

INDUSTRIAL ALLIANCE MÉTALLOS FUNDS

Financial Report 2020

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Management's Responsibility for Financial Reporting in the Audited Annual Financial Statements

The enclosed financial statements were prepared by Management of Industrial Alliance Insurance and Financial Services Inc. (hereafter "Industrial Alliance"), in accordance with International Financial Reporting Standards. Management is responsible for the information contained in these financial statements.

Industrial Alliance maintains adequate internal control systems in order to ensure that the financial information is relevant and reliable and that fund net assets are correctly accounted for. A summary of the main accounting policies applicable to the funds is presented in Note «Significant Accounting Policies» to the financial statements.

Independent auditor

The Industrial Alliance audit committee has appointed Deloitte LLP as independent auditor of the funds. Its responsibility consists in auditing the financial statements in accordance with Canadian generally accepted auditing standards to obtain reasonable assurance about whether the financial statements are free from material misstatement and to report to contractholders regarding fair presentation of the financial position and financial performance of the funds in accordance with International Financial Reporting Standards.



Jacques Potvin
Executive Vice-President, CFO and Chief actuary

Industrial Alliance

February 24, 2021

Independent Auditor's Report

To the Contractholders of Industrial Alliance Metallos Funds:

Diversified Prudent Metallos
Diversified Balanced Metallos
Diversified Aggressive Metallos

(Collectively referred to as the "Funds")

Opinion

We have audited the financial statements of the Funds, which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, changes in net assets attributable to Contractholders and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Funds as at December 31, 2020 and 2019, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Funds in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Funds or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Funds to cease to continue as a going concern.

Independent Auditor's Report (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Quebec City, Quebec

February 24, 2021

¹ CPA auditor, CA, public accountancy permit No. A124208

Diversified Prudent Metallos

Statements of Financial Position

As at	December 31 2020	December 31 2019
In thousands (except per unit figures)	\$	\$
ASSETS		
CURRENT ASSETS		
Investments	60,410	61,729
Cash	-	453
Subscriptions receivable	10	-
Receivable for investments sold	74	-
	60,494	62,182
LIABILITIES		
CURRENT LIABILITIES		
Bank overdraft	70	-
Payable for investments purchased	-	453
Redemptions payable	63	144
Expenses payable	2	1
	135	598
NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS	60,359	61,584
NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT		
COL002	25.89	24.46
COLBR2	25.89	24.46
UNITS OUTSTANDING		
COL002	2,033	2,234
COLBR2	298	284

Statements of Comprehensive Income

Years ended December 31 (Note 1)	2020	2019
In thousands (except per unit figures)	\$	\$
REVENUES		
Distributions and allocation from investment funds	2,247	1,924
Foreign exchange gains (losses) on cash	-	6
Other changes in fair value of investments and derivative financial instruments		
Investments:		
Net realized gains (losses)	663	239
Net change in unrealized appreciation (depreciation)	713	1,725
Net gains (losses) in fair value of investments	1,376	1,964
Derivative financial instruments:		
Net realized gains (losses)	-	(6)
Net change in unrealized appreciation (depreciation)	-	-
Net gains (losses) in fair value of derivative financial instruments	-	(6)
Total other changes in fair value of investments and derivative financial instruments	1,376	1,958
	3,623	3,888
EXPENSES (Note 6)		
Management fees and operating expenses	17	48
Foreign withholding taxes	31	36
	48	84
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS ATTRIBUTABLE TO CONTRACTHOLDERS	3,575	3,804
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT		
COL002	1.43	1.60
COLBR2	1.43	1.69

Statements of Changes in Net Assets Attributable to Contractholders

Years ended December 31 (Note 1)	2020	2019
In thousands	\$	\$
NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS AT BEGINNING OF THE YEAR	61,584	43,869
Increase (decrease) in net assets from operations attributable to contractholders	3,575	3,804
Proceeds from issuances of units	10,312	29,807
Redemption of units	(15,112)	(15,896)
INCREASE (DECREASE) IN NET ASSETS FOR THE YEAR	(1,225)	17,715
NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS AT END OF THE YEAR	60,359	61,584

Statements of Cash Flows

Years ended December 31 (Note 1)	2020	2019
In thousands	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets from operations attributable to contractholders	3,575	3,804
Adjustments		
Distributions and allocation from investment funds	(2,247)	(1,924)
Foreign withholding taxes	31	36
Foreign exchange losses (gains) on cash	-	(6)
Net realized losses (gains) of investments and derivative financial instruments	(663)	(233)
Net change in unrealized depreciation (appreciation) of investments and derivative financial instruments	(713)	(1,725)
Proceeds from sale and maturity of investments	14,834	11,692
Purchases of investments	(10,419)	(26,400)
Increase (decrease) in expenses payable	1	-
Withholding taxes paid	(31)	(36)
CASH FLOWS FROM OPERATING ACTIVITIES	4,368	(14,792)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuances of redeemable units	10,302	29,814
Amounts paid on redemption of redeemable units	(15,193)	(15,761)
CASH FLOWS FROM FINANCING ACTIVITIES	(4,891)	14,053
Foreign exchange gains (losses) on cash	-	6
NET INCREASE (DECREASE) IN CASH	(523)	(733)
CASH (BANK OVERDRAFT) AT BEGINNING OF THE YEAR	453	1,186
CASH (BANK OVERDRAFT) AT END OF THE YEAR	(70)	453

Schedule of Investment Portfolio

As at December 31, 2020	Number of Securities	Average Cost \$	Carrying Value \$
In thousands (except number of securities)			
INVESTMENT FUND (100.08%)			
Addenda Commercial Mortgages Pooled Fund	1,162,576	12,769	13,060
Addenda Impact Fixed Income Pooled Fund, Series A	176,813	1,869	1,935
AlphaFixe Green Bond Fund, Series F	222,216	2,269	2,380
BGO Diversified US Property Fund LP, Series B	4,135	10,896	11,782
Fiera Global Equity Fund	57,258	1,271	1,744
Fiera Global Equity Fund, Class A	36,953	950	1,166
Industrial Alliance Bond Fund	46,826	11,505	11,907
JF Canadian Equity Fund	89,880	2,784	2,940
PH&N Core Plus Bond Fund, Series O	715,655	7,303	7,593
TD Emerald Low Volatility All World Equity Pooled Fund Trust	185,840	3,180	2,984
TD Emerald Low Volatility Canadian Equity Pooled Fund Trust	171,310	2,878	2,919
TOTAL INVESTMENT FUND	57,674	60,410	
TOTAL INVESTMENT PORTFOLIO (100.08%)		57,674	60,410
OTHER NET ASSETS (-0.08%)			(51)
TOTAL NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS (100.00%)			60,359

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

Diversified Prudent Metallos

Discussion of Investment and Derivative Financial Instrument Risk Management

As at December 31, 2020 and 2019 (Note 3 and Note 5)
(In thousands)

Net Assets is defined as "Net Assets Attributable to Contractholders". For more information, please refer to the "Net Assets Attributable to Contractholders" section in the "Significant Accounting Policies" note to the Financial Statements.

Fair Value Measurements

For more information on fair value measurements and inputs, and the fair value hierarchy levels, please refer to "Methods and Assumptions Used to Estimate Fair Values of Investments and Derivative Financial Instruments" section in the "Management of Financial Risks" note to the Financial Statements.

The following tables present the hierarchy of investments and derivative financial instruments recorded at fair value, based on the hierarchy levels of input used at the measurement date:

As at December 31, 2020

	Investments and Derivative Financial Instruments at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
ASSETS				
Investments				
Equities	-	-	-	-
Investment funds	48,628	11,782	-	60,410
Investment properties	-	-	-	-
Bonds	-	-	-	-
Mortgages	-	-	-	-
Short-term investments	-	-	-	-
	48,628	11,782	-	60,410
Derivatives				
Derivative financial instruments	-	-	-	-
LIABILITIES				
Derivatives				
Derivative financial instruments	-	-	-	-
Total	48,628	11,782	-	60,410

As at December 31, 2019

	Investments and Derivative Financial Instruments at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
ASSETS				
Investments				
Equities	-	-	-	-
Investment funds	49,787	11,942	-	61,729
Investment properties	-	-	-	-
Bonds	-	-	-	-
Mortgages	-	-	-	-
Short-term investments	-	-	-	-
	49,787	11,942	-	61,729
Derivatives				
Derivative financial instruments	-	-	-	-
LIABILITIES				
Derivatives				
Derivative financial instruments	-	-	-	-
Total	49,787	11,942	-	61,729

There were no significant transfers between levels during the years ended December 31, 2020 and 2019.

Risks Due to Financial Instruments

Since the majority of the Fund's net assets were invested in underlying funds, the Fund may be indirectly exposed to credit risk, concentration risk, liquidity risk, interest rate risk and currency risk. Only direct exposure to risks due to the Fund's financial instruments is presented.

Credit Risk

As at December 31, 2020 and 2019, the Fund had no significant direct exposure to credit risk.

Concentration Risk

As at December 31, 2020 and 2019, the Fund is exposed to concentration risk arising from its underlying funds; therefore, no significant direct exposure is presented.

Liquidity Risk

As at December 31, 2020 and 2019, the Fund's Net Assets are due on demand. All other financial liabilities of the Fund have maturities of less than 30 days. Refer to Note 5 for further information.

Interest Rate Risk

As at December 31, 2020 and 2019, the majority of the Fund's financial assets and liabilities were non-interest bearing and, accordingly, the Fund was not subject to significant amounts of direct risk due to fluctuations in the prevailing levels of market interest rates.

Diversified Prudent Metallos

Discussion of Investment and Derivative Financial Instrument Risk Management (continued)

Currency Risk

The following tables summarize the Fund's direct exposure to currency risk and the impact on Net Assets 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. Please refer to the "Currency risk" section in the "Financial Risks" note to the Financial Statements for currency symbols.

As at December 31, 2020

Currency	Financial Instruments (\$)	Open Currency Contracts (\$)	Total Exposure (\$)	Impact on Comprehensive Income and Net Assets (\$)
USD	11,779	-	11,779	589

As at December 31, 2019

Currency	Financial Instruments (\$)	Open Currency Contracts (\$)	Total Exposure (\$)	Impact on Comprehensive Income and Net Assets (\$)
USD	11,940	-	11,940	597

Price Risk

The following tables present the estimated impact on the Net Assets of the Fund due to a reasonably possible change in benchmark, with all other variables held constant. An increase or decrease in the benchmark would have respectively increased or decreased the "Impact on Comprehensive Income and Net Assets". In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2020

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Comprehensive Income and Net Assets (%)	Impact on Comprehensive Income and Net Assets (\$)
Consumer Price Index + 4%	1.00	20.00	0.20	121
FTSE Canada Short Term Bond Index	3.00	20.00	0.60	362
FTSE Canada Universe Bond Index	3.00	40.00	1.20	724
MSCI - World Index (Can. \$) (net ret.)	10.00	5.00	0.50	302
MSCI - ACWI Index (Can. \$) (net ret.)	10.00	5.00	0.50	302
S&P/TSX Composite Index	10.00	10.00	1.00	604

As at December 31, 2019

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Comprehensive Income and Net Assets (%)	Impact on Comprehensive Income and Net Assets (\$)
Consumer Price Index + 4%	1.00	20.00	0.20	123
FTSE Canada Short Term Bond Index	3.00	20.00	0.60	370
FTSE Canada Universe Bond Index	3.00	40.00	1.20	739
MSCI - World Index (Can. \$) (net ret.)	10.00	5.00	0.50	308
MSCI - ACWI Index (Can. \$) (net ret.)	10.00	5.00	0.50	308
S&P/TSX Composite Index	10.00	10.00	1.00	616

Diversified Balanced Metallos

Statements of Financial Position

As at	December 31 2020	December 31 2019
In thousands (except per unit figures)	\$	\$
ASSETS		
CURRENT ASSETS		
Investments	83,191	77,524
Cash	20	-
Subscriptions receivable	6	3
Receivable for investments sold	-	218
	83,217	77,745
LIABILITIES		
CURRENT LIABILITIES		
Bank overdraft	-	256
Redemptions payable	21	111
Expenses payable	2	2
	23	369
NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS	83,194	77,376
NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT		
COL002	32.70	30.31
COLBR2	32.70	30.31
UNITS OUTSTANDING		
COL002	2,092	2,139
COLBR2	453	414

Statements of Comprehensive Income

Years ended December 31 (Note 1)	2020	2019
In thousands (except per unit figures)	\$	\$
REVENUES		
Distributions and allocation from investment funds	2,652	2,752
Other changes in fair value of investments and derivative financial instruments		
Investments:		
Net realized gains (losses)	997	900
Net change in unrealized appreciation (depreciation)	2,457	6,151
Net gains (losses) in fair value of investments	3,454	7,051
Derivative financial instruments:		
Net realized gains (losses)	-	-
Net change in unrealized appreciation (depreciation)	-	-
Net gains (losses) in fair value of derivative financial instruments	-	-
Total other changes in fair value of investments and derivative financial instruments	3,454	7,051
	6,106	9,803
EXPENSES (Note 6)		
Management fees and operating expenses	21	54
Foreign withholding taxes	30	40
	51	94
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS ATTRIBUTABLE TO CONTRACTHOLDERS	6,055	9,709
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT		
COL002	2.37	3.74
COLBR2	2.47	3.67

Statements of Changes in Net Assets Attributable to Contractholders

Years ended December 31 (Note 1)	2020	2019
In thousands	\$	\$
NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS AT BEGINNING OF THE YEAR	77,376	71,399
Increase (decrease) in net assets from operations attributable to contractholders	6,055	9,709
Proceeds from issuances of units	11,420	11,967
Redemption of units	(11,657)	(15,699)
INCREASE (DECREASE) IN NET ASSETS FOR THE YEAR	5,818	5,977
NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS AT END OF THE YEAR	83,194	77,376

Statements of Cash Flows

Years ended December 31 (Note 1)	2020	2019
In thousands	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets from operations attributable to contractholders	6,055	9,709
Adjustments		
Distributions and allocation from investment funds	(2,652)	(2,752)
Foreign withholding taxes	30	40
Net realized losses (gains) of investments and derivative financial instruments	(997)	(900)
Net change in unrealized depreciation (appreciation) of investments and derivative financial instruments	(2,457)	(6,151)
Proceeds from sale and maturity of investments	13,723	13,540
Purchases of investments	(13,066)	(9,596)
Withholding taxes paid	(30)	(40)
CASH FLOWS FROM OPERATING ACTIVITIES	606	3,850
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuances of redeemable units	11,417	11,999
Amounts paid on redemption of redeemable units	(11,747)	(15,702)
CASH FLOWS FROM FINANCING ACTIVITIES	(330)	(3,703)
NET INCREASE (DECREASE) IN CASH	276	147
CASH (BANK OVERDRAFT) AT BEGINNING OF THE YEAR	(256)	(403)
CASH (BANK OVERDRAFT) AT END OF THE YEAR	20	(256)

Schedule of Investment Portfolio

As at December 31, 2020	Number of Securities	Average Cost	Carrying Value
In thousands (except number of securities)		\$	\$
INVESTMENT FUND (100.00%)			
Addenda Commercial Mortgages Pooled Fund	724,568	7,959	8,140
Addenda Impact Fixed Income Pooled Fund, Series A	252,047	2,667	2,759
AlphaFixe Green Bond Fund, Series F	316,615	3,213	3,391
BGO Diversified US Property Fund LP, Series B	3,999	10,161	11,395
BlackRock CDN MSCI ACWI ex-Canada Index Fund	320,141	6,140	8,595
Fidelity Canadian Focused Equity Institutional Trust	255,092	3,673	4,244
Fiera Global Equity Fund	147,163	3,194	4,481
Fiera Global Equity Fund, Class A	94,923	2,425	2,995
Industrial Alliance Bond Fund	26,702	6,457	6,790
JF Canadian Equity Fund	256,339	7,978	8,385
Mawer Global Equity Fund	206,344	5,723	7,526
PH&N Core Plus Bond Fund, Series O	580,169	5,919	6,155
TD Emerald Low Volatility Canadian Equity Pooled Fund Trust	489,130	8,222	8,335
TOTAL INVESTMENT FUND		73,731	83,191
TOTAL INVESTMENT PORTFOLIO (100.00%)		73,731	83,191
OTHER NET ASSETS (0.00%)			3
TOTAL NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS (100.00%)			83,194

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

Diversified Balanced Metallos

Discussion of Investment and Derivative Financial Instrument Risk Management

As at December 31, 2020 and 2019 (Note 3 and Note 5)
(In thousands)

Net Assets is defined as "Net Assets Attributable to Contractholders". For more information, please refer to the "Net Assets Attributable to Contractholders" section in the "Significant Accounting Policies" note to the Financial Statements.

Fair Value Measurements

For more information on fair value measurements and inputs, and the fair value hierarchy levels, please refer to "Methods and Assumptions Used to Estimate Fair Values of Investments and Derivative Financial Instruments" section in the "Management of Financial Risks" note to the Financial Statements.

The following tables present the hierarchy of investments and derivative financial instruments recorded at fair value, based on the hierarchy levels of input used at the measurement date:

As at December 31, 2020

	Investments and Derivative Financial Instruments at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
ASSETS				
Investments				
Equities	-	-	-	-
Investment funds	71,796	11,395	-	83,191
Investment properties	-	-	-	-
Bonds	-	-	-	-
Mortgages	-	-	-	-
Short-term investments	-	-	-	-
	71,796	11,395	-	83,191
Derivatives				
Derivative financial instruments	-	-	-	-
LIABILITIES				
Derivatives				
Derivative financial instruments	-	-	-	-
Total	71,796	11,395	-	83,191

As at December 31, 2019

	Investments and Derivative Financial Instruments at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
ASSETS				
Investments				
Equities	-	-	-	-
Investment funds	65,974	11,550	-	77,524
Investment properties	-	-	-	-
Bonds	-	-	-	-
Mortgages	-	-	-	-
Short-term investments	-	-	-	-
	65,974	11,550	-	77,524
Derivatives				
Derivative financial instruments	-	-	-	-
LIABILITIES				
Derivatives				
Derivative financial instruments	-	-	-	-
Total	65,974	11,550	-	77,524

There were no significant transfers between levels during the years ended December 31, 2020 and 2019.

Risks Due to Financial Instruments

Since the majority of the Fund's net assets were invested in underlying funds, the Fund may be indirectly exposed to credit risk, concentration risk, liquidity risk, interest rate risk and currency risk. Only direct exposure to risks due to the Fund's financial instruments is presented.

Credit Risk

As at December 31, 2020 and 2019, the Fund had no significant direct exposure to credit risk.

Concentration Risk

As at December 31, 2020 and 2019, the Fund is exposed to concentration risk arising from its underlying funds; therefore, no significant direct exposure is presented.

Liquidity Risk

As at December 31, 2020 and 2019, the Fund's Net Assets are due on demand. All other financial liabilities of the Fund have maturities of less than 30 days. Refer to Note 5 for further information.

Interest Rate Risk

As at December 31, 2020 and 2019, the majority of the Fund's financial assets and liabilities were non-interest bearing and, accordingly, the Fund was not subject to significant amounts of direct risk due to fluctuations in the prevailing levels of market interest rates.

Diversified Balanced Metallos

Discussion of Investment and Derivative Financial Instrument Risk Management (continued)

Currency Risk

The following tables summarize the Fund's direct exposure to currency risk and the impact on Net Assets 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. Please refer to the "Currency risk" section in the "Financial Risks" note to the Financial Statements for currency symbols.

As at December 31, 2020

Currency	Financial Instruments (\$)	Open Currency Contracts (\$)	Total Exposure (\$)	Impact on Comprehensive Income and Net Assets (\$)
USD	11,398	-	11,398	570

As at December 31, 2019

Currency	Financial Instruments (\$)	Open Currency Contracts (\$)	Total Exposure (\$)	Impact on Comprehensive Income and Net Assets (\$)
USD	11,554	-	11,554	578

Price Risk

The following tables present the estimated impact on the Net Assets of the Fund due to a reasonably possible change in benchmark, with all other variables held constant. An increase or decrease in the benchmark would have respectively increased or decreased the "Impact on Comprehensive Income and Net Assets". In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2020

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Comprehensive Income and Net Assets (%)	Impact on Comprehensive Income and Net Assets (\$)
Consumer Price Index + 4%	1.00	15.00	0.15	125
FTSE Canada Short Term Bond Index	3.00	10.00	0.30	250
FTSE Canada Universe Bond Index	3.00	22.50	0.68	566
MSCI - ACWI Index (Can. \$) (net ret.)	10.00	10.00	1.00	832
MSCI - World Index (Can. \$) (net ret.)	10.00	17.50	1.75	1,456
S&P/TSX Composite Index	10.00	25.00	2.50	2,080

As at December 31, 2019

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Comprehensive Income and Net Assets (%)	Impact on Comprehensive Income and Net Assets (\$)
Consumer Price Index + 4%	1.00	15.00	0.15	116
FTSE Canada Short Term Bond Index	3.00	10.00	0.30	232
FTSE Canada Universe Bond Index	3.00	22.50	0.68	526
MSCI - ACWI Index (Can. \$) (net ret.)	10.00	10.00	1.00	774
MSCI - World Index (Can. \$) (net ret.)	10.00	17.50	1.75	1,354
S&P/TSX Composite Index	10.00	25.00	2.50	1,934

Diversified Aggressive Metallos

Statements of Financial Position

As at	December 31 2020	December 31 2019
In thousands (except per unit figures)	\$	\$
ASSETS		
CURRENT ASSETS		
Investments	33,654	28,522
Cash	41	-
Subscriptions receivable	1	7
Receivable for investments sold	-	289
	33,696	28,818
LIABILITIES		
CURRENT LIABILITIES		
Bank overdraft	-	306
Expenses payable	1	1
	1	307
NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS	33,695	28,511
NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT		
COL002	37.62	33.93
COLBR2	37.62	33.93
UNITS OUTSTANDING		
COL002	686	659
COLBR2	210	182

Statements of Comprehensive Income

Years ended December 31 (Note 1)	2020	2019
In thousands (except per unit figures)	\$	\$
REVENUES		
Distributions and allocation from investment funds	1,296	1,182
Other changes in fair value of investments and derivative financial instruments		
Investments:		
Net realized gains (losses)	459	258
Net change in unrealized appreciation (depreciation)	1,574	3,047
Net gains (losses) in fair value of investments	2,033	3,305
Derivative financial instruments:		
Net realized gains (losses)	-	-
Net change in unrealized appreciation (depreciation)	-	-
Net gains (losses) in fair value of derivative financial instruments	-	-
Total other changes in fair value of investments and derivative financial instruments	2,033	3,305
	3,329	4,487
EXPENSES (Note 6)		
Management fees and operating expenses	9	8
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS ATTRIBUTABLE TO CONTRACTHOLDERS	3,320	4,479
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT		
COL002	3.71	5.44
COLBR2	3.92	5.45

Statements of Changes in Net Assets Attributable to Contractholders

Years ended December 31 (Note 1)	2020	2019
In thousands	\$	\$
NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS AT BEGINNING OF THE YEAR	28,511	21,998
Increase (decrease) in net assets from operations attributable to contractholders	3,320	4,479
Proceeds from issuances of units	7,026	7,368
Redemption of units	(5,162)	(5,334)
INCREASE (DECREASE) IN NET ASSETS FOR THE YEAR	5,184	6,513
NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS AT END OF THE YEAR	33,695	28,511

Statements of Cash Flows

Years ended December 31 (Note 1)	2020	2019
In thousands	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets from operations attributable to contractholders	3,320	4,479
Adjustments		
Distributions and allocation from investment funds	(1,296)	(1,182)
Net realized losses (gains) of investments and derivative financial instruments	(459)	(258)
Net change in unrealized depreciation (appreciation) of investments and derivative financial instruments	(1,574)	(3,047)
Proceeds from sale and maturity of investments	6,773	4,144
Purchases of investments	(8,287)	(6,015)
CASH FLOWS FROM OPERATING ACTIVITIES	(1,523)	(1,879)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuances of redeemable units	7,032	7,363
Amounts paid on redemption of redeemable units	(5,162)	(5,334)
CASH FLOWS FROM FINANCING ACTIVITIES	1,870	2,029
NET INCREASE (DECREASE) IN CASH	347	150
CASH (BANK OVERDRAFT) AT BEGINNING OF THE YEAR	(306)	(456)
CASH (BANK OVERDRAFT) AT END OF THE YEAR	41	(306)

Schedule of Investment Portfolio

As at December 31, 2020	Number of Securities	Average Cost \$	Carrying Value \$
In thousands (except number of securities)			
INVESTMENT FUND (99.88%)			
Addenda Commercial Mortgages Pooled Fund	289,143	3,169	3,248
Addenda Impact Fixed Income Pooled Fund, Series A	63,165	670	692
AlphaFixe Green Bond Fund, Series F	80,873	829	866
BlackRock CDN MSCI ACWI ex-Canada Index Fund	130,997	2,751	3,517
Fidelity Canadian Focused Equity Institutional Trust	515,639	7,581	8,578
Fiera Global Equity Fund	68,365	1,518	2,082
Fiera Global Equity Fund, Class A	44,115	1,135	1,392
Industrial Alliance Bond Fund	10,898	2,687	2,771
JF Canadian Equity Fund	133,403	4,211	4,364
Mawer Global Equity Fund	168,451	4,915	6,144
TOTAL INVESTMENT FUND		29,466	33,654
TOTAL INVESTMENT PORTFOLIO (99.88%)		29,466	33,654
OTHER NET ASSETS (0.12%)			41
TOTAL NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS (100.00%)			33,695

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

Diversified Aggressive Metallos

Discussion of Investment and Derivative Financial Instrument Risk Management

As at December 31, 2020 and 2019 (Note 3 and Note 5)
(In thousands)

Net Assets is defined as "Net Assets Attributable to Contractholders". For more information, please refer to the "Net Assets Attributable to Contractholders" section in the "Significant Accounting Policies" note to the Financial Statements.

Fair Value Measurements

For more information on fair value measurements and inputs, and the fair value hierarchy levels, please refer to "Methods and Assumptions Used to Estimate Fair Values of Investments and Derivative Financial Instruments" section in the "Management of Financial Risks" note to the Financial Statements.

The following tables present the hierarchy of investments and derivative financial instruments recorded at fair value, based on the hierarchy levels of input used at the measurement date:

As at December 31, 2020

	Investments and Derivative Financial Instruments at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
ASSETS				
Investments				
Equities	-	-	-	-
Investment funds	33,654	-	-	33,654
Investment properties	-	-	-	-
Bonds	-	-	-	-
Mortgages	-	-	-	-
Short-term investments	-	-	-	-
	33,654	-	-	33,654
Derivatives				
Derivative financial instruments	-	-	-	-
LIABILITIES				
Derivatives				
Derivative financial instruments	-	-	-	-
Total	33,654	-	-	33,654

As at December 31, 2019

	Investments and Derivative Financial Instruments at Fair Value			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
ASSETS				
Investments				
Equities	-	-	-	-
Investment funds	28,522	-	-	28,522
Investment properties	-	-	-	-
Bonds	-	-	-	-
Mortgages	-	-	-	-
Short-term investments	-	-	-	-
	28,522	-	-	28,522
Derivatives				
Derivative financial instruments	-	-	-	-
LIABILITIES				
Derivatives				
Derivative financial instruments	-	-	-	-
Total	28,522	-	-	28,522

There were no significant transfers between levels during the years ended December 31, 2020 and 2019.

Risks Due to Financial Instruments

Since the majority of the Fund's net assets were invested in underlying funds, the Fund may be indirectly exposed to credit risk, concentration risk, liquidity risk, interest rate risk and currency risk. Only direct exposure to risks due to the Fund's financial instruments is presented.

Credit Risk

As at December 31, 2020 and 2019, the Fund had no significant direct exposure to credit risk.

Concentration Risk

As at December 31, 2020 and 2019, the Fund is exposed to concentration risk arising from its underlying funds; therefore, no significant direct exposure is presented.

Liquidity Risk

As at December 31, 2020 and 2019, the Fund's Net Assets are due on demand. All other financial liabilities of the Fund have maturities of less than 30 days. Refer to Note 5 for further information.

Interest Rate Risk

As at December 31, 2020 and 2019, the majority of the Fund's financial assets and liabilities were non-interest bearing and, accordingly, the Fund was not subject to significant amounts of direct risk due to fluctuations in the prevailing levels of market interest rates.

Currency Risk

As at December 31, 2020 and 2019, the Fund had no significant direct exposure to currency risk.

Diversified Aggressive Metallos

Discussion of Investment and Derivative Financial Instrument Risk Management (continued)

Price Risk

The following tables present the estimated impact on the Net Assets of the Fund due to a reasonably possible change in benchmark, with all other variables held constant. An increase or decrease in the benchmark would have respectively increased or decreased the "Impact on Comprehensive Income and Net Assets". In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2020

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Comprehensive Income and Net Assets (%)	Impact on Comprehensive Income and Net Assets (\$)
FTSE Canada Universe Bond Index	3.00	12.50	0.38	128
FTSE Canada Short Term Bond Index	3.00	12.50	0.38	128
MSCI - ACWI Index (Can. \$) (net ret.)	10.00	10.00	1.00	337
MSCI - World Index (Can. \$) (net ret.)	10.00	27.50	2.75	927
S&P/TSX Composite Index	10.00	37.50	3.75	1,264

As at December 31, 2019

Benchmark	Change in Benchmark (%)	Exposure to Benchmark (%)	Impact on Comprehensive Income and Net Assets (%)	Impact on Comprehensive Income and Net Assets (\$)
FTSE Canada Universe Bond Index	3.00	12.50	0.38	108
FTSE Canada Short Term Bond Index	3.00	12.50	0.38	108
MSCI - ACWI Index (Can. \$) (net ret.)	10.00	10.00	1.00	285
MSCI - World Index (Can. \$) (net ret.)	10.00	27.50	2.75	784
S&P/TSX Composite Index	10.00	37.50	3.75	1,069

Notes to the Financial Statements

December 31, 2020 and 2019
(in thousands, except for per unit amounts)

1- General Information

a) The Funds

The Industrial Alliance Metallos Funds (the "Funds") are segregated funds established by Industrial Alliance Insurance and Financial Services Inc. (the "Company") under an *Act respecting insurance* (Quebec). 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.

The Funds invest primarily in different types of securities depending on their investment policies. Refer to the "Schedule of Investment Portfolio" specific to each Fund for further details on their investments.

The financial statements are presented in Canadian dollars (CAD). The Canadian dollar is the Funds' functional and reporting currency.

These financial statements were authorized for issue by the Company on February 24, 2021.

The Funds address is the Company's head office at 1080 Grande Allée West, PO Box 1907, Station Terminus, Quebec City, QC, G1K 7M3, Canada.

b) Establishment of the Funds

The Funds were established on the following dates:

Fund Name	Establishment date
Diversified Prudent Metallos	January 1, 2004
Diversified Balanced Metallos	October 29, 1999
Diversified Aggressive Metallos	January 1, 2004

c) Financial Reporting Dates

The Statements of Financial Position are as at December 31, 2020 and 2019, the Statements of Comprehensive Income, the Statements of Changes in Net Assets Attributable to Contractholders and the Statements of Cash Flows are for the years ended December 31, 2020 and 2019.

2- Basis of Presentation

The Funds' financial statements are established on an International Financial Reporting Standards (IFRS) basis as required by Canadian securities legislation and the Canadian Accounting Standards Board.

3- Significant Accounting Policies

The significant accounting policies are as follows:

a) Important Estimates

The preparation of financial statements requires the Company to use judgment in applying its accounting policies and make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting years and complementary information. The most significant estimates and judgments include the fair value of investments and derivative financial instruments and the classification and measurement of investments and derivative financial instruments.

i) Valuation of fair value of investments and derivative financial instruments

The Funds hold investments that are not listed in active markets. Fair values of such investments and derivative financial instruments are determined using established valuation techniques. Actual results may differ from management's best estimates. Estimates and assumptions are periodically reviewed according to changing facts and circumstances. Changes in assumptions could affect the reported fair values of investments and derivative financial instruments.

ii) Classification and measurement of financial instruments and application of the fair value option

In classifying and measuring financial instruments held by the Funds, the Company is required to make significant judgments when determining the most appropriate classification pursuant to IFRS-9 "Financial Instruments". In order to perform this classification, the Company has determined how it manages the various financial assets in each Funds' business model. These models take into account cash flow, the type of financial asset management and the method used to evaluate their performance. Since the Company has determined in its business models that its management model is not to hold financial assets in order to collect contractual cash flows neither to both collect contractual cash flow and sell them, financial assets such as investments must be recognized in the category of fair value through profit or loss, which is the most appropriate way of measuring and presenting the Funds' investments.

b) Financial Instruments

i) Initial recognition

The Funds initially recognize financial instruments at fair value, plus transaction costs in case of financial instruments measured at amortized cost. Ongoing purchases and sales of financial assets are recognized at their trade date.

ii) Classification and subsequent measurement

At initial recognition, the Funds classify their financial instruments (equity securities, debt instruments, investment funds, short-term investments and derivative financial instruments) at fair value through profit or loss. Cash, margin and bank overdraft are classified in the amortized cost category.

The Funds' obligation for net assets attributable to contractholders, classified as financial liability, is presented at the redemption amount which approximates the fair value. All other financial assets and liabilities are measured at amortized cost. Under this method, the financial instruments reflect the required amount receivable or payable, discounted when appropriate, at the contract's effective rates.

The realized gains or losses at the disposal of non derivative financial instruments are accounted for in the "Statements of Comprehensive Income" under the item "Investments: Net realized gains (losses)". Changes for the current year in the difference between the fair value and the cost of securities compared to the previous year are included in the "Statements of Comprehensive Income" under the item "Investments: Net change in unrealized appreciation (depreciation)".

The Funds' accounting policies in place to measure the fair value of their investments and derivative financial instruments are identical to those in place to measure their net asset value for transactions with contractholders.

iii) Fair value measurements

Fair value is the price that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In circumstances where the last traded price for equities and the mid price for bonds is not within the bid-ask spread, the Company determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances, and in cases where the last traded price has a traded volume lower than 100, the mid price is used.

iv) Impairment of financial assets

At each reporting date, the Funds assess whether the credit risk of a financial asset classified at amortized cost has increased significantly since the initial recognition and whether an expected credit loss needs to be recognized. To assess this, the Funds compare the impairment risk of the financial instrument on the reporting date with the impairment risk on the initial recognition date. Considering the short-term nature of financial instruments at amortized cost, the Funds apply the simplified method to recognize expected credit losses. The amount recognized as expected credit loss corresponds to the anticipated shortfall in discounted cash flows over the lifetime of the financial instrument.

Notes to the Financial Statements

December 31, 2020 and 2019
(in thousands, except for per unit amounts)

v) Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or the Funds have substantially transferred all risks and rewards of ownership. Financial liabilities designated at fair value through profit or loss are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

c) Cash

Cash is comprised of deposits with financial institutions.

d) Revenues Recognition

Dividend income and distributions from income trusts are recorded on the ex-dividend or ex-distribution date. Distributions from investment funds are recognized on the distribution date. The latter income may include dividends, interest, capital gains and return of capital. The proceeds of distributions may be used to purchase additional units of the underlying funds. Allocation income is recognized at the allocation date and may include dividends, interest and capital gains. The proceeds of allocation are used to reduce the unrealized portion of gains and losses on investments. "Interest for allocation purposes" shown on the "Statements of Comprehensive Income" represents the interest received by the Funds accounted for on an accrual basis. Realized gains or losses and unrealized appreciation and depreciation on investments are calculated on an average cost basis, without giving effect to transaction costs.

Gains or losses from daily valuation of derivative financial instruments are included in "Derivative financial instruments: Net change in unrealized appreciation (depreciation)" until the positions are settled or expired. Realized gains or losses from settlement or expiration are included in "Derivative financial instruments: Net realized gains (losses)".

e) Other Financial Assets and Liabilities

All financial assets and liabilities of the Funds other than investments, derivative financial instruments and the Funds' obligation for net assets attributable to contractholders are carried at amortized cost which approximates fair value due to their short-term nature. The Funds' obligation for net assets attributable to contractholders is presented at the redemption amount.

f) Foreign Currency Translation

The fair value of portfolio investments denominated in foreign currency, foreign currency holdings and other assets and liabilities are translated into the functional currency at the exchange rate applicable on the measurement date. Investment transactions, income and expenses are translated at the exchange rates on the dates of such transactions.

Foreign exchange gains and losses relating to cash are presented as "Foreign exchange gains (losses) on cash". Those relating to investments and derivative financial instruments are presented within "Total other changes in fair value of investments and derivative financial instruments" in the "Statements of Comprehensive Income".

g) Derivative Financial Instruments

Open currency contracts, if purchased or sold, are valued at the current fair value thereof on the valuation date. The value of these currency contracts is the gain or loss that would be realized if, on the valuation date, the positions were to be closed out and reported in "Derivative financial instruments: Net change in unrealized appreciation (depreciation)" in the "Statements of Comprehensive Income" and as "Open currency contracts" in the "Statements of Financial Position". When the currency contracts are closed out or expired, realized gains or losses are recognized and are included in "Derivative financial instruments: Net realized gains (losses)" in the "Statements of Comprehensive Income". The Canadian dollar value of currency contracts is determined using currency contract exchange rates supplied by an independent service provider.

h) Taxation

Income from investments held by the Funds may be subject to withholding taxes in jurisdictions other than those of the Funds as imposed by the country of origin. Withholding taxes, if any, are shown in the "Foreign withholding taxes" line in the "Statements of Comprehensive Income".

Each Fund is considered to be a segregated fund trust under the *Income Tax Act* (Canada). Income and realized capital gains and losses, if any, are attributed to the contractholders and their beneficiaries. Under current tax legislation, the Funds do not pay income taxes except for any foreign tax payable.

i) Expenses

All expenses are recognized in the "Statements of Comprehensive Income" on an accrual basis. Expenses related to Funds setup are expensed as incurred.

j) Net Assets Attributable to Contractholders

Units of the Funds are issued and redeemed at their net asset value 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 of the Funds is calculated by dividing total net assets attributable to contractholders at fair value by the total number of the Funds' outstanding units at that time. Each category of units in the same Fund has a different unit value, which varies according to the Fund's management fees.

Units can be redeemed at any time for cash equal to a proportionate share of the Funds' net asset value for the unit series. Units are classified as financial liabilities and are measured at their redemption amount.

k) Investments in Subsidiaries, Joint Ventures and Associates

The Funds meet the definition of an investment entity under IFRS-10 and are required to measure the investment in their associates, joint ventures and subsidiaries at fair value through profit or loss.

Subsidiaries are all entities, including investments in other investment entities, over which the Funds have control. The Funds control an entity when they have rights to or are entitled to variable returns from their involvement with the entity and have the ability to affect those returns through their power over the entity.

4- Changes in Accounting Policies

a) New Accounting Policies Applied

This standard and this amendment apply to financial statements beginning on or after January 1, 2020.

On March 29, 2018, the IASB published a revised version of the Conceptual Framework for Financial Reporting. The IASB decided to revise the Conceptual Framework because important issues were not addressed and some indications were outdated or unclear. This revised version includes, among other things, a new chapter on valuation, guidance on the presentation of financial performance and improved definitions of an asset and a liability and guidance in support of those definitions. The Conceptual Framework helps entities to develop their accounting method when no IFRS is applicable to a specific situation. This revised version applies prospectively. This revision had no impact on the Funds' financial statements.

On October 31, 2018, the IASB published an amendment to IAS-1 "Presentation of Financial Statements" and IAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors". The amendment "Definition of Material" clarifies the definition of material in IAS-1, the explanation accompanying that definition and aligns the definitions used across IFRS standards. This amendment applies prospectively. This amendment had no impact on the Funds' financial statements.

Notes to the Financial Statements

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b) Future Changes in Accounting Policies

On January 23, 2020, the IASB published an amendment to IAS 1 "Presentation of Financial Statements". The amendment concerns the classification of liabilities as current or non-current and only affects the presentation of liabilities in the statement of financial position, and not the amount or timing of recognition of any asset, liability income or expense, or the information that entities disclose about those items. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted. On July 15, 2020, the IASB published an amendment to IAS 1 "Presentation of Financial Statements" that reports the application date to financial statements beginning on or after January 1, 2023. The Company is currently evaluating the impact of this amendment on the Funds' financial statements.

On May 14, 2020, the IASB published the Annual Improvements to IFRSs 2018-2020 Cycle. The Annual Improvements clarify situations specific to four standards. Only one of the four Annual Improvements is applicable. The Annual Improvement clarifying IFRS 9 "Financial Instruments" related to the fact that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included when the entity applies the '10 per cent' test in assessing whether to derecognize a financial liability. The provisions IFRS 9 will apply prospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted. The Company is currently evaluating the impact of this improvement on the Funds' financial statements.

5- Management of Financial Risks

a) Methods and Assumptions Used to Estimate Fair Values of Investments and Derivative Financial Instruments

Disclosures regarding investments and derivative financial instruments must be presented as a hierarchy that categorizes the inputs to valuation techniques used to value assets and liabilities at the measurement date. The hierarchy gives the highest priority to readily available unadjusted quoted prices in active markets for identical assets or liabilities 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.

All fair value measurements in the Funds are recurring. The investments and derivative financial instruments are classified as Level 1 when the related security or derivative financial instrument is actively traded and a quoted price is available. If an investment or derivative financial instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, they are reclassified as Level 2, unless measurement of their fair value requires the use of significant unobservable inputs, in which case they are classified as Level 3.

Invested assets are accounted for using the methods described below, and the hierarchy of the investments and derivative financial instruments at fair value is disclosed in the "Discussion of Investment and Derivative Financial Instrument Risk Management" section of each Fund.

i) Investment funds

Investments in underlying funds are valued at fair value, which generally corresponds to the net asset value of the underlying fund at the valuation date.

ii) Cash

Cash and bank overdrafts are carried at amortized cost. The fair value of cash is equal to the carrying value due to its short-term nature.

iii) Derivative financial instruments

Currency contracts are traded over the counter and the fair value is based on a matrix of market forward quotes. The forward quotes are calculated with a linear interpolation. If the matrix is not available, current market quotes for the reference currencies are used.

iv) Net assets attributable to contractholders

The fair value is equal to the carrying value due to the recognition at the redemption amount.

v) Valuation of unlisted securities and other investments

When the valuation principles of the aforementioned investments, the valuation criteria set out in securities legislation or any of the valuation criteria adopted by the Company and not set out in securities legislation are at any time considered by the Company to be inappropriate in the circumstances, fair value is determined according to the Company's best estimates, based on established valuation procedures. These procedures cover, among others, securities no longer traded, securities issued by private corporations and illiquid securities. The fair value of these securities established for the purpose of calculating the Funds' net assets attributable to contractholders may differ from the securities' most recent bid or ask price.

b) Financial Risks

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

The Company manages the potential of adverse effects of financial risks on Fund performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor Fund positions and market events and diversify the investment portfolios within the constraints of the investment guidelines.

The Funds may enter into derivative financial instruments with the intention to offset or reduce mainly financial risks associated with the investments and also, periodically, to enhance returns to the portfolio.

The Funds' overall risk management practice involves oversight of investment activities and monitoring and testing of compliance with the Funds' investment strategies and securities regulations.

Fund Units

The Funds can invest in units of other investment funds. The investment policy of each Fund unit held permits investment in vehicles such as bonds, stocks, investment properties, mortgages or even other Fund units. The manager of each Fund unit held is responsible for the investments carried out based on the Fund investment policy. Moreover, these units are presented as a Fund unit in the "Schedule of Investment Portfolio".

i) Credit risk

Credit risk corresponds to the possibility that the Funds will sustain a financial loss if a counterparty or a debtor does not meet its commitments to the Funds. The maximum credit risk associated with financial instruments corresponds to their carrying value presented in the "Statements of Financial Position". Credit risk is disclosed for debt instruments excluding other net assets in the "Discussion of Investment and Derivative Financial Instrument Risk Management" of each Fund.

Notes to the Financial Statements

December 31, 2020 and 2019

(in thousands, except for per unit amounts)

The Funds' investment strategies aim to limit this risk by ensuring sound diversification, by limiting exposure to a same issuer and by seeking relatively high-quality issuers. The Funds invest 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 creditworthiness of the issuer, and represents the maximum credit risk exposure of the Funds.

All transactions in listed securities are settled or 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.

Credit ratings are obtained from DBRS, Standard & Poor's or Moody's respectively, based on their availability. If no credit rating is available, an equivalent internal credit rating is presented.

ii) Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether due to geographical location, product type, industry sector or counterparty type, as concentrated positions are impacted similarly by changes in the economic environment and other market conditions. The Fund's investment strategies aim to limit this risk by ensuring sound diversification. Concentration risk is disclosed in the "Discussion of Investment and Derivative Financial Instrument Risk Management" of each Fund.

iii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty meeting its financial obligations at the appropriate time and under reasonable conditions. The Funds' exposure to liquidity risk is concentrated in the daily cash redemption of units. Liquidity risk is managed by investing the majority of Fund assets in investments that are traded in an active market and can be readily disposed of, in accordance with securities regulations. In addition, the Funds retain 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.

Units are redeemable on demand at the holder's option. However, the Company does not expect that the contractual maturity disclosed in the "Discussion of Investment and Derivative Financial Instrument Risk Management" of each Fund will be representative of the actual cash outflows, as holders of these instruments typically retain them for a longer period.

iv) Market risk

(1) 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 Funds are exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash or short-term investments since they are invested at short-term market interest rates and usually held to maturity, and are disclosed in the "Discussion of Investment and Derivative Financial Instrument Risk Management" of each Fund.

(2) Currency risk

The Funds invest in monetary and non-monetary assets denominated in currencies other than the Canadian dollar. These investments result in currency risk, which is the risk that the fair value or future cash flows of the financial instrument will fluctuate because of changes in foreign exchange rates. The Funds may enter into currency contracts in order to reduce currency risk. The financial instruments in foreign currencies may include investments, derivative financial instruments, cash (bank overdraft), receivable for investments sold, interest, dividends and other receivables, payable for investments purchased and expenses payable. The

sensitivity analysis, including separately the effects of open currency contracts, is disclosed in the "Discussion of Investment and Derivative Financial Instrument Risk Management" of each Fund.

Currency Symbols: USD – United States Dollar.

(3) Price risk

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 Funds' portfolio advisors moderate this risk through careful selection and diversification of securities and other financial instruments within the parameters of the Funds' investment objectives and strategies. Except for derivative financial instruments, the maximum risk resulting from financial instruments is equivalent to their fair value. The Funds' overall market positions are monitored on a daily basis by the portfolio advisors. Details on Funds price sensitivity are disclosed in the "Discussion of Investment and Derivative Financial Instrument Risk Management" of each Fund.

c) Investments in Unconsolidated Structured Entities

The Company has determined that all its investments in underlying funds and mortgage/asset-backed securities are investments in unconsolidated structured entities. The Funds may invest in unconsolidated structured entities to achieve capital growth. The underlying funds are managed by asset managers that apply various investment strategies to accomplish their objectives. The investments in underlying funds are subject to the terms and conditions of the respective underlying funds and are susceptible to price risk arising from uncertainty about the future values of those funds.

The Funds' maximum exposure to loss from their interests in unconsolidated structured entities is equal to the total carrying value of these investments.

The following tables present the carrying value of funds invested in unconsolidated structured entities:

As at December 31, 2020

Fund	Investment Funds (\$)	Mortgage/Asset-Backed Securities (\$)
Diversified Prudent Metallos	60,410	-
Diversified Balanced Metallos	83,191	-
Diversified Aggressive Metallos	33,654	-

As at December 31, 2019

Fund	Investment Funds (\$)	Mortgage/Asset-Backed Securities (\$)
Diversified Prudent Metallos	61,729	-
Diversified Balanced Metallos	77,524	-
Diversified Aggressive Metallos	28,522	-

Notes to the Financial Statements

December 31, 2020 and 2019
(in thousands, except for per unit amounts)

6- Related Party Transactions

a) Operating Expenses

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 contracts.

At its sole discretion, the Company may waive management fees or absorb expenses of the Funds. Such waivers and absorptions can be terminated at any time, but can be expected to continue until such time as the Funds are of sufficient size to reasonably absorb all management fees and expenses incurred in their operation. Even where continued, the amount of waivers and absorptions can fluctuate from time to time.

b) Units Held in Underlying Funds

The Funds may invest in units of Industrial Alliance underlying funds. Information in this regard is disclosed in the Fund's "Schedule of Investment Portfolio". All investment transactions with the corresponding underlying funds are at arms length.

7- Fund Units

The Company considers that the Funds' units represent the net assets attributable to contractholders of the Funds. Fund units are managed in accordance with each Fund's investment objectives and strategies. Each Fund seeks to achieve its investment objectives while managing liquidity in order to meet redemptions. The Funds have no restrictions or specific unit requirements on issuance and redemption of units. The "Statements of Change in Net Assets Attributable to Contractholders" identify the changes in each Fund's capital during the year.

For the years ended December 31, 2020 and 2019, the following units were issued and redeemed:

Fund		Beginning of the Year	Units Issued	Units Redeemed	End of the Year
Diversified Prudent Metallos					
COL002	2020	2,234	348	549	2,033
	2019	1,675	1,177	618	2,234
COLBR2	2020	284	61	47	298
	2019	256	76	48	284
Diversified Balanced Metallos					
COL002	2020	2,139	272	319	2,092
	2019	2,282	324	467	2,139
COLBR2	2020	414	101	62	453
	2019	400	88	74	414
Diversified Aggressive Metallos					
COL002	2020	659	143	116	686
	2019	611	184	136	659
COLBR2	2020	182	65	37	210
	2019	164	48	30	182

8- Comparison of Net Asset Value per Unit and Net Assets Attributable to Contractholders per Unit

As at December 31, 2020 and 2019, the net asset value per unit was equivalent to net assets attributable to contractholders per unit for each Fund.

9- Impacts of COVID-19 Pandemic

Since the beginning of 2020, the spread of the COVID-19 virus, elevated to a pandemic by the World Health Organization (WHO) on March 11, 2020, has caused turbulence in financial markets, resulted in economic uncertainty and shaken the operations of the business community and citizens. The impact of unanticipated market disruptions, including COVID-19, may cause exchanges to suspend trading and/or investment funds to suspend dealing (which could be for an extended period of time), may exacerbate pre-existing political, social or economic risk, and may disproportionately affect certain issuers, industries or types of securities. These impacts may have an effect on the performance of the Funds, the performance of the securities in which the Funds invest and may lead to an increase in the amount of redemptions experienced by the Funds, including redemptions by large investors. Each of these effects may lead to illiquidity and losses on the units issued by the Funds. Such unanticipated market disruptions, including COVID-19, may be short-term or may last for an extended period of time, and could have effects that cannot necessarily be presently foreseen. Even if general economic conditions do not change or improve, the value of an investment in a Fund could decline if the particular industries, sectors, companies or types of securities in which the Fund invests do not perform well or are adversely affected by such unanticipated events. In addition, governments and central banks implemented significant monetary and fiscal interventions to stabilize economic conditions.

At this time, it is impossible to reliably assess the duration and extent of the impacts that these elements could have on the Funds' future financial results, due to uncertainties still prevailing as at December 31, 2020.

The effects of the pandemic primarily affected the valuation of the following assets and liabilities of the Funds:

Fair Value of Financial Instruments

Changes in market factors, such as interest rates, stock prices and exchange rates, caused by COVID-19 resulted in changes in the fair value of financial instruments.

Actual results could differ from best estimates, as mentioned in Note 3, section a) "Important Estimates" of these Financial Statements.

Other Information

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