

MD Conservative Portfolio

Management Report of Fund Performance (December 31, 2011)

Investment Objectives and Strategies

The MD Conservative Portfolio (the "Fund") is a strategic asset allocation fund with the objective to preserve investment value and generate income. The Fund will invest primarily in units of other mutual funds managed by MD Physician Services Inc., with an emphasis on fixed income mutual funds for capital preservation and income generation with some exposure to equity mutual funds for potential capital growth. The Fund may also invest in other non-affiliated mutual funds and directly in fixed income securities, cash or cash equivalents.

The Fund's principal investment strategy is strategic asset allocation. The Fund assets will be invested according to the target weightings for the Fund, which may change at our discretion $\pm 15\%$, but are generally expected to follow an allocation of 67% fixed income, 20% Canadian equity, 7% U.S. equity and 6% International equity.

The underlying MD proprietary mutual funds may not purchase securities of companies that manufacture tobacco or tobacco related products. The Manager monitors non-affiliated funds for securities in the tobacco manufacturing sector, however cannot guarantee that an underlying fund does not hold securities in this sector from time to time.

Risk

The investment risks associated with this Fund are detailed in the Simplified Prospectus and were unchanged during the period.

On September 16, 2011, the Board of Directors of MD Physician Services Inc. announced the investment strategy to permit the fund, from time to time, to alter the asset weights by 15% above or below the target asset weights. In the event of change in the asset weight, the risk of the fund will be altered for that period however, it is not anticipated that the change in risk level would be considered material.

The Fund is designed for an investor seeking a single-decision investment Fund who is willing to accept a low level of investment risk with exposure to all major asset classes. The Fund is suitable for an investment time horizon of three or more years.

Results of Operations

For the year ended December 31, 2011, the Fund generated a total return of 0.6%. The Fund's conservative approach is delivered through a target allocation of 67% of the portfolio assets to fixed income investments. During the period, fixed income returns were positive and materially exceeded returns delivered by equities, leading to an overall positive return for the Fund. The largest underlying bond fund within the Fund, MD Bond Fund, provided the largest positive contribution to overall portfolio returns as bond prices increased.

The Fund augments its conservative approach by investing 33% of the assets to equity investments. During the noted period, the equity funds detracted from overall returns. MD Equity Fund and MD Select Fund, the two largest underlying equity funds, were the largest negative contributors to performance, largely due to exposure to the Canadian Materials and Financials sectors.

The non-North American equity funds also detracted from the Fund's performance. The returns for the underlying MD Growth and MD International Growth Funds were both negative as the European Financials sector detracted significantly from international equity returns.

MD American Growth Fund also had a slight negative contribution to the Fund's return over the past year despite a stronger US dollar and positive returns from dynamic currency management. The US Financials and Materials sectors were primarily responsible for the negative performance.

As at December 31, 2011, the total net asset value of the Fund was \$155 million, an increase of 84% from the beginning of the year. The growth in the net asset value continues to be attributable to new contributions to the Fund.

Recent Developments

Strategic Changes

On September 16, 2011, the Board of Directors of MD Physician Services Inc. announced the investment strategy to permit the fund, from time to time, to alter the asset weights by 15% above or below the target asset weights.

Related Party Transactions

MD Physician Services Inc. is the Manager, Registrar and Trustee of the Fund. As Manager, MD Physician Services Inc. manages the overall business of the MD Fund and is responsible for; setting investment objectives, providing and/or retaining the services of third party service providers for fund accounting services, administration services, and promoting the sales of the Fund's units.

As Registrar, MD Physician Services Inc. keeps track of the owners of units of the Fund, processes purchase, transfer and redemption orders, issues investor account statements, and issues annual tax reporting information.

As the Fund is organized as a Trust, investing in the Fund means purchasing units of the Trust. As Trustee to the Fund, MD Physician Services Inc. holds actual title to the property in the Fund - the cash and securities the Fund invests in - on behalf of the unitholders.

The principal distributor is MD Management Limited. As principal distributor, MD Management Limited markets the units of the Fund through its offices across Canada. MD Management Limited is owned by the Fund Manager, MD Physician Services Inc., which is owned by CMA Holdings (2009) Inc.

Disclosure

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can obtain a copy of the annual financial statements at your request, and at no cost, by calling 1 800 267-2332, by writing to us at MD Physician Services Inc., 1870 Alta Vista Drive, Ottawa, Ontario, K1G 6R7, or by visiting our website at md.cma.ca or SEDAR at sedar.com.

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.



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Management Fees

MD Physician Services Inc. provides the Fund with investment management and administrative services, including fund accounting and unitholder record-keeping. In return, MD Physician Services Inc. receives a management fee and an administration fee based on the net asset value of the Fund calculated on a daily basis and paid weekly.

MD Physician Services Inc. pays MD Management Limited, a related party, a fee for providing financial planning services.

(As a percentage of management fees)

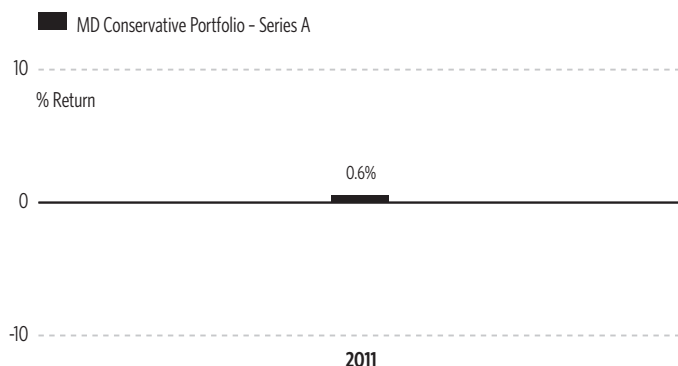
Financial Planning Services	40.8%
Investment management, administration and other	59.2%

Past Performance

The following bar chart shows the Fund's annual performance for each of the years shown, and illustrates how the Fund's performance changed from year to year. The chart shows, in percentage terms, how much an investment made on the first day of each calendar year would have grown or decreased by the last day of each calendar year.

The performance information assumes that all distributions made by the Fund were reinvested in additional units of the Fund and does not take into account sales, redemption, distribution or other optional charges that would reduce returns. How the Fund has performed in the past does not necessarily indicate how the Fund will perform in the future.

Year-By-Year Returns



Annual Compound Returns

The following table shows the Portfolio's historical annual compound return for the past one year on December 31 and to inception as compared to the return of a Blended Composite Index comprised of:

- ▶ 67% DEX Universe Bond Index, which measures the returns on Canadian bonds with greater than one year to maturity;
- ▶ 20% S&P/TSX Capped Composite Index, which measures the aggregate common share returns of Canada's largest companies ;
- ▶ 7% S&P 500 Index, which measures the aggregate common share returns of the U.S.'s largest companies; and
- ▶ 6% MSCI EAFE Index, which measures the aggregate returns of securities listed on exchanges in European, Australasian and Far Eastern markets.

The weightings of these indices within the Blended Composite Index represent the general weightings in the Portfolio.

The individual indices that make up the Blended Composite Index are shown independently. They serve as a frame of reference only, as opposed to a benchmark, as they do not, independently, reflect performance of a Fund.

	1 year	Since Inception*
MD Conservative Portfolio - Series A	0.6%	3.8%
Blended Composite Index	4.4%	6.4%
DEX Universe Bond Index	9.7%	8.0%
S&P/TSX Capped Composite Index	-8.7%	3.3%
S&P 500 Index	4.6%	6.6%
MSCI EAFE Index	-9.6%	-4.8%

*The Fund established series A units on January 5, 2010

Management uses the Blended Composite Index as the benchmark for this Portfolio because it best represents the nature of the overall Fund. Although index returns are hypothetical—as they do not reflect the true cost of owning or managing the underlying securities—they are one of several useful indicators. By comparing the Fund's performance to the movements of the benchmark, we are able to assess how the Fund is doing. For example, some short-term deviations can signal the need for change while others confirm the expectations of a longer-term strategy. If Management were to ascertain that a Fund's over or under performance was the result of excessive risk-taking or deviation from the investment mandate, we would, on behalf of all our unitholders, address these issues with the Investment Advisors, and make changes if necessary.

As the above table indicates, the Fund underperformed the Blended Composite Index for the most recent one year period. A variety of factors lead the Fund to underperform its benchmark over the period as volatile equity markets presented a challenge environment for active managers.

Although the fixed income funds delivered positive returns, the general outperformance of long term bonds detracted from relative performance as most of the underlying fixed income funds were positioned for short term bond outperformance.

The Canadian funds detracted from relative performance, primarily due to underperformance in the materials and financials sectors. The US funds underperformed, as decisions related to equities in the health care and consumer staples sectors resulted in negative relative performance. International funds also underperformed where exposure to the financials sector in Asia detracted from performance.

Regarding Forward-Looking Statements

This document contains forward-looking statements. Such statements are generally identifiable by the terminology used, such as "plan", "anticipate", "intend", "expect", "estimate", or other similar wording.

These forward-looking statements are subject to known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such factors include, but are not limited to: general economic, market and business conditions; fluctuations in securities prices; fluctuation in interest rates and foreign currency exchange rates; and actions by governmental authorities. Future events and their effects on the Fund may not be those anticipated. Actual results may differ materially from the results anticipated in these forward-looking statements.

MD Conservative Portfolio

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Financial Highlights

The following tables show selected key financial information about the Fund and its financial performance since inception. This information is derived from the Fund's audited annual financial statements.

The Fund's Net Assets per Unit¹

Series A	2011	2010 ⁴
Net assets - beginning of the year	\$ 10.62	\$ 10.00
Increase (decrease) from operations:		
Total revenue	\$ 0.32	\$ 0.28
Total expenses	\$ (0.15)	\$ (0.14)
Net realized gains (losses) for the year	\$ 0.16	\$ 0.05
Net unrealized gains (losses) for the year	\$ (0.27)	\$ 0.74
Total increase (decrease) from operations ²	\$ 0.06	\$ 0.93
Distributions:		
From income (excluding dividends)	\$ (0.11)	\$ (0.05)
From dividends	\$ (0.03)	\$ (0.03)
From capital gains	\$ (0.08)	\$ —
Return of capital	\$ —	\$ —
Total annual distributions ³	\$ (0.22)	\$ (0.08)
Net assets - end of the year	\$ 10.46	\$ 10.62

¹ This information is derived from the Portfolio's audited annual financial statements. The net assets per unit presented in the financial statements differs from the net asset value per unit calculated for fund pricing purposes. An explanation of these differences can be found in Note 2 of the Notes to Financial Statements.

² Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial year.

³ Distributions were paid in cash or reinvested in additional units of the Portfolio, or both.

⁴ The results shown are for the period January 5 - December 31, 2010.

Ratios and Supplemental Data

Series A	2011	2010 ⁵
Total net asset value, end of the year ¹	\$ 154,579,887	\$ 83,878,654
Number of units outstanding	14,784,084	7,895,608
Management expense ratio ²	1.41%	1.40%
Management expense ratio before tax	1.28%	1.29%
Management expense ratio before waivers or absorptions	1.41%	1.40%
Trading expense ratio ³	0.01%	—
Portfolio turnover rate ⁴	15.00%	0.79%
Net asset value per unit	\$ 10.46	\$ 10.62

¹ This information is provided as at December 31 of the year shown.

² Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Effective July 1, 2010, goods and services tax ("GST") was replaced by the harmonized sales tax ("HST") in certain provinces and is applicable at higher rates than the GST. HST is being paid by the Fund and results in a higher MER than in previous years.

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

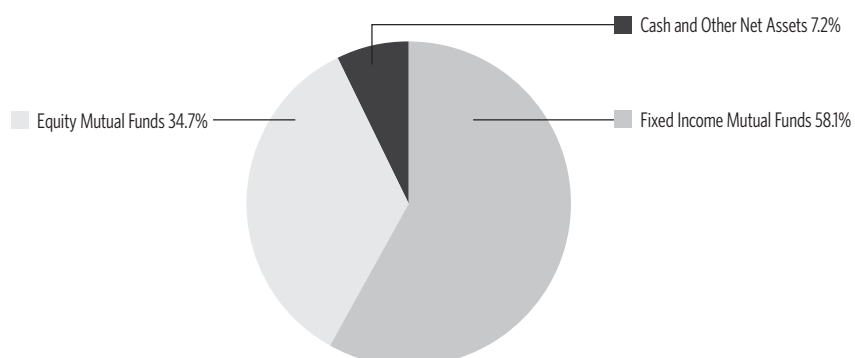
⁴ The Portfolio's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio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

⁵ The results shown are for the period January 5 - December 31, 2010.

MD Conservative Portfolio

Summary of Investment Portfolio (December 31, 2011)

Net Asset Value: \$154.6 million



Cash & Portfolio Allocation

Fixed Income Mutual Funds	58.1%
Equity Mutual Funds	34.7%
Cash and Cash Equivalents	7.2%
Total Net Assets	100.0%

Top 25 Holdings (Percentage of Net Asset Value)

MD Bond Fund Series I	38.3%
MD Equity Fund Series I	13.8%
MD Bond and Mortgage Fund Series I	11.3%
MD Select Fund Series I	9.7%
Cash and Cash Equivalents	7.2%
Mackenzie Sentinel Global Bond Fund Series O	5.9%
MD American Growth Fund Series I	3.6%
MD Growth Investments Limited Series I	3.5%
MD International Growth Fund Series I	3.4%
Mackenzie Sentinel Real Return Bond Fund	2.6%
MD American Value Fund Series I	0.7%

The Prospectus and other information about the underlying investment funds held in this MD Fund, are available online at www.sedar.com.

Note: Summary of Investment Portfolio may change due to ongoing portfolio transactions of the investment fund. A quarterly update is available.

The Net Asset Value, Portfolio Allocation and Top 25 Holdings in the tables are based on the trading net asset value as at December 31, 2011.

