

MB Responsible Global Equity Fund

Global equities bounce back

Equity markets rebounded during the past quarter but significant risks remain. The team maintains a focus on high-quality, large capitalization companies with strong balance sheets and sustainable earnings growth.

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	5.4	-6.2	-1.5	3.0	-3.8	-5.1	-0.4	-1.0
Benchmark*	5.5	-2.9	1.8	5.0	-3.8	-4.5	0.3	-0.4

*MSCI World

PERFORMANCE:

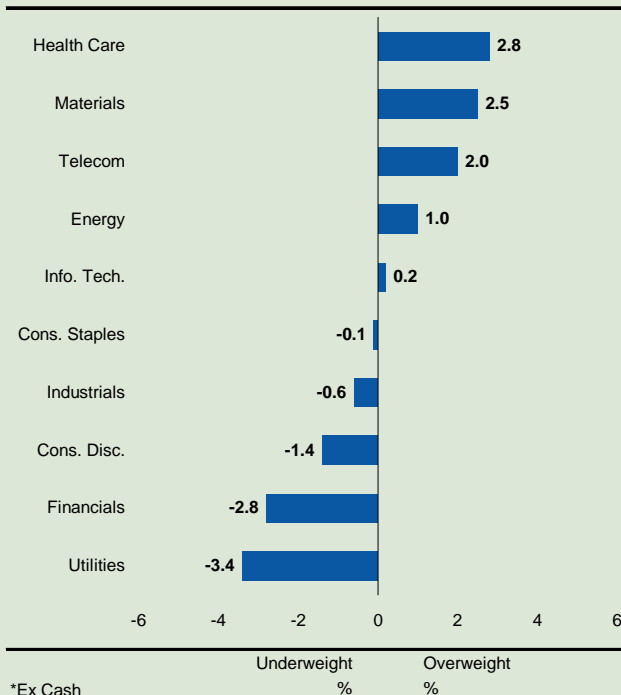
UNDERPERFORMANCE DURING A POSITIVE BUT VOLATILE QUARTER

The portfolio lagged the MSCI World Index for the quarter. Strong stock selection in the materials (International Paper) and health care (Pfizer, Merck) sectors was offset by weak performance in financials (Credit Suisse, Bank of America). Other top relative detractors included wireless telecomm firm Research in Motion and mining company Newcrest Mining; top relative contributors included financial services firm ACE Ltd. and industrial products company Atlas Copco.

DIVERSIFICATION

	Portfolio		MSCI World	
	09/30/11	12/31/11	09/30/11	12/31/11
Health Care	12.3 %	13.1 %	10.5 %	10.5 %
Materials	8.8	9.5	7.3	7.2
Telecom	7.0	6.3	4.6	4.4
Energy	10.3	12.6	10.9	11.8
Info. Tech.	14.2	12.0	12.2	12.0
Cons. Staples	10.2	10.7	11.0	11.0
Industrials	9.6	10.3	10.7	11.1
Cons. Disc.	8.5	8.7	10.4	10.3
Financials	14.8	14.5	18.1	17.6
Utilities	1.1	0.6	4.2	4.0
Cash	3.1	1.9	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 financials remain the most significantly underweight sectors.

ACTIVITY:
OPPORTUNITIES IDENTIFIED IN VOLATILE MARKETS

New Holding(s)	Holding(s) Eliminated
BHP Billiton, Newcrest Mining, Royal Dutch Shell	Lenovo, E.ON, Electronic Arts, Nintendo, Research In Motion, Rio Tinto

Notable Increase(s)	Notable Decrease(s)
CME Group, Atlas Copco	Credit Suisse

NEW HOLDING(S):
ADDITIONS IN MATERIALS AND ENERGY

BHP Billiton is the world's largest mining company with a large number of world class mining and energy projects broadly diversified across many different commodities and jurisdictions. BHP's low cost and diversified production base is designed to reduce earnings volatility and allows for investment throughout a cycle.

Newcrest Mining is an Australian based gold mining company. It is the world's fifth largest gold producer with mines primarily based in Southeast Asia and Australia. Relative to its peers, Newcrest's mines are long-life, low-cost and have significant growth potential.

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:
REPOSITIONED INTO MORE ATTRACTIVE INVESTMENTS

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 and was the primary catalyst behind our decision to eliminate RIM from the portfolio. 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 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.

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.

Lenovo was sold on recent strength due to lower input costs and solid PC and notebook sales. In a commoditized sector, the stock's performance is cyclical and unsustainable in the long term, hence the decision to exit.

Nintendo was sold as its stock came under pressure following falling sales and a recent price cut for its new 3D portable gaming device. The company is further threatened as smartphones are increasingly being used as gaming devices, exposing weakness in Nintendo's business model.

Rio Tinto was screened-out for negative environmental concerns and the proceeds were reinvested in BHP Billiton and Newcrest Mining.

E.ON was sold and the proceeds were reinvested in Royal Dutch Shell, which offers better upside potential.

NOTABLE INCREASE(S):
INCREASED POSITIONS IN FINANCIALS AND INDUSTRIALS

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.

The team added to **Atlas Copco** as the stock suffered a significant and, in the team's assessment, overdone correction during the "risk-off" trade.

NOTABLE DECREASE(S):
REDUCING DUE TO CHALLENGES AHEAD

Credit Suisse was trimmed as its investment banking operations will continue to face challenges.