

# MD Income & Growth Fund

## Management Report of Fund Performance (June 30, 2011)

Series A, Series T and Series I

### Results of Operations

For the six-month period ending June 30, 2011, the MD Income & Growth Fund ("the Fund") generated a total return of 5.4%.

Consistent with its investment mandate in seeking a combination of yield and capital appreciation, the Fund maintained significant exposure to high yielding sectors within the Fund's benchmark, the S&P/TSX Capped Composite Index. Out of the ten industrial sectors represented in the portfolio, the Financials and Energy sectors continued to receive, on average, the largest portfolio allocation of 41% and 22 % respectively. In comparison, the Information Technology and Health Care sectors received the smallest allocation. Only the Consumer Discretionary and Health Care sectors contributed negatively to the Fund's return. The Fund benefited from the Advisor's sector diversification with the Energy and Financials sectors providing the highest positive contribution to the Fund's performance.

As at June 30, 2011, the total net asset value of the Fund was \$190 million, an increase in the net asset value of 37% since the beginning of the year. The growth in net assets was largely attributable to the increase in net contribution to the Fund. In addition, the Fund's operations also contributed positively to the growth of assets with an increase in both investment income and gains on investments.

### Recent Developments

#### Strategic Changes

There were no strategic changes to the Fund during the period. The Fund continues to be managed in a manner consistent with its investment mandate. The Investment Advisor has adhered to their investment discipline and portfolio strategies, and they are in line to achieve the long-term objectives of the Fund.

### Related Party Transactions

MD Physician Services Inc. is the Manager, Registrar and Trustee of the Fund. As Manager, MD Physician Services Inc. manages the overall business of the MD Funds and is responsible for: setting investment objectives, providing and/or retaining the services of third party service providers for fund accounting services, administration services, and promoting the sales of the MD Fund's units.

As Registrar, MD Physician Services Inc. tracks the owners of units of the MD Funds, processes purchase, transfer and redemption orders, issues investor account statements, and issues annual tax reporting information.

As the Fund is organized as a Trust, investing in the Fund means purchasing units of the Trust. As Trustee to the Fund, MD Physician Services Inc. holds actual title to the property in the Fund—the cash and securities the Fund invests in—on behalf of the unitholders.

The principal distributor is MD Management Limited. As principal distributor, MD Management Limited markets the units of the MD Funds through its offices across Canada. MD Management Limited is owned by the Fund Manager, MD Physician Services Inc., which is owned by CMA Holdings (2009) Inc.

### Management Fees

MD Physician Services Inc. provides the Fund with investment management and administrative services, including fund accounting and unitholder record-keeping. In return, MD Physician Services Inc. receives a management fee and an administration fee based on the net asset value of the Fund calculated on a daily basis and paid weekly.

MD Physician Services Inc. pays MD Management Limited, a related party, a fee for providing financial planning services.

(as a percentage of management fees)

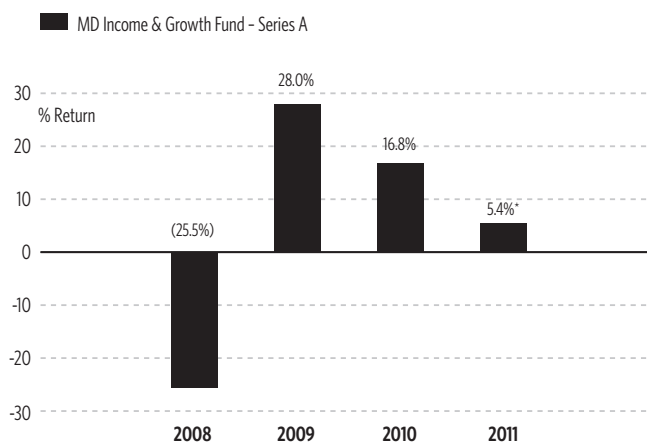
Financial Planning Services	40.3%
Investment management, administration and other	59.7%

### Past Performance

The following bar chart shows the Fund's annual performance for the periods shown, and illustrates how the Fund's performance changed from year to year. The chart shows, in percentage terms, how much an investment, made on the first day of each calendar year, would have grown or decreased by the last day of the calendar year.

The performance information assumes that all distributions made by the Fund were reinvested in additional units of the Fund and does not take into account sales, redemptions, distributions or other optional charges that would reduce returns. How the Fund has performed in the past does not necessarily indicate how the Fund will perform in the future.

### Year-By-Year Returns



\*For the six-month period ended June 30, 2011.

Series T units are not reported here as they have been in existence for less than a full calendar year.

To date there have been no sales of the Series I units, hence no performance data is available.

### Disclosure

This interim management report of fund performance contains financial highlights but does not contain the complete interim financial statements of the investment fund. You can obtain a copy of the interim financial statements at your request, and at no cost, by calling 1 800 267-2332, by writing to us at MD Physician Services Inc., 1870 Alta Vista Drive, Ottawa, Ontario, K1G 6R7, or by visiting our website at [md.cma.ca](http://md.cma.ca) or SEDAR at [sedar.com](http://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 Income & Growth Fund

Management Report of Fund Performance (June 30, 2011)

---

## Regarding Forward-Looking Statements

This document contains forward-looking statements. Such statements are generally identifiable by the terminology used, such as “plan”, “anticipate”, “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. Actual results may differ materially from the results anticipated in these forward-looking statements.

# MD Income & Growth Fund

## Management Report of Fund Performance (June 30, 2011)

### Financial Highlights

The following tables show selected key financial information about the Fund and its financial performance for the past five years. This information is derived from the Fund's audited annual and unaudited interim financial statements.

#### The Fund's Net Assets per Unit<sup>1</sup>

Series A	Six months	Year ended December 31				
	ended June 30 2011	2010	2009	2008	2007 <sup>4</sup>	
Net assets—beginning of the period	\$9.77	\$8.57	\$7.02	\$9.92	\$10.00	
Increase (decrease) from operations:						
Total revenue	\$0.22	\$0.43	\$0.47	\$0.50	\$0.47	
Total expenses	\$(0.08)	\$(0.14)	\$(0.12)	\$(0.14)	\$(0.16)	
Net realized gains (losses) for the period	\$0.05	\$0.11	\$(0.38)	\$(0.35)	\$0.07	
Net unrealized gains (losses) for the period	\$0.29	\$1.19	\$2.04	\$(2.54)	\$(0.62)	
Total increase (decrease) from operations <sup>2</sup>	\$0.48	\$1.59	\$2.01	\$(2.53)	\$(0.24)	
Distributions:						
From income (excluding dividends)	\$—	\$—	\$(0.12)	\$(0.15)	\$(0.11)	
From dividends	\$(0.06)	\$(0.21)	\$(0.20)	\$(0.22)	\$(0.13)	
From capital gains	\$—	\$—	\$—	\$—	\$(0.05)	
Return of capital	\$(0.01)	\$—	\$(0.05)	\$(0.05)	\$(0.03)	
Total annual distributions <sup>3</sup>	\$(0.07)	\$(0.21)	\$(0.37)	\$(0.42)	\$(0.32)	
Net assets—end of the period	\$10.23	\$9.77	\$8.57	\$7.02	\$9.92	

Series T	Six months	2010 <sup>5</sup>
	ended June 30 2011	
Net assets—beginning of the period	\$10.15	\$10.00
Increase (decrease) from operations:		
Total revenue	\$0.23	\$0.07
Total expenses	\$(0.08)	\$(0.01)
Net realized gains (losses) for the period	\$0.06	\$—
Net unrealized gains (losses) for the period	\$(0.04)	\$0.19
Total increase (decrease) from operations <sup>2</sup>	\$0.17	\$0.25
Distributions:		
From income (excluding dividends)	\$—	\$—
From dividends	\$(0.04)	\$—
From capital gains	\$—	\$—
Return of capital	\$(0.26)	\$(0.01)
Total annual distributions <sup>3</sup>	\$(0.30)	\$(0.01)
Net assets—end of the period	\$10.40	\$10.15

#### Series I

There have not been any Series I units purchased.

<sup>1</sup> This information is derived from the Fund's audited annual financial statements and unaudited interim financial statements. The net assets per unit presented in the financial statements differs from the net asset value per unit calculated for fund pricing purposes. An explanation of these differences can be found in Note 2 of the Notes to Financial Statements. Net assets per unit are presented for 2007 through 2011.

<sup>2</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial year.

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

<sup>4</sup> The results shown are for the period January 4 - December 31, 2007.

<sup>5</sup> The results shown are for the period November 22 - December 31, 2010.

# MD Income & Growth Fund

## Management Report of Fund Performance (June 30, 2011)

### Ratios and Supplemental Data

Series A	Six months ended June 30	Year ended December 31			
	2011	2010	2009	2008	2007 <sup>5</sup>
Total net asset value, end of the period <sup>1</sup>	\$190,023,669	\$138,530,774	\$38,454,653	\$20,008,627	\$21,919,419
Number of units outstanding	18,532,586	14,152,505	4,475,907	2,840,043	2,204,824
Management expense ratio <sup>2</sup>	1.55%	1.54%	1.46%	1.42%	1.43%
Management expense ratio before waivers or absorptions	1.55%	1.54%	1.46%	1.53%	1.51%
Trading expense ratio <sup>3</sup>	0.03%	0.10%	0.09%	0.08%	0.16%
Portfolio turnover rate <sup>4</sup>	10.51%	17.86%	15.60%	17.09%	4.72%
Net asset value per unit	\$10.25	\$9.79	\$8.59	\$7.05	\$9.94

Series T	Six months ended June 30	2010 <sup>6</sup>
	2011	
Total net asset value, end of the period <sup>1</sup>	\$368,868	\$60,784
Number of units outstanding	35,407	5,980
Management expense ratio <sup>2</sup>	1.54%	0.88%
Management expense ratio before waivers or absorptions	1.54%	0.88%
Trading expense ratio <sup>3</sup>	0.03%	0.10%
Portfolio turnover rate <sup>4</sup>	10.51%	17.86%
Net asset value per unit	\$10.42	\$10.16

### Series I

There have not been any Series I units purchased.

<sup>1</sup> This information is provided as at June 30 or December 31 of the period shown.

<sup>2</sup> Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Effective July 1, 2010, goods and services tax ("GST") was replaced by the harmonized sales tax ("HST") in certain provinces and is applicable at higher rates than the GST. HST is being paid by the Fund and results in a higher MER than in previous years.

<sup>3</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

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

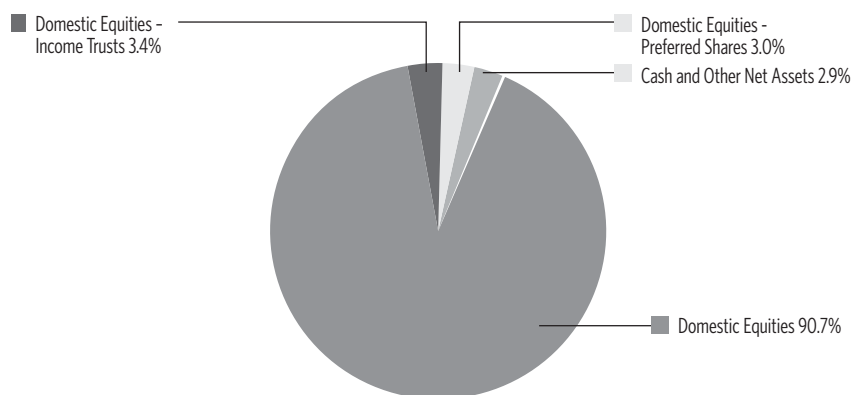
<sup>5</sup> The results shown are for the period January 4 - December 31, 2007.

<sup>6</sup> The results shown are for the period November 22 - December 31, 2010.

# MD Income & Growth Fund

Management Report of Fund Performance (June 30, 2011)

Net Asset Value: \$190.4 million



## Portfolio Allocation

Domestic Equities	
Consumer Discretionary	12.0%
Consumer Staples	0.5%
Energy	20.4%
Financials	34.3%
Health Care	0.6%
Industrials	4.7%
Materials	2.4%
Telecommunication Services	10.2%
Utilities	5.6%
<b>Total</b>	<b>90.7%</b>

Domestic Equities - Income Trusts	
Energy	0.4%
Materials	0.6%
Real Estate	2.4%
<b>Total</b>	<b>3.4%</b>

Domestic Equities - Preferred Shares	
<b>Total</b>	<b>3.0%</b>

Cash and Cash Equivalents	
<b>Total</b>	<b>2.9%</b>

Other Net Assets	
<b>Total</b>	<b>0.0%</b>

<b>Total</b>	<b>100.0%</b>
--------------	---------------

## Top 25 Holdings (Percentage of Net Asset Value)

Thomson Reuters Corporation	5.8%
The Bank of Nova Scotia	5.3%
Power Financial Corporation	4.8%
TransCanada Corporation	4.2%
The Toronto-Dominion Bank	4.1%
Royal Bank of Canada	4.0%
Rogers Communications, Inc. Cl. B	3.6%
TMX Group Inc.	3.6%
Bank of Montreal	3.6%
IGM Financial, Inc.	3.5%
BCE Inc.	3.5%
Husky Energy Inc.	3.1%
TELUS Corporation Non-Voting	3.0%
Groupe Aeroplan, Inc.	3.0%
Sun Life Financial Inc.	3.0%
Cash and Cash Equivalents	2.9%
Fortis, Inc.	2.9%
Enbridge Inc.	2.9%
Canadian Imperial Bank of Commerce	2.7%
Canadian Utilities Limited Cl. A	2.4%
Russel Metals Inc.	2.4%
Reitmans (Canada) Limited Cl. A	2.4%
Methanex Corporation	2.4%
Mullen Group Limited	2.2%
Manulife Financial Corporation 6.60% Series 4 Preferred	1.3%

Note: Summary of Investment Portfolio may change due to ongoing portfolio transactions of the investment fund. A quarterly update is available.

The Net Asset Value, Portfolio Allocation and Top 25 Holdings in the tables are based on the trading net asset value as at June 30, 2011.



This page intentionally left blank.