

# Annual Financial Statements (Audited)

## McLean Budden Fixed Income Fund

December 31, 2007

### STATEMENTS OF NET ASSETS

As at December 31st

	2007	2006
<b>ASSETS</b>		
Investments, at fair value (Note 2)	\$ 123,162,894	\$ 130,912,384
Cash	257,366	139,470
Subscriptions receivable	261,225	340,908
Accrued interest receivable	1,197,166	1,306,730
	<u>124,878,651</u>	<u>132,699,492</u>
<b>LIABILITIES</b>		
Distributions payable	2,387	3,301
Accrued expenses	51,741	48,786
Redemptions payable	20,615	74,389
Due to brokers	—	992,033
	<u>74,743</u>	<u>1,118,509</u>
<b>TOTAL NET ASSETS</b>	<b>\$ 124,803,908</b>	<b>\$ 131,580,983</b>
<b>UNITHOLDERS' EQUITY</b>		
Class A	\$ 79,558,344	\$ 75,408,303
Class B	19,282,678	34,113,240
Class C	25,962,886	22,059,440
	<u>\$ 124,803,908</u>	<u>\$ 131,580,983</u>
<b>UNITS OUTSTANDING (Note D)</b>		
Class A	6,217,532	5,756,168
Class B	1,550,815	2,680,311
Class C	2,105,658	1,747,189
	<u>9,874,005</u>	<u>10,183,668</u>
<b>NET ASSET VALUE PER UNIT</b>		
Class A	\$ 12.80	\$ 13.10
Class B	\$ 12.43	\$ 12.73
Class C	\$ 12.33	\$ 12.63
Investments, at average cost	<u>\$ 122,317,469</u>	<u>\$ 127,921,744</u>

### STATEMENTS OF OPERATIONS

For the year ended December 31st

	2007	2006
<b>INCOME</b>		
Interest	\$ 6,511,831	\$ 5,858,476
	<u>6,511,831</u>	<u>5,858,476</u>
<b>EXPENSES (Note C)</b>		
Management fees	646,338	582,291
<b>NET INVESTMENT INCOME (LOSS)</b>	<b>5,865,493</b>	<b>5,276,185</b>
Net realized gain (loss) on sale of investments*	(1,327,284)	(596,365)
Net change in unrealized appreciation (depreciation) of investments and foreign currency	(2,077,943)	(324,972)
<b>NET GAIN (LOSS) ON INVESTMENTS</b>	<b>(3,405,227)</b>	<b>(921,337)</b>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	<b>\$ 2,460,266</b>	<b>\$ 4,354,848</b>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER CLASS</b>		
Class A	\$ 1,372,884	\$ 2,286,135
Class B	\$ 471,326	\$ 1,233,884
Class C	\$ 616,056	\$ 834,829
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT (Note E)</b>		
Class A	\$ 0.22	\$ 0.42
Class B	\$ 0.20	\$ 0.49
Class C	\$ 0.30	\$ 0.55
<b>*NET REALIZED GAIN (LOSS) ON SALE OF INVESTMENTS</b>		
Cost of investments held at beginning of year <sup>^</sup>	\$ 125,351,931	\$ 114,515,906
Cost of investments purchased during the year <sup>^</sup>	161,918,220	112,129,389
	<u>287,270,151</u>	<u>226,645,295</u>
Investments at cost at end of the year <sup>^</sup>	121,823,620	125,351,931
Cost of investments sold during the year <sup>^</sup>	165,446,531	101,293,364
Proceeds from sale of investments <sup>^</sup>	<u>164,119,247</u>	<u>100,696,999</u>
<b>NET REALIZED GAIN (LOSS) ON SALE OF INVESTMENTS</b>	<b>\$ (1,327,284)</b>	<b>\$ (596,365)</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

	Class A		Class B	
	2007	2006	2007	2006
NET ASSETS, BEGINNING OF YEAR (Note 2)	\$ 75,367,964	\$ 72,475,991	\$ 34,095,038	\$ 32,007,131
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	1,372,884	2,286,135	471,326	1,233,884
CAPITAL TRANSACTIONS				
Proceeds from issue of units	22,356,162	15,826,740	5,812,455	10,398,529
Distributions reinvested	3,007,594	2,531,146	1,256,547	1,427,174
Redemption of units	(19,224,296)	(14,816,057)	(21,083,472)	(9,503,365)
	6,139,460	3,541,829	(14,014,470)	2,322,338
DISTRIBUTIONS TO UNITHOLDERS (Note 3)				
Investment income	(3,321,964)	(2,895,652)	(1,269,216)	(1,450,113)
NET ASSETS, END OF YEAR	\$ 79,558,344	\$ 75,408,303	\$ 19,282,678	\$ 34,113,240

	Class C		Total	
	2007	2006	2007	2006
NET ASSETS, BEGINNING OF YEAR (Note 2)	\$ 22,047,660	\$ 15,194,225	\$ 131,510,662	\$ 119,677,347
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	616,056	834,829	2,460,266	4,354,848
CAPITAL TRANSACTIONS				
Proceeds from issue of units	8,543,544	7,842,149	36,712,161	34,067,418
Distributions reinvested	1,177,639	862,327	5,441,780	4,820,647
Redemption of units	(5,175,525)	(1,741,902)	(45,483,293)	(26,061,324)
	4,545,658	6,962,574	(3,329,352)	12,826,741
DISTRIBUTIONS TO UNITHOLDERS (Note 3)				
Investment income	(1,246,488)	(932,188)	(5,837,668)	(5,277,953)
NET ASSETS, END OF YEAR	\$ 25,962,886	\$ 22,059,440	\$ 124,803,908	\$ 131,580,983

**STATEMENTS OF INVESTMENT PORTFOLIO**

As at December 31, 2007

Par Value \$	Security	Issue	Total Cost	Fair Value
<b>SHORT-TERM INVESTMENTS (2007 – 0.40%; 2006 – 1.96%)</b>				
TREASURY BILLS				
200,000	Canada Treasury Bills	3.941% May 29, 2008	196,750	196,840
100,000	Farm Credit Canada	4.051% February 28, 2008	99,011	99,343
200,000	Farm Credit Canada	3.872% March 20, 2008	198,088	198,228
<b>TOTAL SHORT-TERM INVESTMENTS</b>			<b>493,849</b>	<b>494,411</b>
<b>BONDS (2007 – 99.60%; 2006 – 98.04%)</b>				
<b>FEDERAL GOVERNMENT BONDS</b>				
FEDERAL				
3,260,000	Government of Canada	4.250% September 1, 2008	3,263,037	3,266,650
3,185,000	Government of Canada	4.250% September 1, 2009	3,205,859	3,207,900
2,655,000	Government of Canada	4.000% September 1, 2010	2,637,803	2,666,788
1,565,000	Government of Canada	3.750% June 1, 2012	1,568,392	1,557,332
1,835,000	Government of Canada	4.500% June 1, 2015	1,857,833	1,899,409
2,490,000	Government of Canada	8.000% June 1, 2023	3,410,311	3,594,464
3,880,000	Government of Canada	8.000% June 1, 2027	5,378,521	5,871,759
3,505,000	Government of Canada	5.750% June 1, 2029	4,149,050	4,310,028
1,140,000	Government of Canada	5.750% June 1, 2033	1,398,764	1,434,211
5,630,000	United States Treasury	4.875% October 31, 2008	5,660,742	5,621,658
690,000	United States Treasury	4.125% May 15, 2015	708,246	694,352
725,000	United States Treasury	5.250% February 15, 2029	791,906	786,871
			<u>34,030,464</u>	<u>34,911,422</u>
GOVERNMENT GUARANTEED				
2,815,000	Canada Housing Trust	4.800% June 15, 2012	2,814,296	2,887,458
SOVEREIGN				
1,145,000	European Investment Bank (US Pay)	4.625% May 15, 2014	1,384,380	1,155,069
420,000	International Bank for Reconstruction & Development (US Pay)	4.750% February 15, 2035	459,427	404,182
			<u>1,843,807</u>	<u>1,559,251</u>
<b>TOTAL FEDERAL BONDS</b>			<b>38,688,567</b>	<b>39,358,131</b>
<b>PROVINCIAL BONDS</b>				
ONTARIO				
3,635,000	Province of Ontario	4.400% December 2, 2011	3,642,828	3,656,774
4,500,000	Province of Ontario	5.000% March 8, 2014	4,638,182	4,658,130
5,580,000	Province of Ontario	6.500% March 8, 2029	6,320,760	6,998,994
1,445,000	Province of Ontario	5.600% June 2, 2035	1,600,001	1,665,680
890,000	Province of Ontario	4.700% June 2, 2037	853,181	902,433
			<u>17,054,952</u>	<u>17,882,011</u>
QUEBEC				
4,205,000	Province of Quebec	5.500% December 1, 2014	4,501,652	4,466,383
1,250,000	Province of Quebec	6.000% October 1, 2029	1,396,262	1,464,188
560,000	Province of Quebec (US Pay)	4.600% May 26, 2015	635,892	557,109
			<u>6,533,806</u>	<u>6,487,680</u>
BRITISH COLUMBIA				
1,770,000	Province of British Columbia	4.700% December 1, 2017	1,763,593	1,805,772
1,140,000	Province of British Columbia	6.350% June 18, 2031	1,205,292	1,428,682
			<u>2,968,885</u>	<u>3,234,454</u>
MANITOBA				
1,555,000	Province of Manitoba	5.850% January 25, 2011	1,628,240	1,628,691
1,360,000	Province of Manitoba	4.700% September 22, 2017	1,354,601	1,383,215
			<u>2,982,841</u>	<u>3,011,906</u>
<b>TOTAL PROVINCIAL BONDS</b>			<b>29,540,484</b>	<b>30,616,051</b>
<b>MUNICIPAL BONDS</b>				
ONTARIO				
695,000	55 School Board Trust	5.900% June 2, 2033	729,419	806,527
<b>TOTAL MUNICIPAL BONDS</b>			<b>729,419</b>	<b>806,527</b>
<b>CORPORATE BONDS</b>				
CONSUMER STAPLES				
575,000	Loblaw Companies Ltd.	6.500% January 19, 2011	618,092	587,092
520,000	Loblaw Companies Ltd.	5.900% January 18, 2036	522,819	443,778
600,000	Thomson Corporation, The	5.200% December 1, 2014	619,068	593,436
			<u>1,759,979</u>	<u>1,624,306</u>
UTILITIES				
136,010	Alliance Pipeline	5.546% December 31, 2023	136,009	140,958
750,000	Consumers Gas	5.850% September 25, 2008	771,803	756,705
225,000	Consumers Gas	6.650% November 3, 2027	220,793	260,928
375,000	CU Inc.	6.145% November 22, 2017	375,000	409,733

Par Value \$	Security	Issue	Total Cost	Fair Value
505,000	CU Inc.	5.032% November 20, 2036	505,000	484,729
605,000	Enbridge Gas Inc.	5.210% February 25, 2036	604,177	587,891
320,000	Enbridge Pipelines Inc.	4.460% December 17, 2012	319,962	316,474
215,000	Gaz Metropolitan	6.950% November 2, 2009	215,123	223,439
235,000	Gaz Metropolitan	5.450% July 12, 2021	234,213	241,860
135,000	Gaz Metropolitan	7.050% October 30, 2030	134,781	165,426
530,000	Hydro One Inc.	5.770% November 15, 2012	561,174	554,258
200,000	Hydro One Inc.	6.930% June 1, 2032	203,259	247,130
800,000	Slumberland Canada Ltd.	5.140% July 12, 2010	799,864	800,736
580,000	TransCanada PipeLine	5.100% January 11, 2017	581,285	578,904
			<u>5,662,443</u>	<u>5,769,171</u>
<b>FINANCIALS</b>				
845,000	Bank of America Corporation <sup>†</sup>	4.810% June 1, 2016	846,555	831,058
925,000	Bank of America	5.450% September 17, 2014	924,149	926,526
1,190,000	Bank of Montreal	5.040% September 4, 2012	1,189,798	1,184,550
590,000	Bank of Montreal <sup>†</sup>	5.200% June 21, 2017	589,976	588,012
800,000	Bank of Montreal	5.450% July 17, 2017	799,632	800,352
1,045,000	Bank of Nova Scotia	4.930% June 8, 2010	1,043,245	1,048,166
1,640,000	Bank of Nova Scotia	4.560% October 30, 2013	1,649,766	1,599,574
600,000	Bear Stearns Co Inc.	4.350% July 20, 2012	578,596	582,354
1,565,000	CIBC	5.000% September 10, 2012	1,549,706	1,543,919
1,595,000	CIBC	4.950% September 2, 2010	1,616,245	1,586,929
750,000	CIBC <sup>†</sup>	3.750% September 9, 2015	733,980	721,305
850,000	Cards II Trust	3.869% October 15, 2010	850,000	823,761
500,000	Citigroup Financial Canada <sup>†</sup>	4.650% June 21, 2011	499,870	492,855
700,000	Citigroup Inc. <sup>†</sup>	5.160% May 24, 2027	699,566	609,504
800,000	Citigroup Inc.	5.365% March 6, 2036	800,000	664,912
605,000	DaimlerChrysler Canada	4.980% December 1, 2008	604,952	604,758
1,000,000	GE Capital Funding Canada	4.750% May 2, 2011	998,680	994,420
720,000	GE Capital Funding Canada	4.650% February 11, 2015	695,822	700,229
1,215,000	Genesis Trust	4.245% September 15, 2011	1,215,000	1,178,805
535,000	Goldman Sachs Group, Inc.	4.800% June 1, 2011	534,540	526,039
945,000	Goldman Sachs Group, Inc.	5.200% April 19, 2022	943,101	891,428
1,055,000	Great West Life Company <sup>†</sup>	5.691% June 21, 2067	1,055,000	1,045,894
750,000	Honda Canada Financial Inc.	5.307% November 30, 2010	750,000	749,048
840,000	HSBC Bank of Canada	3.500% September 2, 2008	839,782	832,919
570,000	HSBC Bank of Canada <sup>†</sup>	4.940% March 16, 2021	569,641	545,735
835,000	HSBC Finance	4.350% October 6, 2011	833,848	803,237
545,000	JP Morgan Chase & Company	5.058% February 22, 2016	545,000	522,535
795,000	Manulife Bank	4.190% December 9, 2010	793,688	783,647
1,250,000	Master Credit Card Trust ABS	4.444% November 21, 2011	1,250,000	1,219,962
830,000	Merrill Lynch & Company	4.500% January 30, 2012	829,261	780,723
1,215,000	Merrill Lynch & Company <sup>†</sup>	5.290% May 30, 2022	1,214,259	1,083,987
425,000	Morgan Stanley	4.900% February 23, 2017	384,618	386,818
545,000	National Bank of Canada <sup>†</sup>	4.700% November 2, 2020	541,259	494,964
1,070,000	National Bank of Canada <sup>†</sup>	4.456% November 2, 2016	1,070,000	1,025,434
455,000	Power Financial Corporation	6.900% March 11, 2033	521,149	534,630
790,000	RBC Capital Trust	4.870% December 31, 2015	749,421	748,865
1,545,000	Royal Bank of Canada	5.130% September 27, 2010	1,544,753	1,556,478
810,000	Royal Bank of Canada	5.200% August 15, 2012	813,596	816,901
190,000	Royal Bank of Canada	4.920% July 6, 2011	189,983	189,930
810,000	Royal Bank of Canada <sup>†</sup>	5.450% November 4, 2018	824,473	820,303
1,930,000	Toronto Dominion Bank <sup>†</sup>	4.317% January 18, 2016	1,930,863	1,893,118
1,135,000	Toronto Dominion Bank	5.141% November 19, 2012	1,135,000	1,140,981
1,215,000	Toronto Dominion Bank			
	Reset Notes	5.763% December 18, 2017	1,214,949	1,210,359
295,000	VW Credit Canada Inc.	4.830% September 22, 2008	294,882	294,876
1,475,000	Wells Fargo Financial Canada	4.450% February 28, 2011	1,466,165	1,451,356
1,665,000	Wells Fargo Financial Canada	4.380% June 30, 2015	1,660,668	1,573,109
			<u>42,385,437</u>	<u>41,405,265</u>
<b>REVENUE</b>				
830,000	407 International Inc.	4.900% October 4, 2010	829,585	834,573
805,000	407 International Inc.	6.470% July 27, 2029	881,722	915,873
270,000	NAV Canada	4.428% February 24, 2011	270,000	268,726
			<u>1,981,307</u>	<u>2,019,172</u>
<b>COMMERCIAL MORTGAGE BACKED SECURITIES</b>				
970,000	Merrill Lynch Financial Asset Inc.	4.471% November 12, 2008	736,538	736,851
385,000	Real Estate Liquidity Trust	4.274% December 12, 2014	339,446	333,009
			<u>1,075,984</u>	<u>1,069,860</u>
<b>TOTAL CORPORATE BONDS</b>			<b>52,865,150</b>	<b>51,887,774</b>
<b>TOTAL BONDS</b>			<b>121,823,620</b>	<b>122,668,483</b>
<b>TOTAL INVESTMENTS</b>			<b>\$122,317,469</b>	<b>\$123,162,894</b>

<sup>†</sup> Fixed/Floating

# McLean Budden Fixed Income 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 Fixed Income Fund (“Fixed Income Fund”)	July 15, 1988	April 1, 2000	April 1, 2004

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. As at December 31, 2007, the Fund has accumulated net realized capital losses available for utilization against net realized gains for tax purposes in future years of \$1,480,397 (2006 - \$503,075). Capital losses may be carried forward indefinitely.

### 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 1.00%, excluding taxes, of the average net asset value of the Fund in the year. For 2007 and 2006, the actual fee was 0.65%.

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>Fixed Income Fund</b>					
Class A 2007	5,756,168	1,721,855	235,408	(1,495,899)	6,217,532
Class A 2006	5,492,045	1,207,146	195,968	(1,138,991)	5,756,168
Class B 2007	2,680,311	462,194	101,224	(1,692,914)	1,550,815
Class B 2006	2,496,490	821,240	113,785	(751,204)	2,680,311
Class C 2007	1,747,189	682,812	95,658	(420,001)	2,105,658
Class C 2006	1,194,576	621,484	69,283	(138,154)	1,747,189

**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	6,249,499	5,444,798
Class B	2,332,835	2,543,490
Class C	2,065,745	1,517,189

**F. RELATED PARTY TRANSACTIONS**

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

	Number of Units Held	
	2007	2006
McLean Budden Balanced Value Fund	539,143	544,068
VMD - McLean Budden LifePlan™ 2010 Fund	292,239	82,779
VMD - McLean Budden LifePlan™ 2020 Fund	190,133	88,495
VMD - McLean Budden LifePlan™ 2030 Fund	6,611	—
VMD - McLean Budden LifePlan™ Retirement Fund	356,997	168,050