

# Annual Financial Statements (Audited)

## McLean Budden American Equity Fund

December 31, 2007

(in U.S. \$)

### STATEMENTS OF NET ASSETS

As at December 31st (in U.S. \$)

	2007	2006
<b>ASSETS</b>		
Investments, at fair value (Note 2)	\$ 651,892,648	\$ 612,815,944
Cash	192,050	794,353
Subscriptions receivable	190,197	23,691
Due from broker	—	2,028,180
Accrued interest and dividends receivable	577,105	451,180
	<u>652,852,000</u>	<u>616,113,348</u>
<b>LIABILITIES</b>		
Distributions payable	223,052	137,034
Accrued expenses	175,645	151,278
Redemptions payable	156,079	81,010
	<u>554,776</u>	<u>369,322</u>
<b>TOTAL NET ASSETS</b>	<b>\$ 652,297,224</b>	<b>\$ 615,744,026</b>
<b>UNITHOLDERS' EQUITY</b>		
Class A	\$ 91,080,802	\$ 78,189,165
Class B	249,487,663	247,596,077
Class C	311,728,759	289,958,784
	<u>\$ 652,297,224</u>	<u>\$ 615,744,026</u>
<b>UNITS OUTSTANDING (Note D)</b>		
Class A	2,593,673	2,345,547
Class B	6,975,458	7,296,586
Class C	8,736,801	8,551,030
	<u>18,305,932</u>	<u>18,193,163</u>
<b>NET ASSET VALUE PER UNIT</b>		
Class A US \$	\$ 35.12	\$ 33.34
Class B US \$	\$ 35.77	\$ 33.93
Class C US \$	\$ 35.68	\$ 33.91
Class A CDN \$	\$ 34.66	\$ 38.79
Class B CDN \$	\$ 35.30	\$ 39.49
Class C CDN \$	\$ 35.21	\$ 39.46
Investments, at average cost	\$ 565,352,456	\$ 536,114,052

### STATEMENTS OF OPERATIONS

For the year ended December 31st (in U.S. \$)

	2007	2006
<b>INCOME</b>		
Interest	\$ 1,079,684	\$ 900,733
Dividends	20,845,278	13,854,895
	<u>21,924,962</u>	<u>14,755,628</u>
Less: Foreign withholding taxes	1,718,368	1,386,181
	<u>20,206,594</u>	<u>13,369,447</u>
<b>EXPENSES (Note C)</b>		
Management fees	1,976,764	1,763,367
<b>NET INVESTMENT INCOME (LOSS)</b>	<b>18,229,830</b>	<b>11,606,080</b>
Net realized gain (loss) on sale of investments*	49,184,278	25,639,849
Transaction costs (Note 2)	(471,977)	—
Net change in unrealized appreciation (depreciation) of investments and foreign currency	10,130,853	41,869,115
<b>NET GAIN (LOSS) ON INVESTMENTS</b>	<b>58,843,154</b>	<b>67,508,964</b>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	<b>\$ 77,072,984</b>	<b>\$ 79,115,044</b>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER CLASS</b>		
Class A	\$ 8,490,670	\$ 10,012,362
Class B	\$ 28,221,206	\$ 35,126,285
Class C	\$ 40,361,108	\$ 33,976,397
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT (Note E)</b>		
Class A	\$ 3.60	\$ 4.16
Class B	\$ 4.24	\$ 4.79
Class C	\$ 4.01	\$ 4.75
<b>*NET REALIZED GAIN (LOSS) ON SALE OF INVESTMENTS</b>		
Cost of investments held at beginning of year <sup>^</sup>	\$ 516,755,275	\$ 435,834,408
Cost of investments purchased during the year <sup>^</sup>	265,389,269	225,922,836
	<u>782,144,544</u>	<u>661,757,244</u>
Investments at cost at end of the year <sup>^</sup>	549,430,310	516,877,484
Cost of investments sold during the year <sup>^</sup>	232,714,234	144,879,760
Proceeds from sale of investments <sup>^</sup>	<u>281,898,512</u>	<u>170,519,609</u>
<b>NET REALIZED GAIN (LOSS) ON SALE OF INVESTMENTS</b>	<b>\$ 49,184,278</b>	<b>\$ 25,639,849</b>

<sup>^</sup> Excludes short-term investments.

On behalf of the Manager, McLean Budden Limited.



Roger Beauchemin,  
Director



Brian Dawson,  
Director

**STATEMENTS OF CHANGES IN NET ASSETS**

For the year ended December 31st (in U.S. \$)

	Class A		Class B	
	2007	2006	2007	2006
NET ASSETS, BEGINNING OF YEAR (Note 2)	\$ 78,130,208	\$ 77,665,588	\$ 247,411,599	\$ 218,801,131
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	8,490,670	10,012,362	28,221,206	35,126,285
CAPITAL TRANSACTIONS				
Proceeds from issue of units	21,533,866	9,008,265	37,750,198	74,864,945
Distributions reinvested	4,498,055	1,836,479	14,846,668	8,398,262
Redemption of units	(16,878,521)	(18,418,248)	(63,670,503)	(81,054,701)
	9,153,400	(7,573,504)	(11,073,637)	2,208,506
DISTRIBUTIONS TO UNITHOLDERS (Note 3)				
Investment income	(1,705,918)	(738,415)	(6,974,263)	(4,857,402)
Realized gains	(2,987,558)	(1,176,866)	(8,097,242)	(3,682,443)
	(4,693,476)	(1,915,281)	(15,071,505)	(8,539,845)
NET ASSETS, END OF YEAR	\$ 91,080,802	\$ 78,189,165	\$ 249,487,663	\$ 247,596,077

	Class C		Total	
	2007	2006	2007	2006
NET ASSETS, BEGINNING OF YEAR (Note 2)	\$ 289,743,227	\$ 185,876,625	\$ 615,285,034	\$ 482,343,344
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	40,361,108	33,976,397	77,072,984	79,115,044
CAPITAL TRANSACTIONS				
Proceeds from issue of units	114,521,679	83,278,751	173,805,743	167,151,961
Distributions reinvested	31,070,552	10,586,099	50,415,275	20,820,840
Redemption of units	(132,854,179)	(13,172,989)	(213,403,203)	(112,645,938)
	12,738,052	80,691,861	10,817,815	75,326,863
DISTRIBUTIONS TO UNITHOLDERS (Note 3)				
Investment income	(9,288,514)	(6,283,263)	(17,968,695)	(11,879,080)
Realized gains	(21,825,114)	(4,302,836)	(32,909,914)	(9,162,145)
	(31,113,628)	(10,586,099)	(50,878,609)	(21,041,225)
NET ASSETS, END OF YEAR	\$ 311,728,759	\$ 289,958,784	\$ 652,297,224	\$ 615,744,026

McLean Budden American Equity Mutual Fund

**STATEMENTS OF INVESTMENT PORTFOLIO**

As at December 31, 2007 (in U.S. \$)

Par Value \$/ No. of Shares	Security	Issue	Total Cost	Fair Value
<b>SHORT-TERM INVESTMENTS (2007 – 2.45%; 2006 – 3.14%)</b>				
<b>CANADA GOVERNMENT GUARANTEED</b>				
500,000	Business Development Bank (US Pay)	4.080% February 12, 2008	\$494,050	\$497,410
8,000,000	Business Development Bank (US Pay)	4.013% March 13, 2008	7,909,920	7,929,040
4,000,000	Export Development Bank (US Pay)	4.201% February 19, 2008	3,958,920	3,975,840
			<u>12,362,890</u>	<u>12,402,290</u>
<b>TERM DEPOSITS</b>				
2,850,000	Royal Bank of Canada (US Pay)	3.750% January 02, 2008	2,850,000	2,850,000
700,000	Royal Bank of Canada (US Pay)	4.250% January 02, 2008	709,256	709,256
			<u>3,559,256</u>	<u>3,559,256</u>
	<b>TOTAL SHORT-TERM INVESTMENTS</b>		<b>15,922,146</b>	<b>15,961,546</b>
<b>EQUITIES (2007 – 97.55%; 2006 – 96.86%)</b>				
<b>U.S. EQUITIES</b>				
<b>ENERGY</b>				
200,000	Apache Corporation	Common	10,362,781	21,466,000
170,000	Peabody Energy Corporation	Common	7,946,015	10,456,700
240,000	Schlumberger Ltd.	Common	9,994,402	23,558,400
56,462	Transocean Sedco Forex Inc.	Common	413,788	8,079,712
135,000	Valero Energy Corporation	Common	4,340,453	9,439,200
			<u>33,057,439</u>	<u>73,000,012</u>
<b>MATERIALS</b>				
440,000	Alcoa Inc.	Common	12,100,878	16,068,800
130,000	Freeport-McMoRan Copper & Gold	Common	10,911,416	13,286,000
			<u>23,012,294</u>	<u>29,354,800</u>
<b>INDUSTRIALS</b>				
145,000	3M Company	Common	10,784,151	12,226,400
170,000	Avery Dennison Corporation	Common	9,579,210	9,016,800
225,000	Burlington Northern Santa Fe Corporation	Common	14,562,733	18,724,500
220,000	Caterpillar Inc.	Common	15,863,249	15,947,800
395,000	General Electric Company	Common	13,342,824	14,607,100
160,000	Honeywell International Inc.	Common	5,338,143	9,841,600
130,000	Tyco International Ltd.	Common	11,074,725	5,154,500
215,000	United Technologies Corporation	Common	9,626,070	16,428,150
			<u>90,171,105</u>	<u>101,946,850</u>
<b>CONSUMER DISCRETIONARY</b>				
195,000	PetSmart Inc.	Common	5,407,513	4,588,350
910,000	Time Warner Inc.	Common	15,998,986	14,987,700
320,000	Viacom Inc.	Class B	12,832,373	14,032,000
			<u>34,238,872</u>	<u>33,608,050</u>
<b>CONSUMER STAPLES</b>				
90,000	Altria Group Inc.	Common	4,323,031	6,796,800
200,000	Colgate Palmolive Company	Common	11,146,912	15,592,000
390,000	CVS Caremark Corporation	Common	12,296,541	15,471,300
300,000	Estée Lauder Company Inc.	Class A	11,823,300	13,083,000
380,000	Kraft Foods Inc.	Class A	11,582,733	12,380,400
170,000	PepsiCo Inc.	Common	9,427,313	12,877,500
260,000	SYSCO Corporation	Common	8,696,385	8,101,600
300,000	Wal-Mart Stores, Inc.	Common	14,282,464	14,250,000
			<u>83,578,679</u>	<u>98,552,600</u>

Number of Shares	Security	Issue	Total Cost	Fair Value
<b>HEALTH CARE</b>				
370,000	Boston Scientific Corporation	Common	\$11,421,375	\$4,292,000
245,000	Johnson & Johnson	Common	14,713,192	16,319,450
535,000	Pfizer Inc.	Common	16,433,256	12,144,500
350,000	Wyeth	Common	15,410,148	15,452,500
185,000	Zimmer Holdings Inc.	Common	12,233,983	12,213,700
			<u>70,211,954</u>	<u>60,422,150</u>
<b>FINANCIALS</b>				
320,000	American International Group Inc.	Common	21,181,575	18,617,600
370,000	Citigroup Inc.	Common	16,575,224	10,848,400
235,000	Federal National Mortgage Association	Common	14,330,748	9,378,850
55,000	Goldman Sachs Group, Inc.	Common	8,490,006	11,808,500
135,000	NASDAQ Stock Market, Inc.	Common	4,302,120	6,675,750
425,000	Wells Fargo & Company	Common	15,000,364	12,801,000
			<u>79,880,037</u>	<u>70,130,100</u>
<b>INFORMATION TECHNOLOGY</b>				
795,000	Cisco Systems Inc.	Common	17,768,180	21,520,650
190,000	Electronic Arts Inc.	Common	8,948,435	11,077,000
215,000	Hewlett Packard Company	Common	4,691,728	10,842,450
585,000	Intel Corporation	Common	12,896,158	15,590,250
165,000	MEMC Electronic Materials Inc.	Common	7,740,654	14,600,850
840,000	Microsoft Corporation	Common	22,752,647	29,895,600
595,000	Motorola Inc.	Common	11,174,854	9,543,800
470,000	Yahoo! Inc.	Common	13,122,716	10,908,700
			<u>99,095,372</u>	<u>123,979,300</u>
<b>TELECOMMUNICATION SERVICES</b>				
330,000	AT&T Inc.	Common	10,862,449	13,695,000
281,000	Verizon Communications Inc.	Common	9,706,226	12,262,840
			<u>20,568,675</u>	<u>25,957,840</u>
<b>UTILITIES</b>				
160,000	Exelon Corporation	Common	9,815,855	13,040,000
190,000	Northeast Utilities System	Common	6,115,265	5,939,400
			<u>15,931,120</u>	<u>18,979,400</u>
	<b>TOTAL U.S. EQUITIES</b>		<b>549,745,547</b>	<b>635,931,102</b>
	<b>ADJUSTMENTS FOR TRANSACTION COSTS (NOTE 2)</b>		<b>(\$315,237)</b>	
	<b>TOTAL INVESTMENTS IN U.S. DOLLARS</b>		<b>\$565,352,456</b>	<b>\$651,892,648</b>

# McLean Budden American Equity Mutual Fund

## Fund Specific Notes to the Financial Statements

As of December 31, 2007 and 2006

(These notes should be read along with the Generic Notes to the Financial Statements)

### A. ORGANIZATION

This McLean Budden Fund was established under the laws of the Province of Ontario by trust agreements between McLean Budden Limited ("MBL"), as Manager, and RBC Dexia Investor Services Trust, as Trustee, dated as follows:

	<b>Class A</b>	<b>Class B</b>	<b>Class C</b>
McLean Budden American Equity Fund ("American Equity Fund")	July 15, 1988	April 1, 2000	June 13, 2003

The Fund is authorized to issue an unlimited number of Class A, B and C units which rank equally in all respects on a pro-rata basis in the net assets of the Fund.

### B. INCOME TAX

The Fund is considered a mutual fund trust under the provisions of the Income Tax Act (Canada) and distributes all of its net income and net realized capital gains in order not to be subject to income taxes, other than foreign withholding taxes, if applicable.

### C. MANAGEMENT FEES AND OPERATING EXPENSES

The Fund is responsible for its management fee, for the cost of investments and related brokerage expenses and for any borrowing costs, bank charges, taxes and administrative expenses. Effective July 1, 1998 MBL assumed responsibility for payment of all of the administrative expenses of the Fund. MBL will continue to assume responsibility for payment of the administrative expenses until unitholders receive at least 60 days written notice of a change. Any costs associated with the Independent Review Committee required by National Instrument 81-107 will be shared among all mutual funds managed by MBL including the VMD - McLean Budden Funds offered under a separate prospectus, and the Fund.

For its services as Manager, MBL is entitled to an annual management fee for Class A units not exceeding 2.00%, excluding taxes, of the average net asset value of the Fund in the year. For 2007 and 2006, the actual fee was 1.25%.

A management fee of 0.25%, excluding taxes, is payable by each Class B unitholder in the Fund. In addition, holders of Class B units or an intermediary pay a management fee of up to a maximum of 1.50% directly to the Manager.

A management fee of 0.05%, excluding taxes, is payable by each Class C unitholder in the Fund. In addition, holders of Class C units or an intermediary pay a management fee of up to a maximum of 1.50% payable directly to the Manager.

### D. UNITHOLDERS' EQUITY

The Fund is authorized to issue an unlimited number of Class A, Class B and Class C units. Investors of each Class of units of the Fund are entitled to participate in the distribution of net income and net realized capital gains on a proportionate basis. Units are redeemable by the unitholder and entitle the holder to one vote for each whole unit held at a meeting of all unitholders of the Fund, except meetings of unitholders of a Class at which only unitholders of that Class are entitled to vote.

Units of the funds are issued and redeemed at the Transactional NAV per unit on the applicable trade date.

**D. UNITHOLDERS' EQUITY (continued)**

Unit transactions for Class A, Class B and Class C units for the year ended December 31 were as follows:

Fund	Units Outstanding Beginning of Year	Issued	Distributions Reinvested	Redemptions	Units Outstanding End of Year
<b>American Equity Fund</b>					
Class A 2007	2,345,547	591,370	127,925	(471,169)	2,593,673
Class A 2006	2,591,554	278,528	55,091	(579,626)	2,345,547
Class B 2007	7,296,586	1,034,539	414,571	(1,770,238)	6,975,458
Class B 2006	7,167,659	2,295,805	247,500	(2,414,378)	7,296,586
Class C 2007	8,551,030	3,163,624	540,570	(3,518,423)	8,736,801
Class C 2006	6,092,540	2,552,123	312,190	(405,823)	8,551,030

**E. 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 (decrease) in net assets from operations for the year divided by the average units outstanding during the year. The average number of units outstanding during the year was:

	2007	2006
Class A	2,358,031	2,404,756
Class B	6,654,094	7,331,494
Class C	10,067,795	7,156,730

**F. BROKERAGE FEES**

Commissions paid to dealers in connection with the purchase and sale of securities during the year were allocated by the Manager to the Fund of \$471,977 (2006 - \$432,807).

**G. RELATED PARTY TRANSACTIONS**

As at December 31, the following outstanding units of the Fund (Class A) were held by other McLean Budden Funds:

	Number of Units Held	
	2007	2006
McLean Budden Balanced Growth Fund	534,405	475,607
McLean Budden Canadian Equity Growth Fund	254,540	266,324
McLean Budden Canadian Equity Value Fund	100,025	132,141

**H. SOFT DOLLARS**

Soft dollars are a way for investment managers to pay through trading commissions for research related products and services that support the investment decision making process.

Effective January 1, 2007, the Manager does not earn or accumulate soft dollars and the Fund has not accumulated any soft dollar credits for 2007 (2006 - \$58,354).