

Ultraflex II and Ultraflex R - M

2010 Financial Report



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.

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We will then stop sending you investment fund financial reports.

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*** THE ULTRAFLEX II PRODUCT IS NOT AVAILABLE FOR NEW ISSUES.**

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ULTRAFLEX R - M PRODUCT*

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*** THE ULTRAFLEX R - M PRODUCT IS NOT AVAILABLE FOR NEW ISSUES.**

Independent Auditor's Report

To the unitholders of Industrial Alliance Ultraflex II and Ultraflex R - M Funds,

We have audited the statements of investment portfolio of Industrial Alliance Ultraflex II and Ultraflex R - M Funds (the "Funds") listed in Note 1a) as at December 31, 2010, the statements of net assets as at December 31, 2010 and 2009, the statements of changes in net assets and the statements of operations for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

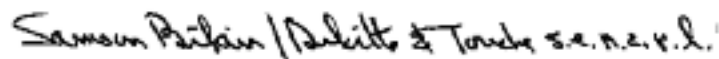
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the investment portfolio of the Funds as at December 31, 2010, their financial position as at December 31, 2010 and 2009, and the results of their operations and their changes in net assets for the years then ended in accordance with Canadian generally accepted accounting principles.



Samson Bélair/Deloitte & Touche s.e.n.c.r.l.¹

Québec, Québec
March 3, 2011

¹Chartered Accountant Auditor permit no 18527

Income Funds

Money Market Ultraflex II

Statements of Net Assets

As at December 31 In thousands (except number of units and per unit figures)	2010 \$	2009 \$
Investments at fair value*	2,807	5,947
NET ASSETS PER UNIT		
Individual annuities	16.90	16.87
UNITS OUTSTANDING		
Individual annuities	166,130	352,539
* Investments, at average cost	2,747	5,809

Statements of Operations

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	84	160
Change in unrealized gain (loss) of investments	(78)	(163)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	6	(3)

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
NET ASSETS - BEGINNING OF THE PERIOD	5,947	11,752
Increase (decrease) in net assets from operations	6	(3)
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	530	726
Units redeemed	(3,676)	(6,528)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(3,140)	(5,805)
NET ASSETS - END OF THE PERIOD	2,807	5,947

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

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
Industrial Alliance Money Market Fund	166,130	2,747	2,807

INDUSTRIAL ALLIANCE MONEY MARKET FUND

Statement of Investment Portfolio

As at December 31, 2010 In thousands	Face Value \$	Average Cost \$	Fair Value \$
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MONEY MARKET (100.14%)

FEDERAL TREASURY BILLS (86.61%)

Government of Canada	0.830%	2011-01-06	3,550	3,536	3,536
Government of Canada	0.845%	2011-01-06	1,400	1,394	1,394
Government of Canada	0.850%	2011-01-06	1,500	1,494	1,494
Government of Canada	0.860%	2011-01-06	100	100	100
Government of Canada	0.940%	2011-02-03	12,750	12,723	12,722
Government of Canada	0.890%	2011-03-03	250	248	249
Government of Canada	0.930%	2011-03-03	200	200	199
Government of Canada	1.030%	2011-03-03	500	497	498
Government of Canada	1.040%	2011-03-03	600	597	597
Government of Canada	1.060%	2011-03-03	800	796	796
Government of Canada	1.070%	2011-03-03	300	299	299
Government of Canada	1.080%	2011-03-03	600	597	598
Government of Canada	1.090%	2011-03-03	7,550	7,512	7,513
Government of Canada	0.970%	2011-03-31	1,150	1,145	1,145
Government of Canada	0.980%	2011-03-31	600	598	597
Government of Canada	1.000%	2011-03-31	5,550	5,524	5,525
Government of Canada	1.010%	2011-03-31	1,250	1,243	1,244
Government of Canada	1.020%	2011-03-31	450	448	448
Government of Canada	1.025%	2011-03-31	1,800	1,792	1,792
Government of Canada	1.070%	2011-03-31	500	498	497
Government of Canada	1.040%	2011-04-28	1,700	1,693	1,692
Government of Canada	1.050%	2011-04-28	900	895	896
Government of Canada	1.060%	2011-04-28	40,000	39,804	39,807
Government of Canada	1.100%	2011-05-26	200	199	199
Government of Canada	1.110%	2011-05-26	1,050	1,045	1,045
Government of Canada	1.120%	2011-05-26	73,950	73,571	73,579
Government of Canada	1.130%	2011-05-26	5,650	5,619	5,620
Government of Canada	1.140%	2011-05-26	400	398	398
Government of Canada	1.120%	2011-06-23	24,350	24,216	24,211
Government of Canada	1.130%	2011-06-23	2,900	2,883	2,885
				191,564	191,575

BANKER'S ACCEPTANCES (9.02%)

Bank of Montreal	1.140%	2011-01-31	10,000	9,974	9,975
National Bank of Canada	1.130%	2011-02-03	10,000	9,974	9,974
				19,948	19,949

DEPOSITARY NOTES (4.51%)

Bank of Nova Scotia	1.180%	2011-02-09	10,000	9,971	9,971
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TOTAL INVESTMENT PORTFOLIO (100.14%)

				221,483	221,495
OTHER NET ASSETS (-0.14%)					(306)
TOTAL NET ASSETS (100.00%)					221,189

Money Market

Ultraflex II

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Money Market Fund (the "Fund") is invested in units of the Industrial Alliance Money Market Fund (the "underlying segregated fund"), which is mostly composed of quality securities with a maximum maturity of one year guaranteed by federal and provincial governments and some companies.

The objective of the Fund is to maintain excellent capital protection and a high level of liquidity, while maximizing the total return. The management style focuses on interest rate forecasts which are based on careful analyses of the economic outlook.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	2,807	-	-	2,807
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	2,807	-	-	2,807

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	5,947	-	-	5,947
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	5,947	-	-	5,947

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010 and 2009, the Fund, through its underlying segregated fund, had invested in debt instruments with the following credit ratings:

Debt Instruments* by Credit Rating	Percentage of Net Assets as at December 31, 2010 (%)	Percentage of Net Assets as at December 31, 2009 (%)
R1	100.14	99.82

*Excludes other Net Assets

Credit ratings are obtained from DBRS, Standard & Poor's or Moody's.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

The tables below summarize the Fund's exposure, through its underlying segregated fund, to interest rate risk by remaining terms to maturity as at December 31, 2010 and 2009. If the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, the Net Assets would have respectively decreased or increased by the amount presented under "Impact on Net Assets." The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non- interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	2,811	-	-	-	(4)	2,807	9

As at December 31, 2009

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non- interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	5,936	-	-	-	11	5,947	9

Currency Risk

As at December 31, 2010 and 2009, the Fund, through its underlying segregated fund, had no significant exposure to currency risk.

**Discussion of Financial Instrument
Risk Management (continued)****Other Price Risk**

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX 91 day Tbill Index	1.00	100.00	1.00	28

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX 91 day Tbill Index	1.00	100.00	1.00	59

Statements of Net Assets

As at December 31	2010	2009
In thousands (except number of units and per unit figures)	\$	\$
Investments at fair value*	1,676	1,450
NET ASSETS PER UNIT		
Individual annuities	14.89	14.56
UNITS OUTSTANDING		
Individual annuities	112,578	99,574
* Investments, at average cost	1,575	1,349

Statements of Operations

For the periods ended December 31 (Note 1)	2010	2009
In thousands	\$	\$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	43	14
Change in unrealized gain (loss) of investments	-	40
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	43	54

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1)	2010	2009
In thousands	\$	\$
NET ASSETS - BEGINNING OF THE PERIOD	1,450	1,360
Increase (decrease) in net assets from operations	43	54
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	849	311
Units redeemed	(666)	(275)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	226	90
NET ASSETS - END OF THE PERIOD	1,676	1,450

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

Short Term Bonds
Ultraflex II

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%) Industrial Alliance Short Term Bonds Fund	112,578	1,575	1,676

INDUSTRIAL ALLIANCE SHORT TERM BONDS FUND

Statement of Investment Portfolio

As at December 31, 2010 In thousands	Face Value \$	Average Cost \$	Fair Value \$
CANADIAN BONDS (83.67%)			
FEDERAL GOVERNMENT (9.27%)			
Government of Canada 2.000% 2012-09-01	3,015	3,038	3,034
Government of Canada 2.000% 2014-12-01	7,750	7,805	7,694
Government of Canada 3.000% 2015-12-01	4,710	4,770	4,837
	15,613	15,565	

FEDERAL GUARANTEE (21.94%)

Canada Housing Trust 4.000% 2012-06-15	8,950	9,350	9,250
Canada Housing Trust 2.750% 2014-09-15	10,415	10,414	10,562
Canada Housing Trust 2.750% 2014-12-15	7,725	7,806	7,820
Canada Housing Trust 2.750% 2015-12-15	6,130	6,116	6,148
Canada Housing Trust, Floating Rate 0.479% 2015-03-15	3,050	3,051	3,057
	36,737	36,837	

PROVINCIALS (24.32%)

Alberta Capital Finance Authority 3.050% 2015-06-15	1,285	1,274	1,309
Financement-Québec, Floating Rate 4.767% 2014-12-01	2,565	2,360	2,539
Province of Ontario 4.750% 2013-06-02	10,375	11,118	11,035
Province of Ontario 3.250% 2014-09-08	6,455	6,650	6,635
Province of Ontario 4.500% 2015-03-08	5,570	5,951	5,985
Province of Ontario 3.150% 2015-09-08	1,350	1,388	1,375
Province of Quebec 5.250% 2013-10-01	6,185	6,753	6,694
Province of Quebec 5.500% 2014-12-01	2,140	2,379	2,375
Province of Quebec 4.500% 2016-12-01	2,695	2,877	2,899
	40,750	40,846	

SUBSIDIZED (4.97%)

City of Montreal 5.000% 2017-12-01	1,000	1,005	1,081
City of Sherbrooke 4.200% 2013-08-05	500	511	520
Municipal Finance Authority of British Columbia 4.800% 2017-12-01	1,000	999	1,083
Municipalité de Lac-Beauport 3.100% 2014-12-22	790	779	790
Québec City 4.300% 2012-12-18	750	770	777
Québec City 2.950% 2014-12-16	259	255	258
Université de Montréal 5.050% 2013-11-20	675	721	719
Université de Montréal 5.100% 2014-06-04	500	524	537
Université du Québec 5.250% 2013-02-06	375	398	396
Vanier College 5.150% 2014-06-28	1,000	1,063	1,075
Ville de l'Assomption 4.300% 2013-12-09	300	315	313
Ville de Longueuil 5.100% 2013-11-12	375	402	399
Ville de St-Lambert 4.200% 2013-11-26	375	391	390
	8,133	8,338	

CORPORATES (23.17%)

Algonquin Credit Card Trust 4.562% 2036-06-15	1,790	1,841	1,846
American Express Canada Credit Corp., Floating Rate 2.130% 2011-10-05	1,115	1,115	1,121
Bank of Montreal 5.180% 2015-06-10	1,500	1,552	1,626
Bank of Montreal 3.490% 2016-06-10	355	355	355
Bank of Nova Scotia, Fixed - Floating Rate 4.990% 2018-03-27	2,165	2,282	2,275
Bell Canada 4.850% 2014-06-30	1,015	1,082	1,072
BMO Capital Trust 5.474% 2049-09-29	485	522	519
Caisse centrale Desjardins 3.114% 2014-12-04	730	730	734
Canada Life Capital Trust 6.679% 2012-06-30	500	514	528

As at December 31, 2010 In thousands	Face Value \$	Average Cost \$	Fair Value \$
Canadian Credit Card Trust 5.365% 2013-03-25	1,000	1,062	1,063
Canadian Imperial Bank of Commerce 3.050% 2013-06-03	905	905	919
CDP Financial Inc., Floating Rate 0.893% 2015-07-15	875	875	874
Co-operators Financial Services Ltd. 5.070% 2012-07-20	1,000	1,000	1,023
Gaz Métropolitain, inc. 5.400% 2013-04-15	500	500	532
GE Capital Canada Funding Co. 4.375% 2012-09-28	1,305	1,358	1,347
Golden Credit Card Trust 5.421% 2019-04-15	805	878	859
Great-West Life Capital Trust 5.995% 2052-12-31	1,000	1,000	1,059
Greater Toronto Airports Authority 5.890% 2013-12-06	1,890	2,070	2,063
HSBC Bank Canada 3.558% 2017-10-04	400	400	392
HSBC Canada Asset Trust 5.149% 2049-12-29	1,000	1,003	1,029
Husky Energy Inc. 3.750% 2015-03-12	1,100	1,099	1,122
Hydro One Inc. 5.000% 2013-11-12	1,700	1,793	1,821
Laurentian Bank of Canada, Fixed - Floating Rate 3.700% 2020-11-02	655	654	644
Laurentian Bank of Canada, Floating Rate 1.583% 2012-06-30	1,000	1,000	1,000
Loblaw Companies Ltd. 4.850% 2014-05-08	1,720	1,785	1,816
Manulife Financial Capital Trust 6.700% 2051-12-31	1,500	1,397	1,577
National Bank of Canada 4.030% 2015-05-26	510	533	529
RBC Capital Trust II 5.812% 2049-07-29	1,000	944	1,076
Royal Bank of Canada, Fixed - Floating Rate 3.180% 2020-11-02	1,290	1,285	1,264
SCORE Trust 4.949% 2017-02-20	1,000	1,000	1,054
Scotiabank Capital Trust 6.626% 2052-06-30	1,500	1,488	1,586
Shoppers Drug Mart Corp. 4.990% 2013-06-03	1,000	999	1,054
Sun Life Assurance of Canada, Fixed - Floating Rate 6.150% 2022-06-30	1,000	1,050	1,049
The Toronto-Dominion Bank, Fixed - Floating Rate 5.382% 2017-11-01	750	750	790
The Toronto-Dominion Bank, Fixed - Floating Rate 5.480% 2020-04-02	1,000	1,000	1,088
Wells Fargo Financial Canada Corp. 6.050% 2012-08-27	200	200	211
	38,021	38,917	

MASTER ASSET VEHICLES (0.00%)

Master Asset Vehicle II, Class A-1, Floating Rate 0.573% 2056-07-15	4	3	3
TOTAL CANADIAN BONDS	139,257	140,506	

U.S. BONDS (1.44%)**CORPORATES (1.44%)**

Merrill Lynch & Co., Inc. 4.500% 2012-01-30	1,415	1,440	1,433
Morgan Stanley Group, Floating Rate 4.570% 2012-02-23	1,000	997	985
TOTAL U.S. BONDS	2,437	2,418	

FOREIGN BONDS (0.61%)**FEDERAL GOVERNMENT (0.61%)**

Development Bank of North Rhine-Westphalia 4.100% 2012-12-28	1,000	999	1,034
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Short Term Bonds

Ultraflex II

Statement of Investment Portfolio (continued)

As at December 31, 2010			Face	Average	Fair
In thousands			Value	Cost	Value
			\$	\$	\$
MORTGAGE-BACKED SECURITIES (1.10%)					
Column Canada Issuer Corp., Series 2006-WEM, Class A-1	4.591%	2022-01-15	756	757	778
Merrill Lynch Financial Assets Inc., Series 2002-Canada 8, Class A-1	4.830%	2034-11-12	9	8	8
N-45 First CMBS Issuer Corp., Series 2003-2, Class A-2	5.667%	2020-11-15	1,000	1,000	1,062
TOTAL MORTGAGE-BACKED SECURITIES			1,765	1,765	1,848
SHORT-TERM INVESTMENTS (13.16%)			22,097	22,097	22,096
TOTAL INVESTMENT PORTFOLIO (99.98%)			166,555	166,555	167,902
OTHER NET ASSETS (0.02%)					29
TOTAL NET ASSETS (100.00%)					167,931

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

Short Term Bonds

Ultraflex II

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Short Term Bonds Fund (the "Fund") is invested in units of the Industrial Alliance Short Term Bonds Fund (the "underlying segregated fund"), which is composed of bonds and other high-quality debt securities from the federal and provincial governments and from corporations offering good income and capital security potential.

The objective of the Fund is to provide a reasonably high return by reinvesting the interest income in the Fund while ensuring capital protection. The Fund is managed according to a management style primarily based on securities selection and issuers. The manager also integrates interest rate anticipation in his management process. The Fund is characterized by short and medium term maturity, which minimizes the impact of interest rate fluctuations while generating good income.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	1,676	-	-	1,676
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	1,676	-	-	1,676

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	1,450	-	-	1,450
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	1,450	-	-	1,450

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010 and 2009, the Fund, through its underlying segregated fund, had invested in debt instruments with the following credit ratings:

Debt Instruments* by Credit Rating	Percentage of Net Assets as at December 31, 2010 (%)	Percentage of Net Assets as at December 31, 2009 (%)
AAA	37.11	30.26
AA	23.01	21.15
A	21.50	42.13
BBB	3.34	1.83
R1	13.16	3.61
Not rated	1.86	1.03

*Excludes other Net Assets

Credit ratings are obtained from DBRS, Standard & Poor's or Moody's.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

The tables below summarize the Fund's exposure, through its underlying segregated fund, to interest rate risk by remaining terms to maturity as at December 31, 2010 and 2009. If the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, the Net Assets would have respectively decreased or increased by the amount presented under "Impact on Net Assets." The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non-interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	232	1,418	26	-	-	1,676	42

As at December 31, 2009

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non-interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	133	1,002	281	35	(1)	1,450	50

Currency Risk

As at December 31, 2010 and 2009, the Fund, through its underlying segregated fund, had no significant exposure to currency risk.

Discussion of Financial Instrument Risk Management (continued)

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX Short Term Bond Index	3.00	100.00	3.00	50

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX Short Term Bond Index	3.00	100.00	3.00	44

Statements of Net Assets

As at December 31	2010	2009
In thousands (except number of units and per unit figures)	\$	\$
Investments at fair value*	6,894	7,153
NET ASSETS PER UNIT		
Individual annuities	24.77	23.77
UNITS OUTSTANDING		
Individual annuities	278,371	300,939
* Investments, at average cost	6,431	6,552

Statements of Operations

For the periods ended December 31 (Note 1)	2010	2009
In thousands	\$	\$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	392	607
Change in unrealized gain (loss) of investments	(138)	(172)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	254	435

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1)	2010	2009
In thousands	\$	\$
NET ASSETS - BEGINNING OF THE PERIOD	7,153	8,244
Increase (decrease) in net assets from operations	254	435
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	4,362	6,286
Units redeemed	(4,875)	(7,812)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(259)	(1,091)
NET ASSETS - END OF THE PERIOD	6,894	7,153

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

Statement of Investment Portfolio

As at December 31, 2010
In thousands (except number of securities)

	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
Industrial Alliance Bonds Fund	278,371	6,431	6,894

INDUSTRIAL ALLIANCE BONDS FUND

Statement of Investment Portfolio

As at December 31, 2010
In thousands

	Face Value \$	Average Cost \$	Fair Value \$
CANADIAN BONDS (93.87%)			
FEDERAL GOVERNMENT (27.49%)			

Government of Canada	2.000%	2012-09-01	92,265	92,860	92,850
Government of Canada	2.000%	2014-12-01	68,705	68,093	68,212
Government of Canada	2.500%	2015-06-01	3,175	3,273	3,201
Government of Canada	3.000%	2015-12-01	41,340	41,906	42,450
Government of Canada	4.000%	2016-06-01	16,975	17,451	18,231
Government of Canada	4.000%	2017-06-01	81,815	87,524	88,040
Government of Canada	3.750%	2019-06-01	26,895	27,843	28,350
Government of Canada	5.000%	2037-06-01	27,395	34,315	33,977
Government of Canada, Real Return Bond	3.000%	2036-12-01	19,273	26,928	27,326
			400,193	402,637	

FEDERAL GUARANTEE (10.50%)

Canada Housing Trust	4.000%	2012-06-15	24,460	25,543	25,280
Canada Housing Trust	3.150%	2014-06-15	10,200	10,621	10,496
Canada Housing Trust	2.750%	2014-09-15	18,465	18,233	18,726
Canada Housing Trust	2.750%	2014-12-15	44,540	44,979	45,087
Canada Housing Trust	2.950%	2015-03-15	5,885	5,882	5,993
Canada Housing Trust	2.750%	2015-12-15	48,035	47,926	48,176
			153,184	153,758	

PROVINCIALS (29.08%)

Alberta Capital Finance Authority	3.050%	2015-06-15	13,395	13,375	13,648
Alberta Treasury Branches	4.400%	2012-12-03	5,935	5,901	6,221
Financement-Québec Financement-Québec, Floating Rate	5.250%	2034-06-01	5,780	6,016	6,363
Province of British Columbia	4.767%	2014-12-01	17,525	16,149	17,347
Province of British Columbia	4.650%	2018-12-18	9,530	9,858	10,323
Province of British Columbia	5.700%	2029-06-18	15,270	16,367	18,214
Province of British Columbia	4.950%	2040-06-18	4,025	4,120	4,468
Province of Manitoba	4.250%	2018-03-05	5,155	5,110	5,456
Province of Newfoundland	4.500%	2037-04-17	11,570	10,777	11,781
Province of Ontario	4.750%	2013-06-02	6,520	6,983	6,934
Province of Ontario	3.250%	2014-09-08	42,175	42,790	43,350
Province of Ontario	4.500%	2015-03-08	56,470	60,072	60,680
Province of Ontario	4.300%	2017-03-08	20,650	22,232	21,978
Province of Ontario	4.400%	2019-06-02	9,935	10,288	10,475
Province of Ontario	4.200%	2020-06-02	34,770	34,901	35,853
Province of Ontario	4.700%	2037-06-02	19,389	19,519	20,344
Province of Quebec	5.000%	2015-12-01	11,060	11,521	12,162
Province of Quebec	4.500%	2016-12-01	25,785	27,245	27,737
Province of Quebec	4.500%	2018-12-01	23,610	24,388	25,144
Province of Quebec	5.000%	2038-12-01	35,515	38,321	38,608
Province of Quebec, Real Return Bond	4.500%	2020-12-01	27,570	28,095	28,918
			414,028	426,004	

SUBSIDIZED (1.19%)

Municipal Finance Authority of British Columbia	4.650%	2016-04-19	11,265	11,501	12,177
Municipal Finance Authority of British Columbia	4.800%	2017-12-01	4,815	4,862	5,216
			16,363	17,393	

As at December 31, 2010
In thousands

	Face Value \$	Average Cost \$	Fair Value \$
CORPORATES (25.53%)			

407 International Inc.	4.300%	2021-05-26	4,015	4,014	4,002
Algonquin Credit Card Trust	4.562%	2036-06-15	9,940	10,285	10,252
AltaLink, LP	4.872%	2040-11-15	2,260	2,260	2,242
American Express Canada Credit Corp., Floating Rate	2.130%	2011-10-05	13,240	13,240	13,317
Bank of Montreal	3.490%	2016-06-10	3,605	3,605	3,610
Bank of Nova Scotia	3.030%	2012-06-04	6,555	6,722	6,650
Bank of Nova Scotia, Fixed - Floating Rate	4.990%	2018-03-27	4,055	4,064	4,261
Bell Canada	4.850%	2014-06-30	5,275	5,656	5,573
Bell Canada	3.600%	2015-12-02	2,550	2,546	2,554
BMO Capital Trust	5.474%	2049-09-29	4,385	4,532	4,696
Caisse centrale Desjardins	3.114%	2014-12-04	8,950	8,950	8,994
Canadian Credit Card Trust	5.365%	2013-03-25	12,820	13,137	13,621
Canadian Imperial Bank of Commerce	5.000%	2012-09-10	3,195	3,352	3,345
CDP Financial Inc., Floating Rate	0.893%	2015-07-15	11,745	11,745	11,722
CI Financial Corp.	3.300%	2012-12-17	2,960	2,960	2,986
CIBC Capital Trust	9.976%	2108-06-30	2,865	3,645	3,618
Enbridge Inc.	5.170%	2016-05-19	2,260	2,258	2,449
Enbridge Inc.	4.530%	2020-03-09	8,425	8,424	8,537
EnCana Corp.	5.800%	2018-01-18	3,830	4,267	4,262
EPCOR Utilities Inc.	5.800%	2018-01-31	10,095	11,229	11,234
EPCOR Utilities Inc.	5.750%	2039-11-24	2,270	2,267	2,442
GE Capital Canada Funding Co.	4.375%	2012-09-28	7,278	7,602	7,515
GE Capital Canada Funding Co.	4.240%	2015-06-08	3,200	3,293	3,289
Great-West Lifeco Inc.	6.670%	2033-03-21	6,100	6,619	7,052
Greater Toronto Airports Authority	6.470%	2034-02-02	8,185	9,007	9,730
HSBC Bank Canada	3.558%	2017-10-04	4,125	4,125	4,048
Hydro One Inc.	5.180%	2017-10-18	4,580	5,171	5,036
Hydro One Inc.	5.490%	2040-07-16	3,895	3,946	4,239
Intact Financial Corp.	6.400%	2039-11-23	1,500	1,490	1,604
Laurentian Bank of Canada, Fixed - Floating Rate	3.700%	2020-11-02	6,750	6,732	6,644
Loblaw Companies Ltd.	5.220%	2020-06-18	4,815	5,132	4,980
Loblaw Companies Ltd.	6.500%	2029-01-22	11,560	12,000	12,139
Manulife Finance (Delaware), LP, Fixed - Floating Rate	5.059%	2041-12-15	6,165	5,095	5,149
Metro Inc.	4.980%	2015-10-15	5,870	5,805	6,264
Metro Inc.	5.970%	2035-10-15	3,945	3,943	3,922
Molson Coors Capital Finance ULC	5.000%	2015-09-22	6,350	6,829	6,711
National Bank of Canada, Fixed - Floating Rate	4.700%	2020-11-02	5,990	6,062	6,292
NAV CANADA	5.304%	2019-04-17	3,650	3,986	4,013
NBC Capital Trust	7.235%	2049-12-29	4,060	4,060	4,681
NBC Capital Trust, Fixed - Floating Rate	5.329%	2056-06-30	1,955	1,955	2,048
Rogers Communications Inc.	4.700%	2020-09-29	8,185	8,142	8,033
Royal Bank of Canada	3.660%	2017-01-25	17,370	17,364	17,499
Royal Bank of Canada, Fixed - Floating Rate	3.180%	2020-11-02	15,515	15,510	15,193
Scotiabank Capital Trust II, Series 2003-1	6.282%	2049-02-28	7,795	8,231	8,420
Scotiabank Capital Trust, Fixed - Floating Rate	5.250%	2017-11-01	8,820	9,411	9,273
Scotiabank Tier 1 Trust	7.802%	2108-06-30	2,100	2,100	2,411
Shaw Communications Inc.	6.500%	2014-06-02	3,210	3,535	3,526
Sobeys Inc.	7.160%	2018-02-26	3,850	4,607	4,443
Sun Life Assurance of Canada, Fixed - Floating Rate	6.150%	2022-06-30	7,790	8,396	8,171
Sun Life Financial Services of Canada Inc., Fixed - Floating Rate	4.950%	2036-06-01	3,205	3,325	3,311
Suncor Energy Inc.	5.800%	2018-05-22	9,345	9,407	10,386
Superior Trust, Floating Rate	1.987%	2016-09-28	218	218	188
TD Capital Trust IV	10.000%	2108-06-30	9,780	10,137	12,559
TELUS Corp.	4.950%	2014-05-15	4,350	4,598	4,604
The Toronto-Dominion Bank	4.970%	2104-10-30	3,815	3,823	4,029

Statement of Investment Portfolio (continued)

As at December 31, 2010 In thousands			Face Value \$	Average Cost \$	Fair Value \$
The Toronto-Dominion Bank, Fixed - Floating Rate	3.367%	2020-11-02	6,880	6,880	6,796
The Toronto-Dominion Bank, Fixed - Floating Rate	5.763%	2106-12-18	6,035	6,059	6,570
Thomson Reuters Corp.	6.000%	2016-03-31	7,880	8,931	8,836
TransCanada Pipelines Ltd.	5.050%	2013-08-20	3,800	3,795	4,052
				366,479	374,023
MASTER ASSET VEHICLES (0.08%)					
Master Asset Vehicle II, Class A-1, Floating Rate	0.573%	2056-07-15	1,679	1,218	1,222
TOTAL CANADIAN BONDS			1,351,465	1,375,037	
U.S. BONDS (0.37%)					
CORPORATES (0.37%)					
Merrill Lynch & Co., Inc.	4.500%	2012-01-30	5,320	5,415	5,388
SHORT-TERM INVESTMENTS (5.77%)				84,541	84,542
TOTAL INVESTMENT PORTFOLIO (100.01%)				1,441,421	1,464,967
OTHER NET ASSETS (-0.01%)					(211)
TOTAL NET ASSETS (100.00%)				1,464,756	

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

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Bond Fund (the "Fund") is invested in units of the Industrial Alliance Bonds Fund (the "underlying segregated fund"), which is composed of quality bond securities from Canadian governments and corporations.

The Fund aims to maximize the returns from interest income and capital appreciation through a diversified portfolio. The Fund's approach in bond management is based on interest-rate movement forecasts, derived from analyses of macroeconomic trends. The management of the duration and the yield curve positioning are the main sources of added value compared to the benchmark. Sector and security selection also contribute to add value. On occasion, the manager may add securities denominated in foreign currencies, real return bonds or other special situations likely to improve the portfolio's return or to reduce volatility.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	6,894	-	-	6,894
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	6,894	-	-	6,894

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	7,153	-	-	7,153
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	7,153	-	-	7,153

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010 and 2009, the Fund, through its underlying segregated fund, had invested in debt instruments with the following credit ratings:

Debt Instruments* by Credit Rating	Percentage of Net Assets as at December 31, 2010 (%)	Percentage of Net Assets as at December 31, 2009 (%)
AAA	42.96	45.76
AA	23.87	21.86
A	21.96	26.59
BBB	5.45	1.97
R1	5.77	3.24
Not rated	-	0.01

*Excludes other Net Assets

Credit ratings are obtained from DBRS, Standard & Poor's or Moody's.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

The tables below summarize the Fund's exposure, through its underlying segregated fund, to interest rate risk by remaining terms to maturity as at December 31, 2010 and 2009. If the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, the Net Assets would have respectively decreased or increased by the amount presented under "Impact on Net Assets." The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non- interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	461	3,672	1,698	1,064	(1)	6,894	386

As at December 31, 2009

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non- interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	232	3,594	1,237	2,050	40	7,153	478

Currency Risk

As at December 31, 2010 and 2009, the Fund, through its underlying segregated fund, had no significant exposure to currency risk.

Discussion of Financial Instrument Risk Management (continued)

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX Universe Bond Index	3.00	100.00	3.00	207

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX Universe Bond Index	3.00	100.00	3.00	215

Statements of Net Assets

As at December 31	2010	2009
In thousands (except number of units and per unit figures)	\$	\$
Investments at fair value*	2,497	3,068
NET ASSETS PER UNIT		
Individual annuities	16.48	15.81
UNITS OUTSTANDING		
Individual annuities	151,547	194,085
* Investments, at average cost	2,008	2,564

Statements of Operations

For the periods ended December 31 (Note 1)	2010	2009
In thousands	\$	\$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	129	88
Change in unrealized gain (loss) of investments	(15)	38
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	114	126

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1)	2010	2009
In thousands	\$	\$
NET ASSETS - BEGINNING OF THE PERIOD	3,068	3,272
Increase (decrease) in net assets from operations	114	126
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	65	271
Units redeemed	(750)	(601)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(571)	(204)
NET ASSETS - END OF THE PERIOD	2,497	3,068

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

Bond - series 2
Ultraflex II

Statement of Investment Portfolio

As at December 31, 2010
In thousands (except number of securities)

	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
Industrial Alliance Bonds - series 2 Fund	151,547	2,008	2,497

INDUSTRIAL ALLIANCE BONDS - SERIES 2 FUND

Statement of Investment Portfolio

As at December 31, 2010
In thousands

	Face Value \$	Average Cost \$	Fair Value \$		
CANADIAN BONDS (94.29%)					
FEDERAL GOVERNMENT (10.52%)					
Government of Canada	2,000%	2016-06-01	5,540	5,365	5,388
Government of Canada	3.750%	2019-06-01	21,800	22,800	22,979
Government of Canada	3.250%	2021-06-01	9,600	9,513	9,623
Government of Canada	5.000%	2037-06-01	23,120	28,021	28,675
			65,699	66,665	

FEDERAL GUARANTEE (22.17%)

Canada Housing Trust	4.550%	2012-12-15	9,440	9,947	9,932
Canada Housing Trust	3.600%	2013-06-15	14,110	14,667	14,660
Canada Housing Trust	3.550%	2013-09-15	15,660	16,279	16,273
Canada Housing Trust	3.150%	2014-06-15	10,150	10,433	10,444
Canada Housing Trust	2.750%	2014-09-15	16,160	16,334	16,388
Canada Housing Trust	2.950%	2015-03-15	9,370	9,519	9,542
Canada Housing Trust	2.450%	2015-12-15	19,340	19,054	19,130
Canada Housing Trust	4.100%	2018-12-15	3,460	3,642	3,671
Canada Housing Trust, Floating Rate	3.202%	2013-06-15	25,870	25,827	25,832
Canada Mortgage & Housing Corp.	4.300%	2015-04-01	3,200	3,422	3,428
Export Development Canada	5.800%	2012-12-03	4,450	4,794	4,781
Export Development Canada	5.100%	2014-06-02	1,230	1,343	1,343
Export Development Canada	4.300%	2016-06-01	4,720	5,061	5,077
			140,322	140,501	

PROVINCIALS (17.66%)

Ontario Strategic Infrastructure Financing Authority	4.700%	2037-06-01	1,850	1,758	1,811
Province of British Columbia	7.500%	2014-06-09	4,320	5,057	5,054
Province of British Columbia	4.650%	2018-12-18	5,230	5,610	5,666
Province of British Columbia	4.700%	2037-06-18	15,400	15,826	16,330
Province of Manitoba	5.500%	2018-11-15	5,500	6,193	6,253
Province of New Brunswick	4.700%	2016-07-21	2,850	3,085	3,099
Province of New Brunswick	4.800%	2039-09-26	1,900	1,950	2,014
Province of Newfoundland	4.650%	2040-10-17	2,000	2,032	2,101
Province of Nova Scotia	4.700%	2015-01-14	2,950	3,186	3,191
Province of Nova Scotia	4.150%	2019-11-25	3,650	3,719	3,768
Province of Nova Scotia	4.500%	2037-06-01	3,400	3,322	3,428
Province of Ontario	4.400%	2019-06-02	8,460	8,808	8,920
Province of Ontario	4.200%	2020-06-02	6,810	6,918	7,022
Province of Quebec	5.000%	2015-12-01	50	54	55
Province of Quebec	4.500%	2016-12-01	7,240	7,748	7,788
Province of Quebec	6.250%	2032-06-01	2,600	3,168	3,258
Province of Quebec	5.000%	2041-12-01	4,670	4,963	5,133
Province of Quebec, Real Return Bond	4.500%	2020-12-01	12,170	12,577	12,765
Province of Saskatchewan	3.900%	2020-07-28	2,700	2,713	2,754
Province of Saskatchewan	6.300%	2032-02-13	4,500	5,609	5,751
Province of Saskatchewan	4.750%	2040-06-01	5,290	5,542	5,727
			109,838	111,888	

SUBSIDIZED (1.92%)

City of Toronto	4.950%	2018-06-27	4,640	4,961	5,009
Municipal Finance Authority of British Columbia	4.650%	2016-04-19	6,630	7,138	7,167
			12,099	12,176	

As at December 31, 2010
In thousands

	Face Value \$	Average Cost \$	Fair Value \$		
CORPORATES (41.89%)					
407 International Inc.	4.650%	2012-01-20	910	938	936
407 International Inc.	4.300%	2021-05-26	6,310	6,184	6,289
407 International Inc.	5.960%	2035-12-03	4,200	4,722	4,837
407 International Inc.	5.750%	2036-02-14	4,400	4,480	4,601
Aéroports de Montréal	5.170%	2035-09-17	2,300	2,266	2,326
Bank of Montreal	4.960%	2011-07-14	3,310	3,377	3,370
Bank of Montreal	5.180%	2015-06-10	4,960	5,365	5,378
Bank of Montreal	3.490%	2016-06-10	4,320	4,320	4,327
Bank of Montreal	6.020%	2018-05-02	2,460	2,773	2,795
Bank of Montreal, Fixed - Floating Rate	6.170%	2023-03-28	5,740	6,431	6,480
Bank of Nova Scotia	3.030%	2012-06-04	4,100	4,161	4,159
Bank of Nova Scotia	3.340%	2015-03-25	8,590	8,659	8,683
Bank of Nova Scotia, Fixed - Floating Rate	4.990%	2018-03-27	8,140	8,551	8,553
Bank of Nova Scotia, Fixed - Floating Rate	4.940%	2019-04-15	2,000	2,116	2,119
Bell Aliant Regional Communications, LP	4.720%	2011-09-26	1,458	1,489	1,487
Bell Aliant Regional Communications, LP	6.170%	2037-02-26	2,080	1,946	1,989
Bell Canada	3.600%	2015-12-02	3,000	2,986	3,005
Bell Canada	5.000%	2017-02-15	3,200	3,343	3,371
Broadway Credit Card Trust	5.234%	2014-06-17	2,970	3,024	3,017
Broadway Credit Card Trust	4.804%	2017-03-17	4,500	4,768	4,771
Brookfield Power Corp.	5.250%	2018-11-05	2,500	2,512	2,540
Canadian Imperial Bank of Commerce	5.000%	2012-09-10	6,000	6,289	6,282
Canadian Imperial Bank of Commerce	3.050%	2013-06-03	2,370	2,405	2,406
Canadian Imperial Bank of Commerce	3.100%	2015-03-02	3,870	3,865	3,880
Canadian Imperial Bank of Commerce, Fixed - Floating Rate	3.150%	2020-11-02	2,940	2,851	2,878
CU Inc.	5.896%	2034-11-20	3,250	3,613	3,693
Eagle Credit Card Trust	4.441%	2014-03-17	8,500	8,565	8,549
Enbridge Inc.	4.530%	2020-03-09	4,880	4,897	4,945
Fortis Inc.	6.510%	2039-07-04	3,660	4,196	4,310
FortisBC Inc.	5.480%	2014-11-28	3,160	3,447	3,450
GE Capital Canada Funding Co.	5.680%	2019-09-10	5,180	5,479	5,545
Genesis Trust	4.245%	2011-09-15	4,790	4,884	4,874
Gloucester Credit Card Trust	4.445%	2011-03-15	2,300	2,315	2,311
Golden Credit Card Trust	5.106%	2017-04-15	3,000	3,036	3,029
Great-West Lifeco Inc.	5.998%	2039-11-16	2,100	2,210	2,266
Greater Toronto Airports Authority	7.100%	2031-06-04	4,470	5,480	5,603
HSBC Financial Corp., Ltd.	4.800%	2011-04-13	3,700	3,735	3,728
Husky Energy Inc.	3.750%	2015-03-12	1,050	1,068	1,071
Husky Energy Inc.	5.000%	2020-03-12	2,040	2,062	2,080
Hydro One Inc.	3.130%	2014-11-19	4,800	4,854	4,865
Hydro One Inc.	4.400%	2020-06-01	6,510	6,622	6,691
Hydro One Inc.	6.930%	2032-06-01	2,450	3,032	3,097
Laurentian Bank of Canada, Fixed - Floating Rate	3.700%	2020-11-02	1,460	1,422	1,437
Laurentian Bank of Canada, Floating Rate	1.583%	2012-06-30	4,200	4,200	4,200
Manulife Finance (Delaware), LP, Fixed - Floating Rate	4.448%	2026-12-15	3,490	3,441	3,496
Manulife Finance (Delaware), LP, Fixed - Floating Rate	5.059%	2041-12-15	1,690	1,355	1,411
Manulife Financial Capital Trust II	7.405%	2108-12-31	2,500	2,673	2,731
Master Credit Card Trust	4.444%	2011-11-21	10,060	10,317	10,297
Master Credit Card Trust	5.297%	2012-08-21	2,500	2,631	2,625
National Bank of Canada	4.030%	2015-05-26	3,100	3,207	3,216
National Bank of Canada, Fixed - Floating Rate	5.550%	2018-11-15	2,610	2,800	2,803
RBC Subordinated Notes Trust, Fixed - Floating Rate	4.580%	2017-04-30	3,940	4,066	4,061
RioCan Real Estate Investment Trust	5.230%	2013-03-11	2,800	2,907	2,909

Statement of Investment Portfolio (continued)

As at December 31, 2010 In thousands			Face Value \$	Average Cost \$	Fair Value \$
Rogers Communications Inc.	5.800%	2016-05-26	3,000	3,272	3,287
Royal Bank of Canada	5.060%	2013-07-17	3,310	3,528	3,525
Royal Bank of Canada	3.270%	2014-11-10	7,420	7,525	7,542
Royal Bank of Canada	3.660%	2017-01-25	4,800	4,797	4,836
Royal Bank of Canada, Fixed - Floating Rate	5.450%	2018-11-04	2,200	2,359	2,358
Royal Bank of Canada, Fixed - Floating Rate	3.180%	2020-11-02	5,580	5,427	5,464
Sobeys Inc.	6.640%	2040-06-07	1,960	1,967	2,012
Sun Life Assurance of Canada, Fixed - Floating Rate	6.150%	2022-06-30	4,600	4,833	4,825
TELUS Corp.	5.050%	2019-12-04	2,820	2,828	2,873
The Consumers' Waterheater Operating Trust	5.250%	2013-03-15	1,310	1,321	1,321
The Toronto-Dominion Bank	4.854%	2013-02-13	3,390	3,575	3,571
The Toronto-Dominion Bank, Fixed - Floating Rate	5.828%	2023-07-09	3,930	4,334	4,373
The Toronto-Dominion Bank, Fixed - Floating Rate	4.779%	2105-12-14	4,040	4,185	4,201
Wells Fargo Financial Canada Corp.	3.970%	2014-11-03	3,720	3,794	3,806
Westcoast Energy Inc.	4.570%	2020-07-02	1,660	1,668	1,682
			263,748	265,448	

MASTER ASSET VEHICLES (0.13%)

Master Asset Vehicle II, Class A-1, Floating Rate	0.573%	2056-07-15	1,187	968	864
TOTAL CANADIAN BONDS			592,674	597,542	

SHORT-TERM INVESTMENTS (5.60%)

			35,458	35,459	
TOTAL INVESTMENT PORTFOLIO (99.89%)			628,132	633,001	
OTHER NET ASSETS (0.11%)				692	
TOTAL NET ASSETS (100.00%)				633,693	

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

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Bond - series 2 Fund (the "Fund") is invested in units of the Industrial Alliance Bonds - series 2 Fund (the "underlying segregated fund"), which is managed by Industrial Alliance Investment Management inc.

The manager of the Fund invests in good quality bonds and excellent quality corporate issues that provide added return. Management of the Fund is primarily based on a fundamental analysis starting from determining the duration of the portfolio, the yield curve positioning, sector allocation and securities selection. Value added is generated from different sources with the investment style being a combination of interest rate anticipation, close monitoring of the average return to maturity of the portfolio and analysis of the credit risk of companies. The manager uses a model that he developed to establish the target duration of the portfolio. He may occasionally add securities denominated in foreign currencies or real return bonds or benefit from other special situations that can contribute to the portfolio return or reduce volatility.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	2,497	-	-	2,497
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	2,497	-	-	2,497

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	3,068	-	-	3,068
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	3,068	-	-	3,068

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010 and 2009, the Fund, through its underlying fund, had invested in debt instruments with the following credit ratings:

Debt Instruments* by Credit Rating	Percentage of Net Assets as at December 31, 2010 (%)	Percentage of Net Assets as at December 31, 2009 (%)
AAA	41.24	43.16
AA	27.55	26.57
A	20.92	18.12
BBB	4.58	4.90
R1	5.60	5.94

*Excludes other Net Assets

Credit ratings are obtained from DBRS, Standard & Poor's or Moody's.

Discussion of Financial Instrument Risk Management (continued)

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

The tables below summarize the Fund's exposure, through its underlying fund, to interest rate risk by remaining terms to maturity as at December 31, 2010 and 2009. If the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, the Net Assets would have respectively decreased or increased by the amount presented under "Impact on Net Assets." The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non- interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	300	1,182	515	498	2	2,497	142

As at December 31, 2009

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non- interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	210	1,413	570	839	36	3,068	179

Currency Risk

As at December 31, 2010 and 2009, the Fund, through its underlying fund, had no significant exposure to currency risk.

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX Universe Bond Index	3.00	100.00	3.00	75

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX Universe Bond Index	3.00	100.00	3.00	92

Statements of Net Assets

As at December 31	2010	2009
In thousands (except number of units and per unit figures)	\$	\$
Investments at fair value*	2,333	2,285
NET ASSETS PER UNIT		
Individual annuities	17.16	16.34
UNITS OUTSTANDING		
Individual annuities	135,984	139,833
* Investments, at average cost	1,979	1,934

Statements of Operations

For the periods ended December 31 (Note 1)	2010	2009
In thousands	\$	\$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	122	41
Change in unrealized gain (loss) of investments	3	255
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	125	296

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1)	2010	2009
In thousands	\$	\$
NET ASSETS - BEGINNING OF THE PERIOD	2,285	2,357
Increase (decrease) in net assets from operations	125	296
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	833	35
Units redeemed	(910)	(403)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	48	(72)
NET ASSETS - END OF THE PERIOD	2,333	2,285

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

Diversified Funds

Diversified Security Ultraflex II

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
Industrial Alliance Diversified Security Fund	135,984	1,979	2,333

INDUSTRIAL ALLIANCE DIVERSIFIED SECURITY FUND

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
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CANADIAN EQUITIES (24.67%)

ENERGY (6.96%)

ARC Energy Trust	16,400	408	417
Birchcliff Energy Ltd.	69,700	506	664
Cameco Corp.	33,100	935	1,332
Canadian Natural Resources Ltd.	67,200	1,729	2,975
Canadian Oil Sands Trust	33,600	874	889
Cenovus Energy Inc.	56,682	1,590	1,877
Crew Energy Inc.	18,700	358	357
EnCana Corp.	53,482	1,203	1,553
Ensign Energy Services Inc.	27,500	435	413
Husky Energy Inc.	25,600	792	679
Imperial Oil Ltd.	15,000	667	608
Nexen Inc.	58,300	1,339	1,328
PetroBakken Energy Ltd.	17,800	390	387
Precision Drilling Corp.	48,000	290	460
Progress Energy Resources Corp.	27,600	302	351
Suncor Energy Inc.	95,504	3,098	3,646
Talisman Energy Inc.	74,300	1,172	1,643
Uranium One Inc.	27,900	146	133
	16,234		19,712

MATERIALS (6.25%)

Agrico-Eagle Mines Ltd.	8,200	495	627
Agrium Inc.	15,000	657	1,372
Barrick Gold Corp.	50,015	2,044	2,652
Consolidated Thompson Iron Mines Ltd.	11,900	94	168
Eldorado Gold Corp.	23,300	306	431
First Quantum Minerals Ltd.	3,700	266	399
Gammon Gold Inc.	13,800	144	112
Goldcorp Inc.	33,500	1,299	1,534
HudBay Minerals Inc.	34,900	284	626
IAMGold Corp.	16,800	265	298
Inmet Mining Corp.	10,000	584	772
Kinross Gold Corp.	56,300	1,039	1,062
Methanex Corp.	10,900	264	328
North American Palladium Ltd.	10,700	69	74
Potash Corporation of Saskatchewan Inc.	18,500	1,960	2,854
Quadra FNX Mining Ltd.	80,041	1,046	1,338
Sherritt International Corp.	69,600	547	586
Teck Resources Ltd., Class B, SV	25,556	778	1,575
Thompson Creek Metals Co., Inc.	36,700	345	535
Yamana Gold Inc.	27,700	316	353
	12,802		17,696

INDUSTRIALS (2.17%)

Bombardier Inc., Class B, SV	81,400	382	407
Canadian National Railway Co.	37,400	1,334	2,477
Canadian Pacific Railway Co.	18,000	732	1,163
Finning International Inc.	31,800	597	859
Russel Metals Inc.	31,600	388	723
SNC-Lavalin Group Inc.	8,800	339	523
	3,772		6,152

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
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CONSUMER DISCRETIONARY (1.36%)

Canadian Tire Corporation Ltd., Class A, NV	11,600	659	791
Gildan Activewear Inc.	11,000	284	311
Magna International Inc., Class A, SV	32,900	981	1,703
RONA Inc.	26,600	324	376
Thomson Reuters Corp.	17,700	692	657
	2,940		3,838

CONSUMER STAPLES (0.11%)

Loblaws Companies Ltd.	7,900	313	318
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FINANCIALS (6.65%)

AGF Management Ltd., Class B, NV	37,800	627	737
Bank of Montreal	24,500	972	1,407
Bank of Nova Scotia	57,100	1,931	3,256
Brookfield Properties Corp.	20,200	306	353
Canadian Imperial Bank of Commerce	28,000	1,720	2,190
Manulife Financial Corp.	72,800	1,498	1,245
National Bank of Canada	12,300	557	841
Power Corporation of Canada, SV	35,600	806	983
Royal Bank of Canada	71,400	2,724	3,727
Sun Life Financial Services of Canada Inc.	27,300	719	820
The Toronto-Dominion Bank	44,100	2,251	3,267
	14,111		18,826

INFORMATION TECHNOLOGY (0.84%)

CGI Group Inc., Class A, SV	15,000	170	258
Open Text Corp.	6,400	209	292
Research In Motion Ltd.	24,300	1,286	1,411
Sierra Wireless	28,400	394	422
	2,059		2,383

TELECOMMUNICATION SERVICES (0.33%)

BCE Inc.	18,500	467	653
TELUS Corp.	6,100	221	278
		688	931

TOTAL CANADIAN EQUITIES

52,919 69,856

U.S. EQUITIES - INVESTMENT FUND (2.02%)

Industrial Alliance U.S. Equity Fund	656,158	5,350	5,725
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FOREIGN EQUITIES - INVESTMENT FUND (5.77%)

Industrial Alliance International Equity Fund	252,064	2,777	3,301
MB Global Equity Fund	360,465	4,758	4,352
Templeton Master Trust Fund, Series 1	976,619	9,530	8,691

TOTAL FOREIGN EQUITIES - INVESTMENT FUND

17,065 16,344

	Face Value \$	Average Cost \$	Fair Value \$
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CANADIAN BONDS (57.78%)

FEDERAL GOVERNMENT (14.60%)

Government of Canada	2.000%	2012-09-01	15,600	15,661	15,699
Government of Canada	2.000%	2014-12-01	1,720	1,715	1,707
Government of Canada	2.500%	2015-06-01	375	386	378
Government of Canada	3.000%	2015-12-01	2,535	2,567	2,603
Government of Canada	4.000%	2016-06-01	865	923	929
Government of Canada	4.000%	2017-06-01	8,180	8,745	8,803
Government of Canada	3.750%	2019-06-01	5,140	5,317	5,418
Government of Canada	5.000%	2037-06-01	2,070	2,549	2,567
Government of Canada, Real Return Bond	3.000%	2036-12-01	2,302	3,217	3,264
				41,080	41,368

Diversified Security
Ultraflex II

Statement of Investment Portfolio (continued)

As at December 31, 2010 In thousands			Face Value \$	Average Cost \$	Fair Value \$	As at December 31, 2010 In thousands			Face Value \$	Average Cost \$	Fair Value \$
FEDERAL GUARANTEE (8.78%)											
Canada Housing Trust	4.00%	2012-06-15	4,360	4,556	4,507	GE Capital Canada Funding Co.	4.240%	2015-06-08	380	391	391
Canada Housing Trust	3.150%	2014-06-15	1,175	1,223	1,209	Great-West Lifeco Inc.	6.670%	2033-03-21	1,315	1,420	1,520
Canada Housing Trust	2.750%	2014-09-15	990	982	1,004	Greater Toronto Airports Authority	6.470%	2034-02-02	890	979	1,058
Canada Housing Trust	2.750%	2014-12-15	7,540	7,679	7,632	HSBC Bank Canada	3.558%	2017-10-04	490	490	481
Canada Housing Trust	2.950%	2015-03-15	1,195	1,195	1,217	Hydro One Inc.	5.180%	2017-10-18	540	609	594
Canada Housing Trust	2.750%	2015-12-15	7,820	7,802	7,843	Hydro One Inc.	5.490%	2040-07-16	525	533	571
Canada Housing Trust, Floating Rate	0.479%	2015-03-15	1,445	1,445	1,449	ING Bank of Canada, Fixed - Floating Rate	4.300%	2016-12-05	765	764	725
				24,882	24,861	Intact Financial Corp.	6.400%	2039-11-23	180	179	193
PROVINCIALS (16.83%)											
Alberta Capital Finance Authority	3.050%	2015-06-15	1,440	1,438	1,467	Laurentian Bank of Canada, Fixed - Floating Rate	3.700%	2020-11-02	805	803	793
Alberta Treasury Branches	4.400%	2012-12-03	915	910	959	Loblaw Companies Ltd.	6.500%	2029-01-22	1,285	1,334	1,350
Financement-Québec	5.250%	2034-06-01	1,000	1,041	1,101	Manulife Finance (Delaware), LP, Fixed - Floating Rate	5.059%	2041-12-15	730	603	610
Financement-Québec, Floating Rate	4.767%	2014-12-01	2,170	2,001	2,148	Metro Inc.	4.980%	2015-10-15	1,215	1,190	1,296
Province of British Columbia	4.650%	2018-12-18	2,185	2,330	2,367	Metro Inc.	5.970%	2035-10-15	680	684	676
Province of British Columbia	5.700%	2029-06-18	1,150	1,298	1,371	Molson Coors Capital Finance ULC	5.000%	2015-09-22	740	796	782
Province of British Columbia	5.400%	2035-06-18	1,075	1,178	1,251	National Bank of Canada, Fixed - Floating Rate	4.700%	2020-11-02	710	732	745
Province of Newfoundland	4.500%	2037-04-17	555	540	565	NAV CANADA	5.304%	2019-04-17	430	470	473
Province of Ontario	3.250%	2014-09-08	4,220	4,277	4,337	NBC Asset Trust	7.447%	2049-12-29	585	585	688
Province of Ontario	4.500%	2015-03-08	5,270	5,649	5,663	NBC Capital Trust	7.235%	2049-12-29	370	370	427
Province of Ontario	4.300%	2017-03-08	3,775	4,067	4,018	NBC Capital Trust, Fixed - Floating Rate	5.329%	2056-06-30	390	390	408
Province of Ontario	4.400%	2019-06-02	2,215	2,281	2,335	RBC Capital Trust	6.821%	2049-04-29	590	590	680
Province of Ontario	4.200%	2020-06-02	3,135	3,151	3,233	Rogers Communications Inc.	4.700%	2020-09-29	970	965	952
Province of Ontario	4.700%	2037-06-02	1,560	1,585	1,637	Royal Bank of Canada	3.660%	2017-01-25	1,875	1,875	1,889
Province of Quebec	5.000%	2015-12-01	2,495	2,651	2,744	Royal Bank of Canada, Fixed - Floating Rate	3.180%	2020-11-02	1,590	1,590	1,557
Province of Quebec	4.500%	2016-12-01	3,005	3,186	3,232	Scotiabank Capital Trust II, Series 2003-1	6.282%	2049-02-28	1,285	1,358	1,388
Province of Quebec	4.500%	2018-12-01	2,520	2,595	2,684	Scotiabank Tier 1 Trust	7.802%	2108-06-30	220	220	253
Province of Quebec	5.000%	2038-12-01	3,295	3,554	3,582	Shaw Communications Inc.	6.500%	2014-06-02	380	419	418
Province of Quebec, Real Return Bond	4.500%	2020-12-01	2,840	2,896	2,979	Sobeys Inc.	7.160%	2018-02-26	445	532	514
				46,628	47,673	Sun Life Assurance of Canada, Fixed - Floating Rate	6.150%	2022-06-30	1,420	1,530	1,489
SUBSIDIZED (1.40%)											
Municipal Finance Authority of British Columbia	4.650%	2016-04-19	1,780	1,817	1,924	Sun Life Financial Services of Canada Inc., Fixed - Floating Rate	4.950%	2036-06-01	380	394	393
Municipal Finance Authority of British Columbia	4.800%	2017-12-01	1,070	1,088	1,159	Suncor Energy Inc.	5.800%	2018-05-22	1,085	1,077	1,206
Municipal Finance Authority of British Columbia	4.875%	2019-06-03	820	872	886	Superior Trust, Floating Rate	1.987%	2016-09-28	218	217	188
				3,777	3,969	TD Capital Trust III	7.243%	2049-12-29	730	730	856
CORPORATES (16.01%)											
407 International Inc.	4.300%	2021-05-26	465	464	464	TD Capital Trust IV	10.000%	2108-06-30	1,100	1,100	1,412
Algonquin Credit Card Trust	4.562%	2036-06-15	1,075	1,115	1,108	TELUS Corp.	4.950%	2014-05-15	515	544	545
AltaLink, LP	4.872%	2040-11-15	265	265	263	The Toronto-Dominion Bank, Fixed - Floating Rate	3.367%	2020-11-02	820	820	810
American Express Canada Credit Corp., Floating Rate	2.130%	2011-10-05	1,425	1,425	1,434	The Toronto-Dominion Bank, Fixed - Floating Rate	5.763%	2106-12-18	550	552	599
Bank of Montreal	3.490%	2016-06-10	425	425	426	Thomson Reuters Corp.	6.000%	2016-03-31	940	1,065	1,054
Bank of Nova Scotia	3.030%	2012-06-04	715	733	725				44,235		45,340
Bank of Nova Scotia, Fixed - Floating Rate	4.990%	2018-03-27	410	436	430	MASTER ASSET VEHICLES (0.16%)					
Bell Canada	4.850%	2014-06-30	635	680	671	Master Asset Vehicle II, Class A-1, Floating Rate	0.573%	2056-07-15	610	442	444
Bell Canada	3.600%	2015-12-02	305	305	306	TOTAL CANADIAN BONDS					
BMO Capital Trust	5.474%	2049-09-29	770	796	824				161,044		163,655
Caisse centrale Desjardins	3.114%	2014-12-04	970	970	974	U.S. BONDS (0.19%)					
Canadian Credit Card Trust	5.365%	2013-03-25	1,655	1,784	1,758	CORPORATES (0.19%)					
Canadian Imperial Bank of Commerce	5.000%	2012-09-10	375	393	393	Merrill Lynch & Co., Inc.	4.500%	2012-01-30	525	535	532
CDP Financial Inc., Floating Rate	0.893%	2015-07-15	455	455	454	SHORT-TERM INVESTMENTS (9.76%)					
CI Financial Corp.	3.300%	2012-12-17	320	320	323	TOTAL INVESTMENT PORTFOLIO (100.19%)					
CIBC Capital Trust	9.976%	2108-06-30	305	388	385				264,542		283,742
Enbridge Inc.	5.170%	2016-05-19	265	265	287	OTHER NET ASSETS (-0.19%)					
Enbridge Inc.	4.530%	2020-03-09	915	915	927	TOTAL NET ASSETS (100.00%)					
EnCana Corp.	5.800%	2018-01-18	455	507	506						283,216
EPCOR Utilities Inc.	5.800%	2018-01-31	1,205	1,341	1,341	<i>The accompanying Notes to the Financial Statements are an integral part of these statements.</i>					
EPCOR Utilities Inc.	5.750%	2039-11-24	225	225	242						
GE Capital Canada Funding Co.	4.375%	2012-09-28	1,080	1,128	1,115						

Diversified Security

Ultraflex II

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Diversified Security Fund (the "Fund") is invested in units of the Industrial Alliance Diversified Security Fund (the "underlying segregated fund"), which is invested in underlying funds as well as direct holdings of securities.

The objective of the Fund is to generate a regular long-term return while maintaining a balance between security and capital growth. The Fund's strategy is based on active and prudent management of investments through careful diversification of the asset classes (equities and fixed-income securities).

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	2,333	-	-	2,333
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	2,333	-	-	2,333

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	2,285	-	-	2,285
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	2,285	-	-	2,285

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010 and 2009, the Fund, through the direct holdings and the underlying funds of its underlying segregated fund, had invested in debt instruments with the following credit ratings:

Debt Instruments* by Credit Rating	Percentage of Net Assets as at December 31, 2010 (%)	Percentage of Net Assets as at December 31, 2009 (%)
AAA	26.81	27.52
AA	13.87	13.65
A	13.67	18.62
BBB	3.62	1.75
R1	9.76	8.45
Not rated	-	0.05

*Excludes other Net Assets

Credit ratings are obtained from DBRS, Standard & Poor's or Moody's.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

The tables below summarize the Fund's exposure, through the direct holdings and the underlying funds of its underlying segregated fund, to interest rate risk by remaining terms to maturity as at December 31, 2010 and 2009. If the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, the Net Assets would have respectively decreased or increased by the amount presented under "Impact on Net Assets." The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non-interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	247	752	388	195	751	2,333	77

As at December 31, 2009

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non-interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	193	701	278	428	685	2,285	96

Diversified Security Ultraflex II

Discussion of Financial Instrument Risk Management (continued)

Currency Risk

The tables below summarize the Fund's exposure, through the direct holdings and the underlying funds of its underlying segregated fund, to currency risk and the impact on Net Assets as at December 31, 2010 and 2009, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
AUD	1	-	1	0.05	-
CHF	8	-	8	0.32	-
EUR	32	-	32	1.37	2
GBP	19	-	19	0.83	1
HKD	3	-	3	0.15	-
JPY	12	-	12	0.52	1
KRW	2	-	2	0.11	-
NOK	2	-	2	0.09	-
SEK	1	-	1	0.06	-
SGD	2	-	2	0.10	-
TWD	1	-	1	0.05	-
USD	92	-	92	3.92	5

As at December 31, 2009

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
AUD	2	-	2	0.07	-
BRL	2	-	2	0.07	-
CHF	9	-	9	0.40	-
DKK	5	-	5	0.21	-
EUR	30	-	30	1.31	1
GBP	16	-	16	0.70	1
HKD	3	-	3	0.15	-
ILS	3	-	3	0.12	-
JPY	6	-	6	0.27	-
KRW	5	-	5	0.22	-
NOK	1	-	1	0.06	-
SEK	4	-	4	0.16	-
SGD	2	-	2	0.09	-
TWD	1	-	1	0.06	-
USD	85	-	85	3.70	4

See Note 4 to the Financial Statements for currency symbols.

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX 91 day Tbill Index	1.00	10.00	0.10	2
DEX Universe Bond Index	3.00	65.00	1.95	45
S&P/TSX Composite Index	10.00	20.00	2.00	47
MSCI - World Index (Can. \$) (net ret.)	10.00	5.00	0.50	12

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX 91 day Tbill Index	1.00	10.00	0.10	2
DEX Universe Bond Index	3.00	65.00	1.95	45
S&P/TSX Composite Index	10.00	20.00	2.00	46
MSCI - World Index (Can. \$) (net ret.)	10.00	5.00	0.50	11

Statements of Net Assets

As at December 31	2010	2009
In thousands (except number of units and per unit figures)	\$	\$
Investments at fair value*	2,588	2,933
NET ASSETS PER UNIT		
Individual annuities	31.41	29.44
UNITS OUTSTANDING		
Individual annuities	82,415	99,604
* Investments, at average cost	2,208	2,664

Statements of Operations

For the periods ended December 31 (Note 1)	2010	2009
In thousands	\$	\$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	53	9
Change in unrealized gain (loss) of investments	111	472
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	164	481

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1)	2010	2009
In thousands	\$	\$
NET ASSETS - BEGINNING OF THE PERIOD	2,933	2,845
Increase (decrease) in net assets from operations	164	481
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	81	24
Units redeemed	(590)	(417)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(345)	88
NET ASSETS - END OF THE PERIOD	2,588	2,933

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

Diversified Funds

Diversified Ultraflex II

Statement of Investment Portfolio

As at December 31, 2010
In thousands (except number of securities)

SEGREGATED FUND (100.00%)
Industrial Alliance Diversified Fund

INDUSTRIAL ALLIANCE DIVERSIFIED FUND

Statement of Investment Portfolio

As at December 31, 2010
In thousands (except number of securities)

CANADIAN EQUITIES (40.31%)

ENERGY (11.21%)

	Number of Securities	Average Cost \$	Fair Value \$
ARC Energy Trust	91,100	2,268	2,315
Birchcliff Energy Ltd.	526,800	2,731	5,020
Cameco Corp.	276,400	7,537	11,125
Canadian Natural Resources Ltd.	688,700	13,182	30,489
Canadian Oil Sands Trust	367,700	11,492	9,722
Cenovus Energy Inc.	538,152	13,151	17,829
Crescent Point Energy Corp.	87,900	2,733	3,883
Crew Energy Inc.	103,500	1,983	1,974
EnCana Corp.	504,552	9,534	14,653
Ensign Energy Services Inc.	264,400	3,775	3,971
Husky Energy Inc.	231,400	7,164	6,132
Imperial Oil Ltd.	99,800	5,013	4,044
Nexen Inc.	547,500	12,669	12,477
PetroBakken Energy Ltd.	98,800	2,212	2,144
Precision Drilling Corp.	294,400	1,762	2,827
Progress Energy Resources Corp.	362,000	4,169	4,597
Suncor Energy Inc.	993,068	28,115	37,915
Talisman Energy Inc.	755,900	12,104	16,713
Uranium One Inc.	158,100	823	753
Vermilion Energy Inc.	84,500	2,780	3,902
	145,197	192,485	

MATERIALS (10.70%)

Agnico-Eagle Mines Ltd.	127,500	7,115	9,747
Agrium Inc.	203,200	6,803	18,593
Barrick Gold Corp.	488,569	17,652	25,909
Consolidated Thompson Iron Mines Ltd.	66,100	500	930
Eldorado Gold Corp.	238,700	3,600	4,414
First Quantum Minerals Ltd.	40,300	2,736	4,344
Gammon Gold Inc.	117,300	1,242	952
Goldcorp Inc.	411,255	13,769	18,832
HudBay Minerals Inc.	453,300	6,122	8,141
IAMGold Corp.	91,800	1,430	1,625
Inmet Mining Corp.	114,400	6,772	8,832
Kinross Gold Corp.	516,900	9,278	9,748
Methanex Corp.	135,400	3,167	4,083
North American Palladium Ltd.	30,500	198	209
Potash Corporation of Saskatchewan Inc.	175,800	16,975	27,128
Quadra FX Mining Ltd.	454,304	6,191	7,591
Sherritt International Corp.	770,000	7,265	6,484
Teck Resources Ltd., Class B, SV	303,247	8,052	18,686
Thompson Creek Metals Co., Inc.	381,700	4,345	5,565
Yamana Gold Inc.	152,000	1,764	1,936
	124,976	183,749	

INDUSTRIALS (3.16%)

Bombardier Inc., Class B, SV	452,800	2,131	2,264
Canadian National Railway Co.	365,780	7,797	24,233
Canadian Pacific Railway Co.	125,950	4,562	8,137
Finning International Inc.	323,000	6,984	8,727
Russel Metals Inc.	138,500	1,550	3,168
SNC-Lavalin Group Inc.	131,300	5,118	7,802
	28,142	54,331	

CONSUMER DISCRETIONARY (1.75%)

Canadian Tire Corporation Ltd., Class A, NV	115,100	5,194	7,847
Gildan Activewear Inc.	67,100	1,693	1,900
Magna International Inc., Class A, SV	183,400	4,885	9,492

As at December 31, 2010
In thousands (except number of securities)

RONA Inc.	147,200	1,768	2,079
Shaw Communications Inc., Class B, NV	90,400	1,643	1,925
Thomson Reuters Corp.	182,600	7,348	6,782
	22,531	30,025	

CONSUMER STAPLES (0.30%)

Loblaw Companies Ltd.	47,100	1,822	1,897
Shoppers Drug Mart Corp.	82,300	3,627	3,251
	5,449	5,148	

FINANCIALS (10.89%)

AGF Management Ltd., Class B, NV	244,300	4,651	4,759
Bank of Montreal	286,290	10,422	16,442
Bank of Nova Scotia	485,800	13,612	27,705
Brookfield Properties Corp.	235,150	3,525	4,108
Canadian Imperial Bank of Commerce	251,850	14,146	19,697
Manulife Financial Corp.	729,600	12,461	12,476
MI Developments Inc., Class A, SV	500	11	14
National Bank of Canada	144,000	6,080	9,847
Power Corporation of Canada, SV	306,700	4,870	8,468
Royal Bank of Canada	778,850	26,158	40,655
Sun Life Financial Services of Canada Inc.	293,900	8,891	8,823
The Toronto-Dominion Bank	459,100	21,340	34,020
	126,167	187,014	

INFORMATION TECHNOLOGY (1.35%)

CGI Group Inc., Class A, SV	121,600	1,314	2,088
Open Text Corp.	117,700	3,089	5,368
Research In Motion Ltd.	226,200	12,318	13,135
Sierra Wireless	175,000	2,704	2,599
	19,425	23,190	

TELECOMMUNICATION SERVICES (0.95%)

BCE Inc.	332,130	8,691	11,734
TELUS Corp.	102,520	4,140	4,662
	12,831	16,396	

TOTAL CANADIAN EQUITIES

484,718 692,338

U.S. EQUITIES - INVESTMENT FUND (4.47%)

Industrial Alliance U.S. Equity Fund	8,803,884	74,548	76,813
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FOREIGN EQUITIES - INVESTMENT FUND (12.94%)

Industrial Alliance International Equity Fund	3,520,373	37,414	46,096
MB Global Equity Fund	4,858,767	67,364	58,658
Templeton International Stock Trust Fund	53,660	835	834
Templeton Master Trust Fund, Series 1	13,105,308	133,197	116,637

TOTAL FOREIGN EQUITIES - INVESTMENT FUND

238,810 222,225

Face
Value
\$

Average
Cost
\$

Fair
Value
\$

CANADIAN BONDS (37.15%)

FEDERAL GOVERNMENT (6.71%)

Government of Canada	2.000%	2012-09-01	25,225	25,355	25,385
Government of Canada	2.000%	2014-12-01	14,485	14,387	14,381
Government of Canada	2.500%	2015-06-01	820	845	827
Government of Canada	3.000%	2015-12-01	10,645	10,720	10,930
Government of Canada	2.000%	2016-06-01	7,840	7,762	7,625
Government of Canada	4.000%	2016-06-01	7,930	8,320	8,517
Government of Canada	4.000%	2017-06-01	15,275	16,361	16,437
Government of Canada	3.750%	2019-06-01	9,590	10,050	10,109
Government of Canada	3.250%	2021-06-01	3,260	3,257	3,268
Government of Canada	5.000%	2037-06-01	8,790	10,845	10,902
Government of Canada, Real Return Bond	3.000%	2036-12-01	4,861	6,781	6,892
			114,683	115,273	

Statement of Investment Portfolio (continued)

As at December 31, 2010 In thousands			Face Value \$	Average Cost \$	Fair Value \$	As at December 31, 2010 In thousands			Face Value \$	Average Cost \$	Fair Value \$
FEDERAL GUARANTEE (7.27%)						CORPORATES (13.79%)					
Canada Housing Trust	4.00%	2012-06-15	6,875	7,179	7,105	407 International Inc.	4.300%	2021-05-26	3,445	3,398	3,433
Canada Housing Trust	4.550%	2012-12-15	5,330	5,543	5,608	407 International Inc.	5.960%	2035-12-03	100	114	115
Canada Housing Trust	3.600%	2013-06-15	400	415	416	407 International Inc.	5.750%	2036-02-14	2,890	2,859	3,022
Canada Housing Trust	3.550%	2013-09-15	6,390	6,536	6,641	Algonquin Credit Card Trust	4.562%	2036-06-15	2,800	2,897	2,888
Canada Housing Trust	3.150%	2014-06-15	12,850	12,879	13,222	AltaLink, LP	4.872%	2040-11-15	570	570	565
Canada Housing Trust	2.750%	2014-09-15	10,410	10,364	10,557	American Express Canada					
Canada Housing Trust	2.750%	2014-12-15	12,760	12,873	12,917	Credit Corp., Floating Rate	2.130%	2011-10-05	4,105	4,105	4,129
Canada Housing Trust	2.950%	2015-03-15	13,910	13,918	14,165	Bank of Montreal	4.960%	2011-07-14	2,640	2,639	2,687
Canada Housing Trust	2.450%	2015-12-15	15,370	15,218	15,204	Bank of Montreal	3.490%	2016-06-10	2,520	2,520	2,524
Canada Housing Trust	2.750%	2015-12-15	11,690	11,664	11,724	Bank of Montreal	6.020%	2018-05-02	1,880	2,115	2,136
Canada Housing Trust, Floating Rate	3.202%	2013-06-15	12,780	12,757	12,760	Bank of Montreal, Fixed - Floating Rate	6.170%	2023-03-28	3,900	3,899	4,402
Canada Housing Trust, Floating Rate	0.479%	2015-03-15	3,420	3,421	3,428	Bank of Nova Scotia	5.040%	2013-04-08	3,400	3,421	3,599
Canada Mortgage & Housing Corp.	4.300%	2015-04-01	100	107	107	Bank of Nova Scotia	3.340%	2015-03-25	4,660	4,660	4,711
Export Development Canada	5.800%	2012-12-03	980	1,071	1,053	Bank of Nova Scotia, Fixed - Floating Rate	4.990%	2018-03-27	4,930	4,933	5,180
Export Development Canada	5.100%	2014-06-02	4,100	4,400	4,476	Bell Alliant Regional Communications, LP	4.720%	2011-09-26	1,086	1,087	1,108
Export Development Canada	4.300%	2016-06-01	5,120	5,211	5,507	Bell Alliant Regional Communications, LP	6.170%	2037-02-26	2,290	2,288	2,190
				123,556	124,890	Bell Canada	4.850%	2014-06-30	1,365	1,463	1,442
PROVINCIALS (8.80%)						PROVINCIALS (8.80%)					
Alberta Capital Finance Authority	3.050%	2015-06-15	4,170	4,164	4,249	Bell Canada	3.600%	2015-12-02	645	644	646
Alberta Treasury Branches	4.400%	2012-12-03	2,890	2,873	3,029	Bell Canada	5.000%	2017-02-15	2,050	2,149	2,160
Financement-Québec	5.250%	2034-06-01	1,215	1,265	1,337	Broadway Credit Card Trust	4.804%	2017-03-17	7,510	7,572	7,963
Financement-Québec, Floating Rate	4.767%	2014-12-01	4,355	4,016	4,311	Brookfield Power Corp.	5.250%	2018-11-05	2,930	2,930	2,977
Ontario Strategic Infrastructure Financing Authority	4.700%	2037-06-01	1,950	1,946	1,908	Caisse centrale Desjardins	3.114%	2014-12-04	2,245	2,245	2,256
Province of British Columbia	4.650%	2018-12-18	4,595	4,814	4,978	Canadian Credit Card Trust	5.365%	2013-03-25	3,340	3,408	3,548
Province of British Columbia	5.700%	2029-06-18	3,765	4,191	4,491	Canadian Imperial Bank of Commerce	5.000%	2012-09-10	4,300	4,563	4,502
Province of British Columbia	4.700%	2037-06-18	3,250	3,530	3,447	Canadian Imperial Bank of Commerce	3.050%	2013-06-03	1,620	1,620	1,645
Province of British Columbia	4.950%	2040-06-18	35	38	39	Canadian Imperial Bank of Commerce	3.100%	2015-03-02	2,410	2,406	2,417
Province of Manitoba	5.500%	2018-11-15	2,090	2,235	2,376	Canadian Imperial Bank of Commerce, Fixed - Floating Rate	3.150%	2020-11-02	2,240	2,236	2,193
Province of New Brunswick	4.700%	2016-07-21	2,700	2,753	2,936	CDP Financial Inc., Floating Rate	0.893%	2015-07-15	3,225	3,225	3,218
Province of New Brunswick	4.800%	2039-09-26	1,230	1,168	1,303	CI Financial Corp.	3.300%	2012-12-17	905	905	913
Province of Newfoundland	4.500%	2037-04-17	1,825	1,710	1,859	CIBC Capital Trust	9.976%	2108-06-30	920	1,170	1,162
Province of Newfoundland	4.650%	2040-10-17	4,520	4,255	4,748	Enbridge Inc.	5.170%	2016-05-19	705	704	764
Province of Nova Scotia	4.150%	2019-11-25	1,000	992	1,033	Enbridge Inc.	4.530%	2020-03-09	5,510	5,476	5,584
Province of Nova Scotia	4.500%	2037-06-01	3,250	3,246	3,277	EnCana Corp.	5.800%	2018-01-18	960	1,070	1,068
Province of Ontario	4.750%	2013-06-02	1,890	2,025	2,011	EPCOR Utilities Inc.	5.800%	2018-01-31	2,555	2,842	2,844
Province of Ontario	3.250%	2014-09-08	10,740	10,901	11,039	EPCOR Utilities Inc.	5.750%	2039-11-24	575	575	618
Province of Ontario	4.500%	2015-03-08	13,435	14,206	14,436	Fortis Inc.	6.510%	2039-07-04	1,822	2,154	2,146
Province of Ontario	4.400%	2019-06-02	5,255	5,508	5,540	FortisBC Inc.	5.480%	2014-11-28	2,900	2,923	3,165
Province of Ontario	4.200%	2020-06-02	7,600	7,629	7,837	GE Capital Canada Funding Co.	4.375%	2012-09-28	2,605	2,721	2,690
Province of Ontario	4.700%	2037-06-02	4,920	4,965	5,162	GE Capital Canada Funding Co.	4.240%	2015-06-08	795	818	817
Province of Quebec	5.000%	2015-12-01	4,450	4,752	4,893	GE Capital Canada Funding Co.	5.680%	2019-09-10	3,210	3,211	3,436
Province of Quebec	4.500%	2016-12-01	7,250	7,487	7,799	Genesis Trust	4.245%	2011-09-15	590	590	600
Province of Quebec	4.500%	2018-12-01	5,655	5,892	6,022	Gloucester Credit Card Trust	4.445%	2011-03-15	2,600	2,601	2,614
Province of Quebec	6.250%	2032-06-01	3,000	3,354	3,759	Golden Credit Card Trust	5.106%	2017-04-15	2,500	2,500	2,523
Province of Quebec	5.000%	2038-12-01	7,795	8,456	8,474	Great-West Lifeco Inc.	6.670%	2033-03-21	1,555	1,671	1,798
Province of Quebec	5.000%	2041-12-01	2,890	3,003	3,176	Greater Toronto Airports Authority	7.100%	2031-06-04	2,130	2,198	2,670
Province of Quebec, Real Return Bond	4.500%	2020-12-01	15,600	15,783	16,362	Greater Toronto Airports Authority	6.470%	2034-02-02	2,395	2,667	2,847
Province of Saskatchewan	6.300%	2032-02-13	4,790	5,875	6,122	HSBC Bank Canada	3.558%	2017-10-04	1,065	1,065	1,045
Province of Saskatchewan	4.750%	2040-06-01	2,890	2,938	3,129	HSBC Financial Corp., Ltd.	4.800%	2011-04-13	2,500	2,433	2,519
				145,970	151,082	Husky Energy Inc.	3.750%	2015-03-12	670	670	683
SUBSIDIZED (0.50%)						SUBSIDIZED (0.50%)					
City of Toronto	4.950%	2018-06-27	2,520	2,512	2,720	Husky Energy Inc.	5.000%	2020-03-12	1,280	1,276	1,304
Municipal Finance Authority of British Columbia	4.650%	2016-04-19	2,690	2,753	2,908	Hydro One Inc.	3.130%	2014-11-19	3,130	3,144	3,173
Municipalité de Lac-Beauport	3.100%	2014-12-22	950	936	950	Hydro One Inc.	5.180%	2017-10-18	1,165	1,315	1,281
Ville de Gatineau	3.000%	2014-12-02	2,000	1,965	2,000	Hydro One Inc.	4.400%	2020-06-01	4,070	4,079	4,184
				8,166	8,578	Hydro One Inc.	5.490%	2040-07-16	990	1,003	1,078
						Intact Financial Corp.	6.400%	2039-11-23	375	372	401
						Laurentian Bank of Canada, Fixed - Floating Rate	3.700%	2020-11-02	2,490	2,483	2,451
						Loblaws Companies Ltd.	5.220%	2020-06-18	2,035	2,170	2,105

Statement of Investment Portfolio (continued)

As at December 31, 2010 In thousands			Face Value \$	Average Cost \$	Fair Value \$
Loblaws Companies Ltd.	6.500%	2029-01-22	2,875	2,985	3,019
Manulife Finance (Delaware), LP, Fixed - Floating Rate	4.448%	2026-12-15	4,350	4,347	4,357
Manulife Finance (Delaware), LP, Fixed - Floating Rate	5.059%	2041-12-15	3,440	3,175	2,874
Manulife Financial Capital Trust II	7.405%	2108-12-31	1,600	1,600	1,748
Master Credit Card Trust	5.297%	2012-08-21	1,960	1,960	2,058
Metro Inc.	4.980%	2015-10-15	1,825	1,817	1,947
Metro Inc.	5.970%	2035-10-15	1,115	1,112	1,108
Molson Coors Capital Finance ULC	5.000%	2015-09-22	1,630	1,753	1,723
National Bank of Canada, Fixed - Floating Rate	5.550%	2018-11-15	4,220	4,219	4,531
National Bank of Canada, Fixed - Floating Rate	4.700%	2020-11-02	1,615	1,594	1,696
NAV CANADA	5.304%	2019-04-17	910	994	1,000
NBC Capital Trust	7.235%	2049-12-29	1,210	1,210	1,395
RBC Subordinated Notes Trust, Fixed - Floating Rate	4.580%	2017-04-30	1,770	1,753	1,825
RioCan Real Estate Investment Trust	5.230%	2013-03-11	3,300	3,300	3,429
Rogers Communications Inc.	5.800%	2016-05-26	1,860	1,856	2,038
Rogers Communications Inc.	4.700%	2020-09-29	2,110	2,098	2,070
Royal Bank of Canada	5.060%	2013-07-17	2,640	2,640	2,812
Royal Bank of Canada	3.270%	2014-11-10	2,170	2,170	2,206
Royal Bank of Canada	3.660%	2017-01-25	8,305	8,303	8,366
Royal Bank of Canada, Fixed - Floating Rate	3.180%	2020-11-02	5,680	5,678	5,563
Scotiabank Capital Trust II, Series 2003-1	6.282%	2049-02-28	2,240	2,388	2,419
Scotiabank Capital Trust, Fixed - Floating Rate	5.250%	2017-11-01	1,440	1,536	1,514
Scotiabank Tier 1 Trust	7.802%	2108-06-30	645	645	741
Shaw Communications Inc.	6.500%	2014-06-02	795	876	874
Sobeys Inc.	7.160%	2018-02-26	970	1,161	1,119
Sobeys Inc.	6.640%	2040-06-07	680	679	698
Sun Life Assurance of Canada, Fixed - Floating Rate	6.150%	2022-06-30	8,320	8,917	8,728
Sun Life Financial Services of Canada Inc., Fixed - Floating Rate	4.950%	2036-06-01	790	820	816
Suncor Energy Inc.	5.800%	2018-05-22	2,295	2,296	2,551
Superior Trust, Floating Rate	1.987%	2016-09-28	1,893	1,893	1,633
TD Capital Trust IV	10.000%	2108-06-30	2,610	2,610	3,351
TELUS Corp.	5.050%	2019-12-04	1,860	1,850	1,895
The Consumers' Waterheater Operating Trust	5.250%	2013-03-15	810	810	817
The Toronto-Dominion Bank	4.970%	2104-10-30	1,745	1,749	1,843
The Toronto-Dominion Bank, Fixed - Floating Rate	3.367%	2020-11-02	1,775	1,775	1,753
The Toronto-Dominion Bank, Fixed - Floating Rate	5.828%	2023-07-09	1,000	1,000	1,113
The Toronto-Dominion Bank, Fixed - Floating Rate	4.779%	2105-12-14	4,510	4,516	4,689
The Toronto-Dominion Bank, Fixed - Floating Rate	5.763%	2106-12-18	1,780	1,787	1,938
Thomson Reuters Corp.	6.000%	2016-03-31	1,990	2,255	2,232
TransCanada PipeLines Ltd.	5.050%	2013-08-20	1,585	1,582	1,689
Wells Fargo Financial Canada Corp.	3.970%	2014-11-03	2,490	2,490	2,547
			230,971		236,864

MASTER ASSET VEHICLES (0.08%)

Master Asset Vehicle II, Class A-1, Floating Rate	0.573%	2056-07-15	1,890	1,371	1,375
TOTAL CANADIAN BONDS			624,717		638,062

As at December 31, 2010 In thousands			Face Value \$	Average Cost \$	Fair Value \$
U.S. BONDS (0.09%)					
CORPORATES (0.09%)					
Merrill Lynch & Co., Inc.	4.500%	2012-01-30	1,460	1,486	1,479
SHORT-TERM INVESTMENTS (4.93%)				84,544	84,545
TOTAL INVESTMENT PORTFOLIO (99.89%)				1,508,823	1,715,462
OTHER NET ASSETS (0.11%)					1,972
TOTAL NET ASSETS (100.00%)					1,717,434

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

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Diversified Fund (the "Fund") is invested in units of the Industrial Alliance Diversified Fund (the "underlying segregated fund"), which is invested in underlying funds as well as direct holdings of securities.

The investment strategy of the Fund focuses primarily on a judicious allocation of Canadian and international equities and fixed income securities to meet the Fund's long-term return objective. Active management is designed to target the ideal combination of capital growth and security based on trends in the economy and the financial markets.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	2,588	-	-	2,588
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	2,588	-	-	2,588

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	2,933	-	-	2,933
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	2,933	-	-	2,933

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010 and 2009, the Fund, through the direct holdings and the underlying funds of its underlying segregated fund, had invested in debt instruments with the following credit ratings:

Debt Instruments* by Credit Rating	Percentage of Net Assets as at December 31, 2010 (%)	Percentage of Net Assets as at December 31, 2009 (%)
AAA	16.18	19.95
AA	9.39	9.66
A	9.16	9.84
BBB	2.39	1.64
R1	4.93	3.52
Not rated	0.12	0.20

*Excludes other Net Assets

Credit ratings are obtained from DBRS, Standard & Poor's or Moody's.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

The tables below summarize the Fund's exposure, through the direct holdings and the underlying funds of its underlying segregated fund, to interest rate risk by remaining terms to maturity as at December 31, 2010 and 2009. If the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, the Net Assets would have respectively decreased or increased by the amount presented under "Impact on Net Assets." The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non- interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	155	578	203	159	1,493	2,588	55

As at December 31, 2009

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non- interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	103	687	204	320	1,619	2,933	77

Discussion of Financial Instrument Risk Management (continued)

Currency Risk

The tables below summarize the Fund's exposure, through the direct holdings and the underlying funds of its underlying segregated fund, to currency risk and the impact on Net Assets as at December 31, 2010 and 2009, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
AUD	3	-	3	0.12	-
CHF	19	-	19	0.73	1
EUR	80	-	80	3.08	4
GBP	48	-	48	1.86	2
HKD	9	-	9	0.33	-
IDR	1	-	1	0.03	-
ILS	1	-	1	0.03	-
JPY	31	-	31	1.18	2
KRW	6	-	6	0.24	-
MXN	1	-	1	0.03	-
NOK	5	-	5	0.20	-
SEK	4	-	4	0.14	-
SGD	6	-	6	0.23	-
TWD	3	-	3	0.12	-
USD	225	-	225	8.70	11

As at December 31, 2009

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
AUD	5	-	5	0.15	-
BRL	4	-	4	0.15	-
CHF	25	1	26	0.89	1
CNY	1	-	1	0.04	-
DKK	14	-	14	0.48	1
EUR	81	-	81	2.76	4
GBP	44	-	44	1.49	2
HKD	9	-	9	0.32	-
ILS	8	-	8	0.26	-
JPY	17	-	17	0.57	1
KRW	14	-	14	0.48	1
NOK	4	-	4	0.13	-
PHP	1	-	1	0.04	-
RUB	1	-	1	0.05	-
SEK	10	-	10	0.35	1
SGD	6	-	6	0.20	-
TWD	4	-	4	0.14	-
USD	236	(1)	235	8.00	12

See Note 4 to the Financial Statements for currency symbols.

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX 91 day Tbill Index	1.00	5.00	0.05	1
DEX Universe Bond Index	3.00	50.00	1.50	39
S&P/TSX Composite Index	10.00	35.00	3.50	91
MSCI - World Index (Can. \$) (net ret.)	10.00	10.00	1.00	26

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX 91 day Tbill Index	1.00	5.00	0.05	1
DEX Universe Bond Index	3.00	50.00	1.50	44
S&P/TSX Composite Index	10.00	35.00	3.50	103
MSCI - World Index (Can. \$) (net ret.)	10.00	10.00	1.00	29

Statements of Net Assets

As at December 31	2010	2009
In thousands (except number of units and per unit figures)	\$	\$
Investments at fair value*	2,335	2,548
NET ASSETS PER UNIT		
Individual annuities	19.90	18.48
UNITS OUTSTANDING		
Individual annuities	117,352	137,862
* Investments, at average cost	1,850	2,158

Statements of Operations

For the periods ended December 31 (Note 1)	2010	2009
In thousands	\$	\$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	76	20
Change in unrealized gain (loss) of investments	95	530
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	171	550

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1)	2010	2009
In thousands	\$	\$
NET ASSETS - BEGINNING OF THE PERIOD	2,548	2,343
Increase (decrease) in net assets from operations	171	550
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	58	31
Units redeemed	(442)	(376)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(213)	205
NET ASSETS - END OF THE PERIOD	2,335	2,548

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

Diversified Opportunity

Ultraflex II

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
Industrial Alliance Diversified Opportunity Fund	117,352	1,850	2,335

INDUSTRIAL ALLIANCE DIVERSIFIED OPPORTUNITY FUND

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
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CANADIAN EQUITIES (55.65%)

ENERGY (15.30%)

ARC Energy Trust	29,200	727	742
Birchcliff Energy Ltd.	100,000	522	953
Cameco Corp.	59,000	1,766	2,375
Canadian Natural Resources Ltd.	115,500	2,401	5,113
Canadian Oil Sands Trust	60,000	1,629	1,586
Cenovus Energy Inc.	94,514	2,481	3,132
Crew Energy Inc.	37,000	706	706
EnCana Corp.	91,014	1,876	2,643
Ensign Energy Services Inc.	47,400	891	712
Husky Energy Inc.	39,000	1,272	1,033
Imperial Oil Ltd.	28,000	1,349	1,135
Nexen Inc.	88,100	2,302	2,007
PetroBakken Energy Ltd.	31,900	713	693
Precision Drilling Corp.	87,200	500	837
Progress Energy Resources Corp.	47,800	505	607
Suncor Energy Inc.	169,356	5,544	6,466
Talisman Energy Inc.	133,100	2,175	2,943
Uranium One Inc.	49,500	258	235
		27,617	33,918

MATERIALS (14.24%)

Agnico-Eagle Mines Ltd.	14,500	851	1,109
Agrium Inc.	28,100	1,095	2,571
Barrick Gold Corp.	89,019	3,321	4,721
Consolidated Thompson Iron Mines Ltd.	21,200	160	298
Eldorado Gold Corp.	43,800	542	810
First Quantum Minerals Ltd.	6,400	465	690
Gammon Gold Inc.	28,400	302	230
Goldcorp Inc.	64,500	2,467	2,954
HudBay Minerals Inc.	61,800	392	1,110
IAMGold Corp.	29,700	464	525
Inmet Mining Corp.	17,200	1,021	1,328
Kinross Gold Corp.	100,200	1,846	1,890
Methanex Corp.	20,500	492	618
North American Palladium Ltd.	18,900	122	130
Potash Corporation of Saskatchewan Inc.	33,000	3,073	5,092
Quadra FNX Mining Ltd.	136,417	1,835	2,280
Sherritt International Corp.	118,600	1,027	998
Teck Resources Ltd., Class B, SV	42,913	1,204	2,645
Thompson Creek Metals Co., Inc.	64,700	653	943
Yamana Gold Inc.	48,900	565	623
		21,897	31,565

INDUSTRIALS (4.44%)

Bombardier Inc., Class B, SV	145,600	679	728
Canadian National Railway Co.	57,400	1,155	3,803
Canadian Pacific Railway Co.	27,600	814	1,783
Finning International Inc.	52,400	1,053	1,415
Russel Metals Inc.	54,400	593	1,245
SNC-Lavalin Group Inc.	14,600	495	867
		4,789	9,841

CONSUMER DISCRETIONARY (2.98%)

Canadian Tire Corporation Ltd., Class A, NV	19,800	1,179	1,350
Gildan Activewear Inc.	21,600	549	612
Magna International Inc., Class A, SV	56,000	1,478	2,898
RONA Inc.	41,600	488	587
Thomson Reuters Corp.	31,200	1,278	1,159
		4,972	6,606

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
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CONSUMER STAPLES (0.27%)

Loblaw Companies Ltd.	14,800	578	596
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FINANCIALS (15.49%)

AGF Management Ltd., Class B, NV	69,300	1,284	1,350
Bank of Montreal	65,000	2,475	3,733
Bank of Nova Scotia	88,800	2,618	5,065
Brookfield Properties Corp.	35,700	536	623
Canadian Imperial Bank of Commerce	49,300	2,965	3,856
Manulife Financial Corp.	141,000	2,675	2,411
National Bank of Canada	21,600	745	1,477
Power Corporation of Canada, SV	53,900	875	1,488
Royal Bank of Canada	125,300	4,069	6,541
Sun Life Financial Services of Canada Inc.	68,500	1,746	2,056
The Toronto-Dominion Bank	77,400	3,687	5,736
		23,675	34,336

INFORMATION TECHNOLOGY (2.08%)

CGI Group Inc., Class A, SV	36,700	391	630
Open Text Corp.	15,000	466	684
Research In Motion Ltd.	43,400	2,326	2,520
Sierra Wireless	52,700	830	783
		4,013	4,617

TELECOMMUNICATION SERVICES (0.85%)

BCE Inc.	37,907	947	1,339
TELUS Corp.	11,800	414	537
		1,361	1,876

TOTAL CANADIAN EQUITIES

88,902 123,355

U.S. EQUITIES - INVESTMENT FUND (5.15%)

Industrial Alliance U.S. Equity Fund	1,307,285	10,894	11,406
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FOREIGN EQUITIES - INVESTMENT FUND (15.12%)

Industrial Alliance International Equity Fund	526,862	5,623	6,898
MB Global Equity Fund	732,536	10,519	8,844
Templeton Master Trust Fund, Series 1	1,996,690	21,969	17,770

TOTAL FOREIGN EQUITIES - INVESTMENT FUND

38,111 33,512

	Face Value \$	Average Cost \$	Fair Value \$
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CANADIAN BONDS (20.13%)

FEDERAL GOVERNMENT (2.14%)

Government of Canada	2.000%	2016-06-01	1,510	1,495	1,469
Government of Canada	3.750%	2019-06-01	380	408	400
Government of Canada	3.250%	2021-06-01	1,270	1,269	1,273
Government of Canada	5.000%	2037-06-01	1,300	1,617	1,613
				4,789	4,755

FEDERAL GUARANTEE (5.11%)

Canada Housing Trust	4.550%	2012-12-15	930	986	978
Canada Housing Trust	3.550%	2013-09-15	1,960	2,018	2,037
Canada Housing Trust	3.150%	2014-06-15	650	650	669
Canada Housing Trust	2.950%	2015-03-15	1,410	1,411	1,436
Canada Housing Trust	2.450%	2015-12-15	1,070	1,067	1,058
Canada Housing Trust, Floating Rate	3.202%	2013-06-15	1,970	1,966	1,967
Export Development Canada	5.800%	2012-12-03	1,060	1,160	1,139
Export Development Canada	5.100%	2014-06-02	500	536	546
Export Development Canada	4.300%	2016-06-01	1,390	1,415	1,495
				11,209	11,325

Diversified Opportunity Ultraflex II

Statement of Investment Portfolio (continued)

As at December 31, 2010 In thousands			Face Value \$	Average Cost \$	Fair Value \$
PROVINCIALS (2.64%)					
Ontario Strategic Infrastructure Financing Authority 4.700% 2037-06-01 400 400 391					
Province of Manitoba 5.500% 2018-11-15 680 725 773					
Province of New Brunswick 4.800% 2039-09-26 290 275 308					
Province of Newfoundland 4.650% 2040-10-17 520 486 546					
Province of Nova Scotia 4.150% 2019-11-25 290 287 300					
Province of Nova Scotia 4.500% 2037-06-01 520 519 525					
Province of Ontario 4.400% 2019-06-02 700 753 738					
Province of Quebec 6.250% 2032-06-01 470 525 589					
Province of Quebec, Real Return Bond 4.500% 2020-12-01 500 499 524					
Province of Saskatchewan 6.300% 2032-02-13 300 368 383					
Province of Saskatchewan 4.750% 2040-06-01 710 722 768					
			5,559	5,845	
SUBSIDIZED (0.42%)					
City of Toronto 4.950% 2018-06-27 420 419 453					
Municipal Finance Authority of British Columbia 4.650% 2016-04-19 440 452 476					
			871	929	
CORPORATES (9.72%)					
407 International Inc. 4.300% 2021-05-26 480 472 478					
407 International Inc. 5.750% 2036-02-14 540 534 565					
Bank of Montreal 4.960% 2011-07-14 430 430 437					
Bank of Montreal 3.490% 2016-06-10 400 400 401					
Bank of Montreal 6.020% 2018-05-02 310 349 352					
Bank of Montreal, Fixed - Floating Rate 6.170% 2023-03-28 1,080 1,080 1,219					
Bank of Nova Scotia 5.040% 2013-04-08 600 604 636					
Bank of Nova Scotia 3.340% 2015-03-25 690 690 697					
Bank of Nova Scotia, Fixed - Floating Rate 4.990% 2018-03-27 200 200 210					
Bell Aliant Regional Communications, LP 4.720% 2011-09-26 178 178 182					
Bell Aliant Regional Communications, LP 6.170% 2037-02-26 380 380 363					
Bell Canada 5.000% 2017-02-15 310 325 326					
Broadway Credit Card Trust 4.804% 2017-03-17 200 201 212					
Brookfield Power Corp. 5.250% 2018-11-05 450 449 457					
Canadian Imperial Bank of Commerce 5.000% 2012-09-10 700 741 733					
Canadian Imperial Bank of Commerce 3.050% 2013-06-03 240 239 243					
Canadian Imperial Bank of Commerce 3.100% 2015-03-02 360 359 361					
Canadian Imperial Bank of Commerce, Fixed - Floating Rate 3.150% 2020-11-02 400 399 392					
Enbridge Inc. 4.530% 2020-03-09 460 455 466					
Fortis Inc. 6.510% 2039-07-04 280 331 330					
FortisBC Inc. 5.480% 2014-11-28 500 500 546					
GE Capital Canada Funding Co. 5.680% 2019-09-10 520 520 557					
Gloucester Credit Card Trust 4.445% 2011-03-15 600 600 604					
Golden Credit Card Trust 5.106% 2017-04-15 500 500 505					
HSBC Financial Corp., Ltd. 4.800% 2011-04-13 690 671 695					
Husky Energy Inc. 3.750% 2015-03-12 100 100 102					
Husky Energy Inc. 5.000% 2020-03-12 190 189 194					
Hydro One Inc. 3.130% 2014-11-19 470 472 476					
Hydro One Inc. 4.400% 2020-06-01 620 622 637					
Laurentian Bank of Canada, Fixed - Floating Rate 3.700% 2020-11-02 110 109 108					
Manulife Finance (Delaware), LP, Fixed - Floating Rate 4.448% 2026-12-15 700 700 701					
Manulife Finance (Delaware), LP, Fixed - Floating Rate 5.059% 2041-12-15 320 320 268					
Manulife Financial Capital Trust II 7.405% 2108-12-31 230 230 251					
Master Credit Card Trust 5.297% 2012-08-21 320 320 336					
National Bank of Canada 4.030% 2015-05-26 270 270 281					

As at December 31, 2010 In thousands			Face Value \$	Average Cost \$	Fair Value \$
National Bank of Canada, Fixed - Floating Rate 5.550% 2018-11-15 390 390 419					
RBC Subordinated Notes Trust, Fixed - Floating Rate 4.580% 2017-04-30 310 310 320					
RioCan Real Estate Investment Trust 5.230% 2013-03-11 400 400 416					
Rogers Communications Inc. 5.800% 2016-05-26 500 499 547					
Royal Bank of Canada 5.060% 2013-07-17 430 430 458					
Royal Bank of Canada 3.270% 2014-11-10 540 540 549					
Royal Bank of Canada 3.660% 2017-01-25 470 470 474					
Royal Bank of Canada, Fixed - Floating Rate 3.180% 2020-11-02 340 340 333					
Sobeys Inc. 6.640% 2040-06-07 130 130 133					
Sun Life Assurance of Canada, Fixed - Floating Rate 6.150% 2022-06-30 300 321 315					
Superior Trust, Floating Rate 1.987% 2016-09-28 544 544 469					
TELUS Corp. 5.050% 2019-12-04 280 278 285					
The Consumers' Waterheater Operating Trust 5.250% 2013-03-15 110 110 110					
The Toronto-Dominion Bank, Fixed - Floating Rate 4.779% 2105-12-14 980 981 1,019					
Wells Fargo Financial Canada Corp. 3.970% 2014-11-03 380 380 389					
			21,062	21,557	

MASTER ASSET VEHICLES (0.10%)

Master Asset Vehicle II, Class A-1, Floating Rate 0.573% 2056-07-15 302 219 219					
TOTAL CANADIAN BONDS			43,709	44,630	

SHORT-TERM INVESTMENTS (3.85%)

TOTAL INVESTMENT PORTFOLIO (99.90%)			190,145	221,432	
OTHER NET ASSETS (0.10%)				226	
TOTAL NET ASSETS (100.00%)				221,658	

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

Diversified Opportunity

Ultraflex II

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Diversified Opportunity Fund (the "Fund") is invested in units of the Industrial Alliance Diversified Opportunity Fund (the "underlying segregated fund"), which is invested in underlying funds as well as direct holdings of securities.

The objective of the Fund is to maximize long-term returns while minimizing risks through a careful allocation of Canadian and international equities and fixed-income securities. The advisor typically favours equities over fixed-income securities, but has above-average flexibility in terms of asset allocation in order to position the Fund in a beneficial situation given trends in the economy and financial markets.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	2,335	-	-	2,335
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	2,335	-	-	2,335

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	2,548	-	-	2,548
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	2,548	-	-	2,548

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010 and 2009, the Fund, through the direct holdings and the underlying funds of its underlying segregated fund, had invested in debt instruments with the following credit ratings:

Debt Instruments* by Credit Rating	Percentage of Net Assets as at December 31, 2010 (%)	Percentage of Net Assets as at December 31, 2009 (%)
AAA	8.46	12.06
AA	5.51	5.52
A	4.66	4.43
BBB	1.50	1.78
R1	3.85	4.77
Not rated	-	0.01

*Excludes other Net Assets

Credit ratings are obtained from DBRS, Standard & Poor's or Moody's.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

The tables below summarize the Fund's exposure, through the direct holdings and the underlying funds of its underlying segregated fund, to interest rate risk by remaining terms to maturity as at December 31, 2010 and 2009. If the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, the Net Assets would have respectively decreased or increased by the amount presented under "Impact on Net Assets." The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non-interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	119	264	91	90	1,771	2,335	27

As at December 31, 2009

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non-interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	130	297	162	139	1,820	2,548	36

Diversified Opportunity

Ultraflex II

Discussion of Financial Instrument Risk Management (continued)

Currency Risk

The tables below summarize the Fund's exposure, through the direct holdings and the underlying funds of its underlying segregated fund, to currency risk and the impact on Net Assets as at December 31, 2010 and 2009, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
AUD	3	-	3	0.13	-
CHF	20	-	20	0.85	1
EUR	84	-	84	3.60	4
GBP	51	-	51	2.17	3
HKD	9	-	9	0.38	-
IDR	1	-	1	0.03	-
ILS	1	-	1	0.04	-
JPY	32	-	32	1.37	2
KRW	6	-	6	0.28	-
MXN	1	-	1	0.04	-
NOK	5	-	5	0.23	-
SEK	4	-	4	0.17	-
SGD	6	-	6	0.27	-
TWD	3	-	3	0.14	-
USD	236	-	236	10.10	12

As at December 31, 2009

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
AUD	4	-	4	0.18	-
BRL	4	-	4	0.18	-
CHF	25	1	26	1.00	1
CNY	1	-	1	0.04	-
DKK	13	-	13	0.52	1
EUR	84	-	84	3.28	4
GBP	45	-	45	1.76	2
HKD	9	-	9	0.37	-
ILS	7	-	7	0.29	-
JPY	17	-	17	0.67	1
KRW	14	-	14	0.54	1
NOK	4	-	4	0.16	-
PHP	1	-	1	0.05	-
RUB	1	-	1	0.05	-
SEK	10	-	10	0.41	1
SGD	6	-	6	0.24	-
TWD	4	-	4	0.16	-
USD	236	(1)	235	9.24	12

See Note 4 to the Financial Statements for currency symbols.

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX 91 day Tbill Index	1.00	5.00	0.05	1
DEX Universe Bond Index	3.00	30.00	0.90	21
S&P/TSX Composite Index	10.00	50.00	5.00	117
MSCI - World Index (Can. \$) (net ret.)	10.00	15.00	1.50	35

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX 91 day Tbill Index	1.00	5.00	0.05	1
DEX Universe Bond Index	3.00	30.00	0.90	23
S&P/TSX Composite Index	10.00	50.00	5.00	127
MSCI - World Index (Can. \$) (net ret.)	10.00	15.00	1.50	38

Fidelity Canadian Asset Allocation
Ultraflex II

Statements of Net Assets

As at December 31 In thousands (except number of units and per unit figures)	2010 \$	2009 \$
Investments at fair value*	3,904	4,344
NET ASSETS PER UNIT		
Individual annuities	16.11	14.84
UNITS OUTSTANDING		
Individual annuities	242,339	292,770
* Investments, at average cost	2,684	3,211

Statements of Operations

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	230	134
Change in unrealized gain (loss) of investments	87	771
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	317	905

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
NET ASSETS - BEGINNING OF THE PERIOD	4,344	4,065
Increase (decrease) in net assets from operations	317	905
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	147	56
Units redeemed	(904)	(682)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(440)	279
NET ASSETS - END OF THE PERIOD	3,904	4,344

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

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
Industrial Alliance Fidelity Canadian Asset Allocation Fund	242,339	2,684	3,904

INDUSTRIAL ALLIANCE FIDELITY CANADIAN ASSET ALLOCATION FUND

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
INVESTMENT FUND (99.91%)			
Fidelity Canadian Asset Allocation Fund, Series O	18,448,501	439,910	482,131
SHORT-TERM INVESTMENTS (0.42%)		2,000	2,000
TOTAL INVESTMENT PORTFOLIO (100.33%)		441,910	484,131
OTHER NET ASSETS (-0.33%)			(1,587)
TOTAL NET ASSETS (100.00%)			482,544

FIDELITY CANADIAN ASSET ALLOCATION FUND

Top 25 Holdings of the Underlying Fund

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	% of Portfolio
Canadian Natural Resources Ltd.	9,040,900	287,618	2.89%
The Toronto-Dominion Bank	5,379,300	322,324	2.88%
Suncor Energy Inc.	10,123,212	349,820	2.79%
Teck Resources Ltd., Class B, SV	5,727,740	132,300	2.55%
Bank of Nova Scotia	6,188,600	316,029	2.55%
Canadian Imperial Bank of Commerce	4,088,270	281,317	2.31%
Yamana Gold Inc.	23,227,434	267,974	2.14%
Barrick Gold Corp.	5,397,500	232,992	2.07%
Potash Corporation of Saskatchewan Inc.	1,834,200	145,358	2.04%
BCE Inc.	7,275,900	220,770	1.85%
Goldcorp Inc.	4,867,300	187,258	1.61%
Canadian Pacific Railway Co.	3,222,080	195,249	1.50%
Rogers Communications Inc., Class B, NV	5,579,490	160,686	1.39%
Brookfield Asset Management Inc.	5,026,550	173,597	1.20%
Bank of Montreal, Class A	2,855,700	173,144	1.18%
Talisman Energy Inc.	7,386,520	96,752	1.18%
Agnico-Eagle Mines Ltd.	2,113,300	160,099	1.17%
Enbridge Inc.	2,849,600	129,545	1.16%
Agrium Inc.	1,674,100	94,537	1.10%
EnCana Corp.	5,261,090	138,219	1.10%
Research In Motion Ltd.	2,363,820	94,999	0.99%
Cenovus Energy Inc.	4,067,890	107,109	0.98%
Bombardier Inc., Class B, SV	26,557,760	128,292	0.96%
Manulife Financial Corp.	7,559,270	200,685	0.93%
TransCanada Corp.	3,002,400	104,337	0.82%
		4,701,010	41.34%

Fidelity Canadian Asset Allocation

Ultraflex II

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Fidelity Canadian Asset Allocation Fund (the "Fund") is invested in units of the Industrial Alliance Fidelity Canadian Asset Allocation Fund (the "underlying segregated fund"), which is invested in units of Fidelity Canadian Asset Allocation Fund (the "underlying fund"), which is managed by Fidelity Investments.

The Fund aims to achieve high investment returns by investing in equity securities, fixed-income securities and money market instruments. The Fund invests primarily in Canadian securities.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	3,904	-	-	3,904
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	3,904	-	-	3,904

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	4,344	-	-	4,344
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	4,344	-	-	4,344

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010 and 2009, the Fund, through its underlying fund, had invested in debt instruments with the following credit ratings:

Debt Instruments* by Credit Rating	Percentage of Net Assets as at December 31, 2010 (%)	Percentage of Net Assets as at December 31, 2009 (%)
AAA	8.69	7.41
AA	5.07	5.64
A	6.73	7.31
BBB	3.47	3.76
BB	1.49	1.41
B	2.55	2.12
CCC	0.92	1.34
R1	0.42	-
Not rated	0.85	2.03

*Excludes other Net Assets

Credit ratings are obtained from DBRS, Standard & Poor's or Moody's.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

The tables below summarize the Fund's exposure, through its underlying fund, to interest rate risk by remaining terms to maturity as at December 31, 2010 and 2009. If the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, the Net Assets would have respectively decreased or increased by the amount presented under "Impact on Net Assets." The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non- interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	56	500	245	377	2,726	3,904	98

As at December 31, 2009

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non- interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	66	852	208	159	3,059	4,344	108

Fidelity Canadian Asset Allocation

Ultraflex II

Discussion of Financial Instrument Risk Management (continued)

Currency Risk

The tables below summarize the Fund's exposure, through its underlying fund, to currency risk and the impact on Net Assets as at December 31, 2010 and 2009, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
BRL	4	-	4	0.09	-
CHF	21	-	21	0.54	1
EUR	45	-	45	1.15	2
GBP	4	-	4	0.09	-
JPY	162	-	162	4.16	8
USD	818	-	818	20.94	41

As at December 31, 2009

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
BRL	6	-	6	0.13	-
GBP	4	-	4	0.09	-
INR	2	-	2	0.05	-
USD	664	-	664	15.29	33

See Note 4 to the Financial Statements for currency symbols.

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX 91 day Tbill Index	1.00	5.00	0.05	2
DEX Universe Bond Index	3.00	30.00	0.90	35
S&P/TSX Capped Composite Index	10.00	65.00	6.50	254

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX 91 day Tbill Index	1.00	5.00	0.05	2
DEX Universe Bond Index	3.00	30.00	0.90	39
S&P/TSX Capped Composite Index	10.00	65.00	6.50	282

Statements of Net Assets

As at December 31	2010	2009
In thousands (except number of units and per unit figures)	\$	\$
Investments at fair value*	3,730	3,945
NET ASSETS PER UNIT		
Individual annuities	19.66	17.28
UNITS OUTSTANDING		
Individual annuities	189,758	228,366
* Investments, at average cost	2,767	3,292

Statements of Operations

For the periods ended December 31 (Note 1)	2010	2009
In thousands	\$	\$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	171	(26)
Change in unrealized gain (loss) of investments	310	1,188
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	481	1,162

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1)	2010	2009
In thousands	\$	\$
NET ASSETS - BEGINNING OF THE PERIOD	3,945	3,496
Increase (decrease) in net assets from operations	481	1,162
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	232	105
Units redeemed	(928)	(818)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(215)	449
NET ASSETS - END OF THE PERIOD	3,730	3,945

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

Diversified Income

Ultraflex II

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
Industrial Alliance Diversified Income Fund	189,758	2,767	3,730

INDUSTRIAL ALLIANCE DIVERSIFIED INCOME FUND

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
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CANADIAN EQUITIES (75.08%)

ENERGY (24.37%)

Angle Energy Inc.	55,700	408	459
ARC Energy Trust	128,200	2,994	3,258
Baytex Energy Trust	76,500	1,612	3,564
Bonavista Energy Trust	109,100	3,319	3,138
Cameco Corp.	23,700	642	954
Canadian Natural Resources Ltd.	61,700	2,043	2,731
Canadian Oil Sands Trust	115,200	3,040	3,046
Canyon Services Group Inc.	40,000	133	433
Cenovus Energy Inc.	43,200	1,219	1,431
Crescent Point Energy Corp.	15,300	597	676
Crew Energy Inc.	24,100	285	459
Emerge Oil & Gas Inc.	112,700	427	405
Enbridge Inc.	18,500	871	1,040
EnCana Corp.	36,400	1,179	1,057
Enerplus Resources Fund	-	-	-
Fort Chicago Energy Partners LP, Class A	40,000	428	476
GasFrac Energy Services Inc.	68,100	426	621
Husky Energy Inc.	23,300	652	618
Imperial Oil Ltd.	17,500	700	709
Inter Pipeline Fund, Class A	83,000	698	1,237
Keyera Facilities Income Fund	4	-	1
NAL Oil & Gas Trust	35,000	496	452
Nexen Inc.	35,900	944	819
NuVista Energy Ltd.	47,100	502	435
Parex Resources Inc.	39,700	263	342
Penn West Energy Trust	107,000	3,073	2,548
Phoenix Technology Income Fund	9,300	74	123
Precision Drilling Corp.	43,000	371	413
Progress Energy Resources Corp.	23,800	284	302
Southern Pacific Resource Corp.	198,500	266	330
Suncor Energy Inc.	68,524	2,341	2,616
Talisman Energy Inc.	69,600	1,279	1,539
TransCanada Corp.	32,400	1,161	1,229
Vermilion Energy Inc.	62,300	1,967	2,877
Vero Energy Inc.	78,800	395	450
		35,089	40,788

MATERIALS (14.34%)

Agnico-Eagle Mines Ltd.	9,800	656	750
Agrium Inc.	13,800	878	1,262
Alderon Resource Corp.	91,500	198	282
Baja Mining Corp.	371,900	390	413
Barrick Gold Corp.	61,800	2,749	3,277
Belo Sun Mining Corp.	368,100	188	324
Cline Mining Corp.	102,400	291	413
Dalradian Resources Inc.	89,700	197	193
Denison Mines Corp.	83,000	282	281
Dundee Precious Metals Inc.	34,300	167	322
Eldorado Gold Corp.	36,900	585	682
Equinox Minerals Ltd.	60,500	331	370
First Quantum Minerals Ltd.	4,900	319	528
Fortress Paper Ltd.	14,200	358	634
Goldcorp Inc.	49,100	1,989	2,248
Hana Mining Ltd.	87,200	177	412
HudBay Minerals Inc.	13,700	213	246
IAMGold Corp.	30,100	569	533
Inmet Mining Corp.	8,500	539	656
Kinross Gold Corp.	60,701	1,106	1,145
Kinross Gold Corp., Warrants, September 2014	891	-	4
Labrador Iron Ore Royalty Corp.	19,000	573	1,277

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
Macarthur Minerals Ltd.	15,000	40	46
Methanex Corp.	14,600	361	440
New Hana Copper Mining Ltd.	26,800	15	33
Osisko Mining Corp.	41,400	495	599
Potash Corporation of Saskatchewan Inc.	20,200	2,692	3,117
Quadra FX Mining Ltd.	28,100	374	470
Queenston Mining Inc.	43,500	240	256
Sino-Forest Corp.	25,800	420	600
Teck Resources Ltd., Class B, SV	26,201	861	1,614
Yamana Gold Inc.	45,700	560	582
		18,813	24,009

INDUSTRIALS (6.61%)

Badger Income Fund	25,000	290	474
Bird Construction Income Fund	32,700	873	1,203
Black Diamond Group Ltd.	43,500	311	935
Bombardier Inc., Class B, SV	115,600	493	578
Canadian National Railway Co.	27,000	1,543	1,789
Canadian Pacific Railway Co.	13,600	798	878
Cargojet Income Fund	48,600	182	408
Churchill Corp., Class A	20,400	367	370
GENIVAR Income Fund	37,200	676	1,124
IBI Income Fund	74,400	1,003	1,001
Rocky Mountain Dealerships Inc.	46,200	410	411
SNC-Lavalin Group Inc.	9,100	429	541
TransForce Inc.	45,200	292	567
Vicwest Income Fund	52,000	393	787
		8,060	11,066

CONSUMER DISCRETIONARY (2.08%)

Astral Media Inc., Class A, NV	12,800	395	537
Canadian Tire Corporation Ltd., Class A, NV	6,900	372	470
Dollarama Inc.	21,000	598	604
Magna International Inc., Class A, SV	19,300	559	999
Martineau International Inc.	31,500	217	281
Quebecor Inc., Class B	15,700	536	590
		2,677	3,481

CONSUMER STAPLES (0.26%)

Empire Co. Ltd., Class A, NV	7,800	387	433
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FINANCIALS (19.45%)

Altus Group Income Fund	61,700	675	800
Artis Real Estate Investment Trust	35,000	329	463
Bank of Montreal	29,300	1,584	1,683
Bank of Nova Scotia	56,500	2,701	3,222
Boardwalk Real Estate Investment Trust	19,000	475	782
Brookfield Asset Management Inc., Class A, LV	27,200	699	902
Calloway Real Estate Investment Trust	40,800	716	953
Canadian Apartment Properties Real Estate Investment Trust	23,000	363	394
Canadian Imperial Bank of Commerce	26,100	1,756	2,041
Canadian Real Estate Investment Trust	23,400	533	726
Canadian Western Bank	28,400	709	806
Cominar Real Estate Investment Trust	69,500	892	1,447
Equitable Group Inc.	15,800	341	394
H&R Real Estate Investment Trust	65,200	1,028	1,266
Laurentian Bank of Canada	7,900	342	380
Manulife Financial Corp.	118,400	2,542	2,024
National Bank of Canada	17,820	1,069	1,219
Power Corporation of Canada, SV	23,900	662	660
Power Financial Corp.	18,600	558	570
Primaris Retail Real Estate Investment Trust	28,000	354	547
RioCan Real Estate Investment Trust	75,800	1,185	1,663
Royal Bank of Canada	38,700	4,003	4,109
Sun Life Financial Services of Canada Inc.	39,600	1,112	1,188
The Great-West Life Assurance Co.	25,800	685	681
The Toronto-Dominion Bank	49,100	3,173	3,639
		28,486	32,559

Diversified Income

Ultraflex II

Statement of Investment Portfolio (continued)

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$		
INFORMATION TECHNOLOGY (2.24%)					
CGI Group Inc., Class A, SV	22,700	265	389		
MacDonald, Dettwiler and Associates Ltd.	8,800	271	445		
Open Text Corp.	9,800	376	447		
Research In Motion Ltd.	35,100	2,142	2,039		
Softchoice Corp.	55,200	435	425		
		3,489	3,745		
TELECOMMUNICATION SERVICES (1.97%)					
BCE Inc.	42,200	1,279	1,491		
Rogers Communications Inc., Class B, NV	32,200	1,222	1,111		
TELUS Corp.	15,200	552	691		
		3,053	3,293		
UTILITIES (0.74%)					
Boralex Inc., Class A	43,000	373	348		
Brookfield Renewable Power Fund	43,000	695	887		
Just Energy Income Fund	1	-	-		
		1,068	1,235		
OTHERS (3.02%)					
iShares CDN S&P/TSX 60 Index Fund	222,300	4,159	4,271		
SCITI Trust	59,900	852	791		
		5,011	5,062		
TOTAL CANADIAN EQUITIES		106,133	125,671		
U.S. EQUITIES (0.24%)					
ENERGY (0.24%)					
Gran Tierra Energy Inc.	51,100	331	408		
U.S. EQUITIES - INVESTMENT FUND (1.53%)					
Industrial Alliance U.S. Equity Fund	293,357	2,335	2,560		
FOREIGN EQUITIES (0.28%)					
ENERGY (0.28%)					
Paladin Energy Ltd.	93,000	349	466		
FOREIGN EQUITIES - INVESTMENT FUND (4.48%)					
Industrial Alliance International Equity Fund	117,565	1,430	1,539		
MB Global Equity Fund	163,664	1,956	1,976		
Templeton Master Trust Fund, Series 1	447,893	3,995	3,986		
TOTAL FOREIGN EQUITIES - INVESTMENT FUND		7,381	7,501		
	Face Value \$	Average Cost \$	Fair Value \$		
CANADIAN BONDS (9.98%)					
FEDERAL GOVERNMENT (3.17%)					
Government of Canada	2.000%	2012-09-01	1,050	1,057	1,057
Government of Canada	2.000%	2014-12-01	875	875	869
Government of Canada	2.500%	2015-06-01	30	31	30
Government of Canada	3.000%	2015-12-01	570	578	585
Government of Canada	4.000%	2016-06-01	785	818	843
Government of Canada	4.000%	2017-06-01	865	922	931
Government of Canada	3.750%	2019-06-01	210	215	221
Government of Canada	5.000%	2037-06-01	380	467	472
Government of Canada, Real Return Bond	3.000%	2036-12-01	205	286	291
			5,249	5,299	

As at December 31, 2010 In thousands	Face Value \$	Average Cost \$	Fair Value \$		
FEDERAL GUARANTEE (0.92%)					
Canada Housing Trust	4.000%	2012-06-15	320	333	330
Canada Housing Trust	3.150%	2014-06-15	145	151	150
Canada Housing Trust	2.750%	2014-09-15	150	149	152
Canada Housing Trust	2.750%	2014-12-15	335	340	339
Canada Housing Trust	2.950%	2015-03-15	190	190	194
Canada Housing Trust	2.750%	2015-12-15	255	254	255
Canada Housing Trust, Floating Rate	0.479%	2015-03-15	125	125	125
			1,542	1,545	
PROVINCIALS (3.11%)					
Alberta Capital Finance Authority	3.050%	2015-06-15	130	130	133
Financement-Québec, Floating Rate	4.767%	2014-12-01	145	134	144
Province of British Columbia	4.650%	2018-12-18	305	325	330
Province of British Columbia	5.700%	2029-06-18	295	334	352
Province of Newfoundland	4.500%	2037-04-17	85	85	86
Province of Ontario	4.750%	2013-06-02	80	86	85
Province of Ontario	3.250%	2014-09-08	315	317	324
Province of Ontario	4.500%	2015-03-08	680	731	730
Province of Ontario	4.300%	2017-03-08	420	450	447
Province of Ontario	4.400%	2019-06-02	215	221	227
Province of Ontario	4.200%	2020-06-02	295	296	304
Province of Ontario	4.700%	2037-06-02	235	241	247
Province of Quebec	4.500%	2016-12-01	180	193	193
Province of Quebec	4.500%	2018-12-01	525	533	560
Province of Quebec	5.000%	2038-12-01	385	420	418
Province of Quebec, Real Return Bond	4.500%	2020-12-01	590	601	619
			5,097	5,199	

SUBSIDIZED (0.10%)

Municipal Finance Authority of British Columbia	4.875%	2019-06-03	70	75	76
Ville de Saint-Jean- sur-Richelieu	3.100%	2014-12-22	95	93	95
			168	171	

CORPORATES (2.60%)

407 International Inc.	4.300%	2021-05-26	40	40	40
AltaLink, LP	4.872%	2040-11-15	25	25	25
American Express Canada Credit Corp., Floating Rate	2.130%	2011-10-05	130	130	131
Bank of Montreal	3.490%	2016-06-10	40	40	40
Bank of Nova Scotia	3.030%	2012-06-04	55	56	55
Bank of Nova Scotia, Fixed - Floating Rate	4.990%	2018-03-27	140	149	147
Bell Canada	4.850%	2014-06-30	95	101	101
Bell Canada	3.600%	2015-12-02	25	25	25
Caisse centrale Desjardins	3.114%	2014-12-04	90	90	90
Canadian Credit Card Trust	5.365%	2013-03-25	160	166	170
Canadian Imperial Bank of Commerce	5.000%	2012-09-10	35	37	37
CDP Financial Inc., Floating Rate	0.893%	2015-07-15	90	90	90
CI Financial Corp.	3.300%	2012-12-17	30	30	30
CIBC Capital Trust	9.976%	2108-06-30	20	25	25
Enbridge Inc.	5.170%	2016-05-19	25	25	27
Enbridge Inc.	4.530%	2020-03-09	85	85	86
EnCana Corp.	5.800%	2018-01-18	45	50	50
EPCOR Utilities Inc.	5.800%	2018-01-31	110	122	122
EPCOR Utilities Inc.	5.750%	2039-11-24	20	20	21
GE Capital Canada Funding Co.	4.375%	2012-09-28	125	129	129
GE Capital Canada Funding Co.	4.240%	2015-06-08	40	41	41
Greater Toronto Airports Authority	6.470%	2034-02-02	70	82	83

Statement of Investment Portfolio (continued)

As at December 31, 2010			Face Value	Average Cost	Fair Value
In thousands			\$	\$	\$
HSBC Bank Canada	3.558%	2017-10-04	40	40	40
Hydro One Inc.	5.180%	2017-10-18	50	57	55
Hydro One Inc.	5.490%	2040-07-16	45	49	49
Intact Financial Corp.	6.400%	2039-11-23	20	20	22
Laurentian Bank of Canada, Fixed - Floating Rate	3.700%	2020-11-02	70	70	69
Loblaw Companies Ltd.	5.220%	2020-06-18	50	53	51
Loblaw Companies Ltd.	6.500%	2029-01-22	130	135	136
Manulife Finance (Delaware), LP, Fixed - Floating Rate	5.059%	2041-12-15	75	62	63
Metro Inc.	4.980%	2015-10-15	100	99	107
Metro Inc.	5.970%	2035-10-15	65	65	65
Molson Coors Capital Finance ULC	5.000%	2015-09-22	70	76	74
National Bank of Canada, Fixed - Floating Rate	4.700%	2020-11-02	60	63	63
NAV CANADA	5.304%	2019-04-17	45	49	50
NBC Asset Trust	7.447%	2049-12-29	135	155	159
NBC Capital Trust	7.235%	2049-12-29	80	91	92
Rogers Communications Inc.	4.700%	2020-09-29	85	85	84
Royal Bank of Canada	3.660%	2017-01-25	125	125	126
Royal Bank of Canada, Fixed - Floating Rate	3.180%	2020-11-02	140	140	137
Scotiabank Tier 1 Trust	7.802%	2108-06-30	140	166	161
Shaw Communications Inc.	6.500%	2014-06-02	35	39	38
Sobeys Inc.	7.160%	2018-02-26	45	54	52
Sun Life Assurance of Canada, Fixed - Floating Rate	6.150%	2022-06-30	140	147	147
Sun Life Financial Services of Canada Inc., Fixed - Floating Rate	4.950%	2036-06-01	35	36	36
Suncor Energy Inc.	5.800%	2018-05-22	135	140	150
TD Capital Trust III	7.243%	2049-12-29	130	149	152
TD Capital Trust IV	10.000%	2108-06-30	65	65	83
TELUS Corp.	4.950%	2014-05-15	50	52	53
The Toronto-Dominion Bank, Fixed - Floating Rate	3.367%	2020-11-02	70	70	69
The Toronto-Dominion Bank, Fixed - Floating Rate	5.763%	2106-12-18	180	198	196
Thomson Reuters Corp.	6.000%	2016-03-31	85	96	95
TransCanada PipeLines Ltd.	5.050%	2013-08-20	100	106	107
			4,310		4,346

MASTER ASSET VEHICLES (0.08%)

Master Asset Vehicle II, Class A-1, Floating Rate	0.573%	2056-07-15	196	142	143
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TOTAL CANADIAN BONDS			16,508		16,703
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U.S. BONDS (0.03%)**CORPORATES (0.03%)**

Merrill Lynch & Co., Inc.	4.500%	2012-01-30	50	51	50
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SHORT-TERM INVESTMENTS (7.60%)			12,719		12,719
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TOTAL INVESTMENT PORTFOLIO (99.22%)			145,807		166,078
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OTHER NET ASSETS (0.78%)					1,299
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TOTAL NET ASSETS (100.00%)					167,377
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The accompanying Notes to the Financial Statements are an integral part of these statements.

Diversified Income

Ultraflex II

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Diversified Income Fund (the "Fund") is invested in units of the Industrial Alliance Diversified Income Fund (the "underlying segregated fund"), which is mostly invested in a diversified portfolio composed of income trust units as well as underlying funds.

The objective of the Fund is to generate moderate long-term capital growth. Security selection follows a bottom-up approach that emphasizes asset quality, preservation of invested capital, return from distributions and potential growth of the companies in which the Fund is invested. Careful attention is also paid to ensuring diversification among the various economic sectors.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	3,730	-	-	3,730
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	3,730	-	-	3,730

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	3,945	-	-	3,945
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	3,945	-	-	3,945

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010 and 2009, the Fund, through the direct holdings and the underlying funds of its underlying segregated fund, had invested in debt instruments with the following credit ratings:

Debt Instruments* by Credit Rating	Percentage of Net Assets as at December 31, 2010 (%)	Percentage of Net Assets as at December 31, 2009 (%)
AAA	4.37	5.21
AA	2.50	3.11
A	2.42	3.46
BBB	0.66	0.71
R1	7.60	7.76
Not rated	0.06	0.12

*Excludes other Net Assets

Credit ratings are obtained from DBRS, Standard & Poor's or Moody's.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

The tables below summarize the Fund's exposure, through the direct holdings and the underlying funds of its underlying segregated fund, to interest rate risk by remaining terms to maturity as at December 31, 2010 and 2009. If the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, the Net Assets would have respectively decreased or increased by the amount presented under "Impact on Net Assets." The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non-interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	288	193	123	55	3,071	3,730	23

As at December 31, 2009

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non-interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	306	252	108	137	3,142	3,945	35

Diversified Income

Ultraflex II

Discussion of Financial Instrument Risk Management (continued)

Currency Risk

The tables below summarize the Fund's exposure, through the direct holdings and the underlying funds of its underlying segregated fund, to currency risk and the impact on Net Assets as at December 31, 2010 and 2009, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
AUD	1	-	1	0.04	-
CHF	9	-	9	0.25	-
EUR	40	-	40	1.07	2
GBP	24	-	24	0.64	1
HKD	4	-	4	0.11	-
JPY	15	-	15	0.41	1
KRW	3	-	3	0.08	-
NOK	3	-	3	0.07	-
SEK	2	-	2	0.05	-
SGD	3	-	3	0.08	-
TWD	2	-	2	0.04	-
USD	112	-	112	3.00	6

As at December 31, 2009

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
AUD	2	-	2	0.06	-
BRL	2	-	2	0.06	-
CHF	13	-	13	0.33	1
CNY	1	-	1	0.01	-
DKK	7	-	7	0.17	-
EUR	43	-	43	1.09	2
GBP	23	-	23	0.59	1
HKD	5	-	5	0.12	-
ILS	4	-	4	0.10	-
JPY	9	-	9	0.22	-
KRW	7	-	7	0.18	-
NOK	2	-	2	0.05	-
PHP	1	-	1	0.02	-
RUB	1	-	1	0.02	-
SEK	5	-	5	0.14	-
SGD	3	-	3	0.08	-
TWD	2	-	2	0.05	-
USD	121	-	121	3.07	6

See Note 4 to the Financial Statements for currency symbols.

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX 91 day Tbill Index	1.00	10.00	0.10	4
DEX Universe Bond Index	3.00	15.00	0.45	17
S&P/TSX Composite Index	10.00	60.00	6.00	224
MSCI - World Index (Can. \$) (net ret.)	10.00	5.00	0.50	19
S&P/TSX Capped Income Trusts	10.00	10.00	1.00	37

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX 91 day Tbill Index	1.00	10.00	0.10	4
DEX Universe Bond Index	3.00	15.00	0.45	18
S&P/TSX Composite Index	10.00	60.00	6.00	237
MSCI - World Index (Can. \$) (net ret.)	10.00	5.00	0.50	20
SC - Income Trust Index	10.00	10.00	1.00	39

Statements of Net Assets

As at December 31	2010	2009
In thousands (except number of units and per unit figures)	\$	\$
Investments at fair value*	11,533	14,287
NET ASSETS PER UNIT		
Individual annuities	33.02	29.44
UNITS OUTSTANDING		
Individual annuities	349,286	485,279
* Investments, at average cost	8,212	11,075

Statements of Operations

For the periods ended December 31 (Note 1)	2010	2009
In thousands	\$	\$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	1,215	432
Change in unrealized gain (loss) of investments	109	2,900
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	1,324	3,332

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1)	2010	2009
In thousands	\$	\$
NET ASSETS - BEGINNING OF THE PERIOD	14,287	12,484
Increase (decrease) in net assets from operations	1,324	3,332
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	1,228	1,646
Units redeemed	(5,306)	(3,175)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(2,754)	1,803
NET ASSETS - END OF THE PERIOD	11,533	14,287

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

Statement of Investment Portfolio

As at December 31, 2010
In thousands (except number of securities)

SEGREGATED FUND (100.00%)
Industrial Alliance Dividends Fund

Number of Securities	Average Cost \$	Fair Value \$
349,286	8,212	11,533

INDUSTRIAL ALLIANCE DIVIDENDS FUND

Statement of Investment Portfolio

As at December 31, 2010
In thousands (except number of securities)

CANADIAN EQUITIES (91.58%)
ENERGY (26.78%)

	Number of Securities	Average Cost \$	Fair Value \$
Cameco Corp.	258,000	8,943	10,384
Canadian Natural Resources Ltd.	357,000	7,768	15,805
Canadian Oil Sands Trust	605,000	15,259	15,996
Cenovus Energy Inc.	454,604	12,669	15,061
Enbridge Inc.	362,000	12,647	20,355
EnCana Corp.	472,204	10,988	13,713
Husky Energy Inc.	380,900	9,842	10,094
Imperial Oil Ltd.	262,700	8,894	10,645
Suncor Energy Inc.	747,553	26,013	28,541
Talisman Energy Inc.	451,100	5,696	9,974
TransCanada Corp.	656,300	20,332	24,887
		139,051	175,455

MATERIALS (10.58%)

Barrick Gold Corp.	692,750	24,456	36,736
Goldcorp Inc.	327,550	9,652	14,999
Methanex Corp.	214,730	3,862	6,474
Potash Corporation of Saskatchewan Inc.	71,900	8,701	11,095
		46,671	69,304

INDUSTRIALS (3.88%)

Canadian National Railway Co.	383,900	15,300	25,433
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CONSUMER DISCRETIONARY (3.11%)

Canadian Tire Corporation Ltd., Class A, NV	129,000	7,470	8,796
Thomson Reuters Corp.	310,950	12,275	11,548
		19,745	20,344

FINANCIALS (36.77%)

Bank of Montreal	518,040	26,110	29,751
Bank of Nova Scotia	437,600	17,960	24,957
Brookfield Asset Management Inc., Class A, LV	477,300	14,877	15,822
Canadian Imperial Bank of Commerce	268,300	18,245	20,984
CI Financial Corp.	372,600	7,158	8,376
IGM Financial Inc.	187,000	8,506	8,110
National Bank of Canada	166,550	8,997	11,389
Power Financial Corp.	216,875	6,943	6,649
Royal Bank of Canada	772,580	28,535	40,329
Sun Life Financial Services of Canada Inc.	713,000	26,461	21,404
The Great-West Life Assurance Co.	387,900	10,060	10,225
The Toronto-Dominion Bank	480,800	25,479	35,627
TMX Group Inc.	195,200	6,574	7,211
		205,905	240,834

TELECOMMUNICATION SERVICES (5.90%)

BCE Inc.	577,639	15,774	20,408
Rogers Communications Inc., Class B, NV	369,000	11,312	12,734
TELUS Corp.	121,200	5,778	5,511
		32,864	38,653

As at December 31, 2010
In thousands (except number of securities)

UTILITIES (4.56%)
Brookfield Renewable Power Fund
Eterra Inc.
Fortis Inc.
Just Energy Income Fund

363,900	5,763	7,508
186,240	3,511	5,834
289,590	6,212	9,820
449,478	6,984	6,729
	22,470	29,891

TOTAL CANADIAN EQUITIES **482,006** **599,914**

U.S. EQUITIES (4.86%)**MATERIALS (1.17%)**

Freeport-McMoRan Copper & Gold Inc.	64,000	4,260	7,647
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INDUSTRIALS (1.10%)

General Electric Co.	397,000	11,331	7,226
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HEALTH CARE (1.20%)

Johnson & Johnson	128,400	8,617	7,900
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INFORMATION TECHNOLOGY (1.39%)

Microsoft Corp.	327,100	8,556	9,080
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TOTAL U.S. EQUITIES **32,764** **31,853**

	Face Value \$	Average Cost \$	Fair Value \$
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CANADIAN BONDS (0.04%)**MASTER ASSET VEHICLES (0.04%)**

Master Asset Vehicle II, Class A-1, Floating Rate	0.573%	2056-07-15	327	237	238
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SHORT-TERM INVESTMENTS (3.46%) **22,640** **22,640**

TOTAL INVESTMENT PORTFOLIO (99.94%) **537,647** **654,645**

OTHER NET ASSETS (0.06%) 416

TOTAL NET ASSETS (100.00%) **655,061**

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

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Dividend Fund (the "Fund") is invested in units of the Industrial Alliance Dividends Fund (the "underlying segregated fund").

The objective of the Fund is to achieve long-term capital growth through investments in stocks of large companies that offer attractive earnings and dividend potential. The investment strategy used to manage this fund is based on a process that combines the bottom-up and top-down approaches. First, the manager uses the top-down approach, which involves carrying out a macroeconomic analysis to determine the economy's best performing sectors. Then, the manager follows the bottom-up approach, which allows him to select securities according to a value style, giving preference to superior quality Canadian stocks offering regular dividends.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	11,533	-	-	11,533
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	11,533	-	-	11,533

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	14,287	-	-	14,287
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	14,287	-	-	14,287

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010, the Fund, through its underlying segregated fund, had no significant exposure to credit risk.

As at December 31, 2009, the Fund, through its underlying segregated fund, had invested in debt instruments with the following credit ratings:

Debt Instruments* by Credit Rating	Percentage of Net Assets as at December 31, 2009 (%)
A	0.16
BBB	0.07
R1	2.35
Not rated	0.01

*Excludes other Net Assets

Credit ratings are obtained from DBRS, Standard & Poor's or Moody's.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

As at December 31, 2010, the majority of the underlying segregated fund's financial assets and liabilities were non-interest bearing and, accordingly, the Fund was not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

The table below summarizes the Fund's exposure, through its underlying segregated fund, to interest rate risk by remaining terms to maturity as at December 31, 2009. If the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, the Net Assets would have respectively decreased or increased by the amount presented under "Impact on Net Assets." The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2009

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non- interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	335	8	27	-	13,917	14,287	3

Discussion of Financial Instrument Risk Management (continued)

Currency Risk

As at December 31, 2010, the Fund, through its underlying segregated fund, had no significant exposure to currency risk.

The table below summarizes the Fund's exposure, through its underlying segregated fund, to currency risk and the impact on Net Assets as at December 31, 2009, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2009

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
USD	501	-	501	3.51	25

See Note 4 to the Financial Statements for currency symbols.

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
S&P/TSX 60 Index	10.00	100.00	10.00	1,153

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
S&P/TSX 60 Index	10.00	100.00	10.00	1,429

Canadian Equity Index

Ultraflex II

Statements of Net Assets

As at December 31 In thousands (except number of units and per unit figures)	2010 \$	2009 \$
Investments at fair value*	1,782	2,024
NET ASSETS PER UNIT		
Individual annuities	18.44	16.64
UNITS OUTSTANDING		
Individual annuities	96,625	121,623
* Investments, at average cost	1,156	1,436

Statements of Operations

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	145	49
Change in unrealized gain (loss) of investments	38	419
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	183	468

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
NET ASSETS - BEGINNING OF THE PERIOD	2,024	1,782
Increase (decrease) in net assets from operations	183	468
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	69	31
Units redeemed	(494)	(257)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(242)	242
NET ASSETS - END OF THE PERIOD	1,782	2,024

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

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
Industrial Alliance Canadian Equity Index Fund	96,625	1,156	1,782

INDUSTRIAL ALLIANCE CANADIAN EQUITY INDEX FUND

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
CANADIAN EQUITIES (98.54%)			
OTHERS (98.54%)			
iShares CDN S&P/TSX 60 Index Fund	7,385,000	134,315	141,866
SHORT-TERM INVESTMENTS (1.46%)		2,095	2,095
TOTAL NET ASSETS (100.00%)		136,410	143,961

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Canadian Equity Index Fund (the "Fund") is invested in units of the Industrial Alliance Canadian Equity Index Fund (the "underlying segregated fund"), which is managed by Industrial Alliance Investment Management Inc.

The Fund targets long-term capital appreciation through indexed management realized by financial tools that reproduce the total return of the S&P/TSX 60 Index, representing the 60 largest and most liquid companies listed on the Toronto Stock Exchange.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	1,782	-	-	1,782
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	1,782	-	-	1,782

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	2,024	-	-	2,024
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	2,024	-	-	2,024

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010, the Fund, through its underlying fund, had no significant exposure to credit risk.

As at December 31, 2009, the Fund, through its underlying fund, had invested in debt instruments with the following credit ratings:

Debt Instruments* by Credit Rating	Percentage of Net Assets as at December 31, 2009 (%)
R1	2.11

*Excludes other Net Assets

Credit ratings are obtained from DBRS, Standard & Poor's or Moody's.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

As at December 31, 2010, the majority of the underlying fund's financial assets and liabilities were non-interest bearing and, accordingly, the Fund was not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

The table below summarizes the Fund's exposure, through its underlying fund, to interest rate risk by remaining terms to maturity as at December 31, 2009. If the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, the Net Assets would have respectively decreased or increased by the amount presented under "Impact on Net Assets." The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2009

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non- interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	43	-	-	-	1,981	2,024	-

Currency Risk

As at December 31, 2010 and 2009, the Fund, through its underlying fund, had no significant exposure to currency risk.

**Discussion of Financial Instrument
Risk Management (continued)****Other Price Risk**

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
S&P/TSX 60 Index	10.00	100.00	10.00	178

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
S&P/TSX 60 Index	10.00	100.00	10.00	202

Statements of Net Assets

As at December 31	2010	2009
In thousands (except number of units and per unit figures)	\$	\$
Investments at fair value*	245	231
NET ASSETS PER UNIT		
Individual annuities	26.18	23.31
UNITS OUTSTANDING		
Individual annuities	9,354	9,899
* Investments, at average cost	169	178

Statements of Operations

For the periods ended December 31 (Note 1)	2010	2009
In thousands	\$	\$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	4	10
Change in unrealized gain (loss) of investments	23	69
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	27	79

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1)	2010	2009
In thousands	\$	\$
NET ASSETS - BEGINNING OF THE PERIOD	231	244
Increase (decrease) in net assets from operations	27	79
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	-	7
Units redeemed	(13)	(99)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	14	(13)
NET ASSETS - END OF THE PERIOD	245	231

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

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
Industrial Alliance Select Canadian Fund	9,354	169	245

INDUSTRIAL ALLIANCE SELECT CANADIAN FUND

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
CANADIAN EQUITIES (97.53%)			
ENERGY (27.87%)			
ARC Energy Trust	12,600	314	320
Birchcliff Energy Ltd.	43,300	235	413
Cameco Corp.	25,800	812	1,038
Canadian Natural Resources Ltd.	53,800	1,163	2,382
Canadian Oil Sands Trust	26,300	754	695
Cenovus Energy Inc.	44,102	1,107	1,461
Crew Energy Inc.	14,400	268	275
EnCana Corp.	41,902	890	1,217
Ensign Energy Services Inc.	25,100	478	377
Husky Energy Inc.	19,100	645	506
Imperial Oil Ltd.	12,900	629	523
Nexen Inc.	40,500	925	923
PetroBakken Energy Ltd.	13,900	312	302
Precision Drilling Corp.	37,300	227	358
Progress Energy Resources Corp.	22,600	245	287
Suncor Energy Inc.	73,236	2,898	2,796
Talisman Energy Inc.	60,000	1,049	1,326
Uranium One Inc.	21,500	112	103
		13,063	15,302

MATERIALS (25.42%)

Agrico-Eagle Mines Ltd.	6,300	370	481
Agrium Inc.	11,400	491	1,043
Barrick Gold Corp.	39,282	1,379	2,084
Consolidated Thompson Iron Mines Ltd.	9,500	71	133
Eldorado Gold Corp.	18,900	236	350
First Quantum Minerals Ltd.	3,000	220	323
Goldcorp Inc.	30,100	1,154	1,378
HudBay Minerals Inc.	26,900	191	484
IAMGold Corp.	12,900	202	228
Inmet Mining Corp.	8,000	478	617
Kinross Gold Corp.	43,300	796	817
Methanex Corp.	9,600	230	290
North American Palladium Ltd.	8,200	53	56
Potash Corporation of Saskatchewan Inc.	14,400	1,486	2,222
Quadra FNX Mining Ltd.	63,737	859	1,065
Sherritt International Corp.	55,400	410	466
Teck Resources Ltd., Class B, SV	19,700	506	1,214
Thompson Creek Metals Co., Inc.	29,700	349	433
Yamana Gold Inc.	21,200	245	270
		9,726	13,954

INDUSTRIALS (6.32%)

Bombardier Inc., Class B, SV	65,200	305	326
Canadian National Railway Co.	19,100	447	1,266
Canadian Pacific Railway Co.	11,650	310	752
Finning International Inc.	16,900	340	457
Russel Metals Inc.	16,900	197	387
SNC-Lavalin Group Inc.	4,800	170	285
		1,769	3,473

CONSUMER DISCRETIONARY (5.61%)

Canadian Tire Corporation Ltd., Class A, NV	9,000	421	613
Gildan Activewear Inc.	9,800	249	278
Magna International Inc., Class A, SV	26,000	688	1,346
RONA Inc.	18,300	229	258
Thomson Reuters Corp.	15,700	656	583
		2,243	3,078

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
CONSUMER STAPLES (0.51%)			
Loblaw Companies Ltd.	6,900	269	278

FINANCIALS (27.12%)

AGF Management Ltd., Class B, NV	32,500	609	633
Bank of Montreal	19,900	863	1,143
Bank of Nova Scotia	43,900	1,366	2,504
Brookfield Properties Corp.	16,600	249	290
Canadian Imperial Bank of Commerce	15,600	960	1,220
Manulife Financial Corp.	61,500	1,383	1,051
National Bank of Canada	10,100	369	691
Power Corporation of Canada, SV	21,200	438	585
Royal Bank of Canada	57,500	2,026	3,002
Sun Life Financial Services of Canada Inc.	38,000	1,150	1,141
The Toronto-Dominion Bank	35,500	1,857	2,630
		11,270	14,890

INFORMATION TECHNOLOGY (3.27%)

CGI Group Inc., Class A, SV	21,000	230	361
Research In Motion Ltd.	19,000	1,098	1,103
Sierra Wireless	22,300	372	331
		1,700	1,795

TELECOMMUNICATION SERVICES (1.41%)

BCE Inc.	15,694	385	555
TELUS Corp.	4,800	205	218
		590	773

TOTAL CANADIAN EQUITIES	40,630	53,543
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	Face Value \$	Average Cost \$	Fair Value \$
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CANADIAN BONDS (0.01%)**MASTER ASSET VEHICLES (0.01%)**

Master Asset Vehicle II, Class A-1, Floating Rate	0.573%	2056-07-15	11	8	8
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SHORT-TERM INVESTMENTS (2.27%)

			1,247	1,247
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TOTAL INVESTMENT PORTFOLIO (99.81%)	41,885	54,798
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OTHER NET ASSETS (0.19%)		102
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TOTAL NET ASSETS (100.00%)	54,900
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The accompanying Notes to the Financial Statements are an integral part of these statements.

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Select Canadian Fund (the "Fund") is invested in units of the Industrial Alliance Select Canadian Fund (the "underlying segregated fund").

The objective of the Fund is to obtain maximum tax deferral through long-term holding of the stocks of large capitalization Canadian companies.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	245	-	-	245
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	245	-	-	245

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	231	-	-	231
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	231	-	-	231

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010, the Fund, through its underlying segregated fund, had no significant exposure to credit risk.

As at December 31, 2009, the Fund, through its underlying segregated fund, had invested in debt instruments with the following credit ratings:

Debt Instruments* by Credit Rating	Percentage of Net Assets as at December 31, 2009 (%)
A	0.65
BBB	0.09
R1	2.36
Not rated	0.06

*Excludes other Net Assets

Credit ratings are obtained from DBRS, Standard & Poor's or Moody's.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

As at December 31, 2010, the majority of the underlying segregated fund's financial assets and liabilities were non-interest bearing and, accordingly, the Fund was not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

The table below summarizes the Fund's exposure, through its underlying segregated fund, to interest rate risk by remaining terms to maturity as at December 31, 2009. If the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, the Net Assets would have respectively decreased or increased by the amount presented under "Impact on Net Assets." The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2009

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non- interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	5	2	-	-	224	231	-

Currency Risk

As at December 31, 2010 and 2009, the Fund, through its underlying segregated fund, had no significant exposure to currency risk.

**Discussion of Financial Instrument
Risk Management (continued)****Other Price Risk**

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
S&P/TSX 60 Index	10.00	100.00	10.00	25

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
S&P/TSX 60 Index	10.00	100.00	10.00	23

Statements of Net Assets

As at December 31	2010	2009
In thousands (except number of units and per unit figures)	\$	\$
Investments at fair value*	846	933
NET ASSETS PER UNIT		
Individual annuities	39.06	35.37
UNITS OUTSTANDING		
Individual annuities	21,655	26,373
* Investments, at average cost	637	774

Statements of Operations

For the periods ended December 31 (Note 1)	2010	2009
In thousands	\$	\$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	28	38
Change in unrealized gain (loss) of investments	50	202
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	78	240

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1)	2010	2009
In thousands	\$	\$
NET ASSETS - BEGINNING OF THE PERIOD	933	935
Increase (decrease) in net assets from operations	78	240
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	10	28
Units redeemed	(175)	(270)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(87)	(2)
NET ASSETS - END OF THE PERIOD	846	933

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

Canadian Equity Value

Ultraflex II

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
Industrial Alliance Canadian Equity Value Fund	21,655	637	846

INDUSTRIAL ALLIANCE CANADIAN EQUITY VALUE FUND

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
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CANADIAN EQUITIES (84.13%)

ENERGY (23.29%)

Birchcliff Energy Ltd.	296,800	1,608	2,829
Cameco Corp.	166,100	3,633	6,685
Canadian Natural Resources Ltd.	444,000	8,038	19,656
Canadian Oil Sands Trust	264,300	9,553	6,988
Cenovus Energy Inc.	333,668	6,376	11,054
Crescent Point Energy Corp.	127,500	4,108	5,632
EnCana Corp.	273,668	3,598	7,947
Ensign Energy Services Inc.	91,000	1,143	1,367
Husky Energy Inc.	154,000	3,372	4,081
Nexen Inc.	391,800	8,885	8,929
Progress Energy Resources Corp.	229,000	2,796	2,909
Suncor Energy Inc.	683,640	12,320	26,101
Talisman Energy Inc.	479,500	8,411	10,602
Vermilion Energy Inc.	123,200	3,998	5,689
	77,839	120,469	

MATERIALS (22.91%)

Agnico-Eagle Mines Ltd.	112,600	5,376	8,608
Agrium Inc.	157,300	4,112	14,393
Barrick Gold Corp.	310,074	10,179	16,444
Eldorado Gold Corp.	110,000	2,092	2,033
First Quantum Minerals Ltd.	29,800	1,873	3,213
Goldcorp Inc.	292,445	7,403	13,391
HudBay Minerals Inc.	363,800	6,816	6,534
Inmet Mining Corp.	87,800	5,303	6,778
Kinross Gold Corp.	276,100	4,576	5,207
Methanex Corp.	87,000	2,008	2,623
Potash Corporation of Saskatchewan Inc.	114,000	9,842	17,592
Sherritt International Corp.	506,300	5,984	4,263
Teck Resources Ltd., Class B, SV	230,050	5,530	14,175
Thompson Creek Metals Co., Inc.	221,400	4,400	3,228
	75,494	118,482	

INDUSTRIALS (6.74%)

Canadian National Railway Co.	272,720	7,338	18,068
Canadian Pacific Railway Co.	78,550	2,131	5,074
Finning International Inc.	179,500	2,807	4,850
SNC-Lavalin Group Inc.	115,700	5,003	6,875
	17,279	34,867	

CONSUMER DISCRETIONARY (2.45%)

Canadian Tire Corporation Ltd., Class A, NV	73,400	2,021	5,005
Shaw Communications Inc., Class B, NV	114,600	2,143	2,441
Thomson Reuters Corp.	140,000	5,850	5,199
	10,014	12,645	

CONSUMER STAPLES (0.95%)

Shoppers Drug Mart Corp.	123,800	5,582	4,890
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FINANCIALS (22.94%)

Bank of Montreal	219,950	8,530	12,632
Bank of Nova Scotia	305,900	6,597	17,446
Brookfield Properties Corp.	130,150	1,956	2,273
Canadian Imperial Bank of Commerce	169,450	9,084	13,253
Manulife Financial Corp.	160,500	3,765	2,745
National Bank of Canada	97,400	4,566	6,660

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
Power Corporation of Canada, SV	166,000	4,090	4,583
Royal Bank of Canada	549,550	16,422	28,687
Sun Life Financial Services of Canada Inc.	229,000	5,562	6,874
The Toronto-Dominion Bank	317,000	12,885	23,490
	73,457	118,643	

INFORMATION TECHNOLOGY (2.32%)

Open Text Corp.	82,000	1,965	3,740
Research In Motion Ltd.	142,400	8,201	8,269
	10,166	12,009	

TELECOMMUNICATION SERVICES (2.53%)

BCE Inc.	250,786	7,091	8,860
TELUS Corp.	93,300	3,992	4,243
	11,083	13,103	

TOTAL CANADIAN EQUITIES	280,914	435,108	
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U.S. EQUITIES - INVESTMENT FUND (5.20%)

Industrial Alliance U.S. Equity Fund	3,081,455	27,830	26,885
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FOREIGN EQUITIES (0.99%)

OTHERS (0.99%)

iShares MSCI EAFE Index Fund	70,000	5,265	4,055
iShares MSCI Japan Index Fund	100,000	1,493	1,084
TOTAL FOREIGN EQUITIES	6,758	5,139	

FOREIGN EQUITIES - INVESTMENT FUND (6.83%)

Industrial Alliance International Equity Fund	300,520	3,193	3,935
MB Global Equity Fund	739,326	10,042	8,926
Templeton Master Trust Fund, Series 1	2,523,643	29,344	22,460
TOTAL FOREIGN EQUITIES - INVESTMENT FUND	42,579	35,321	

	Face Value \$	Average Cost \$	Fair Value \$
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CANADIAN BONDS (0.44%)

CORPORATES (0.20%)

Superior Trust, Floating Rate	1.987%	2016-09-28	1,175	1,175	1,014
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MASTER ASSET VEHICLES (0.24%)

Master Asset Vehicle II, Class A-1, Floating Rate	0.573%	2056-07-15	1,722	1,249	1,252
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TOTAL CANADIAN BONDS	2,424	2,266			
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SHORT-TERM INVESTMENTS (2.29%)

TOTAL INVESTMENT PORTFOLIO (99.88%)	372,325	516,540	
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OTHER NET ASSETS (0.12%)		631	
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TOTAL NET ASSETS (100.00%)	517,171		
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The accompanying Notes to the Financial Statements are an integral part of these statements.

Canadian Equity Value

Ultraflex II

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Canadian Equity Value Fund (the "Fund") is invested in units of the Industrial Alliance Canadian Equity Value Fund (the "underlying segregated fund"), which is invested in underlying funds as well as direct holdings of securities.

The objective of the Fund is to generate high capital appreciation over the long term through diversified investments in all economic sectors, mainly in securities of large Canadian companies. The investments also include a portion of foreign equities.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	846	-	-	846
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	846	-	-	846

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	933	-	-	933
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	933	-	-	933

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010, the Fund, through the direct holdings and the underlying funds of its underlying segregated fund, had no significant exposure to credit risk.

As at December 31, 2009, the Fund, through the direct holdings and the underlying funds of its underlying segregated fund, had invested in debt instruments with the following credit ratings:

Debt Instruments* by Credit Rating	Percentage of Net Assets as at December 31, 2009 (%)
AA	0.04
A	1.39
BBB	0.45
R1	5.96
Not rated	0.08

*Excludes other Net Assets

Credit ratings are obtained from DBRS, Standard & Poor's or Moody's.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

As at December 31, 2010, the majority of the underlying segregated fund's financial assets and liabilities were non-interest bearing and, accordingly, the Fund was not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

The table below summarizes the Fund's exposure, through the direct holdings and the underlying funds of its underlying segregated fund, to interest rate risk by remaining terms to maturity as at December 31, 2009. If the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, the Net Assets would have respectively decreased or increased by the amount presented under "Impact on Net Assets." The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2009

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non- interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	56	4	14	-	859	933	1

Canadian Equity Value

Ultraflex II

Discussion of Financial Instrument Risk Management (continued)

Currency Risk

The tables below summarize the Fund's exposure, through the direct holdings and the underlying funds of its underlying segregated fund, to currency risk and the impact on Net Assets as at December 31, 2010 and 2009, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
CHF	3	-	3	0.33	-
EUR	14	-	14	1.63	1
GBP	8	-	8	0.95	-
HKD	1	-	1	0.15	-
JPY	5	-	5	0.57	-
KRW	1	-	1	0.12	-
NOK	1	-	1	0.10	-
SEK	1	-	1	0.07	-
SGD	1	-	1	0.12	-
TWD	1	-	1	0.07	-
USD	73	-	73	8.59	4

As at December 31, 2009

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
AUD	1	-	1	0.07	-
BRL	1	-	1	0.10	-
CHF	4	-	4	0.41	-
DKK	2	-	2	0.24	-
EUR	16	-	16	1.67	1
GBP	8	-	8	0.84	-
HKD	1	-	1	0.12	-
ILS	1	-	1	0.14	-
JPY	3	-	3	0.29	-
KRW	2	-	2	0.26	-
NOK	1	-	1	0.09	-
SEK	2	-	2	0.23	-
SGD	1	-	1	0.14	-
TWD	1	-	1	0.09	-
USD	78	-	78	8.35	4

See Note 4 to the Financial Statements for currency symbols.

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
S&P/TSX Composite Index	10.00	90.00	9.00	76
MSCI - World Index (Can. \$) (net ret.)	10.00	10.00	1.00	8

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
S&P/TSX Composite Index	10.00	90.00	9.00	84
MSCI - World Index (Can. \$) (net ret.)	10.00	10.00	1.00	9

Canadian Equity Funds

Canadian Equity (Dynamic)

Ultraflex II

Statements of Net Assets

As at December 31 In thousands (except number of units and per unit figures)	2010 \$	2009 \$
Investments at fair value*	4,326	7,792
NET ASSETS PER UNIT		
Individual annuities	19.82	17.57
UNITS OUTSTANDING		
Individual annuities	218,310	443,483
* Investments, at average cost	3,428	6,596

Statements of Operations

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	693	307
Change in unrealized gain (loss) of investments	(298)	2,174
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	395	2,481

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
NET ASSETS - BEGINNING OF THE PERIOD	7,792	5,240
Increase (decrease) in net assets from operations	395	2,481
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	1,213	3,578
Units redeemed	(5,074)	(3,507)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(3,466)	2,552
NET ASSETS - END OF THE PERIOD	4,326	7,792

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

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
Industrial Alliance Canadian Equity (Dynamic) Fund	218,310	3,428	4,326

INDUSTRIAL ALLIANCE CANADIAN EQUITY (DYNAMIC) FUND

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
APEX Canadian Value (Dynamic) Fund	32,726,362	334 779	456 148
TOTAL NET ASSETS (100.00%)		334 779	456 148

APEX CANADIAN VALUE (DYNAMIC) FUND

Top 25 Holdings of the Underlying Fund

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$	% of Portfolio
Osisko Mining Corp.	2,743,329	14,583	39,724	6.13%
Magna International Inc., Class A	690,400	20,593	35,694	5.51%
Kinross Gold Corp.	1,678,500	29,382	31,656	4.89%
Research In Motion Ltd.	523,500	31,428	30,273	4.67%
HudBay Minerals Inc.	1,685,172	13,030	30,266	4.67%
Arch Coal Inc.	839,400	15,859	29,270	4.52%
EnCana Corp.	981,400	31,692	28,500	4.40%
Freeport-McMoRan Copper & Gold Inc.	229,200	17,425	27,385	4.23%
Progress Energy Resources Corp.	1,978,800	24,886	25,130	3.88%
Royal Bank of Canada	479,900	22,189	25,051	3.87%
Eldorado Gold Corp.	1,315,200	13,154	24,318	3.75%
Israel Chemicals Ltd.	1,383,840	12,604	23,662	3.65%
Canadian Natural Resources Ltd.	530,200	18,555	23,472	3.62%
Halliburton Co.	552,500	20,284	22,443	3.46%
Bank of America Corp.	1,690,800	27,393	22,434	3.46%
Bank of Nova Scotia	387,800	16,879	22,116	3.41%
The Toronto-Dominion Bank	291,600	16,751	21,607	3.34%
Bank of Montreal	368,000	21,459	21,134	3.26%
Rogers Communications Inc., Class B, NV	511,600	15,154	17,655	2.73%
Petrohawk Energy Corp.	836,100	18,454	15,176	2.34%
Canadian Oil Sands Trust	546,200	14,736	14,441	2.23%
RONA Inc.	948,900	12,230	13,398	2.07%
IGM Financial Inc.	249,988	10,353	10,842	1.67%
Vicwest Income Fund	662,830	8,169	10,028	1.55%
Canam Group Inc.	1,286,200	6,340	9,338	1.44%
		453,582	575,013	88.75%

Canadian Equity (Dynamic)

Ultraflex II

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Canadian Equity (Dynamic) Fund (the "Fund") is invested in units of the Industrial Alliance Canadian Equity (Dynamic) Fund (the "underlying segregated fund"), which is invested in units of the APEX Canadian Value (Dynamic) Fund (the "underlying fund"), which is managed by Dynamic Funds Inc.

The Fund targets long-term capital growth mainly through investments in Canadian equity securities. The manager of the Fund suits investors with investment horizons that are sufficiently distant to tolerate the volatility of the market values.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	4,326	-	-	4,326
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	4,326	-	-	4,326

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	7,792	-	-	7,792
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	7,792	-	-	7,792

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010 and 2009, the Fund, through its underlying fund, had invested in debt instruments with the following credit ratings:

Debt Instruments* by Credit Rating	Percentage of Net Assets as at December 31, 2010 (%)	Percentage of Net Assets as at December 31, 2009 (%)
AA	-	3.68
R1	6.59	-

*Excludes other Net Assets

Credit ratings are obtained from DBRS, Standard & Poor's or Moody's.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

As at December 31, 2010, the majority of the underlying fund's financial assets and liabilities were non-interest bearing and, accordingly, the Fund was not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

The table below summarizes the Fund's exposure, through its underlying fund, to interest rate risk by remaining terms to maturity as at December 31, 2009. If the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, the Net Assets would have respectively decreased or increased by the amount presented under "Impact on Net Assets." The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2009

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non- interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	287	-	-	-	7,505	7,792	-

Discussion of Financial Instrument Risk Management (continued)

Currency Risk

The tables below summarize the Fund's exposure, through its underlying fund, to currency risk and the impact on Net Assets as at December 31, 2010 and 2009, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
ILS	158	-	158	3.65	8
USD	1,220	(592)	628	14.51	31

As at December 31, 2009

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
IDR	85	-	85	1.09	4
ILS	203	-	203	2.61	10
USD	1,255	(666)	589	7.57	29

See Note 4 to the Financial Statements for currency symbols.

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
S&P/TSX Composite Index	10.00	100.00	10.00	433

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
S&P/TSX Composite Index	10.00	100.00	10.00	779

Statements of Net Assets

As at December 31 In thousands (except number of units and per unit figures)	2010 \$	2009 \$
Investments at fair value*	2,329	2,551
NET ASSETS PER UNIT		
Individual annuities	24.18	21.72
UNITS OUTSTANDING		
Individual annuities	96,351	117,460
* Investments, at average cost	1,575	1,907

Statements of Operations

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	137	126
Change in unrealized gain (loss) of investments	110	552
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	247	678

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
NET ASSETS - BEGINNING OF THE PERIOD	2,551	2,463
Increase (decrease) in net assets from operations	247	678
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	68	63
Units redeemed	(537)	(653)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(222)	88
NET ASSETS - END OF THE PERIOD	2,329	2,551

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

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
Industrial Alliance Fidelity True North [®] Fund	96,351	1,575	2,329

INDUSTRIAL ALLIANCE FIDELITY TRUE NORTH[®] FUND

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
INVESTMENT FUND (100.18%)			
Fidelity True North [®] Fund, Series O	11,350,409	287,024	386,573
OTHER NET ASSETS (-0.18%)			(694)
TOTAL NET ASSETS (100.00%)			385,879

FIDELITY TRUE NORTH NORTH[®] FUND

Top 25 Holdings of the Underlying Fund

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	% of Portfolio
The Toronto-Dominion Bank	5,150,000	268,525	6.84%
Suncor Energy Inc.	6,725,000	257,675	4.61%
Canadian Imperial Bank of Commerce	3,175,000	226,060	4.45%
Canadian Natural Resources Ltd.	5,150,000	118,077	4.09%
Talisman Energy Inc.	10,000,000	170,722	3.96%
Goldcorp Inc.	4,400,000	144,883	3.61%
Potash Corporation of Saskatchewan Inc.	1,200,000	93,188	3.32%
Power Corporation of Canada, SV	6,075,000	140,895	3.01%
Barrick Gold Corp.	3,150,000	136,183	2.99%
Teck Resources Ltd., Class B, SV	2,450,000	70,693	2.71%
Canadian National Railway Co.	2,020,000	96,926	2.40%
Research In Motion Ltd.	1,975,000	98,955	2.05%
CGI Group Inc., Class A, SV	6,275,000	96,636	1.93%
Silver Wheaton Corp.	2,650,000	32,563	1.85%
Agrium Inc.	1,100,000	53,652	1.80%
Manulife Financial Corp.	5,775,000	116,707	1.77%
Shoppers Drug Mart Corp.	2,450,000	91,058	1.73%
Niko Resources Ltd.	925,000	75,563	1.71%
Rogers Communications Inc., Class B, NV	2,750,000	59,196	1.70%
Royal Bank of Canada	1,800,000	72,123	1.68%
BCE Inc.	2,475,000	87,701	1.56%
Apple Inc.	260,000	51,104	1.50%
Alimentation Couche-Tard Inc., Class B, SV	3,075,000	59,540	1.49%
Gildan Activewear Inc.	2,925,000	73,899	1.48%
Enbridge Inc.	1,450,000	66,852	1.46%
		2,759,376	65.70%

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Fidelity True North[®] Fund (the "Fund") is invested in units of the Industrial Alliance Fidelity True North[®] Fund (the "underlying segregated fund"), which is invested in units of the Fidelity True North[®] Fund (the "underlying fund"), which is managed by Fidelity Investments Inc.

The Fund targets long-term capital appreciation by investing in equity securities of growth-oriented Canadian companies at reasonable prices. The manager manages relative to the benchmark but will take the necessary deviations to generate attractive value added compared to index. The manager is well supported by the analysts of Team Canada.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	2,329	-	-	2,329
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	2,329	-	-	2,329

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	2,551	-	-	2,551
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	2,551	-	-	2,551

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010 and 2009, the Fund, through its underlying fund, had no significant exposure to credit risk.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

As at December 31, 2010 and 2009, the majority of the underlying fund's financial assets and liabilities were non-interest bearing and, accordingly, the Fund was not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

Currency Risk

The tables below summarize the Fund's exposure, through its underlying fund, to currency risk and the impact on Net Assets as at December 31, 2010 and 2009, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
GBP	1	-	1	0.05	-
USD	198	-	198	8.49	10

As at December 31, 2009

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
USD	158	-	158	6.20	8

See Note 4 to the Financial Statements for currency symbols.

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
S&P/TSX Capped Composite Index	10.00	100.00	10.00	233

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
S&P/TSX Capped Composite Index	10.00	100.00	10.00	255

Statements of Net Assets

As at December 31	2010	2009
In thousands (except number of units and per unit figures)	\$	\$
Investments at fair value*	2,747	1,527
NET ASSETS PER UNIT		
Individual annuities	22.99	20.00
UNITS OUTSTANDING		
Individual annuities	119,508	76,343
* Investments, at average cost	2,030	1,041

Statements of Operations

For the periods ended December 31 (Note 1)	2010	2009
In thousands	\$	\$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	105	73
Change in unrealized gain (loss) of investments	231	437
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	336	510

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1)	2010	2009
In thousands	\$	\$
NET ASSETS - BEGINNING OF THE PERIOD	1,527	1,232
Increase (decrease) in net assets from operations	336	510
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	1,395	93
Units redeemed	(511)	(308)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	1,220	295
NET ASSETS - END OF THE PERIOD	2,747	1,527

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

Canadian Equity Growth

Ultraflex II

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
Industrial Alliance Canadian Equity Growth Fund	119,508	2,030	2,747

INDUSTRIAL ALLIANCE CANADIAN EQUITY GROWTH FUND

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
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CANADIAN EQUITIES (97.24%)

ENERGY (26.12%)

Angle Energy Inc.	155,900	1,139	1,286
Cameco Corp.	61,600	1,826	2,480
Canadian Natural Resources Ltd.	199,200	6,684	8,818
Canadian Oil Sands Trust	96,400	2,853	2,549
Canyon Services Group Inc.	115,200	323	1,245
Cenovus Energy Inc.	138,096	3,685	4,575
Crescent Point Energy Corp.	41,500	1,610	1,833
Crew Energy Inc.	70,500	856	1,346
Emerge Oil & Gas Inc.	369,000	1,415	1,324
Enbridge Inc.	64,200	2,972	3,610
EnCana Corp.	111,596	3,463	3,241
GasFrac Energy Services Inc.	158,200	925	1,444
Husky Energy Inc.	48,200	1,353	1,278
Imperial Oil Ltd.	46,800	1,949	1,896
Nexen Inc.	109,100	2,869	2,486
NuVista Energy Ltd.	140,000	1,476	1,295
Parex Resources Inc.	110,000	639	946
Penn West Energy Trust	80,000	1,845	1,906
Precision Drilling Corp.	117,000	1,011	1,123
Progress Energy Resources Corp.	65,000	775	826
Southern Pacific Resource Corp.	550,000	736	913
Suncor Energy Inc.	263,420	9,366	10,057
Talisman Energy Inc.	183,800	3,114	4,064
TransCanada Corp.	99,700	3,613	3,781
Vero Energy Inc.	195,600	964	1,118
		57,461	65,440

MATERIALS (26.37%)

Agnico-Eagle Mines Ltd.	27,400	1,792	2,095
Agrium Inc.	36,400	2,375	3,331
Alderon Resource Corp.	315,000	685	970
Baja Mining Corp.	960,000	985	1,065
Barrick Gold Corp.	180,600	7,140	9,578
Belo Sun Mining Corp.	1,134,500	541	998
Cline Mining Corp.	270,000	752	1,088
Dalradian Resources Inc.	220,000	486	473
Denison Mines Corp.	211,200	715	716
Dundee Precious Metals Inc.	90,400	390	848
Eldorado Gold Corp.	102,300	1,584	1,892
Equinox Minerals Ltd.	200,000	1,095	1,222
First Quantum Minerals Ltd.	13,000	801	1,401
Fortress Paper Ltd.	47,700	1,097	2,129
Goldcorp Inc.	143,530	5,410	6,573
Hana Mining Ltd.	231,400	408	1,092
HudBay Minerals Inc.	45,000	624	808
IAMGold Corp.	82,000	1,566	1,451
Inmet Mining Corp.	20,500	1,306	1,583
Kinross Gold Corp.	165,361	3,008	3,119
Kinross Gold Corp., Warrants, September 2014	3,091	-	14
Labrador Iron Ore Royalty Corp.	15,600	800	1,049
Macarthur Minerals Ltd.	35,000	95	107
Methanex Corp.	45,000	1,074	1,357
New Hana Copper Mining Ltd.	72,325	35	87
Osisko Mining Corp.	100,000	1,156	1,448
Potash Corporation of Saskatchewan Inc.	54,800	6,701	8,456
Quadra FNX Mining Ltd.	87,900	1,043	1,469
Queenston Mining Inc.	127,000	698	747
Sino-Forest Corp.	82,600	1,296	1,920
Teck Resources Ltd., Class B, SV	87,200	2,551	5,374
Yamana Gold Inc.	125,300	1,383	1,596
		49,592	66,056

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
INDUSTRIALS (5.85%)			
Bombardier Inc., Class B, SV	342,700	1,619	1,714
Canadian National Railway Co.	83,400	4,536	5,525
Canadian Pacific Railway Co.	37,400	2,016	2,416
Churchill Corp., Class A	59,500	1,068	1,079
Rocky Mountain Dealerships Inc.	142,600	1,238	1,269
SNC-Lavalin Group Inc.	20,000	922	1,188
TransForce Inc.	117,100	830	1,470
		12,229	14,661

CONSUMER DISCRETIONARY (3.66%)

Astral Media Inc., Class A, NV	31,200	1,049	1,309
Canadian Tire Corporation Ltd., Class A, NV	23,700	1,232	1,616
Dollarama Inc.	43,000	1,226	1,237
Magna International Inc., Class A, SV	50,000	1,383	2,588
Martinrea International Inc.	88,800	633	790
Quebecor Inc., Class B	43,000	1,454	1,617
		6,977	9,157

CONSUMER STAPLES (0.63%)

Empire Co. Ltd., Class A, NV	25,400	1,278	1,409
GLG Life Tech Corp.	16,600	146	177
		1,424	1,586

FINANCIALS (26.27%)

Bank of Montreal	85,100	4,503	4,887
Bank of Nova Scotia	159,200	7,285	9,080
Brookfield Asset Management Inc., Class A, LV	85,250	2,240	2,826
Canadian Imperial Bank of Commerce	70,700	4,593	5,529
Canadian Western Bank	50,600	1,067	1,435
Crombie Real Estate Investment Trust	58,000	685	731
Equitable Group Inc.	44,100	968	1,102
Laurentian Bank of Canada	25,000	1,084	1,201
Manulife Financial Corp.	331,000	7,408	5,660
National Bank of Canada	37,600	2,141	2,571
Power Corporation of Canada, SV	75,100	2,227	2,073
Power Financial Corp.	45,600	1,485	1,398
Royal Bank of Canada	232,240	11,903	12,123
Sun Life Financial Services of Canada Inc.	111,500	3,735	3,348
The Great-West Life Assurance Co.	65,900	1,756	1,737
The Toronto-Dominion Bank	136,450	9,109	10,110
		62,189	65,811

INFORMATION TECHNOLOGY (4.26%)

Bridgewater Systems Corp.	20,000	150	172
CGI Group Inc., Class A, SV	71,000	884	1,220
MacDonald, Dettwiler and Associates Ltd.	22,500	622	1,137
Open Text Corp.	25,700	1,110	1,173
Research In Motion Ltd.	99,100	7,186	5,754
Softchoice Corp.	158,200	1,315	1,218
		11,267	10,674

TELECOMMUNICATION SERVICES (3.68%)

BCE Inc.	117,200	3,469	4,141
Rogers Communications Inc., Class B, NV	89,200	3,026	3,078
TELUS Corp.	44,200	1,737	2,010
		8,232	9,229

UTILITIES (0.40%)

Borex Inc., Class A	123,000	1,006	996
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TOTAL CANADIAN EQUITIES		210,377	243,610
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U.S. EQUITIES (0.46%)

ENERGY (0.46%)			
Gran Tierra Energy Inc.	145,000	876	1,160

Statement of Investment Portfolio (continued)

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$		
FOREIGN EQUITIES (0.50%)					
ENERGY (0.50%)					
Paladin Energy Ltd.	250,000	908	1,253		
	Face Value \$	Average Cost \$	Fair Value \$		
CANADIAN BONDS (0.04%)					
CORPORATES (0.04%)					
Superior Trust, Floating Rate	1.987%	2016-09-28	109	108	94
MASTER ASSET VEHICLES (0.00%)					
Master Asset Vehicle II, Class A-1, Floating Rate	0.573%	2056-07-15	7	5	5
TOTAL CANADIAN BONDS			113	99	
SHORT-TERM INVESTMENTS (2.25%)			5,636	5,636	
TOTAL INVESTMENT PORTFOLIO (100.49%)			217,910	251,758	
OTHER NET ASSETS (-0.49%)					(1,231)
TOTAL NET ASSETS (100.00%)				250,527	

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

Canadian Equity Growth

Ultraflex II

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Canadian Equity Growth Fund (the "Fund") is invested in units of the Industrial Alliance Canadian Equity Growth Fund (the "underlying segregated fund"), which is primarily invested in medium and large capitalization Canadian companies, and a small proportion of the portfolio is invested in small capitalization companies.

The manager of the Fund looks for securities that present a good growth profile. The Fund remains diversified in terms of stock market sectors and can occasionally contain foreign securities.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	2,747	-	-	2,747
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	2,747	-	-	2,747

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	1,527	-	-	1,527
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	1,527	-	-	1,527

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010, the Fund, through its underlying segregated fund, had no significant exposure to credit risk.

As at December 31, 2009, the Fund, through its underlying segregated fund, had invested in debt instruments with the following credit ratings:

Debt Instruments* by Credit Rating	Percentage of Net Assets as at December 31, 2009 (%)
A	0.10
BBB	0.03
R1	4.30

*Excludes other Net Assets

Credit ratings are obtained from DBRS, Standard & Poor's or Moody's.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

As at December 31, 2010, the majority of the underlying segregated fund's financial assets and liabilities were non-interest bearing and, accordingly, the Fund was not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

The table below summarizes the Fund's exposure, through its underlying segregated fund, to interest rate risk by remaining terms to maturity as at December 31, 2009. If the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, the Net Assets would have respectively decreased or increased by the amount presented under "Impact on Net Assets." The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2009

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non- interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	66	-	2	-	1,459	1,527	-

Currency Risk

As at December 31, 2010 and 2009, the Fund, through its underlying segregated fund, had no significant exposure to currency risk.

**Discussion of Financial Instrument
Risk Management (continued)****Other Price Risk**

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
S&P/TSX Composite Index	10.00	100.00	10.00	275

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
S&P/TSX Composite Index	10.00	100.00	10.00	153

Fidelity Canadian Opportunities

Ultraflex II

Statements of Net Assets

As at December 31 In thousands (except number of units and per unit figures)	2010 \$	2009 \$
Investments at fair value*	3,724	3,387
NET ASSETS PER UNIT		
Individual annuities	28.63	23.18
UNITS OUTSTANDING		
Individual annuities	130,048	146,135
* Investments, at average cost	2,545	2,617

Statements of Operations

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	286	98
Change in unrealized gain (loss) of investments	409	754
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	695	852

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
NET ASSETS - BEGINNING OF THE PERIOD	3,387	1,523
Increase (decrease) in net assets from operations	695	852
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	771	1,394
Units redeemed	(1,129)	(382)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	337	1,864
NET ASSETS - END OF THE PERIOD	3,724	3,387

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

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
Industrial Alliance Fidelity Canadian Opportunities Fund	130,048	2,545	3,724

INDUSTRIAL ALLIANCE FIDELITY CANADIAN OPPORTUNITIES FUND

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
INVESTMENT FUND (100.05%)			
Fidelity Canadian Opportunities Fund, Series O	9,810,667	159,750	207,309
SHORT-TERM INVESTMENTS (0.48%)		1,000	1,000
TOTAL INVESTMENT PORTFOLIO (100.53%)		160,750	208,309
OTHER NET ASSETS (-0.53%)			(1,090)
TOTAL NET ASSETS (100.00%)			207,219

FIDELITY CANADIAN OPPORTUNITIES FUND

Top 25 Holdings of the Underlying Fund

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	% of Portfolio
Shoppers Drug Mart Corp.	850,000	32,141	3.35%
GLV Inc.	3,920,000	27,370	2.96%
Great-West Lifeco Inc.	1,025,000	23,421	2.70%
The Jean Coutu Group (PJC) Inc., Class A, SV	2,500,000	22,535	2.40%
Petrobank Energy & Resources	925,000	21,539	2.33%
Trinidad Drilling Ltd.	3,500,000	17,913	2.20%
Petrominerales Ltd.	568,875	16,630	1.88%
Advantage Oil & Gas Ltd.	2,650,000	17,614	1.79%
CGI Group Inc., Class A, SV	1,025,000	12,797	1.76%
Enghouse Systems Ltd.	2,025,000	13,546	1.72%
Norbord Inc.	1,175,000	13,159	1.72%
Mood Media Corp.	8,075,000	11,173	1.53%
Research In Motion Ltd.	260,000	13,776	1.50%
Franco-Nevada Corp.	450,000	13,416	1.49%
TimberWest Forest Corp.	3,500,015	13,208	1.47%
Fairfax Financial Holdings Ltd., SV	35,000	10,615	1.43%
Alimentation Couche-Tard Inc., Class B, SV	500,000	8,943	1.35%
TransAtlantic Petroleum Corp.	3,999,994	12,512	1.33%
Pan Orient Energy Corp.	1,975,000	10,861	1.31%
Uni-Select Inc.	482,300	12,852	1.30%
Progress Energy Resources Corp.	1,025,000	11,542	1.30%
COM DEV International Ltd.	6,009,900	11,268	1.29%
Niko Resources Ltd.	125,000	12,102	1.29%
Capital Power Corp.	500,000	10,784	1.18%
Cineplex Galaxy Income Fund	525,000	10,196	1.17%
		381,913	43.75%

Fidelity Canadian Opportunities

Ultraflex II

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Fidelity Canadian Opportunities Fund (the "Fund") is invested in units of the Industrial Alliance Fidelity Canadian Opportunities Fund (the "underlying segregated fund"), which is invested in units of the Fidelity Canadian Opportunities Fund (the "underlying fund"), which is managed by Fidelity Investments Inc.

The Fund's objective is to achieve long-term capital growth. The Fund invests in Canadian companies whose stocks are trading at prices that reflect good value. The Fund can invest in all capitalizations, but favours small and medium capitalization securities whose risks are alleviated through diversification of the portfolio. It can invest up to 30% of its assets in foreign companies.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	3,724	-	-	3,724
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	3,724	-	-	3,724

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	3,387	-	-	3,387
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	3,387	-	-	3,387

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010 and 2009, the Fund, through its underlying fund, had no significant exposure to credit risk.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

As at December 31, 2010 and 2009, the majority of the underlying fund's financial assets and liabilities were non-interest bearing and, accordingly, the Fund was not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

Currency Risk

As at December 31, 2010, the Fund, through its underlying fund, had no significant exposure to currency risk.

The table below summarizes the Fund's exposure, through its underlying fund, to currency risk and the impact on Net Assets as at December 31, 2009, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2009

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
AUD	15	-	15	0.45	1
DKK	36	-	36	1.07	2
GBP	19	-	19	0.55	1
USD	67	-	67	1.99	3

See Note 4 to the Financial Statements for currency symbols.

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
S&P/TSX Completion Index	10.00	100.00	10.00	372

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
S&P/TSX Completion Index	10.00	100.00	10.00	339

U.S. & International Equity Funds

Global Equity (Templeton)

Ultraflex II

Statements of Net Assets

As at December 31 In thousands (except number of units and per unit figures)	2010 \$	2009 \$
Investments at fair value*	1,252	1,474
NET ASSETS PER UNIT		
Individual annuities	9.65	9.74
UNITS OUTSTANDING		
Individual annuities	129,780	151,322
* Investments, at average cost	1,611	1,887

Statements of Operations

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	(78)	(78)
Change in unrealized gain (loss) of investments	54	228
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	(24)	150

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
NET ASSETS - BEGINNING OF THE PERIOD	1,474	1,453
Increase (decrease) in net assets from operations	(24)	150
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	45	66
Units redeemed	(243)	(195)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(222)	21
NET ASSETS - END OF THE PERIOD	1,252	1,474

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

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
Industrial Alliance Global Equity (Templeton) Fund	129,780	1,611	1,252

INDUSTRIAL ALLIANCE GLOBAL EQUITY (TEMPLETON) FUND

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
INVESTMENT FUND (100.15%)			
Templeton Master Trust Fund, Series 1	21,564,247	215,814	191,922
OTHER NET ASSETS (-0.15%)			(297)
TOTAL NET ASSETS (100.00%)			191,625

TEMPLETON MASTER TRUST FUND

Top 25 Holdings of the Underlying Fund

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Fair Value \$	% of Portfolio
Chesapeake Energy Corp.	290,110	7,496	1.75%
Samsung Electronics Co. Ltd.	8,585	7,246	1.69%
Vodafone Group PLC	2,781,938	7,180	1.68%
Siemens AG, Registered	55,350	6,879	1.61%
Baker Hughes Inc.	116,760	6,656	1.55%
Crédit Agricole SA	501,441	6,357	1.48%
Rexam PLC	1,202,400	6,241	1.46%
Telenor ASA	381,270	6,190	1.45%
Michelin S.A., Class B	85,872	6,152	1.44%
Time Warner Cable Inc.	90,605	5,966	1.39%
Taiwan Semiconductor Manufacturing Co. Ltd.	2,432,959	5,905	1.38%
Nintendo Co. Ltd.	19,600	5,738	1.34%
Iberdrola SA	698,628	5,376	1.25%
ING Groep N.V.	553,191	5,372	1.25%
Microsoft Corp.	192,430	5,358	1.25%
Deutsche Lufthansa AG	237,690	5,216	1.22%
Amgen Inc.	94,710	5,185	1.21%
Cisco Systems, Inc.	256,920	5,183	1.21%
Akzo Nobel NV	82,516	5,117	1.19%
Infineon Technologies AG	541,632	5,064	1.18%
Koninklijke Philips Electronics N.V.	162,430	4,966	1.16%
SAP AG	97,780	4,947	1.15%
The News Corp. Ltd., Class A	337,380	4,898	1.14%
Singapore Telecommunications Ltd.	2,068,000	4,902	1.14%
ITOCHU Corp.	473,800	4,784	1.12%
		144,374	33.69%

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Global Equity (Templeton) Fund (the "Fund") is invested in units of the Industrial Alliance Global Equity (Templeton) Fund (the "underlying segregated fund"), which is invested in units of the Templeton Master Trust Fund (the "underlying fund"), which is managed by Franklin Templeton Investments Corp.

The investment objective of the Fund is long-term capital appreciation by investing mainly in equity securities from around the world. The securities in the portfolio are therefore securities of established companies with mid- to large-market capitalizations, from different countries around the world.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	1,252	-	-	1,252
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	1,252	-	-	1,252

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	1,474	-	-	1,474
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	1,474	-	-	1,474

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010 and 2009, the Fund, through its underlying fund, had no significant exposure to credit risk.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

As at December 31, 2010 and 2009, the majority of the underlying fund's financial assets and liabilities were non-interest bearing and, accordingly, the Fund was not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

Discussion of Financial Instrument Risk Management (continued)

Currency Risk

The tables below summarize the Fund's exposure, through its underlying fund, to currency risk and the impact on Net Assets as at December 31, 2010 and 2009, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
CHF	42	-	42	3.35	2
EUR	355	-	355	28.33	18
GBP	166	-	166	13.25	8
HKD	32	-	32	2.55	2
JPY	90	-	90	7.20	5
KRW	28	-	28	2.23	1
NOK	24	-	24	1.90	1
SEK	12	-	12	0.98	1
SGD	27	-	27	2.12	1
TWD	17	-	17	1.38	1
USD	419	-	419	33.48	21

As at December 31, 2009

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
AUD	6	-	6	0.38	-
BRL	33	-	33	2.25	2
CHF	22	-	22	1.47	1
CNY	8	-	8	0.57	-
EUR	459	-	459	31.11	23
GBP	214	-	214	14.52	11
HKD	11	-	11	0.72	1
JPY	62	-	62	4.21	3
KRW	36	-	36	2.44	2
NOK	26	-	26	1.76	1
PHP	10	-	10	0.66	-
RUB	10	-	10	0.70	1
SEK	65	-	65	4.43	3
SGD	38	-	38	2.56	2
TWD	25	-	25	1.71	1
USD	398	-	398	27.01	20

See Note 4 to the Financial Statements for currency symbols.

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
MSCI - World Index (Can. \$) (net ret.)	10.00	100.00	10.00	125

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
MSCI - World Index (Can. \$) (net ret.)	10.00	100.00	10.00	147

U.S. & International Equity Funds

International Equity Index

Ultraflex II

Statements of Net Assets

As at December 31 In thousands (except number of units and per unit figures)	2010 \$	2009 \$
Investments at fair value*	107	110
NET ASSETS PER UNIT		
Individual annuities	6.70	6.73
UNITS OUTSTANDING		
Individual annuities	16,011	16,312
* Investments, at average cost	109	114

Statements of Operations

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	(3)	(7)
Change in unrealized gain (loss) of investments	2	14
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	(1)	7

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
NET ASSETS - BEGINNING OF THE PERIOD	110	139
Increase (decrease) in net assets from operations	(1)	7
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	18	3
Units redeemed	(20)	(39)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(3)	(29)
NET ASSETS - END OF THE PERIOD	107	110

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

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
Industrial Alliance International Equity Index Fund	16,011	109	107

INDUSTRIAL ALLIANCE INTERNATIONAL EQUITY INDEX FUND

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
INVESTMENT FUND (100.39%)			
BlackRock CDN MSCI EAFE Equity Index Fund, Class D	1,431,008	12,032	13,973
OTHER NET ASSETS (-0.39%)			(54)
TOTAL NET ASSETS (100.00%)			13,919

BLACKROCK CDN MSCI EAFE EQUITY INDEX FUND

Top 25 Holdings of the Underlying Fund

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$	% of Portfolio
Nestlé SA, Registered	306,677	15,250	18,014	1.82%
HSBC Holdings PLC	1,502,670	15,781	15,318	1.55%
BHP Billiton Ltd.	286,458	10,671	13,287	1.34%
Vodafone Group PLC	4,501,492	10,410	11,685	1.18%
BP PLC	1,602,802	14,260	11,683	1.18%
Novartis AG, Registered	186,757	11,301	11,010	1.11%
Royal Dutch Shell PLC, Class A	302,392	8,618	10,125	1.02%
Toyota Motor Corp.	244,091	12,971	9,691	0.98%
Total SA	180,236	11,176	9,587	0.97%
Roche Holdings AG	62,176	11,521	9,139	0.92%
Siemens AG, Registered	72,822	6,838	9,056	0.91%
Rio Tinto PLC	123,703	5,990	8,689	0.88%
GlaxoSmithKline PLC	442,977	8,916	8,600	0.87%
Telefonica SA	363,541	8,163	8,274	0.83%
Banco Santander SA	728,236	9,971	7,745	0.78%
Royal Dutch Shell PLC, Class B	229,845	6,604	7,611	0.77%
BHP Billiton PLC	188,266	4,774	7,519	0.76%
Commonwealth Bank of Australia	132,027	6,189	6,871	0.69%
British American Tobacco PLC	170,314	5,011	6,569	0.66%
BASF AG	81,284	4,372	6,510	0.66%
Mitsubishi UFJ Financial Group Inc.	1,127,001	9,387	6,100	0.62%
Anglo American PLC	112,561	4,335	5,878	0.59%
BG Group PLC	288,296	4,611	5,850	0.59%
Westpac Banking Corp.	254,775	6,132	5,800	0.59%
Sanofi-Aventis SA	89,429	6,584	5,741	0.58%
	219,836	226,352	22,855	

**Discussion of Financial Instrument
Risk Management**

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The International Equity Index Fund (the "Fund") is invested in units of the Industrial Alliance International Equity Index Fund (the "underlying segregated fund"), which is invested in units of the BlackRock CDN MSCI EAFE Equity Index Fund (the "underlying fund"), which is managed by BlackRock.

The Fund's objective is to provide long-term capital appreciation by investing in securities from Europe, Australasia and the Far East.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	107	-	-	107
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	107	-	-	107

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	110	-	-	110
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	110	-	-	110

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010 and 2009, the Fund, through its underlying fund, had no significant exposure to credit risk.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

As at December 31, 2010 and 2009, the majority of the underlying fund's financial assets and liabilities were non-interest bearing and, accordingly, the Fund was not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

Currency Risk

The tables below summarize the Fund's exposure, through its underlying fund, to currency risk and the impact on Net Assets as at December 31, 2010 and 2009, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
AUD	9	-	9	8.51	-
CHF	8	-	8	7.74	-
DKK	1	-	1	0.96	-
EUR	30	-	30	28.26	2
GBP	22	-	22	20.71	1
HKD	3	-	3	2.74	-
ILS	1	-	1	0.76	-
JPY	23	-	23	21.31	1
NOK	1	-	1	0.80	-
SEK	3	-	3	3.10	-
SGD	2	-	2	1.65	-

As at December 31, 2009

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
AUD	9	-	9	8.38	-
CHF	8	-	8	7.51	-
DKK	1	-	1	0.86	-
EUR	37	-	37	33.38	2
GBP	24	-	24	21.56	1
HKD	3	-	3	2.30	-
JPY	22	-	22	20.35	1
NOK	1	-	1	0.80	-
SEK	3	-	3	2.48	-
SGD	2	-	2	1.47	-

See Note 4 to the Financial Statements for currency symbols.

**Discussion of Financial Instrument
Risk Management (continued)**

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
MSCI - EAFE Index (Can. \$) (net ret.) (Reuters)	10.00	100.00	10.00	11

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
MSCI - EAFE Index (Can. \$) (net ret.) (Reuters)	10.00	100.00	10.00	11

U.S. & International Equity Funds

International Equity (Templeton)

Ultraflex II

Statements of Net Assets

As at December 31 In thousands (except number of units and per unit figures)	2010 \$	2009 \$
Investments at fair value*	194	292
NET ASSETS PER UNIT		
Individual annuities	12.20	12.59
UNITS OUTSTANDING		
Individual annuities	15,923	23,162
* Investments, at average cost	243	355

Statements of Operations

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	(25)	(49)
Change in unrealized gain (loss) of investments	14	83
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	(11)	34

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
NET ASSETS - BEGINNING OF THE PERIOD	292	392
Increase (decrease) in net assets from operations	(11)	34
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	5	5
Units redeemed	(92)	(139)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(98)	(100)
NET ASSETS - END OF THE PERIOD	194	292

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

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
Industrial Alliance International Equity (Templeton) Fund	15,923	243	194

INDUSTRIAL ALLIANCE INTERNATIONAL EQUITY (TEMPLETON) FUND

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
INVESTMENT FUND (100.31%)			
Templeton International Stock Trust Fund	4,983,602	96,280	77,495
OTHER NET ASSETS (-0.31%)			(236)
TOTAL NET ASSETS (100.00%)			77,259

TEMPLETON INTERNATIONAL STOCK TRUST FUND

Top 25 Holdings of the Underlying Fund

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Fair Value	% of Portfolio
Siemens AG, Registered	57,170	7,106	2.10%
Vodafone Group PLC	2,584,614	6,671	1.97%
Samsung Electronics Co. Ltd.	7,668	6,472	1.91%
Royal Dutch Shell PLC, Class B	186,303	6,152	1.82%
Telenor ASA	380,070	6,171	1.82%
Telefonica SA, ADR Sponsored	81,672	5,572	1.65%
Unilever, NV	177,472	5,516	1.63%
FUJIFILM Holdings Corp.	145,200	5,237	1.55%
Total SA, Class B	95,316	5,042	1.49%
France Telecom SA	236,840	4,927	1.46%
SAP AG	97,340	4,925	1.46%
Nintendo Co. Ltd.	16,800	4,918	1.45%
ING Groep N.V.	498,371	4,840	1.43%
Flextronics International Ltd.	605,710	4,742	1.40%
Kingfisher PLC	1,135,850	4,667	1.38%
Vale SA, ADR, Pfd., Class A	154,860	4,667	1.38%
Singapore Telecommunications Ltd.	1,914,000	4,537	1.34%
Nestlé SA, Registered	76,000	4,443	1.31%
Toyota Motor Corp.	112,000	4,430	1.31%
Sony Corp.	122,198	4,394	1.30%
KB Financial Group Inc.	81,511	4,350	1.29%
Sanofi-Aventis SA	68,485	4,372	1.29%
Deutsche Postbank AG	252,570	4,259	1.26%
Roche Holdings AG	29,070	4,252	1.26%
Taiwan Semiconductor Manufacturing Co. Ltd.	1,749,829	4,247	1.26%
		126,909	37.52%

International Equity (Templeton)

Ultraflex II

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The International Equity (Templeton) Fund (the "Fund") is invested in units of the Industrial Alliance International Equity (Templeton) Fund (the "underlying segregated fund"), which is invested in units of the Templeton International Stock Trust Fund (the "underlying fund"), which is managed by Franklin Templeton Investments Corp.

The objective of the Fund is to ensure long-term capital appreciation through investments in equity securities of companies located outside Canada and the United States. The manager chooses investments among a large number of sectors and different countries to increase returns and reduce risk.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	194	-	-	194
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	194	-	-	194

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	292	-	-	292
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	292	-	-	292

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010 and 2009, the Fund, through its underlying fund, had no significant exposure to credit risk.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

As at December 31, 2010 and 2009, the majority of the underlying fund's financial assets and liabilities were non-interest bearing and, accordingly, the Fund was not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

Discussion of Financial Instrument Risk Management (continued)

Currency Risk

The tables below summarize the Fund's exposure, through its underlying fund, to currency risk and the impact on Net Assets as at December 31, 2010 and 2009, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
AUD	1	-	1	0.77	-
CHF	13	-	13	6.51	1
DKK	1	-	1	0.36	-
EUR	68	-	68	35.18	3
GBP	35	-	35	17.96	2
HKD	10	-	10	4.96	-
JPY	19	-	19	9.70	1
KRW	6	-	6	3.17	-
NOK	7	-	7	3.45	-
SEK	3	-	3	1.38	-
SGD	5	-	5	2.51	-
TWD	2	-	2	1.26	-
USD	20	-	20	10.22	1
ZAR	1	-	1	0.54	-

As at December 31, 2009

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
AUD	3	-	3	0.94	-
BRL	7	-	7	2.54	-
CHF	20	-	20	6.72	1
CNY	3	-	3	1.12	-
EUR	114	-	114	39.04	6
GBP	60	-	60	20.65	3
HKD	5	-	5	1.85	-
ILS	5	-	5	1.59	-
JPY	24	-	24	8.25	1
KRW	10	-	10	3.34	-
NOK	7	-	7	2.48	-
RUB	3	-	3	1.05	-
SEK	4	-	4	1.40	-
SGD	12	-	12	4.15	1
TRY	2	-	2	0.52	-
TWD	7	-	7	2.52	-
ZAR	2	-	2	0.74	-

See Note 4 to the Financial Statements for currency symbols.

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
MSCI - EAFE Index (Can. \$) (net ret.)	10.00	100.00	10.00	19

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
MSCI - EAFE Index (Can. \$) (net ret.)	10.00	100.00	10.00	29

U.S. & International Equity Funds

International Equity (McLean Budden)

Ultraflex II

Statements of Net Assets

As at December 31 In thousands (except number of units and per unit figures)	2010 \$	2009 \$
Investments at fair value*	394	498
NET ASSETS PER UNIT		
Individual annuities	9.32	9.60
UNITS OUTSTANDING		
Individual annuities	42,256	51,822
* Investments, at average cost	426	522

Statements of Operations

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	(9)	(11)
Change in unrealized gain (loss) of investments	(8)	78
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	(17)	67

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
NET ASSETS - BEGINNING OF THE PERIOD	498	510
Increase (decrease) in net assets from operations	(17)	67
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	5	3
Units redeemed	(92)	(82)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(104)	(12)
NET ASSETS - END OF THE PERIOD	394	498

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

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
Industrial Alliance International Equity (McLean Budden) Fund	42,256	426	394

INDUSTRIAL ALLIANCE INTERNATIONAL EQUITY (MCLEAN BUDDEN) FUND

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
INVESTMENT FUND (100.04%)			
MB International Equity Fund	1,146,734	7,364	7,455
OTHER NET ASSETS (-0.04%)			(3)
TOTAL NET ASSETS (100.00%)			7,452

MB INTERNATIONAL EQUITY FUND

Top 25 Holdings of the Underlying Fund

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	% of Portfolio
Rio Tinto PLC, ADR	185,000	12,437	4.40%
BG Group PLC, ADR	110,000	8,345	3.72%
Novartis AG, ADR	175,000	9,158	3.42%
Credit Suisse Group AG, Registered	235,000	11,363	3.14%
HSBC Holdings PLC, ADR Sponsored	180,000	11,770	3.05%
BHP Billiton PLC, ADR	112,000	7,962	2.99%
Vodafone Group PLC, ADR	335,000	9,075	2.94%
Roche Holdings AG, ADR	240,000	9,611	2.92%
Diageo PLC, ADR Sponsored	115,000	7,410	2.84%
Banco Santander SA, Registered	780,000	10,624	2.75%
Mitsubishi UFJ Financial Group Inc.	1,400,000	12,429	2.51%
Teva Pharmaceutical Industries Ltd., ADR	135,000	7,285	2.34%
Siemens AG, ADR Sponsored	55,000	4,992	2.27%
Wal-Mart de Mexico, ADR Sponsored	230,000	3,670	2.18%
Canon Inc., ADR	115,000	4,687	1.96%
Nestlé SA	100,000	3,421	1.95%
SAP AG, ADR	115,000	5,408	1.93%
Telefonaktiebolaget LM Ericsson (publ), ADR, B	500,000	5,947	1.91%
Tesco PLC	850,000	5,441	1.87%
Air Liquide SA, ADR	220,000	3,956	1.87%
Toray Industries Inc.	915,000	5,377	1.82%
Tullow Oil PLC	275,000	4,529	1.80%
Nintendo Co. Ltd.	18,000	5,322	1.75%
Deutsche Boerse AG	75,000	6,201	1.73%
Nippon Telegraph & Telephone Corp.	115,000	6,007	1.73%
	182,427		61.79%

International Equity (McLean Budden)

Ultraflex II

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The International Equity (McLean Budden) Fund (the "Fund") is invested in units of the Industrial Alliance International Equity (McLean Budden) Fund (the "underlying segregated fund"), which is invested in units of the MB International Equity Fund (the "underlying fund"), which is managed by McLean Budden.

The objective of the Fund is to generate long-term capital growth by investing in 40 to 50 stocks of large companies that are located outside North America. Companies are chosen for their growth potential, where the expected earnings growth is faster than that for the overall market.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	394	-	-	394
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	394	-	-	394

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	498	-	-	498
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	498	-	-	498

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010, the Fund, through its underlying fund, had no significant exposure to credit risk.

As at December 31, 2009, the Fund, through its underlying fund, had invested in debt instruments with the following credit ratings:

Debt Instruments* by Credit Rating	Percentage of Net Assets as at December 31, 2009 (%)
R1	3.38

*Excludes other Net Assets

Credit ratings are obtained from DBRS, Standard & Poor's or Moody's.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

As at December 31, 2010, the majority of the underlying fund's financial assets and liabilities were non-interest bearing and, accordingly, the Fund was not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

The table below summarizes the Fund's exposure, through its underlying fund, to interest rate risk by remaining terms to maturity as at December 31, 2009. If the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, the Net Assets would have respectively decreased or increased by the amount presented under "Impact on Net Assets." The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2009

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non- interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	17	-	-	-	481	498	-

International Equity (McLean Budden)

Ultraflex II

Discussion of Financial Instrument Risk Management (continued)

Currency Risk

The tables below summarize the Fund's exposure, through its underlying fund, to currency risk and the impact on Net Assets as at December 31, 2010 and 2009, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
AUD	6	-	6	1.61	-
BRL	4	-	4	0.98	-
CHF	45	-	45	11.45	2
CNY	5	-	5	1.30	-
EUR	81	-	81	20.45	4
GBP	118	-	118	29.84	6
IDR	7	-	7	1.65	-
ILS	13	-	13	3.34	1
JPY	66	-	66	16.79	3
MXN	9	-	9	2.19	-
SEK	12	-	12	2.97	1
SGD	7	-	7	1.68	-
TWD	6	-	6	1.53	-

As at December 31, 2009

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
AUD	17	-	17	3.43	1
CHF	139	-	139	28.03	7
DKK	124	-	124	24.90	6
GBP	8	-	8	1.55	-
HKD	8	-	8	1.55	-
ILS	74	-	74	14.97	4
JPY	9	-	9	1.85	-
KRW	69	-	69	13.92	3
SEK	12	-	12	2.33	1
SGD	10	-	10	1.98	-
TWD	7	-	7	1.44	-
USD	1	-	1	0.11	-

See Note 4 to the Financial Statements for currency symbols.

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
MSCI - EAFE Index (Can. \$) (net ret.)	10.00	100.00	10.00	39

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
MSCI - EAFE Index (Can. \$) (net ret.)	10.00	100.00	10.00	50

U.S. & International Equity Funds

Fidelity Europe Ultraflex II

Statements of Net Assets

As at December 31 In thousands (except number of units and per unit figures)	2010 \$	2009 \$
Investments at fair value*	752	1,033
NET ASSETS PER UNIT		
Individual annuities	8.75	8.31
UNITS OUTSTANDING		
Individual annuities	85,953	124,318
* Investments, at average cost	839	1,216

Statements of Operations

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	(72)	(95)
Change in unrealized gain (loss) of investments	96	187
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	24	92

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
NET ASSETS - BEGINNING OF THE PERIOD	1,033	1,285
Increase (decrease) in net assets from operations	24	92
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	14	12
Units redeemed	(319)	(356)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(281)	(252)
NET ASSETS - END OF THE PERIOD	752	1,033

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

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
Industrial Alliance Fidelity European Equity Fund	85,953	839	752

INDUSTRIAL ALLIANCE FIDELITY EUROPEAN EQUITY FUND

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
INVESTMENT FUND (100.37%)			
Fidelity Europe Fund, Series O	2,767,205	81,880	77,250
OTHER NET ASSETS (-0.37%)			(286)
TOTAL NET ASSETS (100.00%)			76,964

FIDELITY EUROPE FUND

Top 25 Holdings of the Underlying Fund

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	% of Portfolio
Nestlé SA, Registered	304,033	13,827	3.62%
Vodafone Group PLC	6,302,266	16,091	3.37%
Rio Tinto PLC, Registered	215,498	13,057	3.13%
Virgin Media Inc.	540,745	8,037	3.00%
WPP Group PLC	1,164,025	11,691	2.93%
British American Tobacco PLC	344,442	11,999	2.70%
Xstrata PLC	555,300	10,936	2.65%
Novo Nordisk AS, Class B	112,273	6,953	2.57%
BNP Paribas	195,190	13,295	2.53%
Saipem SpA	236,458	8,576	2.37%
Schneider Electric SA	73,772	7,460	2.25%
United Business Media PLC	954,913	7,706	2.09%
BG Group PLC	500,607	9,221	2.06%
ICAP PLC	1,187,657	7,610	2.02%
PPR SA	62,073	8,041	2.01%
Anheuser-Busch InBev	170,915	6,412	1.99%
Tesco PLC	1,461,977	10,392	1.97%
DnB NOR ASA	655,432	5,127	1.87%
LVMH Moët Hennessy - Louis Vuitton, SA	54,463	6,276	1.82%
Intesa Sanpaolo	3,210,841	12,286	1.77%
Sanofi-Aventis SA	133,887	10,923	1.75%
UBS AG, Registered	522,165	7,527	1.74%
Lanxess AG	108,441	5,146	1.74%
Zurich Financial Services AG	31,657	5,839	1.67%
MTU Aero Engines	118,124	7,011	1.63%
	231,439		57.25%

**Discussion of Financial Instrument
Risk Management**

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Fidelity Europe Fund (the "Fund") is invested in units of the Industrial Alliance Fidelity European Equity Fund (the "underlying segregated fund"), which is invested in units of the Fidelity Europe Fund (the "underlying fund"), which is managed by Fidelity Investments.

The Fund's objective is to generate long-term capital appreciation through investments in equities of continental Europe and the United Kingdom.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	752	-	-	752
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	752	-	-	752

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	1,033	-	-	1,033
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	1,033	-	-	1,033

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010 and 2009, the Fund, through its underlying fund, had no significant exposure to credit risk.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

As at December 31, 2010 and 2009, the majority of the underlying fund's financial assets and liabilities were non-interest bearing and, accordingly, the Fund was not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

Currency Risk

The tables below summarize the Fund's exposure, through its underlying fund, to currency risk and the impact on Net Assets as at December 31, 2010 and 2009, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
CHF	81	-	81	10.71	4
DKK	33	-	33	4.44	2
EUR	272	-	272	36.20	14
GBP	294	-	294	39.11	15
NOK	23	-	23	3.06	1
PLN	7	-	7	0.96	-
SEK	12	-	12	1.62	1
USD	20	-	20	2.64	1

As at December 31, 2009

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
CHF	94	-	94	9.05	5
DKK	25	-	25	2.43	1
EUR	356	-	356	34.42	18
GBP	425	-	425	41.13	21
NOK	26	-	26	2.51	1
SEK	11	-	11	1.09	1
USD	65	-	65	6.30	3
ZAR	17	-	17	1.64	1

See Note 4 to the Financial Statements for currency symbols.

**Discussion of Financial Instrument
Risk Management (continued)**

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
MSCI - Europe Index (Can. \$)	10.00	100.00	10.00	75

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
MSCI - Europe Index (Can. \$)	10.00	100.00	10.00	103

U.S. & International Equity Funds

U.S. Equity Index Ultraflex II

Statements of Net Assets

As at December 31 In thousands (except number of units and per unit figures)	2010 \$	2009 \$
Investments at fair value*	210	214
NET ASSETS PER UNIT		
Individual annuities	7.33	6.93
UNITS OUTSTANDING		
Individual annuities	28,642	30,922
* Investments, at average cost	269	293

Statements of Operations

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	(8)	(17)
Change in unrealized gain (loss) of investments	20	25
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	12	8

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
NET ASSETS - BEGINNING OF THE PERIOD	214	242
Increase (decrease) in net assets from operations	12	8
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	5	3
Units redeemed	(21)	(39)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(4)	(28)
NET ASSETS - END OF THE PERIOD	210	214

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

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
Industrial Alliance U.S. Equity Index Fund	28,642	269	210

INDUSTRIAL ALLIANCE U.S. EQUITY INDEX FUND

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
INVESTMENT FUND (100.34%)			
SSGA MA S&P 500 Stock Index Futures Fund	4,580,328	33,464	30,372
OTHER NET ASSETS (-0.34%)			(102)
TOTAL NET ASSETS (100.00%)			30,270

SSGA MA S&P 500 STOCK INDEX FUTURES FUND

Statement of Investment Portfolio

As at December 31, 2010 In thousands	Face Value \$	Average Cost \$	Market Value \$
SHORT-TERM INVESTMENTS (95.15%)			
Bank of Montreal 2011-01-28	6,400	6,395	6,395
Bank of Montreal 2011-02-08	4,300	4,295	4,295
Bank of Nova Scotia 2011-02-15	10,600	10,585	10,585
Bank of Nova Scotia 2011-02-15	1,000	999	999
Caisse centrale Desjardins 2011-02-08	3,600	3,596	3,596
Canadian Imperial Bank of Commerce 2011-02-15	7,500	7,489	7,489
Canadian Imperial Bank of Commerce 2011-03-04	3,100	3,094	3,094
GE Capital Canada Funding Co. 2011-03-21	5,700	5,686	5,686
Government of Canada 2011-01-06	1,300	1,300	1,300
Government of Canada 2011-02-17	3,000	2,996	2,996
Government of Canada 2011-03-03	18,900	18,869	18,869
Government of Canada 2011-03-31	3,900	3,891	3,891
HSBC Bank Canada 2011-02-01	5,300	5,295	5,295
National Bank of Canada 2011-01-17	800	800	800
National Bank of Canada 2011-01-28	9,100	9,093	9,093
Royal Bank of Canada 2011-03-29	10,100	10,073	10,073
Société Générale Canada 2011-02-04	3,500	3,496	3,496
Société Générale Canada 2011-02-22	1,500	1,497	1,497
The Toronto-Dominion Bank 2011-02-02	5,200	5,195	5,195
The Toronto-Dominion Bank 2011-02-15	2,000	1,997	1,997
The Toronto-Dominion Bank 2011-02-17	4,200	4,194	4,194
	110,835		110,835

BONDS (3.86%)

Rabobank Nederland	1.394%	2012-02-08	4,500	4,500	4,500
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TOTAL OF INVESTMENT PORTFOLIO (99.01%)			115,335	115,335
OTHER NET ASSETS (-1.02%)			(1,191)	(1,191)
VARIATION IN THE MARKET VALUE OF THE FUTURES CONTRACTS (2.01%)				2,345
TOTAL NET ASSETS (100.00%)			114,144	116,489

	Number Country of Contracts	U.S. market exposure \$
FUTURES CONTRACTS (88.77%)		
EMINI S&P 500 Stock Index	United States 319	20,188
S&P 500 Stock Index	United States 263	83,218
		103,406

Portion of net assets not subject to U.S. market exposure (11.23%)	13,083
TOTAL NET ASSETS (100.00%)	116,489

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The U.S. Equity Index Fund (the "Fund") is invested in units of the Industrial Alliance U.S. Equity Index Fund (the "underlying segregated fund"), which is invested in units of the SSGA MA S&P 500 Stock Index Futures Fund (the "underlying fund"), which is managed by State Street Global Advisors.

The objective of the Fund is to provide medium- and long-term capital growth through indexed portfolio management built with financial instruments that reproduce the return of the Standard & Poor's 500 Index. Its assets are entirely made up of S&P 500 Index futures contracts rather than individual contracts.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	210	-	-	210
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	210	-	-	210

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	214	-	-	214
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	214	-	-	214

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010 and 2009, the Fund, through its underlying fund, had invested in debt instruments with the following credit ratings:

Debt Instruments* by Credit Rating	Percentage of Net Assets as at December 31, 2010 (%)	Percentage of Net Assets as at December 31, 2009 (%)
AAA	-	100.14
AA	23.54	-
A	76.80	-

*Excludes other Net Assets

Credit ratings are obtained from DBRS, Standard & Poor's or Moody's.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

The tables below summarize the Fund's exposure, through its underlying fund, to interest rate risk by remaining terms to maturity as at December 31, 2010 and 2009. If the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, the Net Assets would have respectively decreased or increased by the amount presented under "Impact on Net Assets." The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non-interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	202	8	-	-	-	210	-

As at December 31, 2009

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non-interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	215	-	-	-	(1)	214	-

**Discussion of Financial Instrument
Risk Management (continued)**

Currency Risk

The tables below summarize the Fund's exposure, through its underlying fund, to currency risk and the impact on Net Assets as at December 31, 2010 and 2009, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
USD	211	(211)	-	-	-

As at December 31, 2009

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
USD	215	(213)	2	0.54	-

See Note 4 to the Financial Statements for currency symbols.

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
S&P 500 Index (Can. \$) (Reuters)	10.00	100.00	10.00	21

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
S&P 500 Index (Can. \$) (Reuters)	10.00	100.00	10.00	21

U.S. & International Equity Funds

U.S. Equity Ultraflex II

Statements of Net Assets

As at December 31 In thousands (except number of units and per unit figures)	2010 \$	2009 \$
Investments at fair value*	362	402
NET ASSETS PER UNIT		
Individual annuities	5.47	5.16
UNITS OUTSTANDING		
Individual annuities	66,108	77,827
* Investments, at average cost	617	733

Statements of Operations

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	(56)	(86)
Change in unrealized gain (loss) of investments	76	146
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	20	60

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
NET ASSETS - BEGINNING OF THE PERIOD	402	423
Increase (decrease) in net assets from operations	20	60
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	9	6
Units redeemed	(69)	(87)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(40)	(21)
NET ASSETS - END OF THE PERIOD	362	402

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

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
Industrial Alliance U.S. Equity Fund	66,108	617	362

INDUSTRIAL ALLIANCE U.S. EQUITY FUND

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
INVESTMENT FUND (100.26%)			
Industrial Alliance U.S. Equity Fund	1,170,980	9,700	10,217
OTHER NET ASSETS (-0.26%)			(26)
TOTAL NET ASSETS (100.00%)			10,191

INDUSTRIAL ALLIANCE U.S. EQUITY FUND

Top 25 Holdings of the Underlying Fund

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$	% of Portfolio
Microsoft Corp.	223,400	6,310	6,202	4.59%
Freeport-McMoRan Copper & Gold Inc.	37,500	3,619	4,480	3.32%
Apple Inc.	11,300	2,428	3,625	2.68%
Petroleo Brasileiro SA (Petrobras), ADR	94,400	3,210	3,553	2.63%
International Business Machines Corp.	21,600	2,533	3,153	2.33%
Chevron Corp.	33,700	2,870	3,062	2.27%
Intel Corp.	132,300	2,963	2,768	2.05%
Lincoln National Corp.	93,100	2,253	2,575	1.91%
Exxon Mobil Corp.	34,839	2,276	2,535	1.88%
General Electric Co.	138,300	3,675	2,518	1.86%
Occidental Petroleum Corp.	25,000	2,022	2,440	1.81%
JPMorgan Chase & Co.	56,800	2,485	2,397	1.77%
Wal-Mart Stores Inc.	42,900	2,278	2,303	1.71%
Cisco Systems, Inc.	110,400	2,867	2,221	1.64%
United States Steel Corp.	36,400	1,734	2,115	1.57%
Wells Fargo & Co.	67,900	2,044	2,092	1.55%
The Coca-Cola Co.	31,000	1,767	2,029	1.50%
Hess Corp.	26,000	1,555	1,980	1.47%
Google Inc., Class A	3,300	1,823	1,947	1.44%
Bank of America Corp.	145,500	3,624	1,930	1.43%
ConocoPhillips Co.	26,900	1,950	1,822	1.35%
Alcoa Inc.	111,100	1,431	1,702	1.26%
The Walt Disney Co.	44,600	1,363	1,665	1.23%
Walgreen Co.	42,400	1,569	1,643	1.22%
Pfizer Inc.	87,583	1,542	1,525	1.13%
	62,191		64,282	47.60%

**Discussion of Financial Instrument
Risk Management**

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The U.S. Equity Fund (the "Fund") is invested in units of the Industrial Alliance U.S. Equity Fund (the "underlying segregated fund"), which is invested in units of the Industrial Alliance U.S. Equity Fund (the "underlying fund"), which is managed by Industrial Alliance Investment Management Inc.

The objective of the Fund is to obtain long-term capital growth mainly through investments in U.S. equity securities. The portfolio manager uses a bottom-up approach to select securities presenting lower than average prices, but higher earnings growth, than peers. Quantitative filters are applied to the investment universe in order to rapidly focus attention on the most promising securities. The manager then applies his qualitative judgment combined with top-down views to select companies seen as leaders in their respective industries and which possess above average earnings growth and stability, management quality and experience, as well as overall market share.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	362	-	-	362
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	362	-	-	362

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	402	-	-	402
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	402	-	-	402

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010 and 2009, the Fund, through its underlying fund, had no significant exposure to credit risk.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

As at December 31, 2010 and 2009, the majority of the underlying fund's financial assets and liabilities were non-interest bearing and, accordingly, the Fund was not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

Discussion of Financial Instrument Risk Management (continued)

Currency Risk

The tables below summarize the Fund's exposure, through its underlying fund, to currency risk and the impact on Net Assets as at December 31, 2010 and 2009, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
USD	362	-	362	100.12	18

As at December 31, 2009

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
USD	403	-	403	100.27	20

See Note 4 to the Financial Statements for currency symbols.

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
S&P 500 Index (Can. \$)	10.00	100.00	10.00	36

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
S&P 500 Index (Can. \$)	10.00	100.00	10.00	40

Global Health Care (Renaissance)

Ultraflex II

Statements of Net Assets

As at December 31 In thousands (except number of units and per unit figures)	2010 \$	2009 \$
Investments at fair value*	425	524
NET ASSETS PER UNIT		
Individual annuities	11.20	11.31
UNITS OUTSTANDING		
Individual annuities	37,953	46,282
* Investments, at average cost	437	533

Statements of Operations

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	(5)	(10)
Change in unrealized gain (loss) of investments	(3)	31
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	(8)	21

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
NET ASSETS - BEGINNING OF THE PERIOD	524	586
Increase (decrease) in net assets from operations	(8)	21
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	15	14
Units redeemed	(106)	(97)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(99)	(62)
NET ASSETS - END OF THE PERIOD	425	524

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

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
Industrial Alliance Global Health Care (Renaissance) Fund	37,953	437	425

INDUSTRIAL ALLIANCE GLOBAL HEALTH CARE (RENAISSANCE) FUND

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
INVESTMENT FUND (100.42%)			
Renaissance Global Health Care Fund, Series O	598,974	9,914	11,646
OTHER NET ASSETS (-0.42%)			(49)
TOTAL NET ASSETS (100.00%)			11,597

RENAISSANCE GLOBAL HEALTH CARE FUND

Top 25 Holdings of the Underlying Fund

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	% of Portfolio
Shionogi & Co. Ltd.	868,500	17,206	4.42%
Cephalon Inc.	259,900	15,612	4.13%
Forest Laboratories Inc., Class A	475,900	23,827	3.92%
Merck & Co., Inc.	408,964	14,395	3.79%
UnitedHealth Group Inc.	322,200	11,136	2.99%
Beckman Coulter Inc.	138,900	7,198	2.69%
Abbott Laboratories	205,900	10,956	2.54%
Coventry Health Care Inc.	357,400	10,433	2.43%
Cubist Pharmaceuticals Inc.	398,100	8,232	2.19%
Mckesson Corp.	118,541	4,880	2.15%
Amgen Inc.	143,000	9,362	2.02%
St. Jude Medical, Inc.	183,200	7,796	2.02%
Quest Diagnostics Inc.	144,000	8,414	2.00%
Eli Lilly and Co.	213,200	14,614	1.92%
WellPoint, Inc.	128,400	7,753	1.88%
Chugai Pharmaceutical Co. Ltd.	394,306	6,111	1.86%
Gilead Sciences Inc.	195,700	7,558	1.83%
Health net, Inc.	257,400	7,829	1.81%
Biogen Idec Inc.	101,200	5,385	1.75%
Onyx Pharmaceuticals Inc.	183,500	5,964	1.74%
Pfizer Inc.	364,125	9,998	1.64%
Roche Holdings AG	40,136	5,198	1.52%
Cardinal Health Inc.	151,100	5,212	1.49%
NuVasive, Inc.	216,100	5,636	1.43%
Triple-S Management Corp., Class B	278,700	4,095	1.37%
	234,800	57,53%	

Global Health Care (Renaissance)

Ultraflex II

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Global Health Care (Renaissance) Fund (the "Fund") is invested in units of the Industrial Alliance Global Health Care (Renaissance) Fund (the "underlying segregated fund"), which is invested in units of the Renaissance Global Health Care Fund (the "underlying fund"), which is managed by CIBC Asset Management.

The Fund's objective is to achieve long-term capital growth by investing in the healthcare sector. The manager will invest primarily in securities of companies in health-related sectors, specifically in the medical technology, biotechnology, health care and pharmaceutical product industries.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	425	-	-	425
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	425	-	-	425

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	524	-	-	524
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	524	-	-	524

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010 and 2009, the Fund, through its underlying fund, had no significant exposure to credit risk.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

As at December 31, 2010 and 2009, the majority of the underlying fund's financial assets and liabilities were non-interest bearing and, accordingly, the Fund was not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

Currency Risk

The tables below summarize the Fund's exposure, through its underlying fund, to currency risk and the impact on Net Assets as at December 31, 2010 and 2009, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
CHF	7	-	7	1.54	-
EUR	17	-	17	3.94	1
GBP	6	-	6	1.35	-
JPY	47	-	47	10.96	2
USD	332	-	332	78.12	17

As at December 31, 2009

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
CHF	8	-	8	1.56	-
EUR	26	-	26	4.90	1
GBP	9	-	9	1.63	-
JPY	65	-	65	12.37	3
USD	404	-	404	77.16	20

See Note 4 to the Financial Statements for currency symbols.

Discussion of Financial Instrument Risk Management (continued)

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
MSCI - World Health Care Index (Can. \$)	10.00	100.00	10.00	43

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
MSCI - World Health Care Index (Can. \$)	10.00	100.00	10.00	52

Specialty Funds

Real Estate Income Ultraflex II

Statements of Net Assets

As at December 31 In thousands (except number of units and per unit figures)	2010 \$	2009 \$
Investments at fair value*	556	601
NET ASSETS PER UNIT		
Individual annuities	19.39	16.64
UNITS OUTSTANDING		
Individual annuities	28,700	36,128
* Investments, at average cost	398	501

Statements of Operations

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	31	(2)
Change in unrealized gain (loss) of investments	58	210
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	89	208

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
NET ASSETS - BEGINNING OF THE PERIOD	601	509
Increase (decrease) in net assets from operations	89	208
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	1	2
Units redeemed	(135)	(118)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(45)	92
NET ASSETS - END OF THE PERIOD	556	601

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

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
Industrial Alliance Real Estate Income Fund	28,700	398	556

INDUSTRIAL ALLIANCE REAL ESTATE INCOME FUND

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
CANADIAN EQUITIES (91.31%)			
ENERGY (5.25%)			
Canadian Oil Sands Trust	10,000	303	264
Fort Chicago Energy Partners LP, Class A	20,000	214	238
Inter Pipeline Fund, Class A	22,000	196	328
NAL Oil & Gas Trust	10,000	142	129
Parkland Income Fund	12,314	200	141
		1,055	1,100

MATERIALS (1.60%)

Labrador Iron Ore Royalty Corp.	5,000	239	336
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INDUSTRIALS (7.62%)

Armtex Infrastructure Income Fund	16,000	276	254
Bird Construction Income Fund	10,000	288	368
Black Diamond Group Ltd.	20,000	131	429
GENIVAR Income Fund	15,000	162	453
IBI Income Fund	7,000	88	95
		945	1,599

FINANCIALS (75.83%)

Allied Properties Real Estate Investment Trust	47,900	669	1,031
Altus Group Income Fund	24,500	291	318
Artis Real Estate Investment Trust	61,666	613	815
Boardwalk Real Estate Investment Trust	39,100	964	1,610
Calloway Real Estate Investment Trust	47,300	980	1,105
Canadian Apartment Properties Real Estate Investment Trust	41,000	665	702
Canadian Real Estate Investment Trust	45,200	1,121	1,403
Chartwell Seniors Housing Real Estate Investment Trust	43,000	490	351
Cominar Real Estate Investment Trust	78,000	1,342	1,624
Crombie Real Estate Investment Trust	50,000	605	630
Dundee Real Estate Investment Trust	23,600	505	712
H&R Real Estate Investment Trust	98,000	1,920	1,904
Holloway Lodging Real Estate Investment Trust	120,000	561	40
InterRent Real Estate Investment Trust	129,000	569	185
Northern Property Real Estate Investment Trust	29,800	526	862
Primaris Retail Real Estate Investment Trust	40,100	519	783
RioCan Real Estate Investment Trust	78,000	1,500	1,712
Royal Host Real Estate Investment Trust	54,433	275	114
		14,115	15,901

UTILITIES (1.01%)

Brookfield Renewable Power Fund	10,000	157	207
Just Energy Income Fund	303	5	4
		162	211

TOTAL CANADIAN EQUITIES		16,516	19,147
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SHORT-TERM INVESTMENTS (8.09%)		1,696	1,696
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TOTAL INVESTMENT PORTFOLIO (99.40%)		18,212	20,843
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OTHER NET ASSETS (0.60%)			125
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TOTAL NET ASSETS (100.00%)			20,968
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Real Estate Income
Ultraflex II**Discussion of Financial Instrument
Risk Management**

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Real Estate Income Fund (the "Fund") is invested in units of the Industrial Alliance Real Estate Income Fund (the "underlying segregated fund").

The objective of the Fund is to achieve moderate long-term capital growth by investing primarily in income trusts in the real estate sector.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	556	-	-	556
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	556	-	-	556

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	601	-	-	601
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	601	-	-	601

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010 and 2009, the Fund, through its underlying segregated fund, had invested in debt instruments with the following credit ratings:

Debt Instruments* by Credit Rating	Percentage of Net Assets as at December 31, 2010 (%)	Percentage of Net Assets as at December 31, 2009 (%)
A	-	1.77
R1	8.09	9.36
Not rated	-	0.16

*Excludes other Net Assets

Credit ratings are obtained from DBRS, Standard & Poor's or Moody's.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

As at December 31, 2010, the majority of the underlying segregated fund's financial assets and liabilities were non-interest bearing and, accordingly, the Fund was not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

The table below summarizes the Fund's exposure, through its underlying segregated fund, to interest rate risk by remaining terms to maturity as at December 31, 2009. If the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, the Net Assets would have respectively decreased or increased by the amount presented under "Impact on Net Assets." The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2009

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non- interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	56	12	-	-	533	601	1

Currency Risk

As at December 31, 2010 and 2009, the Fund, through its underlying segregated fund, had no significant exposure to currency risk.

**Discussion of Financial Instrument
Risk Management (continued)****Other Price Risk**

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX 91 day Tbill Index	1.00	15.00	0.15	1
S&P/TSX Capped REIT Index	10.00	85.00	8.50	47

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX 91 day Tbill Index	1.00	15.00	0.15	1
S&P/TSX Capped REIT Index	10.00	85.00	8.50	51

Specialty Funds
**U.S. DAQ Index
Ultraflex II**
Statements of Net Assets

As at December 31 In thousands (except number of units and per unit figures)	2010 \$	2009 \$
Investments at fair value*	427	462
NET ASSETS PER UNIT		
Individual annuities	4.25	3.84
UNITS OUTSTANDING		
Individual annuities	100,480	120,330
* Investments, at average cost	413	495

Statements of Operations

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	(3)	(21)
Change in unrealized gain (loss) of investments	47	136
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	44	115

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
NET ASSETS - BEGINNING OF THE PERIOD	462	450
Increase (decrease) in net assets from operations	44	115
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	11	8
Units redeemed	(90)	(111)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(35)	12
NET ASSETS - END OF THE PERIOD	427	462

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

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
SEGREGATED FUND (100.00%)			
Industrial Alliance U.S. DAQ Index Fund	100,480	413	427

INDUSTRIAL ALLIANCE U.S. DAQ INDEX FUND
Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
U.S. EQUITIES (99.63%)			
OTHERS (99.63%)			
PowerShares QQQ Trust, Series 1	253,800	10,520	13,742
OTHER NET ASSETS (0.37%)			51
TOTAL NET ASSETS (100.00%)			13,793

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The U.S. DAQ Index Fund (the "Fund") is invested in units of the Industrial Alliance U.S. DAQ Index Fund (the "underlying segregated fund"), which is invested in PowerShares QQQ Trust U.S. equities.

The strategy of the Fund is to match the returns of the Nasdaq 100 Index, an index that represents U.S. high-tech companies. The return of the Fund is subject to fluctuations in the Canadian dollar.

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 tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	427	-	-	427
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	427	-	-	427

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	462	-	-	462
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	462	-	-	462

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010 and 2009, the Fund, through its underlying segregated fund, had no significant exposure to credit risk.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

As at December 31, 2010 and 2009, the majority of the underlying segregated fund's financial assets and liabilities were non-interest bearing and, accordingly, the Fund was not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

Currency Risk

The tables below summarize the Fund's exposure, through its underlying segregated fund, to currency risk and the impact on Net Assets as at December 31, 2010 and 2009, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
USD	426	-	426	99.63	21

As at December 31, 2009

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
USD	462	-	462	100.01	23

See Note 4 to the Financial Statements for currency symbols.

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
NASDAQ 100 Index (Can. \$)	10.00	100.00	10.00	43

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
NASDAQ 100 Index (Can. \$)	10.00	100.00	10.00	46

Money Market

Ultraflex R - M

Statements of Net Assets

As at December 31 In thousands (except number of units and per unit figures)	2010 \$	2009 \$
ASSETS		
Investments at fair value*	2,054	2,699
Cash	3	89
Interest, dividends and other receivable	-	1
	2,057	2,789
LIABILITIES		
Expenses payable	2	1
	2	1
NET ASSETS	2,055	2,788
NET ASSETS PER UNIT		
Individual annuities	16.52	16.51
UNITS OUTSTANDING		
Individual annuities	124,440	168,879
* Investments, at average cost	2,049	2,698

Statements of Operations

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
INVESTMENT INCOME		
Interest	8	18
EXPENSES (Note 6)		
Management fees and operating expenses	12	21
NET INVESTMENT INCOME (LOSS)	(4)	(3)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	1	(3)
Change in unrealized gain (loss) of investments	4	(2)
NET GAIN (LOSS) ON INVESTMENTS	5	(5)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	1	(8)

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
NET ASSETS - BEGINNING OF THE PERIOD	2,788	3,223
Increase (decrease) in net assets from operations	1	(8)
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	1,333	1,154
Units redeemed	(2,067)	(1,581)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(733)	(435)
NET ASSETS - END OF THE PERIOD	2,055	2,788

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

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
INVESTMENT FUNDS (99.95%)			
Industrial Alliance Money Market Fund	101,277	2,049	2,054
OTHER NET ASSETS (0.05%)			1
TOTAL NET ASSETS (100.00%)			2,055

INDUSTRIAL ALLIANCE MONEY MARKET FUND

Top 25 Holdings of the Underlying Fund

As at December 31, 2010 In thousands			Face value \$	Average Cost \$	Fair Value \$	% of portfolio
Government of Canada	1.120 %	2011-05-26	73,950	73,571	73,579	33.27%
Government of Canada	1.060 %	2011-04-28	40,000	39,804	39,807	18.00%
Government of Canada	1.120 %	2011-06-23	24,350	24,216	24,211	10.95%
Government of Canada	0.940 %	2011-02-03	12,750	12,723	12,722	5.75%
Bank of Montreal	1.140 %	2011-01-31	10,000	9,974	9,975	4.51%
National Bank of Canada	1.130 %	2011-02-03	10,000	9,974	9,974	4.51%
Bank of Nova Scotia	1.180 %	2011-02-09	10,000	9,971	9,971	4.51%
Government of Canada	1.090 %	2011-03-03	7,550	7,512	7,513	3.40%
Government of Canada	1.130 %	2011-05-26	5,650	5,619	5,620	2.54%
Government of Canada	1.000 %	2011-03-31	5,550	5,524	5,525	2.50%
Government of Canada	0.830 %	2011-01-06	3,550	3,536	3,536	1.60%
Government of Canada	1.130 %	2011-06-23	2,900	2,883	2,885	1.30%
Government of Canada	1.025 %	2011-03-31	1,800	1,792	1,792	0.81%
Government of Canada	1.040 %	2011-04-28	1,700	1,693	1,692	0.76%
Government of Canada	0.850 %	2011-01-06	1,500	1,494	1,494	0.68%
Government of Canada	0.845 %	2011-01-06	1,400	1,394	1,394	0.63%
Government of Canada	1.010 %	2011-03-31	1,250	1,243	1,244	0.56%
Government of Canada	0.970 %	2011-03-31	1,150	1,145	1,145	0.52%
Government of Canada	1.110 %	2011-05-26	1,050	1,045	1,045	0.47%
Government of Canada	1.050 %	2011-04-28	900	895	896	0.41%
Government of Canada	1.060 %	2011-03-03	800	796	796	0.36%
Government of Canada	1.080 %	2011-03-03	600	597	598	0.27%
Government of Canada	1.040 %	2011-03-03	600	597	597	0.27%
Government of Canada	0.980 %	2011-03-31	600	598	597	0.27%
Government of Canada	1.030 %	2011-03-03	500	497	498	0.23%
			219,093	219,106	219,106	99.08%

Money Market

Ultraflex R - M

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Money Market Fund (the "Fund") is invested in units of the Industrial Alliance Money Market Fund (the "underlying fund"), which is managed by Industrial Alliance Investment Management Inc.

The Fund seeks to maintain excellent capital protection and a high level of liquidity while maximizing the total return. It is composed essentially of quality securities with a maximum term of one year, guaranteed by the provinces, governments and some companies.

Fair Value Measurements

The following tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	2,054	-	-	2,054
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	2,054	-	-	2,054

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	-	-	-	-
Bonds	-	-	-	-
Short-term investments	-	2,699	-	2,699
Derivative financial instruments	-	-	-	-
Total	-	2,699	-	2,699

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010 and 2009, the Fund, through its underlying fund, had invested in debt instruments with the following credit ratings:

Debt Instruments* by Credit Rating	Percentage of Net Assets as at December 31, 2010 (%)	Percentage of Net Assets as at December 31, 2009 (%)
R1	100.07	96.81

*Excludes other Net Assets

Credit ratings are obtained from DBRS, Standard & Poor's or Moody's.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

The tables below summarize the Fund's exposure, through its underlying fund, to interest rate risk by remaining terms to maturity as at December 31, 2010 and 2009. If the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, the Net Assets would have respectively decreased or increased by the amount presented under "Impact on Net Assets." The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non-interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	2,057	-	-	-	(3)	2,054	6
Cash	3	-	-	-	-	3	-
Other assets	-	-	-	-	-	-	-
Liabilities	-	-	-	-	2	2	-

As at December 31, 2009

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non-interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	2,699	-	-	-	-	2,699	4
Cash	89	-	-	-	-	89	-
Other assets	-	-	-	-	1	1	-
Liabilities	-	-	-	-	1	1	-

Currency Risk

As at December 31, 2010 and 2009, the Fund, through its underlying fund, had no significant exposure to currency risk.

Discussion of Financial Instrument Risk Management (continued)

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX 91 day Tbill Index	1.00	100.00	1.00	21

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX 91 Day Tbill Index	1.00	100.00	1.00	28

Savings and Income Funds

Fixed Income

Ultraflex R - M

Statements of Net Assets

As at December 31 In thousands (except number of units and per unit figures)	2010 \$	2009 \$
ASSETS		
Investments at fair value*	4,521	496,693
Cash	-	1
Subscriptions receivable	-	2,139
Interest, dividends and other receivable	-	3,387
	4,521	502,220
LIABILITIES		
Bank overdraft	2	-
Expenses payable	12	15
Redemptions payable	-	1
	14	16
NET ASSETS	4,507	502,204
NET ASSETS PER UNIT		
Individual annuities	14.15	13.71
COL003	-	19.75
UNITS OUTSTANDING		
Individual annuities	318,608	416,902
COL003	-	25,142,567
* Investments, at average cost	4,476	491,483

Statements of Operations

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
INVESTMENT INCOME		
Interest	21,085	19,654
EXPENSES (Note 6)		
Management fees and operating expenses	164	197
NET INVESTMENT INCOME (LOSS)	20,921	19,457
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	13,340	(870)
Realized gain (loss) on foreign currency	-	264
Change in unrealized gain (loss) of investments	(5,165)	8,254
NET GAIN (LOSS) ON INVESTMENTS	8,175	7,648
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	29,096	27,105

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
NET ASSETS - BEGINNING OF THE PERIOD	502,204	401,945
Increase (decrease) in net assets from operations	29,096	27,105
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	114,812	104,665
Units redeemed	(641,605)	(31,511)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(497,697)	100,259
NET ASSETS - END OF THE PERIOD	4,507	502,204

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

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
INVESTMENT FUND (100.31%)			
Industrial Alliance Bonds - series 2 Fund	208,618	4,476	4,521
OTHER NET ASSETS (-0.31%)			(14)
TOTAL NET ASSETS (100.00%)			4,507

INDUSTRIAL ALLIANCE BONDS - SERIES 2 FUND

Top 25 Holdings of the Underlying Fund

As at December 31, 2010 In thousands	Face value \$	Average Cost \$	Fair Value \$	% of portfolio
Government of Canada Canada Housing Trust, Floating Rate	5.000% 2037-06-01 23,120	28,021	28,675	4.53%
Government of Canada Canada Housing Trust	3.202% 2013-06-15 25,870	25,827	25,832	4.08%
Government of Canada Canada Housing Trust	3.750% 2019-06-01 21,800	22,800	22,979	3.63%
Canada Housing Trust	2.450% 2015-12-15 19,340	19,054	19,130	3.02%
Canada Housing Trust	2.750% 2014-09-15 16,160	16,334	16,388	2.59%
Province of British Columbia Canada Housing Trust	4.700% 2037-06-18 15,400	15,826	16,330	2.58%
Canada Housing Trust	3.550% 2013-09-15 15,660	16,279	16,273	2.57%
Canada Housing Trust	3.600% 2013-06-15 14,110	14,667	14,660	2.31%
Province of Quebec, Real Return Bond	4.500% 2020-12-01 12,170	12,577	12,765	2.01%
Canada Housing Trust	3.150% 2014-06-15 10,150	10,433	10,444	1.65%
Master Credit Card Trust	4.444% 2011-11-21 10,060	10,317	10,297	1.62%
Canada Housing Trust	4.550% 2012-12-15 9,440	9,947	9,932	1.57%
Government of Canada Canada Housing Trust	3.250% 2021-06-01 9,600	9,513	9,623	1.52%
Canada Housing Trust	2.950% 2015-03-15 9,370	9,519	9,542	1.51%
Province of Ontario Bank of Nova Scotia	4.400% 2019-06-02 8,460	8,808	8,920	1.41%
Bank of Nova Scotia, Fixed - Floating Rate	3.340% 2015-03-25 8,590	8,659	8,683	1.37%
Eagle Credit Card Trust	4.990% 2018-03-27 8,140	8,551	8,553	1.35%
Province of Quebec	4.441% 2014-03-17 8,500	8,565	8,549	1.35%
Royal Bank of Canada Municipal Finance Authority of British Columbia	4.500% 2016-12-01 7,240	7,748	7,788	1.23%
Province of Ontario Hydro One Inc.	3.270% 2014-11-10 7,420	7,525	7,542	1.19%
Province of Ontario	4.650% 2016-04-19 6,630	7,138	7,167	1.13%
Hydro One Inc.	4.200% 2020-06-02 6,810	6,918	7,022	1.11%
Bank of Montreal, Fixed - Floating Rate	4.400% 2020-06-01 6,510	6,622	6,691	1.06%
407 International Inc.	6.170% 2023-03-28 5,740	6,431	6,480	1.02%
	4.300% 2021-05-26 6,310	6,184	6,289	0.99%
		304,263	306,554	48.40%

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Fixed Income Fund (the "Fund") is invested in units of the Industrial Alliance Bond - series 2 Fund (the "underlying fund"), which is managed by Industrial Alliance Investment Management Inc.

The objective of the Fund is to generate moderate long-term capital growth through investments oriented toward current income. The manager of the Fund primarily invests in Canadian bonds, but he may occasionally add securities denominated in foreign currencies or real return bonds to take advantage of special situations that would contribute to increasing portfolio return or reducing variability.

Fair Value Measurements

The following tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	4,521	-	-	4,521
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	4,521	-	-	4,521

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	-	-	-	-
Bonds	92,742	369,636	4,479	466,857
Short-term investments	-	29,836	-	29,836
Derivative financial instruments	-	-	-	-
Total	92,742	399,472	4,479	496,693

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

The following table provides financial instruments recognized at fair value and for which Level 3 inputs were used in determining fair value for the periods ended December 31, 2010 and 2009 :

	Fair Value Measurements for Level 3 Securities	
	December 31, 2010 Bonds (\$)	December 31, 2009 Bonds (\$)
Balance - beginning of period	4,479	4,863
Realized gain (loss) on sale of investments	53	(3,451)
Change in unrealized gain (loss) of investments	(99)	3,952
Purchases	-	4,863
Sales	(4,433)	(5,748)
Transfers in of Level 3	-	-
Transfers out of Level 3	-	-
Balance - end of period	-	4,479
Change in unrealized gain (loss) of investments held at end of period	-	99

Credit Risk

As at December 31, 2010 and 2009, the Fund, through its underlying fund, had invested in debt instruments with the following credit ratings :

Debt Instruments* by Credit Rating	Percentage of Net Assets as at December 31, 2010 (%)	Percentage of Net Assets as at December 31, 2009 (%)
AAA	41.37	43.20
AA	27.64	26.59
A	20.98	18.14
BBB	4.59	4.90
R1	5.61	5.94
Not rated	-	0.13

*Excludes other Net Assets

Credit ratings are obtained from DBRS, Standard & Poor's or Moody's.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

**Discussion of Financial Instrument
Risk Management (continued)****Interest Rate Risk**

The tables below summarize the Fund's exposure, through its underlying fund, to interest rate risk by remaining terms to maturity as at December 31, 2010 and 2009. If the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, the Net Assets would have respectively decreased or increased by the amount presented under "Impact on Net Assets." The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non- interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	543	2,140	932	901	5	4,521	256
Cash	(2)	-	-	-	-	(2)	-
Other assets	-	-	-	-	-	-	-
Liabilities	-	-	-	-	12	12	-

As at December 31, 2009

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non- interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	34,365	231,457	93,430	137,441	-	496,693	29,388
Cash	1	-	-	-	-	1	-
Other assets	-	-	-	-	5,526	5,526	-
Liabilities	-	-	-	-	16	16	-

Currency Risk

As at December 31, 2010 and 2009, the Fund, through its underlying fund, had no significant exposure to currency risk.

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX Universe Bond Index	3.00	100.00	3.00	135

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX Universe Bond Index	3.00	100.00	3.00	15,066

Statements of Net Assets

As at December 31 In thousands (except number of units and per unit figures)	2010 \$	2009 \$
ASSETS		
Investments at fair value*	14,564	14,413
Cash	-	81
Subscriptions receivable	-	4
Receivable for investments sold	10	-
Interest, dividends and other receivable	1	45
	14,575	14,543
LIABILITIES		
Bank overdraft	10	-
Expenses payable	41	43
Redemptions payable	55	12
Payable for investments purchased	-	14
	106	69
NET ASSETS	14,469	14,474
NET ASSETS PER UNIT		
Individual annuities	12.42	11.81
UNITS OUTSTANDING		
Individual annuities	1,165,015	1,225,481
* Investments, at average cost	14,211	14,804

Statements of Operations

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
INVESTMENT INCOME		
Interest	241	285
Dividends	126	205
	367	490
EXPENSES (Note 6)		
Management fees and operating expenses	472	512
NET INVESTMENT INCOME (LOSS)	(105)	(22)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND TRANSACTION COSTS		
Realized gain (loss) on sale of investments	(4)	236
Realized gain (loss) on foreign currency	-	5
Change in unrealized gain (loss) of investments	744	2,394
Transaction costs	(6)	(9)
NET GAIN (LOSS) ON INVESTMENTS	734	2,626
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	629	2,604

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
NET ASSETS - BEGINNING OF THE PERIOD	14,474	14,360
Increase (decrease) in net assets from operations	629	2,604
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	3,724	600
Units redeemed	(4,358)	(3,090)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	(5)	114
NET ASSETS - END OF THE PERIOD	14,469	14,474

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

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
INVESTMENT FUND (100.66%)			
Industrial Alliance Diversified Fund	205,954	14,211	14,564
OTHER NET ASSETS (-0.66%)			(95)
TOTAL NET ASSETS (100.00%)			14,469

INDUSTRIAL ALLIANCE DIVERSIFIED FUND

Top 25 Holdings of the Underlying Fund

As at December 31, 2010 In thousands (except number of securities)	No. of Securities/ Face value \$	Average Cost \$	Fair Value \$	% of Portfolio
Templeton Master Trust Fund, Series 1	13,105,308	133,197	116,637	6.79%
Industrial Alliance U.S. Equity Fund	8,803,884	74,548	76,813	4.47%
MB Global Equity Fund	4,858,767	67,364	58,658	3.42%
Industrial Alliance International Equity Fund	3,520,373	37,414	46,096	2.68%
Royal Bank of Canada	778,850	26,158	40,655	2.37%
Suncor Energy Inc.	993,068	28,115	37,915	2.21%
The Toronto-Dominion Bank	459,100	21,340	34,020	1.98%
Canadian Natural Resources Ltd.	688,700	13,182	30,489	1.78%
Bank of Nova Scotia	485,800	13,612	27,705	1.61%
Potash Corporation of Saskatchewan Inc.	175,800	16,975	27,128	1.58%
Barrick Gold Corp.	488,569	17,652	25,909	1.51%
Government of Canada	2,000% 2012-09-01 25,225	25,355	25,385	1.48%
Canadian National Railway Co.	365,780	7,797	24,233	1.41%
Canadian Imperial Bank of Commerce	251,850	14,146	19,697	1.15%
Goldcorp Inc.	411,255	13,769	18,832	1.10%
Teck Resources Ltd., Class B, SV	303,247	8,052	18,686	1.09%
Agrium Inc.	203,200	6,803	18,593	1.08%
Cenovus Energy Inc.	538,152	13,151	17,829	1.04%
Talisman Energy Inc.	755,900	12,104	16,713	0.97%
Bank of Montreal	286,290	10,422	16,442	0.96%
Government of Canada	4,000% 2017-06-01 15,275	16,361	16,437	0.96%
Province of Quebec, Real Return Bond	4,500% 2020-12-01 15,600	15,783	16,362	0.95%
Canada Housing Trust	2,450% 2015-12-15 15,370	15,218	15,204	0.89%
EnCana Corp.	504,552	9,534	14,653	0.85%
Province of Ontario	4,500% 2015-03-08 13,435	14,206	14,436	0.84%
		632,258	775,527	45.17%

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Balanced Fund (the "Fund") is invested in units of the Industrial Alliance Diversified Fund (the "underlying fund"), which is managed by Industrial Alliance Investment Management Inc.

The objective of the Fund is to combine capital growth with current income. To do so, the investment strategy focuses primarily on a judicious allocation of Canadian and international equities and fixed income securities.

Fair Value Measurements

The following tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	14,564	-	-	14,564
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	14,564	-	-	14,564

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	5,815	-	-	5,815
Investment funds	2,468	-	-	2,468
Bonds	761	4,919	-	5,680
Short-term investments	-	450	-	450
Derivative financial instruments	-	-	-	-
Total	9,044	5,369	-	14,413

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010 and 2009, the Fund, through its underlying fund, had invested in debt instruments with the following credit ratings:

Debt Instruments* by Credit Rating	Percentage of Net Assets as at December 31, 2010 (%)	Percentage of Net Assets as at December 31, 2009 (%)
AAA	16.29	16.19
AA	9.46	6.58
A	9.22	10.12
BBB	2.40	6.34
R1	5.08	3.23
Not rated	0.12	-

*Excludes other Net Assets

Credit ratings are obtained from DBRS, Standard & Poor's or Moody's.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

The tables below summarize the Fund's exposure, through its underlying fund, to interest rate risk by remaining terms to maturity as at December 31, 2010 and 2009. If the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, the Net Assets would have respectively decreased or increased by the amount presented under "Impact on Net Assets." The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non- interest bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	874	3,254	1,140	892	8,404	14,564	308
Cash	(10)	-	-	-	-	(10)	-
Other assets	-	-	-	-	11	11	-
Liabilities	-	-	-	-	96	96	-

As at December 31, 2009

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non- interest bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	873	2,917	893	1,465	8,265	14,413	351
Cash	81	-	-	-	-	81	-
Other assets	-	-	-	-	49	49	-
Liabilities	-	-	-	-	69	69	-

Discussion of Financial Instrument Risk Management (continued)

Currency Risk

The tables below summarize the Fund's exposure, through its underlying fund, to currency risk and the impact on Net Assets as at December 31, 2010 and 2009, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
AUD	17	-	17	0.12	1
BRL	2	-	2	0.01	-
CHF	106	-	106	0.73	5
CNY	2	-	2	0.01	-
EUR	449	-	449	3.10	22
GBP	271	-	271	1.87	14
HKD	48	-	48	0.33	2
IDR	4	-	4	0.03	-
ILS	5	-	5	0.03	-
JPY	172	-	172	1.19	9
KRW	35	-	35	0.24	2
MXN	5	-	5	0.03	-
NOK	29	-	29	0.20	1
SEK	21	-	21	0.15	1
SGD	34	-	34	0.23	2
TWD	17	-	17	0.12	1
USD	1,267	-	1,267	8.76	63

As at December 31, 2009

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
AUD	28	-	28	0.19	1
BRL	25	-	25	0.17	1
CHF	175	4	179	1.24	9
CNY	11	-	11	0.08	1
DKK	67	-	67	0.47	3
EUR	491	-	491	3.39	25
GBP	282	-	282	1.95	14
HKD	58	-	58	0.40	3
ILS	53	-	53	0.36	3
JPY	124	-	124	0.86	6
KRW	78	-	78	0.54	4
NOK	27	-	27	0.18	1
RUB	10	-	10	0.07	1
SEK	22	-	22	0.15	1
SGD	45	-	45	0.31	2
TRY	5	-	5	0.04	-
TWD	28	-	28	0.20	1
USD	914	(4)	910	6.29	45
ZAR	7	-	7	0.05	-

See Note 4 to the Financial Statements for currency symbols.

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX 91 day Tbill Index	1.00	5.00	0.05	7
DEX Universe Bond Index	3.00	30.00	0.90	130
DEX Residential Mortgage Market Index - 3 years	3.00	15.00	0.45	65
S&P/TSX Composite Index	10.00	50.00	5.00	723

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
DEX 91 Day Tbill Index	1.00	5.00	0.05	7
DEX Universe Bond Index	3.00	30.00	0.90	130
DEX Residential Mortgage Market Index - 3 years	3.00	15.00	0.45	65
S&P/TSX Composite Index	10.00	50.00	5.00	724

Statements of Net Assets

As at December 31 In thousands (except number of units and per unit figures)	2010 \$	2009 \$
ASSETS		
Investments at fair value*	17,674	15,956
Cash	-	14
Subscriptions receivable	-	20
Receivable for investments sold	-	33
Interest, dividends and other receivable	-	30
	17,674	16,053
LIABILITIES		
Expenses payable	32	35
Redemptions payable	52	51
	84	86
NET ASSETS	17,590	15,967
NET ASSETS PER UNIT		
Individual annuities	11.44	10.40
Group pensions	18.00	15.78
UNITS OUTSTANDING		
Individual annuities	1,085,550	1,099,397
Group pensions	287,157	287,157
* Investments, at average cost	16,974	14,137

Statements of Operations

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
INVESTMENT INCOME		
Interest	20	14
Dividends	309	420
	329	434
EXPENSES (Note 6)		
Management fees and operating expenses	344	442
NET INVESTMENT INCOME (LOSS)	(15)	(8)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND TRANSACTION COSTS		
Realized gain (loss) on sale of investments	2,617	2,117
Change in unrealized gain (loss) of investments	(1,119)	2,358
Transaction costs	(5)	(11)
NET GAIN (LOSS) ON INVESTMENTS	1,493	4,464
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	1,478	4,456

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
NET ASSETS - BEGINNING OF THE PERIOD	15,967	15,269
Increase (decrease) in net assets from operations	1,478	4,456
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	5,705	1,334
Units redeemed	(5,560)	(5,092)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	1,623	698
NET ASSETS - END OF THE PERIOD	17,590	15,967

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

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
INVESTMENT FUND (100.48%)			
Industrial Alliance Canadian Equity Value Fund	88,190	16,974	17,674
OTHER NET ASSETS (-0.48%)			(84)
TOTAL NET ASSETS (100.00%)			17,590

INDUSTRIAL ALLIANCE CANADIAN EQUITY VALUE FUND

Top 25 Holdings of the Underlying Fund

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$	% of Portfolio
Royal Bank of Canada	549,550	16,422	28,687	5.55%
Industrial Alliance U.S. Equity Fund	3,081,455	27,830	26,885	5.20%
Suncor Energy Inc.	683,640	12,320	26,101	5.05%
The Toronto-Dominion Bank	317,000	12,885	23,490	4.54%
Templeton Master Trust Fund, Series 1	2,523,643	29,344	22,460	4.34%
Canadian Natural Resources Ltd.	444,000	8,038	19,656	3.80%
Canadian National Railway Co.	272,720	7,338	18,068	3.49%
Potash Corporation of Saskatchewan Inc.	114,000	9,842	17,592	3.40%
Bank of Nova Scotia	305,900	6,597	17,446	3.37%
Barrick Gold Corp.	310,074	10,179	16,444	3.18%
Agrium Inc.	157,300	4,112	14,393	2.78%
Teck Resources Ltd., Class B, SV	230,050	5,530	14,175	2.74%
Goldcorp Inc.	292,445	7,403	13,391	2.59%
Canadian Imperial Bank of Commerce	169,450	9,084	13,253	2.56%
Bank of Montreal	219,950	8,530	12,632	2.44%
Cenovus Energy Inc.	333,668	6,376	11,054	2.14%
Talisman Energy Inc.	479,500	8,411	10,602	2.05%
Nexen Inc.	391,800	8,885	8,929	1.73%
MB Global Equity Fund	739,326	10,042	8,926	1.73%
BCE Inc.	250,786	7,091	8,860	1.71%
Agnico-Eagle Mines Ltd.	112,600	5,376	8,608	1.66%
Research In Motion Ltd.	142,400	8,201	8,269	1.60%
EnCana Corp.	273,668	3,598	7,947	1.54%
Canadian Oil Sands Trust	264,300	9,553	6,988	1.35%
SNC-Lavalin Group Inc.	115,700	5,003	6,875	1.33%
	247,990	371,731	71,875	71.87%

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Equities Fund (the "Fund") is invested in units of the Industrial Alliance Canadian Equity Value Fund (the "underlying fund"), which is managed by Industrial Alliance Investment Management Inc.

The Fund targets long-term capital growth through investments in securities of large Canadian companies and includes a portion of foreign equities.

Fair Value Measurements

The following tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	17,674	-	-	17,674
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	17,674	-	-	17,674

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	14,195	-	-	14,195
Investment funds	1,561	-	-	1,561
Bonds	-	-	-	-
Short-term investments	-	200	-	200
Derivative financial instruments	-	-	-	-
Total	15,756	200	-	15,956

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010, the Fund, through its underlying fund, had no significant exposure to credit risk.

As at December 31, 2009, the Fund, through its underlying fund, had invested in debt instruments with the following credit ratings :

Debt Instruments* by Credit Rating	Percentage of Net Assets as at December 31, 2009 (%)
R1	1.25

*Excludes other Net Assets

Credit ratings are obtained from DBRS, Standard & Poor's or Moody's.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

As at December 31, 2010, the majority of the Fund's and its underlying fund's financial assets and liabilities were non-interest bearing and, accordingly, the Fund was not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

The table below summarizes the Fund's exposure, through its underlying fund, to interest rate risk by remaining terms to maturity as at December 31, 2009. If the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, the Net Assets would have respectively decreased or increased by the amount presented under "Impact on Net Assets." The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2009

	< 1 year (\$)	1-5 years (\$)	6-10 years (\$)	> 10 years (\$)	Non- interest Bearing (\$)	Total (\$)	Impact on Net Assets (\$)
Investments	200	-	-	-	15,756	15,956	-
Cash	14	-	-	-	-	14	-
Other assets	-	-	-	-	83	83	-
Liabilities	-	-	-	-	86	86	-

**Discussion of Financial Instrument
Risk Management (continued)****Currency Risk**

The tables below summarize the Fund's exposure, through its underlying fund, to currency risk and the impact on Net Assets as at December 31, 2010 and 2009, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
AUD	7	-	7	0.04	-
BRL	1	-	1	0.01	-
CHF	58	-	58	0.33	3
CNY	1	-	1	0.01	-
EUR	288	-	288	1.64	14
GBP	168	-	168	0.96	8
HKD	27	-	27	0.15	1
IDR	3	-	3	0.02	-
ILS	3	-	3	0.02	-
JPY	100	-	100	0.57	5
KRW	21	-	21	0.12	1
MXN	3	-	3	0.02	-
NOK	18	-	18	0.10	1
SEK	13	-	13	0.07	1
SGD	22	-	22	0.13	1
TWD	13	-	13	0.07	1
USD	1,518	-	1,518	8.63	76

As at December 31, 2009

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
USD	1,560	-	1,560	9.77	78

See Note 4 to the Financial Statements for currency symbols.

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
S&P/TSX Composite Index	10.00	100.00	10.00	1,759

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
S&P/TSX Composite Index	10.00	100.00	10.00	1,597

Statements of Net Assets

As at December 31 In thousands (except number of units and per unit figures)	2010 \$	2009 \$
ASSETS		
Investments at fair value*	4,880	2,648
Cash	31	-
	4,911	2,648
LIABILITIES		
Expenses payable	11	9
Redemptions payable	10	20
	21	29
NET ASSETS	4,890	2,619
NET ASSETS PER UNIT		
Individual annuities	3.90	3.78
UNITS OUTSTANDING		
Individual annuities	1,254,738	692,033
* Investments, at average cost	4,747	2,642

Statements of Operations

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
INVESTMENT INCOME		
Dividends	-	224
EXPENSES (Note 6)		
Management fees and operating expenses	81	106
NET INVESTMENT INCOME (LOSS)	(81)	118
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on sale of investments	(13)	(3,081)
Change in unrealized gain (loss) of investments	127	3,132
NET GAIN (LOSS) ON INVESTMENTS	114	51
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	33	169

Statements of Changes in Net Assets

For the periods ended December 31 (Note 1) In thousands	2010 \$	2009 \$
NET ASSETS - BEGINNING OF THE PERIOD	2,619	3,081
Increase (decrease) in net assets from operations	33	169
CAPITAL UNIT TRANSACTIONS (Note 7)		
Units issued	4,482	472
Units redeemed	(2,244)	(1,103)
INCREASE (DECREASE) IN NET ASSETS FOR THE PERIOD	2,271	(462)
NET ASSETS - END OF THE PERIOD	4,890	2,619

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

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
INVESTMENT FUND (99.80%)			
Industrial Alliance Global Equity Fund	401,915	4,747	4,880
OTHER NET ASSETS (0.20%)			10
TOTAL NET ASSETS (100.00%)			4,890

INDUSTRIAL ALLIANCE GLOBAL EQUITY FUND

Statement of Investment Portfolio

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$
INVESTMENT FUND (99.93%)			
IA Clarington Global Value Fund, Series O	8,776,869	68,859	78,172
OTHER NET ASSETS (0.07%)			54
TOTAL NET ASSETS (100.00%)			78,226

IA CLARINGTON GLOBAL VALUE FUND

Top 25 Holdings of the Underlying Fund

As at December 31, 2010 In thousands (except number of securities)	Number of Securities	Average Cost \$	Fair Value \$	% of Portfolio
Microsoft Corp.	99,000	2,637	2,748	2.36%
Petroleo Brasileiro SA (Petrobras), ADR	60,304	2,263	2,270	1.95%
Freeport-McMoRan Copper & Gold Inc.	15,500	1,496	1,852	1.59%
Petrofac Ltd.	70,681	938	1,740	1.49%
Apple Inc.	4,700	1,062	1,507	1.29%
Komatsu Ltd.	49,800	955	1,500	1.29%
DaimlerChrysler AG, Registered	20,646	987	1,398	1.20%
Nestlé SA	23,024	1,010	1,342	1.15%
Chevron Corp.	14,600	1,116	1,326	1.14%
SES	55,000	1,287	1,305	1.12%
Kia Motors Corp.	29,000	490	1,300	1.11%
Credit Suisse Group AG	31,085	1,553	1,246	1.07%
Intel Corp.	59,100	1,293	1,236	1.06%
Anheuser-Busch InBev	21,304	924	1,214	1.04%
British American Tobacco PLC	31,738	1,034	1,213	1.04%
Adecco SA, Registered	18,400	984	1,199	1.03%
Incitec Pivot Ltd.	291,405	653	1,175	1.01%
International Business Machines Corp.	8,000	974	1,168	1.00%
Lincoln National Corp.	42,200	1,026	1,167	1.00%
HSBC Holdings PLC	113,277	1,251	1,144	0.98%
Vale SA, Sponsored ADR	33,181	679	1,141	0.98%
Allianz SE, Registered	9,291	1,024	1,100	0.94%
Atlas Copco AB, Series A	43,279	518	1,086	0.93%
Exxon Mobil Corp.	14,794	966	1,077	0.92%
General Electric Co.	58,800	845	1,071	0.92%
		27,965	34,525	29.61%

Discussion of Financial Instrument Risk Management

As at December 31, 2010 and 2009 (Note 2, Note 3 and Note 4)
(in thousands of dollars)

Investment Objectives

The Global Equities Fund (the "Fund") is invested in units of the Industrial Alliance Global Equity Fund (the "underlying segregated fund"), which is Invested in units of the IA Clarington Global Value Fund, which is managed by Industrial Alliance Investment Management Inc.

The objective of the Fund is to achieve long-term capital appreciation through investments in equity securities from around the world.

Fair Value Measurements

The following tables are a summary of the inputs used, as at December 31, 2010 and 2009, on the Fund's assets carried at fair value. The inputs or methodology used for valuing securities may not be 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.

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 tables.

As at December 31, 2010

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	4,880	-	-	4,880
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	4,880	-	-	4,880

As at December 31, 2009

	Assets at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	-	-	-	-
Investment funds	2,648	-	-	2,648
Bonds	-	-	-	-
Short-term investments	-	-	-	-
Derivative financial instruments	-	-	-	-
Total	2,648	-	-	2,648

There were no significant transfers between the levels during the periods ended December 31, 2010 and 2009.

Credit Risk

As at December 31, 2010 and 2009, the Fund, through its underlying fund, had no significant exposure to credit risk.

Liquidity Risk

As at December 31, 2010 and 2009, the Fund had no significant exposure to liquidity risk, except as disclosed in Note 4 to the Financial Statements.

Interest Rate Risk

As at December 31, 2010 and 2009, the majority of the underlying fund's financial assets and liabilities were non-interest bearing and, accordingly, the Fund was not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

Currency Risk

The tables below summarize the Fund's exposure, through its underlying fund, to currency risk and the impact on Net Assets as at December 31, 2010 and 2009, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
AUD	55	-	55	1.12	3
CHF	263	-	263	5.38	13
EUR	725	-	725	14.83	36
GBP	473	-	473	9.67	24
HKD	115	-	115	2.35	6
JPY	368	-	368	7.53	18
KRW	54	-	54	1.10	3
NOK	73	-	73	1.49	4
SEK	45	-	45	0.92	2
SGD	30	-	30	0.61	2
USD	2,625	-	2,625	53.68	131

As at December 31, 2009

Currency	Financial Instruments (\$)	Currency Contracts (\$)	Total Exposure (\$)	Percentage of Net Assets (%)	Impact on Net Assets (\$)
AUD	44	-	44	1.70	2
CHF	146	18	164	6.24	8
DKK	13	-	13	0.49	1
EUR	403	-	403	15.37	20
GBP	294	-	294	11.24	15
HKD	108	-	108	4.12	5
JPY	146	-	146	5.56	7
KRW	28	-	28	1.09	1
NOK	2	-	2	0.08	-
SEK	15	-	15	0.57	1
USD	1,436	(15)	1,421	54.26	71

See Note 4 to the Financial Statements for currency symbols.

Discussion of Financial Instrument Risk Management (continued)

Other Price Risk

As at December 31, 2010 and 2009, 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 tables below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2010

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
MSCI - World Index (Can. \$) (net ret.)	10.00	100.00	10.00	489

As at December 31, 2009

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Net Assets (%)	Impact on Net Assets (\$)
MSCI - World Index (Can. \$) (net ret.)	10.00	100.00	10.00	262

Notes to the Financial Statements

December 31, 2010 (in thousands of \$ or units, except for per unit amounts)

1- The Funds

a) Establishment and legal structure of the Funds

The Industrial Alliance Ultraflex II and Ultraflex R - M Funds (the "Funds") are segregated funds created by Industrial Alliance Insurance and Financial Services Inc. (the "Company") under An Act respecting insurance (Québec). The Funds are not separate legal entities. The assets of each Fund are segregated from the other assets of the Company and are owned by it.

COL003 units are designated for investment in underlying funds administrated by the Company.

The Funds were established on the following dates by The National Life Assurance Company of Canada, an Industrial subsidiary that was integrated with Industrial Alliance on June 30, 2005.

Fund Name	Establishment date
ULTRAFLEX II	
Money Market	November 6, 2001
Short Term Bonds	November 6, 2001
Bond	November 6, 2001
Bond - series 2	November 6, 2001
Diversified Security	November 6, 2001
Diversified	November 6, 2001
Diversified Opportunity	November 6, 2001
Fidelity Canadian Asset Allocation	November 6, 2001
Diversified Income	March 23, 2004
Dividend	November 6, 2001
Canadian Equity Index	November 6, 2001
Select Canadian	November 6, 2001
Canadian Equity Value	November 6, 2001
Canadian Equity (Dynamic)	November 6, 2001
Fidelity True North®	November 6, 2001
Canadian Equity Growth	November 6, 2001
Fidelity Canadian Opportunities	November 6, 2001
Global Equity (Templeton)	November 6, 2001
International Equity Index	November 6, 2001
International Equity (Templeton)	November 6, 2001
International Equity (McLean Budden)	November 6, 2001
Fidelity Europe	November 6, 2001
U.S. Equity Index	November 6, 2001
U.S. Equity	November 6, 2001
Global Health Care (Renaissance)	November 6, 2001
Real Estate Income	March 23, 2004
U.S. DAQ Index	November 6, 2001
ULTRAFLEX R - M	
Money Market	February 1994
Fixed Income	February 1994
Balanced	February 1994
Equities	February 1994
Global Equities	February 1994

b) Financial Reporting Dates

The Statements of Net Assets are as at December 31, 2010 and 2009. The Statements of Operations and the Statements of Changes in Net Assets are for the years ended December 31, 2010 and 2009. The Statement of Investment Portfolio is as at December 31, 2010.

c) Change of Fund Name

The following Fund was renamed on the date indicated below:

March 2010

Previous Name	New Name
U.S. Equity (Legg Mason)	U.S. Equity

d) Fund Transfer

The following Investment Funds units invested were transferred on the date indicated below:

March 26, 2010

Terminating Fund	Continuing Fund	Net Asset Value Acquired
Canadian Equity (Bissett)	Canadian Equity Growth	\$1,216

December 15, 2010

Terminating Fund	Continuing Fund	Net Asset Value Acquired
Dividend Income	Equities	\$2,563
Canadian Asset Allocation (Fidelity)	Balanced	\$3,015
Canadian Equity Index	Equities	\$1,538
International Equity	Global Equities	\$1,198
U.S. Equity Index	Global Equities	\$1,229
U.S./DAQ Index	Global Equities	\$988

2- Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include estimates and assumptions made by management that affect the reported amount of assets, liabilities, income and expenses during the reporting periods. Actual results could differ from these estimates.

In September 2008, the Canadian Securities Administrators ("CSA") adopted changes to National Instrument 81-106 Investment Fund Continuous Disclosure ("NI 81-106"). The changes primarily address the implications of Section 3855, Financial Instruments – Recognition and Measurement of the Canadian Institute of Chartered Accountants ("CICA") Handbook. The adoption of Section 3855 results in the use of different valuation techniques for certain investments than was previously used. The primary impact of the application of the new section concerns the determination of the fair value of the financial assets quoted on an active market using the bid price for a long position and the ask price for a short position rather than according to the closing price previously used. The "Net Assets" determined according to Canadian GAAP is used for financial statements only, and the "Net Asset Value" calculated in accordance with NI 81-106 part 14 is used for all other purposes, including purchases and redemptions. The Net Assets per unit versus the Net Asset Value per unit are disclosed in Note 5.

For Funds that primarily hold underlying funds, which are not actively traded, there is not expected to be a significant difference between the Net Assets per unit and the Net Asset Value per unit used for pricing purposes.

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The significant accounting policies are as follows:

a) Valuation of Units

Units of the Funds are issued and redeemed at their Net Asset Value (“NAV”) per unit. The Net Asset Value per unit is determined at the end of each day the Toronto Stock Exchange is open for trading. For Funds that have only one series of units, the Net Asset Value per unit of the Fund is calculated by dividing total net assets at fair value by the total number of the Fund’s outstanding units at that time. Each category of units in a same fund has a different unit value which varies according to its applicable management fees.

For Ultraflex II Funds, The Net Asset Value per unit corresponds to the Net Asset Value per unit of the underlying fund. Each category of units in a same fund has a different unit value which varies according to its applicable management fees.

b) Valuation of Investments

Investments are categorized as held for trading in accordance with Section 3855 and therefore are recorded at fair value.

Section 3862, Financial Instruments – Disclosures establishes a disclosure hierarchy that categorizes the inputs to valuations techniques used to value assets and liabilities at measurements date. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities. The hierarchy gives the highest priority to readily available unadjusted quoted prices in active markets for identical assets and lowest priority to unobserved inputs when market prices are not readily available or reliable. The three levels of the hierarchy are described below:

Level 1 – Valuation based on quoted prices in active markets (unadjusted) for identical assets or liabilities.

Level 2 – Valuation model based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Valuation model based on significant unobservable inputs that are supported by little or no market activity.

The financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

i) Equities

Each listed long position investment security is valued at the latest bid price reported by the principal securities exchange on which the issue is traded or, if no bid price is reported, the closing sale price is used. Securities which are traded over-the-counter are priced at the bid price quoted by a major dealer in such securities.

ii) Investments in underlying funds

Investments in underlying funds are valued at the closing NAV of the units owned established by the manager of the underlying funds at the valuation date.

iii) Bonds

Fixed-income investments are valued on bid prices using independent pricing services or by dealers who make markets in such securities. Pricing services consider yield or price of fixed-income securities of comparable quality, coupon, maturity and type as well as dealer supplied prices.

No efficient market has been developed for some bonds. The Company estimates the fair market value of these investments according to a valuation model that it believes is appropriate under the circumstances. The valuation is modelled on an individual basis according to the category of underlying assets.

The Company uses two models to value bonds whose underlying assets are composed exclusively of traditional assets. For bonds whose underlying assets are composed of a single type of asset, the Company uses a model based on the discounting of expected future cash flows. The discount rate used is the rate of return of bonds with a risk profile similar to that of the underlying assets and a term corresponding to the anticipated maximum maturity of the bonds. Bonds whose underlying assets are composed of several types of assets are valued on a model based on the JP Morgan valuation. This valuation is based on data observed on the markets or on expected future cash flows models developed by JP Morgan. Subsequently, the fair value of bonds is adjusted to take into account fluctuations in value observed in the market since the initial valuation by JP Morgan.

Bonds backed by synthetic assets are valued according to a model based on the discounting of expected future cash flows. The discount rate used is the fluctuations of a reference index with a risk profile similar to that of the underlying assets and a term corresponding to the anticipated maximum maturity of the notes.

iv) Short-term investments

Short-term investments are accounted for at the bid price.

For the Money Market Fund, the cost of short-term investments together with interest accrued approximates their fair value.

v) Cash

Cash and Bank overdraft are deemed to be held for trading and carried at fair value.

The difference between the total fair value and the total cost of securities corresponds to the unrealized gain (loss) on investments.

If an investment security cannot be valued under the above criteria or under any valuation criteria set out in securities legislation or if any of the valuation criteria adopted by the Company but not set out in securities legislation are at any time considered by the Company to be inappropriate in the circumstances, then the Company shall use a valuation that it considers to be fair in the circumstances.

c) Fair Value

For the purpose of calculating the Net Asset Value the Funds use fair value pricing with a view to deter excessive short-term trading in the Funds and to mitigate market timing opportunities. Fair value pricing is designed to provide a more accurate NAV by making fair value factor adjustment to quoted or published prices of the non-North-American securities for significant events occurring between the earlier close of non-North-American markets and the time at which NAV is determined. Therefore, the fair value of securities for the purpose of calculating the NAV of the Funds may differ from the closing market price of the securities.

d) Investment Transactions and Income

Investment transactions are accounted for on the trade date (date that the order to buy or sell is executed). Dividend and income trust income is recorded on the ex-dividend date. Distribution income from the underlying funds is recognized on the distribution date. This latter may include dividends, interest, capital gains and return of capital and retain its nature. Interest income is recorded on the accrual basis and includes realized foreign exchange gains or losses on short-term investments. Realized and unrealized gains and losses of investments are calculated on an average cost basis, without giving effect to transaction costs.

e) Transaction Costs

Transaction costs are expensed and are included in “Transaction costs” in the Statements of Operations. Transaction costs are incremental costs that are directly attributable to the acquisition, issuance or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

f) Foreign Currency Translation

The fair value of foreign currency denominated portfolio investments, foreign currency holdings and other assets and liabilities denominated in foreign currencies

Notes to the Financial Statements

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are translated into Canadian dollars at the rate of exchange applicable on the valuation date. Investment transactions, income and expenses are translated at the rates of exchange on the dates of such transactions.

Realized and unrealized foreign currency gains or losses on investments are included in "Realized gain (loss) on sale of investments" and "Change in unrealized gain (loss) of investments," respectively. Realized and unrealized foreign currency gains or losses on assets other than investments, and on liabilities and income denominated in foreign currencies are included in "Realized gain (loss) on foreign currency" and "Change in unrealized gain (loss) of foreign currency," respectively.

g) Other Net Assets

Other financial assets and liabilities are short-term items and are recorded at cost or amortized cost. As a result of their term, their carrying value approximates their fair value.

Interest, dividends and other receivable, subscriptions receivable, receivable for investments sold, and other assets are designated to be loans and receivables. Similarly, redemptions payable, payable for investments purchased and expenses payable are designated to be financial liabilities.

3- Change in Accounting Policies

a) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the Emerging Issues Committee ("EIC") published EIC-173 *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. Under this EIC, the Company's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative financial instruments. The adoption of this abstract had no impact on the Company since its methods already took these credit risks into account.

b) Financial Instruments – Disclosures

In June 2009, the CICA modified Section 3862, Financial Instruments – Disclosures, to improve the disclosure of fair value measurements, particularly with respect to the relative reliability of the data on which these measurements are based, and the liquidity risk related to financial instruments. Adoption of this policy does not impact the daily price of the Fund's securities for subscription and redemption purposes, nor for the calculation of Net Assets. Refer to the "Discussion of Financial Instrument Risk Management" located after each Fund's Statement of Investment Portfolio and Note 2b) for new disclosure relating to the adoption of the new requirement.

c) Transition to International Financial Reporting Standards ("IFRS")

Contrary to what was reported in the last financial statements published, the Company will adopt IFRS in the financial year beginning January 1, 2013 and will produce its first financial statements in accordance with IAS 34, Interim financial reporting, for semi-annual accounts ended on June 30, 2013. Previously, the Company expected to adopt IFRS on January 1, 2011, but following the decision by the Canadian Institute of Chartered Accountants ("CICA"), in October 2010, to change the IFRS application date to January 1, 2012 for investment companies that apply the Accounting Guideline on Investment Companies ("AcG-18"), and following the recent decision by the Canadian Accounting Standards Board (AcSB) to defer adoption of IFRS by an additional year for these companies, the Company decided to officially make the changeover on January 1, 2013.

In order to be ready for the changeover to IFRS, the Company has developed a transition plan containing three phases: 1) identification of the risks; 2) implementation of the new standards; and 3) conversion. During the next two periods, the Company will continue to evaluate the financial consequences and impacts of the conversion to IFRS and complete the design of financial statements and the notes to the financial statements according to IFRS requirements. The Company will also evaluate the impact of the new accounting standards on

disclosure controls and procedures and internal control over financial reporting and make the necessary changes. The Company anticipates there will be changes to the financial statements but the impact, if any, cannot be reasonably estimated at this time. Training and communication plans will continue throughout the year to prepare and assess the required information.

Given the evolution of accounting standards, the overall impact of adopting IFRS on the funds' financial situation and future results cannot be reasonably established until the process is completed.

4- 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

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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.

Currency Symbols:

AUD - Australian Dollar; BRL - Brazilian Real; CHF - Swiss Franc; CNY - Chinese Yuan Renminbi; DKK - Danish Krone; EUR - Euro; GBP - British Pound; HKD - Hong Kong Dollar; IDR - Indonesian Rupiah; ILS - New Israeli Sheqel; INR - Indian Rupee; JPY - Japanese Yen; KRW - South-Korean Won; MXN - Mexican Peso; NOK - Norwegian Krone; PHP - Philippine Peso; PLN - Polish Zloty; RUB - Russian Ruble; SEK - Swedish Krona; SGD - Singapore Dollar; TRY - New Turkish Lira; TWD - New Taiwan Dollar; USD - United States Dollar; ZAR - South African Rand.

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. 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.

5- Comparison of Net Asset Value per unit and Net Assets per unit

In accordance with NI 81-106, a comparison between the Net Asset Value per unit and the Net Assets per unit of an Investment Fund, is provided below.

Funds	2010		2009	
	Net Asset Value Per Unit (\$)	Net Assets Per Unit (\$)	Net Asset Value Per Unit (\$)	Net Assets Per Unit (\$)
ULTRAFLEX R - M				
Money Market				
Individual annuities	16.52	16.52	16.51	16.51
Fixed Income				
Individual annuities	14.15	14.15	13.71	13.71
COL003	-	-	19.75	19.75
Balanced				
Individual annuities	12.42	12.42	11.83	11.81
Equities				
Individual annuities	11.44	11.44	10.43	10.40
Group pensions	18.00	18.00	15.82	15.78
Global Equities				
Individual annuities	3.90	3.90	3.78	3.78

6- Related Party Transactions

a) Holding

The Ultraflex II fund portfolios are composed of units of the Company's Funds.

b) Management fees

Management fees, calculated according to the Net Asset Value of the Funds, are deducted from each investment fund asset on every valuation date and paid to the Company once a month. For Ultraflex II Funds, management fees are calculated and deducted from the Net Asset Value of the underlying fund on every valuation date. The management fees vary from one Fund to another. The Company pays the entire management fee to the external managers for the Funds' or the underlying funds' management, if any.

c) Operating expenses

Other than management fees, operating expenses are charged to the Funds such as audit fees, deposit and safekeeping fees, goods and services tax and all other fees incurred by the Funds in accordance with the *Information Folder* of the Funds. The Company may assume some of the Funds' operating expenses which would otherwise be deducted from the Funds. For Ultraflex II Funds, the operating expenses are charged to the underlying funds. The Company may assume some of the underlying funds' operating expenses which would otherwise be deducted from them.

d) 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. For the individual annuity investments portion, 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.

Funds	2010	2009
ULTRAFLEX II¹		
Income Funds		
Money Market	1.47%	1.43%
Short Term Bonds	2.15%	2.11%
Bond	2.14%	2.11%
Bond - series 2	2.15%	2.11%
Diversified Funds		
Diversified Security	2.76%	2.73%
Diversified	2.77%	2.75%
Diversified Opportunity	2.84%	2.80%
Fidelity Canadian Asset Allocation	3.39%	3.32%
Diversified Income	2.77%	2.69%
Canadian Equity Funds		
Dividend	2.16%	2.11%
Canadian Equity Index	2.78%	2.69%
Select Canadian	2.72%	2.69%
Canadian Equity Value	2.78%	2.75%
Canadian Equity (Dynamic)	3.14%	3.06%
Fidelity True North [®]	3.40%	3.32%
Canadian Equity Growth	2.75%	2.69%
Fidelity Canadian Opportunities	3.40%	3.32%

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Funds	2010	2009
U.S. & International Equity Funds		
Global Equity (Templeton)	3.38%	3.29%
International Equity Index	2.76%	2.69%
International Equity (Templeton)	3.33%	3.29%
International Equity (McLean Budden)	3.23%	3.16%
Fidelity Europe	3.44%	3.37%
U.S. Equity Index	2.75%	2.69%
U.S. Equity	3.09%	3.32%
Specialty Funds		
Global Health Care (Renaissance)	3.56%	3.48%
Real Estate Income	2.78%	2.69%
U.S. DAQ Index	2.78%	2.69%
ULTRAFLEX R - M		
Savings and Income Funds		
Money Market	2.43%	2.31%
Fixed Income	3.27%	3.15%
Balanced Funds		
Balanced	3.76%	3.57%
Canadian Equity Funds		
Equities	3.74%	3.57%
U.S. & International Growth Funds		
Global Equities	4.09%	3.94%

¹ These management fees and operating expenses have been charged to the underlying funds.

Following a recent decline in interest rates, the Company absorbs, since March 16, 2009, all of the management fees for the Money Market Fund Ultraflex R - M which are higher than its returns. This modification is temporary and will help protect clients' investments from potential negative returns that the Fund could generate.

7- Securities of the Funds

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 6 above.

For the periods ended December 31, 2010 and 2009, the following units were issued and redeemed:

Funds	Beginning of Period	Units Issued	Units Redeemed	End of Period	
ULTRAFLEX II					
Money Market					
Individual annuities	2010	353	31	218	166
	2009	696	43	386	353
Short Term Bonds					
Individual annuities	2010	100	58	45	113
	2009	97	22	19	100
Bond					
Individual annuities	2010	301	175	198	278
	2009	358	273	330	301

Funds	Beginning of Period	Units Issued	Units Redeemed	End of Period	
Bond - series 2					
Individual annuities	2010	194	4	46	152
	2009	215	17	38	194
Diversified Security					
Individual annuities	2010	140	51	55	136
	2009	164	2	26	140
Diversified					
Individual annuities	2010	100	3	21	82
	2009	114	1	15	100
Diversified Opportunity					
Individual annuities	2010	138	3	24	117
	2009	159	2	23	138
Fidelity Canadian Asset Allocation					
Individual annuities	2010	293	10	61	242
	2009	338	4	49	293
Diversified Income					
Individual annuities	2010	228	13	51	190
	2009	279	8	59	228
Dividend					
Individual annuities	2010	485	40	176	349
	2009	549	59	123	485
Canadian Equity Index					
Individual annuities	2010	122	4	29	97
	2009	137	2	17	122
Select Canadian					
Individual annuities	2010	10	-	1	9
	2009	15	-	5	10
Canadian Equity Value					
Individual annuities	2010	26	1	5	22
	2009	34	1	9	26
Canadian Equity (Dynamic)					
Individual annuities	2010	443	66	291	218
	2009	442	221	220	443
Fidelity True North[®]					
Individual annuities	2010	117	3	24	96
	2009	146	3	32	117
Canadian Equity Growth					
Individual annuities	2010	76	68	24	120
	2009	88	6	18	76
Fidelity Canadian Opportunities					
Individual annuities	2010	146	30	46	130
	2009	105	61	20	146
Global Equity (Templeton)					
Individual annuities	2010	151	5	26	130
	2009	166	7	22	151
International Equity Index					
Individual annuities	2010	16	3	3	16
	2009	22	1	7	16
International Equity (Templeton)					
Individual annuities	2010	23	-	7	16
	2009	35	-	12	23

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Funds		Beginning of Period	Units Issued	Units Redeemed	End of Period
International Equity (McLean Budden)					
Individual annuities	2010	52	-	10	42
	2009	61	-	9	52
Fidelity Europe					
Individual annuities	2010	124	2	40	86
	2009	169	2	47	124
U.S. Equity Index					
Individual annuities	2010	31	1	3	29
	2009	36	-	5	31
U.S. Equity					
Individual annuities	2010	78	1	13	66
	2009	95	1	18	78
Global Health Care (Renaissance)					
Individual annuities	2010	46	1	9	38
	2009	54	1	9	46
Real Estate Income					
Individual annuities	2010	36	-	7	29
	2009	45	-	9	36
U.S. DAQ Index					
Individual annuities	2010	120	3	23	100
	2009	150	2	32	120
ULTRAFLEX R - M					
Money Market					
Individual annuities	2010	169	81	126	124
	2009	195	70	96	169
Fixed Income					
Individual annuities	2010	417	25	123	319
	2009	519	26	128	417
COL003	2010	25,143	5,621	30,764	-
	2009	21,313	5,409	1,579	25,143
Balanced					
Individual annuities	2010	1,225	306	366	1,165
	2009	1,460	59	294	1,225
Equities					
Individual annuities	2010	1,099	521	534	1,086
	2009	1,489	144	534	1,099
Group pensions	2010	287	-	-	287
	2009	287	-	-	287
Global Equities					
Individual annuities	2010	692	1,174	611	1,255
	2009	875	141	324	692

8- Income Tax

Each Fund is considered to be a segregated fund trust under the Canadian Income Tax Act. The income and realized capital gains and losses, if any, are attributed to the contract holders and their beneficiaries. Under current tax legislation, the Funds do not pay income taxes except for any foreign tax payable.

Other Information

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