
Investors Group Short Term Income Fund

Interim Financial Statements

FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2011

The accompanying interim financial statements have not been reviewed by the external auditors of the Fund. The external auditors will be auditing the annual financial statements of the Fund as at March 31, 2012, in accordance with Canadian generally accepted auditing standards.

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Investors Group Short Term Income Fund

INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

STATEMENTS OF NET ASSETS

at September 30, 2011 (unaudited) with comparative figures at March 31, 2011
(in \$ 000 except per unit amounts)

	September 30	March 31
	2011	2011
Assets:		
Investments	47,172	78,729
Cash and short-term investments	3,587	1,824
Accrued interest and dividends receivable	267	567
Taxes recoverable (payable)	-	-
Accounts receivable for securities sold	-	-
Due from brokers	-	-
Due from manager	-	-
Due from other funds	-	-
Net margin on futures contracts	-	-
Unrealized gains on forward contracts and other derivatives	-	-
Other assets	8	2
	3,862	2,393
Total assets	51,034	81,122
Liabilities:		
Bank overdraft	-	-
Due to brokers	-	-
Accounts payable for securities redeemed	-	-
Accrued expenses	-	3
Due to other funds	-	-
Liability for options written	-	-
Unrealized losses on forward contracts and other derivatives	-	-
Income payable and other liabilities	-	-
Total liabilities	-	3
Net assets	51,034	81,119
Net assets per series, end of period		
Series O	51,033	81,118
Series P	1	1
Net assets per unit, end of period		
Series O	10.24	9.96
Series P	10.30	10.02

STATEMENTS OF OPERATIONS

for the six-month periods ended September 30 (unaudited)
(in \$ 000 except per unit amounts)

	2011	2010
Income:		
Dividends	-	-
Trust income	-	-
Interest and other income	514	1,265
Income (loss) from derivatives	-	-
Securities lending	-	-
Foreign withholding taxes	-	-
	514	1,265
Expenses:		
Administration fees	-	-
Trustee fees	-	-
Goods and services tax / Harmonized sales tax	-	-
Audit fees	-	1
Custody fees	-	-
Registration fees and expenses	7	9
Other	-	-
	7	10
Expense reductions	-	-
	7	10
Net income (loss)	507	1,255
Realized gain (loss)	134	(102)
Unrealized gain (loss)	964	771
Commissions and other portfolio transaction costs	-	-
Net realized and unrealized gain (loss)	1,098	669
from investments and foreign exchange	1,098	669
Net increase (decrease) in net assets		
from operations	1,605	1,924
Net increase (decrease) in net assets		
from operations per series		
Series O	1,605	1,924
Series P	-	-
Net increase (decrease) in net assets		
from operations per unit		
Series O	0.28	0.24
Series P	0.28	0.24

Investors Group Short Term Income Fund

INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

STATEMENTS OF CHANGES IN NET ASSETS

for the six-month periods ended September 30 (unaudited) (in \$ 000 except when stated)

	SERIES O		SERIES P		TOTAL	
	2011	2010	2011	2010	2011	2010
Net assets, beginning of period	81,118	79,440	1	1	81,119	79,441
Increase (decrease) in net assets resulting from:						
Operations	1,605	1,924	-	-	1,605	1,924
Distributions:						
Income	-	-	-	-	-	-
Capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
Total distributions	-	-	-	-	-	-
Unit transactions:						
Proceeds from sale of units	50,000	-	-	-	50,000	-
Reinvested from distributions	-	-	-	-	-	-
Payment on redemption of units	(81,690)	(39)	-	-	(81,690)	(39)
Total unit transactions	(31,690)	(39)	-	-	(31,690)	(39)
Increase (decrease) in net assets	(30,085)	1,885	-	-	(30,085)	1,885
Net assets, end of period	51,033	81,325	1	1	51,034	81,326
Increase (decrease) in units (in thousands):						
Units outstanding, beginning of period	8,144	7,962	-	-		
Add (deduct):						
Units sold	4,984	-	-	-		
Reinvested from distributions	-	-	-	-		
Units redeemed	(8,144)	(4)	-	-		
Units outstanding, end of period	4,984	7,958	-	-		

See accompanying notes to financial statements.

Investors Group Short Term Income Fund

INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

STATEMENT OF INVESTMENTS

at September 30, 2011 (unaudited)

	Country	Sector	No. of Units, Shares, or Par Value	Average Cost (\$ 000)	Fair Value (\$ 000)
FIXED INCOME					
Government of Canada 1.50% 06-01-2012	Canada	Federal Government	4,200,000	4,211	4,218
Government of Canada 1.50% 12-01-2012	Canada	Federal Government	7,600,000	7,608	7,656
Government of Canada 1.75% 03-01-2013	Canada	Federal Government	10,300,000	10,343	10,427
Government of Canada 3.50% 06-01-2013	Canada	Federal Government	2,000,000	2,072	2,086
Government of Canada 2.00% 12-01-2014	Canada	Federal Government	20,100,000	20,122	20,663
Royal Bank of Canada 3.77% 03-30-2018	Canada	Corporate - Non Convertible	2,000,000	2,122	2,122
TOTAL INVESTMENTS				<u>46,478</u>	<u>47,172</u>
Net Assets:					
Total investments					47,172
Cash and short-term investments					3,587
Other net assets (liabilities)					275
					<u>51,034</u>

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. Series P 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 six-month periods ended September 30, 2011 and 2010, except for the comparative information presented in the Statements of Net Assets which is as of March 31, 2011. The Fund commenced operations on December 13, 2004. Series P commenced on March 29, 2010. Financial results for a series established during the periods are presented from the date operations commenced to September 30 of that fiscal period.

(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 at the end of the period, have been identified on the Statement of Investments. 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 notes to these interim financial statements may be presented in a condensed or summarized format and, therefore, should be read in conjunction with the Fund's March 31, 2011 annual financial statements. These interim financial statements follow the same accounting policies and methods of their application as those used in preparing the annual statements. 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.

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. 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. See Note 8 for the fair value classification of financial instruments as at the end of the period.

(b) Cash and short-term investments

Cash and short-term investments are comprised of cash on deposit and short-term investments with terms to maturity of less than one year at acquisition. Cash and short-term investments are carried at fair value.

(c) Currency

All amounts are expressed in Canadian dollars. 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. Interest income is based on the number of days the investment is held during the period.

(e) 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.

(f) 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 and 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.

(g) Future accounting changes

As previously confirmed by the Canadian Accounting Standards Board ("AcSB"), most Canadian publicly accountable entities adopted all International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board, on January 1, 2011. However, the AcSB has allowed most investment funds to defer adoption of IFRS until fiscal years beginning on or after January 1, 2013. Accordingly, the Fund will adopt IFRS for its fiscal period beginning April 1, 2013, and will issue its initial financial statements in accordance with IFRS, including comparative information, for the interim period ending September 30, 2013.

3. MANAGEMENT FEES AND OTHER EXPENSES

- (a) The Fund pays its own operating expenses, such as audit fees and custody expenses. 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 but does not charge a management fee. The Trustee is entitled to charge a fee of up to 0.05% of the Fund's net assets, except for net assets attributable to Series P, for its services. In addition, the Manager is entitled to recover the costs of administrative services provided on behalf of the Fund (except for Series P), including a charge of up to 15% of the costs incurred for services. Neither the Manager nor the Trustee have charged the Fund for these services in order to avoid a duplication of fees with the Investors Group Corporate Class Inc. Fund which is an indirect investor of the Fund.
- (c) GST/HST paid by the Fund on its expenses is not recoverable.
- (d) Other expenses are comprised of bank overdraft charges and other miscellaneous expenses.
- (e) 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 (or "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 outstanding for the series. This amount may be different from the net asset per unit calculation, which is presented on the Statements 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. Net asset values per unit for the Fund were as follows:

	September 30 2011	March 31 2011
Series O	10.24	9.97
Series P	10.30	10.03

5. INCOME TAXES

The Fund qualifies as a "unit trust", but not a "mutual fund trust", as defined in the Income Tax Act (Canada). Accordingly, the Fund is subject to tax on its net income including net realized capital gains, which is not paid or payable to its unitholders. Further, it is expected that one or more Canadian financial institutions will own more than 50% of the net assets of the Fund. This will cause the Fund to be a "Financial Institution" for certain income tax purposes. As a result, the Fund will be subject to "mark-to-market" tax rules. The Fund will be deemed to have disposed of and reacquired its investments at the end of each taxation year (December 31) at fair market value. The gains from these deemed dispositions, and gains from any actual disposition by a Fund of its investments, will be fully taxed as income and the losses will generally be fully deductible. The Fund can also earn a gain or loss from derivative investments which will be treated as income rather than as capital gains or losses. The Fund intends to distribute enough of its earnings each year so that it does not pay income tax.

6. CONTINGENT LIABILITY

Agreements between the individual members of the Fund's Independent Review Committee ("IRC") and the Trustee, on behalf of the Fund, provide 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.

7. 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) 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 uses internal guidelines that identify the target exposures for each type of risk, maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy, internal guidelines and securities regulations.

The Fund invests primarily in Canadian corporate and government fixed income securities with average terms to maturity primarily concentrated between one and five years.

(b) 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 short-term investments 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.

(c) 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. The Fund does not have a significant exposure to currency risk.

(d) 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 short-term investments and other money market instruments are short term in nature and are not generally subject to significant amounts of 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 - 3 years	3 - 5 years	> 5 years	Total	Impact on net assets	
						(\$000)	(%)
September 30, 2011	4,218	20,170	20,662	2,122	47,172	1,038	2.0
March 31, 2011	6,571	38,074	25,978	8,106	78,729	2,091	2.6

(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.

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's greatest concentration of credit risk was 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 September 30, 2011 was 88.3% (Government of Canada) of the net assets of the Fund (March 31, 2011 – 72.9%).

The table below summarizes the fixed-income securities by credit rating are as follows:

September 30, 2011	Percent of total bonds (%)	Percent of total net assets (%)
AAA	100.0	92.5
March 31, 2011		
AAA	75.1	72.9
AA	20.7	20.1
A	2.4	2.4
BBB	1.8	1.7
Total	100.0	97.1

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

Investors Group Short Term Income Fund

NOTES TO THE INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The tables below summarize 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 at September 30, 2011 (\$ 000)	Level 1	Level 2	Level 3	Total
Fixed income	-	47,172	-	47,172
Equities	-	-	-	-
Total investments	-	47,172	-	47,172
Short-term investments	-	3,100	-	3,100
Derivative assets	-	-	-	-
Derivative liabilities	-	-	-	-
Total	-	50,272	-	50,272

as at March 31, 2011 (\$ 000)	Level 1	Level 2	Level 3	Total
Fixed income	-	78,729	-	78,729
Equities	-	-	-	-
Total investments	-	78,729	-	78,729
Short-term investments	-	1,300	-	1,300
Derivative assets	-	-	-	-
Derivative liabilities	-	-	-	-
Total	-	80,029	-	80,029

During the periods, there were no significant transfers between Level 1 and Level 2.

9. MANAGER'S INVESTMENT IN THE FUND

The Manager held 100 Series O and 100 Series P units as of September 30, 2011.

10. 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).

