

MD Family of Funds

2011 Annual Financial Statements



PHYSICIAN
SERVICES INC.
A CMA COMPANY

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A Message Regarding Your Financial Statements

Dear MD Family of Funds Investor:

As part of our commitment to keeping you informed about your MD Fund investments, please find attached the 2011 annual financial statements.

The annual financial statements are produced on a fund-by-fund basis, and your report only includes information on the funds you owned as of December 31, 2011.

If you have any questions regarding these documents, please contact your MD advisor or the MD TradeCentre at **1 800 267-2332**. We thank you for your continued investment in the MD Family of Funds.

Audited Annual Financial Statements for the Year Ended December 31, 2011

These audited Annual Financial Statements do not contain the Annual Management Report of Fund Performance ("MRFP") of the investment fund. If you have not received a copy of the Annual MRFP with this report, you may obtain a copy of the Annual MRFP at your request, and at no cost, by calling the toll-free number 1 800 267-2332, by writing to us at MD Physician Services Inc., 1870 Alta Vista Drive, Ottawa ON K1G 6R7, by visiting our website at md.cma.ca or by visiting the SEDAR website at sedar.com. Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

MD Physician Services Inc. either wholly owns or has a majority interest in its seven subsidiaries (the MD group of companies*), provides financial products and services, is the fund manager for the MD family of mutual funds, offers investment counselling services, and also provides practice management services (such as consulting, EMR and Health Portal solutions) and related billing services.

* For a detailed list of companies, visit md.cma.ca.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. The rate of return is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual fund or returns on investment in the mutual fund. Standard performance data assumes reinvestment of distributions only and does not take into account sales, redemption, distribution or optional charges payable by any securityholder which would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Please read the prospectus before investing. You may obtain a copy of the prospectus before investing by calling your MD advisor or the MD TradeCentre at 1 800 267-2332.

MD Family of Funds

Management's Responsibility for Financial Reporting

Management acknowledges responsibility for the preparation and presentation of the financial statements of MD Money Fund, MD Bond Fund, MD Bond and Mortgage Fund, MD Balanced Fund, MD Dividend Fund, MD Income & Growth Fund, MD Equity Fund, MD Select Fund, MD American Value Fund, MD American Growth Fund, MD International Value Fund, MD International Growth Fund, MD Growth Investments Limited, MD Conservative Portfolio, MD Moderate Balanced Portfolio, MD Balanced Growth Portfolio, MD Maximum Growth Portfolio, MD PIM Canadian Equity Pool and MD PIM US Equity Pool (collectively "the Funds"). These financial statements have also been approved, in its capacity as trustee, by the Board of Directors of MD Physician Services Inc., with the exception of MD Growth Investments Limited, which has been approved by its own Board of Directors.

The financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Management has, where required, made these judgments and estimates on a reasonable basis to ensure that the financial statements are presented fairly in all material respects. Management also maintains strong internal controls to provide reasonable assurance that the financial information provided is reliable and accurate, that the funds' assets are appropriately accounted for and safeguarded, and that any compliance requirements arising under corporate legislation, securities regulations and internal codes of business conduct are strictly adhered to.

The Board of Directors of MD Physician Services Inc. and MD Growth Investments Limited are responsible to ensure that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the respective financial statements as outlined above.

The Board of Directors for MD Physician Services Inc. and MD Growth Investments Limited (the "Boards"), meet with the external auditors periodically to discuss internal control, accounting and auditing matters and financial reporting issues in order to satisfy themselves, that each party's Board of Directors has properly discharged its statutory responsibilities with regards to financial reporting. The Boards review unaudited semiannual financial statements and audited annual financial statements including the external auditors' report thereon. The Boards consider these findings when making their ultimate approval of the financial statements for issuance. The Boards also review the appointment of the external auditors annually.

The financial statements have been audited by PricewaterhouseCoopers LLP, the external auditors, in accordance with Canadian generally accepted standards. PricewaterhouseCoopers LLP has full and free access to the MD Physician Services Inc. and MD Growth Investment Limited Boards.

Signed on behalf of MD Growth Investments Limited.



Guy Bélanger
President and Chief Executive Officer
MD Growth Investments Limited



Christine Allison
Chief Financial Officer
MD Growth Investments Limited

Signed on behalf of MD Physician Services Inc., in its capacity as trustee for MD Money Fund, MD Bond Fund, MD Bond and Mortgage Fund, MD Balanced Fund, MD Dividend Fund, MD Income & Growth Fund, MD Equity Fund, MD Select Fund, MD American Value Fund, MD American Growth Fund, MD International Value Fund, MD International Growth Fund, MD Conservative Portfolio, MD Moderate Balanced Portfolio, MD Balanced Growth Portfolio, MD Maximum Growth Portfolio, MD PIM Canadian Equity Pool and MD PIM US Equity Pool.



Brian Peters
President and Chief Executive Officer
MD Physician Services Inc.



Guy Bélanger
Chief Financial Officer
MD Physician Services Inc.



March 9, 2012

Independent Auditor's Report

To the Unitholders and Trustee of:

MD Money Fund	MD Equity Fund	MDPIM Canadian Equity Pool
MD Bond Fund	MD Select Fund	MDPIM US Equity Pool
MD Bond and Mortgage Fund	MD American Value Fund	MD Conservative Portfolio
MD Balanced Fund	MD American Growth	MD Moderate Balanced Portfolio
MD Dividend Fund	MD International Value Fund	MD Balanced Growth Portfolio
MD Income & Growth	MD International Growth Fund	MD Maximum Growth Portfolio

and

To the Shareholders of:

MD Growth Investments Limited

(collectively the "Funds")

We have audited the accompanying financial statements of each of the Funds, which comprise the statement of investment portfolio as at December 31, 2011 and the statements of net assets, operations and changes in net assets as at and for the periods indicated in note 1, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of each of the Funds in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements of each of the Funds based on each of our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in each of our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of each of the Funds present fairly, in all material respects, the financial position of each of the Funds, the results of each of their operations and the changes in each of their net assets as at and for the periods indicated in note 1 in accordance with Canadian generally accepted accounting principles

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

MD Growth Investments Limited

Statement of Investment Portfolio as at December 31, 2011

(in \$'000's except for number of shares)

	Number of Shares	Average Cost (\$)	Fair Value (\$)
Domestic Equities			
Information Technology (0.85%)			
Celestica Inc. Sub. Voting	1,539,600	13,967	11,516
Total for Information Technology		13,967	11,516
Materials (0.79%)			
Goldcorp Inc.	238,657	11,255	10,741
Total for Materials		11,255	10,741
Total for Domestic Equities (1.64%)		25,222	22,257

Foreign Equities

Australia (2.50%)			
Brambles Limited	913,655	5,179	6,808
CSL Limited	241,400	8,238	8,049
Primary Health Care Ltd.	3,650,538	13,767	11,719
Woodside Petroleum Limited	230,216	5,447	7,345
Total for Australia		32,631	33,921

Austria (0.35%)			
Voestalpine AG	167,091	8,518	4,711
Total for Austria		8,518	4,711

Belgium (1.13%)			
Ageas	4,970,000	12,354	7,840
Anheuser-Busch InBev NV	119,566	7,262	7,461
Total for Belgium		19,616	15,301

Bermuda (0.42%)			
Invesco Limited	276,846	5,134	5,647
Total for Bermuda		5,134	5,647

Brazil (0.83%)			
Petroleo Brasileiro SA ADR	386,319	13,490	9,324
Vale SA ADR	89,876	511	1,960
Total for Brazil		14,001	11,284

China (0.37%)			
China Shenhua Energy Company Limited Cl. H	1,153,500	5,207	5,074
Total for China		5,207	5,074

Czech Republic (0.33%)			
Ceske Energeticke Zavody AS	110,140	5,123	4,464
Total for Czech Republic		5,123	4,464

Denmark (0.58%)			
Novo Nordisk A/S Cl. B	67,100	5,264	7,852
Total for Denmark		5,264	7,852

France (2.98%)			
Arkema	1,811	120	131
BNP Paribas	55,130	4,115	2,207
Carrefour SA	508,500	19,373	11,794
Essilor International SA	96,300	7,333	6,924
L'Oréal SA	71,200	7,540	7,558
Schneider Electric SA	81,506	5,874	4,372
Total SA	81,982	5,240	4,264

Vallourec SA	46,200	5,023	3,056
Total for France		54,618	40,306

Germany (1.96%)			
Deutsche Lufthansa AG	321,726	3,817	3,883
Hannover Ruckversicherungs AG	312,690	16,179	15,830
Henkel AG & Co. KGaA	139,267	7,385	6,882
Total for Germany		27,381	26,595

Greece (0.09%)			
Intralot SA	1,384,541	5,777	1,244
Total for Greece		5,777	1,244

Hong Kong (3.22%)			
China Mobile (Hong Kong) Limited	544,400	4,236	5,406
CLP Holdings Limited	669,000	4,098	5,776
CNOOC Limited	9,665,500	15,791	17,185
Hong Kong & China Gas Company Limited	1,804,434	3,054	4,233
The Wharf (Holdings) Limited	2,402,962	15,223	11,027
Total for Hong Kong		42,402	43,627

Ireland (0.94%)			
Willis Group Holdings PLC	323,914	10,730	12,773
Total for Ireland		10,730	12,773

Israel (0.18%)			
Teva Pharmaceutical Industries Ltd. ADR	59,352	2,979	2,436
Total for Israel		2,979	2,436

Italy (0.52%)			
Intesa Sanpaolo SPA	1,951,671	9,210	3,311
Mediaset SPA	1,326,906	7,981	3,700
Total for Italy		17,191	7,011

Japan (12.10%)			
Astellas Pharma Inc.	232,600	10,225	9,585
Canon Inc.	507,500	22,171	22,789
CHUGAI Pharmaceuticals Co., Ltd.	292,500	5,854	4,891
Denso Corp.	258,800	7,776	7,250
Fanuc Ltd.	46,200	5,009	7,176
FUJIFILM Holdings Corporation	339,700	11,907	8,156
Honda Motor Co., Ltd.	851,500	30,524	26,339
Keyence Corporation	75,815	19,226	18,585
Kirin Brewery Co.	943,000	12,207	11,608
Mitsubishi Estate Company, Limited	443,000	6,728	6,711
Nintendo Co., Ltd.	12,000	1,659	1,677
Nippon Telegraph and Telephone Corporation	205,400	9,866	10,648
Sega Sammy Holding Inc.	571,400	10,168	12,550
Shin-Etsu Chemical Co., Ltd.	156,300	8,087	7,813
The Dai-ichi Life Insurance Company	8,133	10,653	8,110
Total for Japan		172,060	163,888

Luxembourg (0.31%)			
Tenaris SA ADR	112,300	5,068	4,244
Total for Luxembourg		5,068	4,244

Netherlands (1.72%)			
ING Groep NV	644,424	16,208	4,724
Koninklijke (Royal) Philips Electronics NV	110,463	3,451	2,362
TNT Express NV	1,231,395	13,436	9,374

Percentages shown in brackets relate investments at fair value to total fair value of investments of the Fund. The accompanying notes are an integral part of these financial statements.

MD Growth Investments Limited

Statement of Investment Portfolio as at December 31, 2011

(in \$'000's except for number of shares)

	Number of Shares	Average Cost (\$)	Fair Value (\$)
TNT NV	2,106,256	28,235	6,834
Total for Netherlands		61,330	23,294
Singapore (0.98%)			
DBS Group Holdings Limited	792,602	8,938	7,170
Keppel Corporation Limited	615,918	4,760	4,498
Singapore Press Holdings Limited	548,600	1,800	1,590
Total for Singapore		15,498	13,258
South Korea (2.45%)			
BS Financial Group Inc.	417,190	5,525	4,051
KB Financial Group, Inc.	78,587	3,397	2,518
KB Financial Group, Inc. ADR	12,120	570	386
POSCO	8,979	3,832	3,012
Samsung Electronics Co., Ltd.	2,458	1,806	2,295
Samsung Electronics Co., Ltd. GDR	44,820	16,062	20,878
Total for South Korea		31,192	33,140
Spain (0.87%)			
Banco Santander SA	506,916	6,970	3,920
Industria de Diseño Textil SA	94,300	3,924	7,867
Total for Spain		10,894	11,787
Sweden (0.60%)			
Hennes & Mauritz AB Cl. B	251,300	6,556	8,176
Total for Sweden		6,556	8,176
Switzerland (3.42%)			
ACE Limited	222,217	12,694	15,847
Actelion Ltd.	356,000	18,610	12,405
Nestlé SA	137,300	5,261	8,033
Roche Holding AG	57,892	9,240	9,989
Total for Switzerland		45,805	46,274
Thailand (0.92%)			
BEC World Public Company Limited	4,413,600	5,142	6,366
PTT Exploration and Production Public Company Limited	1,117,100	7,285	6,048
Total for Thailand		12,427	12,414
United Kingdom (8.15%)			
BG Group PLC	390,000	4,711	8,481
BP PLC ADR	497,000	21,305	21,600
GlaxoSmithKline PLC	816,235	20,677	18,967
HSBC Holdings PLC	919,200	10,196	7,130
Lloyds TSB Group PLC	2,493,535	2,717	1,018
Persimmon PLC	586,544	4,121	4,346
Reckitt Benckiser Group PLC	149,000	5,890	7,485
Royal Dutch Shell PLC Cl. B	364,461	11,791	14,126
Standard Chartered PLC	361,500	9,835	8,046
Tesco PLC	1,205,000	8,216	7,680
The Sage Group PLC	1,179,034	4,735	5,452
William Morrison Supermarkets PLC	1,165,900	8,078	6,006
Total for United Kingdom		112,272	110,337
United States (50.40%)			
Abbott Laboratories	138,400	7,669	7,905
Adobe Systems Inc.	243,000	7,213	6,983
AGCO Corporation	160,961	7,348	7,031
American International Group, Inc.	494,100	13,726	11,646
Amphenol Corp. Cl. A	137,400	6,416	6,342

	Number of Shares	Average Cost (\$)	Fair Value (\$)
AT&T Inc.	336,280	9,699	10,330
Automatic Data Processing, Inc.	155,700	7,662	8,546
Bank of America Corporation	3,011,000	40,156	16,993
Bristol-Myers Squibb Company	130,159	3,452	4,661
C.R. Bard Inc.	84,067	7,609	7,309
Chesapeake Energy Corporation	1,166,700	26,978	26,444
Cisco Systems, Inc.	406,100	10,339	7,466
Citigroup Inc.	671,322	27,273	17,946
Colgate-Palmolive Company	84,600	6,506	7,944
Dell Inc.	2,236,500	37,295	33,249
Eagle Materials Inc.	129,280	3,505	3,373
EOG Resources, Inc.	79,300	6,451	7,943
Exxon Mobil Corporation	152,875	10,919	13,164
Fastenal Company	139,300	2,348	6,177
FedEx Corp.	81,778	7,003	6,941
FLIR Systems, Inc.	180,600	5,208	4,604
Forestar Real Estate Group Inc.	138,339	2,576	2,124
GameStop Corporation	905,700	18,149	22,223
Google Inc. Cl. A	11,500	7,140	7,553
Honeywell International Inc.	234,157	11,608	12,934
Huntington Ingalls Industries Inc.	22,718	844	723
Intel Corporation	317,400	7,027	7,827
International Business Machines Corporation	136,320	20,211	25,489
iShares MSCI Japan Index Fund	1,048,659	10,791	9,693
iShares MSCI Canada Index Fund	182,000	5,119	4,884
iShares MSCI EAFE Index Fund	753,000	39,328	37,848
iShares MSCI Germany Index Fund	134,807	3,255	2,621
iShares MSCI Italy Index Fund	330,292	5,757	3,876
Johnson & Johnson	118,900	7,928	7,925
JPMorgan Chase & Co.	739,156	29,445	24,984
JPMorgan Chase Co., Warrants (Exp. 10/28/18)	470,903	6,493	4,051
Kraft Foods Inc. Cl. A	237,118	7,314	9,006
Lincoln National Corporation	126,886	3,110	2,506
MasterCard, Inc.	20,800	5,267	7,887
MetLife, Inc.	132,854	5,367	4,212
Microsoft Corporation	1,389,600	38,595	36,682
Moody's Corporation	323,180	9,234	11,068
MSC Industrial Direct Co., Inc.	87,900	5,142	6,396
Newmont Mining Corporation	126,307	7,761	7,705
Nike Inc. Cl. B	79,800	5,655	7,820
Northrop Grumman Corporation	138,356	8,956	8,227
Omnicom Group Inc.	175,693	8,118	7,959
Oracle Corporation	248,300	4,711	6,471
Pfizer Inc.	588,300	12,032	12,945
Precision Castparts Corp.	46,100	5,564	7,724
Schlumberger Limited	107,350	8,763	7,456
SPDR Trust Series 1	335,000	41,983	42,809
Stryker Corporation	158,800	8,276	8,027
Temple Inland Inc.	173,482	3,712	5,590
The Dun & Bradstreet Corporation	159,903	12,181	12,167
The TJX Companies Inc.	122,600	5,583	8,048
The Washington Post Company Cl. B	28,020	10,958	10,757
The Williams Companies, Inc.	689,463	16,555	23,122
UnumProvident Corporation	491,370	10,835	10,528
Wal-Mart Stores, Inc.	126,600	6,617	7,689
Waste Management, Inc.	361,502	12,747	12,020
Total for United States		695,482	682,573
Total for Foreign Equities (98.32%)		1,425,156	1,331,631

Percentages shown in brackets relate investments at fair value to total fair value of investments of the Fund. The accompanying notes are an integral part of these financial statements.

MD Growth Investments Limited

Statement of Investment Portfolio as at December 31, 2011

	Maturity Date	Yield %	Maturity Value or Principal Amount (\$)	Average Cost (\$)	Fair Value (\$)
Foreign Bonds					
Greece (0.04%)					
Hellenic Republic (Greece)	8/20/13	4.00%	1,933	1,112	582
Total for Greece			1,933	1,112	582
Total for Foreign Bonds (0.04%)			1,933	1,112	582
Total for MD Growth Investments Limited (100.00%)			1,933	1,451,490	1,354,470

Schedule of Derivative Instruments

(in \$'000's)

Forward Currency Contracts

Currency	Credit Rating	Expiry Date	Contract Rate	Amounts Bought (Sold)	Current Amount	Unrealized Gain (Loss)
Counterparty: Royal Bank of Canada						
CZK	AA-	01/11/12	0.054	2,230	120	116 (4)
CAD	AA-	01/11/12	1.000	(120)	(120)	—
NZD	AA-	01/12/12	0.798	1,040	830	825 (5)
CAD	AA-	01/12/12	1.000	(830)	(830)	—
SEK	AA-	01/17/12	0.152	101,285	15,351	14,974 (377)
CAD	AA-	01/17/12	1.000	(15,351)	(15,351)	—
NOK	AA-	01/17/12	0.177	90,290	15,996	15,372 (624)
CAD	AA-	01/17/12	1.000	(15,996)	(15,996)	—
TRY	AA-	01/17/12	0.540	1,125	607	604 (3)
CAD	AA-	01/17/12	1.000	(607)	(607)	—
SEK	AA-	01/17/12	0.153	2,770	424	410 (14)
CAD	AA-	01/17/12	1.000	(424)	(424)	—
DKK	AA-	01/17/12	0.184	4,895	899	869 (30)
CAD	AA-	01/17/12	1.000	(899)	(899)	—
NOK	AA-	01/17/12	0.176	3,880	684	661 (23)
CAD	AA-	01/17/12	1.000	(684)	(684)	—
SEK	AA-	01/17/12	0.150	8,045	1,209	1,189 (20)
CAD	AA-	01/17/12	1.000	(1,209)	(1,209)	—
TRY	AA-	01/17/12	0.552	540	298	290 (8)
CAD	AA-	01/17/12	1.000	(298)	(298)	—
CAD	AA-	01/17/12	1.000	2,019	2,019	2,019 —
DKK	AA-	01/17/12	1.051	(1,921)	(2,019)	(1,921) 98
CAD	AA-	01/17/12	1.000	8,399	8,399	8,399 —
SEK	AA-	01/17/12	1.035	(8,113)	(8,399)	(8,113) 286
CAD	AA-	01/17/12	1.000	421	421	421 —
NOK	AA-	01/17/12	1.040	(405)	(421)	(405) 16
CLP	AA-	01/18/12	1.028	10,345	10,637	10,410 (227)
USD	AA-	01/18/12	1.028	(10,345)	(10,637)	(10,523) 114
GBP	AA-	02/17/12	1.627	26,878	43,720	42,484 (1,236)
CAD	AA-	02/17/12	1.000	(43,720)	(43,720)	—
GBP	AA-	02/17/12	1.627	1,000	1,627	1,581 (46)
CAD	AA-	02/17/12	1.000	(1,627)	(1,627)	—
GBP	AA-	02/17/12	1.610	1,310	2,109	2,071 (38)
CAD	AA-	02/17/12	1.000	(2,109)	(2,109)	—
GBP	AA-	02/17/12	1.593	1,250	1,991	1,976 (15)
CAD	AA-	02/17/12	1.000	(1,991)	(1,991)	—
CAD	AA-	02/17/12	1.000	1,160	1,160	1,160 —
GBP	AA-	02/17/12	1.027	(1,130)	(1,160)	(1,130) 30

Currency	Credit Rating	Expiry Date	Contract Rate	Amounts Bought (Sold)	Amounts Bought (Sold) CAD \$	Current Amount CAD \$	Unrealized Gain (Loss) CAD \$
CAD	AA-	02/17/12	1.000	2,230	2,230	2,230	—
GBP	AA-	02/17/12	1.026	(2,173)	(2,230)	(2,173)	57
CHF	AA-	02/27/12	1.125	945	1,063	1,027	(36)
CAD	AA-	02/27/12	1.000	(1,063)	(1,063)	(1,063)	—
CAD	AA-	02/27/12	1.000	663	663	663	—
CHF	AA-	02/27/12	1.042	(636)	(663)	(636)	27
CAD	AA-	02/27/12	1.000	2,161	2,161	2,161	—
CHF	AA-	02/27/12	1.019	(2,120)	(2,161)	(2,120)	41
ILS	AA-	02/29/12	0.279	13,690	3,814	3,650	(164)
CAD	AA-	02/29/12	1.000	(3,814)	(3,814)	(3,814)	—
JPY	AA-	02/29/12	0.013	69,915	918	925	7
CAD	AA-	02/29/12	1.000	(918)	(918)	(918)	—
JPY	AA-	02/29/12	0.013	302,550	3,986	4,005	19
CAD	AA-	02/29/12	1.000	(3,986)	(3,986)	(3,986)	—
CAD	AA-	02/29/12	1.000	143	143	143	—
JPY	AA-	02/29/12	1.029	(139)	(143)	(139)	4
CAD	AA-	02/29/12	1.000	3,272	3,272	3,272	—
JPY	AA-	02/29/12	1.003	(3,262)	(3,272)	(3,262)	10
CAD	AA-	02/29/12	1.000	2,218	2,218	2,218	—
JPY	AA-	02/29/12	0.998	(2,222)	(2,218)	(2,222)	(4)
CAD	AA-	03/01/12	1.000	1,284	1,284	1,284	—
HKD	AA-	03/01/12	1.010	(1,271)	(1,284)	(1,271)	13
CAD	AA-	03/01/12	1.000	1,008	1,008	1,008	—
HKD	AA-	03/01/12	1.009	(999)	(1,008)	(999)	9
AUD	AA-	03/07/12	1.037	1,905	1,976	1,974	(2)
CAD	AA-	03/07/12	1.000	(1,976)	(1,976)	(1,976)	—
CAD	AA-	03/07/12	1.000	1,043	1,043	1,043	—
AUD	AA-	03/07/12	0.991	(1,052)	(1,043)	(1,052)	(9)
USD	AA-	03/09/12	1.012	1,800	1,821	1,833	12
CAD	AA-	03/09/12	1.000	(1,821)	(1,821)	(1,821)	—
USD	AA-	03/09/12	1.029	3,350	3,447	3,411	(36)
CAD	AA-	03/09/12	1.000	(3,447)	(3,447)	(3,447)	—
CAD	AA-	03/09/12	1.000	680	680	680	—
USD	AA-	03/09/12	1.004	(677)	(680)	(677)	3
CAD	AA-	03/23/12	1.000	11,836	11,836	11,836	—
EUR	AA-	03/23/12	1.023	(11,575)	(11,836)	(11,575)	261
CAD	AA-	03/23/12	1.000	847	847	847	—
EUR	AA-	03/23/12	1.017	(833)	(847)	(833)	14
CAD	AA-	04/11/12	1.000	453	453	453	—
CZK	AA-	04/11/12	1.011	(448)	(453)	(448)	5
Counterparty: State Street Bank and Trust Co.							
CAD	AA-	01/03/12	1.000	265	265	265	—
USD	AA-	01/03/12	1.004	(264)	(265)	(264)	1
EUR	AA-	01/03/12	1.326	218	289	288	(1)
CAD	AA-	01/03/12	1.000	(289)	(289)	(289)	—
CAD	AA-	01/04/12	1.000	200	200	200	—
USD	AA-	01/04/12	1.000	(200)	(200)	(200)	—
JPY	AA-	01/05/12	0.013	37,815	498	499	1
CAD	AA-	01/05/12	1.000	(498)	(498)	(498)	—
JPY	AA-	01/06/12	0.013	9,464	125	125	—
CAD	AA-	01/06/12	1.000	(125)	(125)	(125)	—
CAD	AA-	01/11/12	1.000	4,595	4,595	4,595	—
CZK	AA-	01/11/12	1.094	(4,199)	(4,595)	(4,199)	396
CAD	AA-	01/11/12	1.000	444	444	444	—
CZK	AA-	01/11/12	1.062	(418)	(444)	(418)	26
CZK	AA-	01/11/12	0.054	8,970	485	465	(20)
CAD	AA-	01/11/12	1.000	(485)	(485)	(485)	—
CZK	AA-	01/11/12	0.053	77,865	4,090	4,037	(53)
CAD	AA-	01/11/12	1.000	(4,090)	(4,090)	(4,090)	—

The accompanying notes are an integral part of these financial statements.

MD Growth Investments Limited

Statement of Investment Portfolio as at December 31, 2011

(in \$000's)

Cur- rency	Credit Rating	Expiry Date	Contract Rate	Unrealized									
				Amounts Bought (Sold)	Bought (Sold) CAD \$	Current Amount CAD \$	Gain (Loss) CAD \$						
CAD	AA-	01/12/12	1.000	71	71	71	—						
NZD	AA-	01/12/12	1.000	(71)	(71)	(71)	—						
CAD	AA-	01/12/12	1.000	750	750	750	—						
NZD	AA-	01/12/12	0.995	(754)	(750)	(754)	(4)						
RUB	AA-	01/17/12	1.048	13,355	14,000	13,578	(422)						
USD	AA-	01/17/12	1.048	(13,355)	(14,000)	(13,585)	415						
TRY	AA-	01/17/12	0.553	18,810	10,393	10,104	(289)						
CAD	AA-	01/17/12	1.000	(10,393)	(10,393)	(10,393)	—						
SEK	AA-	01/17/12	0.156	6,985	1,087	1,033	(54)						
CAD	AA-	01/17/12	1.000	(1,087)	(1,087)	(1,087)	—						
CAD	AA-	01/17/12	1.000	535	535	535	—						
TRY	AA-	01/17/12	1.049	(510)	(535)	(510)	25						
CAD	AA-	01/17/12	1.000	667	667	667	—						
DKK	AA-	01/17/12	1.050	(635)	(667)	(635)	32						
CAD	AA-	01/17/12	1.000	176	176	176	—						
NOK	AA-	01/17/12	1.054	(167)	(176)	(167)	9						
CAD	AA-	01/17/12	1.000	545	545	545	—						
SEK	AA-	01/17/12	1.028	(530)	(545)	(530)	15						
CAD	AA-	01/17/12	1.000	72	72	72	—						
DKK	AA-	01/17/12	1.075	(67)	(72)	(67)	5						
CAD	AA-	01/17/12	1.000	103	103	103	—						
TRY	AA-	01/17/12	1.040	(99)	(103)	(99)	4						
CAD	AA-	02/17/12	1.000	414	414	414	—						
GBP	AA-	02/17/12	1.027	(403)	(414)	(403)	11						
CAD	AA-	02/17/12	1.000	1,880	1,880	1,880	—						
GBP	AA-	02/17/12	1.025	(1,834)	(1,880)	(1,834)	46						
CAD	AA-	02/17/12	1.000	2,100	2,100	2,100	—						
GBP	AA-	02/17/12	1.014	(2,071)	(2,100)	(2,071)	29						
GBP	AA-	02/17/12	1.578	820	1,294	1,296	2						
CAD	AA-	02/17/12	1.000	(1,294)	(1,294)	(1,294)	—						
CAD	AA-	02/17/12	1.000	11,595	11,595	11,595	—						
GBP	AA-	02/17/12	1.012	(11,452)	(11,595)	(11,452)	143						
CAD	AA-	02/17/12	1.000	3,044	3,044	3,044	—						
GBP	AA-	02/17/12	1.014	(3,003)	(3,044)	(3,003)	41						
GBP	AA-	02/17/12	1.611	185	298	292	(6)						
CAD	AA-	02/17/12	1.000	(298)	(298)	(298)	—						
GBP	AA-	02/17/12	1.595	200	319	316	(3)						
CAD	AA-	02/17/12	1.000	(319)	(319)	(319)	—						
GBP	AA-	02/17/12	1.578	410	647	648	1						
CAD	AA-	02/17/12	1.000	(647)	(647)	(647)	—						
CHF	AA-	02/27/12	1.123	16,718	18,772	18,172	(600)						
CAD	AA-	02/27/12	1.000	(18,772)	(18,772)	(18,772)	—						
CAD	AA-	02/27/12	1.000	102	102	102	—						
CHF	AA-	02/27/12	1.041	(98)	(102)	(98)	4						
CHF	AA-	02/27/12	1.095	430	471	467	(4)						
CAD	AA-	02/27/12	1.000	(471)	(471)	(471)	—						
USD	AA-	02/28/12	0.001	3,027,927	2,729	2,675	(54)						
KRW	AA-	02/28/12	0.001	(3,027,927)	(2,729)	(2,666)	63						
CAD	AA-	02/29/12	1.000	12,121	12,121	12,121	—						
THB	AA-	02/29/12	1.031	(11,756)	(12,121)	(11,756)	365						
CAD	AA-	02/29/12	1.000	66,656	66,656	66,656	—						
JPY	AA-	02/29/12	1.025	(65,010)	(66,656)	(65,010)	1,646						
THB	AA-	02/29/12	0.033	2,445	80	79	(1)						
CAD	AA-	02/29/12	1.000	(80)	(80)	(80)	—						
THB	AA-	02/29/12	0.033	21,815	716	701	(15)						
CAD	AA-	02/29/12	1.000	(716)	(716)	(716)	—						
JPY	AA-	02/29/12	0.013	108,280	1,415	1,433	18						
CAD	AA-	02/29/12	1.000	(1,415)	(1,415)	(1,415)	—						
CAD	AA-	02/29/12	1.000	790	790	790	—						
THB	AA-	02/29/12	1.027	(769)	(790)	(769)	21						
CAD	AA-	02/29/12	1.000	769	769	769	—						
JPY	AA-	02/29/12	0.996	(772)	(769)	(772)	(3)						
JPY	AA-	02/29/12	0.013	243,220	3,206	3,219	13						
CAD	AA-	02/29/12	1.000	(3,206)	(3,206)	(3,206)	—						
JPY	AA-	02/29/12	0.013	172,410	2,296	2,282	(14)						
CAD	AA-	02/29/12	1.000	(2,296)	(2,296)	(2,296)	—						
CAD	AA-	02/29/12	1.000	1,953	1,953	1,953	—						
JPY	AA-	02/29/12	1.012	(1,929)	(1,953)	(1,929)	24						
CAD	AA-	02/29/12	1.000	2,610	2,610	2,610	—						
JPY	AA-	02/29/12	0.989	(2,639)	(2,610)	(2,639)	(29)						
HKD	AA-	03/01/12	0.131	7,610	999	998	(1)						
CAD	AA-	03/01/12	1.000	(999)	(999)	(999)	—						
HKD	AA-	03/01/12	0.133	17,910	2,383	2,348	(35)						
CAD	AA-	03/01/12	1.000	(2,383)	(2,383)	(2,383)	—						
HKD	AA-	03/01/12	0.132	6,710	888	880	(8)						
CAD	AA-	03/01/12	1.000	(888)	(888)	(888)	—						
AUD	AA-	03/07/12	1.034	12,857	13,294	13,324	30						
CAD	AA-	03/07/12	1.000	(13,294)	(13,294)	(13,294)	—						
CAD	AA-	03/07/12	1.000	418	418	418	—						
AUD	AA-	03/07/12	0.995	(420)	(418)	(420)	(2)						
CAD	AA-	03/07/12	1.000	668	668	668	—						
AUD	AA-	03/07/12	0.991	(674)	(668)	(674)	(6)						
CAD	AA-	03/09/12	1.000	3,958	3,958	3,958	—						
USD	AA-	03/09/12	0.995	(3,977)	(3,958)	(3,977)	(19)						
USD	AA-	03/09/12	1.023	13,415	13,724	13,661	(63)						
CAD	AA-	03/09/12	1.000	(13,724)	(13,724)	(13,724)	—						
CAD	AA-	03/09/12	1.000	2,308	2,308	2,308	—						
USD	AA-	03/09/12	1.003	(2,302)	(2,308)	(2,302)	6						
CAD	AA-	03/09/12	1.000	2,893	2,893	2,893	—						
USD	AA-	03/09/12	1.017	(2,846)	(2,893)	(2,846)	47						
USD	AA-	03/09/12	1.041	2,765	2,878	2,816	(62)						
CAD	AA-	03/09/12	1.000	(2,878)	(2,878)	(2,878)	—						
USD	AA-	03/09/12	1.031	685	706	698	(8)						
CAD	AA-	03/09/12	1.000	(706)	(706)	(706)	—						
USD	AA-	03/09/12	1.021	2,280	2,328	2,322	(6)						
CAD	AA-	03/09/12	1.000	(2,328)	(2,328)	(2,328)	—						
USD	AA-	03/09/12	1.017	2,580	2,625	2,627	2						
CAD	AA-	03/09/12	1.000	(2,625)	(2,625)	(2,625)	—						
CAD	AA-	03/16/12	1.000	4,296	4,296	4,296	—						
SGD	AA-	03/16/12	1.008	(4,263)	(4,296)	(4,263)	33						
SGD	AA-	03/16/12	0.795	560	445	440	(5)						
CAD	AA-	03/16/12	1.000	(445)	(445)	(445)	—						
EUR	AA-	03/23/12	1.347	190	256	251	(5)						
CAD	AA-	03/23/12	1.000	(256)	(256)	(256)	—						
CAD	AA-	03/23/12	1.000	2,243	2,243	2,243	—						
EUR	AA-	03/23/12	0.998	(2,248)	(2,243)	(2,248)	(5)						
CAD	AA-	04/11/12	1.000	4,100	4,100	4,100	—						
CZK	AA-	04/11/12	1.013	(4,049)	(4,100)	(4,049)	51						
NZD	AA-	04/12/12	0.786	950	747	750	3						
CAD	AA-	04/12/12	1.000	(747)	(747)	(747)	—						
Counterparty: The Toronto-Dominion Bank													
JPY	AA-	02/29/12	0.013	218,040	2,916	2,886	(30)						
CAD	AA-	02/29/12	1.000	(2,916)	(2,916)	(2,916)	—						
CAD	AA-	02/29/12	1.000	3,847	3,847	3,847	—						
JPY	AA-	02/29/12	0.999	(3,852)	(3,847)	(3,852)	(5)						

The accompanying notes are an integral part of these financial statements.

MD Growth Investments Limited

Statement of Investment Portfolio as at December 31, 2011

(in \$000's)

Cur- rency	Credit Rating	Expiry Date	Contract Rate	Amounts Bought (Sold)	Bought (Sold) CAD \$	Current Amount CAD \$	Unrealized
							Gain (Loss) CAD \$
CAD	AA-	03/01/12	1.000	30,495	30,495	30,495	—
HKD	AA-	03/01/12	1.025	(29,756)	(30,495)	(29,756)	739
CAD	AA-	03/01/12	1.000	5,816	5,816	5,816	—
HKD	AA-	03/01/12	1.008	(5,770)	(5,816)	(5,770)	46
USD	AA-	03/09/12	1.029	4,820	4,958	4,908	(50)
CAD	AA-	03/09/12	1.000	(4,958)	(4,958)	(4,958)	—
CAD	AA-	03/09/12	1.000	7,172	7,172	7,172	—
USD	AA-	03/09/12	0.997	(7,191)	(7,172)	(7,191)	(19)
Net unrealized gain (loss) on forward currency contracts							517

Futures Contracts

Counter party	Credit Rating	Description	Notional Amount	Unrealized Gain (Loss) CAD \$
Newedge Canada Inc.	N/A	S&P 500 E-Mini Index Futures	USD 5,631	(20)
Net unrealized gain (loss) futures contracts				(20)
Total for Schedule of Derivative Instruments				\$497

The accompanying notes are an integral part of these financial statements.

MD Growth Investments Limited

Financial Statements

Statement of Net Assets

as at December 31

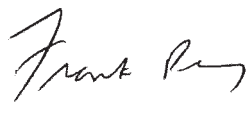
(in \$000's except for shares outstanding and per share amounts)

	2011	2010
Assets		
Investments, at fair value	\$ 1,354,470	\$ 1,778,653
Cash and short-term investments	36,688	46,219
Dividends and interest receivable	2,797	2,550
Net unrealized gain on derivatives	497	4,232
Net margin due from broker on future contracts	452	1,116
Receivable for investment transactions	2,993	11
Receivable for securities lending transactions	1	—
Income taxes recoverable	1,288	3,687
Refundable income taxes	562	523
Subscriptions receivable	12	570
	1,398,472	1,837,561
Liabilities		
Payable for investment transactions	1,456	3,193
Distributions payable	239	239
Future income taxes	1,128	825
Redemptions payable	318	1,507
Capital tax payable	—	47
	1,853	5,811
Net assets and shareholders' equity	\$ 1,396,619	\$ 1,831,750
Net Assets per Series		
Series A	\$ 1,360,018	\$ 1,812,082
Series I	\$ 36,601	\$ 19,668
Number of shares outstanding (see Schedule of Fund Share Transactions)		
Series A	169,763,958	209,556,002
Series I	4,419,004	2,235,399
Net assets per share (see Schedule of Net Assets per Share and Net Asset Value per Share)		
Series A	\$ 8.01	\$ 8.65
Series I	\$ 8.28	\$ 8.80

Approved by the Board of Directors of MD Growth Investments Limited, Trustee



Director (signed by Guy Bélanger)



Director (signed by Frank Penny)

Statement of Operations

for the years ended December 31

(in \$000's except for per share amounts)

	2011	2010
Income		
Dividends	\$ 51,325	\$ 50,595
Interest	259	3,712
Gain (loss) on foreign exchange	(3,478)	4,320
Early redemption fee	91	—
Securities lending	791	714
Deduct: Withholding tax on foreign income	(4,075)	(5,527)
	44,913	53,814
Expenses		
Management fees (Note 3)	22,053	25,586
Administration fees	3,529	4,094
Interest expense	11	75
Capital Tax	12	132
	25,605	29,887
Income before provision for income taxes	19,308	23,927
Provision for income taxes		
Current	8,620	1,814
Future	285	(1,675)
	8,905	139
Net investment income (loss)	\$ 10,403	\$ 23,788
Realized and unrealized gain (loss) on investments and transaction costs		
Net realized gain (loss) on sale of investments	\$ (12,542)	\$ (238,939)
Net realized gain (loss) on sale of derivative instruments	(2,632)	83
Change in unrealized appreciation (depreciation) of investments and derivatives	(110,410)	294,106
Transaction costs	(1,263)	(3,276)
Net gain (loss) on investments	\$ (126,847)	\$ 51,974
Increase (decrease) in net assets from operations	\$ (116,444)	\$ 75,762
Increase (decrease) in net assets from operations per Series		
Series A	\$ (114,586)	\$ 74,345
Series I	\$ (1,858)	\$ 1,417
Increase (decrease) in net assets from operations per share, for the period		
Series A	\$ (0.61)	\$ 0.32
Series I	\$ (0.59)	\$ 1.06

The accompanying notes are an integral part of these financial statements.

MD Growth Investments Limited

Financial Statements

Statement of Changes in Net Assets

for the years ended December 31 (in \$000's)

	2011	2010
SERIES A		
Net assets - beginning of year	\$ 1,812,082	\$ 2,173,694
Add (deduct) changes during the year:		
Operations		
Increase (decrease) in net assets from operations	(114,586)	74,345
Shareholders		
Proceeds from issue of shares	98,392	136,508
Consideration paid for redemption of shares	(435,870)	(572,450)
	(337,478)	(435,942)
Distributions to shareholders		
From net investment income	—	(15)
Net assets - end of the year	\$ 1,360,018	\$ 1,812,082
SERIES I		
Net assets - beginning of year	\$ 19,668	\$ —
Add (deduct) changes during the year:		
Operations		
Increase (decrease) in net assets from operations	(1,858)	1,417
Shareholders		
Proceeds from issue of shares	19,072	18,291
Consideration paid for redemption of shares	(281)	(40)
	18,791	18,251
Distributions to shareholders		
From net investment income	—	—
Net assets - end of the year	\$ 36,601	\$ 19,668

	2011	2010
TOTAL FUND		
Net assets - beginning of year	\$ 1,831,750	\$ 2,173,694
Add (deduct) changes during the year:		
Operations		
Increase (decrease) in net assets from operations	(116,444)	75,762
Shareholders		
Proceeds from issue of shares	117,464	154,799
Consideration paid for redemption of shares	(436,151)	(572,490)
	(318,687)	(417,691)
Distributions to shareholders		
From net investment income	—	(15)
Net assets - end of the year	\$ 1,396,619	\$ 1,831,750

The accompanying notes are an integral part of these financial statements.

MD Growth Investments Limited

Financial Statements – Supplementary Schedules

Share Capital

MD Growth Investments Limited's authorized share capital comprises an unlimited number of non-voting mutual fund shares (Series A and I) and 2,656 common shares. The common shares participate equally in the income, distribution and net asset valuations of the Fund.

For the years ended December 31

	2011	2010
SERIES A		
Outstanding, beginning of year	209,556,002	263,373,792
Issued	11,580,021	16,728,471
Redeemed	(51,372,065)	(70,546,261)
Outstanding, end of year	169,763,958	209,556,002

SERIES I

Outstanding, beginning of year	2,235,399	—
Issued	2,214,169	2,240,357
Redeemed	(30,564)	(4,958)
Outstanding, end of year	4,419,004	2,235,399

Schedule of Soft dollar commissions

For the years ended December 31 (in \$000's)

	2011	2010
Soft dollar commissions	\$ 23	\$ 198

The term "soft dollar" is used to describe a widely accepted business practice by which the investment advisors receive various benefits from the broker through the course of a normal business relationship. Such benefits may be in the form of research or other materials that aid in the investment process, thus contributing to the long-term realization of returns for the unitholders.

Schedule of Securities on Loan

As at December 31 (in \$000's)

	2011	2010
Loaned	\$ 4,440	\$ 23,223
Collateral (non-cash)	\$ 4,623	\$ 23,862

Schedule of Net Assets per Share and Net Asset Value per Share

As at December 31

	2011	2010
SERIES A		
Net asset value per share	\$ 8.02	\$ 8.65
Bid price adjustment	(0.01)	—
Net assets per share	\$ 8.01	\$ 8.65
SERIES I		
Net asset value per share	\$ 8.29	\$ 8.81
Bid price adjustment	(0.01)	(0.01)
Net assets per share	\$ 8.28	\$ 8.80

Schedule of Fees

As at December 31

	2011
Maximum annualized management fee	
Series A	1.25%
Series I	0.00%
Annual fixed administration fee rate	
	0.20%

Taxes

MD Growth Investments Limited (MDG) is a mutual fund corporation for federal income tax purposes and, accordingly, it is subject to tax at normal corporate rates applicable to mutual fund corporations on foreign dividends received and interest income, net of expenses. MDG is subject to a tax on taxable dividends received from taxable Canadian corporations. This tax is recorded as refundable income taxes on the Statement of Net Assets because it is refundable at a rate determined by a formula when taxable dividends are paid. MDG is subject to a tax on capital gains. However, this tax is refundable if sufficient capital gains are distributed to shareholders either as capital gains dividends or through the redemption of shares. The provision for income taxes in the Statement of Operations is stated after deducting applicable refundable taxes.

Income taxes are calculated using the liability method of tax accounting. Temporary differences between the carrying values of assets and liabilities for accounting and income tax purposes give rise to future income tax assets and liabilities. The most significant temporary difference is that between the reported fair value of MDG's investment portfolio and its adjusted cost base ("ACB") for income tax purposes. To the extent that the fair value of MDG's portfolio exceeds its ACB, a future tax liability arises. Since capital gains taxes payable by MDG are refundable under the relevant provisions of the Income Tax Act (Canada), the future tax liability is fully offset by these future refundable taxes. Conversely, when the ACB exceeds the fair value of the portfolio, a future tax asset is generated. In such cases, a full valuation allowance is taken to offset this asset given the uncertainty that such future tax assets will ultimately be realized. Future income tax liabilities or assets are calculated using substantively enacted tax rates expected to apply in the period that the temporary differences are expected to reverse.

The accompanying notes are an integral part of these financial statements.

MD Growth Investments Limited

Financial Statements – Supplementary Schedules

As at December 31, 2011, MDG has accumulated net realized capital losses available for utilization against net realized gains in future years. Capital losses have no expiry. No benefit has been recorded by MDG in the financial statements in respect of the unused losses as at December 31, 2011.

Schedule of Tax Loss Carry Forwards

As at December 31 (in \$000's)

	2011
Net capital loss carried forward	\$ 954,856
Non-capital losses expiring:	
2012	\$ —
2013	—
in 2014 and thereafter	—
Total	—

Income Tax Rate Reconciliation

As at December 31 (% of income before provision for income taxes)

	2011	2010
Statutory income tax rate	39.75	40.99
Foreign exchange loss (gain)	7.16	(7.40)
Foreign tax deduction	(21.55)	(18.77)
Other	20.77	(9.86)
Ontario transitional tax	—	(4.38)
Effective income tax rate	46.13	0.58

The accompanying notes are an integral part of these financial statements.

MD Growth Investments Limited

Financial Instruments Risks

(in \$000's)

Financial Instruments

MD Growth Investments Limited invests in a diversified portfolio of global equity securities, with up to 15% of invested in emerging markets, as shown in the Statement of Investment Portfolio. The Fund invests excess cash in high grade short-term notes with maturities of less than 1 year. These investments expose the Fund to risks associated with financial instruments. The Fund's exposure and sensitivity to these risks are presented below. A description of the risks and how the Fund manages these risks is discussed in Note 5 of the Notes to the Financial Statements.

Credit Risk

The Fund's credit risk is concentrated in investments in short-term debt instruments. The Fund's maximum exposure to credit risk is cash equivalents presented on the Statement of Net Assets.

As at December 31, 2011 and 2010, the Fund invested in debt instruments with the following credit ratings:

Credit Rating	% of Net Assets December 31, 2011	% of Net Assets December 31, 2010
Debt Instruments		
AAA / R-1 (High)	0.8%	0.8%

All credit ratings are from external credit rating agencies such as Dominion Bond Rating Service, Standard & Poor's and Moody's.

Currency Risk

Exposures to foreign currencies as at December 31, 2011 and December 31, 2010 are presented in the tables below.

Currency	Cash and Other Net Assets (\$000s)	Invest- ments at Fair Value (\$000s)	Derivative Exposure (\$000s)	Net Currency Exposure (\$000s)	Percentage of Net Assets (%)
December 31, 2011					
U.S. Dollar	9,668	788,407	(6,633)	791,442	56.67%
European Euro	(52)	130,829	(14,116)	116,661	8.35%
Australian Dollar	—	33,921	13,153	47,074	3.37%
British Pound	246	88,737	28,598	117,581	8.42%
Chilean Peso	—	—	10,410	10,410	0.75%
Czech Koruna	—	4,464	(4,497)	(33)	0.00%
Danish Krone	—	7,852	(1,755)	6,097	0.44%
Hong Kong Dollar	—	48,702	(33,571)	15,131	1.08%
Israeli Shekel	—	—	3,650	3,650	0.26%
Japanese Yen	135	163,888	(64,450)	99,573	7.13%
New Russian Ruble	—	—	13,578	13,578	0.97%
New Turkish Lira	—	—	10,389	10,389	0.74%
New Zealand Dollar	—	—	750	750	0.05%
Norwegian Krone	—	—	15,461	15,461	1.11%
Singapore Dollar	—	13,258	(3,822)	9,436	0.68%
South Korean Won	—	11,876	(2,666)	9,210	0.66%
Swedish Krona	—	8,176	8,962	17,138	1.23%
Swiss Franc	590	30,428	16,814	47,832	3.42%
Thailand Baht	—	12,414	(11,745)	669	0.05%
Total	10,587	1,342,952	(21,490)	1,332,049	95.38%

The accompanying notes are an integral part of these financial statements.

Currency	Cash and Other Net Assets (\$000s)	Invest- ments at Fair Value (\$000s)	Derivative Exposure (\$000s)	Net Currency Exposure (\$000s)	Percentage of Net Assets (%)
December 31, 2010					
U.S. Dollar	31,166	1,072,767	(209,820)	894,113	48.81%
European Euro	357	185,466	18,905	204,728	11.18%
Australian Dollar	(3,139)	45,892	29,668	72,421	3.95%
British Pound	471	110,730	30,548	141,749	7.74%
Danish Krone	—	11,309	(2,811)	8,498	0.46%
Hong Kong Dollar	136	38,467	(16,136)	22,467	1.23%
Indian Rupee	—	—	13,601	13,601	0.74%
Indonesian Rupiah	—	—	22,329	22,329	1.22%
Israeli Shekel	—	—	6,130	6,130	0.33%
Japanese Yen	540	179,606	(27,389)	152,757	8.34%
New Russian Ruble	—	13,839	13,839	27,678	1.51%
New Turkish Lira	—	—	25,257	25,257	1.38%
New Zealand Dollar	—	—	801	801	0.04%
Norwegian Krone	—	—	19,747	19,747	1.08%
Singapore Dollar	95	18,067	(4,561)	13,601	0.74%
South Korean Won	—	36,327	(19,980)	16,347	0.89%
Swedish Krona	—	9,931	25,075	35,006	1.91%
Swiss Franc	390	39,757	24,344	64,491	3.52%
Thailand Baht	—	15,258	(15,274)	(16)	0.00%
Yuan Renminbi	—	—	13,094	13,094	0.71%
Total	30,016	1,777,416	(52,633)	1,754,799	95.78%

If the Canadian Dollar had strengthened against all other currencies by 10% then the Net Assets of the Fund could have decreased by approximately \$133,205 (December 31, 2010—\$175,480). Conversely, had the Canadian Dollar weakened against all other currencies by 10% then the Net Assets of the Fund could have increased by approximately \$133,205 (December 31, 2010—\$175,480). These sensitivities are estimates. Actual results may vary and the variance may be significant.

Interest Rate Risk

The majority of the Fund's financial assets are non-interest bearing. The maturity dates of the interest bearing assets held by the Fund are less than 1 year. Therefore, the Fund's exposure to interest rate risk is not significant.

Other Price Risk

As at December 31, 2011, 96.9% (December 31, 2010—97.1%) of the Fund's Net Assets were invested in equity financial instruments traded in active markets. If prices of securities traded on these markets decrease by 10%, with all other factors remaining constant, Net Assets could fall by approximately \$135,447 (December 31, 2010—\$177,865). Conversely, if prices increase by 10%, Net Assets could rise by approximately \$135,447 (December 31, 2010—\$177,865). These sensitivities are estimates. Actual results may vary, and the variance may be significant.

MD Growth Investments Limited

Financial Instruments Risks

(in \$000's)

Fair Value Hierarchy

The following is a summary of MD Growth Investments Limited's use of quoted market prices (Level 1), internal models using observable market information as inputs (Level 2), and internal models without observable market information (Level 3) in the valuation of the Fund's securities. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total*
December 31, 2011			
Domestic Equities	\$ 22,257	\$ —	\$ 22,257
Foreign Equities	1,331,631	—	1,331,631
Foreign Bonds	—	582	582
	1,353,888	582	1,354,470
Cash and Short-Term Investments	25,982	10,706	36,688
Derivative Instruments	(20)	517	497
Total	\$ 1,379,850	\$ 11,805	\$ 1,391,655
December 31, 2010			
Domestic Equities	\$ 15,076	\$ —	\$ 15,076
Foreign Equities	1,763,577	—	1,763,577
	1,778,653	—	1,778,653
Cash and Short-Term Investments	30,799	15,420	46,219
Derivative Instruments	10	4,222	4,232
Total	\$ 1,809,462	\$ 19,642	\$ 1,829,104

*MD Growth Investments Fund does not hold any Level 3 investments.

There have been no significant transfers between Level 1 and Level 2 for the periods January 1, 2011 to December 31, 2011 and from January 1, 2010 to December 31, 2010.

Effective April 30, 2010, the Fund subscribes to the services of a third-party valuation service provider to provide fair value adjustments, where applicable, to the prices of foreign securities due to changes in the value of securities in North American markets following the closure of the foreign markets. The parameters used to apply the fair value adjustments are based on observable market data, and as such, the foreign securities are considered Level 2 priced securities.

The accompanying notes are an integral part of these financial statements.

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Notes to Financial Statements

For the years ended December 31, 2011 and 2010

1. Name and formation of the Funds

Establishment of the Funds

The MD Family of Mutual Funds (individually a “Fund” and collectively the “Funds”) are unincorporated mutual fund trusts formed under the laws of the Province of Ontario pursuant to the Declarations of Trust dated as follows:

	Series A Units	Series I Units	Series T Units	Private Trust Series
MD Money Fund	July 12, 1983			
MD Bond Fund	April 6, 1988	October 30, 2009		
MD Bond and Mortgage Fund	September 19, 1995	October 30, 2009		
MD Balanced Fund	September 9, 1992		October 25, 2010	
MD Dividend Fund	September 9, 1992	October 30, 2009	October 25, 2010	
MD Income & Growth Fund	January 4, 2007	October 30, 2009	October 25, 2010	
MD Equity Fund	March 1, 1966	October 30, 2009	October 25, 2010	
MD Select Fund	October 29, 1993	October 30, 2009	October 25, 2010	
MD American Value Fund	August 9, 2000	October 30, 2009	October 25, 2010	
MD American Growth Fund	September 9, 1992	October 30, 2009	October 25, 2010	
MD International Value Fund	January 5, 2004	October 30, 2009	October 25, 2010	
MD International Growth Fund	August 9, 2000	October 30, 2009	October 25, 2010	
MDPIM Canadian Equity Pool	June 16, 1999		October 25, 2010	August 9, 2000
MDPIM US Equity Pool	August 6, 1999		October 25, 2010	August 9, 2000
MD Conservative Portfolio	January 5, 2010			
MD Moderate Balanced Portfolio	January 5, 2010			
MD Balanced Growth Portfolio	January 5, 2010			
MD Maximum Growth Portfolio	January 5, 2010			

MD Growth Investments Limited is a mutual fund corporation incorporated under the laws of Ontario pursuant to the Letters Patent dated as follows:

	Series A	Series I
MD Growth Investments Limited	July 18, 1969	October 30, 2009

Notes to Financial Statements

For the years ended December 31, 2011 and 2010

MD Physician Services Inc. ("MDPSI") is the Manager of the Funds. Prior to June 2, 2010, MD Private Trust was the Manager and Trustee for the MDPIM Canadian Equity Pool and the MDPIM US Equity Pool.

On January 5, 2010, MDPSI launched four new funds, the MD Conservative Portfolio, the MD Moderate Balanced Portfolio, the MD Balanced Growth Portfolio and the MD Maximum Growth Portfolio.

The Statement of Investment Portfolio, Schedule of Tax Loss Carry Forwards and Schedule of Fees for each of the Funds are as at December 31, 2011. The Statement of Net Assets, Schedule of Net Assets per Unit and Net Asset Value per Unit and Schedule of Securities on Loan are as at December 31, 2011 and December 31, 2010 as applicable. The Statements of Operations, Statement of Changes in Net Assets, Schedule of Fund Unit Transactions and Schedule of Soft Dollar Commissions are for the years ended December 31, 2011 and December 31, 2010, except for the Funds established during either period, in which case the information provided relates to the period from inception to December 31, 2011 or to December 31, 2010. The Financial instrument risks for each of the Funds are as at December 31, 2011 and 2010.

Throughout these Notes to the Financial Statements, the shares of MD Growth Investments Limited have been referred to as "units" to simplify the presentation.

Series of units

The MDPIM Canadian Equity Pool and MDPIM US Equity Pool Funds offer "Private Trust Series" and "Series T" units which may be purchased by either MD Private Investment Counsel or MD Private Trust Company clients who have appointed MD Private Investment Counsel (an operating division of MD Physician Services Inc.) to provide discretionary portfolio management services and advice to them or MD Private Trust Company to provide trust services. These funds also offer "Series A" units which are available to all qualified eligible investors. "Series A" units are closed to new subscribers. Investors holding "Series A" units of these Funds are allowed to hold their units, as well as subscribe for additional "Series A" units of the Funds.

Each of the MD Funds other than MDPIM Canadian Equity Pool and MDPIM US Equity Pool offer "Series A" units which are available to all MD Management Ltd. clients who are qualified eligible investors.

On October 30, 2009, "Series I" units were established to support the MD Conservative Portfolio, the MD Moderate Balanced Portfolio, the MD Balanced Growth Portfolio and the MD Maximum Growth Portfolio. These units are only available to the four Funds listed above, and are not charged management fees.

On November 22, 2010, "Series T" units were established in order to support a new tax-efficient investment solution for clients. The series T units will generate steady tax-efficient cash flow that does not increase taxable income or impact certain benefits such as Old Age Security.

2. Significant accounting policies

The financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Significant accounting policies followed by the Funds are as follows:

Accounting estimates

The preparation of financial statements in accordance with GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expense during the reporting periods. Actual results could differ from those estimates.

Investments - valuation

CICA Handbook - Accounting Section 3855, "Financial Instruments - Recognition and Measurement" ("Section 3855"), requires the fair value of financial instruments traded in active markets to be measured based on a security's bid price. The net asset value calculated in accordance with Section 3855 is referred to as "Net Assets" going forward.

In accordance with Section 3855, investments are categorized as held for trading and are recorded at fair value. In the case of securities traded in an active market, fair value is the latest bid price provided by independent pricing services. In the case of investments not traded in an active market, or for those securities for which the Manager feels the latest market prices are not reliable, fair value is estimated based on valuation techniques established by the Manager. Valuation techniques established by the Manager are based on observable market data except in situations where there is no relevant or reliable market data. The value of securities estimated using valuation techniques not based on observable market data, if any, is disclosed in the Financial Instruments Risks section of the financial statements.

Cash and short-term investments

Cash is comprised of cash on deposit and short-term investments are comprised of short-term debt instruments with terms to maturity of less than one year at acquisition. These are measured at fair value upon initial recognition, and are held at amortized cost, which approximates fair value. Cash and short-term investments include foreign cash and foreign short-term investments.

Notes to Financial Statements

For the years ended December 31, 2011 and 2010

Investment transactions, income recognition and transaction costs

Investment transactions are recorded on the trade date. Income from investments is recognized on an accrual basis. Interest income and estimated expenses are accrued daily. Dividend income and distributions to unitholders are recorded on the ex-dividend date. Distributions received from underlying funds out of interest, foreign income and related withholding taxes, Canadian dividends and net realized capital gains are recognized when declared. Realized gains or losses from investment transactions and the unrealized appreciation or depreciation of investments are computed on an average cost basis, which exclude brokerage commissions and other trading expenses. Brokerage commissions and other trading expenses are charged to income as incurred.

All income, realized and unrealized gains, losses and transaction costs are attributable to investments and derivatives, which are categorized as held for trading.

Other assets and liabilities

Other assets such as accrued interest and dividends receivable, accounts receivable for investment transactions, subscriptions receivable, and amounts receivable for securities lending transactions are categorized as loans and receivables and are recorded at cost. Other liabilities such as accrued expenses, income taxes payable, distributions payable, accounts payable for investment transactions and redemptions payable are categorized as financial liabilities and are measured at cost, as cost closely approximates their fair value.

Foreign exchange

Investments and other assets and liabilities denominated in foreign currencies are translated into Canadian Dollars at the rate of exchange prevailing on each valuation date. Transactions during the year in currencies other than Canadian Dollars are translated into Canadian Dollars at the rate of exchange prevailing on the trade date of the transaction. The difference in the foreign exchange rate between trade date and settlement date of a transaction is recognized in income on the Statement of Operations. The Funds do not separately report the effects of changes in foreign exchange rates from changes in the valuation of securities held. Such changes are included in net gains or losses on investments.

Forward currency contracts

The Funds may enter into forward currency contracts for either hedging or non-hedging purposes where such activity is consistent with their investment objectives and as permitted by the Canadian securities regulatory authorities. Investments in forward currency contracts are entered into with approved counterparties and are recorded at fair value.

On a daily basis, the value of these contracts is the gain or loss that would be realized if the positions were to be closed out and is recorded in "Change in unrealized appreciation (depreciation) of investments and derivatives". Upon closing of the contracts,

the accumulated gains or losses are reported in "Net realized gain (loss) on sale of derivative instruments." Unrealized gains or losses on forward currency contracts are categorized as financial assets or liabilities held for trading.

The contractual amounts of open contracts are disclosed in the Statement of Investment Portfolio as the Schedule of Derivative Instruments.

Futures contracts

Futures contracts are valued on each valuation day using the bid/ask price posted on the related public exchange. All gains or losses arising from futures contracts are recorded as part of "Change in unrealized appreciation (depreciation) of investments and derivatives" in the Statements of Operations until the contracts are closed out or expire, at which time the gains or losses are realized and reported as "Realized gain (loss) on investments" in the Statements of Operations.

Unit valuation

The Funds' units are offered for sale on any business day and may be redeemed or issued at the Net Asset Value (NAV) per unit for the respective series on that business day. A business day refers to any day the Toronto Stock Exchange is open for business. The Net Asset Value for each series is computed daily by calculating the value of that series' proportionate share of net assets and liabilities of the Fund common to all series less liabilities attributable to that series. Expenses directly attributable to a series are charged to that series. Assets, common liabilities, revenues and other expenses are allocated proportionately to each series based upon the relative Net Asset Values of each series. The Net Asset Value per unit is determined by dividing the NAV of each series of a fund by the total number of units of that series outstanding.

Section 14.2 of National Instrument 81-106, "Investment Fund Continuous Disclosure" ("NI81-106") issued by the Canadian Securities Administration ("CSA") requires an investment fund to calculate the daily net asset value for the purchase and redemption of units based on the fair value of the investment fund's assets and liabilities ("Net Asset Value"). For these purposes, the Funds use the closing market prices to value securities held.

The Net Asset Value differs from Net Assets calculated in accordance with Section 3855 presented on the financial statements. A comparison between the Net Asset Value per unit and the Net Assets per unit is disclosed in the Schedule of Net Assets per Unit and Net Asset Value per Unit.

Increase (decrease) in net assets from operations per unit

"Increase (decrease) in net assets from operations per unit" in the Statement of Operations represents the increase or decrease in net assets from operations attributable to the series of units for the period, divided by the average units outstanding in that series during the period.

Notes to Financial Statements

For the years ended December 31, 2011 and 2010

Securities lending transactions

A Fund may lend portfolio securities to earn additional income through a securities lending agreement with its custodian. The aggregate market value of all securities loaned by the Fund cannot exceed 50% of the assets of the Fund. The Fund receives collateral in the form of cash and/or securities deemed acceptable under National Instrument 81-102 ("NI81-102") of at least 102% of the fair value of securities on loan.

Income from securities lending is recorded as "Securities lending" on a monthly basis when it is receivable.

Future Accounting Changes

On December 12, 2011, the Canadian Accounting Standards Board (AcSB) announced an IFRS deferral option for most investment funds until fiscal years beginning on or after January 1, 2014.

Accordingly, the MD Family of Funds will adopt IFRS for the fiscal period beginning January 1, 2013, and will issue their initial financial statements in accordance with IFRS, including comparative information, for the interim period ending June 30, 2014.

MD Physician Services Inc. continues to monitor and assess the impact of the transition to IFRS on Net Assets and Net Asset Value. MD Physician Services Inc. expects that the IFRS implementation on the MD Family of Mutual Funds' financial statements will result in additional disclosure and potentially different presentation of unitholder interests and certain other items.

3. Management fees and other fees and expenses

The management and administration fees are unique to each Fund and are unique to each series of units, and are disclosed on the Schedule of Fees.

MDPSI provides the Funds with investment management and administrative services. In return, MDPSI receives a management fee based on the Net Asset Value of the Funds calculated on a daily basis and paid weekly.

Prior to June 2, 2010, MD Private Trust Company provided the Series A units of MDPIM Canadian Equity Pool and MDPIM US Equity Pool with investment management and administrative services. In return, MD Private Trust Company received a management fee based on the Net Asset Value of the Funds calculated on a daily basis and paid weekly. Since June 2, 2010, these services are received from and fees paid to MDPSI.

No management or administration fee, or operating expenses are charged in respect of Series I units. These units are only available to be held by other MD Funds.

No management fee or operating expenses are charged in respect of units of the Private Trust Series units of MDPIM Canadian Equity Pool and MDPIM US Equity Pool. Investors in these series of units have agreed to pay a managed account fee directly to MD Private Investment Counsel (an operating division of MD Physician Services Inc.). These managed account fees are charged directly to each unitholder to a maximum rate of 1.00% per annum plus custodial fees.

MDPSI bears all of the operating expenses of the Funds (other than certain taxes and borrowing costs) in return for fixed annual rate administration fees ("Administration Fees"). Administration Fees are calculated as a fixed annual percentage of the Funds' assets under management.

Short-term trading/early redemption fee

Clients who redeem or switch units or shares of an MD Fund are charged an early redemption fee equal to 2.00% of the amount redeemed or switched if the redemption or switch occurs within sixty (60) days of the date that the units or shares were purchased or switched.

The early redemption fee does not apply to redemptions or switches:

- ▶ of units of MD Money Fund;
- ▶ made in connection with any systematic and scheduled withdrawal program;
- ▶ where the amount of the redemption or switch is less than \$10,000;
- ▶ made as a result of the recommendation of your MD advisor related to a financial plan.

4. Capital units

With the exception of MD Growth Investments Limited, the Funds' capital is represented by an unlimited number of authorized units without nominal or par value. All series of units are redeemable on demand by unitholders at the respective Net Asset Value of that series. Each unit entitles the unitholder to one vote at unitholder meetings and participates equally, with respect to other units of the same series, in any dividends or distributions, liquidation or other rights of that series.

The relevant movements in capital for the period have been presented in the Statement of Changes in Net Assets. The Funds invest capital from subscriptions in financial instruments in accordance with the policies and risk management practices of the Funds, while maintaining sufficient liquidity to meet unitholder redemptions. The Funds' investment policies are set out in the prospectus and the risk management and liquidity management practices are disclosed in Note 5.

MD Growth Investments Limited is an incorporated company as opposed to a mutual fund trust and, as such, has issued share capital.

5. Financial instrument risk

The Funds use financial instruments in order to achieve their respective investment objectives. The Funds' investments are presented in the respective Statement of Investment Portfolio, which groups securities by asset type, geographic region and/or market segment.

Notes to Financial Statements

For the years ended December 31, 2011 and 2010

The use of financial instruments subjects the Funds to a variety of financial instrument risks. The Funds' risk management practices include setting investment policies to limit exposures to financial instrument risks and employing experienced and professional investment advisors to invest the Funds' capital in securities within the constraints of investment policies. The Manager regularly monitors the Fund advisors' performance and compliance with the investment policies.

The significant financial instrument risks, to which the Funds are exposed, along with the specific risk management practices related to those risks, are presented below. Fund specific disclosures are presented in the "Financial Instruments Risks" section of the financial statements.

Credit risk

Credit risk is the risk that counterparty to a financial instrument will not honour its obligation under the terms of the instrument, resulting in a loss of capital. The Funds are exposed to credit risk through domestic and foreign bonds, derivative contracts, short-term debt investments, amounts due from brokers, dividends and interest receivable and other receivables. A Fund may engage in securities lending pursuant to the terms of an agreement which includes restrictions as set out in the Canadian Securities Legislation. Collateral held is in the form of highly rated fixed income instruments. All securities under lending agreements are fully collateralized. In addition, the Funds' custodian has indemnified the funds from borrower default.

Credit risks arising from fixed income securities, including bonds and preferred shares, are generally limited to the fair value of the investments as shown in the Statement of Investment Portfolio. The Funds limit exposure to individual issuers/sectors and credit quality levels. The credit worthiness of issuers in which the Funds invest are reviewed regularly, and the portfolios are adjusted as required to match the minimum requirement as set forth in each Fund's prospectus. Each individual Fund's exposure to credit risk, if any, is presented in the Financial Instruments Risk section attached to the Financial Statements.

Credit risks arising from short-term debt investments are limited to the carrying value of cash equivalents as shown on the Statement of Net Assets, except in the case of MD Money Fund, where the credit risk is limited to the fair value of investments as shown on the Statement of Investment Portfolio. The Funds manage credit risk on short-term debt by investing in high grade short-term notes with credit ratings of R-1 (low) or higher as well as limiting exposure to any single issuer.

Derivative contracts are subject to netting arrangements whereby if one party to a derivative contract defaults, all amounts with the counterparty are terminated and settled on a net basis. As such, the maximum credit loss on derivative contracts is the unrealized gain shown in the Schedule of Derivative Instruments, or nil if the contract is in a loss position. Each Fund manages credit risk on derivatives by only entering into agreements with counterparties that have an approved

credit rating as defined in NI81-102. The total unrealized gain (loss) of the derivative contract cannot exceed 10% of the Fund's Net Asset Value.

Liquidity risk

Liquidity risk is the risk that the Funds will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. In addition, the Funds' units are redeemable on demand. In accordance with NI81-102, the Funds must provide payment for redeemed units within three business days of receipt of a redemption order. To manage this liquidity requirement, the Funds invest primarily in liquid securities that can readily be sold in active markets and each Fund may borrow up to 5% of its Net Asset Value. During the period, no Fund borrowed against its respective line of credit.

Currency risk

Currency risk is the risk that the values of financial assets and liabilities denominated in foreign currencies fluctuate due to changes in foreign exchange rates. To the extent the Funds hold assets and liabilities denominated in foreign currencies, the Funds are exposed to currency risk. The Fund may also use forward contracts at the discretion of the Manager. Each individual Fund's exposure to currency risk, if any, is presented in the "Financial Instruments Risks" section of the financial statements.

Interest rate risk

Interest rate risk is the risk that the fair value (measured as the present value) of cash flows associated with interest bearing financial instruments will fluctuate due to changes in the prevailing market rates of interest. In general, as interest rates rise, the fair value of interest bearing financial instruments will fall. Financial instruments with a longer term to maturity will generally have a higher interest rate risk.

The Funds' interest bearing financial instruments that subject the Funds to interest rate risk include domestic and foreign bonds, asset backed securities and collateralized mortgage obligations. Short-term money market instruments are also interest bearing and therefore subject to interest rate risk. However, due to the short-term nature of the securities, the interest rate risk is generally not significant.

Interest rate risk management practices employed by the Funds include setting target durations based on the appropriate benchmark indices and monitoring the Funds' durations relative to the benchmarks. If interest rates are anticipated to rise, the Funds' durations can be shortened to limit potential losses. Conversely, if interest rates are anticipated to fall, the durations can be lengthened to increase potential gains. Each individual Fund's exposure to interest rate risk, if any, is presented in the "Financial Instruments Risks" section of the financial statements.

Notes to Financial Statements

For the years ended December 31, 2011 and 2010

Other Price risk

Other Price risk is the risk that the fair value of financial instruments may decline because of changes in market prices of the financial instruments, other than declines due to interest rate risk and currency risk. Other price risk stems from financial instruments' sensitivity to changes in the overall market (market risk) as well as factors specific to the individual financial instrument. Other price risk attributable to individual investments is managed through diversification of the portfolio and security selection and adjustments to fair value when there is significant volatility in international markets after markets are closed. Other price risk attributable to the general market is systematic and cannot be diversified away.

The maximum loss due to other price risk is limited to the fair value of the equity investments presented on the Statement of Investment Portfolio. Each individual Fund's exposure to other price risk, if any, is presented in the "Financial Instruments Risks" section of the financial statements.

Details of each Fund's exposure to financial instruments risks including fair value hierarchy classification are available in the "Financial Instruments Risks" section of the financial statements of each Fund.

6. Fair value measurement

The Funds classify fair value measurements within a hierarchy that prioritizes the inputs to Funds' valuation techniques used in measuring fair value. Under these provisions, an entity is required to classify each financial instrument into one of three fair value levels as follows:

Level 1 - for unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - for inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - for inputs that are based on unobservable market data

The classification of a financial instrument is based on the lowest level of input that is significant to the determination of fair value.

The extent of Funds' use of quoted market prices (Level 1), internal models using observable market information as inputs (Level 2), and internal models without observable market information (Level 3) in the valuation of securities is summarized in each Fund's "Financial Instruments Risks" section of the financial statements.

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