

MD Income & Growth Fund

Management Report of Fund Performance (December 31, 2011)

Series A, Series T and Series I

Investment Objectives and Strategies

The MD Income & Growth Fund (the "Fund") seeks to produce a high level of consistent income while providing long-term capital appreciation. The Fund invests primarily in high-quality dividend-producing common shares, preferred shares, income trusts, and other income-producing securities.

The Fund's Investment Advisors are Bissett Investment Management (Bissett), a division of Franklin Templeton Investments Corp., and Mackenzie Financial Corporation - Mackenzie Sentinel investment team managing the Fund's cash reserves.

The Bissett investment approach attempts to buy a stock before its price accelerates beyond the company's earning capabilities. They apply a "bottom-up" research strategy to identify companies with a history of sustainable, replicable growth.

The Fund may invest in non-Canadian securities and the Investment Advisor may move up to 25% of the Fund's assets into cash if adverse market conditions exist.

The Fund may not invest in companies that manufacture tobacco or tobacco-related products.

Risk

At times, a portfolio can be subject to any number of investment risks. The risk levels associated with the Fund have not changed since its inception. Descriptions of the investment risks associated with this Fund are detailed in the Simplified Prospectus.

Results of Operations

As part of the MD Physician Services Inc. investment management discipline, we carefully select and monitor the Investment Advisors to ensure the investment performance remains consistent with the long-term objectives of the Fund.

As of December 31, 2011, the Fund's asset allocation was 90% in dividend producing common equities, 3% preferred equities and 2% real estate income trusts, and the remainder in cash and cash equivalents.

For the year ended December 31, 2011, the Fund's Series A units returned 1.8%. On a relative basis Canadian equities declined significantly in the third quarter of 2011 amid renewed uncertainties surrounding the sustainability of the world economic recovery and concern over the European sovereign debt crisis. Canadian equities remained volatile through to the end of 2011.

The Fund's high dividend yield mandate was the primary source of positive returns for the year. During 2011, as compared to fixed income, dividend paying stocks were providing higher yields. Investors seeking higher yields were willing to pay a premium, as a result providing support to prices. In addition, equities paying higher yields were able to mitigate a portion of the volatility through dividend payments.

Consistent with its yield seeking investment mandate, the Fund maintained an average exposure of 40% to the Financials sector, while having no exposure to the Information Technology sector. Out of the nine industrial sectors represented in the portfolio, the Financials and Energy sectors received on average the highest portfolio

weighting, while the Health Care and Consumer Staples sectors received the lowest allocation. As a result of Energy having the second largest weight in the Fund and Telecoms outperforming all other sectors in the Fund, both Energy and Telecoms contributed the majority of positive returns. The Consumer Discretionary, Health Care, Industrials, and Materials contributed negatively to the Fund.

At December 31, 2011 the total net asset value of the Fund was \$206 million, an increase of 49% from the beginning of the year. The growth in net assets was largely attributable to the increase in contributions to the Fund and positive contributions from the results of operations of the Fund. Revenues were higher as a result of increased dividend income over the previous year. Expenses were also up as a result of the increase 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 Advisor has adhered to their investment discipline and portfolio strategies, and they are in line 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 Fund's units.

As Registrar, MD Physician Services Inc. keeps track of the owners of units 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 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 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.

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.



MD Income & Growth Fund

Management Report of Fund Performance (December 31, 2011)

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)

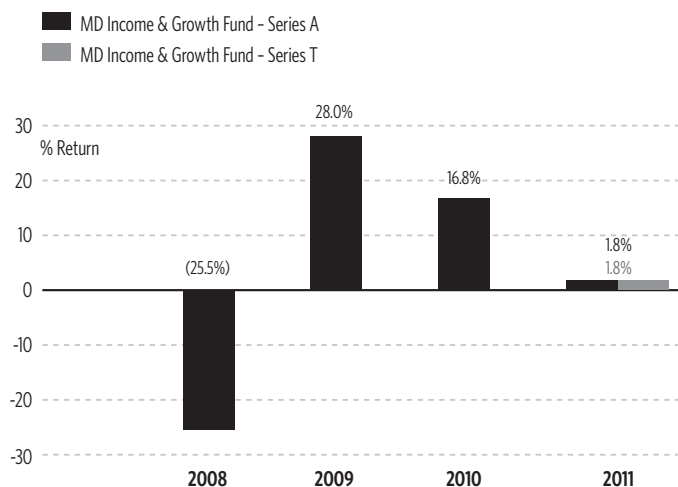
Financial Planning Services	38.2%
Investment management, administration and other	61.8%

Past Performance

The following bar chart shows the Fund's annual performance for the periods shown, and illustrates how the Fund's performance changed over time. 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 the 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



To date there have been no sales of the Series I units, hence no performance data is available.

Annual Compound Returns

The following table shows MD Income & Growth Fund's historical annual compound return for the one year and three year periods ended on December 31, and since inception, as compared to the return of the S&P/TSX Capped Composite Index.

	1 year	3 years	Since Inception
MD Income & Growth Fund - Series A	1.8%	15.0%	3.1%
MD Income & Growth Fund - Series T	1.9%	—	3.3%
S&P/TSX Capped Composite Index	-8.7%	13.2%	1.3%

*The Fund issued series A units on January 4, 2007 and series T units on November 22, 2010.

Management uses the S&P/TSX Composite Index as the benchmark for this Fund because it represents the aggregate common share returns of Canada's largest companies. Although index returns are hypothetical—as they do not reflect the true cost of owning or managing the underlying stocks—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 Advisor, and make changes if necessary.

The Fund outperformed the S&P/TSX Composite Index over the most recent one year period and since inception. The Fund's one year outperformance was primarily due to the performance in the Energy and Telecom sectors.

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 Income & Growth Fund

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 Unit¹

Series A	2011	2010	2009	2008	2007 ⁴
Net assets - beginning of the year	\$ 9.77	\$ 8.57	\$ 7.02	\$ 9.92	\$ 10.00
Increase (decrease) from operations:					
Total revenue	\$ 0.44	\$ 0.43	\$ 0.47	\$ 0.50	\$ 0.47
Total expenses	\$ (0.15)	\$ (0.14)	\$ (0.12)	\$ (0.14)	\$ (0.16)
Net realized gains (losses) for the year	\$ 0.05	\$ 0.11	\$ (0.38)	\$ (0.35)	\$ 0.07
Net unrealized gains (losses) for the year	\$ (0.22)	\$ 1.19	\$ 2.04	\$ (2.54)	\$ (0.62)
Total increase (decrease) from operations ²	\$ 0.12	\$ 1.59	\$ 2.01	\$ (2.53)	\$ (0.24)
Distributions:					
From income (excluding dividends)	\$ —	\$ —	\$ (0.12)	\$ (0.15)	\$ (0.11)
From dividends	\$ (0.16)	\$ (0.21)	\$ (0.20)	\$ (0.22)	\$ (0.13)
From capital gains	\$ —	\$ —	\$ —	\$ —	\$ (0.05)
Return of capital	\$ (0.01)	\$ —	\$ (0.05)	\$ (0.05)	\$ (0.03)
Total annual distributions ³	\$ (0.17)	\$ (0.21)	\$ (0.37)	\$ (0.42)	\$ (0.32)
Net assets - end of the year	\$ 9.78	\$ 9.77	\$ 8.57	\$ 7.02	\$ 9.92

Series T	2011	2010 ⁵
Net assets - beginning of the year	\$ 10.15	\$ 10.00
Increase (decrease) from operations:		
Total revenue	\$ 0.47	\$ 0.07
Total expenses	\$ (0.16)	\$ (0.01)
Net realized gains (losses) for the year	\$ 0.05	\$ —
Net unrealized gains (losses) for the year	\$ (0.54)	\$ 0.19
Total increase (decrease) from operations ²	\$ (0.18)	\$ 0.25
Distributions:		
From income (excluding dividends)	\$ —	\$ —
From dividends	\$ (0.13)	\$ —
From capital gains	\$ —	\$ —
Return of capital	\$ (0.52)	\$ (0.01)
Total annual distributions ³	\$ (0.65)	\$ (0.01)
Net assets - end of the year	\$ 9.69	\$ 10.15

¹ This information is derived from the Fund'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. Net assets per unit are presented for 2007 through 2011.

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 Fund, or both.

⁴ The results shown are for the period January 4 - December 31, 2007.

⁵ The results shown are for the period November 22 - December 31, 2010.

MD Income & Growth Fund

Management Report of Fund Performance (December 31, 2011)

Financial Highlights (continued)

Ratios and Supplemental Data

Series A	2011	2010	2009	2008	2007 ⁵
Total net asset value, end of the year ¹	\$ 205,858,293	\$ 138,530,774	\$ 38,454,653	\$ 20,008,627	\$ 21,919,419
Number of units outstanding	21,016,777	14,152,505	4,475,907	2,840,043	2,204,824
Management expense ratio ²	1.56%	1.54%	1.46%	1.42%	1.43%
Management expense ratio before tax	1.40%	1.41%	1.39%	1.35%	1.34%
Management expense ratio before waivers or absorptions	1.56%	1.54%	1.46%	1.53%	1.51%
Trading expense ratio ³	0.04%	0.10%	0.09%	0.08%	0.16%
Portfolio turnover rate ⁴	13.59%	17.86%	15.60%	17.09%	4.72%
Net asset value per unit	\$ 9.79	\$ 9.79	\$ 8.59	\$ 7.05	\$ 9.94

Series T	2011	2010 ⁶
Total net asset value, end of the year ¹	\$ 432,723	\$ 60,784
Number of units outstanding	44,576	5,980
Management expense ratio ²	1.57%	0.88%
Management expense ratio before tax	1.40%	0.80%
Management expense ratio before waivers or absorptions	1.57%	0.88%
Trading expense ratio ³	0.04%	0.10%
Portfolio turnover rate ⁴	13.59%	17.86%
Net asset value per unit	\$ 9.71	\$ 10.16

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

⁴ 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.

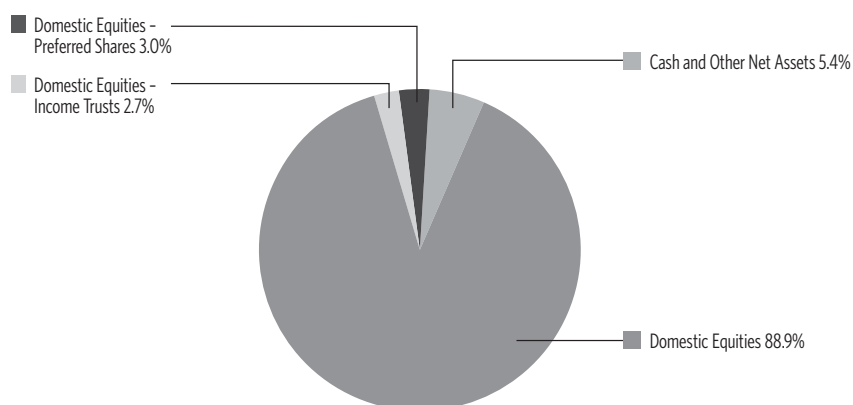
⁵ The results shown are for the period January 4 - December 31, 2007.

⁶ The results shown are for the period November 22 - December 31, 2010.

MD Income & Growth Fund

Summary of Investment Portfolio (December 31, 2011)

Net Asset Value: \$206.3 million



Portfolio Allocation

Domestic Equities

Consumer Discretionary	9.7%
Consumer Staples	0.5%
Energy	21.6%
Financials	31.3%
Health Care	0.6%
Industrials	5.7%
Materials	3.4%
Telecommunication Services	10.4%
Utilities	5.7%
Total	88.9%

Domestic Equities - Income Trusts

Energy	0.4%
Real Estate	2.3%
Total	2.7%

Domestic Equities - Preferred Shares

Total	3.0%
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Cash and Cash Equivalents

Total	5.0%
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Other Net Assets

Total	0.4%
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Total Net Assets

Total	100.0%
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Top 25 Holdings (Percentage of Net Asset Value)

Cash and Cash Equivalents	5.0%
The Bank of Nova Scotia	4.8%
Power Financial Corporation	4.6%
TransCanada Corporation	4.2%
Royal Bank of Canada	4.2%
Thomson Reuters Corporation	4.2%
The Toronto-Dominion Bank	3.9%
BCE Inc.	3.8%
Rogers Communications, Inc. Cl. B	3.6%
Enbridge Inc.	3.3%
IGM Financial, Inc.	3.2%
TMX Group Inc.	3.2%
Bank of Montreal	3.1%
Husky Energy Inc.	3.1%
TELUS Corporation Non-Voting	3.0%
Fortis, Inc.	2.9%
Canadian Imperial Bank of Commerce	2.7%
Groupe Aeroplan, Inc.	2.7%
Methanex Corporation	2.5%
Mullen Group Limited	2.5%
Canadian Utilities Limited Cl. A	2.5%
Russel Metals Inc.	2.1%
Crescent Point Energy Corp.	2.1%
Reitmans (Canada) Limited Cl. A	2.1%
Sun Life Financial Inc.	2.0%

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.



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