

Semi-Annual Financial Report

and Summary Fact Statements

2011

Investment Fund

Alternative Investment Strategies



INSURANCE AND FINANCIAL SERVICES INC.

Important Message

Please note that you can consult investment fund financial reports as well as the table of returns at any time on our website at www.inalco.com.

If you are receiving the investment fund financial reports in a paper format and you prefer to consult them on our website, please advise us in the following manner:

Provide us with your full name (last name and first name), along with your contract number:

- By email, at savings@inalco.com; or
- By telephone (voice mail), at 418 684-5599 (Quebec City region) or 1 866 364-5599 (elsewhere).

We will then stop sending you investment fund financial reports.



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The Multi-Strategy Fund is not offered to new contract subscribers.

Alternative Investment Strategies

Multi-Strategy Fund

As at June 30, 2011



Investment Advisor Lyxor Asset Management

Inception date: January 2003

First offering: June 2003

Allocation of Investment Strategy

□ Event Driven & Special Situations	18.28%
□ Global Macro	13.16%
□ Commodity Trading Advisors - Long Term	12.65%
□ Event Driven & Merger Arbitrage	11.91%
□ Long/Short Equity - Variable Bias	9.27%
□ Fixed Income Arbitrage	6.92%
□ Statistical Arbitrage	6.48%
□ Commodity Trading Advisors - Short Term	6.45%
□ Long/Short Credit Arbitrage	5.33%
□ Convertible Bonds Arbitrage	3.97%
□ Long/Short Equity - Long Bias	3.67%
□ Event Driven & Distressed	1.11%
□ Long/Short Equity - Market Neutral	0.76%
□ Long/Short Equity - Short Bias	0.04%
	100.00%

Top 10 Holdings of the Underlying Fund

□ Paulson Advantage, Class A	5.66%
□ Bridgewater, Class A	4.49%
□ Winton, Class A	4.22%
□ Paulson International, Class A	3.92%
□ GAM Global Rates Hedge Fund Limited, Class A	3.82%
□ Observatory Credit Markets Fund, Class A	3.58%
□ Canyon Value Real., Class A	3.42%
□ Third Point Fund Limited, Class A	3.39%
□ Pramerica RV, Class A	2.99%
□ York Fund Limited, Class A	2.52%

Objective of the Fund

- To diligently follow an investment strategy that focuses on preservation of capital combined with yield enhancing features of alternative investment strategies.

Statement of Investment Portfolio (unaudited)

In thousands (except number of securities) SEGREGATED FUND (100.00%)	Number of Securities	Average Cost \$	Fair Value \$
Industrial Alliance Multi-Strategy Fund	6,366	66	50

INDUSTRIAL ALLIANCE MULTI-STRATEGY FUND

Statement of Investment Portfolio (unaudited)

In thousands (except number of securities) INVESTMENT FUND (79.38%)	Number of Securities	Average Cost \$	Fair Value \$
MSCI Hedge Invest Tracker Fund Ltd., Class B	20,794	2,675	1,794
CURRENCY CONTRACT² (0.58%)		-	13
SHORT-TERM INVESTMENTS (20.13%)		455	455
TOTAL INVESTMENT PORTFOLIO (100.09%)		<u>3,130</u>	<u>2,262</u>
OTHER NET ASSETS (-0.09%)			(2)
TOTAL NET ASSETS (100.00%)			<u>2,260</u>

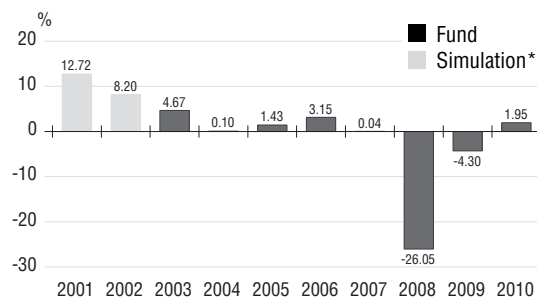
² Forward currency contract : sell USD 1,881,000.00 for CAD 1,828,792.85 with an exchange rate of 0.972245 maturing on July 27, 2011 (Counter Party - Royal Bank of Canada, credit Rating AA low (DBRS))

Performance Data

The returns or performance information shown assume that all income/realized net gains are retained by the segregated fund in the periods shown and are reflected in higher unit values of the segregated fund. The return or performance information do not take into account sales, redemption, distribution or other optional charges or income taxes payable that would have reduced returns or performance. How the segregated fund has performed in the past does not necessarily indicate how it will perform in the future.

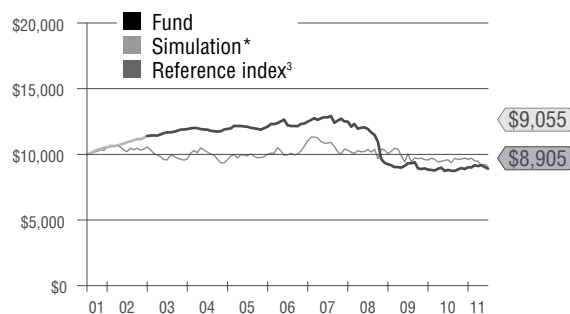
Year By Year Returns

This chart shows you the fund's annual performance and how an investment made on January 1 would have changed by December 31.



Past Performance

This graph shows you how a \$10,000 investment in this fund would have changed in value compared with the reference index.



Annual Compound Returns

This table shows the simple returns for the monthly periods and the historical annual compound total return of the segregated fund compared with the reference index.

	Since January 2003	10 years	5 years	3 years	2 years	1 year	6 months	3 months	1 month	YTD
Fund	(2.9)	(1.2)*	(6.1)	(9.3)	(2.3)	1.2	(1.2)	(2.2)	(1.4)	(1.2)
Reference index ³		(1.0)	(1.9)	(4.4)	(5.0)	(5.5)	(5.8)	(4.5)	(2.0)	(5.8)

¹ Although the returns of these Hedge Funds do have a low volatility (similar to fixed income or balanced funds), the underlying strategies of these funds have the potential to be more volatile.

³ HFRI - Fund of Funds Composite Index (Can. \$).

* Simulation of past returns as if the Fund had been in effect for this period.

Financial Statements

Of Multi-Strategy Fund

Statements of Net Assets

As at	June 30 2011 (unaudited)	Dec. 31 2010 (audited)
In thousands (except number of units and per unit figures)	\$	\$
INVESTMENTS AT FAIR VALUE*	50	117
NET ASSETS PER UNIT		
Individual annuities	7.81	7.91
UNITS OUTSTANDING		
Individual annuities	6,366	14,846
* Investments, at average cost	66	155

Statements of Operations

For the periods ended June 30 (unaudited) (Note 1)	2011	2010
In thousands	\$	\$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	(21)	(15)
Change in unrealized gain (loss) of investments	22	14
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	1	(1)

Statements of Changes in Net Assets

For the periods ended June 30 (unaudited) (Note 1)	2011	2010
In thousands	\$	\$
NET ASSETS - BEGINNING OF THE PERIOD	117	182
Increase (decrease) in net assets from operations	1	(1)
CAPITAL UNIT TRANSACTIONS (NOTE 5)		
Units redeemed	(68)	(41)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(67)	(42)
NET ASSETS - END OF THE PERIOD	50	140

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

Discussion of Financial Instrument Risk Management

As at June 30, 2011 (unaudited) (Note 2 and Note 3) (in thousands of dollars)

Investment Objectives

The Multi-Strategy Fund (the "Fund") is invested in units of the Industrial Alliance Multi-Strategy Fund (the "underlying segregated fund"), which is invested in units of the MSCI Hedge Invest Tracker Fund Ltd. (the "underlying fund"), which is managed by Lyxor Asset Management.

The manager of the Fund makes use of several alternative investment strategies that aim to generate a positive absolute return, regardless of conditions in the "traditional" markets. The manager also seeks to obtain low volatility and a low correlation with stocks and bonds. He makes dynamic use of strategies such as managing futures contracts, tactical market trading, hedge funds, tactical arbitrage of bonds, etc. In addition, a "funds of funds" approach has been adopted in order to add an additional level of diversification.

The risks presented below are calculated according to the share of the Fund's Net Assets compared to the Net Assets of the underlying segregated fund.

Fair Value Measurements

The following table is a summary of the inputs used, as at June 30, 2011, on the Fund's financial instruments carried at fair value. The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities. For more information on valuation inputs, and their aggregation into the levels, please refer to the Valuation of Investments section in the accompanying Notes to the Financial Statements found in the 2010 Annual Financial Statements.

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

As at June 30, 2011

	Financial instruments at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	50	-	-	50
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	50	-	-	50

There were no significant transfers between the levels during the period ended June 30, 2011.

Credit Risk

The credit risk data were not available as at June 30, 2011.

Liquidity Risk

As at June 30, 2011, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 3 to the Financial Statements.

Interest Rate Risk

The Fund invests in an underlying fund that holds interest-bearing financial instruments, the value of which will fluctuate due to changes in the prevailing levels of market interest rates.

The interest risk data were not available as at June 30, 2011.

Currency Risk

The Fund invests in an underlying fund that holds financial instruments in foreign currencies. Their value may fluctuate due to variations in the exchange rates.

The currency risk data were not available as at June 30, 2011.

Other Price Risk

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

As at June 30, 2011

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
HFRI - Fund of Funds Composite Index (Can. \$)	10.00	100.00	10.00	5

Condensed Notes to the Financial Statements

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

1- The Fund

Financial Reporting Dates

The Statements of Net Assets are as at June 30, 2011 and December 31, 2010. The Statements of Operations and Changes in Net Assets are for the six-month periods ended June 30, 2011 and 2010. The Statements of Investment Portfolio are as at June 30, 2011.

2- Significant Accounting Policies

These semi-annual financial statements should be read in conjunction with the Annual Financial Statements for the year ended December 31, 2010, as set out in the 2010 Annual Financial Statements. The significant accounting policies followed in the presentation of these semi-annual Financial Statements are consistent with those found in the 2010 Annual Financial Statements.

3- Management of Financial Risks

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

The Company manages the potential adverse effects of the financial risks on a Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor a Fund's positions and market events and diversify the investment portfolio within the constraints of the investment guidelines. A Fund's overall risk management practice involves oversight of investment activities and monitoring and testing of compliance with the Fund's investment strategy and securities regulations.

Credit Risk

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

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

The Fund's investment strategy aims to limit this risk by ensuring sound diversification, by limiting exposure to a same issuer and by seeking a relatively high quality of issuers. The Fund invests in financial assets, which have an investment grade as rated by a well known rating agency. The fair value of debt instruments includes consideration of the credit worthiness of the issuer, and represents the maximum credit risk exposure of the Fund.

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

Liquidity Risk

Liquidity risk represents the contingency that the Fund will be unable to gather the funds required to respect its financial obligations at the appropriate time and under reasonable conditions. The Fund's exposure to liquidity risk is concentrated in the daily cash redemption of units. Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and can be readily disposed of, in accordance with securities regulations. In addition, the Fund retains sufficient cash and short-term investments to maintain liquidity for the purpose of funding redemptions. The Company also has the ability to borrow up to 5% of the Funds' Net Asset Value for the purpose of funding redemptions.

Interest Rate Risk

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

Currency Risk

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

Other Price Risk

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

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

Condensed Notes to the Financial Statements

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

4- Related Party Transactions

Expense ratio

The expense ratio corresponds to the total of the management fees and operating expenses deducted on each valuation date, expressed as an annual percentage. The expense ratio is established according to the Net Asset Value, excluding seed money, at the following annual effective rates. All fees include the Canadian federal tax on goods and services and the harmonized sales tax that came into effect July 1, 2010 for participating provinces.

Fund	2011 ¹	2010 ¹
Multi-Strategy	4.11%	3.98%

¹ These MER are charged to the underlying fund in addition to the performance fee. The performance fee shall equal thirty percent (30%) of increase (decrease) in net assets from operations (if any), excluding interest earned on cash temporarily held in a daily interest account, earned by the underlying investment for each performance period

5- Securities of the Fund

The Company considers the Funds' capital represents the Net Assets of the Funds. Each Fund's capital is managed in accordance with its investment objectives and strategies. Each manager seeks to achieve its investment objectives, while managing liquidity in order to be able to meet redemptions. The Funds have no restrictions or specific capital requirements on issuance and redemption of units. The Statement of Changes in Net Assets identifies the changes in each Fund's capital during the period.

The management fees charged by the Company are listed in Note 4 above.

For the periods ended June 30, 2011 and 2010, the following units were issued and redeemed:

Fund		Beginning of Period	Units Issued	Units Redeemed	End of Period
Multi-Strategy					
Individual annuities	2011	15	-	9	6
	2010	23	-	5	18

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and Summary Fact Statements

Investment Fund

Alternative Investment Strategies

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