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# IG AGF Canadian Balanced Fund

## **Annual Financial Statements**

FOR THE PERIOD ENDED MARCH 31, 2010

# IG AGF Canadian Balanced Fund

ANNUAL FINANCIAL STATEMENTS

MARCH 31, 2010

## STATEMENTS OF NET ASSETS

as at (in \$ 000 except per unit amounts)

	Mar. 31 2010	Mar. 31 2009	Sep. 30 2008
<b>Assets:</b>			
Investments	512,281	386,651	354,508
Cash and cash equivalents	42,524	130,922	108,214
Accrued interest and dividends receivable	2,755	2,789	2,073
Taxes recoverable (payable)	22	29	44
Accounts receivable for securities sold	17	62	4
Due from brokers	19,450	-	7,628
Due from manager	-	51	1
Due from other funds	-	-	-
Net margin on futures contracts	-	-	-
Unrealized gains on forward contracts and other derivatives	2,397	-	534
Other assets	-	-	-
	67,165	133,853	118,498
<b>Total assets</b>	<b>579,446</b>	<b>520,504</b>	<b>473,006</b>
<b>Liabilities:</b>			
Bank overdraft	-	-	-
Due to brokers	13,085	-	-
Accounts payable for securities redeemed	6	2	10
Accrued expenses	5	6	5
Due to other funds	-	-	-
Liability for options written	-	-	-
Unrealized losses on forward contracts and other derivatives	-	-	2,942
Other liabilities	-	-	-
<b>Total liabilities</b>	<b>13,096</b>	<b>8</b>	<b>2,957</b>
<b>Net assets</b>	<b>566,350</b>	<b>520,496</b>	<b>470,049</b>
<b>Net assets per series, end of period</b>			
Series A	163,273	109,366	73,645
Series B	17,023	10,717	7,951
Series C	386,054	400,413	388,453
<b>Net assets per unit, end of period</b>			
Series A	18.47	18.29	17.87
Series B	18.30	18.16	17.76
Series C	18.24	18.10	17.70

## STATEMENTS OF OPERATIONS

for the periods (in \$ 000 except per unit amounts)

	12 months Mar. 31 2010	6 months Mar. 31 2009	12 months Sep. 30 2008
<b>Income:</b>			
Dividends	5,147	6,971	5,651
Trust income	240	-	8
Interest and other income	7,846	4,371	9,326
Income (loss) from derivatives	-	-	-
Securities lending	116	39	64
Foreign withholding taxes	(102)	(47)	(176)
	13,247	11,334	14,873
<b>Expenses:</b>			
Management fees	12,762	5,338	11,608
Management fee rebates	(1)	-	-
Service fees	2,523	1,102	2,468
Service fee rebates	(1,563)	(724)	(1,776)
Administration fees	1,115	509	898
Trustee fees	283	119	258
Goods and services tax	708	298	670
Independent Review Committee costs	4	1	3
Other	33	4	27
	15,864	6,647	14,156
<b>Net income (loss)</b>	<b>(2,617)</b>	<b>4,687</b>	<b>717</b>
Realized gain (loss)	7,686	(21,936)	26,797
Unrealized gain (loss)	2,206	35,980	(72,197)
Commissions and other portfolio transaction costs	(1,482)	(492)	(818)
<b>Net realized and unrealized gain (loss)</b>			
<b>from investments and foreign exchange</b>	<b>8,410</b>	<b>13,552</b>	<b>(46,218)</b>
<b>Net increase (decrease) in net assets</b>			
<b>from operations</b>	<b>5,793</b>	<b>18,239</b>	<b>(45,501)</b>
<b>Net increase (decrease) in net assets</b>			
<b>from operations per series</b>			
Series A	1,351	3,423	(7,264)
Series B	122	322	(817)
Series C	4,320	14,494	(37,420)
<b>Net increase (decrease) in net assets</b>			
<b>from operations per unit</b>			
Series A	0.18	0.66	(1.76)
Series B	0.14	0.64	(1.77)
Series C	0.21	0.67	(1.70)

# IG AGF Canadian Balanced Fund

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## STATEMENTS OF CHANGES IN NET ASSETS

for the periods (in \$ 000 except when stated)

	12 months Mar. 31 2010	6 months Mar. 31 2009	12 months Sep. 30 2008
<b>Series A</b>			
<b>Net assets, beginning of period</b>	109,366	73,645	57,229
Increase (decrease) in net assets resulting from:			
<b>Operations</b>	1,351	3,423	(7,264)
<b>Distributions:</b>			
Income	-	(1,109)	(437)
Capital gains	-	-	(5,020)
Management fee rebates	-	-	-
<b>Total distributions</b>	-	(1,109)	(5,457)
<b>Unit transactions:</b>			
Proceeds from sale of units	92,119	41,580	31,680
Reinvested from distributions	-	1,105	5,449
Payment on redemption of units	(39,563)	(9,278)	(7,992)
<b>Total unit transactions</b>	52,556	33,407	29,137
<b>Increase (decrease) in net assets</b>	53,907	35,721	16,416
<b>Net assets, end of period</b>	163,273	109,366	73,645
<b>Series B</b>			
<b>Net assets, beginning of period</b>	10,717	7,951	5,326
Increase (decrease) in net assets resulting from:			
<b>Operations</b>	122	322	(817)
<b>Distributions:</b>			
Income	-	(110)	(41)
Capital gains	-	-	(469)
Management fee rebates	-	-	-
<b>Total distributions</b>	-	(110)	(510)
<b>Unit transactions:</b>			
Proceeds from sale of units	13,014	4,044	5,796
Reinvested from distributions	-	110	510
Payment on redemption of units	(6,830)	(1,600)	(2,354)
<b>Total unit transactions</b>	6,184	2,554	3,952
<b>Increase (decrease) in net assets</b>	6,306	2,766	2,625
<b>Net assets, end of period</b>	17,023	10,717	7,951
<b>Series C</b>			
<b>Net assets, beginning of period</b>	400,413	388,453	459,395
Increase (decrease) in net assets resulting from:			
<b>Operations</b>	4,320	14,494	(37,420)
<b>Distributions:</b>			
Income	-	(5,145)	(3,245)
Capital gains	-	-	(37,251)
Management fee rebates	(1)	-	-
Service fee rebates	(1,563)	(724)	(1,776)
<b>Total distributions</b>	(1,564)	(5,869)	(42,272)
<b>Unit transactions:</b>			
Proceeds from sale of units	44,397	23,801	16,111
Reinvested from distributions	1,647	5,984	42,143
Payment on redemption of units	(63,159)	(26,450)	(49,504)
<b>Total unit transactions</b>	(17,115)	3,335	8,750
<b>Increase (decrease) in net assets</b>	(14,359)	11,960	(70,942)
<b>Net assets, end of period</b>	386,054	400,413	388,453

	12 months Mar. 31 2010	6 months Mar. 31 2009	12 months Sep. 30 2008
<b>Total</b>			
<b>Net assets, beginning of period</b>	520,496	470,049	521,950
Increase (decrease) in net assets resulting from:			
<b>Operations</b>	5,793	18,239	(45,501)
<b>Distributions:</b>			
Income	-	(6,364)	(3,723)
Capital gains	-	-	(42,740)
Management fee rebates	(1)	-	-
Service fee rebates	(1,563)	(724)	(1,776)
<b>Total distributions</b>	(1,564)	(7,088)	(48,239)
<b>Unit transactions:</b>			
Proceeds from sale of units	149,530	69,425	53,587
Reinvested from distributions	1,647	7,199	48,102
Payment on redemption of units	(109,552)	(37,328)	(59,850)
<b>Total unit transactions</b>	41,625	39,296	41,839
<b>Increase (decrease) in net assets</b>	45,854	50,447	(51,901)
<b>Net assets, end of period</b>	566,350	520,496	470,049

### Increase (decrease) in units (in thousands):

	12 months Mar. 31 2010	6 months Mar. 31 2009	12 months Sep. 30 2008
<b>Series A</b>			
<b>Units outstanding, beginning of period</b>	5,978	4,121	2,652
Add (deduct):			
Units sold	5,031	2,314	1,591
Reinvested from distributions	-	61	279
Units redeemed	(2,168)	(518)	(401)
<b>Units outstanding, end of period</b>	8,841	5,978	4,121
<b>Series B</b>			
<b>Units outstanding, beginning of period</b>	590	448	248
Add (deduct):			
Units sold	717	227	292
Reinvested from distributions	-	6	26
Units redeemed	(377)	(91)	(118)
<b>Units outstanding, end of period</b>	930	590	448
<b>Series C</b>			
<b>Units outstanding, beginning of period</b>	22,119	21,945	21,455
Add (deduct):			
Units sold	2,451	1,339	814
Reinvested from distributions	92	335	2,170
Units redeemed	(3,498)	(1,500)	(2,494)
<b>Units outstanding, end of period</b>	21,164	22,119	21,945

# IG AGF Canadian Balanced Fund

ANNUAL FINANCIAL STATEMENTS

MARCH 31, 2010

## STATEMENT OF INVESTMENTS

at March 31, 2010

	Country	Sector	No. of Units, Shares, or Par Value	Average Cost (\$ 000)	Fair Value (\$ 000)
<b>FIXED INCOME</b>					
Canada Housing Trust 4.55% 12-15-12	Canada	Federal Government	16,325,000	16,359	17,266
Canada Housing Trust F/R 03-15-15	Canada	Federal Government	6,000,000	6,019	6,013
Canadian Western Bank 5.43% 11-21-15	Canada	Corporate - Non Convertible	2,000,000	2,000	2,315
Government of Canada 2.75% 12-01-10	Canada	Federal Government	22,039,000	22,135	22,342
Government of Canada 1.00% 09-01-11	Canada	Federal Government	20,407,000	20,216	20,307
Government of Canada 1.25% 12-01-11	Canada	Federal Government	9,714,000	9,742	9,665
Government of Canada 2.00% 09-01-12	Canada	Federal Government	17,521,000	17,536	17,509
Government of Canada 5.25% 06-01-13	Canada	Federal Government	18,488,000	20,090	20,102
Government of Canada 3.50% 06-01-20	Canada	Federal Government	22,447,000	22,337	22,138
Government of Canada 8.00% 06-01-23	Canada	Federal Government	8,163,000	11,941	11,600
Government of Canada 5.75% 06-01-33	Canada	Federal Government	14,774,000	18,550	18,380
Government of Canada 4.00% 06-01-41	Canada	Federal Government	12,244,000	12,505	12,184
Ontario Strategic Infrastructure Financing Authority 4.60% 06-01-15	Canada	Provincial Governments	1,788,000	1,788	1,867
Province of Ontario 4.50% 03-08-15	Canada	Provincial Governments	4,081,000	4,140	4,309
Province of Ontario 5.60% 06-02-35	Canada	Provincial Governments	8,383,000	8,684	9,329
Province of Quebec 5.75% 12-01-36	Canada	Provincial Governments	4,081,000	4,816	4,593
				198,858	199,919
<b>EQUITIES</b>					
Agnico-Eagle Mines Ltd.	Canada	Materials	177,643	9,413	10,053
American Water Works Co. Inc.	United States	Utilities	177,135	4,051	3,908
Apple Inc.	United States	Information Technology	28,977	6,214	6,910
Arch Coal Inc.	United States	Energy	316,007	7,310	7,331
BCE Inc.	Canada	Telecommunication Services	634,236	16,630	18,888
Bank of Montreal	Canada	Financials	189,414	9,828	11,677
The Bank of Nova Scotia	Canada	Financials	190,899	8,782	9,696
Canadian Imperial Bank of Commerce	Canada	Financials	120,102	7,962	8,904
Canadian National Railway Co.	Canada	Industrials	99,365	5,431	6,108
Canadian Natural Resources Ltd.	Canada	Energy	163,143	11,262	12,263
Canadian Oil Sands Trust	Canada	Energy	349,605	10,614	10,642
Canadian Pacific Railway Ltd.	Canada	Industrials	53,710	2,926	3,067
Cenovus Energy Inc.	Canada	Energy	263,629	7,047	6,989
Central Fund of Canada Ltd. Class A	Canada	Materials	624,560	8,602	8,851
EOG Resources Inc.	United States	Energy	102,569	8,898	9,678
Eldorado Gold Corp.	Canada	Materials	771,420	7,896	9,481
Enbridge Inc.	Canada	Energy	39,328	1,587	1,905
EnCana Corp.	Canada	Energy	107,061	3,235	3,372
Fibra Celulose SA ADR	Brazil	Materials	145,948	3,032	3,236
GLV Inc. Class A Sub. voting	Canada	Industrials	114,485	1,320	1,036
Goldcorp Inc.	Canada	Materials	269,482	8,848	10,197
The Home Depot Inc.	United States	Consumer Discretionary	112,358	3,186	3,690
HudBay Minerals Inc.	Canada	Materials	38,010	640	483
Loblaw Companies Ltd.	Canada	Consumer Staples	201,843	6,231	7,561
Manulife Financial Corp.	Canada	Financials	467,200	9,588	9,330
MetLife Inc.	United States	Financials	207,602	7,821	9,130
Newmont Mining Corp. Holding Co.	United States	Materials	149,759	6,332	7,743
PG&E Corp.	United States	Utilities	123,184	5,436	5,305
Peabody Energy Corp.	United States	Energy	154,013	6,619	7,141
Pengrowth Energy Trust	Canada	Energy	135,400	1,601	1,587
PepsiCo Inc.	United States	Consumer Staples	130,570	8,708	8,770
Petrobakken Energy Ltd. Class A	Canada	Energy	12,244	380	324
Potash Corp. of Saskatchewan Inc.	Canada	Materials	85,083	9,353	10,315
Randgold Resources Ltd. ADR	United Kingdom	Materials	138,479	9,746	10,801
Red Back Mining Inc.	Canada	Materials	394,124	5,255	8,174
Rogers Communications Inc. Class B non-voting	Canada	Telecommunication Services	292,624	8,660	10,128
Royal Bank of Canada	Canada	Financials	188,312	9,803	11,161
Shoppers Drug Mart Corp.	Canada	Consumer Staples	192,522	8,385	8,402
Sino-Forest Corp.	Canada	Materials	80,728	1,380	1,603
Storm Exploration Inc.	Canada	Energy	286,516	3,490	2,986
Suncor Energy Inc.	Canada	Energy	360,819	12,877	11,903
Talisman Energy Inc.	Canada	Energy	305,626	4,911	5,300
Teck Resources Ltd. Class B Sub. voting	Canada	Materials	94,966	2,731	4,199
World Color Press Inc.	Canada	Industrials	179,700	2,082	2,134
				286,103	312,362
				(534)	-
				484,427	512,281
<b>COMMISSIONS AND OTHER PORTFOLIO TRANSACTION COSTS</b>					
<b>TOTAL INVESTMENTS</b>					
<b>Net Assets:</b>					
Total investments					512,281
Cash and cash equivalents					42,524
Unrealized gains on forward currency contracts (see Schedule 1)					2,397
Other net assets (liabilities)					9,148
					566,350

See accompanying notes to financial statements.

# IG AGF Canadian Balanced Fund

ANNUAL FINANCIAL STATEMENTS

MARCH 31, 2010

## Schedule 1 - Unrealized Gains on Forward Currency Contracts

at March 31, 2010

No. of Contracts	Bought	Sold	Settlement Date	Rate	Unrealized Gains (\$ 000)
1	30,914,357 CAD	29,134,000 USD	05-04-10	0.94	1,333
1	21,641,679 CAD	20,267,000 USD	05-05-10	0.94	1,064
					2,397

**Note:**

*The following abbreviations have been used:*

*CAD – Canadian dollars*

*USD – United States dollars*

**1. ORGANIZATION OF THE FUND, FISCAL PERIODS AND GENERAL INFORMATION****(a) Organization of the Fund and fiscal periods**

The Fund is organized as an open-ended mutual fund trust. The Fund is authorized to issue an unlimited number of units of multiple series. If issued, Series F, P, S and Z units are only available for purchase by other Investors Group Funds or other qualified investors. All series generally share in the operations of the Fund, including net income, realized gain (loss) and unrealized gain (loss), on a pro rata basis except for items that can be specifically attributed to one or more series. Distributions for each series may vary, partly due to the differences in expenses between the series.

The financial statements of the Fund are presented as at and for the 12-month period ended March 31, 2010, as at and for the six-month period ended March 31, 2009, and as at and for the 12-month period ended September 30, 2008. If applicable, financial results for the Fund or series established during the periods are presented from the date operations commenced to March 31 or September 30, as applicable, of that fiscal period.

Effective after the close of business on September 30, 2008, the Fund changed its financial year-end from September 30 to March 31.

**(b) General information**

I.G. Investment Management, Ltd. is the Manager and Trustee of the Fund. The Fund is distributed by Investors Group Financial Services Inc. and Investors Group Securities Inc. (collectively, the "Distributors"). These companies are, indirectly, wholly owned subsidiaries of IGM Financial Inc.

IGM Financial Inc. is a subsidiary of Power Financial Corp. and Power Corporation of Canada. Power Financial Corp. also owns a majority of Great-West Lifeco Inc. and its related companies and, therefore, those companies are considered affiliates of the Trustee, the Manager and the Distributors. The Fund may invest in certain securities within the Power Group of Companies, subject to certain governance criteria, and these holdings, as of March 31, 2010, have been identified on the Statement of Investments for the Fund. Any transactions during the period were executed through market intermediaries and under prevailing market terms and conditions.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). GAAP requires Management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results may differ from such estimates. The significant accounting policies of the Fund are as follows:

**(a) Valuation of investments**

Investments are deemed to be held for trading in accordance with CICA Section 3855, Financial Instruments – Recognition and Measurement ("Section 3855") and therefore are recorded at fair value. Investment purchase and sale transactions are recorded as of the trade date. Realized and unrealized gains and losses on investments are calculated based on average cost of investments, excluding brokerage commissions and other trading costs. Brokers' commissions and other transaction charges are immediately charged to net income in the period incurred. Cost of securities presented in the Statement of Investments represents the amount paid for each security, including brokerage commissions and other trading costs, and is determined on an average cost basis. See Note 10 for the fair value classification of financial instruments as of March 31, 2010.

**(i) Equity securities, bonds and other mutual funds**

Investments in securities listed on a public securities exchange or traded on an over-the-counter market are valued at the closing bid price. Securities with no available closing bid prices are valued at the last trade or closing price. Investments in securities of another mutual fund are valued on a business day at the net asset value per security calculated in accordance with the offering documents of such mutual fund. Unlisted or non-exchange traded securities, or securities for which a bid price, last sale or closing price are unavailable or securities for which market quotations are, in the Manager's opinion, inaccurate, unreliable or not reflective of all available material information, are valued at their estimated fair value, determined by using appropriate and accepted industry valuation techniques including valuation models. The estimated fair value of a security determined using valuation models requires the use of inputs and assumptions based on observable market data including volatility and other applicable rates or prices. In limited circumstances, the estimated fair value of a security may be determined using valuation techniques that are not supported by observable market data.

**(ii) Futures contracts**

Futures contracts are valued at the settlement price established each day by the board of trade or exchange on which they are traded. The value of a contract is the gain or loss that would be realized upon closure. Margin paid or deposited in respect of futures contracts, net of the unrealized gain or loss, is included on the Statements of Net Assets. Any change in the margin requirement is settled daily.

**(iii) Forward contracts**

Forward contracts, including forward currency contracts, are valued at the gain or loss that would arise as a result of closing the position at the reporting date.

**(iv) Options contracts**

Premiums received from writing options are included in the Statements of Net Assets as a liability and subsequently adjusted daily to fair value. If a written option expires unexercised, the premium received is recognized as a realized gain. If a written call option is exercised, the difference between the proceeds of the sale plus the value of the premium, and the cost of the security is recognized as a realized gain or loss. If a written put option is exercised, the cost of the security acquired is the exercise price of the option less the premium received.

**(b) Cash and cash equivalents**

Cash and cash equivalents are comprised of cash on deposit and short-term investments with terms to maturity of less than one year at acquisition. Cash and cash equivalents are deemed to be held for trading and therefore carried at fair value.

**(c) Currency**

All amounts are expressed in Canadian dollars. The par value of securities in the Statement of Investments is expressed in the currency of origin unless otherwise noted. For securities of Austria, Belgium, France, Finland, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain, par values are expressed in euro currency, unless otherwise noted. Foreign currency amounts have been expressed in Canadian dollars on the following bases:

- (i) Fair value of investments and other assets and liabilities at the rate of exchange at the end of the period.
- (ii) Income, expenses, purchases and sales of investments at the rate of exchange on the dates of such transactions.

**(d) Income recognition**

Income from investments is recognized on an accrual basis. Dividend income is recognized at the time a security trades on an ex-dividend basis. Interest income is based on the number of days the investment is held during the period.

**(e) Securities lending and repurchase transactions**

The Fund may be permitted to enter into securities lending, repurchase and reverse repurchase transactions as set out in the Fund's Simplified Prospectus. These transactions involve the temporary exchange of securities for collateral with a commitment to deliver the same securities on a future date. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on cash or securities held as collateral. Income earned from these transactions is recognized on the accrual basis and included in the Statements of Operations. All the counterparties have a sufficient, approved credit rating and the value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, sold or purchased. The value of securities loaned and collateral received from securities lending as of the end of the periods, if applicable, is disclosed in Note 10. Collateral received is comprised of debt obligations of the Government of Canada and other countries, Canadian provincial and municipal governments, and financial institutions.

**(f) Per unit information**

- (i) Net assets per unit is computed by dividing the net assets attributable to the series, determined in accordance with GAAP, by the total number of units of the series outstanding.
- (ii) Net increase/(decrease) in net assets from operations per unit, represents the net increase/(decrease) in net assets of the series from operations for the period divided by the weighted average units outstanding for the series during the period.

**(g) Other assets and liabilities**

For the purposes of categorization in accordance with Section 3855, accrued interest and dividends receivable, receivables for securities issued, amounts due from brokers, the Manager, and other net assets are designated as loans and receivables and recorded at cost or amortized cost. Similarly, amounts due to brokers, accounts payable for securities redeemed, accrued expenses and other liabilities are designated as other financial liabilities and reported at cost or amortized cost. Cost or amortized cost approximates fair value for these assets and liabilities.

**(h) Comparative figures**

Certain prior period comparative amounts have been restated to conform to the current period's presentation.

**(i) Changes in accounting policies**

In March 2009, the CICA issued amendments to CICA 3862, Financial Instruments – Disclosures to align with IFRS 7, Financial Instruments – Disclosures. The amendments require all financial instruments measured at fair value to be classified into one of three levels that distinguish fair value measurements by the significance of the inputs used for valuation. The Fund has included these disclosures in the financial statements for the year ended March 31, 2010.

On October 1, 2007, the Fund adopted CICA Section 3862, Financial Instruments – Disclosures ("Section 3862") and CICA Section 3863, Financial Instruments – Presentation ("Section 3863"), replacing Section 3861. Section 3862 requires enhanced disclosure of the nature and extent of the risks arising from financial instruments and how the Fund manages those risks. Section 3863 carries forward unchanged the presentation requirements of Section 3861 with respect to financial instruments.

Effective October 1, 2008, the Fund adopted EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. EIC-173 clarifies that credit risk and counterparty risk should be considered in determining the fair value of financial instruments. The adoption of EIC-173 did not have an impact on the Fund's financial statements.

**(j) Future accounting changes**

The Canadian Accounting Standards Board ("AcSB") has confirmed its plan to adopt all International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board, for most publicly accountable entities on or by January 1, 2011. On May 14, 2010, the AcSB announced it will propose amendments which will provide most investment funds with the option to defer adoption of IFRS until fiscal years beginning on or after January 1, 2012. The Manager is currently assessing the impact of this announcement on the Fund and its plans for adopting IFRS. Accordingly, the Fund will adopt IFRS for either its fiscal period beginning April 1, 2011 or 2012 and will issue its initial financial statements in accordance with IFRS, including comparative information, for either the interim period ending September 30, 2011 or 2012.

**3. MANAGEMENT FEES AND OTHER EXPENSES**

- (a) Each series of the Fund will incur expenses that can be specifically attributed to that series. Common expenses of the Fund are allocated across the series of the Fund on a pro rata basis.
- (b) The Manager provides or arranges for the provision of investment and advisory services for a management fee. See Note 10 for the annual rates paid (as a percent of average assets) by the Fund.
- (c) The Fund pays the Manager an administrative services fee and in return the Manager will bear the operating expenses of the Fund, other than certain specified Fund costs. See Note 10 for the annual rates paid, including applicable implementation period adjustments, (as a percent of average assets) by the Fund.
- Other Fund costs include taxes (including but not limited to GST/HST, income tax and capital tax), transaction costs related to the purchase and sale of investments and derivatives, interest and borrowing costs, and Independent Review Committee ("IRC") costs.
- (d) The Fund may pay the Distributors a service fee to compensate them for providing or arranging for the provision of services to the Fund. A portion of the service fee related to Series C is rebated by the Distributors to the Fund on a quarterly basis as outlined in the Fund's Prospectus. The rebate is distributed as a capital distribution to eligible unitholders and is reinvested in additional Series C units of the Fund or another distributing Fund held by the unitholder, at the net asset value per unit on the distribution dates. See Note 10 for the annual rates paid (as a percent of average assets) by the Fund.
- (e) The Trustee is responsible for overall direction and management of the affairs of the Fund. See Note 10 for the annual rates paid (as a percent of average assets) to the Trustee by the Fund.
- (f) GST/HST paid by the Fund on its expenses is not recoverable.
- (g) Other expenses are comprised of interest and borrowing charges and other miscellaneous expenses.
- (h) The Manager may, at its discretion, pay certain expenses of the Fund so the Fund's performance remains competitive; however, there is no assurance that this will occur in the future. Any expenses absorbed by the Manager during the periods have been identified in the Statements of Operations.

**4. NET ASSET VALUE PER UNIT**

Net asset value ("pricing NAV") per unit is computed by dividing the net asset value attributable to a series of the Fund, determined for the purchase and redemption of units in accordance with the Fund's prospectus and annual information form, by the total number of units of the series outstanding. This amount may be different from the net asset per unit calculation, which is presented on the Statement of Net Assets. Generally, any difference is due to valuing actively traded securities at bid price for GAAP purposes while pricing NAV typically utilizes closing price to determine fair value for the purchase and redemption of units. See Note 10 for the net asset values per unit as of March 31, 2010, March 31, 2009, and September 30, 2008, for the Fund.

**5. INCOME TAXES**

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and, accordingly, is subject to tax on its income including net realized capital gains, which is not paid or payable to its unitholders. The year-end of the Fund for tax purposes is December 15 or 31. The Fund is subject to withholding taxes on foreign income. In general, the Fund treats withholding tax as a charge against income for tax purposes. It is the intention of the Fund to distribute sufficient net income and net realized capital gains, as required, so that the Fund will not pay income taxes other than refundable tax on capital gains, if applicable.

See Note 10 for the losses that were available to offset future income for tax purposes as at the last taxation year-end. The net capital losses can be carried forward indefinitely to reduce future realized capital gains. The non-capital losses may be utilized to reduce taxable income of future years and expire in December of the years indicated.

**6. COMMISSIONS AND OTHER PORTFOLIO TRANSACTION COSTS**

The total broker commissions incurred by the Fund in connection with portfolio transactions for the period, together with other transaction charges, is disclosed in the Statement of Operations. Brokerage business is allocated to brokers based on the best net result for the Fund. Subject to this criteria, commissions may be paid to brokerage firms which provide (or pay for) certain services, which may include investment research, analysis and reports, and data bases or software in support of these services (arrangements referred to as "soft dollars"). Where applicable and ascertainable, the value of third-party services that were paid for by brokers during the periods is disclosed in Note 10. The value of certain proprietary services provided by brokers cannot be reasonably estimated.

**7. CONTINGENT LIABILITY**

Agreements between the individual members of the Fund's IRC and the Trustee, on behalf of the Fund, provides for the indemnification of each IRC member by the Fund from and against liabilities and costs in respect of any action or suit against the member by reason of being or having been a member of the IRC, provided that the member acted honestly and in good faith with a view to the best interest of the Fund, or, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, that they had reasonable grounds for believing that his/her conduct was lawful. No claims with respect to such occurrences have been made and, as such, no amount has been recorded in these financial statements with respect to these indemnifications.

**8. FINANCIAL INSTRUMENT RISK**

The Fund's investment activities expose it to a variety of financial risks. The Statement of Investments presents the securities held by the Fund as at the end of the period.

**(a) Liquidity risk**

The Fund is exposed to daily cash redemptions of redeemable units. In accordance with securities regulations, the Fund must maintain at least 90% of its assets in liquid investments (i.e. investments that are traded in an active market and can be readily sold). In addition, the Fund retains sufficient cash and cash-equivalent positions to maintain adequate liquidity. The Fund also has the ability to borrow up to 5% of its net assets for the purposes of funding redemptions.

**(b) Currency risk**

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates.

Note 10 indicates the foreign currencies, if applicable, to which the Fund had significant exposure, including the underlying principal amount of forward currency contracts as at period end in Canadian dollar terms. Other financial assets and liabilities (including dividends and interest receivable, and receivables/payables for securities sold/purchased) that are denominated in foreign currencies do not expose the Fund to significant currency risk.

**(c) Interest rate risk**

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. Cash and cash equivalents and other money market instruments are short term in nature and are not generally subject to significant amounts of interest rate risk. Note 10 summarizes the Fund's exposure, if significant, to interest rate risk.

**(d) Other price risk**

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Manager moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy. Except for options written and futures contracts, the maximum risk resulting from financial instruments is equivalent to their fair value. The maximum risk of loss on options written and futures contracts is equal to their notional values. However, options written are used within the overall investment management process to manage the risk from the underlying securities and do not typically increase the overall risk of loss to the Fund. Note 10 summarizes the Fund's exposure, if significant, to other price risk.

**(e) Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. Note 10 summarizes the Fund's exposure, if significant, to credit risk arising from fixed-income securities such as bonds.

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 carrying amount of investments represents the maximum credit risk exposure. The carrying amount of other assets also represents the maximum credit risk exposure, as they will be settled in the short term.

The Fund may enter into securities lending transactions with counterparties whereby the Fund temporarily exchanges securities for collateral with a commitment by the counterparty to deliver the same securities on a future date. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient, approved credit rating and the value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned.

**9. FURTHER INFORMATION AVAILABLE**

A copy of the Fund's current simplified prospectus, annual information form and/or Management Report of Fund Performance, will be provided, without charge, by writing to: Investors Group Financial Services Inc., 447 Portage Avenue, Winnipeg, Manitoba, R3C 3B6 or, in Quebec, 2001, rue University, Bureau 2000, Montreal, Quebec, H3A 2A6, or by calling toll-free 1-888-746-6344 (in Quebec 1-800-661-4578).

**10. FUND SPECIFIC INFORMATION**
**(a) Fund and series information**

Series	Date operations commenced <sup>1</sup>	Deferred sales charge	Management fee	Service fee	Administration fee <sup>2</sup>	Trustee fee	Net asset value per unit (\$)		
							as at March 31 2010	as at March 31 2009	as at September 30 2008
Series A	n/a	up to 5.50%	2.25%	0.30%	0.21%	0.05%	18.48	18.32	17.88
Series B	n/a	- %	2.25%	0.45%	0.21%	0.05%	18.32	18.19	17.77
Series C	n/a	up to 5.50%	2.25%	0.50%	0.19%	0.05%	18.26	18.13	17.71

<sup>1</sup> If within the three financial periods ended March 31, 2010.

<sup>2</sup> The Administration fee presented in the table corresponds to the period ended March 31, 2010.

Comparative figures for the period ended March 31, 2009 were: Series A: 0.21%; Series B: 0.21%; Series C: 0.19%. Comparative figures for the period ended September 30, 2008 were: Series A: 0.19%; Series B: 0.19%; Series C: 0.17%.

**(b) Income tax losses (\$ 000)**

Total capital loss	Total non-capital loss	Expiration year for non-capital losses						
		2029	2028	2027	2026	2015	2014	2010
2,188	1,049	1,049	-	-	-	-	-	-

**(c) Commissions (\$ 000)**

Included in the table below is the portion of commissions paid to certain brokers during the periods which were available for the payment of third-party services.

12 months to March 31 2010	6 months to March 31 2009	12 months to September 30 2008
-	-	-

**(d) Securities lending (\$ 000)**

March 31, 2010		March 31, 2009		September 30, 2008	
Value of securities loaned	Value of collateral received	Value of securities loaned	Value of collateral received	Value of securities loaned	Value of collateral received
114,483	121,318	125,015	135,941	82,966	87,597

**(e) Financial instrument risk**
**(i) Risk management**

The Manager seeks to minimize potential adverse effects of financial instrument risks on the Fund's performance by employing professional, experienced portfolio advisors, daily monitoring of the Fund's positions and market events, diversifying the investment portfolio within the constraints of the investment objective, and periodically may use derivatives to hedge certain risk exposures. To assist in managing risk, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations.

The investment portfolio is comprised primarily of common shares and debt securities issued by Canadian governments and corporations. The Fund uses a top-down approach to asset allocation and sector selection and a bottom-up approach to security selection.

**(ii) Currency risk**

The table below indicates the foreign currencies to which the Fund had significant exposure as of March 31, 2010, March 31, 2009 and September 30, 2008, in Canadian dollar terms. The table also illustrates the potential impact to the Fund's net assets had the Canadian dollar strengthened or weakened by 5% relative to all foreign currencies, all other variables held. In practice, the actual trading results may differ and the difference could be material.

Currency	March 31, 2010				
	Investments (\$ 000)	Cash and cash equivalents (\$ 000)	Forward currency contracts (\$ 000)	Net exposure* (\$ 000)	Impact on net assets (\$ 000)
United States dollars	83,642	9,827	(50,159)	43,310	
Japanese yen	-	27,625	-	27,625	
Hong Kong dollars	-	540	-	540	
Euro	-	1	-	1	
Total	83,642	37,993	(50,159)	71,476	3,574
As percent of net assets (%)				12.6	0.6

\*includes both monetary and non-monetary financial instruments.

**10. FUND SPECIFIC INFORMATION**
**(e) Financial instrument risk**

## (ii) Currency risk (continued)

Currency	March 31, 2009					September 30, 2008				
	Investments (\$ 000)	Cash and cash equivalents (\$ 000)	Forward currency contracts (\$ 000)	Net exposure* (\$ 000)	Impact on net assets (\$ 000)	Investments (\$ 000)	Cash and cash equivalents (\$ 000)	Forward currency contracts (\$ 000)	Net exposure* (\$ 000)	Impact on net assets (\$ 000)
United States dollars	51,603	569	-	52,172	-	35,075	37,287	-	72,362	-
Euro	3,117	1,110	-	4,227	-	3,089	924	-	4,013	-
United Kingdom pounds	2,456	1,689	-	4,145	-	2,406	1,648	-	4,054	-
Hong Kong dollars	300	3,639	-	3,939	-	4,593	839	-	5,432	-
Japanese yen	-	547	-	547	-	-	430	-	430	-
Swiss franc	-	1	-	1	-	-	-	-	-	-
<b>Total</b>	<b>57,476</b>	<b>7,555</b>	<b>-</b>	<b>65,031</b>	<b>3,252</b>	<b>45,163</b>	<b>41,128</b>	<b>-</b>	<b>86,291</b>	<b>4,315</b>
As percent of net assets (%)				12.5	0.6				18.4	0.9

\*Includes both monetary and non-monetary financial instruments.

## (iii) Interest rate risk

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity. The table also illustrates the potential impact to the Fund's net assets had prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve, all other variables held constant. The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, the actual trading results may differ and the difference could be material.

Bonds (\$ 000)	Less than 1 year	1 - 5 years	5 - 10 years	> 10 years	Total	Impact on net assets	
						(\$000)	(%)
March 31, 2010	22,342	95,171	4,183	78,223	199,919	12,092	2.1
March 31, 2009	4,666	76,045	30,106	98,525	209,342	16,266	3.1
September 30, 2008	7,976	101,932	18,496	38,707	167,111	8,372	1.8

## (iv) Other price risk

For this Fund, the most significant exposure to other price risk arises from its investment in equity securities. As of March 31, 2010, had the prices on the respective stock exchanges for these securities increased or decreased by 10%, all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$31,236,000 or 5.5% of total net assets (March 31, 2009 – approximately \$17,731,000 or 3.4%, September 30, 2008 – approximately \$18,740,000 or 4.0%). In practice, the actual trading results may differ and the difference could be material.

## (v) Credit risk

The Fund's greatest concentration of credit risk is in fixed-income securities, such as bonds. The fair value of fixed-income securities includes consideration of the creditworthiness of the issuer. The maximum exposure to any one issuer as of March 31, 2010, was 27.2% (Government of Canada) of the net assets of the Fund (March 31, 2009 – 30.8%, September 30, 2008 – 18.8%).

As of March 31, 2010, March 31, 2009 and September 30, 2008, fixed-income securities by credit rating are as follows:

	March 31, 2010		March 31, 2009		September 30, 2008	
	Percent of total bonds (%)	Percent of total net assets (%)	Percent of total bonds (%)	Percent of total net assets (%)	Percent of total bonds (%)	Percent of total net assets (%)
AAA	88.7	31.4	86.0	34.6	83.2	29.7
AA	7.8	2.7	8.2	3.3	9.9	3.5
A	2.3	0.8	2.4	0.9	2.9	1.0
Unrated	1.2	0.4	3.4	1.4	4.0	1.4
<b>Total</b>	<b>100.0</b>	<b>35.3</b>	<b>100.0</b>	<b>40.2</b>	<b>100.0</b>	<b>35.6</b>

Credit ratings are based on DBRS, Standard & Poor's or Moody's ratings.

**(f) Fair value of financial instruments**

The table below summarizes the fair value of the Fund's financial instruments using the following fair value hierarchy:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

as of March 31, 2010 (\$ 000)	Level 1	Level 2	Level 3	Total
Fixed income	-	199,919	-	199,919
Equities	312,362	-	-	312,362
<b>Total investments</b>	<b>312,362</b>	<b>199,919</b>	<b>-</b>	<b>512,281</b>
Derivative assets	-	2,397	-	2,397
Derivative liabilities	-	-	-	-
Short-term investments	-	-	-	-
<b>Total</b>	<b>312,362</b>	<b>202,316</b>	<b>-</b>	<b>514,678</b>

In accordance with the Fund's valuation policy, the Fund applies fair value adjustment factors to the quoted market prices for non-North American equities when North American intraday stock market movements exceed predetermined tolerances. The adjustment factors are applied in order to estimate the impact on fair values of events occurring between the close of the non-North American stock markets and the close of business for the Fund. If fair value adjustment factors are applied, non-North American equities are classified as Level 2. Consequently, during the period ended March 31, 2010, non-North American equities frequently transferred between Level 1 (unadjusted quoted market prices) and Level 2 (adjusted market prices). As of March 31, 2010, these securities were classified as Level 1.

# IG AGF Canadian Balanced Fund

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

MARCH 31, 2010

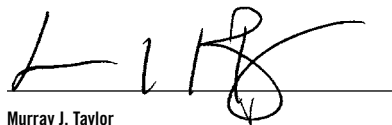
The accompanying financial statements have been prepared by I.G. Investment Management, Ltd., as Manager of the Fund. The Manager is responsible for the integrity, objectivity and reliability of the data presented. This responsibility includes selecting appropriate accounting principles and making judgments and estimates consistent with Canadian generally accepted accounting principles. The Manager is also responsible for the development of internal controls over the financial reporting process which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors (the "Board") of I.G. Investment Management, Ltd. is responsible for reviewing and approving the financial statements and overseeing the Manager's performance of its financial reporting responsibilities. The Board is assisted in discharging this responsibility by an Audit Committee, which reviews the financial statements and recommends them for approval by the Board. The Audit Committee also meets regularly with the Manager, the internal auditor and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues.

KPMG LLP are the external auditors of the Fund. They are appointed by the Board. The external auditors have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report is set out below.

On behalf of I.G. Investment Management, Ltd.,

Manager of the Fund



**Murray J. Taylor**  
Chairman of the Board  
and President



**BJ Reid**  
Authorized Signing Officer and  
Chief Financial Officer, Investors Group Mutual Funds

May 28, 2010

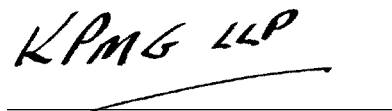
## AUDITORS' REPORT

To the Unitholders of IG AGF Canadian Balanced Fund

We have audited the Statement of Investments as of March 31, 2010, the Statements of Net Assets as of March 31, 2010, March 31, 2009, and September 30, 2008, and the Statements of Operations and Changes in Net Assets for the periods then ended, as indicated in note 1. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the investments of the Fund as of March 31, 2010, the net assets of the Fund as of March 31, 2010, March 31, 2009, and September 30, 2008, and the results of its operations and the changes in its net assets for the periods indicated in note 1, in accordance with Canadian generally accepted accounting principles.



**Chartered Accountants**

Winnipeg, Canada  
May 28, 2010