019	IN021 (50%), IN026 (10.5%), IN031 (10.5%), IN024 (10.5%), IN061 (3.5%), IN008 (12%), IN079 (3%)						
	(1.2)	2.1	(1.2)	19.1	1.0	5.3	-
INP020	IN021 (50%), IN026 (10.5%), IN031 (10.5%), IN024 (10.5%), IN061 (3.5%), IN008 (12%), IN079 (3%)						
	(1.2)	2.2	(1.2)	21.2	(0.2)	5.1	-
INP021	IN021 (40%), IN026 (12%), IN031 (12%), IN024 (12%), IN061 (4%), IN008 (16%), IN079 (4%)						
	(1.8)	2.2	(1.8)	23.1	(1.5)	4.8	-
INP022	IN021 (30%), IN026 (13.5%), IN031 (13.5%), IN024 (13.5%), IN061 (4.5%), IN008 (20%), IN079 (5%)						
	(2.3)	2.2	(2.3)	23.6	(2.3)	4.4	-
INP023	IN021 (25%), IN026 (13.5%), IN031 (13.5%), IN024 (13.5%), IN061 (4.5%), IN008 (24%), IN079 (6%)						
	(2.5)	2.1	(2.5)	24.3	(3.1)	4.1	-
INP024	IN021 (20%), IN026 (13.5%), IN031 (13.5%), IN024 (13.5%), IN061 (4.5%), IN008 (28%), IN079 (7%)						
	(2.7)	2.0	(2.7)	24.2	(3.1)	4.1	-
INP025	IN021 (40%), IN026 (12%), IN031 (12%), IN024 (12%), IN061 (4%), IN008 (16%), IN079 (4%)						
	(1.8)	2.1	(1.8)	21.0	(0.3)	5.1	-
INP026	IN021 (40%), IN026 (12%), IN031 (12%), IN024 (12%), IN061 (4%), IN008 (16%), IN079 (4%)						
	(1.8)	2.2	(1.8)	23.1	(1.5)	4.8	-
INP027	IN021 (30%), IN026 (13.5%), IN031 (13.5%), IN024 (13.5%), IN061 (4.5%), IN008 (20%), IN079 (5%)						
	(2.3)	2.3	(2.3)	25.0	(2.7)	4.5	-
INP028	IN021 (20%), IN026 (15%), IN031 (15%), IN024 (15%), IN061 (5%), IN008 (24%), IN079 (6%)						
	(2.9)	2.2	(2.9)	25.5	(3.5)	4.1	-
INP029	IN021 (15%), IN026 (15%), IN031 (15%), IN024 (15%), IN061 (5%), IN008 (28%), IN079 (7%)						
	(3.1)	2.1	(3.1)	26.2	(4.4)	3.8	-
INP030	IN021 (10%), IN026 (15%), IN031 (15%), IN024 (15%), IN061 (5%), IN008 (32%), IN079 (8%)						
	(3.3)	2.0	(3.3)	26.1	(4.4)	3.7	-

# monthly update

Continued from first page

The decline was universal across the Canadian market, with no sector spared. In the context of the sharp drop in materials prices mentioned earlier, the materials sector (mining, forestry, steelmaking and chemical products companies) was the hardest hit, down 8.4% in January. For the same reason, the energy sector had the second largest drop of the index, obtaining -6.3% as a few major companies making up the index sector saw their stock prices tumble. A 4.9% drop in the largest sector of the stock market, financial services, completes the picture for more than 75% of the index, obtained by adding the weights of the three sectors listed so far. The banks as a subsector are to blame for the drop in financial services this month, while insurance companies fared better overall, providing about a zero return. Finally,

the best-performing sector of the month was consumer discretionary, which played its defensive role well in January, sliding just 0.4%.

While the stock markets were suffering a slump, the bond market took advantage of a slight drop in interest rates during the month. A 10-year Government of Canada Bond was trading at a yield of 3.35% at the end of the month, down 0.26%, while a 2-year Government of Canada Bond was trading at a yield of 1.33%, down 0.15%. Under these circumstances, the Canadian bond market, represented by the DEX Universe Bond Index, obtained a return of 1.8% in January.

In terms of the different parts of the interest rate term structure, the long end (bonds with maturities of 10 years or more) had the highest yield, with 2.8%, while

the middle section (five- to ten-year bonds) obtained 2.5%, and the short end (one- to five-year bonds) obtained 1.1%. As well, bond investors' appetite for securities with some credit risk continued in January. The proof: bonds issued by BBB-rated companies delivered a return of 3.1%, while corporate bonds as a whole in the DEX Universe index delivered a return of 2.3%, well above the 1.5% of bonds issued by the federal government. Provincial and municipal bonds, which have a moderate level of credit risk, obtained returns of 2.0% and 2.2% respectively in the month of January. ~

## New Series of Video Capsules Discussing the Management of the Bonds – Series 2 Fund

Industrial Alliance is pleased to announce that a new series of video capsules featuring Fixed Income Portfolio Manager Nang Cheung is now available online.

Mr. Cheung talks about his management style, investment process and type of investor the Bonds – series 2 Fund is suitable for.

These new video capsules are the latest in the series that were introduced in December 2009. They are available on the Company's website at [www.inalco.com](http://www.inalco.com), under VideoZone. These capsules seek to bring portfolio managers and plan sponsors closer, and to make the company's products and services better known. ~

## Departure of SSgA's President and Managing Director

Gregory Chrispin, President and Managing Director of State Street Global Advisors has left SSgA at the end of January 2010 to pursue other opportunities at Desjardins.

During the transition period, James Kase, Executive Vice President, Head of Global Sales and Marketing, will work with Peter Lindley, Head of Investments and Head of Fixed Income for SSgA in Canada. ~