MD Financial Management
CMA Companies

Market Update

Q2 | 2016

MD Private Investment Counsel clients can log in to access details of a model portfolio.

Message From the President and CEO

The second quarter of 2016 delivered solid performance for Canadian equity and fixed-income investors, despite the late-quarter turmoil sparked by the U.K. vote to leave the EU. Our investment approach is predicated on guarding against volatility and unwelcome surprises, and the Brexit vote provided a rare opportunity to prepare for potentially bad news on a fixed date.

Naturally, our primary focus before the vote was on our international holdings, with a particular emphasis on our European holdings. We shared the consensus view that the remain campaign would narrowly win. But in keeping with our downside risk management bias, we elected to maintain our underweight positions in the British pound, the euro and European financial stocks. After the leave campaign victory, these were the hardest-hit currencies and stocks. Our positioning led to outperformance in many of our funds and pools.

Our Canadian and other non-European holdings were largely unaffected by Brexit. Canadian companies, on average, generate just 2% of revenue from the U.K. and approximately 7% from the EU. The primary drivers in the Canadian market were the ongoing gains seen in gold and oil in the second quarter. The U.S. market actually benefitted from the turmoil around Brexit as investors flocked to it based on its safe-haven status. Emerging markets were left mostly unscathed post-Brexit.

As we head toward the last quarter of 2016, we expect the U.S. economy to keep growing. China's economy, the world's second largest, is also still expected to grow. Forecasts of growth in the 6.5% to 7% range would allow China to remain an overall driver of global growth. The turmoil surrounding Brexit will likely see the Bank of England cut interest rates and introduce other stimulus to maintain economic growth. Despite a brighter economic picture in North America, we do not expect the Bank of Canada or the U.S. Federal Reserve to raise rates this year.

The quarter also saw us introduce some enhancements to our U.S. mandates. These changes are a normal part of our ongoing fund management process. We reallocated the deep value portion of the MD Growth Fund to focus on relative value and growth investing. We also replaced one of our subadvisors in our U.S. Growth solutions—MDPIM US Equity Pool and the MD American Growth Fund.

The quarter also provided an early opportunity to assess the enhancements to the MD Dividend Growth Fund and the MDPIM Dividend Pool introduced at the end of the first quarter. Both mandates have performed well, delivering year-to-date returns of 9.46% and 10.07%, respectively. This performance is even more gratifying given our structural underweighting of the gold market. The inherent volatility of gold does not fit within our risk management parameters, and consequently, the funds did not participate in the ongoing gold rally. For more about the enhancements to our dividend portfolios, see our Fund Spotlight on pages 7–10.

Enhancements to our investment mandates follow MD's patent-pending fund management process, MD Precision™. MD's Investment Management and Strategy team uses MD Precision to drive enhancements designed to ensure optimal positioning of our investment mandates to achieve our expected level of return while managing risk.

MD's focus continues to be enhancing physicians' financial outcomes by understanding and operating to meet your distinctive needs. To learn more about how we construct MD Portfolios and the impact of global economic trends on your investments, I encourage you to reach out directly to your MD Advisor.

MACROECONOMIC OVERVIEW AND OUTLOOK

Marija Majdoub, CFA, CPA, CMA, Senior Portfolio Manager, VP, Investment Strategy
Wesley Blight, CFA, CIM, FSCI, Portfolio Manager, Canadian Equities and Fixed Income
Mark Fairbairn, Senior Investment Analyst, International Equities
Edward Golding, CFA, MBA, Portfolio Manager, U.S. Equities, Emerging Market Equities and Currencies
Ian Taylor, CFA, Portfolio Manager
Fred Wang, CFA, FSA, FCIA, FRM, Quantitative Investment Analyst

MD Financial Management
CMA Companies

The global economy continued to expand through the second quarter; however, headlines were dominated by another uptick in global political risks with the U.K. referendum vote to leave the European Union. Stock markets around the world weathered the uncertainty fairly well, but currency markets remain extremely volatile. Political risks also remain on the horizon, although a deeper look at fundamentals highlights some bright spots within the global economy and we continue to expect modest growth and low inflation through the end of the year.

CANADA

CAPITAL MARKETS

Canadian equities continued to be the beneficiary of the ongoing recovery for commodity prices. Led by the heavily weighted and strongly outperforming materials and energy sectors, the S&P/TSX Composite Index had a 5.07% return during the second quarter and has appreciated 9.84% year-to-date through June 2016.

Measured by the FTSE TMX Canada Universe Bond Index, Canadian fixed income extended its recent appreciation with a return of 2.62% in the quarter. The combined result of their more elevated income with a flattening yield curve caused long-term Canadian bonds to outperform their short-term peers. Spread products (i.e., corporate, provincial and municipal bonds) broadly outperformed their Government of Canada peers as their yield advantage narrowed.

ECONOMY

Led by household consumption and housing investment, Canada's economy achieved a robust 2.4% annualized growth in the first quarter of 2016. Although the overall result was positive, it should be viewed as transitory with the combined impact of the Alberta wildfires and sustained weakness from business investment lowering anticipated results for the second quarter.

INFLATION

In the 12 months through May 2016, core inflation was 2.1%, slightly above the Bank of Canada's target, and headline inflation was 1.5%. The elevated result for core inflation continues to reflect past depreciation of the Canadian dollar, whereas the Consumer Price Index (CPI) is muted by lower energy costs.

INTEREST RATES

First-quarter GDP growth was ahead of the Bank of Canada's forecast, but with business investment and intentions remaining weak, the result is viewed as transitory. Citing the current level of policy stimulus as appropriate support for a rebalancing Canadian economy, amid growing imbalances within the housing sector, the central bank left its key lending rate at 0.50% throughout the second quarter.

> "The Bank of Canada estimates that Canada's second quarter economic growth will be reduced by 1.25% as a direct result of the destruction and pause in oil production stemming from the wildfires in Alberta."

ECONOMIC OUTLOOK

The Bank of Canada estimates that Canada's second quarter economic growth will be reduced by 1.25% as a direct result of the destruction and pause in oil production stemming from the wildfires in Alberta. Perhaps not surprisingly, this is considered transitory with a corresponding increase in activity expected in the latter half of the year.

Far more importantly, the future direction of commodity prices will remain a key contributor while the economy transitions from its prior focus on resources. Consumer spending and fiscal support from the Canadian government are expected to provide further temporary backing, but improved business investment amidst an uncertain environment is critical to more sustained expansion.

CANADIAN EQUITY OUTLOOK

Year-to-date through June 2016, the return for Canada's equity benchmark has exceeded the performance for U.S. and international equities. Consistent with prior comments, the future direction for absolute and peer-relative results is highly dependent on the performance of gold and oil.

Gold prices are well-supported by the commodity's safe haven status in an environment sensitive to bouts of heightened capital market volatility; however, downside risks will be prevalent amid an expected increase for interest rates. Oil prices have appreciated since early 2016 as the imbalance between supply and demand is slowly rectified. Demand is expected to continue as the emerging Chinese middle class continues to expand, but the ability for the world's swing producer, now the United States, to increase oil production in a short period of time is expected to mute further outsized gains.

FIXED INCOME OUTLOOK

Expectations remain that the Government of Canada bond yield curve will achieve a modestly higher level in the next several months. This will be partially influenced by anticipated, gradual interest rate increases in the U.S. as its economy continues to expand. At the same time, the lack of global supply and elevated demand for the perceived safety of developed market sovereign bonds will likely mute any outsized yield increases.

As we have indicated in previous quarterly comments, investors are likely to be subject to increased volatility for both government and corporate bonds as they seek clarity of future policy-maker decisions amidst heightened geopolitical tensions.

> "The U.S. economy grew at a tepid 1.1% quarter-on-quarter seasonally adjusted annual rate in the first quarter of 2016."

UNITED STATES

ECONOMY

The U.S. economy grew at a tepid 1.1% quarter-on-quarter seasonally adjusted annual rate in the first quarter of 2016 and while expectations are for growth to be stronger over the next three quarters, the consensus estimate for real GDP for 2016 is just 1.9%.

MONETARY POLICY

The Federal Reserve announced, at its June meeting, that it intends to keep the target federal funds rate between 0.25% and 0.50%—the rate is unchanged since December 2015. The decision to not increase interest rates was not surprising; however, the path to future interest rate hikes surprised many as the Fed now expects rates to rise at a much slower rate than their previous forecast in March. The median Fed member did not change its expectation for two more interest rate hikes over the latter half of 2016. However, the median Fed member now expects the federal funds rate to be 1.5% at the end of 2017 instead of 2.0%. For the end of 2018, the median Fed member expects the federal funds rate to be 2.5% instead of 3%. These lowered expectations caught many off guard as previous talk from the Fed indicated no expectations for a slowdown. The changes in outlook by the Fed have many investors questioning the strategy of the central bank and this has led to an increased level of uncertainty in financial markets.

CAPITAL MARKETS

The S&P 500 posted a 2.87% (CAD) return in the first quarter, with 0.41% of this return coming from a depreciation in the Canadian dollar relative to the U.S. dollar. The biggest sector winners in the second quarter were energy (+11.6%), telecom (+7.1%) and utilities (+6.8%). On the flip side, the worst-performing sectors in the second quarter were technology (–2.5%) and consumer discretionary (–0.5%). The U.S. dollar was the primary beneficiary of all the volatility as investors fled to the safety of the world's reserve currency. The Canadian dollar–like most currencies–was down slightly relative to the U.S. dollar (–0.41%) to $0.77 CAD/USD. The surprising majority vote to leave the EU, in the U.K. referendum, caused significant volatility in currency markets. The British pound declined significantly from a quarter high $1.50 GBP/USD to $1.33 GBP/USD, a decline of 11%.

OUTLOOK

There appear to be a number of storm clouds accumulating over the global economy including Brexit, weaker European financials, a strengthening yen and rising terrorism. The U.S. bond market appears to be pricing in a potential economic slowdown with the 10-year minus 2-year Treasury spread at its lowest level since the financial crisis. While the U.S. economy is far from robust, it is in better shape than most other economies around the globe and we expect any slowdown in the global economy to have the least impact on the U.S. In addition, without the support of further accommodative monetary policies in the U.S., we see very few catalysts that could move U.S. equity prices higher than their current levels.

EUROPE

CAPITAL MARKETS

Although European equities had positive returns over the second quarter, with the Morgan Stanley Capital International (MSCI) Europe Index returning 1.6% (total return in local terms), volatility remained elevated. Falling European currencies resulted in Canadian dollar returns that were considerably lower, at –1.9%.

ECONOMY

The European Union economy expanded in real terms by 0.5% (not annualized) in the first quarter. This was a noticeable acceleration from the prior quarter. However, more timely survey data suggest the economic momentum is decelerating. Inflation remains very low, hovering around zero. Labour market slack remains large with EU unemployment at 8.6% (10.1% for the eurozone), but it continues to improve, albeit slowly.

> "On June 23, 2016, the U.K. referendum to remain or leave the European Union resulted in a narrow victory for the leave vote."

KEY DEVELOPMENTS

On June 23, 2016, the U.K. referendum to remain or leave the European Union resulted in a narrow victory for the leave vote. The immediate reaction was one of shock in financial markets, with European equities and currencies down sharply. While much of the initial equity declines were later recouped, British sterling and the euro remain lower. The referendum result is non-binding and the government is still required to formally notify the EU of the U.K.'s intention to pull out of the EU, beginning a two-year negotiation process. The aftermath of the referendum has left the British government and political parties in disarray; accordingly, it is uncertain when the decision to begin the process to leave the EU will begin, or what kind of relationship with the EU the exit negotiations will produce.

OUTLOOK

Monetary policy has been, and will remain, extremely supportive within Europe. This has benefited the European economy; however, even before the U.K. referendum, economic momentum was slowing, particularly in the U.K. The uncertainty that the referendum result generated will weigh on economic growth and the risk of a recession within the U.K. has increased significantly. That said, this is not expected to result in a global systemic shock.

ASIA PACIFIC

EQUITY MARKETS

The MSCI Pacific Index delivered a return of –4.3% in local currency terms during the quarter. However, regional currencies appreciated, including the Japanese yen and New Zealand dollar, leading to a positive return for Canadian investors.

ECONOMY

The recent rapid rise in the Japanese yen has begun to seep into economic data as manufacturing results are reflecting weaker external demand. The stronger currency also added to headwinds facing the Bank of Japan in meeting its inflation targets and this has only been amplified since a further rally following the U.K. referendum. For a second straight quarter, China and other emerging markets showed additional stabilization, which was supportive.

KEY DEVELOPMENTS

All eyes remain on policy-makers in the region. Prime Minister Shinzo Abe has already announced plans to delay a planned 2017 increase in the consumption tax due to weaker-than-anticipated economic conditions. The Bank of Japan, despite already taking material steps to ease financial conditions, will be pressured to do more as economic data, including inflation expectations, underwhelm.

OUTLOOK

Similar to last quarter, we continue to see numerous structural headwinds to growth in the developed economies in the region; however, cyclical forces may be easing. We expect policy-makers in the region, including fiscal policy-makers, to further escalate efforts to support the economy in the coming months.

EMERGING MARKETS

CAPITAL MARKETS

The MSCI Emerging Markets Index rose 1.17% in Canadian dollar terms during the second quarter. Equity markets rose along with a broad-based commodity recovery. In China, as the growth impact of investment and credit expansion withers, policy-makers have shifted to a more hawkish stance to avoid downside risk. India's widely applauded central banker Raghuram Rajan will not seek a second term, adding uncertainty to future monetary policy. Brazil's business sector and consumers both responded positively to the ongoing impeachment of President Dilma Rouseff, while inflation moderated. As the commodity recovery stabilized Russia's foreign exchange and inflation picture, the Central Bank of Russia cut its policy rate by 0.5%, stimulating growth.

OUTLOOK

Monetary policy around the globe is likely to stay dovish as the U.K. proceeds with Brexit. As a remote asset class, emerging market equities provide investors with diversification. Commodity exporters, such as Brazil, Russia and South Africa, may have passed the trough as prices stabilize. China remains the top concern, as a massive corporate credit buildup could post significant default risk and spur policy-makers to avoid further credit growth.

"Gold prices were relatively flat in April and May but jumped in June as investors sought safety during the lead-up to and aftermath of the Brexit vote."

COMMODITIES

There was a broad-based improvement in commodity prices in the second quarter with the S&P Goldman Sachs Commodity Spot Price Index surging by more than 18%. Higher crude oil prices were supported by supply disruptions in Canada and abroad, declining U.S. production and increased demand. Natural gas prices have been extremely volatile in 2016, spiking by 32% over the quarter after falling by almost 20% in the first quarter. Meanwhile, gold prices were relatively flat in April and May but jumped in June as investors sought safety during the lead-up to and aftermath of the Brexit vote; gold spot prices rose 8% over the quarter.

PORTFOLIO POSITIONING

- We continue to have a small overweight to stocks overall. Financial and macroeconomic conditions remain favourable; however, headwinds facing corporate earnings are preventing us from taking a more bullish stance.
- We increased our weight in Canadian equities to a neutral position. Commodity prices have recovered year-to-date and the banking sector remains strong. However, further upside for commodity prices is uncertain and volatile conditions remain, supporting a neutral stance.
- We increased our weight in U.S. equities this quarter to overweight. The U.S. economy remains strong relative to other global markets, while the U.S. equity market continues to present a safer alternative to other stock markets, hence our modestly bullish view.
- We reduced our allocation to Europe, Australasia and Far East (EAFE) equities to slightly underweight. Although upside potential remains for EAFE markets, numerous policy-maker and economic risks are present in these markets, supporting our cautious stance on these regions.

CONCLUSION

We continue to remain optimistic about financial markets for the remainder of the year. Financial conditions remain very stimulative and macroeconomic conditions, while not overly robust, are still well-positioned to support equity markets in the near term. However, numerous risks remain including the multitude of political risks in Europe, slower growth in China and relatively slower growth globally. As a result, it remains prudent for investors to maintain a well-diversified portfolio in line with their investment goals and time horizon.

PROACTIVE CHANGES TO ADAPT TO TODAY'S DIVIDEND LANDSCAPE

WHY MAKE CHANGES TO MD DIVIDEND GROWTH FUND AND MDPIM DIVIDEND POOL?

- The environment for dividend producing stocks has changed—dividend yield will not come from the same sectors, such as energy, as it has in the past.
- As the environment for yield has evolved, we need to evolve as well.

WHAT ARE THE MAIN CHANGES?

- A new multi-advisor approach will combine the unique expertise of Montrusco Bolton Investment Inc.; Beutel, Goodman & Company Ltd., and CIBC Asset Management Inc.

WHAT ARE THE EXPECTATIONS FOR THE NEW INVESTMENT MANDATES?

- Reduced return volatility, increased security diversification and a slightly lower dividend yield.
- Access to broader sector diversification and foreign securities in an effort to reduce risk relative to the benchmark.

ENHANCING YOUR DIVIDEND GROWTH INVESTMENT OPPORTUNITIES

Canadian dividend stocks are a cornerstone of many investment portfolios for good reason as these stocks can offer above-average yields in a world where low yields have become the new normal. Finding these attractive opportunities has become more difficult in recent years. Not all dividend payouts are created equal; for example, dividends from Canada's highly economically sensitive companies, especially those in the resource sector, have come under pressure with slumping commodity prices.

Recent enhancements to the MD Dividend Growth Fund and the MDPIM Dividend Pool will allow MD clients to continue to take advantage of the best dividend-paying opportunities in Canada and internationally. Broader sector diversification through a select number of foreign securities is now featured in these two dividend funds. These changes are part of MD's ongoing efforts to make proactive choices on behalf of clients.

A CHANGING DIVIDEND LANDSCAPE

The 2008 financial crisis ushered in a new era of ultralow yields as central bankers cut interest rates aggressively to stimulate economic growth. Bond yields plunged, leaving income-seeking investors with fewer options. At the end of June 2016, Canadian five-year and 10-year benchmark bonds were yielding just 0.57% and 1.06%, respectively.

These ultralow yields resulted in income-oriented investors increasing their portfolio allocations to sectors with a history of healthy dividends, such as telecoms, utilities and real estate investment trusts (REITs). Since the S&P/TSX Composite Index hit a post-crisis low in March 2009, these three sectors have all outperformed the broader market; however, the strong performance of these three sectors has led to valuations exceeding historical averages which limits further upside potential and creates a need for income-oriented investors to broaden their sector allocations.

TOTAL RETURNS (ENDING JUNE 30, 2016)			
Index	**1 Year**	**5 Years**	**7 Years**
S&P/TSX Composite Index	–0.2%	4.21%	7.54%
S&P/TSX Capped Canadian Telecommunications Services Index	21.09%	13.77%	16.82%
S&P/TSX Capped Canadian Utilities Index	18.44%	6.41%	9.87%
S&P/TSX Capped Canadian REIT Index	12.76%	8.41%	15.69%

Source: S&P Dow Jones Indices

EXPLORING FOREIGN DIVIDEND OPPORTUNITIES

The MD Dividend Growth Fund and the MDPIM Dividend Pool now have the ability to allocate up to 30% to foreign securities. It is expected that the majority of foreign investments will be concentrated in the United States. A foreign allocation to a Canadian dividend fund offers advantages to Canadian investors through increased exposure to sectors such as health care and information technology that are typically absent from a Canadian dividend fund due to the lack of yield. In addition, U.S. dividend stocks have outperformed the S&P 500 over the last one, five and 10 years ending June 30, 2016, as historically low bond yields continue to drive the hunt for income.

TOTAL RETURNS IN US$ (ENDING JUNE 30, 2016)			
Index	**1 Year**	**5 Years**	**7 Years**
Dow Jones U.S. Dividend 100 Index	11.72%	12.92%	10.23%
S&P 500 Index	3.99%	12.1%	7.42%

Source: S&P Dow Jones Indices

WHAT DO DIVIDENDS TELL YOU ABOUT A COMPANY?

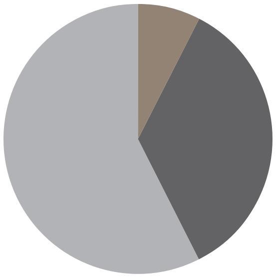
There is no hard and fast rule that a company's decision to pay a dividend is automatically a good thing. But the pro-dividend camp says dividends can generate relatively predictable income for investors. They also cite dividends as solid evidence that a company is performing well because otherwise it wouldn't be able to make regular dividend payments. Some investors are fans of dividends because they feel dividends give them the flexibility to redeploy the income into other investment opportunities.

The anti-dividend camp argues that retaining earnings and not paying them as dividends gives a company an opportunity to grow through activities like acquiring competing companies, increasing production capacity or expanding into new businesses. Ultimately, this view is based on the idea that company management can make better use of corporate earnings than individual investors can.

MEET THE MANAGERS

Following MD's patent-pending fund management process, MD Precision™, MD's Canadian Equity Portfolio Manager Edward Golding and the Investment Management and Strategy team revamped the investment strategy to better align the risks of the fund with their expected outcomes. The result is an optimized solution using a multi-advisor approach. The new multi-advisor approach will combine the unique expertise of Montrusco Bolton Investment Inc.; Beutel, Goodman & Company Ltd.; and CIBC Asset Management Inc.

- Montrusco Bolton selects a concentrated portfolio of stocks with elevated dividend yield and lower risk relative to the S&P/TSX Composite Index.
- Beutel Goodman stresses the preservation of capital and invests in dividend-paying companies that generate strong free cash flow.
- CIBC Asset Management will dynamically manage the foreign currency exposure within the funds, to manage the risk associated with currency fluctuations and improve outcomes.



- CIBC Asset Management 7.5%
- Beutel Goodman 35%
- Montrusco Bolton 57.5%

The new mix of managers supports MD's long-standing commitment to ensure our clients receive our best thinking, that our funds and pools are best positioned to meet the long-term investment goals of physicians and enhance their financial well-being.

MANAGER SNAPSHOT	
Montrusco Bolton Founded: *1946* Head office: *Montreal* Assets under management: *$5 bn (approx.)* Investment approach: *bottom-up, fundamental* Focuses on: *companies with a dividend yield in excess of 3.5% and a market cap above $500 million* Average portfolio size: *30 securities*	"The net result of our approach is an equity strategy with the potential for high income generation and lower volatility than the benchmark and very good downside protection."
Beutel Goodman Founded: *1967* Head office: *Toronto* Assets under management: *$35 bn (approx.)* Investment approach: *bottom-up, fundamental* Focuses on: *companies with a minimum dividend yield of 1.5% and that generate strong free cash flow* Average portfolio size: *30 securities*	"Preserving capital by holding high-quality companies that earn their cost of capital and have a minimum yield of 1.5% is the key tenet of our philosophy."

HOW DIVIDENDS WORK

A common stock dividend represents a portion of a company's earnings that is given back to investors holding common shares in the company. A company's board of directors decides whether to pay a dividend and determines how much to pay out. Dividends are typically paid out as cash or stocks. In Canada and the U.S., dividends are generally paid quarterly, which creates a regular income stream for investors. Internationally, the norm is to pay dividends every six months or even just once a year.

TOP 10 INVESTMENTS (JUNE 30, 2016)	
Company	**Weight**
Ishares S+P/TSX 60 Index ETF	7.5%
Toronto Dominion Bank	6.4%
Royal Bank of Canada	6.4%
Bank of Nova Scotia	5.1%
Agrium Inc	4.6%
Thomson Reuters Corp	3.8%
Telus Corp	3.7%
Fortis Inc	3.6%
Enercare Inc	3.3%
Rogers Communications Inc	2.5%
Total	**47.0%**

PORTFOLIO FOCUS

TWO REPRESENTATIVE HOLDINGS OF THE MD DIVIDEND GROWTH FUND AND THE MDPIM DIVIDEND POOL

Kellog Co. has paid its shareholders dividends since 1925. Ontario's Hydro One Ltd. issued its first dividend in 2016.

KELLOG CO.

Leading food producer Kellogg Company declared a dividend of US$0.50 per share on April 26. In addition, the company's board of directors announced plans to increase the quarterly dividend by 4% to US$0.52 per share beginning with the third quarter of 2016.

HYDRO ONE LTD.

One of North America's largest electricity delivery companies in geographic scope and asset value offers an attractive dividend yield and opportunity for growth with rate base expansion. Hydro One declared a dividend of $0.34 per share on November 11.

ENHANCE YOUR PORTFOLIO WITH MD'S DIVIDEND SOLUTIONS

MD has funds that invest in dividends and MD's trading services give you access to individual dividend-paying securities and exchange traded funds focused on dividends. So whether your portfolio needs a focused dividend fund or a mix of individual securities that generate dividends, MD has the solutions you need. However, before you get to the point of discussing the investment options that are right for you, your MD Advisor will help you identify your financial goals, your need for return and your capacity for risk.

Only by understanding your wealth management needs can an MD Advisor help you determine the right strategic asset allocation to achieve each goal. This process of discovery will determine if dividends are for you. If the answer is yes, an allocation will be planned that will help you meet your needs while ensuring risk is controlled within your portfolio.

MD has helped Canadian physicians succeed using an array of investment approaches and solutions for almost 40 years. We rely on effective asset allocation, deep diversification and the fundamental belief that active management can play an important role in a portfolio. Our stable of professional external managers also delivers the power of investment style diversification through their differing yet complementary approaches to investing.

THE DIVIDEND TAX ADVANTAGE

The marginal tax rate on dividends varies based on your income and home province. No matter what though, dividends are always taxed at a lower rate than the marginal rate on your interest or employment income.

Of course, although tax considerations are important, investment suitability should always be your primary consideration. Your MD Advisor can work with your tax professional to determine the optimal role for dividend investments in your portfolio.

MD DIVIDEND INCOME FUND

This fund is suitable for an investor who is looking for consistent income and is comfortable with exposure to the equity markets. Investors should consider holding this fund in non-registered and incorporated accounts to take advantage of the preferential tax treatment afforded to dividend income. Investors should also have an investment time horizon of more than 10 years.

MD DIVIDEND GROWTH FUND

This fund is suitable for an investor who is looking for tax-advantaged income and is comfortable with moderate risk and volatility. Investors should consider holding this fund in non-registered and incorporated accounts to take advantage of the preferential tax treatment afforded to dividend income. Investors should also have an investment time horizon of more than 10 years.

MDPIM DIVIDEND POOL

This fund is suitable for an investor who is looking for a high level of income and some capital gains. Investors should consider holding this fund in non-registered and incorporated accounts to take advantage of the preferential tax treatment afforded to dividend income. Investors should also have an investment time horizon of more than 10 years.