

MB Short-Term Fixed Income Fund

Concern over slowing growth builds

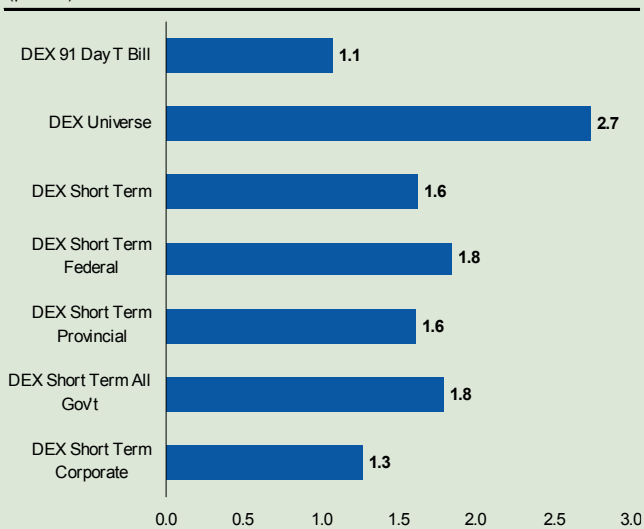
Interest rates fell as concerns grew over further economic slowdown in the U.S. Worries also rose over the full extent of losses facing financial institutions exposed to subprime mortgages and other financial derivatives.

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**

MARKET PERFORMANCE

(percent)



LONG-TERM PERFORMANCE

	3mo	1yr	2yrs
Total Port	1.5	3.4	3.7
Benchmark*	1.6	4.1	4.0

*DEX Short Term

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

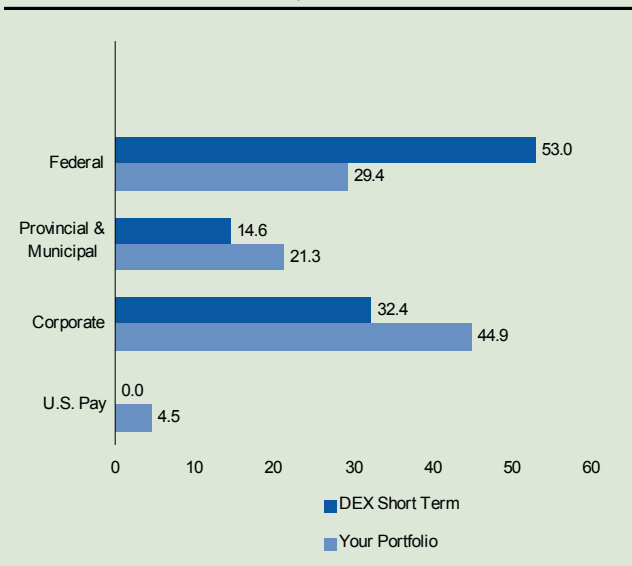
Duration and Maturity Profile

The portfolio's duration target began the quarter 0.3 of a year longer than the DEX Short Term Index. With the decline in interest rates throughout the quarter, 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 0.2 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. New corporate additions included 5-year CIBC and 3-year Honda Canada Finance, resulting in a 2% addition to the corporate weight. The U.S. pay position target ended the period at 4.5%. We believe the Canadian dollar has peaked and, on a currency-adjusted basis, U.S. pay bonds should outperform Canadian pay holdings.

SECTOR POSITIONING AT QUARTER END



MB Short-Term Fixed Income Fund continued

FIXED INCOME DETAILS (PERCENT)

	Fixed Income Portfolio 9/30/07	Fixed Income Portfolio 12/31/07	DEX Short Term 12/31/07
Sector Distribution			
Short Term & Cash	0.1	0.1	0.0
Federal	31.8	29.3	53.0
Provincial & Municipal	21.3	21.3	14.6
Corporate	42.9	44.8	32.4
U.S. Pay	3.9	4.5	0.0
Total	100.0	100.0	100.0
Maturity Profile			
Less than 2 years	26.8	35.1	22.5
2 to 4 years	44.0	39.6	48.2
Over 4 years	29.2	25.3	29.3
Total	100.0	100.0	100.0
Yield	4.62	4.49	4.36
Duration (years)	3.06	2.75	2.95