

2011 Interim Financial Statements



PHYSICIAN
SERVICES INC.
A CMA COMPANY

A Message Regarding Your Financial Statements

Dear MD Family of Funds Investor:

As part of our commitment to keeping you informed about your MD Fund investments, please find attached the 2011 interim financial statements.

The interim financial statements are produced on a fund-by-fund basis, and your report only includes information on the funds you owned as of June 30, 2011.

If you have any questions regarding these documents, please contact your MD advisor or the MD TradeCentre at **1 800 267-2332**. We thank you for your continued investment in the MD Family of Funds.

Interim Unaudited Financial Statements for the Six-Month Period Ended June 30, 2011

These Interim Unaudited Financial Statements do not contain the Interim Management Report of Fund Performance ("MRFP") of the investment fund. If you have not received a copy of the Interim MRFP with this report, you may obtain a copy of the Interim MRFP at your request, and at no cost, by calling the toll-free number 1 800 267-2332, by writing to us at MD Physician Services Inc., 1870 Alta Vista Drive, Ottawa ON K1G 6R7, by visiting our website at md.cma.ca or by visiting the SEDAR website at sedar.com. Copies of the Annual Financial Statements or Annual MRFP may also be obtained, at no cost, using any of the methods outlined above. Securityholders 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.

Notice of no auditor review of the Interim Financial Statements

MD Physician Services Inc., the Manager of the Fund, appoints independent auditors to audit the Fund's Annual Financial Statements. Under Canadian securities laws (National Instrument 81-106), if an auditor has not reviewed the Interim Financial Statements, this must be disclosed in an accompanying notice. The Fund's independent auditors have not performed a review of these Interim Financial Statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

MD Physician Services Inc. either wholly owns or has a majority interest in its seven subsidiaries (the MD group of companies*), provides financial products and services, is the fund manager for the MD family of mutual funds, offers investment counselling services, and also provides practice management services (such as consulting, EMR and Health Portal solutions) and related billing services.

* For a detailed list of companies, visit md.cma.ca.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. The rate of return is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual fund or returns on investment in the mutual fund. Standard performance data assumes reinvestment of distributions only and does not take into account sales, redemption, distribution or optional charges payable by any securityholder which would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Please read the prospectus before investing. You may obtain a copy of the prospectus before investing by calling your MD advisor or the MD TradeCentre at 1 800 267-2332.

MD Select Fund

Statement of Investment Portfolio as at June 30, 2011 (unaudited)

(in \$'000's except for number of shares)

	Number of Shares	Average Cost (\$)	Fair Value (\$)
Domestic Equities			
Consumer Discretionary (1.15%)			
George Weston Limited	61,000	4,312	4,246
Linamar Corporation	41,200	710	891
Martinrea International Inc.	33,700	304	271
Total for Consumer Discretionary		5,326	5,408
Consumer Staples (1.90%)			
Atrium Innovations Inc.	50,400	757	795
Saputo Inc.	176,400	4,873	8,180
Total for Consumer Staples		5,630	8,975
Energy (32.78%)			
Advantage Oil & Gas Ltd.	9,300	81	71
Angle Energy Inc.	114,500	977	1,145
ARC Resources Ltd.	255,200	6,400	6,372
AuRico Gold Inc.	667,900	6,531	7,053
Bankers Petroleum Ltd.	68,900	566	474
Bellatrix Exploration Ltd.	61,100	230	277
Birchcliff Energy Ltd.	404,500	4,822	5,255
BlackPearl Resources Inc.	612,900	4,620	4,168
BNK Petroleum, Inc.	105,300	507	484
Calfrac Well Services Ltd.	148,100	5,122	4,690
Canada Energy Services & Technology Corporation	25,600	467	796
Canadian Oil Sands Ltd.	519,700	14,893	14,437
Canyon Services Group, Inc.	35,400	324	471
Celtic Exploration Ltd.	53,900	1,101	1,149
Crew Energy Inc.	36,750	460	548
Crocotta Energy Inc.	83,100	192	241
Daylight Energy Ltd.	37,299	338	347
Enerplus Corp.	213,600	6,464	6,502
Ensign Energy Services, Inc.	348,900	6,432	6,668
Gasfrac Energy Services, Inc.	96,700	982	849
Imperial Oil Limited	315,500	14,348	14,150
Just Energy Group, Inc.	65,699	874	933
Keyera Corp.	224,109	5,067	9,791
Midway Energy Ltd.	182,500	847	765
Nexen Inc.	239,300	6,029	5,186
Niko Resources Ltd.	6,300	443	377
Paramount Resources Ltd. Cl. A	72,300	1,542	1,992
Penn West Petroleum Ltd.	404,000	10,021	8,977
Pinecrest Energy Inc.	266,200	410	647
Precision Drilling Corporation	657,100	5,398	9,075
Progress Energy Resources Corp.	239,100	3,496	3,280
Secure Energy Services Inc.	57,600	196	550
Suncor Energy, Inc.	678,500	22,913	25,566
Touchstone Exploration, Inc.	450,000	252	244
TransGlobe Energy Corporation	50,400	710	553
Trican Well Service Ltd.	405,000	5,678	9,169
Trilogy Energy Corp.	18,400	180	436
Tuscany International Drilling Inc., Warrants (Exp. 10/16/11)	77,400	—	3
Twin Butte Energy Ltd.	253,100	716	613
Western Energy Services Corp.	34,520	272	250
Total for Energy		140,901	154,554

	Number of Shares	Average Cost (\$)	Fair Value (\$)
Financials (15.10%)			
FirstService Corporation Sub. Voting	15,500	275	515
GMP Capital, Inc.	221,200	3,228	2,816
Intact Financial Corporation	106,700	5,481	5,887
Laurentian Bank of Canada	21,100	1,058	937
Mainstreet Equity Corp.	11,400	194	191
Manulife Financial Corporation	807,600	12,804	13,753
National Bank of Canada	163,100	13,105	12,740
Royal Bank of Canada	447,400	27,009	24,602
Sun Life Financial Inc.	336,500	9,909	9,742
Total for Financials		73,063	71,183
Health Care (4.16%)			
Oncolytics Biotech Inc.	167,250	892	891
Paladin Labs, Inc.	14,700	363	592
SXC Health Solutions Corporation	161,700	4,715	9,125
Valeant Pharmaceuticals International, Inc.	178,500	8,957	8,941
Total for Health Care		14,927	19,549
Industrials (6.11%)			
Bombardier Inc. Cl. B	463,821	3,180	3,209
Contrans Group Inc. Cl. A	76,600	513	659
Enerflex Ltd.	16,500	170	205
Finning International Inc.	247,800	5,268	7,065
GLV, Inc. Cl. A Sub Voting	39,450	330	261
Longview Oil Corporation	25,400	257	293
Macdonald, Dettwiler and Associates Ltd.	84,700	4,839	4,597
Russel Metals Inc.	148,300	2,742	3,635
Stantec Inc.	11,600	338	324
Toromont Industries Ltd.	16,500	220	312
Transcontinental Inc. Cl. A Sub. Voting	49,000	694	712
TransForce, Inc.	71,200	581	1,059
Wajax Corporation	15,300	307	555
Westjet Airlines Ltd.	394,500	5,994	5,961
Total for Industrials		25,433	28,847
Information Technology (5.52%)			
CGI Group Inc. Cl. A Sub. Voting	592,600	11,856	14,074
Enablence Technologies Inc.	1,839,700	1,326	147
Open Text Corporation	164,300	9,361	10,103
Sierra Wireless, Inc.	91,400	1,106	1,025
The Descartes Systems Group Inc.	99,500	539	686
Total for Information Technology		24,188	26,035
Materials (27.78%)			
Agrium Inc.	142,200	12,587	12,023
Allana Potash Corporation	78,800	147	120
Anvil Mining Limited	257,500	1,098	1,571
Aurux Gold Corporation	800,600	727	456
Baja Mining Corporation	160,300	166	173
Capstone Mining Corp.	151,700	595	542
CCL Industries Inc. Cl. B	11,700	279	386
Champion Minerals Inc.	320,365	751	481
Cline Mining Corporation	149,900	345	342
Colossus Minerals Inc.	226,600	1,569	1,584
Copper Mountain Mining Corporation	88,100	468	656
Extorre Gold Mines Ltd.	28,500	266	351
First Majestic Silver Corp.	199,500	2,632	3,545
First Quantum Minerals Ltd.	75,100	9,010	10,555
Franco-Nevada Corporation	173,800	6,485	6,248

Percentages shown in brackets relate investments at fair value to net assets of the Fund. The accompanying notes are an integral part of these financial statements.

MD Select Fund

Statement of Investment Portfolio as at June 30, 2011 (unaudited)

(in \$000's except for number of shares)

	Number of Shares	Average Cost (\$)	Fair Value (\$)
Goldcorp Inc.	348,700	16,695	16,222
Grande Cache Coal Corporation	15,700	108	138
Guyana Goldfields Inc.	17,800	96	122
IAMGOLD Corporation	553,200	11,340	10,013
Kaminak Gold Corporation Cl. A	54,800	202	205
Keegan Resources, Inc.	37,500	281	281
Lake Shore Gold Corp.	52,000	206	146
Magellan Minerals Ltd	532,000	750	468
Minefinders Corporation Ltd.	245,526	3,068	3,062
Neo Material Technologies, Inc.	630,000	5,320	5,834
Nevada Copper Corporation	226,697	1,019	1,310
New Gold Inc.	392,800	2,461	3,897
Potash Corporation of Saskatchewan Inc.	395,100	16,467	21,695
Quadra FNX Mining Ltd., Warrants (Exp. 09/09/12)	10,000	12	31
Queenston Mining Inc.	122,300	789	835
Rainy River Resources Ltd.	31,500	266	293
Reunion Gold Corporation	220,998	410	329
Rio Alto Mining Limited	54,900	110	113
Sabina Gold & Silver Corporation	65,800	447	388
Sandspring Resources Limited	126,400	355	254
Silver Standard Resources Inc.	118,700	3,546	3,048
Silver Wheaton Corp.	179,500	3,686	5,712
Stonegate Agricom Ltd.	97,600	171	102
Sulliden Gold Corp Ltd.	452,300	1,016	778
Tahoe Resources Inc.	50,500	879	902
Teck Resources Ltd. Cl. B Sub-Voting	204,100	10,293	9,972
Teranga Gold Corporation	133,100	345	329
Torex Gold Resources Inc., Warrants (Exp. 11/12/11)	108,725	13	47
Trelawney Mining and Exploration Inc.	168,289	687	740
Vermilion Energy, Inc.	80,621	4,005	4,100
Volta Resources Inc.	102,100	167	165
Whitecap Resources, Inc.	69,700	488	434
Total for Materials		122,823	130,998
Telecommunication Services (1.36%)			
Manitoba Telecom Services Inc.	197,100	6,670	6,430
Total for Telecommunication Services		6,670	6,430
Utilities (0.95%)			
ATCO Ltd. Cl. I	72,100	3,401	4,499
Total for Utilities		3,401	4,499
Total for Domestic Equities (96.81%)		422,362	456,478

	Number of Shares	Average Cost (\$)	Fair Value (\$)
Domestic Equities - Income Trusts			
Energy (1.49%)			
Inter Pipeline Fund L.P., Cl. A	443,200	6,462	7,020
Total for Energy		6,462	7,020
Real Estate (1.70%)			
Calloway Real Estate Investment Trust	26,000	374	654
Canadian Apartment Properties Real Estate Investment Trust	58,500	744	1,130
Cominar Real Estate Investment Trust	12,000	150	264
H&R Real Estate Investment Trust	35,200	550	759
RioCan Real Estate Investment Trust	202,100	5,271	5,226
Total for Real Estate		7,089	8,033
Total for Domestic Equities - Income Trusts (3.19%)		13,551	15,053
Total for MD Select Fund (100.00%)		\$435,913	\$471,531

Percentages shown in brackets relate investments at fair value to net assets of the Fund. The accompanying notes are an integral part of these financial statements.

MD Select Fund

Financial Statements

Statement of Net Assets (unaudited)

(in \$'000's except for units outstanding and per unit amounts)

	June 30, 2011	December 31, 2010
Assets		
Investments, at fair value	\$471,531	\$491,663
Cash and short-term investments	5,254	8,076
Dividends and interest receivable	729	956
Receivable for investment transactions	16,711	1,209
Subscriptions receivable	22	256
	<u>494,247</u>	<u>502,160</u>
Liabilities		
Payable for investment transactions	12,972	1,124
Redemptions payable	377	375
	<u>13,349</u>	<u>1,499</u>
Net assets and unitholders' equity	\$480,898	\$500,661
Net Assets per Series		
Series A	\$396,695	\$443,638
Series I	\$84,054	\$57,023
Series T	\$149	\$—
Number of units outstanding (see Schedule of Fund Unit Transactions)		
Series A	20,544,334	21,832,148
Series I	4,272,537	2,775,879
Series T	16,009	3
Net assets per unit (see Schedule of Net Assets per Unit and Net Asset Value per Unit)		
Series A	\$19.31	\$20.32
Series I	\$19.67	\$20.54
Series T	\$9.35	\$10.08
Investments, at cost	\$435,913	\$400,019

Statement of Operations (unaudited)

(in \$'000's except for per unit amounts)

Six months ended	June 30, 2011	June 30, 2010
Revenue		
Dividends	\$4,470	\$2,484
Interest	282	1,437
Gain (loss) on foreign exchange	—	(3)
Securities lending	41	98
	<u>4,793</u>	<u>4,016</u>
Expenses		
Management fees (Note 3)	2,945	2,526
Administration fees	353	303
	<u>3,298</u>	<u>2,829</u>
Net investment income (loss)	\$1,495	\$1,187
Realized and unrealized gain (loss) on investments and transaction costs		
Net realized gain (loss) on sale of investments	\$30,975	24,971
Change in unrealized appreciation (depreciation) of investments and derivatives	(56,026)	(41,018)
Transaction costs	(1,096)	(1,385)
Net gain (loss) on investments	\$(26,147)	\$(17,432)
Increase (decrease) in net assets from operations	\$(24,652)	\$(16,245)
Increase (decrease) in net assets from operations per Series		
Series A	\$(21,411)	\$(14,827)
Series I	\$(3,236)	\$(1,418)
Series T	\$(5)	\$—
Increase (decrease) in net assets from operations per unit, for the period		
Series A	\$(1.00)	\$(0.66)
Series I	\$(0.92)	\$(1.41)
Series T	\$(0.31)	\$—

The accompanying notes are an integral part of these financial statements.

MD Select Fund

Financial Statements

Statement of Changes in Net Assets (unaudited)

(in \$000's)

Six months ended	June 30, 2011	June 30, 2010
SERIES A		
Net assets—beginning of period	\$443,638	\$371,450
Add (deduct) changes during the period:		
Operations		
Increase (decrease) in net assets from operations	(21,411)	(14,827)
Unitholders		
Proceeds from issue of units	36,024	59,057
Consideration paid for redemption of units	(61,556)	(43,901)
	(25,532)	15,156
Net assets—end of the period	\$396,695	\$371,779

SERIES I		
Net assets—beginning of period	\$57,023	\$—
Add (deduct) changes during the period:		
Operations		
Increase (decrease) in net assets from operations	(3,236)	(1,418)
Unitholders		
Proceeds from issue of units	31,603	32,427
Consideration paid for redemption of units	(1,336)	(261)
	30,267	32,166
Net assets—end of the period	\$84,054	\$30,748

Six months ended	June 30, 2011	June 30, 2010
SERIES T		
Net assets—beginning of period	\$—	\$—
Add (deduct) changes during the period:		
Operations		
Increase (decrease) in net assets from operations	(5)	—
Unitholders		
Proceeds from issue of units	157	—
Distributions to unitholders		
Return of capital	(3)	—
Net assets—end of the period	\$149	\$—

TOTAL FUND		
Net assets—beginning of period	\$500,661	\$371,450
Add (deduct) changes during the period:		
Operations		
Increase (decrease) in net assets from operations	(24,652)	(16,245)
Unitholders		
Proceeds from issue of units	67,784	91,484
Consideration paid for redemption of units	(62,892)	(44,162)
	4,892	47,322
Distributions to unitholders		
Return of capital	(3)	—
Net assets—end of the period	\$480,898	\$402,527

The accompanying notes are an integral part of these financial statements.

MD Select Fund

Financial Statements – Supplementary Schedules (unaudited)

Schedule of Fund Unit Transactions

As at June 30

	2011	2010
SERIES A		
Outstanding, beginning of period	21,832,148	21,639,516
Issued	1,784,985	3,404,505
Redeemed	(3,072,799)	(2,527,480)
Outstanding, end of period	20,544,334	22,516,541
SERIES I		
Outstanding, beginning of period	2,775,879	—
Issued	1,561,212	1,865,598
Redeemed	(64,554)	(15,197)
Outstanding, end of period	4,272,537	1,850,401
SERIES T		
Outstanding, beginning of period	3	—
Issued	16,006	—
Redeemed	—	—
Outstanding, end of period	16,009	—

Schedule of Securities on Loan

As at June 30, 2011 and December 31, 2010 (in \$000's)

	2011	2010
Loaned	\$65,599	\$24,698
Collateral (non-cash)	\$67,527	\$25,382

Schedule of Net Assets per Unit and Net Asset Value per Unit

As at June 30, 2011 and December 31, 2010

	2011	2010
SERIES A		
Net asset value per unit	\$19.36	\$20.35
Bid price adjustment	(0.05)	(0.03)
Net assets per unit	\$19.31	\$20.32
SERIES I		
Net asset value per unit	\$19.73	\$20.57
Bid price adjustment	(0.06)	(0.03)
Net assets per unit	\$19.67	\$20.54
SERIES T		
Net asset value per unit	\$9.38	\$10.10
Bid price adjustment	(0.03)	(0.02)
Net assets per unit	\$9.35	\$10.08

Schedule of Fees

As at June 30

	2011
Maximum annualized management fee	
Series A	1.25%
Series I	0.00%
Series T	1.25%
Annual fixed administration fee rate	
Series A	0.15%
Series I	0.00%
Series T	0.15%

Schedule of Tax Loss Carry Forwards

As at December 31 (in \$000's)

	2011
Capital loss carried forward	\$40,577
Non-capital losses expiring:	
2011	\$—
2012	—
in 2013 and thereafter	—
Total	\$—

The Fund qualifies as a mutual fund trust under the provisions of the *Income Tax Act* (Canada) and, accordingly, is subject to tax on its income for the year, including net realized capital gains which is not paid or payable to its unitholders as at the end of the year. It is the intention of management that all annual net investment income and sufficient net realized taxable capital gains will be distributed to unitholders annually by December 31, such that there are no Canadian income taxes payable by the Funds, or that these are otherwise minimized.

As of the taxation year ended December 2010, the Fund has accumulated net realized capital losses and non-capital losses available for utilization against net realized gains or net income for tax purposes in future years. Capital losses have no expiry. Non-capital losses realized before 2004 can be carried forward for up to seven years. Non-capital losses realized in 2004 and 2005 can be carried forward for up to ten years. Non-capital losses realized in 2006 and after can be carried forward for up to twenty years. No benefit has been recorded by the Funds in their financial statements in respect of their unused losses as at December 31, 2010.

The accompanying notes are an integral part of these financial statements.

MD Select Fund

Financial Instruments Risks

Financial Instruments

MD Select Fund (the "Fund") invests in a diversified portfolio of Canadian equities as shown in the Statement of Investment Portfolio. The Fund invests excess cash in high grade short-term notes with maturities of less than 1 year. These investments expose the Fund to risks associated with financial instruments. The Fund's exposure and sensitivity to these risks are presented below. A description of the risks and how the Fund manages these risks is discussed in Note 5 of the Notes to the Financial Statements.

Credit Risk

The Fund's credit risk is concentrated in investments in short-term debt instruments. The Fund's maximum exposure to credit risk is the cash equivalents presented on the Statement of Net Assets.

As at June 30, 2011 and December 31, 2010, the Fund invested in preferred shares and short-term debt instruments with the following credit ratings:

Credit Rating	% of Net Assets June 30, 2011	% of Net Assets December 31, 2010
R-1 (High)	1.1%	1.6%

All credit ratings are from external credit rating agencies such as Dominion Bond Rating Service, Standard & Poor's and Moody's.

Currency Risk

The Fund does not have significant assets or liabilities denominated in foreign currencies and therefore does not have material exposure to currency risk.

Interest Rate Risk

The majority of the Fund's financial assets are non-interest bearing. The maturity dates of the interest bearing assets held by the Fund are less than 1 year. Therefore, the Fund's exposure to interest rate risk is not significant.

Other Price Risk

As at June 30, 2011, 98.1% (December 31, 2010 - 98.2%) of the Fund's Net Assets were invested in equity financial instruments traded in active markets. If prices of securities traded on these markets decrease by 10%, with all other factors remaining constant, Net Assets could fall by approximately \$47,153 (December 31, 2010 - \$49,166). Conversely, If prices increase by 10%, Net Assets could rise by approximately \$47,153 (December 31, 2010 - \$49,166). These sensitivities are estimates. Actual results may vary, and the variance may be significant.

Fair Value Hierarchy

The following is a summary of MD Select Fund's use of quoted market prices (Level 1), internal models using observable market information as inputs (Level 2), and internal models without observable market information (Level 3) in the valuation of the Fund's securities. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total*
June 30, 2011			
Domestic Equities	\$471,513	\$18	\$471,531
Cash and Short-Term Investments	57	5,197	5,254
Total	\$471,570	\$5,215	\$476,785
December 31, 2010			
Domestic Equities	\$491,602	\$61	\$491,663
Cash and Short-Term Investments	180	7,896	8,076
Total	\$491,782	\$7,957	\$499,739

*MD Select Fund does not hold any Level 3 investments.

There have been no significant transfers between Level 1 and Level 2 for the period from January 1, 2011 to June 30, 2011. For the period from January 1, 2010 to December 31, 2010, equity investments of approximately \$125 were transferred from Level 2 to Level 1.

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

For the periods ended June 30, 2011 and 2010

1. Name and formation of the Funds

Establishment of the Funds

The MD Family of Mutual Funds (individually a “Fund” and collectively the “Funds”) are unincorporated mutual fund trusts formed under the laws of the Province of Ontario pursuant to the Declarations of Trust dated as follows:

	Series A Units	Series S Units	Series I Units	Series T Units	Private Trust Series
MD Money Fund	July 12, 1983				
MD Bond Fund	April 6, 1988	June 27, 2007	October 30, 2009		
MD Bond and Mortgage Fund	September 19, 1995	June 27, 2007	October 30, 2009		
MD Balanced Fund	September 9, 1992	June 27, 2007		October 25, 2010	
MD Dividend Fund	September 9, 1992	June 27, 2007	October 30, 2009	October 25, 2010	
MD Income & Growth Fund	January 4, 2007	June 27, 2007	October 30, 2009	October 25, 2010	
MD Equity Fund	March 1, 1966	June 27, 2007	October 30, 2009	October 25, 2010	
MD Select Fund	October 29, 1993	June 27, 2007	October 30, 2009	October 25, 2010	
MD American Value Fund	August 9, 2000	June 27, 2007	October 30, 2009	October 25, 2010	
MD American Growth Fund	September 9, 1992	June 27, 2007	October 30, 2009	October 25, 2010	
MD International Value Fund	January 5, 2004	June 27, 2007	October 30, 2009	October 25, 2010	
MD International Growth Fund	August 9, 2000	June 27, 2007	October 30, 2009	October 25, 2010	
MDPIM Canadian Equity Pool	June 16, 1999			October 25, 2010	August 9, 2000
MDPIM US Equity Pool	August 6, 1999			October 25, 2010	August 9, 2000
MD Conservative Portfolio	January 5, 2010				
MD Moderate Balanced Portfolio	January 5, 2010				
MD Balanced Growth Portfolio	January 5, 2010				
MD Maximum Growth Portfolio	January 5, 2010				

MD Growth Investments Limited is a mutual fund corporation incorporated under the laws of Ontario pursuant to the Letters Patent dated as follows:

	Series A	Series S	Series I
MD Growth Investments Limited	July 18, 1969	June 27, 2007	October 30, 2009

Notes to Financial Statements

For the periods ended June 30, 2011 and 2010

MD Physician Services Inc. ("MDPSI") is the Manager of the Funds. Prior to June 2, 2010, MD Private Trust was the Manager and Trustee for the MDPIM Canadian Equity Pool and the MDPIM US Equity Pool.

On January 5, 2010, MDPSI launched four new funds, the MD Conservative Portfolio, the MD Moderate Balanced Portfolio, the MD Balanced Growth Portfolio and the MD Maximum Growth Portfolio.

The Statement of Investment Portfolio, Schedule of Tax Loss Carry Forwards and Schedule of Fees for each of the Funds are as at June 30, 2011. The Statement of Net Assets, Schedule of Net Assets per Unit and Net Asset Value per Unit and Schedule of Securities on Loan are as at June 30, 2011 and December 31, 2010. The Statements of Operations, Statement of Changes in Net Assets, Schedule of Fund Unit Transactions and Schedule of Soft Dollar Commissions are for the periods ended June 30, 2011 and June 30, 2010, except for the Funds established during either period, in which case the information provided relates to the period from inception to June 30, 2011 or to June 30, 2010. The Financial instrument risks for each of the Funds are as at June 30, 2011 and December 31, 2010.

Throughout these Notes to the Financial Statements, the shares of MD Growth Investments Limited have been referred to as "units" to simplify the presentation.

Series of units

The MDPIM Canadian Equity Pool and MDPIM US Equity Pool Funds offer "Private Trust Series" and "Series T" units which may be purchased by either MD Private Investment Counsel or MD Private Trust Company clients who have appointed MD Private Investment Counsel (an operating division of MD Physician Services Inc.) to provide discretionary portfolio management services and advice to them or MD Private Trust Company to provide trust services. These funds also offer "Series A" units which are available to all qualified eligible investors. "Series A" units are closed to new subscribers. Investors holding "Series A" units of these Funds are allowed to hold their units, as well as subscribe for additional "Series A" units of the Funds.

Each of the MD Funds offers "Series A" units which are available to all MD Management Ltd. clients who are qualified eligible investors.

On January 5, 2010, "Series I" units were established to support the MD Conservative Portfolio, the MD Moderate Balanced Portfolio, the MD Balanced Growth Portfolio and the MD Maximum Growth Portfolio. These units are only available to the four Funds listed above, and are not charged management fees.

On November 22, 2010, "Series T" units were established in order to support a new tax-efficient investment solution for clients. The series T units will generate steady tax-efficient cash flow that does not increase taxable income or impact certain benefits such as Old Age Security.

2. Significant accounting policies

The financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Significant accounting policies followed by the Funds are as follows:

Accounting estimates

The preparation of financial statements in accordance with GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expense during the reporting periods. Actual results could differ from those estimates.

Investments - valuation

CICA Handbook - Accounting Section 3855, "Financial Instruments - Recognition and Measurement" ("Section 3855"), requires the fair value of financial instruments traded in active markets to be measured based on a security's bid price. The net asset value calculated in accordance with Section 3855 is referred to as "Net Assets" going forward.

In accordance with Section 3855, investments are categorized as held for trading and are recorded at fair value. In the case of securities traded in an active market, fair value is the latest bid price provided by independent pricing services. In the case of investments not traded in an active market, or for those securities for which the Manager feels the latest market prices are not reliable, fair value is estimated based on valuation techniques established by the Manager. Valuation techniques established by the Manager are based on observable market data except in situations where there is no relevant or reliable market data. The value of securities estimated using valuation techniques not based on observable market data, if any, is disclosed in the Statement of Investment Portfolio.

Cash and short-term investments

Cash is comprised of cash on deposit and short-term investments are comprised of short-term debt instruments with terms to maturity of less than one year at acquisition. These are measured at fair value upon initial recognition, and are held at amortized cost, which approximates fair value. Cash and short-term investments include foreign cash and foreign short-term investments.

Investment transactions, income recognition and transaction costs

Investment transactions are recorded on the trade date. Income from investments is recognized on an accrual basis. Interest income and estimated expenses are accrued daily. Dividend income and distributions to unitholders are recorded on the ex-dividend date. Realized gains or losses from investment transactions and the unrealized appreciation or depreciation of investments are computed on an average cost basis, which exclude brokerage commissions and other trading expenses. Brokerage commissions and other trading expenses are charged to income as incurred.

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All income, realized and unrealized gains (losses) and transaction costs are attributable to investments and derivatives, which are categorized as held for trading.

Other assets and liabilities

Other assets such as accrued interest and dividends receivable, accounts receivable for investment transactions, subscriptions receivable, and amounts receivable for securities lending transactions are categorized as loans and receivables and are recorded at cost. Other liabilities such as accrued expenses, income taxes payable, distributions payable, accounts payable for investment transactions and redemptions payable are categorized as financial liabilities and are measured at cost, which closely approximates their fair value.

Foreign exchange

Investments and other assets and liabilities denominated in foreign currencies are translated into Canadian Dollars at the rate of exchange prevailing on each valuation date. Transactions during the year in currencies other than Canadian Dollars are translated into Canadian Dollars at the rate of exchange prevailing on the trade date of the transaction. The difference in the foreign exchange rate between trade date and settlement date of a transaction is recognized in income on the Statement of Operations. The Funds do not separately report the effects of changes in foreign exchange rates from changes in the valuation of securities held. Such changes are included in net gain (loss) on investments.

Forward currency contracts

The Funds may enter into forward currency contracts for either hedging or non-hedging purposes where such activity is consistent with their investment objectives and as permitted by the Canadian securities regulatory authorities. Investments in forward currency contracts are entered into with approved counterparties and are recorded at fair value.

On a daily basis, the value of these contracts is the gain or loss that would be realized if the positions were to be closed out and is recorded in "Change in unrealized appreciation (depreciation) of investments". Upon closing of the contracts, the accumulated gains or losses are reported in "Net realized gain (loss) on sale of derivative instruments." Unrealized gains (losses) on forward currency contracts are categorized as financial assets (liabilities) held for trading.

The contractual amounts of open contracts are disclosed in the Statement of Investment Portfolio as the Schedule of Derivative Instruments.

Futures contracts

Futures contracts are valued on each valuation day using the bid/ask price posted on the related public exchange. All gains or losses arising from futures contracts are recorded as part of "Change in unrealized appreciation (depreciation) of investments and derivatives" in the Statements of Operations until the contracts are closed out or expire, at which time the gains

(losses) are realized and reported as "Realized gain (loss) on investments" in the Statements of Operations

Unit valuation

The Funds' units are offered for sale on any business day and may be redeemed or issued at the Net Asset Value per unit for the respective series on that business day. A business day refers to any day the Toronto Stock Exchange is open for business. The Net Asset Value per unit for each series is computed by calculating the value of that series' proportionate share of net assets and liabilities of the Fund common to all series less liabilities attributable to that series. Expenses directly attributable to a series are charged to that series. Assets, common liabilities, revenues and other expenses are allocated proportionately to each series based upon the relative Net Asset Values of each series.

Section 14.2 of National Instrument 81-106, "Investment Fund Continuous Disclosure" ("NI81-106") issued by the Canadian Securities Administration ("CSA") requires an investment fund to calculate the daily net asset value for the purchase and redemption of units based on the fair value of the investment fund's assets and liabilities ("Net Asset Value").

Net Asset Value is calculated in accordance with Section 14.2 of NI81-106. This differs from Net Assets calculated in accordance with Section 3855 presented on the financial statements. A comparison between the Net Asset Value per unit and the Net Assets per unit is disclosed in the Schedule of Net Assets per Unit and Net Asset Value per Unit.

Increase (decrease) in net assets from operations per unit

Increase (decrease) in net assets from operations per unit in the Statement of Operations represents the net increase or decrease in net assets from operations attributable to the series of units for the period, divided by the average units outstanding in that series during the period.

Securities lending transactions

A Fund may lend portfolio securities to earn additional income through a securities lending agreement with its custodian. The aggregate market value of all securities loaned by the Fund cannot exceed 50% of the assets of the Fund. The Fund receives collateral in the form of cash and/or securities deemed acceptable under National Instrument 81-102 ("NI81-102") of at least 102% of the fair value of securities on loan.

Income from securities lending is recorded as "Securities lending" on a monthly basis when it is receivable.

Future Accounting Changes

The Canadian Accounting Standards Board ("AcSB") confirmed the plan to adopt International Financial Reporting Standards ("IFRS") in 2011. MD Physician Services Inc., in their capacity as Trustee and Manager of the MD Family of mutual funds has developed a changeover plan to meet the timetable published by the AcSB for the Funds' changeover to IFRS. The key elements of the changeover plan include an assessment of significant IFRS

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and Canadian GAAP differences, analysis and conclusion on accounting policy choices, identification of additional disclosure requirements under IFRS, and preparation of financial statements in accordance with IFRS with comparatives.

Based on MD Physician Services Inc.'s current evaluation of the differences between Canadian GAAP and IFRS, Net Assets or Net Asset Value are not expected to be impacted by the changeover to IFRS. MD Physician Services Inc. expects that the IFRS implementation on the MD Family of mutual funds' financial statements will result in additional disclosure and potentially different presentation of unitholder interests and certain other items.

On January 12, 2011, the AcSB announced an IFRS deferral option for most investment funds until fiscal years beginning on or after January 1, 2013. Accordingly, the MD Family of Funds will adopt IFRS for the fiscal period beginning January 1, 2013, and will issue their initial financial statements in accordance with IFRS, including comparative information, for the interim period ending June 30, 2013.

3. Management fees and other fees and expenses

The management fees are unique to each Fund and are unique to each series of units, and are disclosed on the schedule of fees.

MDPSI provides the Funds with investment management and administrative services. In return, MDPSI receives a management fee based on the Net Asset Value of the Funds calculated on a daily basis and paid weekly.

Prior to June 2, 2010, MD Private Trust Company provided the Series A units of MDPI Canadian Equity Pool and MDPI US Equity Pool with investment management and administrative services. In return, MD Private Trust Company received a management fee based on the Net Asset Value of the Funds calculated on a daily basis and paid weekly. Since June 2, 2010, these services are received from and fees paid to MDPSI.

No management fee or operating expenses are charged in respect of Series I units. These units are only available to be held by other MD Funds.

No management fee or operating expenses are charged in respect of units of the Private Trust Series units of MDPI Canadian Equity Pool and MDPI US Equity Pool. Investors in these units and series of units have agreed to pay a managed account fee directly to MD Private Investment Counsel (an operating division of MD Physician Services Inc.). These managed account fees are charged directly to each unitholder to a maximum rate of 1.00% per annum plus custodial fees.

MDPSI bears all of the operating expenses of the Funds (other than certain taxes and borrowing costs) in return for fixed annual rate administration fees ("Administration Fees"). Administration Fees are calculated as fixed annual percentage of the Funds' assets under management.

Short-term trading/early redemption fee

Effective August 8, 2009, subject to the exceptions described below, clients who redeem or switch units or shares of an MD Fund are charged an early redemption fee equal to 2.00% of the amount redeemed or switched if the redemption or switch occurs within sixty (60) days of the date that the units or shares were purchased or switched.

The early redemption fee does not apply to redemptions or switches:

- ▶ of units of MD Money Fund;
- ▶ made in connection with any systematic and scheduled withdrawal program;
- ▶ where the amount of the redemption or switch is less than \$10,000;
- ▶ made as a result of the recommendation of your MD advisor related to a financial plan.

MDPSI may waive the early redemption fee at its discretion at any time.

4. Capital units

With the exception of MD Growth Investments Limited, the Funds' capital is represented by an unlimited number of authorized units without nominal or par value. All series of units are redeemable on demand by unitholders at the respective Net Asset Value of that series. Each unit entitles the unitholder to one vote at unitholder meetings and participates equally, with respect to other units of the same series, in any dividends or distributions, liquidation or other rights of that series.

The relevant movements in capital for the period have been presented in the Statements of Changes in Net Assets. The Funds invest capital from subscriptions in financial instruments in accordance with the policies and risk management practices of the Funds, while maintaining sufficient liquidity to meet unitholder redemptions. The Funds' investment policies are set out in the prospectus and the risk management and liquidity management practices are disclosed in Note 5.

MD Growth Investments Limited is an incorporated company as opposed to a mutual fund trust and, as such, has issued share capital.

5. Financial instrument risk

The Funds use financial instruments in order to achieve their respective investment objectives. The Funds' investments are presented in the respective Statement of Investment Portfolio, which groups securities by asset type, geographic region and/or market segment.

The use of financial instruments subjects the Funds to a variety of financial instrument risks. The Funds' risk management practices include setting investment policies to limit exposures to financial instrument risks and employing experienced and professional investment advisors to invest the Funds' capital in

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securities within the constraints of investment policies. The Manager regularly monitors the Fund advisors' performance and compliance with the investment policies.

The significant financial instrument risks, to which the Funds are exposed, along with the specific risk management practices related to those risks, are presented below. Fund specific disclosures are presented in the "Financial Instruments Risks" section of the financial statements.

Credit risk

Credit risk is the risk that counterparty to a financial instrument will not honour its obligation under the terms of the instrument, resulting in a loss of capital. The Funds are exposed to credit risk through domestic and foreign bonds, derivative contracts, short-term debt investments, amounts due from brokers, dividends and interest receivable and other receivables. A Fund may engage in securities lending pursuant to the terms of an agreement which includes restrictions as set out in the Canadian Securities Legislation. Collateral held is in the form of highly rated fixed income instruments. All securities under lending agreements are fully collateralized. In addition, the Funds' custodian has indemnified the funds from borrower default.

Credit risks arising from fixed income securities, including bonds and preferred shares, are generally limited to the fair value of the investments as shown in the Statement of Investment Portfolio. The Funds limit exposure to individual issuers/sectors and credit quality levels. The credit worthiness of issuers in which the Funds invest are reviewed regularly, and the portfolios are adjusted as required to match the minimum requirement as set forth in each Fund's prospectus. Each individual Fund's exposure to credit risk, if any, is presented in the Financial Risk Supplement attached to the Statement of Investment Portfolio.

Credit risks arising from short-term debt investments are limited to the carrying value of cash equivalents as shown on the Statement of Net Assets, except in the case of MD Money Fund, where the credit risk is limited to the fair value of investments as shown on the Statement of Investment Portfolio. The Funds manage credit risk on short-term debt by investing in high grade short-term notes with credit ratings of R-1 (low) or higher as well as limiting exposure to any single issuer.

Derivative contracts are subject to netting arrangements whereby if one party to a derivative contract defaults, all amounts with the counterparty are terminated and settled on a net basis. As such, the maximum credit loss on derivative contracts is the unrealized gain shown in the Schedule of Derivative Instruments, or nil if the contract is in a loss position. Each Fund manages credit risk on derivatives by only entering into agreements with counterparties that have an approved credit rating as defined in NI81-102. The total unrealized gain (loss) of the derivative contract cannot exceed 10% of the Fund's Net Asset Value. Credit risk on amounts due from brokers is minimal since transactions are settled through clearinghouses where securities are only delivered for payment when cash is received.

Liquidity risk

Liquidity risk is the risk that the Funds will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. In addition, the Funds' units are redeemable on demand. In accordance with NI81-102, the Funds must provide payment for redeemed units within three business days of receipt of a redemption order. To manage this liquidity requirement, the Funds invest primarily in liquid securities that can readily be sold in active markets and each Fund may borrow up to 5% of its Net Asset Value. During the period, no Fund borrowed against its respective line of credit.

Currency risk

Currency risk is the risk that the values of financial assets and liabilities denominated in foreign currencies fluctuate due to changes in foreign exchange rates. To the extent the Funds hold assets and liabilities denominated in foreign currencies, the Funds are exposed to currency risk. The Fund may also use forward contracts at the discretion of the Manager. Each individual Fund's exposure to currency risk, if any, is presented in the Financial Instruments Risks section of the financial statements.

Interest rate risk

Interest rate risk is the risk that the fair value (measured as the present value) of cash flows associated with interest bearing financial instruments will fluctuate due to changes in the prevailing market rates of interest. In general, as interest rates rise, the fair value of interest bearing financial instruments will fall. Financial instruments with a longer term to maturity will generally have a higher interest rate risk.

The Funds' interest bearing financial instruments that subject the Funds to interest rate risk include domestic and foreign bonds, asset backed securities and collateralized mortgage obligations. Short-term money market instruments are also interest bearing and therefore subject to interest rate risk. However, due to the short-term nature of the securities, the interest rate risk is generally not significant.

Interest rate risk management practices employed by the Funds include setting target durations based on the appropriate benchmark indices and monitoring the Funds' durations relative to the benchmarks. If interest rates are anticipated to rise, the Funds' durations can be shortened to limit potential losses. Conversely, if interest rates are anticipated to fall, the durations can be lengthened to increase potential gains. Each individual Fund's exposure to interest rate risk, if any, is presented in the "Financial Instruments Risks" section of the financial statements.

Other Price risk

Price risk is the risk that the fair value of financial instruments may decline because of changes in market prices of the financial instruments, other than declines due to interest rate risk and currency risk. Other price risk stems from financial instruments' sensitivity to changes in the overall market (market risk) as well as factors specific to the individual financial instrument. The

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price risk attributable to individual investments is managed through effective diversification of the portfolio, careful security selection and adjustments to fair value when there is significant volatility in international markets after markets are closed. Price risk attributable to the general market is systematic and cannot be diversified away.

The maximum loss due to other price risk is limited to the fair value of the equity investments presented on the Statement of Investment Portfolio. Each individual Fund's exposure to price risk, if any, is presented in the Financial Risk

Supplement attached to the Statement of Investment Portfolio.

Details of each Fund's exposure to financial instruments risks including fair value hierarchy classification are available in the "Financial Instruments Risks" section of the financial statements of each Fund.

6. Fair value measurement

The Funds are subject to the revised provisions of Section 3862, which sets out requirements for fiscal years ending after September 30, 2009. Section 3862 establishes a fair value hierarchy to categorize the inputs to Funds' valuation techniques used in measuring fair value. Under these provisions, an entity is required to classify each financial instrument into one of three fair value levels as follows:

- Level 1 – for unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – for inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,
- Level 3 – for inputs that are based on unobservable market data.

The classification of a financial instrument is based on the lowest level of input that is significant to the determination of fair value.

The extent of Funds' use of quoted market prices (Level 1), internal models using observable market information as inputs (Level 2), and internal models without observable market information (Level 3) in the valuation of securities is summarized in each Fund's "Financial Instruments Risks" section of the financial statements.

7. Comparative figures

Certain of the comparative figures have been reclassified to conform to the current period's presentation.

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