

# Annual Manager's Report on Fund Performance 2010

McLean Budden  
International Equity Fund



This annual management report of fund performance contains financial highlights, but does not contain the complete 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 International Equity Fund for the year ended December 31<sup>st</sup>, 2010

### Investment Objective and Strategies

The Fund aims for long-term capital growth by investing in well-capitalized international equity securities. The Fund invests in large and medium sized international companies. Our EAFE (Europe, Australasia and Far East) Equity Team selects stocks which possess strong earnings growth, proven management, financial strength, business potential, earnings stability and good return on equity.

### Risk

The Fund holds equities of companies situated outside of Canada and the U.S. The primary risks associated with this Fund are market, issuer, foreign security and currency risk.

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 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 year ended December 31, 2010 was -1.05%\* versus 2.84% for the benchmark\*\*.

After a strong rally in equity markets during the last three quarters of 2009, global markets retreated in early 2010 on dwindling investor confidence and signs of more sluggish economic growth ahead. Towards the latter half of 2010 global equities rallied, more than offsetting the losses incurred earlier in the year. Energy weighed most heavily on the Index early in the period, however, by year end the utilities and financials sectors had become significant laggards. Over the course of the year the benchmark's strongest were industrials, consumer discretionary and materials - posting double digit returns.

For the year, the Fund's underperformance was primarily due to security selection, while industry sector allocation had a slightly positive impact. Weakness within financials holdings Banco Santander and Credit Suisse detracted from the relative result, however, the largest single reason for underperformance was due to the portfolio's significant exposure to energy giant BP earlier in the period. Partially offsetting this were robust results from consumer discretionary holdings BMW and Wal-Mart de México within consumer staples and an overweight position, relative to the benchmark, in the information technology sector.

Assets were re-deployed toward holdings that should benefit from the rebound in capital expenditures and, in particular, a recovery in manufacturing. New additions during the period included Lenovo, Tesco, BHP Billiton, Rio Tinto and Rexam. FANUC was another new addition, however, as its price appreciated throughout the period it was decreased.

Nestlé was also trimmed due to its limited upside potential. In the fourth quarter Ericsson was increased as the growth opportunities in wireless infrastructure spending are compelling. Two of the most newsworthy companies of 2010 – Toyota and BP – were eliminated from the portfolio, having been undermined by particularly adverse business-related developments. Opportunistic changes in the fourth quarter led to the elimination of Vale, BNP Paribas and Alstom.

Maintaining a bias towards strong companies with favourable long-term prospects, the portfolio currently positioned for a rebound in capital expenditures through its relative overweight in information technology and materials. The financials and consumer discretionary sectors remain underweight. Recent portfolio changes reflect increased optimism regarding the fundamentals for select commodities.

\* 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 International Equity Fund utilizes the following benchmark: Morgan Stanley Capital International EAFE Index (C\$).

### Recent Developments

Global equities rallied in the fourth quarter and rose to new-cycle highs. Global economic activity gained momentum, led by a modest improvement in the U.S. economy and ongoing strength in emerging markets. On the surface it appears that the global economy is in the early stages of an economic expansion, however, significant regional disparities exist. In Europe, fiscal austerity will likely hold back growth while in much of the emerging world, inflation pressures are building and policy is tightening. Security, sector and regional selection may re-emerge as an important theme for equities in this environment, even as major world indices grind higher.

#### 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 a 66.9% owned indirect subsidiary of Sun Life Financial Inc. 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 December 31, 2010, McLean Budden paid 12.89% 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 up to 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 year ended December 31<sup>st</sup>, 2010

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 A¹¹¹¹	Dec 2010	9.48	0.20	(0.18)	(0.15)	0.91	0.78	–	0.12	–	0.12	9.21
	Dec 2009	7.54	0.37	–	(0.37)	2.25	2.25	–	0.25	–	0.25	9.48
Class C	Dec 2010	9.54	0.22	(0.02)	(0.20)	0.04	0.04	–	0.24	–	0.24	9.33
	Dec 2009	8.31	0.25	(0.02)	(0.80)	1.97	1.40	–	0.25	–	0.25	9.54
	Dec 2008	11.24	0.42	(0.01)	(0.80)	(2.23)	(2.62)	–	0.40	–	0.40	8.31
	Dec 2007⁴	12.83	0.29	(0.02)	0.62	(2.30)	(1.41)	–	0.30	–	0.30	11.24
	Dec 2006	10.45	0.28	(0.01)	0.93	1.58	2.78	–	0.32	–	0.32	12.84
Class D¹¹¹¹	Dec 2010	9.47	0.22	(0.13)	(0.20)	0.01	(0.10)	–	0.11	–	0.11	9.27
	Dec 2009	8.27	0.24	(0.12)	(0.74)	1.98	1.36	–	0.14	–	0.14	9.47
	Dec 2008	10.81	0.41	(0.15)	(0.63)	(2.95)	(3.32)	–	–	–	–	8.27
	Dec 2007⁴	12.34	0.29	(0.17)	0.60	(2.11)	(1.39)	–	0.14	–	0.14	10.81
	Dec 2006	10.05	0.27	(0.14)	0.86	1.49	2.48	–	0.17	–	0.17	12.35
Class F¹	Dec 2010	8.99	0.22	(0.10)	(0.13)	0.20	0.19	–	0.16	–	0.16	8.76
	Dec 2009	7.85	0.23	(0.10)	(0.75)	1.97	1.35	–	0.16	–	0.16	8.99
	Dec 2008	10.14	0.15	(0.08)	(3.07)	11.28	8.28	–	0.38	–	0.38	7.85
Class O¹¹	Dec 2010	9.53	0.22	(0.01)	(0.22)	0.19	0.18	–	0.24	–	0.24	9.32
	Dec 2009	8.31	0.25	(0.01)	(0.83)	2.04	1.45	–	0.25	–	0.25	9.53
	Dec 2008	8.25	0.02	–	(0.31)	1.19	0.90	–	0.40	–	0.40	8.31

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 Asset Value (\$)¹	Net Asset Value per Unit (\$)²	Number of units outstanding²	Management Expense Ratio (MER) (%)³	Management Expense Ratio Before Absorption (MER) (%)³	Portfolio turnover rate (%)⁴	Trading expense ratio (%)⁵
Class A¹¹¹¹	Dec 2010	56,994	9.21	6,185	2.14	2.14	47	0.12
	Dec 2009	26	9.48	3	–	–	41	0.14
Class C	Dec 2010	7,102,919	9.33	761,251	0.06	0.06	47	0.12
	Dec 2009	5,093,594	9.55	533,638	0.05	0.05	41	0.14
	Dec 2008	4,585,021	8.33	550,688	0.07	0.07	58	0.11
	Dec 2007	6,234,884	11.29	552,452	0.07	0.07	29	0.10
	Dec 2006	4,596,494	12.84	358,105	0.06	0.06	31	0.13
Class D¹¹¹¹	Dec 2010	6,515,124	9.27	702,978	1.35	1.35	47	0.12
	Dec 2009	6,846,850	9.48	722,269	1.31	1.31	41	0.14
	Dec 2008	5,017,278	8.29	605,493	1.33	1.33	58	0.11
	Dec 2007	42,689,824	10.86	3,931,804	1.35	1.35	29	0.10
	Dec 2006	48,329,739	12.35	3,914,670	1.33	1.33	31	0.13
Class F¹	Dec 2010	122,008	8.76	13,920	1.08	1.08	47	0.12
	Dec 2009	36,335	8.99	4,041	1.05	1.05	41	0.14
	Dec 2008	11,006	7.86	1,401	0.12	0.12	58	0.11
Class O¹¹	Dec 2010	26,319,982	9.32	2,822,938	–	–	47	0.12
	Dec 2009	25,638,901	9.54	2,688,214	–	–	41	0.14
	Dec 2008	23,710,250	8.32	2,850,123	–	–	58	0.11

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

² The information is provided at 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 International Equity Fund Class F was created on February 13, 2008.

¹¹¹ Prior to April 1, 2009, the International Equity Fund Class D was known as Class A.

¹¹ The International Equity Fund Class O was created on November 28, 2008.

¹¹¹¹ The International Equity Fund Class AA was created on April 1, 2009 and renamed Class A on March 26, 2010.

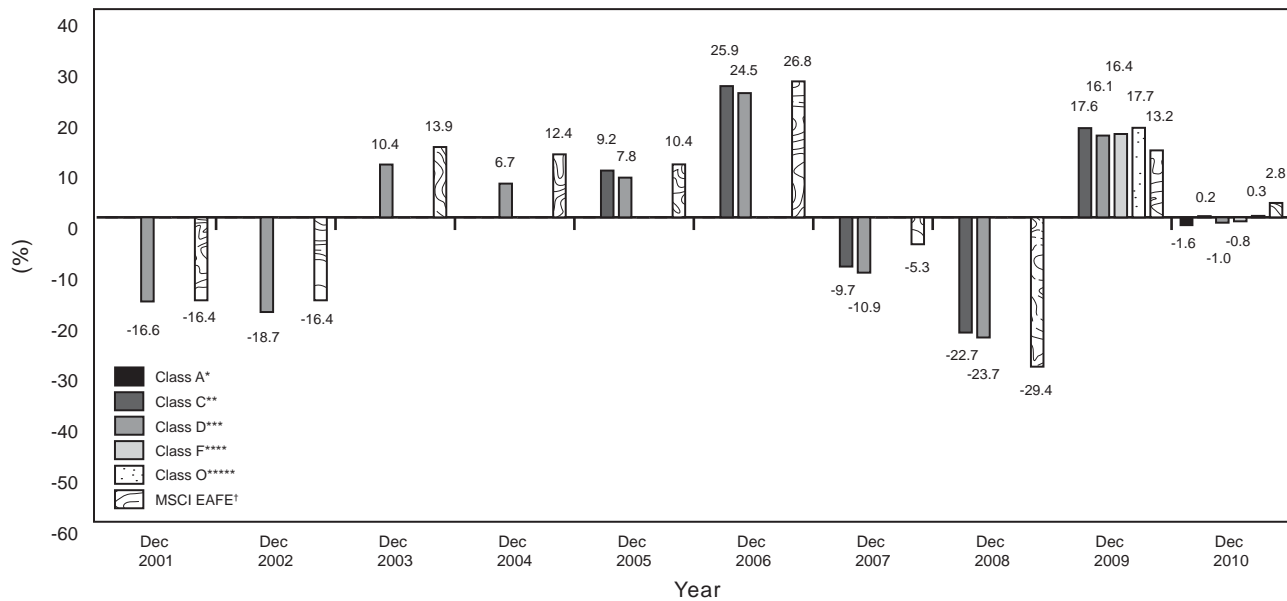
### Past Performance

For the year ended December 31<sup>st</sup>, 2010

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 International Equity Fund Class AA was created on April 1, 2009 and renamed Class A on March 26, 2010.  
\*\* The International Equity Fund Class C was created on April 1, 2004.  
\*\*\* Prior to April 1, 2009, the International Equity Fund Class D was known as Class A.

\*\*\*\* The International Equity Fund Class F was created on February 13, 2008.  
\*\*\*\*\* The International Equity 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 December 31.

	Annual Compound Returns				Benchmark <sup>†</sup>		Start Date
	1 Year	3 Years	5 Years	10 Years	Since Inception	Since Inception	
Class A*	-1.60	-	-	-	14.63	16.84	April 1, 2009
Class C**	0.24	-3.06	0.69	-	2.31	2.17	April 1, 2004
Class D***	-1.05	-4.28	-0.56	-1.75	0.28	0.97	July 1, 1998
Class F****	-0.78	-	-	-	-2.11	-3.67	February 13, 2008
Class O*****	0.29	-	-	-	11.22	10.09	November 28, 2008
Benchmark <sup>†</sup>	2.84	-6.34	-0.28	-0.25			

<sup>†</sup> The McLean Budden International Equity Fund has been compared with the Morgan Stanley Capital International EAFE Index (MSCI EAFE). The Morgan Stanley Capital International EAFE Index (MSCI EAFE) is an index that measures performance of developed stock markets in Europe, Asia and the Far East, excluding the USA and Canada.

### 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 December 31<sup>st</sup>, 2010

Top Twenty-Five Positions

	% of Total Net Assets
<b>Security</b>	
Rio Tinto plc	4.8
BG Group plc	3.8
Novartis AG	3.5
Credit Suisse Group AG	3.3
HSBC Holdings plc	3.3
BHP Billiton plc	3.2
Cash and Short-Term Investments	3.2
Diageo plc	3.0
Vodafone Group plc	2.8
Roche Holdings Ltd	2.8
Banco Santander SA	2.8
Mitsubishi UFJ Financial Group Inc	2.6
Teva Pharmaceutical Industries Limited	2.3
Nestlé SA	2.2
Siemens AG	2.2
Toray Industries, Inc	2.0
Wal-Mart De México	2.0
Tullow Oil	2.0
Nippon Telegraph & Telephone Corp.	1.9
Canon Inc	1.9
Air Liquide	1.9
SAP AG	1.9
Telefonaktiebolaget LM Ericsson	1.9
Tesco plc	1.8
CapitaLand Limited	1.8
<b>Total</b>	<b>64.9</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** [www.mcleanbudden.com](http://www.mcleanbudden.com)  
145 King Street West +1 800 884 0436  
25<sup>th</sup> Floor  
Toronto, ON M5H 1J8  
Tel +1 416 862 9800  
Fax +1 416 862 9624

**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

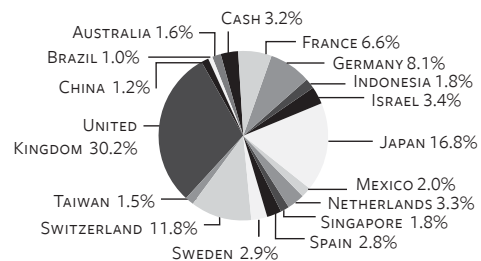
Industry Classification	% of Total Net Assets
Energy	5.8
Materials	16.9
Industrials	9.7
Consumer Discretionary	4.2
Consumer Staples	10.4
Health Care	10.0
Financials	16.9
Information Technology	12.4
Telecommunication Services	8.2
Utilities	2.5

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).

Country Classification	% of Total Net Assets
Cash	3.2
Australia	1.6
Brazil	1.0
China	1.2
France	6.6
Germany	8.1
Indonesia	1.8
Israel	3.4
Japan	16.8
Mexico	2.0
Netherlands	3.3
Singapore	1.8
Spain	2.8
Sweden	2.9
Switzerland	11.8
Taiwan	1.5
United Kingdom	30.2

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Asset Mix by Country (%)



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*. 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 December 31, 2010, 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 Accounting Guideline 18 – Investment Companies (“AcG-18”);
- Without exemption under AcG-18, a Fund must consolidate all controlling entities, or be consolidated with the entity which controls it;
- 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