

# MD American Value Fund

## Management Report of Fund Performance (December 31, 2011)

### Series A, Series T and Series I

#### Investment Objectives and Strategies

The MD American Value Fund (the "Fund") seeks to achieve long-term capital growth with due regard for the conservation of capital, and income production as a secondary objective.

The Fund primarily invests in a diversified portfolio of equity securities of U.S. large, mid, and small-capitalized companies. All companies must trade on a recognized exchange in the United States.

The Fund uses a multi-advisor structure utilizing the investment strategies of four separate Advisors.

Lord Abnett & Co. LLC. utilizes a disciplined investment process based on in-depth fundamental and proprietary quantitative research that aims to identify undervalued securities while reducing downside risk. They believe macro-economic factors and company specific events influence the behaviour of stock prices and that the market consistently misprices stocks and groups of stocks. Lord Abnett continuously monitors and evaluates securities for sale as price appreciation changes relative valuation attraction or when fundamental changes in the business outlook develops.

NWQ Investment Management employs a "bottom-up" investment approach. The investment management style is described as "value". NWQ looks to invest in undervalued companies that possess catalysts to improve profitability and/or unlock value. NWQ analysts conduct disciplined research to drive stock selection. NWQ looks to capitalize on market opportunities created by investor over-reaction, misperception, and short-term focus.

Fiduciary Management Inc. buys durable businesses at value prices in order to achieve outstanding investment results over a three- to five-year time horizon. The essential tenets to their investment philosophy are:

- ▶ Utilize a business owner's approach to investing and thoroughly investigate the economics of the business and the qualities of management of each company.
- ▶ Their approach is contrarian in nature as they invest in companies that have stumbled or are temporarily out of favour with the market, and hence improperly priced.
- ▶ Their goal is to invest in durable business franchises that are selling at low valuations and a significant discount to their intrinsic value.

CIBC Global Asset Management Inc. (CGAM) is the Investment Advisor in respect of the Fund's foreign cash reserves and its foreign currency exposure. In managing the foreign cash reserves, CGAM seeks to maintain the equity market exposure and minimize the impact of cash on the Fund's performance. CGAM seeks to manage the currency risk and add value by managing the Fund's exposure to foreign currency. CGAM employs proprietary quantitative models focusing on key valuation, cyclical and momentum factors as well as qualitative analysis based on extensive internal research and insights from external sources.

The Fund may not invest in companies that manufacture tobacco or tobacco-related products.

#### Risk

At times, a portfolio can be subject to any number of investment risks. The risk level of the Fund did not change significantly during the year. Descriptions of the investment risks associated with this Fund are detailed in the Simplified Prospectus.

#### Results of Operations

As part of MD Physician Services Inc. investment management discipline, we carefully select and monitor the Investment Advisors to ensure that the investment performance remains consistent with the long-term objectives of the Fund.

This Fund is managed by allocating assets among four Investment Advisors. The approximate allocation of assets at the end of 2011 was as follows:

% of Assets	Investment Advisor
28%	Lord, Abnett & Co. LLC.
28%	NWQ Investment Management
37%	Fiduciary Management Inc.
7%	CGAM

For the year ended December 31, 2011, the Fund's Series A units had total return of -3.9%. The year was a roller coaster for U.S. equity markets as investor sentiment switched between investors and speculators seeking risk to investors panicking and shedding risk. While improved prospects for global growth led U.S. equity markets up during the first four months of the year, gridlock in Washington over the country's debt ceiling and the S&P's downgrade of the country's credit rating sent U.S. equity markets spiraling down from May through September. The fourth quarter saw U.S. equity markets rebound again on improving economic data within the U.S. In 2011 the S&P 500 was flat in local currency and up 4.6% in Canadian dollars.

While equity markets were volatile, the U.S. dollar exposure contributed positively to performance as the Canadian dollar depreciated 2.5% relative to the U.S. dollar throughout the year. However, the fund also benefited from currency management as the partial hedge implemented in January and removed in April added approximately another 67 basis points for the year.

Out of the ten industrial sectors represented in the portfolio, the Financial and Energy sectors received on average the highest portfolio weightings, while the Telecommunication Services and Utilities sectors received the lowest allocation. Seven of the ten sectors contributed positively to the Fund's return in 2011; however the three sectors that contributed negatively (Financials, Consumer Discretionary and Materials) were more material than the sectors that contributed positively, leading the overall fund to have a negative return in 2011.

This is a multi-cap fund that uses a disciplined investment process based on in-depth fundamental and proprietary quantitative research that identifies undervalued U.S. securities. The investment style of the Fund includes companies that can exhibit volatile or cyclical earnings patterns, such as Consumer Discretionary or Energy companies. This volatility was perfectly illustrated over the past two years as the Consumer Discretionary sector went from being one of the strongest contributors to the Fund's performance in 2010 to one of the weakest contributors in 2011.

#### Disclosure

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can obtain a copy of the annual 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 American Value Fund

## Management Report of Fund Performance (December 31, 2011)

The Fund maintained exposure to predominantly U.S. large-cap securities with a value bias throughout the year. However, the fund uses a multi-cap strategy and the inclusion of mid and small cap securities detracted from performance as mid and small cap value securities underperformed large cap value securities in 2011.

As at December 31, 2011, the total net asset value of the Fund was \$162 million, an increase of 3% over the previous year. The slight increase in the net asset value was largely attributable to net unitholder contributions. Revenues and expenses were similar to the previous year.

### Recent Developments

#### Strategic Changes

On September 16, 2011, the Board of Directors of MD Physician Services Inc. announced Investment Advisor changes for the ongoing management of the Fund. Lord Abbett remained with the Fund while Fiduciary and NWQ were added.

It is management's expectation that this strategic change to the portfolio will provide greater potential for the Fund to achieve higher returns and to reach the long-term investment 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 Fund 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 Fund's units.

As Registrar, MD Physician Services Inc. keeps track of the owners of units of the MD Fund, 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 Fund 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.

### Independent Review Committee (IRC) Reliance

During the period, the Manager relied on the approval and standing instruction provided by the MDPSI Fund's IRC to enable the MDPSI Fund to allow for the fees associated with the Advisor search to be incorporated with the brokerage fees associated with the Transition of assets. In addition, the Manager relied on the approval and standing instruction provided by the MDPSI Fund's IRC to enable the Fund to cross trade like securities between MDPSI Funds to facilitate the transition of the Fund Advisor portfolios and reduce brokerage trading costs to the benefit of the unitholder.

In accordance with the IRC's approval and standing instruction, in making a decision to cause the Fund to make a Related Party Transaction, the Manager and Funds' Investment Advisor are required to comply with the Manager's written policy and procedure governing the Related-Party Transaction and report periodically to the IRC, describing each instance that the Manager and/or Investment Advisor relied on the

approval and standing instruction, and their compliance or non-compliance with the governing policy and procedure. The governing policy and procedure is designed to ensure the Related Party Transaction (i) is made free from any influences to their affiliation, (ii) represents the business judgment of the Investment Advisor, uninfluenced by considerations other than the best interests of the MD Fund, and (iii) achieves a fair and reasonable result for the MDPSI Fund.

### 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.

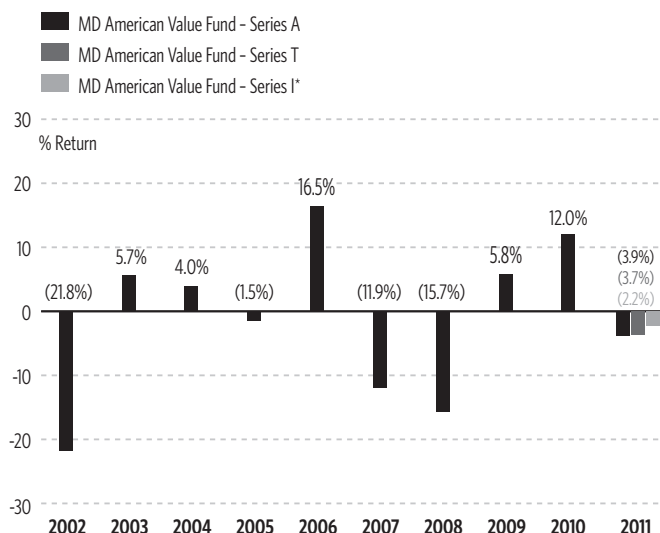
(As a percentage of management fees)	
Financial Planning Services	39.0%
Investment management, administration and other	61.0%

### Past Performance

The following bar chart shows the Fund's annual performance for each of the years 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 each 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, redemption, distribution 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



\* Series I units do not charge a management fee at the fund level, and therefore may report higher returns. Series I units are available to qualified Institutional Investors who pay a separate negotiated management fee directly to MD Physician Services Inc.

# MD American Value Fund

## Management Report of Fund Performance (December 31, 2011)

### Annual Compound Returns

The following table shows MD American Value Fund's historical annual compound return for the past one, three, and five year periods ended on December 31, 2009 and since the inception of the Fund and series, as compared to the return of the Russell 1000 Value Index and S&P 500 Index.

	1 year	3 years	5 years	10 years	Since Inception*
MD American Value Fund - Series A	-3.9%	4.4%	-3.3%	-1.8%	
MD American Value Fund - Series T	-3.7%	—	—	—	0.1%
MD American Value Fund - Series I	-2.2%	—	—	—	4.1%
Russell 1000 Value Index	2.9%	4.6%	-5.2%	-0.7%	
S&P 500 Index	4.6%	7.0%	-2.9%	-1.6%	

\*The Fund established series T units on November 22, 2010. The Fund established series I units on January 5, 2010. The series I units are available to institutional investors and pay a separate negotiated management fee and administration fee directly to MD Physician Services Inc.

Management uses a style-based benchmark, the Russell 1000 Value Index, as this most accurately reflects the management style of the Fund. The S&P 500 Index is also used as the benchmark for this Fund because it represents the aggregate common share returns of the overall U.S. market. Although index returns are hypothetical—as they do not reflect the true cost of owning or managing the underlying stocks—they are one of several useful indicators. By comparing the Fund's performance to the movements of the benchmark, we are able to assess how the Fund is doing. Some short-term deviations can signal the need for change while others confirm the expectations of a longer-term strategy. If Management were to ascertain that a Fund's over or under performance was the result of excessive risk-taking or deviation from the investment mandate, we would, on behalf of all our unitholders, address these issues with the Investment Advisor and make changes if necessary.

As illustrated in the above table, the Fund underperformed the S&P 500 Index for all compound periods. The five year underperformance can be mainly attributed to the weak one year performance and the investment style of the Fund as value investing has underperformed core and growth investing over the past five years. The Fund underperformed the Russell 1000 Value Index over the past one, three and ten year periods; however the fund outperformed the Russell 1000 Value Index over the past five years. The underperformance is primarily due to the overweighting of financials, which underperformed materially based on negative sentiment from the European financial crisis.

### 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 American Value Fund

## Management Report of Fund Performance (December 31, 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 financial statements.

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

Series A	2011	2010	2009	2008	2007
Net assets - beginning of the year	\$ 8.24	\$ 7.35	\$ 6.91	\$ 8.23	\$ 9.35
Increase (decrease) from operations:					
Total revenue	\$ 0.12	\$ 0.12	\$ 0.05	\$ 0.17	\$ 0.10
Total expenses	\$ (0.14)	\$ (0.13)	\$ (0.13)	\$ (0.14)	\$ (0.16)
Net realized gains (losses) for the year	\$ 0.38	\$ 0.25	\$ (0.35)	\$ (0.74)	\$ 0.06
Net unrealized gains (losses) for the year	\$ (0.70)	\$ 0.63	\$ 0.88	\$ 0.53	\$ (1.15)
Total increase (decrease) from operations <sup>2</sup>	\$ (0.34)	\$ 0.87	\$ 0.45	\$ (0.18)	\$ (1.15)
Distributions:					
From income (excluding dividends)	\$ —	\$ —	\$ —	\$ (0.01)	\$ (0.02)
From dividends	\$ —	\$ —	\$ —	\$ —	\$ —
From capital gains	\$ —	\$ —	\$ —	\$ —	\$ —
Return of capital	\$ —	\$ —	\$ —	\$ —	\$ —
Total annual distributions <sup>3</sup>	\$ —	\$ —	\$ —	\$ (0.01)	\$ (0.02)
Net assets - end of the year	\$ 7.92	\$ 8.24	\$ 7.35	\$ 6.91	\$ 8.23

Series I	2011	2010 <sup>4</sup>
Net assets - beginning of the year	\$ 8.38	\$ 7.59
Increase (decrease) from operations:		
Total revenue	\$ 0.10	\$ 0.13
Total expenses	\$ —	\$ —
Net realized gains (losses) for the year	\$ 0.37	\$ 0.28
Net unrealized gains (losses) for the year	\$ (0.68)	\$ 0.88
Total increase (decrease) from operations <sup>2</sup>	\$ (0.21)	\$ 1.29
Distributions:		
From income (excluding dividends)	\$ —	\$ —
From dividends	\$ —	\$ —
From capital gains	\$ —	\$ —
Return of capital	\$ —	\$ —
Total annual distributions <sup>3</sup>	\$ —	\$ —
Net assets - end of the year	\$ 8.20	\$ 8.38

Series T	2011	2010 <sup>5</sup>
Net assets - beginning of the year	\$ 10.37	\$ 10.00
Increase (decrease) from operations:		
Total revenue	\$ 0.11	\$ 0.01
Total expenses	\$ (0.16)	\$ (0.02)
Net realized gains (losses) for the year	\$ 0.32	\$ 0.10
Net unrealized gains (losses) for the year	\$ (0.73)	\$ (0.98)
Total increase (decrease) from operations <sup>2</sup>	\$ (0.46)	\$ (0.89)
Distributions:		
From income (excluding dividends)	\$ —	\$ —
From dividends	\$ —	\$ —
From capital gains	\$ —	\$ —
Return of capital	\$ (0.52)	\$ —
Total annual distributions <sup>3</sup>	\$ (0.52)	\$ —
Net assets - end of the year	\$ 9.48	\$ 10.37

<sup>1</sup> This information is derived from the Fund's audited annual financial statements. The net assets per unit presented in the financial statements differs from the net asset value 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 5 - December 31, 2010.

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

# MD American Value Fund

## Management Report of Fund Performance (December 31, 2011)

### Financial Highlights (continued)

#### Ratios and Supplemental Data

Series A	2011	2010	2009	2008	2007
Total net asset value, end of the year <sup>1</sup>	\$ 126,695,008	\$ 141,401,303	\$ 134,037,343	\$ 120,288,315	\$ 110,351,364
Number of units outstanding	16,000,275	17,170,174	18,208,974	17,283,186	13,365,824
Management expense ratio <sup>2</sup>	1.76%	1.72%	1.73%	1.74%	1.71%
Management expense ratio before tax	1.60%	1.60%	1.64%	1.65%	1.61%
Management expense ratio before waivers or absorptions	1.76%	1.72%	1.74%	1.76%	1.72%
Trading expense ratio <sup>3</sup>	0.08%	0.08%	0.12%	0.11%	0.15%
Portfolio turnover rate <sup>4</sup>	179.53%	88.22%	86.68%	94.46%	139.44%
Net asset value per unit	\$ 7.92	\$ 8.24	\$ 7.36	\$ 6.96	\$ 8.26

Series I	2011	2010 <sup>5</sup>
Total net asset value, end of the year <sup>1</sup>	\$ 35,457,711	\$ 16,407,172
Number of units outstanding	4,325,157	1,959,026
Management expense ratio <sup>2</sup>	—	—
Management expense ratio before waivers or absorptions	—	—
Trading expense ratio <sup>3</sup>	0.08%	0.08%
Portfolio turnover rate <sup>4</sup>	179.53%	88.22%
Net asset value per unit	\$ 8.20	\$ 8.38

Series T	2011	2010 <sup>6</sup>
Total net asset value, end of the year <sup>1</sup>	\$ 61,060	\$ 4,944
Number of units outstanding	6,439	477
Management expense ratio <sup>2</sup>	1.67%	1.86%
Management expense ratio before tax	1.59%	1.71%
Management expense ratio before waivers or absorptions	1.67%	1.86%
Trading expense ratio <sup>3</sup>	0.08%	0.08%
Portfolio turnover rate <sup>4</sup>	179.53%	88.22%
Net asset value per unit	\$ 9.48	\$ 10.37

<sup>1</sup> This information is provided as at December 31 of the year 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.

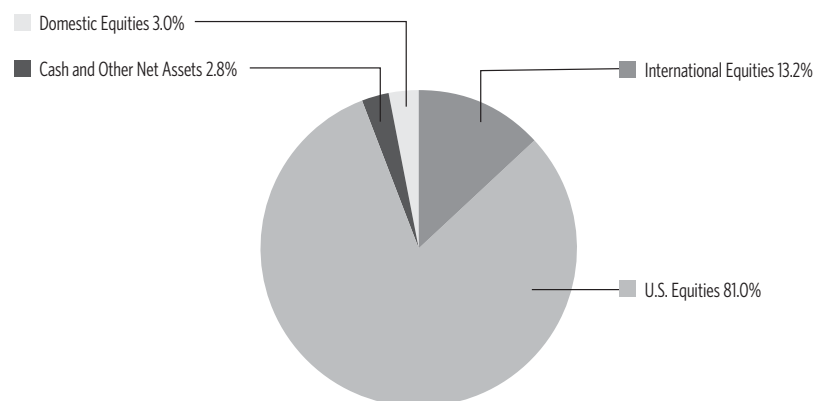
<sup>5</sup> The results shown are for the period January 5 - December 31, 2010.

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

# MD American Value Fund

Summary of Investment Portfolio (December 31, 2011)

**Net Asset Value: \$162.2 million**



## Portfolio Allocation

Domestic Equities	
Energy	2.0%
Materials	1.0%
	3.0%

U.S. Equities	
Consumer Discretionary	11.3%
Consumer Staples	5.5%
Energy	9.6%
Exchange Traded Fund	9.8%
Financials	16.0%
Health Care	6.1%
Industrials	13.0%
Information Technology	6.8%
Materials	2.2%
Utilities	0.7%
	81.0%

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

SPDR Trust Series 1	9.8%
Cash and Cash Equivalents	3.6%
Time Warner Inc.	2.5%
Berkshire Hathaway Inc. Cl. B	2.0%
3M Co.	1.8%
Sysco Corp.	1.7%
Omnicom Group Inc.	1.7%
Wal-Mart Stores, Inc.	1.7%
Microsoft Corporation	1.6%
Devon Energy Corporation	1.6%
United Parcel Service, Inc. Cl. B	1.6%
Diageo PLC ADR	1.4%
Nestlé SA ADR	1.4%
Apache Corporation	1.4%
Kimberly-Clark Corporation	1.4%
Staples, Inc.	1.4%
Bank of New York Mellon Corporation	1.3%
GlaxoSmithKline PLC ADR	1.3%
Pfizer Inc.	1.3%
Accenture PLC	1.3%
AmerisourceBergen Corporation	1.2%
Teva Pharmaceutical Industries Ltd. ADR	1.2%
Viacom Inc. Cl. B	1.2%
CA Inc.	1.2%
TE Connectivity Limited	1.2%

Foreign Equities	
Bermuda	0.8%
France	1.1%
Ireland	4.5%
Israel	1.2%
South Africa	1.1%
Switzerland	1.7%
United Kingdom	2.8%
	13.2%

<b>Cash and Cash Equivalents</b>	<b>3.6%</b>
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<b>Other Net Assets</b>	<b>-0.8%</b>
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<b>Total Net Assets</b>	<b>100.0%</b>
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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 December 31, 2011.

