

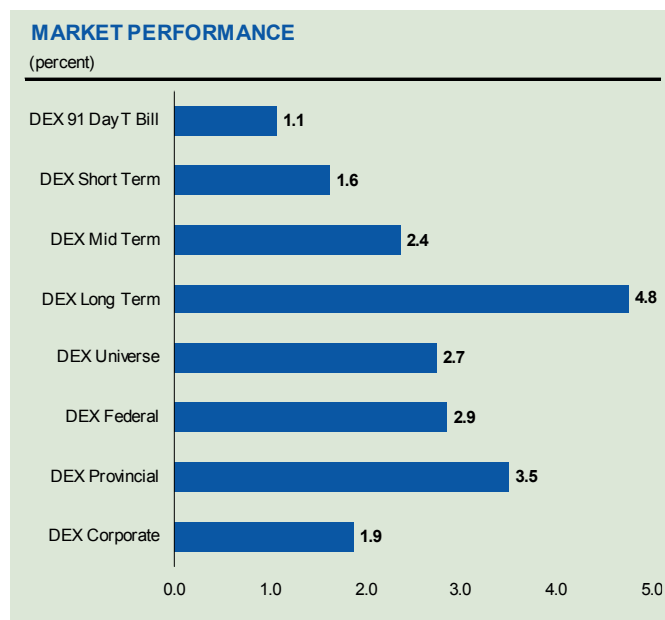
MB Select Fixed Income Fund

Concern over slowing growth builds

Interest rates fell as concerns grew over further economic slowdown in the U.S. Worries also rose over the full extent of losses facing financial institutions exposed to subprime mortgages and other financial derivatives.

INVESTMENT PROCESS

- **Proprietary strategic and tactical models**
- **Moderate duration adjustments with a long-term focus**
- **Optimized yield using high-quality corporates and provincials**
- **Formal weekly team meetings**
- **Risk controls: duration, mid-term, credit sector and quality, U.S. pay bonds**



LONG-TERM PERFORMANCE

	3mo	1yr	2yrs	3yrs	4yrs	5yrs	7yrs
Total Port	2.5	2.5	3.3	4.3	5.1	5.4	6.2
Benchmark*	2.7	3.7	3.9	4.7	5.3	5.6	6.4

*DEX Universe

PERFORMANCE:

FINANCIAL BONDS' UNDERPERFORMANCE NEGATES BENEFITS FROM OTHER STRATEGIES

The portfolio's return slightly lagged the Index for the quarter due primarily to the underperformance of corporate bonds, particularly financial issues. The benefit of maintaining a long duration position earlier in the quarter was a positive contributor to performance, as rates declined. The U.S. pay position also added value, as it outperformed Canadian bonds.

STRATEGY:

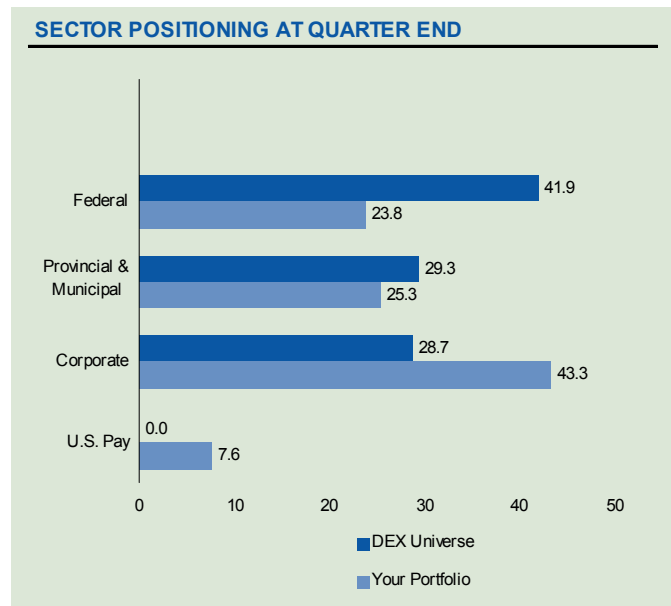
DURATION TRIMMED AS RATES DECLINE

Duration and Maturity Profile

The portfolio's duration target began the quarter 0.6 of a year longer than the DEX Universe Index. With the decline in interest rates, the bond market has priced in high expectations for further easing by the Bank of Canada. Accordingly, the long duration position was reduced considerably to end the quarter 0.3 of a year shorter than the Index.

Sector Profile

Financial bond spreads have widened to unprecedented levels, which signify that corporate bonds offer tremendous value. We added 3% to our corporate holdings with purchases of 3-year Honda Canada Finance Inc., and 5-year CIBC and TD Bank notes thereby moving us close to the maximum 45% weight. Our U.S. pay holdings target increased 0.5%, to 7.5%, with the market movement in the Canadian dollar (C\$). We believe the C\$ has peaked and, on a currency-adjusted basis, U.S. pay bonds should outperform Canadian pay holdings.



MB Select Fixed Income Fund continued

FIXED INCOME DETAILS (PERCENT)

	Fixed Income Portfolio 9/30/07	Fixed Income Portfolio 12/31/07	DEX Universe 12/31/07
Sector Distribution			
Short Term & Cash	0.2	0.3	0.0
Federal	28.1	23.8	41.9
Provincial & Municipal	25.2	25.2	29.3
Corporate	39.6	43.1	28.8
U.S. Pay	6.9	7.6	0.0
Total	100.0	100.0	100.0
Maturity Profile			
Less than 3 years	14.2	22.8	20.8
3 to 10 years	51.8	48.8	49.0
Over 10 years	34.0	28.4	30.2
Total	100.0	100.0	100.0
Yield	4.82	4.67	4.52
Duration (years)	7.11	6.45	6.73