

MB Balanced Value 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.

INVESTMENT PROCESS

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

COMPOSITION

This Fund contains:

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

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. Within equities, we prefer foreign stocks over Canadian equities.

ASSET ALLOCATION

	Policy Asset Mix (%)	Sep 30/11	Dec 31/11
Cash & Equivalents*	5.00	3.96	5.23
Fixed Income**	35.00	34.62	32.87
Total Cash & Fixed Income	40.00	38.58	38.10
Canadian Equities	30.00	29.63	29.99
Global Equities	30.00	31.79	31.91
Total Equities	60.00	61.42	61.90
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	2.9	-1.9	2.7	6.1	1.4	1.0	3.8	4.6
Benchmark*	3.5	-0.1	4.8	8.3	1.5	1.7	4.6	4.8
Canadian Equities								
The Portfolio	3.2	-7.5	3.5	11.5	1.1	2.1	6.2	7.7
BMO/TSX CAP 10%	3.6	-8.7	3.6	13.2	-0.7	1.3	6.5	7.0
Global Equities								
The Portfolio	4.3	-7.8	-3.5	0.5	-4.9	-6.1	-1.0	-0.8
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	8.1	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	1.2	1.0	0.9	1.7	2.3	2.6	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 global equity component, particularly in the energy, information technology, and industrials sectors. The asset mix decision had an overall limited impact.

MB Canadian Equity Value Fund

Disciplined focus on valuation

Portfolio construction continues to emphasize stocks possessing attractive relative valuations, solid balance sheets, and strong free cash flow generation.

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	3.2	-7.6	3.4	11.4	0.7	1.7	5.9	7.5
Benchmark*	3.6	-8.7	3.6	13.2	-0.7	1.3	6.5	7.0

*BMO/TSX CAP 10%

PERFORMANCE:

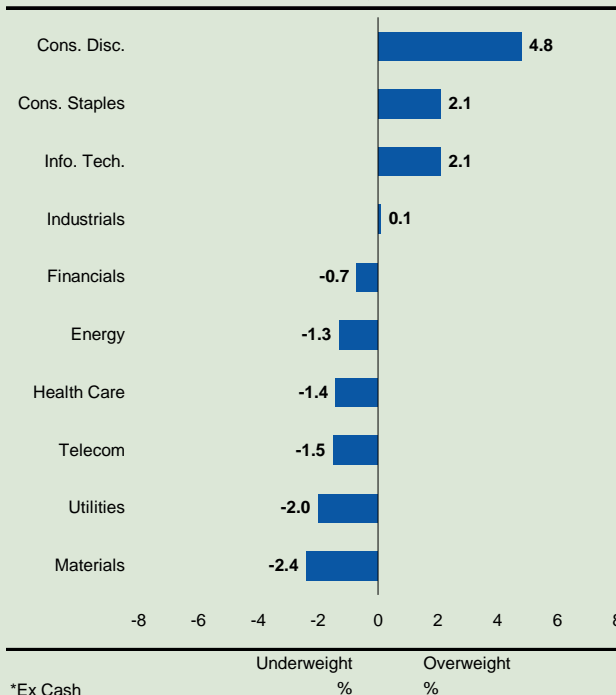
MODEST UNDERPERFORMANCE FOR THE QUARTER

Though the portfolio lagged the Index for the period, the underlying results were mixed as strong positive contributions from the portfolio's positioning in the financials and materials sectors were more than offset by relative weakness in energy and information technology. At the stock level, Osisko Mining, Research In Motion, and Gildan Activewear weighed on overall performance, while First Quantum Minerals, Canadian Natural Resources, Dollarama, and Trinidad Drilling experienced solid share price gains.

DIVERSIFICATION

	Portfolio		BMO/TSX CAP 10%	
	09/30/11	12/31/11	09/30/11	12/31/11
Cons. Disc.	10.4 %	8.5 %	4.2 %	4.0 %
Cons. Staples	6.0	4.8	2.9	2.8
Info. Tech.	5.2	3.3	1.6	1.3
Industrials	6.1	5.8	5.2	5.8
Health Care	0.0	0.0	1.2	1.4
Financials	21.8	27.8	30.0	29.4
Telecom	4.1	3.6	5.0	5.2
Energy	24.3	25.1	25.2	27.1
Utilities	0.0	0.0	2.1	2.0
Materials	20.4	18.1	22.7	21.1
Cash	1.8	3.0	0.0	0.0
Total	100.0 %	100.0 %	100.0 %	100.0 %

PORTFOLIO VS BENCHMARK AT QUARTER END*



STRATEGY:

INCREASED EXPOSURE TO FINANCIALS

The team trimmed several holdings across the portfolio to increase allocations to financial stocks. Select opportunities for repositioning in the energy, materials and consumer sectors were also identified. The portfolio continues to emphasize companies with solid balance sheets, compelling relative valuations, and ideally, a catalyst that will serve to improve valuation over time.

ACTIVITY:

ADDED TO FINANCIALS AND SELECT ENERGY AND MATERIALS STOCKS

New Holding(s)

Bank of Nova Scotia

Holding(s) Eliminated

IAMGOLD, Loblaw, Research In Motion

Notable Increase(s)

Osisko Mining, Talisman Energy, Canadian Natural Resources, Intact Financial, TD Bank, Power Corp

Notable Decrease(s)

Barrick Gold, Cenovus Energy, Magna International, Dollarama

NEW HOLDING(S):

BANK OF NOVA SCOTIA ADDED WITHIN FINANCIALS

The team initiated a position in **Bank of Nova Scotia** as the stock declined to attractive valuation levels which now adequately reflect Basel III capital issues. The bank provides additional diversification within the financials sector as it is well positioned to benefit from international growth while maintaining low exposure to the domestic mortgage market and the European sovereign debt crisis.

HOLDING(S) ELIMINATED:

EXITED POSITIONS IN FAVOUR OF BETTER OPPORTUNITIES

The team eliminated **Research In Motion** from the portfolio. Despite a solid subscriber base and strong international growth, the company has been plagued by very few operational successes of late. RIM's most recent product launches have done little to mitigate negative sentiment regarding the company's growth prospects. Moreover, new software launches have once again been delayed.

Loblaw was sold from the portfolio due to concerns over the competitive environment, slow top-line growth and the company's limited ability to pass cost increases through to consumers.

IAMGOLD was eliminated as the team continued to build the position in Osisko Mining.

NOTABLE INCREASE(S):

ADDED TO EXISTING HOLDINGS WITH COMPELLING VALUATIONS

The team added to **Osisko Mining**, a Canadian gold miner with assets in Canada and Brazil. Given the location of the mines, the company faces low political risk and enjoys a global cost advantage at its Quebec operations.

In the energy sector, holdings in **Canadian Natural Resources** and **Talisman Energy** were increased as both stocks possess attractive risk-adjusted return potential.

The team continued to build its position in **Intact Financial**, Canada's largest provider of home, auto and business insurance. Elsewhere within the financials sector, positions in **Power Corp** and **TD Bank** were increased.

NOTABLE DECREASE(S):

TRIMMED HOLDINGS TO FUND BUYING OPPORTUNITIES

Barrick Gold was trimmed in order to fund the addition to Osisko Mining.

Cenovus Energy was reduced based on the team's assessment of a stretched valuation with the proceeds deployed within the energy sector.

The portfolio's overall increased exposure to financial stocks was partially achieved by reducing holdings in the consumer discretionary sector including **Magna International** and **Dollarama**.

MB Global Equity Value Fund

Emphasis on more defensive names

Restructuring activity focused on adding more defensive names that possess attractive valuations, solid balance sheets, and above average earnings and cash flow generation 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 (includes cash)

	3mo	1yr	2yrs	3yrs	4yrs	5yrs	7yrs
Total Port	4.3	-8.3	-3.7	0.2	-5.4	-6.4	-1.3
Benchmark*	5.5	-2.9	1.8	5.0	-3.8	-4.5	0.3

*MSCI World

PERFORMANCE:

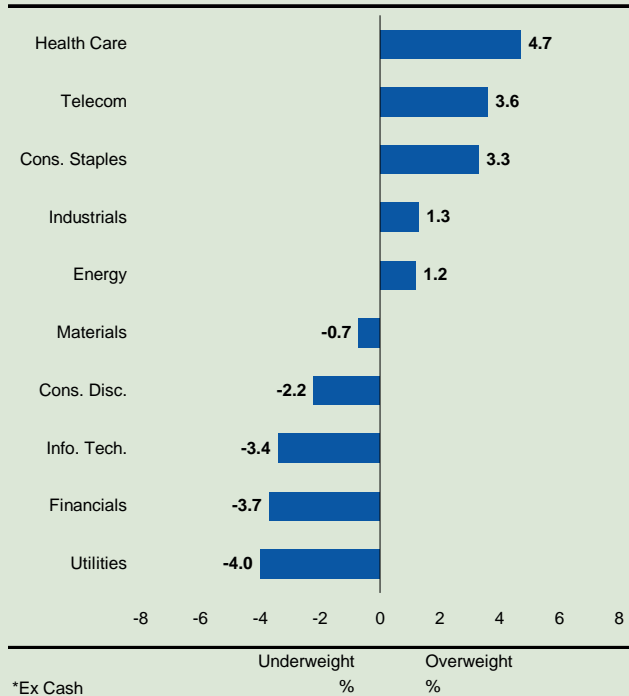
STOCK SPECIFIC ISSUES LED TO UNDERPERFORMANCE

The portfolio lagged the Index during a quarter in which markets rebounded on measured optimism that the efforts made by European governments to resolve the continent's sovereign debt crisis would bear fruit and on signs of growth momentum in the U.S. economy. The key detractor was stock selection in the energy (Peabody Energy, Encana), industrials (Alstom, Embraer) and information technology (Research In Motion) sectors. This was only partially offset by positive contributions in health care (Pfizer, Merck) and consumer staples (Diageo, Wal-Mart).

DIVERSIFICATION

	Portfolio		MSCI World	
	09/30/11	12/31/11	09/30/11	12/31/11
Health Care	12.9 %	14.9 %	10.5 %	10.5 %
Telecom	8.1	7.9	4.6	4.4
Cons. Staples	8.0	14.0	11.0	11.0
Industrials	11.9	12.2	10.7	11.1
Energy	12.0	12.8	10.9	11.8
Materials	6.3	6.3	7.3	7.2
Cons. Disc.	8.0	7.9	10.4	10.3
Info. Tech.	10.2	8.4	12.2	12.0
Utilities	1.6	0.0	4.2	4.0
Financials	18.8	13.6	18.1	17.6
Cash	2.2	2.1	0.0	0.0
Total	100.0 %	100.0 %	100.0 %	100.0 %

PORTFOLIO VS BENCHMARK AT QUARTER END*



STRATEGY:

CONTINUED FOCUS ON HIGH-QUALITY COMPANIES OFFERING ATTRACTIVE RELATIVE VALUATIONS

The team took advantage of stronger markets to add to more defensive positions in the consumer staples and health care sectors. Portfolio construction emphasizes stocks possessing strong balance sheets, compelling relative valuations, and predictable earnings and cash flow generation.

**ACTIVITY:
REPOSITIONING THE PORTFOLIO TOWARD MORE
DEFENSIVE NAMES**

New Holding(s)	Holding(s) Eliminated
Amgen	Banco Santander
British American Tobacco	BNP Paribas
Groupe Danone	EDF
Nestlé	Nintendo
Philip Morris	Research In Motion

Notable Increase(s)	Notable Decrease(s)
None	Bank of America

NOTABLE INCREASE(S):

None

**NOTABLE DECREASE(S):
REDUCING EXPOSURE TO FINANCIALS**

The team reduced the position in **Bank of America** to fund new purchases of consumer names.

**NEW HOLDING(S):
TAKING ADVANTAGE OF OPPORTUNITIES IN HEALTH
CARE AND CONSUMER SECTORS**

Amgen is an innovative biotech company that trades at a very attractive valuation and provides sustainable free cash flow generation.

International tobacco companies **British American Tobacco** and **Philip Morris** were added to the portfolio based on their solid balance sheets and the resiliency of their earnings streams in an uncertain environment.

Food conglomerate **Nestlé** along with the more health-focused **Groupe Danone** are well-managed companies that should offer steady earnings growth as well as downside protection.

**HOLDING(S) ELIMINATED:
FOCUSING ON STABLE EARNINGS GROWTH AND
DOWNSIDE PROTECTION**

Five stocks were eliminated from the portfolio.

Banco Santander and **BNP Paribas** were deemed too risky in light of the drawn out European sovereign debt crisis and were sold to fund the addition of new consumer names that should offer better downside protection.

The positions in **EDF** and **Nintendo** were eliminated from the portfolio to fund purchases of Nestlé and Amgen, two companies that offer stable earnings growth and that trade at attractive valuations.

The team eliminated **Research In Motion** from the portfolio. Despite a solid subscriber base and strong international growth, the company has been plagued by very few operational successes of late. RIM's most recent product launches have done little to mitigate negative sentiment regarding the company's growth prospects. Moreover, new software launches have once again been delayed.

MB Fixed Income Fund

Global politics key downside risk

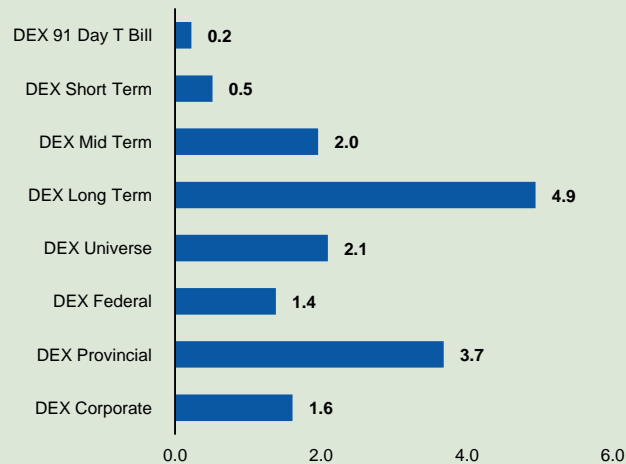
Global leading economic indicators, Europe aside, have improved. Policy errors offer the biggest source of downside risk to the domestic and global economy.

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 FOR THE QUARTER

(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

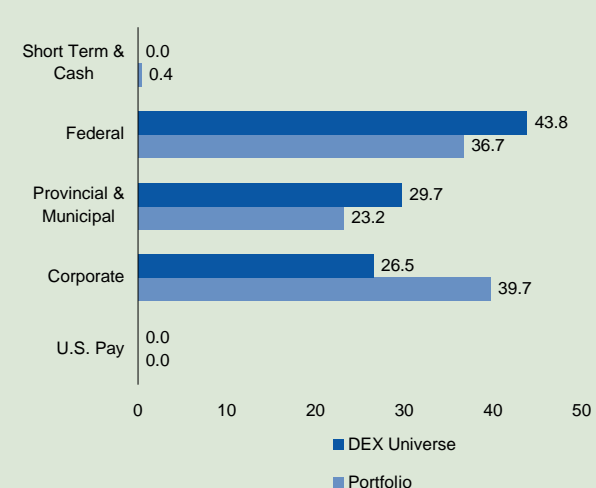
Over the course of the quarter, the portfolio's duration was trimmed by a modest 0.1 of a year to 1.3 years below that of the DEX Universe Bond Index. Despite the flight-to-quality bid in the government bond market, global leading economic indicators have improved. The team believes that long term bonds 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)



MB Fixed Income Fund continued

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

MB Money Market Fund

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
Total Port	0.3	1.2	1.0	0.9	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	0.12 %	0.00 %
Canada Guaranteed	32.40	34.82
Provincial Guaranteed	9.88	12.92
Bankers' Acceptances and Commercial Paper	38.95	34.76
Floating Rate Notes	18.65	17.50
Total	100.00 %	100.00 %
Average Term (days)	79	79
Yield	1.14 %	1.08 %

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 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.