

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

McLean Budden  
LifePlan<sup>®</sup> Retirement 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<sup>®</sup>



## McLean Budden LifePlan® Retirement Fund for the six months ended June 30<sup>th</sup>, 2011

### Investment Objective and Strategies

The LifePlan® Retirement Fund aims to provide income and modest capital growth consistent with a conservative investment policy through an innovative asset allocation strategy by investing primarily in a mix of fixed income, equity and money market funds.

To achieve its investment objectives the Fund will invest up to 100% of its assets in other mutual funds managed by McLean Budden (the “underlying funds”). The underlying funds will invest in a diversified portfolio of bonds, short-term investments, common stocks and unit trusts. The stock component of the underlying funds generally consists of common shares of large capitalization companies (including equity securities of unit trusts). The commitment to long term, high-quality bonds and short-term investments in the underlying funds is adjusted according to McLean Budden’s interest rate forecast.

### Risk

The portfolio construction process for the Fund has remained consistent over the period and therefore the level of risk associated with each underlying asset class in the Fund: cash, bonds, Canadian and global equities has not changed.

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 month period ended June 30, 2011 was 1.44%\* versus 1.75% for the benchmark\*\*.

The portfolio’s return fell short of the benchmark due in large part to weak stock selection within the global equity component. The Canadian equity portion of the Fund saw strong performance from Bombardier, Trinidad Drilling, and First Quantum Minerals offset by Sino-Forest and uranium-producer Cameco. The portion of the portfolio dedicated to dividend paying stocks added significant value as it provided a measure of stability during the volatile downturn of Canadian markets late in the period. Within the global equity component, poor results from information technology (Nintendo, Hewlett-Packard) and financials (Bank of America, Goldman Sachs) eclipsed robust results from materials (Air Liquide, Toray). Industry sector allocation had a slightly positive effect on performance due to the overweight position in materials at the expense of financials.

The bond portfolio’s duration target, which began the year in line with that of the DEX Universe 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.

We believe the pullback in equities and flight to quality in government bonds has largely run its course. We used this opportunity to rebalance back to an overweight position in stocks, cut our overweight position in bonds to neutral, as valuations deteriorated, and raised our cash position slightly while remaining underweight. The global recovery is sub-par and challenges remain—such as Europe’s sovereign debt crisis, de-leveraging, fiscal austerity and monetary policy tightening in emerging economies—but overall economic growth expectations have adjusted downward. In our view, a global recession would only materialize in the event of an imminent Greek default, with significant contagion. Within equities, our preference is foreign stocks, where relative value is considered to be better versus Canada.

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

\*\* The McLean Budden LifePlan® Retirement Fund blended benchmark is made up of 17.5% BMO/TSX Cap 10, 55% DEX Universe Bond Index, 17.5% MSCI World Index, and 10% DEX 91 day T-Bill.

### Recent Developments

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.

We believe that there are three main factors behind the pullback in 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.

**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).

The Fund may invest in securities of other McLean Budden Mutual Funds. Currently, the Fund owns Class O units of the McLean Budden Canadian Equity Fund, McLean Budden Global Equity Fund, McLean Budden Fixed Income Fund, McLean Budden Dividend Income Fund and McLean Budden Money Market Fund.

**Management Fees**

The following table shows the Fund's annual management fee, and a breakdown of services. The management fee is an annualized management fee calculated based on the Net Asset Value of the Fund. 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 VMD 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 60.56% 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 F	Class O	Class VMD
Management Fee (%)	1.50	0.75	0.00	1.70
Trailer Fee (%)	0.75	N/A	N/A	1.20

For services as Manager, MBL receives an annual management fee for Class A units of 1.50%, that is not to exceed a maximum of 2.50%, excluding taxes, of the average Net Asset Value of the Fund:

Management fee	1.50%
As a percentage of Management Fee:	
Trailer Fees	50%
Investment Management and Administration	50%

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

In addition, your advisor may charge you a separate fee in addition to the Management Fee.

A management fee of 0.75%, 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.

A management fee of 1.70%, excluding taxes, is payable by each Class VMD unitholder. In addition, your advisor may charge you a separate fee in addition to the Management Fee.

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

		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 A¹	June 2011	9.85	0.19	(0.08)	0.04	(0.05)	0.10	0.07	0.02	–	0.09	9.90
	Dec 2010	9.54	0.40	(0.16)	–	0.47	0.71	0.18	0.04	–	0.22	9.85
	Dec 2009	8.85	–	–	–	0.88	0.88	0.23	0.09	–	0.32	9.54
Class F¹¹	June 2011	9.96	–	–	–	–	–	0.12	0.03	–	0.15	10.06
	Dec 2010	9.54	–	–	–	0.85	0.85	0.20	0.05	–	0.25	9.96
	Dec 2009	8.85	–	–	–	0.88	0.88	0.23	0.09	–	0.32	9.54
Class O¹¹¹	June 2011	9.96	0.15	–	0.03	0.05	0.23	0.12	0.03	–	0.15	10.04
	Dec 2010	9.54	0.36	–	(0.01)	0.38	0.73	0.22	0.04	–	0.26	9.96
	Dec 2009	8.85	–	–	–	0.88	0.88	0.23	0.09	–	0.32	9.54
Class VMD	June 2011	9.92	0.14	(0.09)	0.03	0.06	0.14	0.04	0.01	–	0.05	10.00
	Dec 2010	9.60	0.36	(0.18)	(0.01)	0.40	0.57	0.15	0.03	–	0.18	9.92
	Dec 2009	8.99	0.34	(0.17)	(0.27)	0.88	0.78	0.14	0.04	–	0.18	9.60
	Dec 2008	9.78	0.34	(0.03)	(0.13)	(0.65)	(0.47)	0.28	0.04	–	0.32	8.99
	Dec 2007⁴	10.13	0.32	–	0.04	(0.41)	(0.05)	0.31	–	0.04	0.35	9.78

¹ 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.)

² 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.

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

⁴ 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 A¹	June 2011	265,137	9.90	26,781	1.69	1.69	9	0.10
	Dec 2010	98,112	9.85	9,957	1.66	1.66	26	0.03
	Dec 2009	11	9.54	1	–	–	15	0.03
Class F¹¹	June 2011	12	10.06	1	–	–	9	0.10
	Dec 2010	12	9.96	1	–	–	26	0.03
	Dec 2009	11	9.54	1	–	–	15	0.03
Class O¹¹¹	June 2011	4,940	10.04	492	–	–	9	0.10
	Dec 2010	4,830	9.96	485	–	–	26	0.03
	Dec 2009	11	9.54	1	–	–	15	0.03
Class VMD	June 2011	9,264,071	10.00	926,471	1.79	1.79	9	0.10
	Dec 2010	10,830,876	9.92	1,092,214	1.79	1.79	26	0.03
	Dec 2009	6,352,034	9.60	662,002	1.79	1.79	15	0.03
	Dec 2008	6,237,055	8.99	693,571	1.19	1.19	22	0.06
	Dec 2007	7,890,893	9.78	806,518	0.90	0.90	31	0.02

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

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

³ 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.

⁴ 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.

⁵ 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.

¹ The LifePlan® Retirement Fund Class AA was created on April 1, 2009 and renamed Class A on March 26, 2010.

¹¹ The LifePlan® Retirement Fund Class F was created on April 1, 2009; however, there were no unitholders in this class as of December 31, 2010.

¹¹¹ The LifePlan® Retirement Fund Class O was created on April 1, 2009.

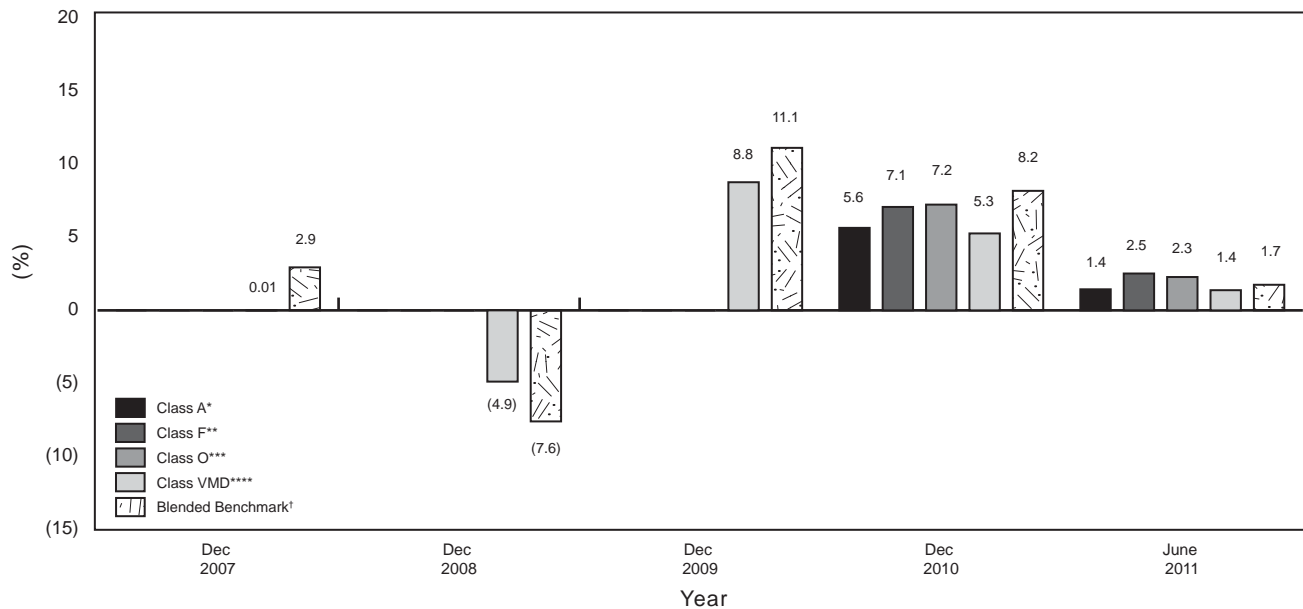
### Past Performance

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 LifePlan® Retirement Fund Class AA was created on April 1, 2009 and renamed Class A on March 26, 2010.

\*\* The LifePlan® Retirement Fund Class F was created on April 1, 2009; however, there were no unitholders in this class as of June 30, 2011.

\*\*\* The LifePlan® Retirement Fund Class O was created on April 1, 2009.

\*\*\*\* The LifePlan® Retirement Fund Class VMD (formerly VMD-McLean Budden LifePlan™ Retirement Fund) was created on October 13, 2006.

### 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					Blended	BMO/TSX	DEX Universe	MSCI	Start Date
	1 Year	3 Years	5 Years	10 Years	Since Inception	Benchmark <sup>†</sup>	CAP 10% Index <sup>††</sup>	Bond Index <sup>†††</sup>	World Index <sup>††††</sup>	
Class A*	7.68	—	—	—	8.21	9.86	24.03	5.69	14.12	April 1, 2009
Class F**	9.85	—	—	—	9.37	9.86	24.03	5.69	14.12	April 1, 2009
Class O***	9.49	—	—	—	9.33	9.86	24.03	5.69	14.12	April 1, 2009
Class VMD****	7.55	3.25	—	—	2.57	3.86	4.54	5.30	(1.96)	October 13, 2006
Blended Benchmark <sup>†</sup>	9.55	3.75	—	—	—	—	—	—	—	—
BMO/TSX Cap 10% Index <sup>††</sup>	20.87	0.19	5.67	8.05	—	—	—	—	—	—
DEX Universe Bond Index <sup>†††</sup>	4.67	6.18	6.02	6.45	—	—	—	—	—	—
MSCI World Index <sup>††††</sup>	19.28	(0.79)	(0.09)	(0.12)	—	—	—	—	—	—

<sup>†</sup> The VMD Retirement Blended Benchmark is made up of 17.5% BMO/TSX Cap 10, 55% DEX Universe Bond Index, 17.5% MSCI World Index and 10% DEX 91 day T-Bill. This blended benchmark will be a moving benchmark over time.

<sup>††</sup> The BMO/TSX Cap 10% Index is a broad sector, market value weighted index where the constituents are made up of the largest Canadian companies to provide an indication as to the performance of Canadian equities, but limits any one company to being weighted no more than 10% of the index.

<sup>†††</sup> 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.

<sup>††††</sup> The Morgan Stanley Capital International World Index (MSCI) is an index of approximately 1,600 companies listed on exchanges in the 23 countries that make up the MSCI national indices.

### 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 Positions**

Security	% of Total Net Assets
McLean Budden Fixed Income Class O	54.4
McLean Budden Global Equity Class O	18.9
McLean Budden Canadian Equity Class O	9.3
McLean Budden Dividend Income Class O	8.6
McLean Budden Money Market Class O	8.0
Cash and Short-Term Investments	0.8
<b>Total</b>	<b>100.0</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.

**Toronto**

145 King Street West  
 25<sup>th</sup> Floor  
 Toronto, ON M5H 1J8  
 Tel +1 416 862 9800  
 Fax +1 416 862 9624

[www.mcleanbudden.com](http://www.mcleanbudden.com)

+1 800 884 0436

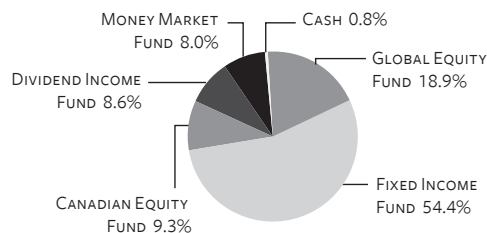
**Vancouver**

595 Burrard Street  
 Suite 3043, P.O. Box 49105  
 Vancouver, BC V7X 1G4  
 Tel +1 604 623 3430  
 Fax +1 604 623 3436

**Montréal**

1250 René-Lévesque Blvd. West  
 Suite 3010  
 Montréal, QC H3B 4W8  
 Tel +1 514 933 0033  
 Fax +1 514 933 8163

**Asset Mix (%)**



**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

[www.mcleanbudden.com](http://www.mcleanbudden.com)

**Toronto**

145 King Street West  
25<sup>th</sup> Floor  
Toronto, ON M5H 1J8  
Tel +1 416 862 9800  
Fax +1 416 862 9624

**Montréal**

1250 René-Lévesque Blvd. W.  
Suite 3010  
Montréal, QC H3B 4W8  
Tel +1 514 933 0033  
Fax +1 514 933 8163

**Vancouver**

595 Burrard Street  
Three Bentall Centre  
Suite 3043, P.O. Box 49105  
Vancouver, BC V7X 1G4  
Tel +1 604 623 3430  
Fax +1 604 623 3436