

MD Dividend Fund

Management Report of Fund Performance (December 31, 2011)

Series A, Series T and Series I

Investment Objectives and Strategies

The MD Dividend Fund (the "Fund") seeks to maximize dividend income in a manner consistent with capital conservation. The Fund invests primarily in high-quality, dividend-producing preferred and common shares of Canadian corporations on a diversified industry basis. The Fund may also invest in bonds, short-term debt securities and income trusts. The Fund may invest in non-Canadian securities.

The Fund's assets are managed by Manulife Asset Management (Manulife), while MD Private Trust Company manages the cash reserves of the Fund and receives investment sub-advisory services from Mackenzie Sentinal.

Manulife primarily use a value-based approach for the equity and income trust portion of the portfolio, looking for attractively priced securities offering potential for growth and income. The bond portion of the portfolio is actively managed using a "structured active" approach that may, as an example, emphasize sector, credit and security selection combined with active yield curve and duration management.

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 the MD Physician Services Inc. investment management discipline, each Investment Advisor is carefully selected and integrated in a manner to ensure that the investment performance remains consistent with the long-term objectives of the Fund.

At the end of 2011, the Fund's asset allocation was 17% fixed income, 76% equities, and 7% cash and equivalents. During the year, the Fund's Series A units generated a total return of -2.8%.

The European debt crisis and expectations for slower global growth were two of the main drivers impacting the Funds return in 2011, particularly in the third quarter, as investors moved assets into securities that were perceived to offer lower risk.

The fixed income portion of the MD Dividend Fund maintained a substantial overweight position in corporate issues throughout the year. Although the Fund's return from its fixed income holding were positive, it did not fully participate in the government issuers' outperformance. The fixed income exposure was also longer than the benchmark duration for the first eight months of the year. Although yields fell in Canada, the fixed income duration was reduced in September and the Fund did not fully participate in the yield curve having flattened during the latter part of the third quarter. A flattening yield curve means that the differential in yield between short and long term bonds decreased.

The Fund's mandate for high yielding equities was the primary cause of having a negative return in what was a difficult year for Canadian equities. In an environment where fixed income securities offered little yield, the Fund sought alternative sources of income by focusing on high yield equities. High yield equities were able to mitigate some of the equity market volatility through dividends paid to their owners.

The Financials and Consumer Staples sectors were allocated the highest average sector weighting within the equity portion of the Fund. The Industrials and Health Care sectors were represented by a relatively minor portion of the assets. A large allocation to the high yielding Telecomm Services sectors added the highest benefit for portfolio returns during the year.

At December 31, 2011 the total net asset value of the Fund was \$1.2 billion, a decrease of 11% from the previous year. The results from operations, net redemptions and distributions to unitholder all contributed to the reduction in the net asset value. Revenues were down and expenses were modestly higher compared to the previous year.

Recent Developments

Strategic Changes

On September 16, 2011, the Board of Directors of MD Physician Services Inc. announced that Manulife Asset Management would advise on all of the Fund's fixed income and equity assets. MD Private Trust will continue to utilize the services of Mackenzie Sentinel to manage the cash reserves for the Fund.

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.

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 or SEDAR 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 Dividend Fund

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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)

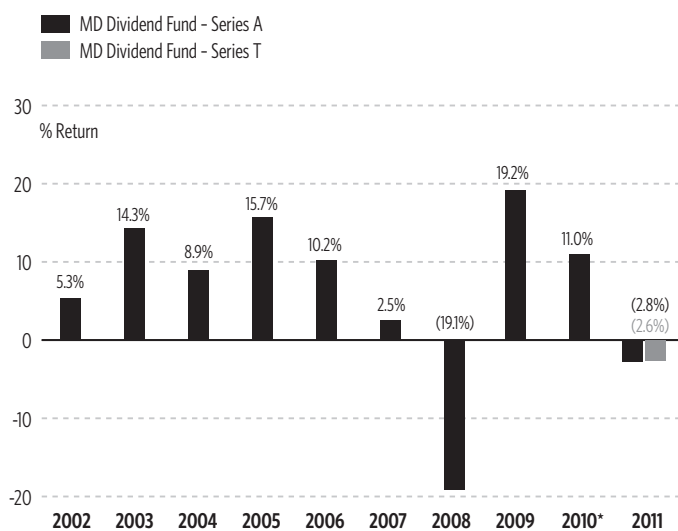
Financial Planning Services	39.0%
Investment management, administration and other	61.0%

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



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

*Series T units are not reported here as they have been in existence for less than 12 months.

Annual Compound Returns

The following table shows MD Dividend Fund's historical annual compound return for the past one, three, five and ten year periods ended on December 31 and since inception of the series T, as compared to the return of a Dividend Composite Index.

	1 year	3 years	5 years	10 years	Since Inception*
MD Dividend Fund - Series A	-2.8%	8.8%	1.3%	6.0%	
MD Dividend Fund - Series T	-2.6%	—	—	—	-0.6%
Dividend Composite Index	-1.5%	11.1%	3.7%	7.1%	
DEX Universe Bond Index	9.7%	7.3%	6.4%	6.5%	
S&P/TSX Capped Composite Index	-8.7%	13.2%	1.3%	7.0%	

*The Fund established series T units on November 22, 2010.

Management uses the Dividend Composite Index as the benchmark for this Fund because it best represents the nature of the Fund. That is, one designed to maximize dividend income in a manner consistent with capital conservation. Similar to Fund's asset Series weightings, the Dividend Composite Index is comprised of:

- ▶ 40% DEX Universe Bond Index, which measures the returns on Canadian bonds with greater than one year to maturity;
- ▶ 60% S&P/TSX Capped Composite Index, which measures the aggregate common share returns of Canada's largest companies.

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: 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 Advisors, and make changes if necessary.

Despite the equity portion of the Fund having outperformed the S&P/TSX Capped Composite Index, the Fund's underweight in the higher performing fixed income assets was the primary cause of failing to meet the composite benchmark's return.

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 Dividend 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 Unit¹

Series A	2011	2010	2009	2008	2007
Net assets - beginning of the year	\$ 20.95	\$ 19.60	\$ 16.95	\$ 21.65	\$ 21.70
Increase (decrease) from operations:					
Total revenue	\$ 0.71	\$ 0.85	\$ 0.84	\$ 0.88	\$ 0.91
Total expenses	\$ (0.31)	\$ (0.30)	\$ (0.28)	\$ (0.29)	\$ (0.31)
Net realized gains (losses) for the year	\$ 0.65	\$ 1.10	\$ 0.30	\$ (0.51)	\$ 0.21
Net unrealized gains (losses) for the year	\$ (1.64)	\$ 0.50	\$ 2.36	\$ (4.21)	\$ (0.28)
Total increase (decrease) from operations ²	\$ (0.59)	\$ 2.15	\$ 3.22	\$ (4.13)	\$ 0.53
Distributions:					
From income (excluding dividends)	\$ (0.02)	\$ (0.09)	\$ (0.16)	\$ (0.15)	\$ (0.11)
From dividends	\$ (0.31)	\$ (0.43)	\$ (0.41)	\$ (0.45)	\$ (0.49)
From capital gains	\$ (0.58)	\$ —	\$ —	\$ —	\$ —
Return of capital	\$ —	\$ —	\$ —	\$ —	\$ —
Total annual distributions ³	\$ (0.91)	\$ (0.52)	\$ (0.57)	\$ (0.60)	\$ (0.60)
Net assets - end of the year	\$ 19.46	\$ 20.95	\$ 19.60	\$ 16.95	\$ 21.65

Series T	2011	2010 ⁴
Net assets - beginning of the year	\$ 10.13	\$ 10.00
Increase (decrease) from operations:		
Total revenue	\$ 0.34	\$ 0.07
Total expenses	\$ (0.15)	\$ (0.02)
Net realized gains (losses) for the year	\$ 0.23	\$ (0.02)
Net unrealized gains (losses) for the year	\$ (0.91)	\$ 0.15
Total increase (decrease) from operations ²	\$ (0.49)	\$ 0.18
Distributions:		
From income (excluding dividends)	\$ (0.02)	\$ —
From dividends	\$ (0.12)	\$ —
From capital gains	\$ (0.13)	\$ —
Return of capital	\$ (0.51)	\$ —
Total annual distributions ³	\$ (0.78)	\$ —
Net assets - end of the year	\$ 9.13	\$ 10.13

¹ This information is derived from the Fund's audited annual financial statements. The net assets per unit presented in the financial statements differs from the net asset value 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.

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

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

⁴ The results shown are for the period November 22 - December 31, 2010.

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Financial Highlights (continued)

Ratios and Supplemental Data

Series A	2011	2010	2009	2008	2007
Total net asset value, end of the year ¹	\$ 1,235,016,541	\$ 1,391,196,033	\$ 1,285,134,010	\$ 1,095,516,569	\$ 1,405,622,334
Number of units outstanding	63,354,290	66,310,289	65,391,212	64,381,202	64,831,839
Management expense ratio ²	1.52%	1.48%	1.45%	1.41%	1.41%
Management expense ratio before tax	1.38%	1.38%	1.38%	1.34%	1.33%
Management expense ratio before waivers or absorptions	1.52%	1.48%	1.45%	1.42%	1.41%
Trading expense ratio ³	0.10%	0.10%	0.11%	0.04%	0.01%
Portfolio turnover rate ⁴	89.90%	59.13%	93.44%	25.61%	11.30%
Net asset value per unit	19.49	\$ 20.98	\$ 19.65	\$ 17.02	\$ 21.68

Series T	2011	2010 ⁵
Total net asset value, end of the year ¹	\$ 3,549,501	\$ 1,481,694
Number of units outstanding	388,250	145,976
Management expense ratio ²	1.54%	1.51%
Management expense ratio before tax	1.38%	1.37%
Management expense ratio before waivers or absorptions	1.54%	1.51%
Trading expense ratio ³	0.10%	0.10%
Portfolio turnover rate ⁴	89.90%	59.13%
Net asset value per unit	\$ 9.14	\$ 10.15

¹ This information is provided as at December 31 of the year shown.

² 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.

³ 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.

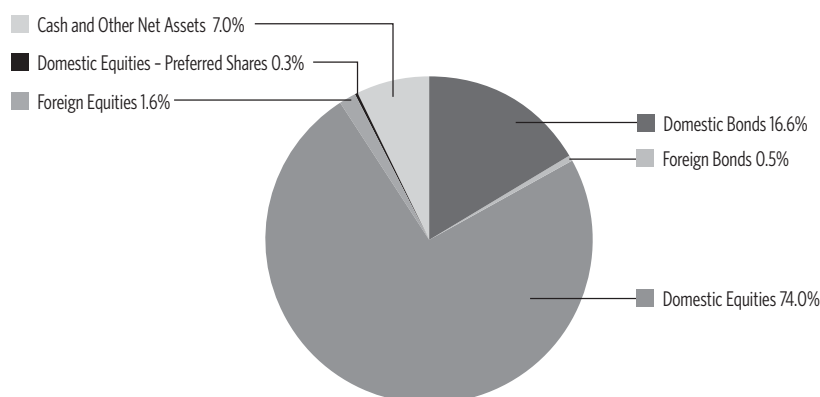
⁴ The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio 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.

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

MD Dividend Fund

Summary of Investment Portfolio (December 31, 2011)

Net Asset Value: \$1,238.6 million



Portfolio Allocation

Domestic Bonds

Corporate Bonds	16.2%
Government of Canada Bonds	0.2%
Provincial Bonds	0.2%
Total	16.6%

Foreign Bonds

Australia	0.3%
Norway	0.0%
United Kingdom	0.2%
Total	0.5%

Domestic Equities

Consumer Discretionary	2.9%
Consumer Staples	12.5%
Energy	15.2%
Financials	16.1%
Health Care	0.2%
Industrials	4.1%
Information Technology	5.2%
Materials	0.4%
Telecommunication Services	17.4%
Total	74.0%

Foreign Equities

United States	1.6%
Total	1.6%

Domestic Equities - Preferred Shares

Total	0.3%
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Cash and Cash Equivalents

Total	6.1%
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Other Net Assets

Total	0.9%
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Total Net Assets 100.0%

Top 25 Holdings (Percentage of Net Asset Value)

BCE Inc.	9.7%
Imperial Oil Limited	6.7%
Cash and Cash Equivalents	6.1%
Shoppers Drug Mart Corporation	5.5%
Research In Motion Limited	5.2%
Royal Bank of Canada	4.7%
Canadian Oil Sands Ltd.	4.6%
Rogers Communications, Inc. Cl. B	4.2%
Davis + Henderson Income Corporation	4.1%
Metro Inc. Cl. A Sub-Voting	4.0%
IGM Financial, Inc.	4.0%
Telus Corporation	3.5%
Husky Energy Inc.	3.4%
Power Financial Corporation	3.1%
Empire Company Limited Cl. A	2.9%
RONA Inc.	2.3%
The Bank of Nova Scotia	1.9%
Sysco Corp.	1.4%
CI Financial Corporation	1.2%
Power Corporation of Canada	1.1%
Sun Life Financial Inc. 5.59% Mar 02/23	0.8%
Great-West Lifeco Inc. 5.69% Jun 21/67	0.8%
The Toronto-Dominion Bank 5.76% Oct 18/2106	0.7%
General Electric Capital Canada Funding 5.68% Jan 10/19	0.6%
Magna International Inc. Cl. A Sub. Voting	0.6%

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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