

Monthly Update

**GROUP SAVINGS
AND RETIREMENT**

 July 31,
2011


INSURANCE AND FINANCIAL SERVICES INC.

Public debt: after the Greek tragedy, the American soap opera!

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After keeping us in suspense through the month of July, U.S. politicians reached an agreement on raising the debt ceiling in the evening of July 31. A relieved President Obama was able to announce the highlights of this agreement, which had to be accepted by the House of Representatives and the Senate. Relieved and trying to send a message to the elected representatives of both houses, the President apologized to the American people as a whole: “[This agreement] will allow us to [...] end the crisis that Washington has imposed on the rest of America. [...] This process has been messy. It has taken far too long.” In the following paragraphs, we will analyze the main parameters of the agreement, its immediate effects, and the longer-term issues of U.S. debt.

First of all, it is important to clarify what is meant by “raising the debt ceiling”. The total debt level of the U.S. Treasury is limited by the Debt Ceiling Act. Once this ceiling is reached, the U.S. Government does not have the right to borrow more and can only count on its tax revenues to pay its employees and creditors and disburse funds for its social programs. Thus, to the extent that the U.S. Government is in a deficit position this year and, foreseeably, for the following years, the current debt ceiling (\$14,300 billion) was going to become a problem eventually. A few weeks ago, it was announced that the fateful day when this borrowing limit would be exceeded was August 2. It was one minute to midnight for Republicans and Democrats in Congress!

The agreement provides for the debt ceiling to be raised in two stages and is accompanied by U.S. Government spending reduction measures. A first increase of the debt ceiling of \$900 billion would

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be submitted to a vote by Congress. In case of rejection, it has been provided that a \$400 billion increase would take effect immediately, nonetheless, to avoid a default. This first increase in the debt limit is accompanied by measures to reduce government spending by about \$1,000 billion over 10 years.

It was then agreed that a second increase in the debt ceiling of about \$1,200 billion to \$1,500 billion would take effect at the beginning of 2012 and, subject to the implementation of measures to reduce government spending by the same amount (\$1,200 billion to \$1,500 billion over ten years), would be submitted again to

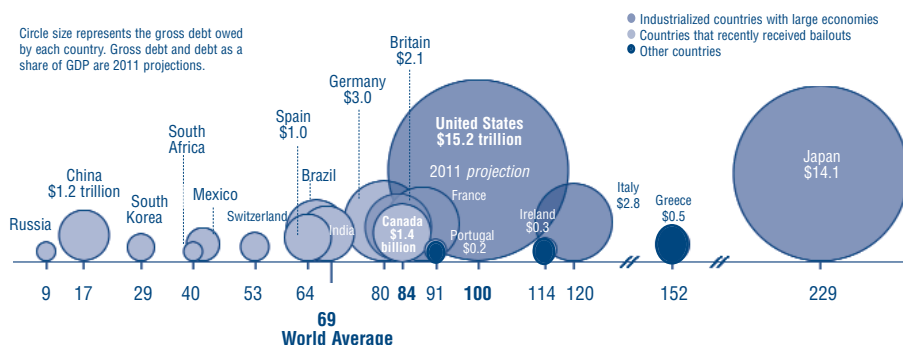
Congress for a vote in November. A bipartisan committee is tasked with identifying the measures to be taken to arrive at these spending reductions. If this commission cannot agree on the spending cuts, Congress could be forced to accept that the majority of the cuts would be made to the Pentagon budget and to the budget for Medicare, the government health insurance program. Since these two spending items are dear to Republicans and Democrats respectively, incentives for more targeted spending reduction measures are on the table.

The immediate effect of the conclusion of this saga is that the U.S. Government has avoided defaulting on its creditors for the first time in its history. The potential impact of such an event is difficult to imagine precisely, but it is reasonable to believe that the global financial system would have fallen back into a severe crisis, probably comparable in scope to the crisis of 2008, or even worse. The U.S. Government has access to the world's largest tax base, the nation's economy is the biggest in the world, and despite all the faults and weaknesses that afflicted this country since the 2008 crisis, American debt securities are still the reference point of the global capital market. If there had been a default, all scenarios would have become possible, and the financial players could not have reacted with moderation to the loss of their reference point.

Now that this cataclysmic threat has been averted, the major issue related to the U.S. debt is the risk of a downgrade. Currently, the U.S. is one of the few countries to be rated AAA, the best credit rating on the market. However, even disregarding the technical problem of the debt ceiling, the Standard & Poor's (S&P) rating agency warned investors that the credit of the U.S. could be downgraded if a credible deficit reduction program was not put in place (with a reduction of \$3,000 billion to \$4,000

Continued on last page

World governments, saddled by debt Gross debt owed (in trillions of U.S. dollars)



The New York Times | Source: International Monetary Fund, World Economic Outlook Data Base, April 2011

You will find other news at the end of the document.

www.inalco.com Check the Group Products and services section for daily unit values.

Gross returns as at July 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	36.1	0.9	1.3	3.3	7.6	6.2	5.6	6.5*	Various Managers
FU507	Asset Allocation - Moderate	INDC507	64.0	0.0	(0.3)	2.3	8.1	5.3	5.1	6.5*	Various Managers
FU508	Asset Allocation - Balanced	INDC508	176.2	(0.8)	(1.8)	1.3	8.7	4.6	4.7	6.5*	Various Managers
FU509	Asset Allocation - Growth	INDC509	110.5	(1.7)	(3.3)	0.3	9.2	3.6	4.1	6.4*	Various Managers
FU510	Asset Allocation - Aggressive Growth	INDC510	47.8	(2.5)	(4.8)	(0.8)	9.6	2.9	3.7	6.3*	Various Managers
INCOME FUNDS											
GROUP											
FU070	Money Market	IN018	236.0	0.1	0.3	0.7	1.0	1.0	2.3	2.7	Industrial Alliance
FU170	Short Term Bonds	IN019	189.1	1.0	2.0	2.9	4.1	5.0	4.9	5.1	Industrial Alliance
FU020	Bonds	IN021	1,591.9	2.2	3.7	4.7	6.2	6.9	6.3	6.8	Industrial Alliance
FU210	Bonds - series 2	IN021	675.4	2.0	3.6	4.3	6.3	6.6	6.0	6.6	Industrial Alliance
FU822	Bonds (Addenda)	IN021	3.0	1.6	3.0	4.4	6.0	6.5	5.9	6.7*	Addenda
FU860	Bonds (PIMCO)	IN021	10.7	1.7	3.2	4.3	7.4	7.7*	7.0*	-	PIMCO
FU472	Bonds (Natcan)	IN021	10.4	2.1	3.7	4.3	6.3	6.9	6.2	6.5*	Natcan
FU521	Bonds (PH&N)	IN021	9.0	1.8	3.4	4.1	6.6	7.4	6.4	6.8*	Phillips, Hager & North
FU489	Emerald Canadian Bond Index (TD)	IN021	54.9	2.0	3.7	4.4	6.4	6.5	5.9	6.3*	TD
FU504	Long Term Bonds	IN056	69.5	3.8	6.5	6.4	10.4	8.8	7.4	8.7*	Industrial Alliance
FU861	Long Term Bonds (PIMCO)	IN056	2.3	3.5	6.0	6.2	11.7	10.4*	-	-	PIMCO
DIVERSIFIED FUNDS											
GROUP											
FU240	Diversified Security	INDC240	303.9	0.5	0.4	2.4	7.7	6.3	5.9	7.1	Industrial Alliance
FU040	Diversified	INDC040	1,720.2	(0.8)	(2.0)	0.8	9.5	5.0	5.2	7.3	Industrial Alliance
FU463	Diversified (Jarislowsky)	INDC463	50.2	(1.5)	(1.7)	1.6	8.4	3.7	3.6	5.5	Jarislowsky
FU380	Diversified (McLean Budden)	INDC380	22.0	(2.4)	(4.5)	(2.6)	6.0	2.5	3.7	5.2	McLean Budden
FU522	Balanced (PH&N)	INDC522	29.2	(1.6)	(3.0)	(0.3)	8.4	3.6	3.6	4.8*	Phillips, Hager & North
FU486	Balanced (Invesco)	INDC486	16.6	(1.6)	(2.8)	(0.2)	7.1	3.9	3.5	6.5*	Invesco
FU250	Diversified Opportunity	INDC250	221.7	(1.7)	(3.8)	(0.5)	10.5	4.3	5.1	7.6	Industrial Alliance
FU462	Fidelity Canadian Asset Allocation	INDC462	506.7	(0.2)	(2.4)	(0.5)	11.4	4.8	7.1	8.4	Fidelity
CANADIAN EQUITY FUNDS											
GROUP											
FU160	Dividends	IN026	584.6	(3.6)	(6.0)	(0.2)	11.2	4.0	5.8	11.3	Industrial Alliance
FU474	Canadian Equity Index	IN026	147.9	(3.6)	(7.4)	(3.2)	9.7	(0.5)	4.6	7.1*	Industrial Alliance
FU010	Canadian Equity Value	INDC010	406.2	(3.3)	(6.8)	(3.5)	11.0	0.9	3.0	7.5	Industrial Alliance
FU494	100% Canadian Equity Value	IN024	67.0	(3.2)	(7.0)	(3.5)	11.4	2.5	5.1	-	Industrial Alliance
FU488	Canadian Equity (Jarislowsky)	IN024	103.4	(4.5)	(6.6)	(2.4)	8.2	1.5	4.6	9.6*	Jarislowsky
FU543	Canadian Equity (Scheer Rowlett)	IN024	33.5	(4.2)	(8.7)	(4.8)	8.3	0.7	3.5*	9.3*	Scheer Rowlett
FU835	Canadian Equity (Highstreet)	IN024	6.4	(1.8)	(6.6)	(4.8)	10.0	(2.1)*	3.1*	9.4*	Highstreet
FU487	Canadian Equity (Invesco)	IN024	7.2	(4.0)	(7.0)	(3.0)	8.3	5.1	6.2	7.2*	Invesco
FU862	Canadian Equity (Pyramis)	IN031	21.2	(2.5)	(5.5)	(1.0)	17.9	2.6*	7.2*	-	Pyramis
FU523	Canadian Equity (PH&N)	IN031	1.4	(3.5)	(7.3)	(2.2)	11.2	0.8	3.6*	7.2*	Phillips, Hager & North
FU464	Canadian Equity Growth	IN024	241.6	(2.8)	(7.0)	(3.6)	12.2	4.3	8.2	-	Industrial Alliance
FU360	Canadian Equity (McLean Budden)	IN031	97.4	(6.0)	(11.5)	(8.4)	6.8	(1.3)	4.2	7.6	McLean Budden
FU473	Canadian Equity (Natcan)	IN024	28.5	(3.7)	(7.3)	(4.9)	9.4	4.2	5.4	7.8*	Natcan
FU270	Fidelity True North	IN031	360.6	(2.3)	(5.6)	(1.9)	12.9	0.5	6.0	9.0	Fidelity
FU511	Canadian Equity (Small Cap.) (Montrusco)	IN061	37.6	0.2	(6.2)	(4.2)	24.6	13.3	9.6	14.5*	Montrusco Bolton
FU541	Canadian Equity (Small Cap.) (QV)	IN061	26.9	0.4	(1.1)	4.0	17.2	6.7	4.9*	15.3*	QV Investors Inc.
FU514	Canadian Equity Responsible (McLean Budden)	IN024	2.0	(4.8)	(9.4)	(4.7)	10.7	1.5	4.2	7.6*	McLean Budden
FOREIGN FUNDS											
GROUP											
FU465	Global Equity (Templeton)	IN008	190.7	(4.0)	(5.9)	0.5	9.0	(1.0)	(1.2)	1.3*	Templeton
FU837	Global Equity (Artio)	IN008	2.2	(2.5)	(5.4)	(3.4)	10.5	(1.7)*	(0.8)*	1.1*	Artio
FU500	Global Equity (Hexavest)	IN008	31.1	(3.5)	(4.4)	(1.8)	2.1	1.4	0.7	3.2*	Hexavest
FU865	Global Equity (CS-Hedged) (Hexavest)	IN104	5.8	(3.3)	(5.1)	(0.8)	4.4	-	-	-	Hexavest
FU534	Global Dividends (BNP Paribas)	IN089	10.1	(1.7)	(4.0)	1.3	12.8	1.1	(0.3)*	-	BNP Paribas Inv Partners
FU485	Global Equity (Invesco)	IN008	9.7	(3.6)	(5.9)	(2.8)	7.0	(0.5)	(2.2)	1.9*	Invesco
FU390	Global Equity (McLean Budden)	IN008	81.5	(2.8)	(4.7)	(2.2)	6.5	(0.9)	(1.3)	(0.2)	McLean Budden
FU864	Global Equity (CS-Hedged) (McLean Budden)	IN104	1.8	(2.5)	(5.4)	(1.7)	9.0	-	-	-	McLean Budden
FU863	Global Equity (Pyramis)	IN008	2.0	(3.3)	(5.0)	(2.0)	9.5	(2.6)*	(0.9)*	-	Pyramis
FU531	Global Equity Small Cap. (DB Advisors) ³	IN079	83.6	(2.1)	(3.4)	(0.1)	17.3	3.4	-	-	DB Advisors
FU300	International Equity Index (BlackRock)	IN046	13.1	(2.7)	(5.1)	(0.6)	8.8	(2.8)	(2.1)	0.8	BlackRock
FU080	International Equity (Templeton)	IN002	67.0	(3.3)	(5.5)	(0.3)	7.3	(2.1)	(1.6)	1.1	Templeton
FU483	International Equity (Jarislowsky)	IN002	5.0	(1.9)	(2.3)	5.6	14.7	0.9	(0.7)	0.8*	Jarislowsky
FU838	International Equity (Artio)	IN002	1.2	(1.9)	(4.7)	(3.1)	7.3	(5.9)*	(2.1)*	-	Artio
FU852	International Equity (Hexavest)	IN002	6.9	(2.5)	(4.3)	(1.3)	3.6	(0.9)	(0.7)	3.5*	Hexavest
FU467	International Equity (McLean Budden)	IN002	6.9	(1.9)	(3.9)	0.1	7.3	(0.3)	(0.8)	0.8*	McLean Budden
FU180	U.S. Equity Index (SSGA)	IN098	29.2	(3.1)	(4.3)	(0.4)	10.4	(0.1)	(1.6)	(2.5)	SSGA (State Street)
FU839	U.S. Equity (BatteryMarch)	IN014	2.1	(3.4)	(4.8)	(0.3)	10.8	(2.5)*	(2.1)*	(1.7)*	BatteryMarch
FU512	U.S. Equity (Jarislowsky)	IN014	1.4	(3.7)	(4.0)	(0.7)	8.2	1.0	(0.9)	(1.6)*	Jarislowsky
FU513	U.S. Equity (McLean Budden)	IN014	15.3	(3.3)	(4.5)	(3.0)	8.1	(0.9)	(1.0)	(0.2)*	McLean Budden
FU540	Global Real Estate (BNP Paribas)	IN080	6.3	(0.4)	0.0	3.9	14.5	(1.2)	(3.7)*	6.4*	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 July 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	0.6	0.9	1.0	2.2	2.5
Bond indexes								
IN019	DEX Short Term Bond Index	0.9	1.8	2.7	3.6	5.1	5.1	5.1
IN056	DEX Long Term Bond Index	3.9	6.8	6.4	10.8	8.7	7.2	8.4
IN021	DEX Universe Bond Index	2.0	3.7	4.3	6.3	6.6	6.0	6.5
Equity indexes								
IN026	S&P/TSX 60	(3.8)	(7.5)	(3.3)	9.8	(0.6)	4.5	7.5
IN024	S&P/TSX Composite Index	(2.5)	(6.6)	(2.3)	13.4	1.4	4.7	7.8
IN031	S&P/TSX Capped Composite Index	(2.5)	(6.6)	(2.3)	13.4	1.4	4.7	7.8
IN061	BMO Nesbitt Burns Small Cap	0.7	(6.8)	(3.5)	27.4	11.4	6.2	11.1
IN008	MSCI - World (Can. \$)	(2.9)	(4.9)	(0.9)	9.9	(1.7)	(1.6)	(0.8)
IN104	MSCI - World (Local \$)	(2.7)	(5.5)	0.1	12.1	(0.3)	(0.1)	1.7
IN089	S&P Citigroup High Income Equity Index (Can. \$)	(3.4)	(5.5)	0.4	9.3	0.9	(2.5)	-
IN079	MSCI - World Small Cap. (Can. \$)	(3.4)	(5.8)	(0.8)	16.7	4.7	1.4	4.8
IN046	MSCI - EAFE (Can. \$) (Reuters)	(2.7)	(5.2)	(0.8)	8.5	(3.6)	(2.4)	0.8
IN002	MSCI - EAFE (Can. \$)	(2.7)	(5.2)	(0.9)	8.6	(3.6)	(2.4)	0.8
IN098	S&P 500 (Can. \$) (Reuters)	(3.1)	(4.2)	(0.3)	10.8	0.5	(1.0)	(2.1)
IN014	S&P 500 (Can. \$)	(3.1)	(4.2)	(0.4)	10.9	0.5	(1.0)	(2.1)
IN080	FTSE EPRA/NAREIT Global Index Net TRI (Can. \$) ⁴	(0.4)	(0.9)	2.1	12.9	(0.5)	(2.9)	5.5
Composite indexes								
INDC010	IN024 (90%), IN008 (10%)	(2.5)	(6.4)	(2.2)	13.0	1.1	4.1	7.0
INDC040	IN021 (50%), IN024 (35%), IN008 (10%), IN018 (5%)	(0.1)	(1.0)	1.3	9.0	4.1	5.0	6.3
INDC240	IN021 (65%), IN024 (20%), IN008 (5%), IN018 (10%)	0.7	0.8	2.4	7.4	4.9	5.3	6.2
INDC250	IN021 (30%), IN024 (50%), IN008 (15%), IN018 (5%)	(1.1)	(3.0)	0.0	10.2	2.9	4.4	6.1
INDC380	IN021 (35%), IN024 (30%), IN008 (30%), IN018 (5%) ⁵	(0.9)	(2.2)	0.6	9.3	2.6	3.4	5.3
INDC462	IN031 (65%), IN021 (30%), IN018 (5%)	(1.0)	(3.2)	(0.2)	10.7	3.3	5.3	7.4
INDC463	IN021 (39%), IN024 (30%), IN002 (12.5%), IN018 (6%), IN014 (12.5%)	(0.7)	(1.8)	0.9	9.1	3.1	3.8	5.2
INDC486	IN021 (35%), IN024 (35%), IN008 (25%), IN018 (5%)	(0.9)	(2.3)	0.5	9.5	2.8	3.8	5.2
INDC506	IN021 (80%), IN024 (10%), IN008 (10%)	1.1	1.7	3.2	7.5	5.5	5.3	6.0
INDC507	IN021 (65%), IN024 (20%), IN008 (15%)	0.4	0.3	2.3	8.4	4.7	4.9	5.9
INDC508	IN021 (50%), IN024 (30%), IN008 (20%)	(0.2)	(1.2)	1.4	9.3	3.8	4.4	5.7
INDC509	IN021 (35%), IN024 (40%), IN008 (25%)	(0.9)	(2.7)	0.5	10.2	2.9	3.9	5.5
INDC510	IN021 (20%), IN024 (50%), IN008 (30%)	(1.6)	(4.1)	(0.5)	11.1	1.9	3.4	5.2
INDC522	IN021 (35%), IN031 (35%), IN008 (25%), IN018 (5%)	(0.9)	(2.3)	0.5	9.5	2.8	3.8	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 July 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	0.70	1.15	1.50	1.60	2.05	1.70	1.70	1.70	1.70	2.90

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 July 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	1.0	1.5	3.1	7.1	6.0	5.6*	6.7*
Conservative Portfolio 2020	INP002	1.0	1.5	3.1	7.1	5.2	5.4*	7.1*
Conservative Portfolio 2030	INP003	0.0	(0.3)	1.8	7.8	5.3	5.5*	7.4*
Conservative Portfolio 2040	INP004	(0.3)	(0.9)	1.4	8.0	5.2	5.3*	7.2*
Conservative Portfolio 2050	INP005	(0.5)	(1.3)	1.1	8.2	4.9	5.0*	6.9*
Conservative Portfolio 2060	INP006	(0.8)	(1.8)	0.9	8.4	4.8*	5.0*	6.9*
MODERATE								
Moderate Portfolio 2010	INP007	0.0	(0.3)	1.8	7.8	5.6	5.6*	7.2*
Moderate Portfolio 2020	INP008	0.0	(0.3)	1.8	7.8	5.0	5.4*	7.5*
Moderate Portfolio 2030	INP009	(0.6)	(1.5)	0.9	8.3	5.0	5.3*	7.4*
Moderate Portfolio 2040	INP010	(0.9)	(2.0)	0.7	8.4	4.7	5.2*	7.5*
Moderate Portfolio 2050	INP011	(1.2)	(2.6)	0.2	8.6	4.5	4.9*	7.3*
Moderate Portfolio 2060	INP012	(1.4)	(3.0)	0.0	8.8	4.5*	4.9*	7.2*
BALANCED								
Balanced Portfolio 2010	INP013	(0.3)	(0.9)	1.4	8.0	5.5	5.6*	7.4*
Balanced Portfolio 2020	INP014	(0.3)	(0.9)	1.4	8.0	4.9	5.2*	7.3*
Balanced Portfolio 2030	INP015	(0.9)	(2.0)	0.7	8.4	4.4	4.9*	7.2*
Balanced Portfolio 2040	INP016	(1.4)	(3.0)	0.0	8.8	4.2	4.6*	7.0*
Balanced Portfolio 2050	INP017	(1.7)	(3.4)	(0.3)	9.0	3.8	4.3*	6.7*
Balanced Portfolio 2060	INP018	(2.0)	(3.8)	(0.6)	9.1	3.8*	4.2*	6.7*
GROWTH								
Growth Portfolio 2010	INP019	(0.9)	(2.0)	0.7	8.4	5.0	5.3*	7.3*
Growth Portfolio 2020	INP020	(0.9)	(2.0)	0.7	8.4	4.4	4.9*	7.2*
Growth Portfolio 2030	INP021	(1.4)	(3.0)	0.0	8.8	3.9	4.5*	7.1*
Growth Portfolio 2040	INP022	(2.0)	(4.0)	(0.7)	9.2	3.6	4.2*	6.9*
Growth Portfolio 2050	INP023	(2.3)	(4.4)	(1.0)	9.3	3.2	3.9*	6.6*
Growth Portfolio 2060	INP024	(2.5)	(4.8)	(1.3)	9.5	3.2*	3.8*	6.6*
AGGRESSIVE								
Aggressive Portfolio 2010	INP025	(1.4)	(3.0)	0.0	8.8	4.5	4.9*	7.2*
Aggressive Portfolio 2020	INP026	(1.4)	(3.0)	0.0	8.8	3.9	4.5*	7.1*
Aggressive Portfolio 2030	INP027	(2.0)	(4.0)	(0.7)	9.2	3.3	4.1*	7.0*
Aggressive Portfolio 2040	INP028	(2.6)	(5.0)	(1.5)	9.5	3.0	3.8*	6.7*
Aggressive Portfolio 2050	INP029	(2.8)	(5.4)	(1.7)	9.7	2.7	3.4*	6.4*
Aggressive Portfolio 2060	INP030	(3.1)	(5.9)	(2.0)	9.8	2.6*	3.4*	6.4*

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 July 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	2.0	3.7	4.3	6.3	6.6	6.0	6.5
Equity indexes								
IN026	S&P/TSX 60 Index	(3.8)	(7.5)	(3.3)	9.8	(0.6)	4.5	7.5
IN031	S&P/TSX Capped Composite Index	(2.5)	(6.6)	(2.3)	13.4	1.4	4.7	7.8
IN024	S&P/TSX Composite Index	(2.5)	(6.6)	(2.3)	13.4	1.4	4.7	7.8
IN061	BMO Nesbitt Burns Small Cap.	0.7	(6.8)	(3.5)	27.4	11.4	6.2	11.1
IN008	MSCI - World (net ret.) (Can. \$)	(2.9)	(4.9)	(0.9)	9.9	(1.7)	(1.6)	(0.8)
IN079	MSCI - World Small Cap. (Can. \$)	(3.4)	(5.8)	(0.8)	16.7	4.7	1.4	4.8
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%)	1.1	1.7	3.1	7.6	5.7	5.4	6.2
INP002	IN021 (80%), IN026 (3%), IN031 (3%), IN024 (3%), IN061 (1%), IN008 (8%), IN079 (2%)	1.1	1.7	3.1	7.6	4.6	5.1	6.4
INP003	IN021 (65%), IN026 (7.5%), IN031 (7.5%), IN024 (7.5%), IN061 (2.5%), IN008 (8%), IN079 (2%)	0.4	0.1	2.1	8.8	4.7	5.2	6.6
INP004	IN021 (60%), IN026 (9%), IN031 (9%), IN024 (9%), IN061 (3%), IN008 (8%), IN079 (2%)	0.2	(0.4)	1.7	9.1	4.6	5.0	6.4
INP005	IN021 (55%), IN026 (9%), IN031 (9%), IN024 (9%), IN061 (3%), IN008 (12%), IN079 (3%)	(0.1)	(0.8)	1.5	9.4	4.2	4.6	6.1
INP006	IN021 (50%), IN026 (9%), IN031 (9%), IN024 (9%), IN061 (3%), IN008 (16%), IN079 (4%)	(0.3)	(1.3)	1.2	9.6	4.2	4.6	6.1
INP007	IN021 (65%), IN026 (7.5%), IN031 (7.5%), IN024 (7.5%), IN061 (2.5%), IN008 (8%), IN079 (2%)	0.4	0.1	2.1	8.8	5.1	5.4	6.6
INP008	IN021 (65%), IN026 (7.5%), IN031 (7.5%), IN024 (7.5%), IN061 (2.5%), IN008 (8%), IN079 (2%)	0.4	0.1	2.1	8.8	4.4	5.1	6.7
INP009	IN021 (55%), IN026 (10.5%), IN031 (10.5%), IN024 (10.5%), IN061 (3.5%), IN008 (8%), IN079 (2%)	(0.1)	(0.9)	1.4	9.5	4.3	5.0	6.5
INP010	IN021 (50%), IN026 (10.5%), IN031 (10.5%), IN024 (10.5%), IN061 (3.5%), IN008 (12%), IN079 (3%)	(0.3)	(1.4)	1.1	9.8	3.9	4.8	6.5
INP011	IN021 (45%), IN026 (12%), IN031 (12%), IN024 (12%), IN061 (4%), IN008 (12%), IN079 (3%)	(0.6)	(1.9)	0.8	10.1	3.8	4.5	6.2
INP012	IN021 (40%), IN026 (12%), IN031 (12%), IN024 (12%), IN061 (4%), IN008 (16%), IN079 (4%)	(0.8)	(2.3)	0.5	10.4	3.7	4.5	6.2
INP013	IN021 (60%), IN026 (9%), IN031 (9%), IN024 (9%), IN061 (3%), IN008 (8%), IN079 (2%)	0.2	(0.4)	1.7	9.1	4.9	5.3	6.7
INP014	IN021 (60%), IN026 (9%), IN031 (9%), IN024 (9%), IN061 (3%), IN008 (8%), IN079 (2%)	0.2	(0.4)	1.7	9.1	4.2	4.8	6.4
INP015	IN021 (50%), IN026 (10.5%), IN031 (10.5%), IN024 (10.5%), IN061 (3.5%), IN008 (12%), IN079 (3%)	(0.3)	(1.4)	1.1	9.8	3.6	4.4	6.2
INP016	IN021 (40%), IN026 (12%), IN031 (12%), IN024 (12%), IN061 (4%), IN008 (16%), IN079 (4%)	(0.8)	(2.3)	0.5	10.4	3.4	4.2	5.9
INP017	IN021 (35%), IN026 (12%), IN031 (12%), IN024 (12%), IN061 (4%), IN008 (20%), IN079 (5%)	(1.1)	(2.8)	0.3	10.6	3.0	3.8	5.6
INP018	IN021 (30%), IN026 (12%), IN031 (12%), IN024 (12%), IN061 (4%), IN008 (24%), IN079 (6%)	(1.3)	(3.2)	0.0	10.9	3.0	3.8	5.6
INP019	IN021 (50%), IN026 (10.5%), IN031 (10.5%), IN024 (10.5%), IN061 (3.5%), IN008 (12%), IN079 (3%)	(0.3)	(1.4)	1.1	9.8	4.3	5.0	6.5
INP020	IN021 (50%), IN026 (10.5%), IN031 (10.5%), IN024 (10.5%), IN061 (3.5%), IN008 (12%), IN079 (3%)	(0.3)	(1.4)	1.1	9.8	3.6	4.4	6.2
INP021	IN021 (40%), IN026 (12%), IN031 (12%), IN024 (12%), IN061 (4%), IN008 (16%), IN079 (4%)	(0.8)	(2.3)	0.5	10.4	3.0	4.0	5.9
INP022	IN021 (30%), IN026 (13.5%), IN031 (13.5%), IN024 (13.5%), IN061 (4.5%), IN008 (20%), IN079 (5%)	(1.3)	(3.3)	(0.1)	11.0	2.8	3.7	5.6
INP023	IN021 (25%), IN026 (13.5%), IN031 (13.5%), IN024 (13.5%), IN061 (4.5%), IN008 (24%), IN079 (6%)	(1.5)	(3.7)	(0.4)	11.2	2.4	3.4	5.3
INP024	IN021 (20%), IN026 (13.5%), IN031 (13.5%), IN024 (13.5%), IN061 (4.5%), IN008 (28%), IN079 (7%)	(1.8)	(4.1)	(0.6)	11.5	2.4	3.4	5.3
INP025	IN021 (40%), IN026 (12%), IN031 (12%), IN024 (12%), IN061 (4%), IN008 (16%), IN079 (4%)	(0.8)	(2.3)	0.5	10.4	3.7	4.5	6.2
INP026	IN021 (40%), IN026 (12%), IN031 (12%), IN024 (12%), IN061 (4%), IN008 (16%), IN079 (4%)	(0.8)	(2.3)	0.5	10.4	3.0	4.0	5.9
INP027	IN021 (30%), IN026 (13.5%), IN031 (13.5%), IN024 (13.5%), IN061 (4.5%), IN008 (20%), IN079 (5%)	(1.3)	(3.3)	(0.1)	11.0	2.3	3.6	5.7
INP028	IN021 (20%), IN026 (15%), IN031 (15%), IN024 (15%), IN061 (5%), IN008 (24%), IN079 (6%)	(1.8)	(4.2)	(0.7)	11.6	2.1	3.3	5.4
INP029	IN021 (15%), IN026 (15%), IN031 (15%), IN024 (15%), IN061 (5%), IN008 (28%), IN079 (7%)	(2.0)	(4.7)	(1.0)	11.8	1.7	2.9	5.0
INP030	IN021 (10%), IN026 (15%), IN031 (15%), IN024 (15%), IN061 (5%), IN008 (32%), IN079 (8%)	(2.3)	(5.1)	(1.2)	12.0	1.7	2.9	5.0

Monthly Update

Continued from first page

billion over ten years as the desired target). For the time being, the most optimistic commentators theorize that S&P could decide to maintain the AAA rating on hold until the total spending reduction plan is known. The least optimistic commentators believe that this plan (which probably should amount to around \$2,200 billion to \$2,500 billion) will still be too timid from the agency's perspective and that a downgrade is imminent.

**Between this writing and its publication, on August 5, 2011, Standard & Poor's announced that it was downgrading the United States from AAA to AA+.*

Financial market review

July was a very difficult month for investors, who once again went through nerve-racking variations in market moods. Ultimately, the Canadian and foreign stock markets closed the month on a downturn, swept along by negative economic news, such as the fall of the ISM

leading index, GDP growth running out of steam (already?) and public debt problems both in Europe and in the U.S. In these circumstances, the Canadian bond market played its role as a safe haven again and ended up in positive territory.

The Canadian stock market, represented by the S&P/TSX Index, thus ended July with a 2.50% drop (including dividends paid), bringing the total return obtained since the beginning of 2011 to -2.34%. Except for the materials sector, buoyed by the 7.5% increase in the price of gold (US\$1623.56/oz. as of July 31) and the health care sector, all the S&P/TSX sectors ended the month in the red.

Foreign stock markets followed the same path: the S&P 500 (the U.S. large cap stock market index) is down 2.03% in U.S. dollars and the MSCI - EAFE (the stock market index of developed countries outside North America) is down 3.50% in local currencies. The decline

of the U.S. dollar against the Canadian dollar, due to our better fiscal position, means that the return from that market is still lower when converted into Canadian dollars: -3.10%, while the opposite effect applies to the basket of currencies of the MSCI - EAFE, which returned -2.66% in Canadian dollars.

Finally, the Canadian bond market benefited from the influx of capital: the Canadian 10-year bond yield dropped 32 basis points (0.32%) in July, from 3.11% to 2.79%. In this environment of falling rates, the DEX Universe (the Canadian bond index) performed well: 2.04% in July, for a return of 4.29% since the beginning of the year. ~

Strengthening of the Investment Team for the Global Real Estate (BNP Paribas) Fund

Following an earlier announcement made in February 2011, BNP Paribas has informed us of further steps taken in the centralization of the Global Real Estate investment team in Amsterdam.

This new step in restructuring the investment team by adding some experience at the head of the North America and Asia Pacific regions and by naming a Real Estate Strategist is an interesting development to the first drastic moves of February.

For more details, please read the related Investment Update available on CyberClient. ~