

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

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

### Investment Objective and Strategies

The Fixed Income Fund targets attractive returns through active bond management by investing primarily in a diversified portfolio of high-quality bonds issued by Canadian governments and corporations. The Fixed Income Team bases its decisions upon internal research and valuation models as a support to a portfolio construction process that adheres to a strict risk control regimen. Targets for duration, credit and sector weightings as well as U.S. Pay commitments are established. Analysis of inflation expectations, monetary policy, credit spreads, the yield curve and the overall economy are all key decision criteria. A capital preservation approach is emphasized.

### Risk

The Fund holds a diversified portfolio of fixed income securities. As a result, the principal risks applicable to the Fund are issuer, interest rate, foreign currency, and credit.

Overall, the portfolio construction process has remained consistent over the period and the manager believes that the risk profile has not changed, nor has the suitability profile been affected.

The Fund has the ability to purchase foreign-currency denominated fixed income securities. As of June 30, 2011, such holdings represented 4.7% of the Fund, an increase of 1.2% compared to December 31, 2010. Consequently, the foreign currency and foreign issuer risk of the Fund has increased slightly.

The manager is not aware of any other Fund changes during the period that have affected the overall level of risk associated with an investment in the Fund.

### Results of Operations

The Fund's return for the six months ended June 30, 2011 was 1.73%\* versus 2.20% for the benchmark\*\*.

The portfolio's return lagged its benchmark during a period in which investors initially shied away from fixed income securities then rushed back in due to slowing economic growth and European sovereign debt concerns. Corporate bonds performed well despite widening credit spreads toward the end of the period, and the portfolio's significant overweight in the sector bolstered performance.

The portfolio's duration target, which began the year in line with that of the Index, was initially extended as rising interest rates and turmoil abroad provided opportunities to increase duration while picking up additional yield. Then, as interest rates began to fall, the team realized profits by shortening duration, ending the period 0.1 of a year shorter than that of the Index. The team's duration strategy had a positive impact on performance.

These positive effects were offset by poor security selection within

sectors. Another detractor was the underperformance of the U.S. dollar and thereby the portfolio's U.S. denominated bonds. However, this weakness in the 'greenback' provided an opportunity to increase the U.S. pay target as the team considers the Canadian dollar to be overvalued. As of June 30th, the portfolio held a 4.7% weighting in U.S. denominated bonds.

\* 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 Fixed Income Fund utilizes the following benchmark: DEX Universe Bond Index.

### Recent Developments

Optimism, early in 2011, that the U.S. economy was finally on the path toward self-sustaining, above-trend growth was subsequently dashed by the jump in oil prices and the impact on the global supply chain of Japan's earthquake and tsunami. Real GDP growth will likely come in around 2% for the second quarter, barely above Q1's 1.9% pace and down from the 2.5%-3% range in the second half of 2010. Leading indicators point to slow, but positive, growth ahead as auto production schedules normalize and business confidence snaps back. The key, as always, is employment but the job market has softened. After posting solid gains in the early part of the year, job growth slowed and the number of people filing for unemployment benefits began rising again.

The U.S. economy remains in a very sub-par recovery, by historic standards. This is typically what happens after a severe balance sheet recession accompanied by a financial crisis as de-leveraging in the private sector remains a headwind for years after the crisis ends as consumers and businesses remain cautious. Furthermore, policy efforts inevitably peter out—as evidenced by the failure of the Federal Reserve's second round of quantitative easing (QE2) to provide any lasting stimulus to the U.S. economy. Additional long-term headwinds for the U.S. economy include the renewed weakness in the housing market and looming fiscal austerity which will be part of any deal reached to raise the debt ceiling ahead of the early-August deadline.

In this environment, inflation will remain low and the Federal Reserve is unlikely to end its near 0% policy rate any time soon. That said, core inflation appears to have bottomed, suggesting the hurdle for 'QE3', a possible third round of quantitative easing, will be quite high as the current economy is not facing the same imminent deflation risk it did last August when Fed Chairman Bernanke first publically discussed QE2.

The Canadian economy slowed during the period on the back of the weakness in global activity. Inflation remains low, but showed signs of perking up in April and May, much to the dismay of the Bank of Canada (BoC). The BoC's monetary policy—the overnight interest rate target remained at 1% during the quarter—is being pulled in opposing directions. The global slowdown, downside risks owing to Europe's sovereign debt crisis and overvalued Canadian dollar calls for an 'on-hold' policy, but firmer inflation and worries about a housing and credit bubble suggest

the BoC should hike rates. On balance, rates will go up eventually but any rise will be gradual with overall rates likely to remain low and policy accommodative for the foreseeable future.

#### 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 (%)	1.00	0.05	0.65	0.55	0.00
Trailer Fee (%)	0.50	N/A	0.10	N/A	N/A

For services as Manager, MBL receives an annual management fee for Class D units of 0.65%, that is not to exceed a maximum of 1%, excluding taxes, of the average Net Asset Value of the Fund:

Management fee	0.65%
As a percentage of Management Fee:	
Trailer Fees	15%
Investment Management and Administration	85%

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

A management fee of 1.00%, 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 0.55%, 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 (\$)¹

		Net assets, beginning of year²	Increase (Decrease) from Operations				Distributions				Net assets, at end of year shown	
			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	13.53	0.28	(0.08)	0.06	(0.07)	0.19	0.23	–	–	0.23	13.50
	Dec 2010	13.20	0.56	(0.15)	0.12	0.04	0.57	0.43	–	–	0.43	13.53
	Dec 2009	13.16	0.44	(0.10)	0.03	(1.09)	(0.72)	0.42	–	–	0.42	13.20
Class C	June 2011	13.09	0.27	–	0.06	(0.06)	0.27	0.29	–	–	0.29	13.06
	Dec 2010	12.77	0.54	(0.01)	0.10	0.19	0.82	0.54	–	–	0.54	13.09
	Dec 2009	12.63	0.58	(0.01)	0.12	0.02	0.71	0.58	–	–	0.58	12.77
	Dec 2008	12.33	0.59	(0.01)	0.25	0.03	0.86	0.59	–	–	0.59	12.63
	Dec 2007 <sup>4</sup>	12.62	0.60	(0.01)	(0.12)	(0.17)	0.30	0.59	–	–	0.59	12.33
Class D <sup>†††</sup>	June 2011	13.58	0.28	(0.05)	0.06	(0.06)	0.23	0.26	–	–	0.26	13.56
	Dec 2010	13.25	0.56	(0.10)	0.12	0.22	0.80	0.48	–	–	0.48	13.58
	Dec 2009	13.11	0.60	(0.09)	0.13	0.01	0.65	0.52	–	–	0.52	13.25
	Dec 2008	12.80	0.61	(0.09)	0.26	0.03	0.81	0.52	–	–	0.52	13.11
	Dec 2007 <sup>4</sup>	13.09	0.62	(0.09)	(0.13)	(0.18)	0.22	0.53	–	–	0.53	12.80
Class F <sup>†</sup>	June 2011	13.65	0.28	(0.04)	0.06	(0.07)	0.23	0.27	–	–	0.27	13.62
	Dec 2010	13.32	0.56	(0.08)	0.14	0.15	0.77	0.51	–	–	0.51	13.65
	Dec 2009	13.18	0.60	(0.08)	0.09	(0.03)	0.58	0.57	–	–	0.57	13.32
	Dec 2008	12.94	0.53	(0.06)	0.27	–	0.74	0.57	–	–	0.57	13.18
Class O <sup>††</sup>	June 2011	13.08	0.27	–	0.06	(0.05)	0.28	0.30	–	–	0.30	13.06
	Dec 2010	12.76	0.54	–	0.11	0.22	0.87	0.55	–	–	0.55	13.08
	Dec 2009	12.63	0.58	–	0.13	0.01	0.72	0.58	–	–	0.58	12.76
	Dec 2008	12.44	0.05	–	0.01	0.19	0.25	0.12	–	–	0.12	12.63

<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 Asset Value (\$) <sup>1</sup>	Net Asset Value per Unit (\$)	Number of units outstanding <sup>2</sup>	Management Expense Ratio (MER) (%) <sup>3</sup>	Management Expense Ratio Before Absorption (MER) (%) <sup>3</sup>	Portfolio turnover rate (%) <sup>4</sup>
		Class A <sup>†††</sup>	June 2011	1,832,066	13.52	135,523	1.13
	Dec 2010	1,901,048	13.54	140,357	1.09	1.09	73
	Dec 2009	1,422,052	13.22	107,576	1.05	1.05	62
Class C	June 2011	23,652,473	13.08	1,808,785	0.06	0.06	24
	Dec 2010	24,514,982	13.10	1,871,026	0.05	0.05	73
	Dec 2009	32,242,640	12.78	2,522,019	0.05	0.05	62
	Dec 2008	24,612,652	12.65	1,946,063	0.06	0.06	92
	Dec 2007	25,980,648	12.34	2,105,658	0.05	0.05	112
Class D <sup>†††</sup>	June 2011	79,395,001	13.57	5,850,104	0.72	0.72	24
	Dec 2010	83,641,693	13.60	6,151,583	0.70	0.70	73
	Dec 2009	77,357,160	13.27	5,829,833	0.68	0.68	62
	Dec 2008	63,970,526	13.13	4,872,458	0.69	0.69	92
	Dec 2007	79,612,741	12.80	6,217,532	0.69	0.69	112
Class F <sup>†</sup>	June 2011	1,033,628	13.64	75,795	0.59	0.59	24
	Dec 2010	1,066,904	13.66	78,091	0.58	0.58	73
	Dec 2009	587,842	13.34	44,060	0.58	0.58	62
	Dec 2008	30,680	13.20	2,324	0.58	0.58	92
Class O <sup>††</sup>	June 2011	15,457,846	13.07	1,182,503	–	–	24
	Dec 2010	17,488,620	13.10	1,335,172	–	–	73
	Dec 2009	17,497,578	12.78	1,368,989	–	–	62
	Dec 2008	15,229,269	12.64	1,204,458	–	–	92

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

<sup>†††</sup> Prior to April 1, 2009, the Fixed Income Fund Class D was known as Class A.

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

<sup>††††</sup> The Fixed Income Fund Class AA was created on April 1, 2009 and renamed Class A on March 26, 2010.

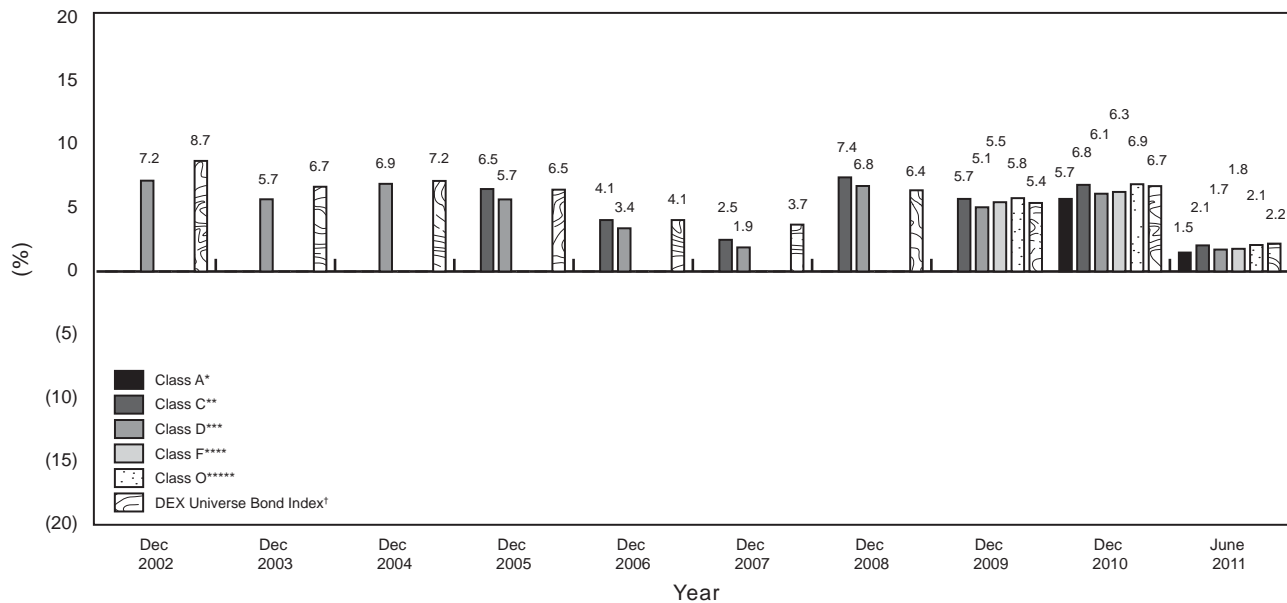
## Past Performance

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

The performance information shown below assumes that all distributions made by the investment fund in the periods shown were reinvested in additional securities of the investment fund. The performance information does not take into account sales, redemptions, distributions or other optional charges (which distributors other than McLean Budden may charge) that would have reduced returns or performance. How the investment fund has performed in the past does not necessarily indicate how it will perform in the future.

## Year-by-Year Returns (%)

The bar chart below shows the annual performance of each class of the Fund for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The chart below shows, in percentage terms, how much an investment made on the first day of each financial year would have increased or decreased as at the last day of each financial year.



\* The Fixed Income Fund Class AA was created on April 1, 2009 and renamed Class A on March 26, 2010.

\*\* The Fixed Income Fund Class C was created on April 1, 2004.

\*\*\* Prior to April 1, 2009, the Fixed Income Fund Class D was known as Class A.

\*\*\*\* The Fixed Income Fund Class F was created on February 13, 2008.

\*\*\*\*\* The Fixed Income Fund Class O was created on November 28, 2008.

## Annual Compound Returns (%)

The following table shows for each class of units of the Fund, the annual compound total return for the period ending June 30.

	Annual Compound Returns				Benchmark <sup>†</sup>		Start Date
	1 Year	3 Years	5 Years	10 Years	Since Inception	Since Inception	
Class A*	3.20	–	–	–	4.87	5.69	April 1, 2009
Class C**	4.31	6.56	6.22	–	5.43	5.36	April 1, 2004
Class D***	3.62	5.87	5.55	5.71	7.73	8.40	July 15, 1988
Class F****	3.76	6.10	–	–	5.76	5.62	February 13, 2008
Class O*****	4.37	–	–	–	6.79	6.72	November 28, 2008
Benchmark <sup>†</sup>	4.67	6.18	6.02	6.45			

<sup>†</sup> The McLean Budden Fixed Income Fund has been compared to the DEX Universe Bond Index. The DEX Universe Bond Index can be defined as a broad measure of the total return of Canadian bonds that consist of all marketable Canadian bonds with terms to maturity of more than one year and contains approximately 900 federal, provincial, municipal and corporate bonds that are rated BBB or higher.

## Manager's Discussion

Each mutual fund class has a different management fee which explains the differing returns of each class of a given Fund. The management fee schedule by class can be found on page 3 of this report. A discussion of the Performance of the Fund compared to the Benchmark is found in the Results of Operations section of this report.

Summary of Investment Portfolio

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

Top Twenty-Five Positions

Security	Maturity Date	% of Total Net Assets
Government of Canada	1.250% Dec 01/11	12.3
Government of Canada	3.750% Jun 01/12	5.8
Province of Ontario	6.500% Mar 08/29	5.1
Government of Canada	4.000% Jun 01/41	3.8
United States Treasury	4.250% May 15/39	3.7
Government of Canada	3.000% Dec 01/15	3.6
Government of Canada	1.000% Sep 01/11	2.5
Canada Housing Trust	4.800% Jun 15/12	2.4
Province of Ontario	4.200% Mar 08/18	2.1
Canada Housing Trust	3.750% Mar 15/20	2.0
Government of Canada	5.000% Jun 01/37	1.5
Province of Ontario	4.200% Jun 02/20	1.5
Province of Ontario	3.250% Sep 08/14	1.5
Bank of Montreal	6.020% May 02/18	1.4
Province of Quebec	5.500% Dec 01/14	1.3
Province of Manitoba	4.700% Sep 22/17	1.2
Province of British Columbia	6.350% Jun 18/31	1.2
Royal Bank of Canada	3.660% Jan 25/17	1.2
Toronto-Dominion Bank Reset Notes	5.763% Dec 18/17	1.1
Province of British Columbia	4.950% Jun 18/40	1.1
GE Capital Canada Funding Company	4.650% Feb 11/15	1.1
Thomson Reuters Corporation	5.250% Jul 15/11	1.1
Province of Ontario	4.700% Jun 02/37	1.1
Government of Canada	3.500% Dec 01/45	1.0
Province of Quebec	6.000% Oct 01/29	1.0
<b>Total</b>		<b>61.6</b>

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.

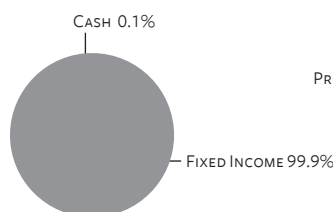
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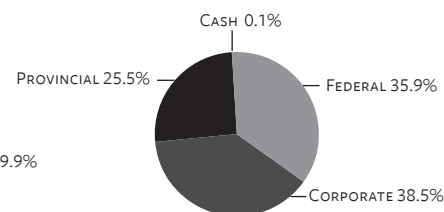
Asset Mix (%)

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



Portfolio Composition (%)

Sector breakdown as of June 30<sup>th</sup>, 2011



Portfolio Yield\*: 3.0%  
Duration (Years)\*\*: 6.3

\* The Portfolio's yield is defined as the Portfolio's income divided by the Portfolio's market value.  
\*\* Duration can be defined as the weighted average maturity of the Fund's cash flows.

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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