

MD Funds and MDPIM Pools
**2010 Annual Report of the
Independent Review Committee**



March 25, 2011

Dear Investor

The Canadian Securities Administrators' National Instrument 81-107, titled "Independent Review Committee for Investment Funds" ("NI 81-107"), requires each publicly offered investment fund to have an independent review committee to review conflict of interest matters affecting the manager's ability to act in good faith and in the best interests of the investment fund. NI 81-107 requires the independent review committee to report on certain matters to the securityholders of the investment fund annually.

We are pleased to present the Annual Report for the period January 1, 2010 to December 31, 2010, as Members of the Independent Review Committee for the MD Family of mutual funds (MD Funds) and the MDPIIM Pools. See Schedule A to the Annual Report for a listing of the MD Funds and the MDPIIM Pools.

During 2010, the manager of the MDPIIM Pools changed from MD Private Trust Company to MD Physician Services Inc.; MD Physician Services Inc. remained as the manager of the MD Funds throughout 2010.

During 2010, the managers of the MD Funds and the MDPIIM Pools referred conflict of interest matters to us for our review, along with their proposed courses of action. We determined that the proposed courses of action yielded a fair and reasonable result for the MD Funds and the MDPIIM Pools, and provided the managers with approvals.

As well, during 2010, we reaffirmed prior standing instructions which were issued by the Committee.

Finally, during 2010, we reviewed and assessed, and were satisfied with, the independence, effectiveness and compensation of the Committee members.

We appreciate the standard of openness and integrity in our dealings with MD Physician Services Inc. and MD Private Trust Company.

We are pleased to undertake this important role for members of the Canadian Medical Association and their families who hold MD Funds and MDPIIM Pools.

Peter Boomgaardt
Chair
Independent Review Committee
For the MD Funds and MDPIIM Pools

Independent Review Committee for MD Funds and MDPIIM Pools

This Annual Report is provided for the period January 1, 2010 to December 31, 2010 (the reporting period) in relation to the MD Family of mutual funds (MD Funds) and the MDPIIM Pools by the Independent Review Committee for the MD Funds and MDPIIM Pools. See Schedule A for a listing of the MD Funds and the MDPIIM Pools.

In June 2010, the manager of the MDPIIM Pools changed from MD Private Trust Company to MD Physician Services Inc. For purposes of this Annual Report, we will simply refer to the manager of the MD Funds and MDPIIM Pools as MD Physician Services Inc. or “the manager”, but a reference to MD Physician Services Inc. or “the manager” shall include a reference to MD Private Trust Company as manager of the MDPIIM Pools up to June 2010.

The Committee Members

Name	Date of Original Appointment
Peter Boomgaardt,* Chair	April 1, 2007
Andrew Billingsley**	April 1, 2007
Lisa Johnson***	April 1, 2007

The Committee became operational on November 1, 2007.

* The services of Mr. Boomgaardt are provided through Lorick Inc., a private corporation existing under the laws of Ontario, all the outstanding shares of which are owned by Mr. Boomgaardt and members of his family.

** Mr. Billingsley is also a member of the Independent Review Committee for investment funds managed by Brigata Capital Management Inc.

*** Ms. Johnson is also a member of the Independent Review Committees for investment funds managed by Capital International Asset Management (Canada) Inc., HSBC Investment Funds (Canada) Inc./HSBC Investments (Canada) Limited and Brigata Capital Management Inc.

There have been no changes in the Committee membership during the reporting period. The Members were re-appointed to serve further terms upon the Committee as of April 1, 2010.

The Committee is not aware of any relationship that may cause a reasonable person to question the independence of any Member.

In particular, as at the date of this Report, none of the Members own, directly or indirectly:

- ▶ units of the MD Funds or the MDPIIM Pools where the aggregate level of ownership exceeds 10%;
- ▶ securities of the manager; or
- ▶ securities of any person or company that provides services to the MD Funds, the MDPIIM Pools or the manager, as disclosed to the Members by the manager (other than Lorick Inc., as disclosed above), where the aggregate level of ownership exceeds 1%.

Compensation, Indemnities and Other Committee Matters

During the reporting period, the annual retainer for a Member of the Committee was \$15,000 per year, payable quarterly, in advance, plus an additional \$1,000 fee payable per meeting attended. Four meetings were held during the year. During the reporting period, the aggregate compensation paid to the Members was \$57,000. The compensation for Mr. Boomgaardt was paid to Lorick Inc.

No indemnities were paid to the Members during the reporting period.

The Committee reviewed and assessed the compensation of its Members during the reporting period. The Committee considered:

- ▶ the best interests of the MD Funds and the MDPIIM Pools;
- ▶ information on compensation being paid to Independent Review Committee members of other fund groups; and
- ▶ the number, nature and complexity of the MD Funds and the MDPIIM Pools, the expected nature and extent of workload for the Members and the expected commitment of time and energy from the Members.

The Committee determined that it would not change the compensation from the compensation originally set for the Members in 2007. There were no instances in the setting of the compensation or expenses of the Members where the Committee did not follow a recommendation of the manager.

During the reporting period, the Committee also reviewed and assessed, and was satisfied with, the independence of the Members and the effectiveness of the Members and the Committee.

Conflict of Interest Matters – Recommendations and Approvals Relied upon during the Reporting Period

The manager referred one conflict of interest matter to the Committee for its approval during the reporting period related to Inter-Fund Trades. The Committee determined that the proposed course of action yielded a fair and reasonable result for MD Growth Investments Limited, MDPIIM International Equity Pool, MDPIIM US Equity Pool, MD Balanced Fund, MD Equity Fund, MD American Growth Fund, MD American Value Fund, MD International Growth Fund and MD International Value Fund and their unitholders, and provided the manager with an approval.

The manager also sought the approval of the Committee to an action under the standing instruction related to Changing Investment Advisors - Change in Fees. The Committee determined that the proposed course of action yielded a fair and reasonable result for MD Growth Investments Limited and its unitholders, and provided the manager with an approval.

The Committee received the manager's annual reports describing each instance, during the period September 1, 2009 to August 31, 2010, when the manager acted in reliance on the following standing instructions. The Committee also reviewed amendments to these standing instructions and approved them.

- ▶ Charging Fees for Administrative Services to the MD Funds
- ▶ Fair Valuing Portfolio Securities
- ▶ Correcting Valuation Errors
- ▶ Short Term Trading
- ▶ Personal Trading
- ▶ Gifts and Entertainment
- ▶ Client Complaints
- ▶ Oversight of Investment Advisors - Investment Policy
- ▶ Oversight of Investment Advisors - Fund of Funds
- ▶ Oversight of Investment Advisors - Advisor Conflict of Interest Policies
- ▶ Changing Investment Advisors - Change in Fees
- ▶ Hiring Related Advisors
- ▶ Holding Securities of Industrial Alliance
- ▶ Holding Securities of IGM Financial
- ▶ Investing in Securities of Issuers related to Advisors
- ▶ Use of Search/Transition Advisors

The Committee also received the manager's annual report describing each instance, during the reporting period, when the manager acted in reliance on the following standing instruction which was subsequently withdrawn during 2010:

- ▶ Hiring Related Advisors

The Committee is not aware of any instance during the reporting period when the manager acted in a conflict of interest matter referred to the Committee for which the Committee did not give a positive recommendation. All matters referred to the Committee were given positive recommendations.

The Committee is not aware of any instance during the reporting period when the manager acted in a conflict of interest matter but did not meet a condition imposed by the Committee in its recommendation or approval.

Unitholders who would like additional details regarding the activities of the Committee may contact the Secretary of the Committee:

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Schedule A

MD Funds

- ▶ MD Balanced Fund
- ▶ MD Bond Fund
- ▶ MD Bond and Mortgage Fund
- ▶ MD Dividend Fund
- ▶ MD Equity Fund
- ▶ MD Growth Investments Limited
- ▶ MD Income & Growth Fund
- ▶ MD International Growth Fund
- ▶ MD International Value Fund
- ▶ MD Money Fund
- ▶ MD Select Fund
- ▶ MD American Growth Fund
- ▶ MD American Value Fund
- ▶ MD Conservative Portfolio
- ▶ MD Moderate Balanced Portfolio
- ▶ MD Balanced Growth Portfolio
- ▶ MD Maximum Growth Portfolio

MDPIIM Pools

- ▶ MDPIIM Canadian Bond Pool
- ▶ MDPIIM Canadian Long Term Bond Pool
- ▶ MDPIIM Dividend Pool
- ▶ MDPIIM Canadian Equity Pool
- ▶ MDPIIM US Equity Pool
- ▶ MDPIIM International Equity Pool

