

MB Select Pooled Funds

Socially responsible investing



MCLEAN BUDDEN

McLean Budden is one of Canada's oldest investment management firms with over \$43 billion dollars of pension, endowment, institutional and personal portfolio funds under administration.

We are owned jointly by our investment professionals and Sun Life Financial. The average investment experience of McLean Budden partners is seventeen years and each partner has been chosen for their outstanding research, investment management and client service skills. McLean Budden has always stressed the importance of a high staffing level to ensure superior investment research, establish long run succession planning and facilitate the firm's growth.

McLean Budden manages a variety of Canadian equity, American equity, EAFE equity, global equity fixed income and balanced mandates. We are able to successfully implement our investment philosophy over time and across accounts by emphasizing team research, portfolio construction and service.

Developing strong relationships with our clients is a priority

SELECT FUND SCREENING

Many individuals and organizations have retained McLean Budden for their long-established investment expertise and some have expressed a desire to screen their portfolios to reflect their investment restrictions. In response, we created the MB Select Funds. The Select Funds are screened versions of existing pooled funds. The screens applied are:

- Eligible companies may not derive more than 10% of their gross annual revenue from the manufacture and sale of tobacco products, alcoholic beverages, armaments and pornography, nor from the provision of gaming facilities.
- Companies with significant operations and/or suppliers not adhering to local employment standards, and not addressing the issue, will be ineligible.
- Companies whose negative impact on the environment is greater than the average of their peers will be ineligible.

In addition to its own research, McLean Budden also applies "social research" provided to us by Jantzi Research Inc., KLD Research & Analytics Inc. and SiRi Company Inc., the world's largest independent provider of SRI research.

MB SELECT POOLED FUNDS

[MB Select Canadian Equity Fund](#)

[MB Select Global Equity Fund](#)

[MB Select Fixed Income Fund](#)

[MB Select Balanced Fund](#)

All funds are eligible for taxable and non-taxable portfolios.

MB Select Pooled Funds

MB SELECT BALANCED FUND

Our principles of balanced fund investment are:

- To add value in the management of each asset category
- To add value and lessen volatility through disciplined asset mix management
- To adhere to the long-term objectives of the fund, including the application of our social screens.

We believe superior equity investments are, over time, the largest potential source of “added value” to a fund. Our equity management focuses on security selection to add most of the value. Companies with earnings stability, strong management teams and sound balance sheets are emphasized.

Fixed income management emphasizes consistent income using a diversified strategy. Through moderate term and sector adjustments the bond portfolio is managed with an objective of outperforming the benchmark index while maintaining a low credit risk profile.

Asset mix management adds value and complements our proven skills in asset class management. Equity content ranges within six percent of the fund’s benchmark while bond content will vary within ten percent of the benchmark allocation. Cash is viewed as a separate asset class and is raised within the fund when the desired commitment to equities and/or bonds is low.

Asset Class	Benchmark	Benchmark Weight %	Normal Range of Fund %
Equities		60	54-66
Canadian	BMO/TSX Comp.CAP 10%	30	25-35
Global	MSCI World (Cdn\$)	30	25-35
Bonds	DEX Universe	35	25-45
Cash	91-Day T-Bills	5	0-15

MB SELECT CANADIAN EQUITY FUND

McLean Budden’s Select Canadian Equity portfolio adheres to a “core” approach where the overall portfolio is well diversified and relatively style neutral. The Core Team incorporates elements from separately managed growth and value portfolios to create a portfolio of 60 to 80 securities. Industry and economic sector ranges, or risk controls, are applied to ensure the construction of a well-diversified core portfolio. Security selection is biased towards large cap companies, primarily selected from the 100 largest companies in the S&P/TSX Composite Index.

Diversification is achieved by operating within defined ranges on an industry as well as a broader economic sector (Consumer, Basic Industries and Interest Sensitive) basis. Key diversification risk controls are reviewed at least on a weekly basis by the Core Team and include:

Industry Exposure:	50% - 150% of the BMO/TSX Comp. CAP 10% Index weight or \pm 5%
Economic Sector:	75% - 125% of the BMO/TSX Comp. CAP 10% Index weight or \pm 10%
Single Stock Weight:	BMO/TSX Comp. CAP 10% Index weight \pm 3%

McLean Budden stresses fundamental research as the primary method of adding value. Fundamental research includes:

- performing original research
- evaluating external research
- attending industry conferences
- interviewing management

Growth stocks are typically evaluated and weighted based on prospective earnings growth and return on equity. Value stocks are assessed not only on a relative value basis, but also on the presence of a catalyst for change (eg. new management, improving commodity prices, etc.). All stocks are screened for strong balance sheets and the strength of management is assessed by regular company interviews with senior management.

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MB SELECT GLOBAL EQUITY FUND

McLean Budden's Select Global Equity portfolio is managed by a team which focuses on large-cap multi-national stocks. Research is organized across global industry lines. While the process focuses on selecting specific companies, stock selection is also influenced by the desired weightings in broad market sectors. The majority of positions are companies with multi-national and multi-currency operations. The portfolio holds 80 to 100 positions with individual security weights equal to their weight in the MSCI World Index \pm 3%.

McLean Budden stresses fundamental research as a primary method of adding value. The Global equity team and our research analysts are responsible for:

- performing original research
- evaluating external research
- attending industry conferences
- interviewing management

Our fundamental research focuses on several key criteria including:

- earnings growth and stability
- management quality
- financial strength
- business potential
- return on equity

Broad economic sector commitments will range from 75%-125% of their weight in the MSCI World Index or \pm 10%. The sectors are defined as Consumer, Basic Industries and Interest Sensitive.

Similarly, risk control parameters for major geographic regions are 75 to 125% of their weight in the MSCI World Index. The regions are U.S., Japan, Continental Europe, U.K., and Rest of World.

MB SELECT FIXED INCOME FUND

McLean Budden practices active bond management strategies within a strict risk-control and screening regimen. Employing a number of strategies allows us to add value for our clients throughout the entire market cycle.

The Fixed Income Team formulates investment intentions based on the six to twelve month outlook for inflation and interest rates. Our strategy is based on analyzing economic and financial market research and evaluating the views of both the Asset Mix and Equity Teams. The process produces targets for duration, credit and sector weightings and U.S. pay commitments.

The key criteria in our decision making include:

- inflation and inflation expectations
- monetary policy
- economic growth expectations
- spread premiums
- shape of the yield curve
- credit analysis of specific issuers

Portfolio yield is increased through higher commitments to provincial and corporate bonds. Credit risk is controlled by maintaining a lower duration for higher credit risk issues, thus reducing price volatility in the event that credit spreads change. Further, corporate bonds are restricted to a credit rating of "A" or better. Higher percentage allocations are typically made to regulated industries such as banks and utilities.

We actively manage duration, or interest rate exposure. However, we strictly control the amount of risk by restricting the duration range to between 75% and 125% of the DEX Universe Index's duration.

Sector commitments are determined by the absolute yield spreads between various categories as well as the trend in spreads over an economic cycle.

Operational ranges are as follows:

	MB Ranges as % of DEX Universe
Federal	60-125
Provincial/Corporate	75-150
U.S. Pay	Maximum 10%

Performance

The MB Select Funds were established in September 2000.

Periods Ending December 31

ANNUAL (%)	2006	2005	2004	2003	2002	2001
MB Select Balanced	12.7	10.9	8.5	13.7	-5.2	2.7
Balanced Benchmark ¹	12.5	12.0	9.5	13.7	-6.2	-2.4
MB Select Canadian Equity	18.3	21.1	12.1	26.0	-7.9	2.9
BMO/TSX Comp. CAP 10% Index	17.3	24.1	14.5	26.7	-12.4	-8.7
MB Select Global Equity	19.0	6.2	5.8	8.3	-18.9	-8.5
MSCI World Index	20.6	6.6	7.3	9.4	-20.2	-11.4
MB Select Fixed Income	4.0	6.3	7.6	6.4	7.8	8.5
DEX Universe	4.1	6.5	7.2	6.7	8.7	8.1

Periods Ending December 31, 2006

ANNUALIZED (%)	1 YR	2 YR	3 YR	4 YR	5 YR	6 YR
MB Select Balanced	12.7	11.8	10.7	11.4	7.9	7.0
Balanced Benchmark ¹	12.5	12.3	11.3	11.9	8.0	6.2
MB Select Canadian Equity	18.3	19.7	17.1	19.3	13.2	11.5
BMO/TSX Comp. CAP 10% Index	17.3	20.6	18.6	20.5	13.1	9.1
MB Select Global Equity	19.0	12.4	10.1	9.7	3.3	1.2
MSCI World Index	20.6	13.4	11.3	10.8	3.8	1.1
MB Select Fixed Income	4.0	5.2	6.0	6.1	6.4	6.8
DEX Universe	4.1	5.3	5.9	6.1	6.6	6.9

¹ Balanced Benchmark: 30% BMO/TSX Comp. CAP 10% + 30% MSCI World + 35% DEX + 5% 91 Day T-Bill

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