

# Semi-annual Manager's Report on Fund Performance 2011

McLean Budden  
American Equity Fund



This semi-annual management report of fund performance contains financial highlights, but does not contain the complete semi-annual or annual financial statements of the investment fund. You may obtain a copy of the annual financial statements at no cost, by calling 1-800-884-0436, by writing to us at McLean Budden Limited, 145 King Street West, 25th Floor, Toronto, Ontario, M5H 1J8; Attention: Mutual Funds Department, or by visiting our website at [www.mcleanbudden.com](http://www.mcleanbudden.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.



McLEAN BUDDEN  
LOOK FORWARD®



## McLean Budden American Equity Fund for the six months ended June 30<sup>th</sup>, 2011

### Investment Objective and Strategies

The American Equity Fund aims for long-term capital growth through investments primarily in well-capitalized companies domiciled in the United States or whose primary stock exchange listing is in the United States. Portfolio construction is based upon a team-oriented, fundamental, research-driven approach to selecting securities. The U.S. Equity Team selects stocks with an emphasis on earnings growth and stability, management quality, financial strength, business potential and return on equity. Portfolio risk controls are managed at the individual security, sector and industry levels.

### Risk

The Fund holds American equities. The primary risks associated with this Fund are market, specific issuer, foreign security and currency.

Overall, the portfolio construction process has remained consistent over the period. The manager rates the Fund's risk as medium to high.

### Results of Operations

The Fund's return for the six months ended June 30, 2011 was -0.39%\* versus 2.79% for the benchmark\*\*.

The Fund's return lagged the broader market primarily due to stock selection. Strong performance from Electronic Arts, UnitedHealthcare, Pfizer, and Viacom was more than offset by weak results in energy (Ultra Petroleum), financials (Goldman Sachs, Bank of America), and information technology (Hewlett Packard, Cisco). Sector allocation had a slightly positive influence on performance, largely due to an overweight in the outperforming health care sector.

During the period, capital was reallocated to fund purchases of attractively valued companies with strong relative growth prospects. Within energy, market overreaction to the political unrest in Egypt provided an opportunity to bolster the existing position in Apache. Transocean was sold amid concerns about the possible oversupply of deep water rigs and the proceeds used to fund a new position in Peabody Energy, the world's largest private sector coal company. Among the agricultural stocks, Monsanto was preferred over Mosaic, as the team judged the latter's shares to be fully valued.

Turning to the information technology sector, Cisco was eliminated as market share erosion continues to weigh on the stock and the proceeds funded new positions in Nuance Communications and CME Group. Nuance is the dominant player in voice recognition technology used in call centre automation, health care transcription, and mobile phones. CME is the world's leading derivatives exchange operator and maintains a virtual monopoly in the high-margin futures and options market.

Elsewhere, Becton Dickinson was trimmed in favour of a new position in Johnson Controls, the world's leader in lead-acid batteries for vehicles, a position that should allow it to benefit from the increasing penetration

of "start-stop" technology to increase fuel efficiency. Sysco and CVS-Caremark were eliminated from the portfolio.

Relative to the Index, the telecommunication services and health care sectors were overweight at the end of the period whereas the consumer discretionary and utilities sectors were the most significantly underweight. The team remains biased toward industry leaders with sustainable earnings growth and strong balance sheets.

\* The Fund's return is after the deduction of fees and expenses associated with Class D units. There are no fees deducted from the benchmark's return. For Class A, C, F and O returns, please refer to the Annual Returns section on page 5.

\*\* The McLean Budden American Equity Fund utilizes the following benchmark: S&P 500 (C\$).

### Recent Developments

After a strong start to the year, we believe that there are three main factors behind the pullback in U.S. equities over the past few months—a slowdown in global growth, tightening monetary policy in emerging markets due to rising inflation and Europe's sovereign debt crisis. Part of the slowdown is due to cyclical reasons such as the prior jump in oil prices and dislocations resulting from Japan's earthquake. These factors are ebbing, which is positive. However, economic risks remain to the downside, with the end of the Federal Reserve's second round of quantitative easing (QE2), emerging markets tightening, the European Central Bank raising rates and global fiscal austerity a major theme courtesy of Greece. Furthermore, easy macro policy is fading at a time when balance sheet de-leveraging is ongoing. At the moment, global leading indicators point to slow, but positive, growth and a global recovery that will remain sub-par. In the near-term, it is our opinion that a lot of bad news is priced into the market, assuming no recession and no imminent Greek default. U.S. equity valuations appear to be reasonable, even accounting for some further cuts to earnings estimates, and global economic growth expectations seem to be at levels where positive surprises may occur sooner than later.

Subsequent to a successful unitholder vote and effective April 4, 2011 the Fund's investment objectives were changed to benefit investors as they permit the Fund to maintain an investment in companies that may become domiciled outside of the United States, as well as non-U.S. companies with a significant U.S. market presence by virtue of their listing on a U.S. based stock exchange.

**Related Party Transactions**

As Portfolio Advisor, McLean Budden Limited (MBL) carries out research and selects, purchases and sells portfolio securities for the Fund. As Manager, MBL provides or arranges for the provision of all general management and administrative services required by the Fund in its day-to-day operations.

As a result of providing the aforementioned services for the Fund, MBL receives a monthly management fee based on the average net assets of each Class. Effective July 1, 1998, the Manager, at its discretion, has assumed responsibility for payment of all administrative expenses, except for those related to the Independent Review Committee (IRC), and will continue to absorb these expenses until unitholders receive at least 60 days written notice of change.

MBL is an indirect subsidiary of Sun Life Financial Inc., which holds approximately 67% of MBL's shares. In compliance with National Instrument 81-107, which came into effect November 1, 2007, MBL has appointed an IRC to review and possibly make recommendations regarding all conflict of interest matters brought to it by MBL including, but not limited to, holdings of Sun Life. Each year, the IRC will provide a report, free of charge, to unitholders. The reports can be obtained by contacting MBL at (416) 862-9800 and will be posted at [www.mcleanbudden.com](http://www.mcleanbudden.com).

**Management Fees**

The following table shows the Fund's annual management fee and trailer fee rates. The management fee for each class is an annualized management fee calculated based on the Net Asset Value of that class. The management fee is accrued daily and paid out at month-end. HST is payable on all management fees.

McLean Budden pays trailer fees to authorized distributors and dealers of Class A and D units. Trailer fees are calculated as a percentage of the average daily value of the fund. McLean Budden pays these fees quarterly to the distributors and dealers out of the management fees. For the period ended June 30, 2011, McLean Budden paid 12.78% of the total management fee revenues received from all McLean Budden Mutual Funds that were used to fund distribution related costs paid to registered dealers and brokers.

	Annually				
	Class A	Class C	Class D	Class F	Class O
Management Fee (%)	1.95	0.05	1.25	1.00	0.00
Trailer Fee (%)	1.00	N/A	0.25	N/A	N/A

For services as Manager, MBL receives an annual management fee for Class D units of 1.25%, that is not to exceed a maximum of 2%, excluding taxes, of the average Net Asset Value of the Fund:

Management fee	1.25%
As a percentage of Management Fee:	
Trailer Fees	20%
Investment Management and Administration	80%

This actual fee will remain in effect until unitholders receive at least 60 days written notice of an increase.

A management fee of 1.95%, excluding taxes, was payable by each Class A unitholder. Your advisor may charge you a separate fee in addition to the Management Fee.

A management fee of 0.05%, excluding taxes, was payable by each Class C unitholder. In addition, holders of Class C units or an intermediary pay a management fee of up to a maximum of 1.50% payable directly to the Manager.

A management fee of 1.00%, excluding taxes, was payable by each Class F unitholder. Your advisor will charge you a separate fee in addition to the Management Fee.

There is no management fee applicable to Class O units. You will pay the manager directly if you hold this class of units.

The Fund is responsible for its management fee, the cost of investments and related brokerage fees and for any borrowing costs, bank charges, taxes and administrative expenses. Effective July 1, 1998, the Manager has assumed responsibility for payment of all administrative expenses of the Funds. These expenses include the cost of complying with regulatory requirements, the fees or expenses charged to the Manager for calculation of Net Asset Value, the fees of the Trustee, custodian, auditors and legal counsel and other administrative costs arising in the ordinary course of the operation of the Fund. The Manager will continue to assume responsibility for the payment of the administrative expenses until unitholders receive at least 60 days written notice of a change.

## Financial Highlights

For the six months ended June 30<sup>th</sup>, 2011

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years, or for the period since inception.

### The Fund's Net Assets Per Unit in U.S. Dollars (\$)¹

		Increase (Decrease) from Operations					Distributions				Net assets, at end of year shown	
		Net assets, beginning of year²	Total revenue	Total expenses	Realized gains (losses) for the year	Unrealized gains (losses) for the year	Total increase (decrease) from operations²	From income excluding dividends	From dividends	From capital gains		Total annual distribution³
Class A <sup>****</sup>	June 2011	30.33	0.26	(0.32)	0.15	0.07	0.16	—	—	—	—	30.99
	Dec 2010	28.16	0.47	(0.59)	0.93	2.62	3.43	—	0.09	—	0.09	30.33
	Dec 2009	19.95	0.42	(0.42)	1.12	5.24	6.36	—	0.40	—	0.40	28.16
Class C	June 2011	30.83	0.26	(0.02)	0.26	0.46	0.96	—	—	—	—	31.81
	Dec 2010	28.34	0.48	(0.03)	0.96	1.79	3.20	—	0.40	—	0.40	30.83
	Dec 2009	21.92	0.48	(0.04)	(2.34)	9.12	7.22	—	0.42	—	0.42	28.34
	Dec 2008	35.68	0.55	(0.04)	(1.62)	(12.65)	(13.76)	—	0.46	—	0.46	21.92
	Dec 2007 <sup>4</sup>	33.88	1.06	(0.04)	2.57	0.42	4.01	—	1.14	1.23	2.37	35.68
Class D <sup>***</sup>	June 2011	30.51	0.26	(0.22)	0.29	0.44	0.77	—	—	—	—	31.28
	Dec 2010	28.06	0.47	(0.39)	0.95	1.32	2.35	—	0.02	—	0.02	30.51
	Dec 2009	21.75	0.47	(0.34)	(2.51)	9.02	6.64	—	0.12	—	0.12	28.06
	Dec 2008	35.12	0.55	(0.42)	(1.53)	(13.02)	(14.42)	—	—	—	—	21.75
	Dec 2007 <sup>4</sup>	33.31	1.04	(0.50)	2.57	0.49	3.60	—	0.70	1.21	1.91	35.12
Class F <sup>†</sup>	June 2011	30.32	0.26	(0.18)	0.26	0.42	0.76	—	—	—	—	31.13
	Dec 2010	27.79	0.48	(0.31)	0.91	(0.24)	0.84	—	—	—	—	30.32
	Dec 2009	21.55	0.47	(0.27)	(2.36)	8.86	6.70	—	0.21	—	0.21	27.79
	Dec 2008	32.76	0.45	(0.29)	(2.43)	(15.46)	(17.73)	—	0.33	—	0.33	21.55
Class O <sup>††</sup>	June 2011	30.82	0.26	(0.01)	0.27	0.44	0.96	—	—	—	—	31.81
	Dec 2010	28.33	0.48	(0.02)	0.91	1.39	2.76	—	0.41	—	0.41	30.82
	Dec 2009	21.90	0.48	(0.03)	(2.67)	9.14	6.92	—	0.43	—	0.43	28.33
	Dec 2008	22.12	0.03	—	(0.03)	1.66	1.66	—	0.47	—	0.47	21.90

<sup>1</sup> This information is derived from the Fund's audited annual financial statements. The net assets per unit presented in the financial statements differs from the Net Asset Value calculated for fund pricing purposes. (An explanation of these differences can be found in the notes to the financial statements.)

<sup>2</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. The above calculations include combined actual and average data; therefore, the table will not total accordingly.

<sup>3</sup> Distributions were paid in cash or reinvested in additional units of the Fund, or both.

<sup>4</sup> Net assets beginning of the year were adjusted to reflect changes in Canadian GAAP.

### Ratios and Supplemental Data

		Total Net	Net Asset Value	Number of units	Management Expense	Management Expense Ratio	Portfolio turnover	Trading expense
		Asset Value (\$)¹	per Unit (\$)²	outstanding²	Ratio (MER) (%)³	Before Absorption (MER) (%)³	rate (%)⁴	ratio (%)⁵
Class A <sup>****</sup>	June 2011	1,037,364	31.00	33,461	2.05	2.05	13	0.05
	Dec 2010	379,343	30.33	12,508	2.07	2.07	25	0.06
	Dec 2009	58,054	28.17	2,061	1.99	1.99	34	0.09
Class C	June 2011	1,105,470,313	31.83	34,734,209	0.05	0.05	13	0.05
	Dec 2010	1,001,428,104	30.83	32,480,251	0.05	0.05	25	0.06
	Dec 2009	441,476,092	28.35	15,571,620	0.05	0.05	34	0.09
	Dec 2008	261,914,744	21.93	11,944,801	0.06	0.06	29	0.08
	Dec 2007	312,124,205	35.73	8,736,801	0.05	0.05	39	0.07
Class D <sup>***</sup>	June 2011	46,644,393	31.29	1,490,539	1.37	1.37	13	0.05
	Dec 2010	47,691,460	30.51	1,563,012	1.35	1.35	25	0.06
	Dec 2009	46,554,562	28.07	1,658,268	1.31	1.31	34	0.09
	Dec 2008	33,049,170	21.76	1,518,925	1.32	1.32	29	0.08
	Dec 2007	91,198,163	35.16	2,593,673	1.33	1.33	39	0.07
Class F <sup>†</sup>	June 2011	7,499,112	31.14	240,826	1.10	1.10	13	0.05
	Dec 2010	6,471,139	30.32	213,413	1.08	1.08	25	0.06
	Dec 2009	7,648,078	27.81	275,053	1.05	1.05	34	0.09
	Dec 2008	4,726,031	21.56	219,190	1.06	1.06	29	0.08
Class O <sup>††</sup>	June 2011	38,525,839	31.83	1,210,420	—	—	13	0.05
	Dec 2010	36,582,002	30.83	1,186,752	—	—	25	0.06
	Dec 2009	33,455,048	28.34	1,180,414	—	—	34	0.09
	Dec 2008	25,845,217	21.92	1,179,289	—	—	29	0.08

<sup>1</sup> The information is provided at June 30 or December 31 of the year shown, as applicable and represents the NAV.

<sup>2</sup> The information is provided at June 30 or December 31 of the year shown, as applicable.

<sup>3</sup> Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average Net Asset Value during the period, plus HST.

<sup>4</sup> The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

<sup>5</sup> The trading expense ratio represents total commissions and other portfolio transactions costs expressed as an annualized percentage of daily average Net Asset Value during the period.

<sup>†</sup> The American Equity Fund Class F was created on February 13, 2008.

<sup>\*\*\*</sup> Prior to April 1, 2009, the American Equity Fund Class D was known as Class A.

<sup>††</sup> The American Equity Fund Class O was created on November 28, 2008.

<sup>\*\*\*\*</sup> The American Equity Fund Class AA was created on April 1, 2009 and renamed Class A on March 26, 2010.



Summary of Investment Portfolio

As at June 30<sup>th</sup>, 2011

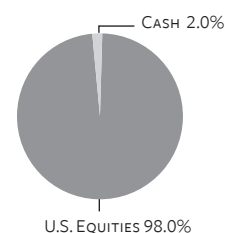
Top Twenty-Five Positions

	% of Total Net Assets
<b>Security</b>	
Merck & Co., Inc.	3.7
Microsoft Corporation	3.6
JPMorgan Chase & Co.	3.4
Pfizer Inc.	3.4
ACE Limited	3.4
Bank of America Corporation	3.3
PepsiCo Inc.	3.1
Hewlett-Packard Company	3.0
AT&T Inc.	3.0
Apache Corporation	3.0
Wal-Mart Stores, Inc.	2.9
Exxon Mobil Corporation	2.8
Goldman Sachs Group, Inc.	2.7
Colgate-Palmolive Company	2.7
Schlumberger Ltd.	2.5
UnitedHealth Group Inc.	2.4
General Electric Company	2.3
Wells Fargo & Company	2.1
Amgen Inc.	2.1
United Technologies Corporation	2.0
Monsanto Company	2.0
QUALCOMM Incorporated	2.0
Cash and Short-Term Investments	2.0
International Paper Co.	1.9
Google Inc.	1.8
<b>Total</b>	<b>67.1</b>

Industry Classification	% of Total Net Assets
Energy	12.6
Materials	4.9
Industrials	9.7
Consumer Discretionary	8.3
Consumer Staples	9.8
Health Care	14.0
Financials	15.8
Information Technology	17.4
Telecommunication Services	4.5
Utilities	1.0

More information about the underlying fund investments is available in the simplified prospectus and financial statements, which can be accessed on the internet at [www.sedar.com](http://www.sedar.com) or [www.mcleanbudden.com](http://www.mcleanbudden.com).

Asset Mix (%)



Other Material Information

The Portfolio does not contain any short positions. The investment portfolio may change due to ongoing portfolio transactions of the investment fund. An updated listing is available on a quarterly basis.

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Note on Forward-Looking Statements

This document contains forward-looking statements. Such statements are generally identifiable by the terminology used, such as “plan”, “anticipate”, “believe”, “intend”, “expect”, “estimate”, or other similar wording. These forward-looking statements are subject to known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such factors include, but are not limited to: general economic, market and business conditions; fluctuations in securities prices, fluctuation in interest rates and foreign currency exchange rates; and actions by governmental authorities. Future events and their effects on the Fund may not be those anticipated by us. Actual results may differ materially from the results anticipated in these forward-looking statements. We do not undertake, and specifically disclaim, any obligation to update or revise any forward-looking information, whether as a result of new information, future developments or otherwise.

#### Future Accounting Policy Changes

The Canadian Accounting Standards Board approved a deferral from International Financial Reporting Standards (IFRSs) adoption for investment companies applying Accounting Guideline AcG-18, *Investment Companies (AcG-18)*. Investment companies will be required to mandatorily adopt IFRS for interim and annual financial statements relating to annual periods beginning on or after January 1, 2013.

The key elements of the changeover plan deal with the requirements for financial reporting, Net Asset Value per share calculations, systems and processes, and training. The plan also sets out the timeline for implementation of the changes and the required technical training or other support required for a smooth transition.

As at June 30, 2011, some anticipated changes to financial reporting include:

- Compliance with the full body of IFRS without industry specific exemptions, unlike Canadian Generally Accepted Accounting Principles where investment fund accounting was based upon guidance in AcG-18;
- Addition of cashflow statements;
- Changes to the presentation of shareholder equity to consider puttable instruments;
- Presentation of comparative information; and
- Additional financial statement note disclosures on the recognition and classification of financial instruments.

Due to anticipated changes in IFRS prior to the transition to IFRS, the Manager cannot conclusively determine the full impact of the transition to IFRS on the Fund's financial results at this time. Based on the Manager's current understanding and analysis of IFRS as compared to the current accounting policies under Canadian GAAP, the Manager does not anticipate that the transition to IFRS will have a material impact on the Fund's Net Assets per share, nor systems and processes, and it is expected that it will mainly result in additional note disclosure in the financial statements. Implementation of the changeover plan is progressing as scheduled. The Manager will continue to monitor ongoing changes to IFRS and adjust the changeover plan accordingly.

Investment Managers Since 1947

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