

# MD International Growth Fund

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

Series A, Series T and Series I

### Investment Objectives and Strategies

The MD International Growth Fund (the "Fund") seeks to achieve long-term capital growth by investing in equity securities of companies outside of Canada and the United States. Most of the companies the Fund invests in are from industrialized nations. However, the Fund may invest up to 15% of its net assets in emerging markets.

Thornburg Investment Management Inc. (Thornburg) advises on the equity portion of the portfolio while CIBC Global Asset Management Inc. (CGAM) manages the currency and cash reserves of the Fund.

Thornburg invests on an opportunistic basis, where it believes there is intrinsic value in the security. They maintain a varied and diversified portfolio that includes companies with consistent earnings characteristics, emerging franchises, and basic value stocks. The Advisor will primarily invest in large to mid cap public companies, but will also seek to invest in companies of any size.

CGAM in managing the cash reserves 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 each of our Investment Advisors to ensure that the investment performance remains consistent with the long-term objectives of the Fund.

For the year ended December 31, 2011, the Fund's Series A units had a total return of -13.7%. The negative return was attributable to sharp global equity declines over the second and third quarters. The European sovereign debt crisis, a divisive U.S. debt ceiling debate, U.S. Government credit rating downgrade, and signs of a weakening global economy all weighed on investor confidence. Investments sold off in the market with little differentiation making it difficult for actively managed funds to perform. Positive developments in the European crisis and signs of improvement in the U.S. economy led to a strong rally in the fourth quarter which helped reverse some of the earlier losses. The MSCI EAFE Index which represents the aggregate common share returns of the non-North American developed world's largest companies returned -11.6% in local currencies or -9.6% in Canadian dollar terms. Other factors that affected the Fund's performance are summarized below.

Foreign currency exposure had a positive impact on the Fund's performance as the Canadian dollar depreciated relative to several major international currencies throughout the year. Specifically, the Japanese yen and British pound sterling exposures benefited the Fund's returns the most.

The majority of the Fund's regional allocations were investments in Europe and Asia. The United Kingdom, Germany and Japan received on average the largest country weightings. Investments in the United Kingdom, South Korea and Denmark were among the few to contribute positively to the Fund's return. Most other country allocations detracted from return with investments in France and Japan having the most detrimental impact.

Out of the nine industrial sectors represented in the portfolio, the Consumer Discretionary and Financials sectors received on average the highest portfolio weightings, while the Utilities and Telecommunication Services sectors received the lowest allocation. Each of nine sectors contributed negatively to the Fund's return. The Financials and Materials sectors detracted the most from return. These cyclically exposed investments struggled in the negative return environment. In contrast, investments in the more defensive Telecommunications Services and Health Care sectors held up much better.

The investment style of the Fund is predominantly large-cap, with a growth bias. During the year the portfolio remained consistent to this style. The regional and sector weights in the Fund remained relatively consistent throughout the year, with some rebalancing among individual countries within Europe.

As at December 31, 2011, the total net asset value of the Fund was \$174 million, a decrease of 17% from the previous year. The results from operations and net unitholder redemptions contributed to the reduction in the net asset value.

### Recent Developments

#### Strategic Changes

There were no strategic changes to the Fund throughout the year. The Fund continues to be managed in a manner consistent with its investment mandate. The Investment Advisors have adhered to their investment disciplines and portfolio strategies, and they are aligned 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 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.

#### 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 International Growth Fund

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

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.

### 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)

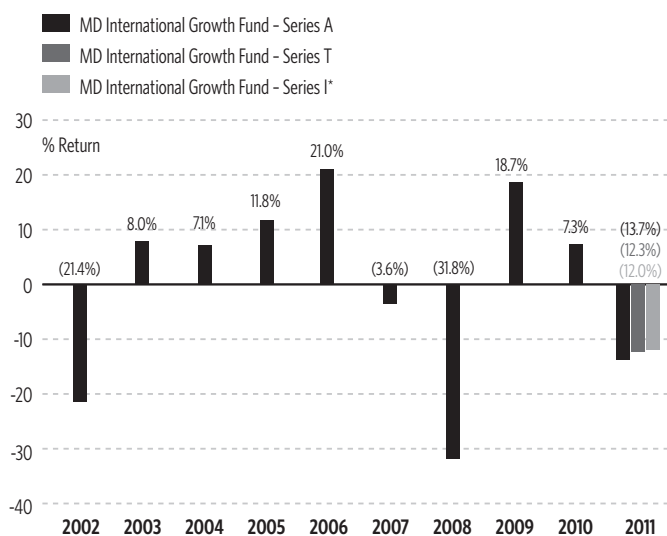
Financial Planning Services	34.9%
Investment management, administration and other	65.1%

### 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.

### Annual Compound Returns

The following table shows MD International Growth Fund's historical annual compound returns for the one, three, five and ten year periods ended on December 31 and since inception of the series, as compared to the return of the MSCI EAFE Index.

	1 year	3 years	5 years	10 years	Since Inception*
MD International Growth Fund - Series A	-13.7%	3.2%	-6.3%	-1.2%	
MD International Growth Fund - Series T	-12.3%	—	—	—	-12.8%
MD International Growth Fund - Series I	-12.0%	—	—	—	-2.5%
MSCI EAFE Index	-9.6%	1.4%	-6.8%	0.5%	

\*The Fund established series T units on November 22, 2010 and 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 the MSCI EAFE Index as the benchmark for this Fund because it represents the aggregate returns of securities listed on exchanges in European, Australasian and Far Eastern markets. Although index returns are hypothetical— as they do not reflect the true cost of owning or managing the underlying securities— 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. For example, 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 the above table indicates, the Fund outperformed the MSCI EAFE Index for the 3-year period but has underperformed for all other periods shown. The underperformance in 2011 was concentrated in investments in developed Asia and Emerging Markets. Consistent with its mandate to seek investments with high growth potential, the Fund was invested in these faster growing regions. These investments underperformed during the tumultuous equity declines in the third quarter of 2011. In contrast, a focus on growth within Europe was a positive as many stronger franchises and markets were able to avoid the worst of the declines associated with the sovereign debt crisis. This helped offset some of the relative weakness in Asia and Emerging Markets.

### 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 International Growth 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	\$ 7.29	\$ 6.79	\$ 5.77	\$ 8.57	\$ 8.93
Increase (decrease) from operations:					
Total revenue	\$ 0.17	\$ 0.15	\$ 0.16	\$ 0.22	\$ 0.20
Total expenses	\$ (0.14)	\$ (0.14)	\$ (0.14)	\$ (0.15)	\$ (0.18)
Net realized gains (losses) for the year	\$ (0.27)	\$ (0.05)	\$ (0.69)	\$ (0.39)	\$ 0.32
Net unrealized gains (losses) for the year	\$ (0.73)	\$ 0.52	\$ 1.74	\$ (2.42)	\$ (0.72)
Total increase (decrease) from operations <sup>2</sup>	\$ (0.97)	\$ 0.48	\$ 1.07	\$ (2.74)	\$ (0.38)
Distributions:					
From income (excluding dividends)	\$ (0.02)	\$ (0.01)	\$ (0.05)	\$ (0.07)	\$ (0.04)
From dividends	\$ —	\$ —	\$ —	\$ —	\$ —
From capital gains	\$ —	\$ —	\$ —	\$ —	\$ —
Return of capital	\$ —	\$ —	\$ —	\$ —	\$ —
Total annual distributions <sup>3</sup>	\$ (0.02)	\$ (0.01)	\$ (0.05)	\$ (0.07)	\$ (0.04)
Net assets - end of the year	\$ 6.26	\$ 7.29	\$ 6.79	\$ 5.77	\$ 8.57

Series I	2011	2010 <sup>4</sup>
Net assets - beginning of the year	\$ 7.44	\$ 6.88
Increase (decrease) from operations:		
Total revenue	\$ 0.12	\$ 0.15
Total expenses	\$ —	\$ —
Net realized gains (losses) for the year	\$ (0.32)	\$ (0.03)
Net unrealized gains (losses) for the year	\$ (0.73)	\$ 1.08
Total increase (decrease) from operations <sup>2</sup>	\$ (0.93)	\$ 1.20
Distributions:		
From income (excluding dividends)	\$ (0.14)	\$ (0.07)
From dividends	\$ —	\$ —
From capital gains	\$ —	\$ —
Return of capital	\$ —	\$ —
Total annual distributions <sup>3</sup>	\$ (0.14)	\$ (0.07)
Net assets - end of the year	\$ 6.41	\$ 7.44

Series T	2011	2010 <sup>5</sup>
Net assets - beginning of the year	\$ 9.90	\$ 10.00
Increase (decrease) from operations:		
Total revenue	\$ (0.15)	\$ (0.01)
Total expenses	\$ (0.17)	\$ —
Net realized gains (losses) for the year	\$ (0.29)	\$ 0.01
Net unrealized gains (losses) for the year	\$ 1.22	\$ (0.10)
Total increase (decrease) from operations <sup>2</sup>	\$ 0.61	\$ (0.10)
Distributions:		
From income (excluding dividends)	\$ —	\$ —
From dividends	\$ —	\$ —
From capital gains	\$ —	\$ —
Return of capital	\$ (0.49)	\$ —
Total annual distributions <sup>3</sup>	\$ (0.49)	\$ —
Net assets - end of the year	\$ 8.23	\$ 9.90

<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 International Growth 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>	\$ 135,050,066	\$ 187,968,417	\$ 191,587,334	\$ 168,062,071	\$ 231,340,642
Number of units outstanding	21,542,168	25,777,890	28,149,240	29,019,452	26,946,268
Management expense ratio <sup>2</sup>	2.04%	1.99%	1.94%	1.89%	1.89%
Management expense ratio before tax	1.85%	1.85%	1.84%	1.80%	1.78%
Management expense ratio before waivers or absorptions	2.04%	1.99%	1.95%	1.91%	1.89%
Trading expense ratio <sup>3</sup>	0.08%	0.12%	0.31%	0.13%	0.12%
Portfolio turnover rate <sup>4</sup>	33.38%	49.04%	114.57%	36.26%	24.18%
Net asset value per unit	\$ 6.27	\$ 7.29	\$ 6.81	\$ 5.79	\$ 8.59

Series I	2011	2010 <sup>5</sup>
Total net asset value, end of the year <sup>1</sup>	\$ 38,581,657	\$ 21,157,691
Number of units outstanding	6,009,266	2,843,174
Management expense ratio <sup>2</sup>	—	—
Management expense ratio before waivers or absorptions	—	—
Trading expense ratio <sup>3</sup>	0.08%	0.12%
Portfolio turnover rate <sup>4</sup>	33.38%	49.04%
Net asset value per unit	\$ 6.42	\$ 7.44

Series T	2011	2010 <sup>6</sup>
Total net asset value, end of the year <sup>1</sup>	\$ 20,214	\$ 25
Number of units outstanding	2,453	3
Management expense ratio <sup>2</sup>	1.93%	—
Management expense ratio before tax	1.83%	—
Management expense ratio before waivers or absorptions	1.93%	—
Trading expense ratio <sup>3</sup>	0.08%	0.12%
Portfolio turnover rate <sup>4</sup>	33.38%	49.04%
Net asset value per unit	\$ 8.24	\$ 9.90

<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.

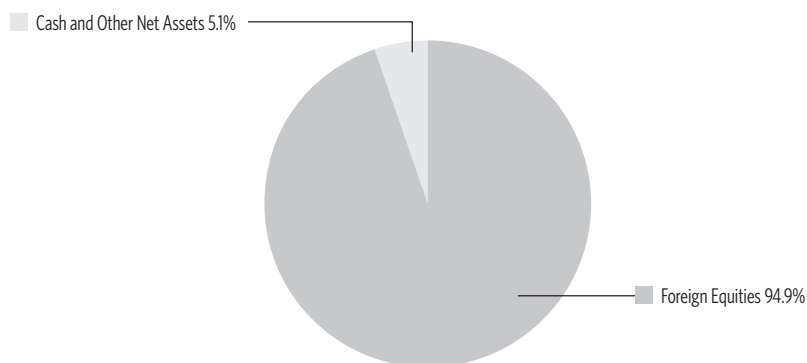
<sup>5</sup> The results shown are for the period January 5 - December 31, 2010.

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

# MD International Growth Fund

Summary of Investment Portfolio (December 31, 2011)

Net Asset Value: \$173.7 million



## Portfolio Allocation

### Foreign Equities

Australia	1.9%
Brazil	2.1%
Cayman Islands	0.4%
China	2.7%
Denmark	3.0%
France	6.2%
Germany	11.3%
Hong Kong	4.8%
Ireland	1.4%
Israel	3.3%
Japan	10.8%
Mexico	1.1%
Netherlands	0.5%
South Korea	1.4%
Sweden	4.4%
Switzerland	8.1%
Taiwan	0.5%
Turkey	0.8%
United Kingdom	19.8%
United States	10.4%
	94.9%

Cash and Cash Equivalents 4.7%

Other Net Assets 0.4%

**Total Net Assets 100.0%**

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

iShares MSCI EAFE Index Fund	7.9%
Cash and Cash Equivalents	4.7%
Novo Nordisk A/S Cl. B	3.0%
SAP AG	2.6%
Schlumberger Limited	2.5%
Tesco PLC	2.5%
Novartis AG	2.4%
Standard Chartered PLC	2.4%
Nestlé SA	2.4%
Reckitt Benckiser Group PLC	2.3%
LVMH Moët Hennessy Louis Vuitton SA	2.3%
BG Group PLC	2.2%
Assa Abloy AB Series B	2.2%
Teva Pharmaceutical Industries Ltd. ADR	2.2%
Komatsu Ltd.	2.1%
Adidas-Salomon AG	2.1%
Fresenius Medical Care AG & Co. KGaA	2.0%
Toyota Motor Corporation	1.9%
Carnival PLC	1.9%
Air Liquide SA	1.9%
BHP Billiton Limited	1.9%
Vodafone Group PLC	1.9%
Mitsubishi UFJ Financial Group, Inc.	1.9%
Kingfisher PLC	1.8%
Hong Kong Exchanges & Clearing Limited	1.8%

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.



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