MD Family of Funds

2018 Annual Management Report of Fund Performance

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 Financial Management Inc., 1870 Alta Vista Drive, Ottawa, Ontario, K1G 6R7, or by visiting our website at md.ca or SEDAR at sedar.com. Security holders 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.
A Message to MD Family of Funds Investors

Dear MD Family of Funds Investor:

As part of our commitment to keeping you informed about your MD Fund investments, please find attached the 2018 Annual Management Report of Fund Performance (MRFP). If you also opted to receive the fund’s financial statements, they are included in this package.

The annual MRFP is a regulatory document that supplements the annual financial statements. The document includes a brief discussion and analysis of the fund’s investment activities, performance and financial highlights, as well as an explanation of how the markets and overall asset mix have affected the fund.

The report is produced on a fund-by-fund basis, and your report only includes information on the funds you owned as of December 31, 2018.

If you have any questions regarding these documents, please contact your MD Advisor or the MD Trade Centre at 1 800 267–2332.

We thank you for your continued investment in the MD Family of Funds.

MD Financial Management Inc. wholly owns or has a majority interest in its seven subsidiaries (the MD Group of Companies). It provides financial products and services, is the fund manager for the MD Family of Funds and offers investment counselling services. For a detailed list of the MD Group of Companies, visit md.ca.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. The rate of return is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual fund or returns on investment in the mutual fund. Standard performance data assumes reinvestment of distributions only and does not take into account sales, redemption, distribution or optional charges payable by any securityholder which would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Please read the prospectus before investing. You may obtain a copy of the prospectus before investing by calling your MD Advisor or the MD Trade Centre at 1 800 267–2332.
Investment Objectives and Strategies
The investment objective of the MDPIM S&P/TSX Capped Composite Index Pool (the “Fund”) is to provide long-term capital growth by investing primarily in Canadian equity securities that track the holdings of the S&P/TSX Capped Composite index, a generally recognized broad-based Canadian equity market index.

The Fund has appointed BlackRock Asset Management Canada Limited as Adviser to employ a passive investment strategy that closely replicates the holding characteristics and return performance of the S&P/TSX Capped Composite Index.

The Fund invests directly in the securities that make up the index and is adjusted to reflect changes in the benchmark index.

The Fund may purchase exchange-traded funds that track the index.

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

Risk
The risks of investing in the Fund are stated in the Fund’s Simplified Prospectus. The Fund is suitable for investors who have a medium tolerance for risk.

Results of Operations
For the year ended December 31st, 2018, the Fund had total return of −8.7% (Series A).

With a return of −8.89% for the S&P/TSX Capped Composite, Canadian equities declined for the first time since 2015 as Canadian equities experienced a significant correction of −10.1% in the fourth quarter. Cyclical sectors such as Energy (−18.3%), Financials (−9.8%) and Consumer Discretionary (−15.7%) were the primary drivers of the weak equity returns in 2018. The IT sector (12.8%) along with traditional defensive sectors Consumer Staples (2.0%) and Real Estate (0.7%) were the only sectors to post positive returns in 2018 and offset some of the weakness of the cyclical sectors. The Canadian economy continues to grow with expectations for positive GDP growth for 2019 and 2020.

As at December 31, 2018, the total net asset value of the Fund was $696 million, a 2% decrease since the beginning of the year. The decrease is due to net investment losses and income distributions, partially offset by net contributions to the Fund.

Recent Developments
STRATEGIC CHANGES
On October 3rd, 2018, The Bank of Nova Scotia (Scotiabank) announced that they had completed the acquisition of MD Financial Management (MD) from the Canadian Medical Association.

There were no strategic changes. The Fund’s core investment philosophy is to seek diversification through balanced exposure to securities in the Canadian equity market.

Related Party Transactions
MD Financial Management Inc. is the Manager, Registrar and Trustee of the Fund. As Manager, MD Financial Management Inc. manages the overall business of the MDPIM Pools and is responsible for setting investment objectives, providing and/or retaining the services of third party service providers for fund accounting services, and promoting the sales of the Fund’s units.

The Manager, on behalf of the Fund, may enter into transactions or arrangements with other members of Scotiabank or certain other companies that are related or connected to the Manager (each a “related party”). All transactions between the Fund and the related parties are in the normal course of business and are carried out at arm’s length terms.

As Registrar, MD Financial Management Inc. keeps track of the owners of units of the MDPIM Pools, 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 Financial Management Inc. holds actual title to the property in the Fund—the cash and securities the Fund invests in—on behalf of the unitholders.

Units of the MDPIM Pools are only available to clients of MD Private Trust Company or discretionary managed account clients of MD Financial Management Inc. MD Management Limited ceased to be the principal distributor of the MDPIM Pools as of October 29, 2018, except for Series F units of the Pools which are available through accounts held at MD Management Limited, which acts as principal distributor in respect of those units. MD Management Limited is a wholly owned subsidiary of MD Financial Management Inc.

INDEPENDENT REVIEW COMMITTEE
As a result of the acquisition by Scotiabank of the control of MD Financial Management, the then members of the Independent Review Committee (“IRC”) for the MD Funds as of that date ceased to be IRC members, and five new members were appointed to act as members of the IRC. As of October 3, 2018, the following individuals are members of the IRC: Carol S. Perry (Chair), Simon Hitzig, Heather Hunter, Stephen Griggs and Jennifer Witterick.

The IRC considered several new conflicts of interest matters that arise for the Manager in respect of its management of the MD Funds and the MDPIM Pools as a result of its new relationship as a subsidiary of Scotiabank. The IRC gave certain related party approvals to the Manager in respect of these matters and gave positive recommendations to proceed in respect of others. These approvals and recommendations are described in the IRC’s Annual Report to Unitholders which is available on MD’s website.

Management Fees
No management fee is charged in respect of Series A units of the Fund. Investors in these units have agreed to pay a managed account fee directly to MD Financial Management Inc.

Series F unitholders pay a separate managed account fee directly to MD Management Limited. 100% of the management fee on Series F is for investment management and other services.
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

<table>
<thead>
<tr>
<th>% Return</th>
<th>8</th>
<th>4</th>
<th>0</th>
<th>-4</th>
<th>-8</th>
<th>-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series A</td>
<td>2018†</td>
<td>-8.7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Series A units are not reported in 2017 as they have been in existence for less than 12 months.
† Series F units are not reported in 2018 as they have been in existence for less than 12 months.

ANNUAL COMPOUND RETURNS

<table>
<thead>
<tr>
<th></th>
<th>1 year</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>MDPIM S&amp;P/TSX Capped Composite Index Pool – Series A</td>
<td>-8.67%</td>
<td>-2.02%</td>
</tr>
<tr>
<td>S&amp;P/TSX Capped Composite Index</td>
<td>-8.89%</td>
<td>-1.72%</td>
</tr>
</tbody>
</table>

*The Fund started series A units on April 4, 2017.
†The Fund started series F units on January 9, 2018.

As the MDPIM S&P/TSX Capped Composite Index Pool is an index fund, the Fund is designed to replicate the performance of the S&P/TSX Capped Composite Index as closely as possible. Any deviation of the Pool’s return from the S&P/TSX Capped Composite is a function of cash flows in and out of the pool.
Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund’s financial performance for the past five years, if applicable. This information is derived from the Fund’s audited annual financial statements.

**THE FUND’S NET ASSETS PER UNIT**

<table>
<thead>
<tr>
<th>SERIES A</th>
<th>Year ended December 31</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets – beginning of the year</td>
<td>$10.43</td>
<td>$10.00</td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) from operations:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenue</td>
<td>$0.31</td>
<td>$0.20</td>
<td></td>
</tr>
<tr>
<td>Total expenses</td>
<td>$-</td>
<td>$-</td>
<td></td>
</tr>
</tbody>
</table>
| Net realized gains (losses) for the year | $(0.01) | $(--)
| Net unrealized gains (losses) for the year | $(1.19) | $0.47 |
| Total increase (decrease) from operations | $(0.89) | $0.67 |
| Distributions: | | | |
| From income (excluding dividends) | $(0.01) | $0.01 |
| From dividends | $(0.28) | $0.14 |
| From capital gains | $(0.03) | $-- |
| Return of capital | $-- | $-- |
| Total annual distributions | $(0.32) | $0.15 |
| Net assets – end of the year | $9.22 | $10.43 |

**SERIES F**

<table>
<thead>
<tr>
<th>Year ended December 31</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets – beginning of the year</td>
<td>$10.00</td>
</tr>
<tr>
<td>Increase (decrease) from operations:</td>
<td></td>
</tr>
<tr>
<td>Total revenue</td>
<td>$0.30</td>
</tr>
<tr>
<td>Total expenses</td>
<td>$-</td>
</tr>
<tr>
<td>Net realized gains (losses) for the year</td>
<td>$(0.03)</td>
</tr>
<tr>
<td>Net unrealized gains (losses) for the year</td>
<td>$(1.88)</td>
</tr>
<tr>
<td>Total increase (decrease) from operations</td>
<td>$(1.61)</td>
</tr>
<tr>
<td>Distributions:</td>
<td></td>
</tr>
<tr>
<td>From income (excluding dividends)</td>
<td>$(0.01)</td>
</tr>
<tr>
<td>From dividends</td>
<td>$(0.14)</td>
</tr>
<tr>
<td>From capital gains</td>
<td>$(0.01)</td>
</tr>
<tr>
<td>Return of capital</td>
<td>$--</td>
</tr>
<tr>
<td>Total annual distributions</td>
<td>$(0.16)</td>
</tr>
<tr>
<td>Net assets – end of the year</td>
<td>$8.92</td>
</tr>
</tbody>
</table>

1. This information is derived from the Fund’s audited annual financial statements.
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. This table is not intended to be a reconciliation of beginning to ending net assets per unit.
3. Distributions were paid in cash or reinvested in additional units of the Fund, or both.
4. The results shown are for the period April 28, 2017 - December 31, 2017.
5. The results shown are for the period January 9, 2018 - December 31, 2018.
## RATIO AND SUPPLEMENTAL DATA

<table>
<thead>
<tr>
<th></th>
<th>Series A</th>
<th></th>
<th>Series F</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year ended December 31</td>
<td>2018</td>
<td>2017&lt;sup&gt;5&lt;/sup&gt;</td>
</tr>
<tr>
<td>Total net assets, end of the year&lt;sup&gt;1&lt;/sup&gt;</td>
<td>$691,679,209</td>
<td>$711,412,661</td>
<td>$4,350,084</td>
</tr>
<tr>
<td>Number of units outstanding</td>
<td>75,057,718</td>
<td>68,179,069</td>
<td>487,831</td>
</tr>
<tr>
<td>Management expense ratio&lt;sup&gt;2&lt;/sup&gt;</td>
<td>–</td>
<td>–</td>
<td>0.05%</td>
</tr>
<tr>
<td>Management expense ratio before tax</td>
<td>–</td>
<td>–</td>
<td>0.05%</td>
</tr>
<tr>
<td>Management expense ratio before waivers or absorptions</td>
<td>0.05%</td>
<td>0.07%</td>
<td>0.01%</td>
</tr>
<tr>
<td>Trading expense ratio&lt;sup&gt;3&lt;/sup&gt;</td>
<td>0.01%</td>
<td>0.01%</td>
<td>0.01%</td>
</tr>
<tr>
<td>Portfolio turnover rate&lt;sup&gt;4&lt;/sup&gt;</td>
<td>9.98%</td>
<td>5.72%</td>
<td>9.98%</td>
</tr>
<tr>
<td>Net assets per unit</td>
<td>$9.22</td>
<td>$10.43</td>
<td>$8.92</td>
</tr>
</tbody>
</table>

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

<sup>2</sup> The management expense ratio ("MER") is based on total expenses for the stated period (excluding commissions, withholding taxes and other portfolio transaction costs) and the Fund's proportionate share of the MER, if applicable, of exchange traded funds ("ETFs") in which the Fund has invested, expressed as an annualized percentage of daily average net asset value during the period.

<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 April 28, 2017 - December 31, 2017.

<sup>6</sup> The results shown are for the period January 9, 2018 - December 31, 2018.
MDPIM S&P/TSX Capped Composite Index Pool

Summary of Investment Portfolio, December 31, 2018

NET ASSETS: $696.0 MILLION

97.7% Domestic Equities
1.4% Foreign Equities
0.9% Cash and Other Net Assets

TOP 25 HOLDINGS (PERCENTAGE OF NET ASSETS)

Royal Bank of Canada 6.7%
The Toronto–Dominion Bank 6.2%
Enbridge Inc. 4.2%
The Bank of Nova Scotia 4.1%
Canadian National Railway Company 3.6%
Suncor Energy Inc. 3.1%
Bank of Montreal 2.8%
BCE Inc. 2.4%
Brookfield Asset Management Inc. Cl. A 2.3%
Canadian Imperial Bank of Commerce 2.2%
TransCanada Corporation 2.2%
Cash and short-term investments 2.1%
Canadian Natural Resources, Ltd. 2.0%
Nutrien Ltd. 1.9%
Manulife Financial Corporation 1.9%
Canadian Pacific Railway Limited 1.7%
Alimentation Couche-Tard Inc. Cl. B 1.5%
Sun Life Financial Inc. 1.4%
TELUS Corporation 1.3%
Waste Connections, Inc. 1.3%
Rogers Communications Inc. Cl. B 1.2%
Barrick Gold Corporation 1.1%
CGI Group Inc. Cl. A 1.0%
Pembina Pipeline Corporation 1.0%
Magna International Inc. 1.0%

PORTFOLIO ALLOCATION

DOMESTIC EQUITIES

Consumer Discretionary 6.8%
Consumer Staples 2.6%
Energy 17.9%
Financials 36.4%
Health Care 0.5%
Industrials 10.2%
Information Technology 4.2%
Materials 11.1%
Telecommunication Services 5.0%
Utilities 3.0%

FOREIGN EQUITIES

Financials 0.4%
Industrials 0.7%
Materials 0.1%
Utilities 0.2%

CASH AND SHORT-TERM INVESTMENTS 2.1%

OTHER NET ASSETS (1.2%)

TOTAL NET ASSETS 100.0%

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

The Net Assets, Portfolio Allocation and Top 25 Holdings in the tables are based on the net assets as at December 31, 2018.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. To obtain a copy of the prospectus, please call your MD Advisor, or the MD Trade Centre at 1 800 267–2332.