

MB American Equity Fund

U.S. equities led performance

The volatile recovery in global equity markets from the dismal performance in the third quarter was led mainly by U.S. equities, which benefited from continued strength in corporate earnings and improving economic data.

INVESTMENT PROCESS

- Global sector-based research
- Bottom up fundamental research
- Efficient team-based decisions
- Targeted stock weights
- Risk controls: industry sectors, single security

LONG-TERM PERFORMANCE (includes cash)

	3mo	1yr	2yrs	3yrs	4yrs	5yrs	7yrs	10yrs
Total Port	8.6	-2.2	1.2	4.7	-2.8	-3.1	0.2	-0.6
Benchmark*	9.5	4.4	6.9	7.3	-0.9	-2.9	0.2	-1.6

*S&P 500

PERFORMANCE:

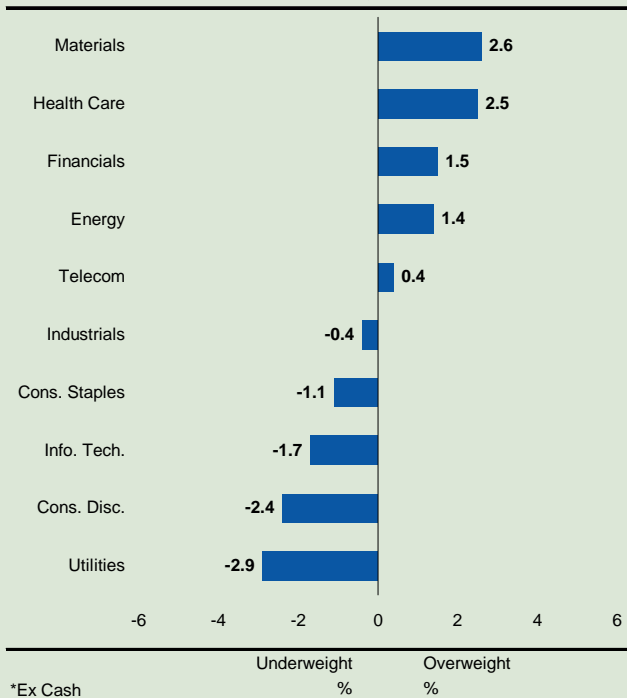
UNDERPERFORMANCE DURING A POSITIVE BUT VOLATILE QUARTER

The portfolio lagged the S&P 500 Index for the quarter. Industry sector allocation was a positive factor due primarily to an underweight in the relatively weak utilities sector. Stock selection produced mixed results as strong contributions in the health care (Merck, Pfizer), information technology (Nuance Communications, Hewlett-Packard) and materials (International Paper, Freeport-McMoRan) sectors were offset by weak performance in energy (Peabody Energy, Transocean) and financials (Bank of America, Goldman Sachs). Other top relative contributors included holdings of beauty products maker Estée Lauder and retailer Wal-Mart.

DIVERSIFICATION

	Portfolio		S&P 500	
	09/30/11	12/31/11	09/30/11	12/31/11
Materials	5.0 %	5.8 %	3.4 %	3.5 %
Health Care	14.2	13.8	12.1	11.9
Energy	12.1	13.1	11.6	12.3
Financials	15.1	14.2	13.6	13.4
Telecom	4.3	3.5	3.3	3.2
Industrials	10.1	9.9	10.3	10.7
Cons. Staples	10.4	9.9	11.7	11.5
Info. Tech.	18.1	16.5	19.4	19.0
Cons. Disc.	8.4	7.9	10.7	10.7
Utilities	1.1	1.0	4.0	3.9
Cash	1.4	4.4	0.0	0.0
Total	100.0 %	100.0 %	100.0 %	100.0 %

PORTFOLIO VS BENCHMARK AT QUARTER END*



STRATEGY:

POSITIONED FOR LONG-TERM GROWTH

The portfolio currently favours exposure to industry-leading companies with sustainable earnings growth and strong balance sheets in the materials and health care sectors. Utilities and consumer discretionary remain the most significantly underweight positions, relative to the Index.

ACTIVITY:

RE-POSITIONING ACROSS SEVERAL SECTORS

New Holding(s) Transocean	Holding(s) Eliminated Electronic Arts
Notable Increase(s) CME Group	Notable Decrease(s) Goldman Sachs Boeing General Dynamics International Paper Estée Lauder Yum! Brands Exxon Mobil

NEW HOLDING(S):

RE-INTRODUCED A POSITION IN TRANSOCEAN

The team re-introduced a position in **Transocean**, an offshore deep water oil driller, after the company's shares basically halved due to concerns over the Gulf of Mexico liability from the Macondo Deep Horizon oil spill. Any liability from the spill appears to be priced into the stock. While possibly early on this name, the team believes the stock – which has an 8% dividend yield – is at or close to its lows and a recovery should be close at hand.

HOLDING(S) ELIMINATED:

SOLD ELECTRONIC ARTS

The position in **Electronic Arts** was sold on recent strength on the basis that the company lacks momentum in their product development. In addition, the video-game maker is more heavily reliant on sports games which are most popular with the youth market, a segment where the team feels less comfortable.

NOTABLE INCREASE(S):

POTENTIAL FOR BETTER RISK-ADJUSTED RETURN

CME Group was increased during the quarter. The company trades at an attractive valuation and does not face the same balance sheet risks as other financials names such as Goldman Sachs.

NOTABLE DECREASE(S):

TRIMMING ON RECENT STRENGTH

Based on continued concerns in Europe, the weighting in **Goldman Sachs** was reduced. The company has a more heavily exposed balance sheet to counter-party risk in the ongoing sovereign debt crisis versus other financials. Goldman Sachs is also facing continued regulatory pressure.

The team also reduced positions in **Boeing** and **General Dynamics**, helping to lessen the portfolio's relatively large exposure to aerospace.

Positions in other companies were trimmed on recent strength, notably **International Paper**, **Estée Lauder**, **Yum! Brands**, and **Exxon Mobil**.