

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

Canadian Equity Funds

AltaFund Investment Corp.

For the period ended June 30, 2011

This interim management report of fund performance contains financial highlights, but does not contain interim or annual financial statements of the mutual fund. A copy of the interim or annual financial statements can be obtained on request, and at no cost, by calling 1-888-270-3941 or 514-871-2082, by writing to us at National Bank Securities Advisory Service, 500, Place d'Armes, 12th floor, Montreal, Quebec, H2Y 2W3, by visiting our website at www.nbc.ca/financial_reports, by visiting SEDAR's website at www.sedar.com, or by contacting your investment advisor.

You may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Management Discussion of Fund Performance

Results of Operations

For the six-month period ended June 30, 2011, the AltaFund Investment Corp. Investor Series units returned – 6.23% compared to – 0.07% for the Fund's blended benchmark composed of 80% of the S&P/TSX Composite Index (CA\$) (return of 0.16%) and 20% of the S&P/TSX Energy Index (CA\$) (return of – 0.56%). Unlike the index, the Fund's performance is calculated after fees and expenses. Please see the *Past Performance* section for returns of the Advisor Series. Returns of the Advisor Series may vary mainly because of fees and expenses.

Canadian equities traded higher during the first three months of 2011, boosted by optimism that the world economy has transitioned out of the recovery stage and into expansion. However, fortunes turned during the following three months, in reaction to political uprisings in parts of the Arab world and renewed fears of European debt defaults, which caused the S&P/TSX Composite Index to surrender its advance and close the period with a marginal gain of 0.16%.

Nevertheless, sector performances were mixed, as five of them ended with gains and five finished the period with losses. On the upside, the Health Care sector distanced itself from all others, as it gained 55.98%, benefiting from a 77.3% surge in the price of Valeant Pharmaceutical, while a 52% decline in Research in Motion (RIM) share price propelled the Technology sector to a 30.8% decline, its steepest six months loss since the second half of 2008. Outside of these two sectors, Telecommunications and Industrial shares posted the second and third best percentage gains, while Materials, Consumer Discretionary and Energy stocks figured amongst the worst decliners.

Materials and Energy shares lagged behind the overall market, despite firm commodity prices, as investors feared the effects of increasing costs on profit margins. Elsewhere, the Financial Services sector gained 4.24% overall but, performances were mixed as the majority of Banks and REITs ended with gains, while Insurers and Wealth Managers ended with losses.

Under these circumstances, the Fund underperformed the index, as both security selection and sector allocation contributed negatively. Predominantly, the underperformance was due to security selection within the Materials, Energy and Industrials sectors, and in particular overweight positions in Materials stocks such as Sino Forest, Teck Resources and Gran Colombia. Additionally, returns were hindered by being underweight in the Health Care (absent from Valeant Pharmaceuticals) and Financials sectors and overweight in the Technology sector. In contrast, security selection within the Consumer Discretionary sector, Magna International and Dollarama in particular, generated positive value for the Fund.

Recent Developments

During the first half of 2011, the Fund was negatively impacted by the natural disasters in Japan and the residual effects on the uranium sector, as well as by China's shift to a constrictive monetary policy, which had a residual effect on the demand for raw materials. Political unrest in the Middle East and North Africa applied upward pressure on oil prices and the revival of sovereign debt issues in Europe and potential for credit contagion became more evident in the second quarter as investors transitioned to safer investments. Under such circumstances, the portfolio manager moved to lower the level of growth and risk contained in the portfolio, as the outlook for the global economy became less enthusiastic and unforeseen events triggered selling opportunities.

In this respect, the Fund's overall exposure to the Energy sector was decreased, while that to the Industrials, Financials, Technology and Telecommunications sectors were increased. Notable transactions included the purchase of Claude Resources, a Canadian gold developer with good growth prospects in Flin Flon and Red Lake that is attractively valued relative to its peers. As well, the portfolio manager added Trilogy Energy and Xtreme Coil Drilling, two niche companies with strong management and the potential to deliver above average earnings growth. In Western Canada, the portfolio manager added or increased the weighting of Potash, Goldcorp and Baytex Energy. Potash share price is attractively valued, given the company's excellent exposure to a recovering fertilizer market and good leverage to increasing demand from Brazil, China and India. As for Goldcorp, the company has the best production growth profile among the senior gold producers, while Baytex stands to grow sharply as a result of its technology that allows it to increase heavy oil production volumes at reasonable prices

Heading into the second half of the year, the Fund remains positioned somewhat defensively, however, the portfolio manager expects to gradually increase its risk profile in the coming months, as the economic outlook becomes more favourable and political risks subside. Overall, the Fund is overweight in the Consumer Discretionary sector, in anticipation of higher consumer spending and the Technology sector, one of the few areas of the market that should continue to provide solid earnings growth over the next number of quarters. The portfolio manager is focusing on those companies that have exposure to growth in mobile data such as Qualcomm and Triquint Semi and software such as Oracle. Alternatively, the Fund remains underweight in Financials, as margin compression is expected to persist due to decline in consumer/business loan growth and lower capital markets activity. As well, the portfolio manager is maintaining a small underweight in Telecom stocks, as rising competition will negatively affect pricing and result in weaker operational performance and Utilities, where earnings will be challenged, as a result of rising interest rates.

Future Accounting Standards

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that all publicly accountable enterprises would be required to report under International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB") for fiscal years beginning on or after January 1, 2011. However, in January 2011, the AcSB approved a deferral of the effective date of entry in force of IFRS from January 1, 2011 to January 1, 2013 for investment companies that are currently applying Accounting Guideline AcG-18, "Investment Companies".

The deferral of the transition date to IFRS has been put in place to ensure that investment companies will not have to modify their actual accounting treatment for entities in which they have control while the IASB is completing the standard about investment companies.

Consequently, the Funds will publish their first audited financial statements in accordance with IFRS for the year ended

December 31, 2013 and will present comparative figures in accordance with IFRS for the year ended December 31, 2012, including an opening balance sheet as at January 1, 2012.

Given the deferral of the effective transition date to IFRS, management is closely monitoring the evolution of the standards and is adjusting its project consequently. In the periods preceding the first fiscal year in which IFRS will be adopted, the impact of transitioning to IFRS on the financial statements of the Funds will be disclosed as they become known.

Related Party Transactions

National Bank of Canada (“the Bank”) and its affiliated companies’ roles and responsibilities related to the Fund are as follows:

Fund Manager

The Fund is managed by National Bank Securities Inc. (“NBS”), which is a wholly-owned subsidiary of the Bank. Therefore, NBS provides or ensures the provision of all general management and administrative services required by the Fund’s current operations, including investment consulting, the arrangement of brokerage contracts for the purchase and sale of the investment portfolio, bookkeeping and other administrative services required by the Fund.

The Fund reimbursed the Fund Manager for operating expenses, at cost, incurred in administering the Fund, including trustee, record-keeping, custodial, legal, audit, investor servicing, and securityholder reporting fees.

As described under the heading Management Fees, the Fund pays annual management fees to NBS as consideration for its services.

Portfolio Advisor

Management of the Fund’s portfolio has been delegated by NBS to Natcan Investment Management Inc. (“Natcan”), a corporation of which the Bank is the majority shareholder. In that capacity, Natcan provides the Fund with portfolio management services, including trading, carrying out transactions and brokerage services. The fees payable to Natcan are calculated by applying a percentage to the average net asset value under management for each month.

Performance fees may be payable by NBS if the performance criteria set for certain National Bank Funds are met.

Distribution of Fund Units

NBS acts as Distributor for the Fund. In this capacity, NBS buys, sells and swaps securities through Bank branches and the National Bank Securities Advisory Service in Canadian provinces and territories, and through external registered representatives. Fund units are also offered by National Bank Direct Brokerage Inc., CABN Investments Inc. National Bank Financial Inc. and other affiliated entities. Each month, brokers receive a commission representing a percentage of the average daily value of the securities held by their clients.

Transfer Agent and Custodian

NTC acts as registrar for the Fund’s securities and the names of unitholders. NTC also acts as the Fund’s custodian. The fees for NTC’s custodial services are based on the standard rates in effect at NTC.

Brokerage Fees

The Fund may pay broker’s commissions at market rates to a corporation affiliated with NBS. The brokerage fees paid by the Fund for the period are as follows:

	Period ended June 30, 2011
Total brokerage fees	\$149,122.00
Brokerage paid to National Bank Financial	\$4,721.00

Securities of related issuers, underwriting between related parties, transactions between funds and main trading activities between related parties

The Fund followed the standing instructions of its Independent Review Committee, which approved the following related party transactions:

- Purchasing or holding the securities of a related issuer, in particular, those of National Bank of Canada;
- Investing in the securities of an issuer when an entity related to the manager acts as an underwriter for the placement or at any time during the 60-day period after the end of the placement;
- Purchasing or selling securities to another investment fund managed by the manager or a company in the same group;
- Purchasing or selling debt securities on the secondary market, through related brokers that are main brokers in the Canadian debt securities market (in accordance with an exemption received from the Canadian Securities Administrators).

The manager has implemented policies and procedures to make sure that the conditions applicable to each of the above transactions are met. The applicable standing instructions require that these transactions be carried out in accordance with National Bank Securities policies, which specify, in particular, that investment decisions pertaining to these related party transactions must be made free from any influence by an entity related to National Bank Securities and without taking into account any consideration relevant to an entity related to National Bank Securities.

Furthermore, the investment decisions must represent the business judgment of the securities advisor, uninfluenced by considerations other than the best interest of the Fund and must achieve a fair and reasonable result for the Fund.

Registered Plan Trust Services

NTC receives a fixed amount per registered account for services provided as trustee for registered plans.

Administrative and Operating Services

The Bank provides the Fund with certain services, including accounting, reporting and portfolio valuation services. The costs incurred for these services are paid by the manager to the Bank.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the period ended June 30, 2011 and the past five years.

Investor Series/Advisor Series*

*The Advisor Series was created on June 1, 2009.

The Fund's Shareholder's equity per Share⁽¹⁾

	Period ended June 30, 2011	2010	2009	2008	2007	2006
Shareholder's equity, beginning of year	\$ 41.50	\$ 36.22	\$ 26.11	\$ 39.97	\$ 35.81	\$ 31.11
Increase (decrease) from operations						
Total revenue	\$ 0.28	\$ 0.63	\$ 0.74	\$ 0.77	\$ 0.83	\$ 0.67
Total expenses	\$ (0.51)	\$ (0.87)	\$ (0.70)	\$ (0.99)	\$ (1.03)	\$ (0.91)
Realized gains (losses)	\$ 3.18	\$ 3.68	\$ 0.85	\$ 0.59	\$ 5.18	\$ 3.84
Unrealized gains (losses)	\$ (5.46)	\$ 1.79	\$ 9.37	\$ (14.07)	\$ (0.77)	\$ 1.01
Transaction costs on purchase and sale investments	\$ (0.10)	\$ (0.21)	\$ (0.16)	\$ (0.07)	\$ (0.03)	\$ —
Total increase (decrease) from operations⁽²⁾	\$ (2.61)	\$ 5.02	\$ 10.10	\$ (13.77)	\$ 4.18	\$ 4.61
Distributions:						
From income (excluding dividends)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
From dividends	\$ —	\$ —	\$ 0.04	\$ —	\$ —	\$ —
From capital gains	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Return of capital	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Total annual distributions⁽³⁾	\$ —	\$ —	\$ 0.04	\$ —	\$ —	\$ —
Shareholder's equity as at June 30, 2011 and December 31 of years shown	\$ 38.87	\$ 41.50	\$ 36.22	\$ 26.11	\$ 39.97	\$ 35.81

⁽¹⁾ This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. The net assets value per security presented in the financial statements differs from the net asset value calculated for security pricing purposes. The differences are explained in the notes to the financial statements.

⁽²⁾ Shareholder's equity and distributions are based on the actual number of shares outstanding at the relevant time. The increase or decrease from operations is based on the weighted average number of shares outstanding over the financial period.

⁽³⁾ Distributions were paid in cash or reinvested in additional shares of the Fund, or both.

Ratios and Supplemental Data

	Period ended June 30, 2011	2010	2009	2008	2007	2006
Total net asset value (000's) ⁽¹⁾	\$ 55,055	\$ 60,290	\$ 57,495	\$ 44,175	\$ 72,039	\$ 73,732
Number of shares outstanding ⁽¹⁾	1,411,676	1,449,527	1,580,725	1,687,375	1,800,076	2,059,241
Management expense ratio ⁽²⁾	2.43 %	2.37 %	2.33 %	2.65 %	2.71 %	2.72 %
Management expense ratio before waivers or absorptions	2.44 %	2.40 %	2.39 %	2.73 %	2.71 %	2.72 %
Trading expense ratio ⁽³⁾	0.50 %	0.59 %	0.53 %	0.18 %	0.09 %	0.14 %
Portfolio turnover rate ⁽⁴⁾	116.54 %	125.85 %	138.89 %	72.21 %	32.27 %	39.71 %
Net asset value per share	\$ 39.00	\$ 41.59	\$ 36.37	\$ 26.18	\$ 40.02	\$ 35.81

⁽¹⁾ This information is provided as at June 30, 2011 and December 31 of years shown.

⁽²⁾ Management expense ratio is based on total expenses for the period indicated (excluding commissions and other portfolio transaction costs) and is expressed as an annualized percentage of the daily average net asset value during the period.

⁽³⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

⁽⁴⁾ The Fund's portfolio's turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Management Fees

The Fund pays annual management fees to the Manager for its management services. The fees are calculated based on a percentage of the Fund's daily net asset value before applicable taxes and are paid on a monthly basis. A portion of the management fees paid by the Fund covers trailer fees and sales commissions paid to brokers. The remainder of the management fees primarily cover investment management and general administration services. The breakdown of major services provided in consideration of the management fees, expressed as an approximate percentage of the management fees is as follows:

Series		Management Fee	Distribution	Others [†]
Investor Series		2.00%	25.00%	75.00%
Advisor Series*	Front end	2.00%	25.00%	75.00%
	Back end		62.50%	37.50%
	Low-Load 1 to 3 years 4 years plus		25.00%	75.00%
			50.00%	50.00%

^(†) Excluding sales commissions paid on the Advisor Series with low load and back end fees, which are not paid for out of the management fees.

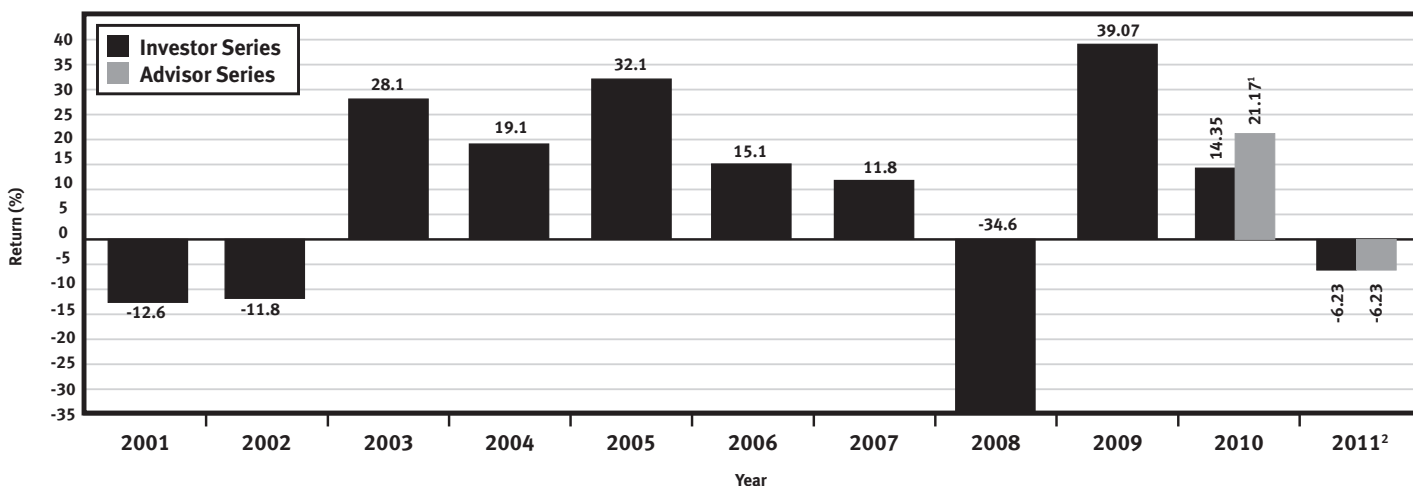
^(*) Includes all costs related to management, investment advisory services, general administration and profit.

Past Performance

Information on the Fund's past performance is presented in the graphs below. The graphs assume that fund distributions during the periods presented were reinvested in full in additional fund securities and do not take into account sales, redemption charges, distributions, or optional charges that would have reduced returns. Past performance of a Fund or series of a Fund does not necessarily indicate how it will perform in the future.

Annual Returns

The following bar chart shows the Fund's annual performance in each of the last years shown and illustrates how the Fund's performance has changed from year to year. It shows in percentage terms how an investment made on January 1 would have increased or decreased by December 31 for each year.



¹ Returns for the Advisor Series from June 1, 2010 (inception date) to December 31, 2010.

² Returns for the period from January 1, 2011 to June 30, 2011.

Summary of Investment Portfolio

Portfolio Top Holdings

	% of Net Asset Value
Suncor Energy Inc.	6.8
Potash Corporation of Saskatchewan Inc.....	4.6
Toronto-Dominion Bank	4.5
Canadian Natural Resources Ltd.....	4.5
Bank of Nova Scotia	4.0
Baytex Energy Corp.	4.0
Cash & Other Assets	3.8
Magna International Inc., Class A	3.3
Goldcorp Inc.....	3.3
Royal Bank of Canada	2.5
BlackPearl Resources Inc.....	2.5
Cenovus Energy Inc.	2.5
Tourmaline Oil Corp.....	2.4
Athabasca Oil Sands Corp.....	2.3
CAE Inc.	2.2
Teck Resources Ltd., Class B	2.2
Dollarama Inc.	2.2
Telus Corp.non-voting.....	1.9
Allied Nevada Gold Corp.	1.8
Celtic Exploration Ltd.....	1.8
Canadian Pacific Railway Co.	1.5
Kinross Gold Corp.	1.5
Osisko Mining Corp.....	1.4
Crew Energy Inc.	1.4
Trilogy Energy Corp.....	1.4
	70.3

Fund Net Asset Value \$55,055,036

Weighting by Sector

	% of Net Asset Value
Energy	38.8
Materials	21.7
Financials.....	15.3
Consumer Discretionary	6.2
Industrials	5.8
Information Technology	4.0
Telecommunication Services	3.2
Consumer Staples.....	1.2
Cash & Other Assets	3.8

Asset Mix

	% of Net Asset Value
Canadian equities.....	89.0
Global equities	7.2
Cash & Other Assets	3.8

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the investment fund. A quarterly update is available. Consult our Web site www.nbc.ca/financial_reports.

Notes on forward-looking statements

This report may contain forward-looking statements concerning the Fund, its future performance, its strategies or prospects or about future events or circumstances. Such forward-looking statements include, among others, statements with respect to our beliefs, plans, expectations, estimates and intentions. The use of the expressions "foresee", "intend", "anticipate", "estimate", "assume", "believe" and "expect" and other similar terms and expressions indicate forward-looking statements.

By their very nature, forward-looking statements imply the use of assumptions and necessarily involve inherent risks and uncertainties. Consequently, there is a significant risk that the explicit or implicit forecasts contained in these forward-looking statements might not materialize or that they may not prove to be accurate in the future. A number of factors could cause future results, conditions or events to differ materially from the objectives, expectations, estimates or intentions expressed in such forward-looking statements. Such differences might be caused by several factors, including changes in Canadian and worldwide economic and financial conditions (in particular interest and exchange rates and the prices of other financial instruments), market trends, new regulatory provisions, competition, changes in technology and the potential impact of conflicts and other international events.

The foregoing list of factors is not exhaustive. Before making any investment decision, investors and others relying on our forward-looking statements should carefully consider the foregoing factors and other factors. We caution readers not to rely unduly on these forward-looking statements. We assume no obligation to update forward-looking statements in the light of new information, future events or other circumstances unless applicable legislation so provides.