MB Balanced Growth Pension Fund

Modest Equity Overweight Maintained

The equity target weight remained slightly above the benchmark while the bond target moved to a larger underweight as downside risks to the economy appear largely reflected in relative asset valuations. We remain underweight cash as rates are near historic lows.

INVESTMENT PROCESS

Equities

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

Risk controls: asset mix and underlying portfolios

All decisions are team-based

COMPOSITION

This Fund Contains:

- **Canadian Equities (Segregated)**
- **Global Equities (Pooled)**
- **Fixed Income (Pooled)**
- **Money Market (Segregated)**

MFS McLean Budden's Asset Mix View

Global economic growth remains constrained by a multi-year process of private and public sector de-leveraging in advanced economies. Fresh headwinds to growth are emanating from Europe's sovereign debt crisis, with the region in recession and financial market contagion a possibility. On the positive side, world central bankers continue to prime the liquidity pump and the U.S. economy finished the year with considerable momentum. While downside risks to the growth and profit outlook remain, we believe that relative asset class valuations more than reflect these risks. We maintained our relative overweight target for equities and increased our underweight target on bonds, raising cash to a slightly smaller underweight. Within equities, we prefer foreign stocks over Canadian equities.

ASSET ALLOCATION

	Policy Asset Mix (%)	Sep 30/11	Dec 31/11
Cash & Equivalents*	5.00	4.42	5.80
Fixed Income**	35.00	35.10	32.63
Total Cash & Fixed Income	**40.00**	**39.52**	**38.43**
Canadian Equities	30.00	27.69	29.12
Global Equities	30.00	32.79	32.45
Total Equities	**60.00**	**60.48**	**61.57**
Total Assets	**100.00**	**100.00**	**100.00**

*Includes cash at component levels, if applicable
**Market values of the portfolio's Fixed Income holdings include accrued interest.

LONG-TERM PERFORMANCE (for the Fund)

	3mo	1yr	2yrs	3yrs	4yrs	5yrs	7yrs	10yrs
Total Portfolio	**3.0**	**-5.4**	**1.2**	**6.7**	**0.3**	**0.7**	**4.0**	**4.3**
Benchmark*	**3.5**	**-0.1**	**4.8**	**8.3**	**1.5**	**1.7**	**4.6**	**4.8**
Canadian Equities								
The Portfolio	**1.6**	**-21.6**	**-4.1**	**9.8**	**-4.7**	**-1.6**	**4.7**	**5.7**
BMO/TSX CAP 10%	3.6	-8.7	3.6	13.2	-0.7	1.3	6.5	7.0
Global Equities								
The Portfolio	**5.8**	**-4.6**	**-1.1**	**3.9**	**-3.4**	**-4.1**	**0.5**	**0.0**
MSCI World	5.5	-2.9	1.8	5.0	-3.8	-4.5	0.3	-0.4
Fixed Income								
The Portfolio	**1.6**	**9.2**	**8.0**	**7.4**	**7.3**	**6.3**	**6.0**	**6.5**
DEX Universe	2.1	9.7	8.2	7.3	7.0	6.4	6.0	6.5
Money Market								
The Portfolio	**0.3**	**1.1**	**0.8**	**0.8**	**1.6**	**2.2**	**2.5**	**2.6**
DEX 91 Day T Bill	0.2	1.0	0.8	0.7	1.4	2.0	2.3	2.4

*30% BMO/TSX CAP 10%, 35% DEX Universe, 30% MSCI World, 5% DEX 91 Day T Bill

PERFORMANCE: POSITIVE ABSOLUTE RETURN DURING A VOLATILE QUARTER

The Fund’s quarterly return lagged that of its benchmark during a modest bounce-back quarter for global equity markets. The performance shortfall was primarily a result of relatively weak stock selection within the Canadian equity component, particularly in the consumer discretionary, energy, and information technology sectors. The asset mix decision had an overall limited impact.

Canadian Equities (Growth)

Continued focus on long-term earnings growth potential

A continuation of the market's volatility created opportunities for the repositioning of selected holdings, consistent with a focus on long-term earnings growth potential.

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

	3mo	1yr	2yrs	3yrs	4yrs	5yrs	7yrs	10yrs
Cdn Eq	**1.6**	**-21.6**	**-4.1**	**9.8**	**-4.7**	**-1.6**	**4.7**	**5.7**
Benchmark*	3.6	-8.7	3.6	13.2	-0.7	1.3	6.5	7.0

*BMO/TSX CAP 10%

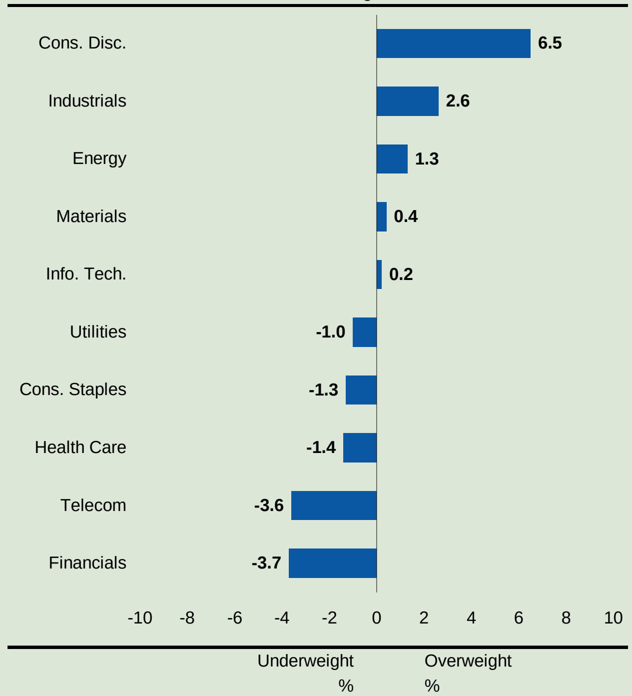
PERFORMANCE: STOCK SELECTION LED TO UNDERPERFORMANCE

The portfolio lagged the benchmark during another volatile quarter for Canadian equities. The portfolio's return was hindered by weak stock selection, particularly within the consumer discretionary (Gildan Activewear), energy (Cameco, Encana, Talisman Energy) and information technology (Research In Motion) sectors. Stronger performance from Canadian Natural Resources and TransCanada, as well as sound selections within financials (Royal Bank) and materials (Inmet Mining, Teck Resources), were partial offsets.

DIVERSIFICATION

	Portfolio		BMO/TSX CAP 10%	
	09/30/11	12/31/11	09/30/11	12/31/11
Cons. Disc.	14.0 %	10.5 %	4.2 %	4.0 %
Industrials	8.4	8.4	5.2	5.8
Energy	25.9	28.4	25.2	27.1
Materials	14.7	21.5	22.7	21.1
Info. Tech.	6.0	1.5	1.6	1.3
Utilities	1.1	1.0	2.1	2.0
Cons. Staples	1.6	1.5	2.9	2.8
Health Care	0.0	0.0	1.2	1.4
Telecom	1.5	1.6	5.0	5.2
Financials	26.8	25.7	30.0	29.4
Total	100.0 %	100.0 %	100.0 %	100.0 %

PORTFOLIO VS BENCHMARK AT QUARTER END



STRATEGY: FEARS OF ANOTHER RECESSION ARE DRIVING UNCERTAINTY OVER LONG-TERM EARNINGS GROWTH

Capital was re-allocated to companies with earnings levered to global economic growth and whose share prices had fallen well below our assessment of their long-term potential. New positions were established in companies possessing sustainable earnings growth at attractive valuations. Companies with exposure to the modest global economic recovery, industry-leading positions and high-quality balance sheets dominate the portfolio.

ACTIVITY: MODEST ADJUSTMENTS AMID MARKET VOLATILITY

New Holding(s)	**Holding(s) Eliminated**
Barrick Gold, Detour Gold, Dollarama, Intact Financial, TransCanada, Yamana Gold	Research In Motion
Notable Increase(s)	**Notable Decrease(s)**
Finning International	Canadian National Railway, Gildan Activewear, Magna International, Manulife, Royal Bank, Teck Resources

NEW HOLDING(S): ESTABLISHED NEW POSITIONS IN SEVERAL SECTORS

The portfolio was broadened to include three strong names in the materials sector. Gold stocks have underperformed the nominal and real price of bullion since 2003 and history suggests that at some point the stocks will reverse the recent trend. The team believes this will also coincide with gold stocks outperforming the Index, so long as gold is viewed as a credible store of value. The team sees no end to the "beggar thy neighbour" policy of currency devaluation.

Barrick Gold is the world's largest gold producer with 26 operating mines, a growing pipeline of projects and a proven operational track record. The company is considered an industry leader and has an established dividend which the team believes will be raised over time.

The team added a position in **Detour Gold**, a Canadian-based gold miner with a large development-stage mining project in Northern Ontario. The project is scalable, low-cost, and has a large reserve and resource base. The company's shares trade at an attractive valuation and should offer superior risk-adjusted returns as project development progresses.

The team also initiated a position in **Yamana Gold**, another Canadian domiciled gold mining company with assets in Brazil, Chile and Argentina. Its shares trade at an attractive valuation for a company with the potential to grow its production base by up to 50% over the next two years.

Dollarama is the largest dollar store operator in Canada with over 660 corporate stores. Dollarama has a simple, growth-oriented business model supported by strong margins, cash flow and direct sourcing advantages.

Intact Financial is Canada's largest provider of property and casualty insurance. Intact Financial acquired AXA Canada during the third quarter and, in a related transaction, sold AXA Canada's life insurance business to SSQ.

TransCanada is well positioned for exposure to North American energy infrastructure in both development and operations.

HOLDING(S) ELIMINATED:

While **Research In Motion's** most recent quarterly results were disappointing, management's guidance for the near future was clouded by delays and marketing missteps. Much potential had been tied to the launch of the BB10 operating system (formerly QNX) allowing Blackberry smartphones to align with the Playbook tablet. But additional delays in chipsets have pushed this launch beyond well into 2012 and potentially 2013. Thus, faith in management's ability to deliver has been eroded and the reputational damage has reached critical levels, raising concerns of significant changes that could further disrupt the company's focus and profitability. Risks surpassing the near-term potential dictated an exit from the position.

NOTABLE INCREASE(S): BASED ON VALUATION AND MISPRICED GROWTH POTENTIAL

Finning International was increased following a pullback in the company's share price. The stock was pressured by the Bucyrus dealership acquisition cost concerns, the painful ERP system implementation in Canada that disrupted the lucrative parts supply, and a strike in BC. With these difficulties largely behind them, the company's long-term prospects are attractive.

NOTABLE DECREASE(S): RE-ALLOCATED TO NEW OPPORTUNITIES

Canadian National Railway, Magna International, Royal Bank and **Teck Resources** were reduced following strong relative share price performance.

Gildan Activewear was reduced to reflect the short-term sensitivity to commodity pricing as cotton prices have stretched and shrunk to extremes in the last year.

Despite market leadership in its key operating businesses, **Manulife's** share price continues to be highly sensitive to equity market and long term interest rate fluctuations. The team feels a lower weight is justified until more progress is made to minimize these negative market effects.

MB International Equity Fund

Focused on quality

In an environment that should reward high-quality holdings, the portfolio maintained its bias towards companies with strong balance sheets and superior long-term growth prospects.

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	**2.3**	**-8.1**	**-4.0**	**2.5**	**-4.4**	**-5.5**	**0.6**	**0.4**
Benchmark*	1.2	-9.7	-3.7	1.7	-7.2	-6.8	-0.2	0.5

*MSCI EAFE

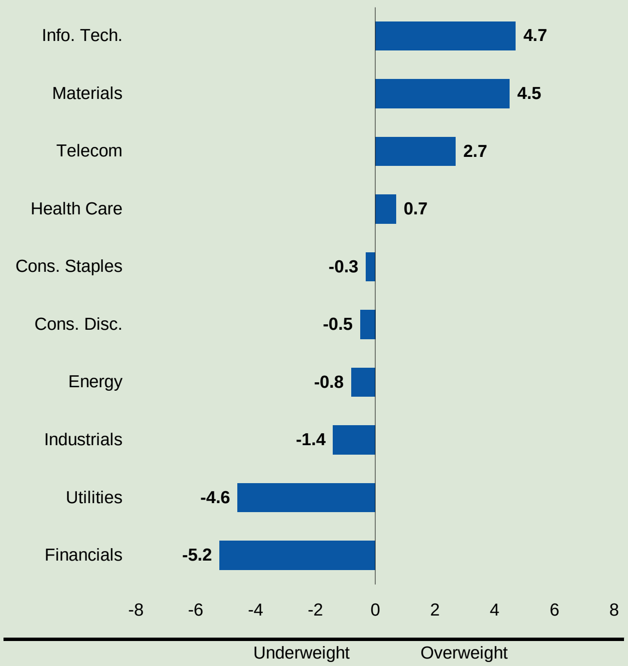
PERFORMANCE:
STRENGTH FROM SEVERAL HOLDINGS IN INDUSTRIALS, CONSUMER, AND INFORMATION TECHNOLOGY LED TO OUTPERFORMANCE

The portfolio's return comfortably outpaced the Index during a positive quarter for international equities. Strong contributions from industrials (Atlas Copco), consumer discretionary (WPP, British Sky Broadcasting Group, LVMH), consumer staples (Diageo, Wal-Mart de Mexico) and information technology (Ericsson, Taiwan Semiconductor) stocks bolstered overall performance. The relative underweight in the outperforming energy sector detracted slightly.

DIVERSIFICATION

	Portfolio		MSCI EAFE	
	09/30/11	12/31/11	09/30/11	12/31/11
Info. Tech.	11.0 %	9.0 %	5.0 %	4.7 %
Materials	13.9	13.9	10.0	10.1
Telecom	9.4	8.4	6.2	6.1
Health Care	10.2	10.2	9.7	10.0
Cons. Staples	9.9	10.8	11.4	11.6
Cons. Disc.	9.1	9.1	10.2	10.0
Energy	5.8	8.1	8.2	9.2
Industrials	9.9	10.6	12.3	12.5
Utilities	1.1	0.0	4.9	4.6
Financials	16.2	15.5	22.1	21.4
Cash	3.4	4.3	0.0	0.0
Total	100.0 %	100.0 %	100.0 %	100.0 %

PORTFOLIO VS BENCHMARK AT QUARTER END*



*Ex Cash

STRATEGY:
MAINTAINING A BIAS TOWARDS STRONG COMPANIES WITH FAVOURABLE LONG-TERM PROSPECTS

The portfolio remains oriented towards companies that stand to benefit from an overall rise in capital expenditures in the information technology and materials sectors. The financials and utilities sectors are the most significantly underweight positions, relative to the Index.

ACTIVITY:
INCREASED ALLOCATION TO ENERGY HOLDINGS WITH FUNDS SOURCED FROM UTILITIES AND INFORMATION TECHNOLOGY

New Holding(s)	**Holding(s) Eliminated**
Royal Dutch Shell	EDF, Lenovo
Notable Increase(s)	**Notable Decrease(s)**
None	None

NEW HOLDING(S):
OPPORTUNISTICALLY ADDED A NEW HOLDING IN THE ENERGY SECTOR

Royal Dutch Shell is engaged in various activities related to oil and natural gas, chemicals, power generation and renewable resources in over 135 countries. The company has greater exposure to Asian growth markets than its peers, a deep portfolio of long-term up-stream opportunities, favourable earnings leverage from large investments made in the past several years, and an undemanding valuation, all of which suggest strong upside potential.

HOLDING(S) ELIMINATED:
LIMITED UPSIDE LED TO TWO SELL DECISIONS

EDF was sold as the company remains snared by government policy that seeks to limit energy price increases for consumers, thereby limiting the potential for significant stock appreciation. The team also exited the position in **Lenovo** on recent strength as margin expectations remain low for the company's computer manufacturing business.

NOTABLE INCREASE(S):

None

NOTABLE DECREASE(S):

None

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

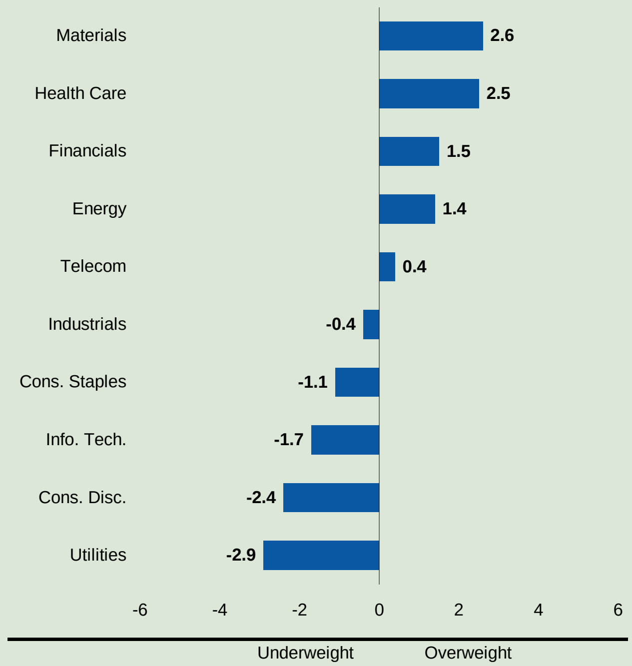
PERFORMANCE:
UNDERPERFORMANCE DURING A POSITIVE BUT VOLATILE QUARTER

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*



*Ex Cash

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)	**Holding(s) Eliminated**
Transocean	Electronic Arts

Notable Increase(s)	**Notable Decrease(s)**
CME Group	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**.

MB Fixed Income Fund

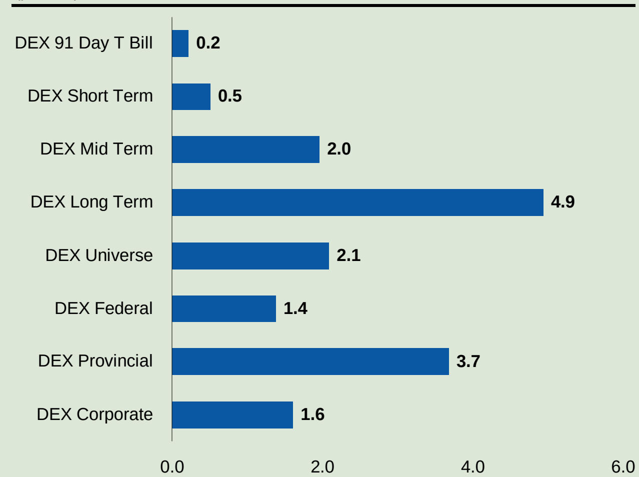
Global politics key downside risk

Global leading economic indicators, Europe aside, have improved. Policy errors offer the biggest source of downside risk to the domestic and global economy.

INVESTMENT PROCESS

- **Proprietary strategic and tactical models**
- **Moderate duration adjustments with a long-term focus**
- **Optimized yield using high-quality corporates and provincials**
- **Formal daily weekly & monthly Fixed Income meetings**
- **Risk controls: duration, mid-term, credit sector and quality, U.S. pay bonds**
- **Automated Pre-Trade and Post-trade compliance**

MARKET PERFORMANCE
(percent)



LONG-TERM PERFORMANCE (includes cash)

	3mo	1yr	2yrs	3yrs	4yrs	5yrs	7yrs	10yrs
Total Port	**1.6**	**8.9**	**7.9**	**7.3**	**7.2**	**6.3**	**6.0**	**6.4**
Benchmark*	2.1	9.7	8.2	7.3	7.0	6.4	6.0	6.5

*DEX Universe

PERFORMANCE: SHORT DURATION STRATEGY HURT BY FALL IN LONG-TERM YIELDS

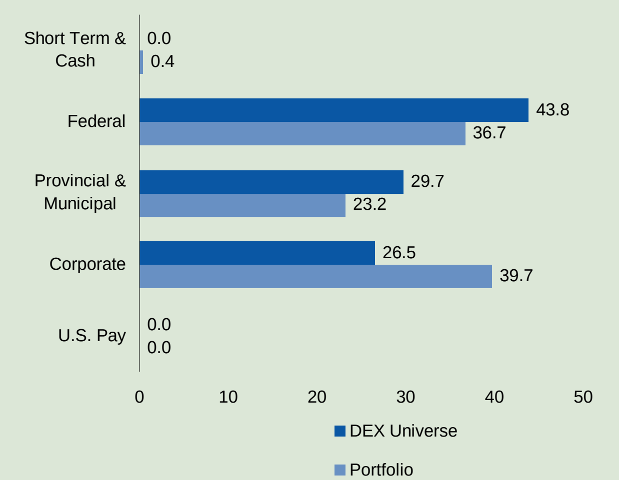
The portfolio lagged the DEX Universe Bond Index during a quarter in which bonds recorded solid gains as long-term yields declined. As a result, longer duration bonds outperformed those with shorter durations within each of the market's sectors. The portfolio maintained a shorter-than-Index duration target which was the main reason for underperformance. The portfolio's return was also negatively impacted by an overweight position in corporate bonds, which underperformed amid a flight-to-quality bid for Government of Canada issues.

STRATEGY: SHORT DURATION STRATEGY MAINTAINED

Duration and Maturity Profile
Over the course of the quarter, the portfolio's duration was trimmed by a modest 0.1 of a year to 1.3 years below that of the DEX Universe Bond Index. Despite the flight-to-quality bid in the government bond market, global leading economic indicators have improved. The team believes that long term bonds appear overvalued and a shorter-than-Index strategy should provide capital protection based on the expectation that yields will begin moving toward their fair-valuations.

Sector Profile
There were no major changes to the portfolio's sector profile. The relative overweight position in corporate bonds was maintained. Notable additions to the portfolio during the quarter included John Deere Credit and Manulife Tier-1 issues.

SECTOR POSITIONING AT QUARTER END
(percent)



FIXED INCOME DETAILS (PERCENT)

	Fixed Income Portfolio 9/30/11	Fixed Income Portfolio 12/31/11	DEX Universe 12/31/11
Sector Distribution			
Short Term & Cash	0.4	0.4	0.0
Federal	37.4	36.7	43.8
Provincial & Municipal	22.4	23.2	29.7
Corporate	39.8	39.7	26.5
U.S. Pay	0.0	0.0	0.0
Total	**100.0**	**100.0**	**100.0**
Maturity Profile			
Less than 3 years	44.2	45.1	7.4
3 to 10 years	34.5	32.3	45.1
Over 10 years	21.3	22.6	47.5
Total	**100.0**	**100.0**	**100.0**
Yield	**2.47**	**2.46**	**2.33**
Duration (years)	**5.44**	**5.59**	**6.90**

Money Market

Bank of Canada maintains key interest rate at 1%

Improved economic growth in North America was overshadowed by financial uncertainty in Europe.

INVESTMENT PROCESS

- **Formal weekly team meetings**
- **Minimum credit rating of R1 Low**
- **Corporate weight 0 to 70%**
- **Government weight 30 to 100%**

LONG-TERM PERFORMANCE

	3mo	1yr	2yrs	3yrs	4yrs	5yrs	7yrs	10yrs
Money Mkt	**0.3**	**1.1**	**0.8**	**0.8**	**1.6**	**2.2**	**2.5**	**2.6**
Benchmark*	0.2	1.0	0.8	0.7	1.4	2.0	2.3	2.4

*DEX 91 Day T Bill

PORTFOLIO DISTRIBUTION

	09/30/11	12/31/11
Cash	28.78 %	11.42 %
Canada Guaranteed	46.23	58.75
Bankers' Acceptances and Commercial Paper	24.99	29.83
Total	100.00 %	100.00 %
Average Term (days)	66	65
Yield	1.00 %	0.92 %

PERFORMANCE AND STRATEGY:

The Bank of Canada maintained the overnight lending rate at 1% during the fourth quarter. Although economic growth in North America was considerably more upbeat, the ongoing political and economic issues in Europe capped 3-month Treasury Bill yields below 0.9%, indicating the potential for interest rate cuts. However, the team does not foresee lower administered rates and has therefore maintained the portfolio’s term to maturity target to below that of the Index’s 90-days. A significant position in high-quality corporate and provincial holdings was also maintained to boost overall yield.