

# MD Growth Investments Limited

## Management Report of Fund Performance (December 31, 2011)

### Series A and Series I

#### Investment Objectives and Strategies

MD Growth Investments Limited (the "Fund") seeks to provide long-term capital growth, having due regard to the preservation of capital, with income production as a secondary consideration. The Fund invests in a diversified portfolio of equity securities from around the world. Assets are invested in mid to large-cap companies in industrialized nations. However, up to 15% of net assets may be invested in emerging markets. The Fund may also invest up to 25% of the portfolio in bonds and short-term debt securities of governments or corporations with a good credit rating. The Fund may not invest in companies that manufacture tobacco or tobacco-related products.

This is a multi-advisor structured fund and utilizes the investment advisory services of: Walter Scott & Partners Limited (Walter Scott), AGF Investment Inc. (AGF), Mackenzie Financial Corporation- Mackenzie Cundill Investment Team (Mackenzie Cundill), and CIBC Global Asset Management (CGAM). With this unique blend of investment styles by each Advisor, this Fund is well-positioned to potentially achieve a higher risk-adjusted rate of return overall.

Walter Scott's focus is upon stock selection, seeking companies it judges to be capable of sustained high internal rate of return and superior earnings growth. Its "buy and hold" investment approach, allowing the selected stocks' internal growth to translate into share price performance, typically results in low portfolio turnover. Walter Scott relies heavily on its internal research, analyzing companies drawn from around the world via proprietary methods, enabling it to compare stocks from around the world in a consistent way. The focus of the analysis is first upon the company's financial history and structure. Walter Scott uses financial analysis tools to highlight margin trends, cash generation, internal rate of return and financial structure. The financial analysis leads to an assessment of the stock's business in order to understand the company and judge whether it can sustain its return structure into the future.

AGF's global core equity strategy employs a core approach to global investing with a conservative growth philosophy. The strategy combines a top-down country allocation framework to identify undervalued markets combined with bottom-up fundamental analysis with an emphasis on corporate economic profit growth and attractive valuations. The Advisor maintains disciplined controls at the country, sector and company levels to ensure the portfolio offers strong diversification benefits.

Mackenzie Cundill's investment approach is based on a fundamental value philosophy: invest in securities which are trading below their estimated intrinsic value, determined by reviewing corporate financial information, business prospects, management strengths and potential catalysts to realize securityholder value.

CGAM is the Investment Advisor in respect of the Fund's cash reserves and its foreign currency exposure. In managing the cash reserves, CGAM seeks to maintain the equity market exposure and minimize the impact of cash on the Fund's performance. CGAM seeks to manage the currency risk and add value by managing the Fund's exposure to foreign currency. CGAM employs proprietary quantitative models focusing on key valuation, cyclical and momentum factors as well as qualitative analysis based on extensive internal research and insights from external sources.

#### Risk

There were no strategic changes to the Fund throughout the year. The Fund continues to be managed in a manner consistent with its investment mandate. The Investment Advisors have adhered to their investment disciplines and portfolio strategies, and they are aligned to achieve the long-term objectives of the Fund. Descriptions of the investment risks associated with this Fund are detailed in the Simplified Prospectus.

#### Results of Operations

As part of MD Physician Services Inc. investment management discipline, we carefully select and monitor each Investment Advisor and integrate them in a manner to ensure that the investment performance remains consistent with the long-term objectives of the Fund.

We currently manage the MD Growth Fund by allocating assets among the four Investment Advisors as follows:

Current Allocation	Investment Advisor
37%	AGF Investments Inc.
28%	Mackenzie Financial Corporation/Cundill Investment Team
28%	Walter Scott & Partners Limited
7%	CIBC Global Asset Management

For the year ended December 31, 2011 the Fund's Series A units had a total return of -7.3%. The negative return was attributable to sharp global equity declines over the second and third quarters. The European sovereign debt crisis, a divisive U.S. debt ceiling debate, US Government credit rating downgrade, and signs of a weakening global economy all weighed on investor confidence. Investments sold off in the market with little differentiation making it difficult for actively managed funds to perform. Positive developments in the European crisis and signs of improvement in the US economy led to a strong rally in the fourth quarter which helped reverse some of the earlier losses. The MSCI World Index which represents the aggregate common share returns of the developed world's largest companies returned -4.9% in local currencies or -2.7% in Canadian dollar terms. Other factors that affected the Fund's performance are summarized below.

Being a globally diversified investment product, the Fund held a position in most developed nations. Similar to last year, the United States, Japan and the United Kingdom featured the greatest average geographical allocations in the Fund throughout the year. Investments in the United States and United Kingdom contributed positively to return, while those in Japan and continental Europe had the most negative contribution.

The Canadian dollar depreciated relative to several major foreign currencies over the year. As a result, foreign currency exposure had a positive impact on the Fund's performance in 2011. More specifically, exposure to the U.S. dollar, Japanese yen and British pound sterling were each positive, while exposure to the euro detracted.

In local currency terms, seven of the ten industrial sectors represented in the Fund provided positive returns. Consistent with the negative return environment, the

#### 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](http://md.cma.ca) or SEDAR at [sedar.com](http://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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defensive Health Care and Telecommunications Services sectors saw the highest average returns for the year. In contrast, the three sectors to experience negative average returns were the cyclical Financials, Industrials and Materials sectors. Investment in the Financials sector deterred from the Fund's return for the year.

The Fund's active multimanager structure combines multiple investment approaches, with the Fund displaying an overall bias toward a value style. During the year the Fund's value oriented investments style was not rewarded by the market, however the growth oriented investments provided a beneficial offset.

The Fund's regional allocations were consistent throughout the year. The Financials sector weight declined while Information Technology allocation increased.

As at December 31, 2011, the total net asset value of the Fund was \$1.4 billion, a decrease of 24% from the previous year. The results from operations and net unitholder redemptions contributed to the reduction in the net asset value.

### Recent Developments

#### Strategic Changes

There were no strategic changes to the Fund throughout the year. The Fund continues to be managed in a manner consistent with its investment mandate. The Investment Advisors have adhered to their investment disciplines and portfolio strategies, and they are aligned to achieve the long-term objectives of the Fund.

### 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 MD Fund's shares.

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

As the Fund is organized as a Corporation, investing in the Fund means purchasing shares of the Corporation. 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 shareholders.

The principal distributor is MD Management Limited. As principal distributor, MD Management Limited markets the shares of the MD 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.

### 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)

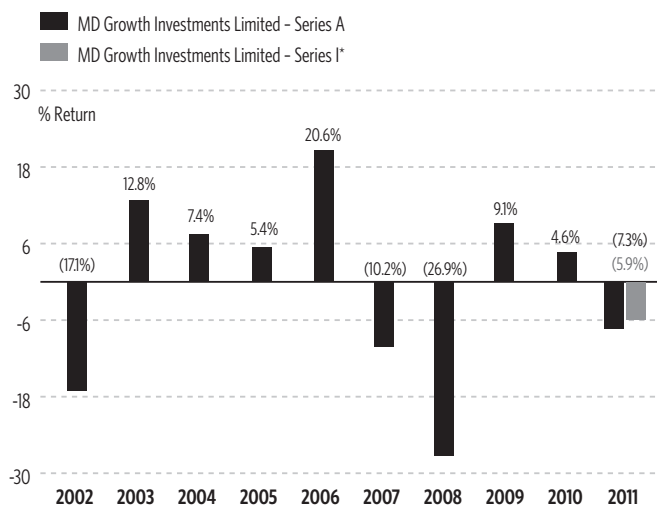
Financial Planning Services	40.0%
Investment management, administration and other	60.0%

### 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



\* Series I shares do not charge a management fee at the fund level, and therefore may report higher returns. Series I shares are available to qualified Institutional Investors who pay a separate negotiated management fee directly to MD Physician Services Inc.

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### Annual Compound Returns

The following table shows MD Growth Fund's historical annual compound return for the past one, three, five and ten year periods ended on December 31 and since inception of the series, as compared to the return of the MSCI World Index.

	1 year	3 years	5 years	10 years	Since Inception*
MD Growth Fund - Series A	-7.3%	1.9%	-7.0%	-1.2%	
MD Growth Fund - Series I	-5.9%	—	—	—	-0.7%
MSCI World Index	-2.7%	4.8%	-4.4%	-0.4%	

\*The Fund established series I units on January 15, 2010. The series I units are available to institutional investors and pay a separate negotiated management fee and administration fee directly to MD Physician Services Inc.

Management uses the MSCI World Index as the benchmark for this Fund because it represents the aggregate common share returns of the world's largest companies. 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. 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 indicated in the above table, the Fund has underperformed its benchmark over the most recent stated compound periods. The primary reason for the Fund's relative underperformance over the medium term continues to be the Fund's exposure to U.S. Financial equities during the Financial Crisis that began in 2008. These investments, held within the value portion of the Fund have faced headwinds over concerns in Europe and the domestic U.S. economy. Management remains confident these investments will add value longer term consistent with the Fund's longer term investment horizon.

### 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 Growth Investments Limited

## Management Report of Fund Performance (December 31, 2011)

### Financial Highlights

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

#### The Fund's Net Assets per Share<sup>1</sup>

Series A	2011	2010	2009	2008	2007
Net assets - beginning of the year	\$ 8.65	\$ 8.25	\$ 7.57	\$ 11.15	\$ 12.62
Increase (decrease) from operations:					
Total revenue	\$ 0.23	\$ 0.23	\$ 0.24	\$ 0.33	\$ 0.30
Total expenses	\$ (0.18)	\$ (0.13)	\$ (0.18)	\$ (0.23)	\$ (0.24)
Net realized gains (losses) for the year	\$ (0.08)	\$ (1.04)	\$ (0.83)	\$ (1.21)	\$ 0.86
Net unrealized gains (losses) for the year	\$ (0.58)	\$ 1.26	\$ 1.41	\$ (1.72)	\$ (2.17)
Total increase (decrease) from operations <sup>2</sup>	\$ (0.61)	\$ 0.32	\$ 0.64	\$ (2.83)	\$ (1.25)
Distributions:					
From income (excluding dividends)	\$ —	\$ —	\$ —	\$ —	\$ —
From dividends	\$ —	\$ —	\$ —	\$ —	\$ —
From capital gains	\$ —	\$ —	\$ —	\$ (0.74)	\$ (0.22)
Return of capital	\$ —	\$ —	\$ —	\$ —	\$ —
Total annual distributions <sup>3</sup>	\$ —	\$ —	\$ —	\$ (0.74)	\$ (0.22)
Net assets - end of the year	\$ 8.01	\$ 8.65	\$ 8.25	\$ 7.57	\$ 11.15

Series I	2011	2010
Net assets - beginning of the year	\$ 8.80	\$ 8.38
Increase (decrease) from operations:		
Total revenue	\$ 0.21	\$ 0.23
Total expenses	\$ (0.04)	\$ 0.02
Net realized gains (losses) for the year	\$ (0.11)	\$ (1.46)
Net unrealized gains (losses) for the year	\$ (0.65)	\$ 2.27
Total increase (decrease) from operations <sup>2</sup>	\$ (0.59)	\$ 1.06
Distributions:		
From income (excluding dividends)	\$ —	\$ —
From dividends	\$ —	\$ —
From capital gains	\$ —	\$ —
Return of capital	\$ —	\$ —
Total annual distributions <sup>3</sup>	\$ —	\$ —
Net assets - end of the year	\$ 8.28	\$ 8.80

<sup>1</sup> This information is derived from the Fund's audited annual financial statements. The net assets per share presented in the financial statements differs from the net asset value per share calculated for fund pricing purposes. An explanation of these differences can be found in Note 2 of the Notes to Financial Statements. Net assets per share are presented for 2007 through 2011.

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

<sup>3</sup> Distributions were paid in cash or reinvested in additional shares of the Fund, or both.

<sup>4</sup> The results shown are for the period January 15 - December 31, 2010.

# MD Growth Investments Limited

## Management Report of Fund Performance (December 31, 2011)

### Financial Highlights (continued)

#### Ratios and Supplemental Data

Series A	2011	2010	2009	2008	2007
Total net asset value, end of the year <sup>1</sup>	\$ 1,361,653,080	\$ 1,813,622,134	\$ 2,177,228,491	\$ 2,266,881,754	\$ 3,666,647,097
Number of shares outstanding	169,763,958	209,556,002	263,373,792	299,121,282	328,054,168
Management expense ratio <sup>2</sup>	1.60%	1.57%	1.49%	1.44%	1.44%
Management expense ratio before tax	1.45%	1.47%	1.42%	1.37%	1.35%
Management expense ratio before waivers or absorptions	1.60%	1.57%	1.50%	1.46%	1.44%
Trading expense ratio <sup>3</sup>	0.08%	0.17%	0.08%	0.07%	0.12%
Portfolio turnover rate <sup>4</sup>	42.70%	208.86%	17.53%	20.28%	34.51%
Net asset value per share	\$ 8.02	\$ 8.65	\$ 8.27	\$ 7.58	\$ 11.18

Series I	2011	2010 <sup>5</sup>
Total net asset value, end of the year <sup>1</sup>	\$ 36,645,171	\$ 19,684,728
Number of shares outstanding	4,419,004	2,235,399
Management expense ratio <sup>2</sup>	—	—
Management expense ratio before waivers or absorptions	—	—
Trading expense ratio <sup>3</sup>	0.08%	0.17%
Portfolio turnover rate <sup>4</sup>	42.70%	208.86%
Net asset value per share	\$ 8.29	\$ 8.81

<sup>1</sup> This information is provided as at December 31 of the year shown.

<sup>2</sup> 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.

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

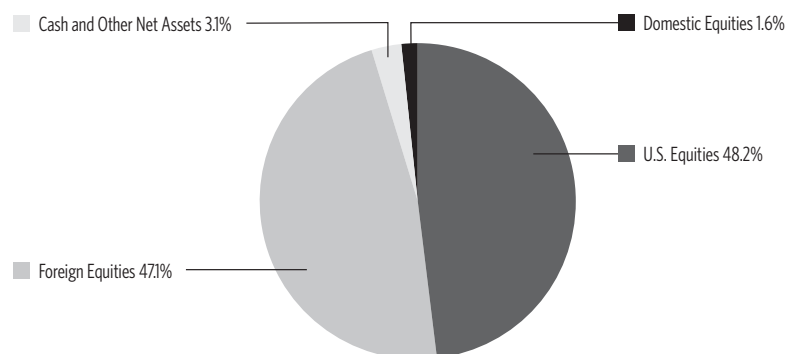
<sup>4</sup> The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's 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.

<sup>5</sup> The results shown are for the period January 15 - December 31, 2010.

# MD Growth Investment Limited

Summary of Investment Portfolio (December 31, 2011)

**Net Asset Value: \$1,398.3 million**



## Portfolio Allocation

Domestic Equities	
Information Technology	0.8%
Materials	0.8%
	1.6%

U.S. Equities	
Consumer Discretionary	4.6%
Consumer Staples	1.2%
Energy	5.6%
Exchange Traded Fund	6.6%
Financials	8.2%
Health Care	3.5%
Industrials	6.4%
Information Technology	10.2%
Materials	1.2%
Telecommunication Services	0.7%
	48.2%

## Top 25 Holdings (Percentage of Net Asset Value)

SPDR Trust Series 1	3.1%
iShares MSCI EAFE Index Fund	2.7%
Cash and Cash Equivalents	2.7%
Microsoft Corporation	2.6%
Dell Inc.	2.4%
JPMorgan Chase & Co.	2.1%
Chesapeake Energy Corporation	1.9%
Honda Motor Co., Ltd.	1.9%
International Business Machines Corporation	1.8%
Samsung Electronics Co., Ltd. GDR	1.7%
The Williams Companies, Inc.	1.7%
Canon Inc.	1.6%
GameStop Corporation	1.6%
BP PLC ADR	1.5%
GlaxoSmithKline PLC	1.4%
Keyence Corporation	1.3%
Citigroup Inc.	1.3%
CNOOC Limited	1.2%
Bank of America Corporation	1.2%
ACE Limited	1.1%
Hannover Rueckversicherungs AG	1.1%
Royal Dutch Shell PLC Cl. B	1.0%
Exxon Mobil Corporation	0.9%
Pfizer Inc.	0.9%
Honeywell International Inc.	0.9%

International Equities	
Australia	2.4%
Austria	0.3%
Belgium	1.1%
Bermuda	0.4%
Brazil	0.8%
China	0.4%
Czech Republic	0.3%
Denmark	0.6%
France	2.9%
Germany	1.9%
Greece	0.1%
Hong Kong	3.1%
Ireland	0.9%
Israel	0.2%
Italy	0.5%
Japan	12.4%
Luxembourg	0.3%
Netherlands	1.7%
Singapore	0.9%
South Korea	2.4%
Spain	0.8%
Sweden	0.6%
Switzerland	3.3%
Thailand	0.9%
United Kingdom	7.9%
	47.1%
<b>Cash and Cash Equivalents</b>	<b>2.7%</b>

**Other Net Assets** 0.4%

**Total Net Assets** 100.0%

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.

