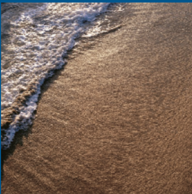
Morneau Sobeco Income Fund

2009 First Quarter Results



MORNEAU SOBECO

Fresh thinking.
Innovative solutions.

May 13, 2009

To Our Unitholders

Morneau Sobeco Income Fund (the "Fund") is pleased to present its financial results for the period ended March 31, 2009. These results highlight our continued solid financial performance. For the first three months of 2009 the operating business performed well with revenue at $81.8 million or 109% over the same period last year. Standardized EBITDA margin for the quarter was 15.1%, with Standardized EBITDA decreasing by 2.0% to $0.296 per Unit (basic). The net loss for the quarter is in the amount of $530,000. These results include the Shepell•fgi business which was acquired in June 2008.

Our first quarter results highlight the strength of our business as we continue to build on our successful 2008 revenue and profitability growth. First quarter revenue results have exceeded our expectations in both our pension consulting and Employee Assistance Program (EAP) businesses. Revenue in our pension consulting business increased by 27%, compared to the same period last year (of which, 8.5% is attributable to the acquisition of Leong & Associates completed in October 2008). EAP services utilization was higher than budgeted for this period with an 18% increase in usage over the same period in 2008. This resulted in increased expenses in the first quarter to provide EAP services, and, due to the nature of our contractual arrangements with some clients, a portion of the revenue related to the growth of our EAP business is expected to be recognized in future quarters.

2009 First Quarter Results In More Detail

Revenue for the three months ended March 31, 2009 exceeded our expectations, and grew by 109% to $81.8 million compared to $39.1 million for the same period in 2008. There was a net loss for the period of $530,000 compared to net income of $2.8 million for the same period in 2008, primarily due to increased amortization expenses of $6.9 million related to the Shepell.fgi acquisition.

In the first quarter of 2009, Standardized EBITDA was $12.3 million, compared to $8.4 million for the same period in 2008. Standardized EBITDA margin was 15.1%. Removing the effect

of the inclusion of a fair value loss on foreign exchange contracts of $0.5 million, EBITDA margin was 15.7%. Margin is lower in the first quarter, primarily as a result of the increased expenses related to higher-than-expected usage of EAP. Standardized EBITDA per Unit (basic) was $0.296 compared to $0.302 in 2008, a decrease of 2.0%. Standardized Distributable Cash for the first three months ended March 31, 2009 was $5.7 million or $0.158 per Unit (basic). This compares to a use of cash of $0.3 million for the same period in 2008. Standardized Distributable Cash Payout Ratio for the quarter was 156%. Adjusted Consolidated Distributable Cash grew by $1.5 million to $9.2 million or $0.220 per Unit (basic) which compares to $7.7 million in 2008. The Adjusted Consolidated Distributable Cash Payout Ratio was 111.4% compared to 79.6% for the same period in 2008. The 12 month rolling Standardized Distributable Cash Payout Ratio was 94.9%, and the 12 month rolling Adjusted Consolidated Distributable Cash Payout Ratio is 81.8% compared to 90.8% and 86.2%, respectively for the same period in 2008.

Economic Conditions & Outlook

The Fund maintains its cautiously optimistic outlook for financial performance in 2009. As we have anticipated, our clients and their employees are turning to us for solutions to address the impact of the current economic climate. In particular, we are seeing an increase in EAP utilization as well as pension consulting mandates relating to the business challenges presented by the slowing economy. There have also been new opportunities to deliver additional workplace health management services as we help our clients develop and implement H1N1 Influenza A pandemic planning initiatives.

Our proven solutions are playing an increasingly important role as clients look for cost-effective ways to manage human resources issues and address problems that can impact both profitability and workplace productivity.

In closing, on behalf of the Board of Trustees and management team at Morneau Sobeco Income Fund, I thank you for your continued support.

William Morneau
Chairman & Chief Executive Officer

STRONG FINANCIAL RESULTS FOR THE FIRST QUARTER

RESULTS HIGHLIGHT CONSISTENT PERFORMANCE AND CONTINUED GROWTH

MORNEAU SOBECO INCOME FUND

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands of dollars)

	As at March 31, 2009	As at December 31, 2008
Assets		
Current assets:		
Accounts receivable	$ 55,725	$ 52,930
Unbilled fees	14,078	15,861
Income taxes recoverable	2,305	1,484
Prepaid expenses and other	4,305	5,482
	76,413	75,757
Future income taxes (note 13)	9,755	7,740
Capital assets (note 4)	17,711	17,267
Intangible assets (note 5)	279,109	289,425
Goodwill	299,676	299,676
	$682,664	$689,865
Liabilities and Unitholders' Equity		
Current liabilities:		
Bank indebtedness (note 6)	$ 2,611	$ 504
Accounts payable and accrued liabilities	37,551	40,033
Deferred revenue	2,797	2,245
Current portion of long-term debt (note 6)	8,000	7,000
Current portion of promissory note (note 7)	—	31,632
Future consideration related to acquisition (note 3)	684	684
Unitholder distributions payable (including non-controlling)	3,758	3,233
	55,401	85,331
Insurance premium liabilities:		
Payable to insurance companies	9,532	12,037
Less related cash and investments held	(9,532)	(12,037)
	—	—
Long-term debt (note 6)	135,535	135,418
Promissory notes (note 7)	26,719	43,917
Interest-rate swaps and foreign exchange contracts	11,904	11,917
Future considerations related to acquisition (note 3)	1,587	1,727
Other liabilities (note 8)	9,004	8,611
Future income taxes (note 13)	30,563	33,090
	270,713	320,011
Non-controlling interests (note 10)	49,896	51,724
Unitholders' equity	362,055	318,130
	$682,664	$689,865

Commitments and contingencies (notes 3, 17 and 18)

Robert Chisholm
Trustee,
Audit Committee Chair

William Morneau
Trustee,
Chairman and CEO

See accompanying notes to consolidated financial statements

MORNEAU SOBECO INCOME FUND

CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME

For the three months ended March 31, 2009 and 2008

(Unaudited)

(In thousands of dollars except unit and per unit amounts)

	March 31, 2009	March 31, 2008
Revenue		
Fees	$77,628	$34,163
Commissions	4,090	4,816
Other	38	155
	81,756	39,134
Expenses		
Salary, benefit and contractor expenses	53,848	24,337
Other operating	15,573	6,408
Amortization of capital assets (note 4)	1,033	660
Amortization of intangible assets (note 5)	10,316	3,643
Interest expense (note 6)	4,963	1,091
	85,733	36,139
(Loss) Income before income taxes and non-controlling interests	(3,977)	2,995
Income taxes (recovery) (note 13)		
Current	273	284
Future	(3,635)	(760)
	(3,362)	(476)
(Loss) Income before non-controlling interests	(615)	3,471
Non-controlling interests (note 10)	84	(691)
Net (loss) income	**(531)**	**2,780**
Other comprehensive income		
Unrealized loss on interest rate cash flow hedges	(97)	—
Comprehensive (loss) income for the period	**$ (628)**	**$ 2,780**
Net (loss) income per Unit (basic and diluted) (note 15)	$ (0.015)	$ 0.125

See accompanying notes to consolidated financial statements

MORNEAU SOBECO INCOME FUND

CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

For the three months ended March 31, 2009 and 2008
(Unaudited)
(In thousands of dollars)

Three months ended March 31, 2009

	Unitholders' Capital	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
Balance, December 31, 2008	362,223	(11,096)	(32,997)	318,130
Change in accounting policy related to EIC 173 (note 2(o))	—	627	—	627
As restated, January 1, 2009	362,223	(10,469)	(32,997)	318,757
Exchange of Class B LP Units (note 10)	409	—	—	409
Issuance of Units (note 9)	55,000	—	—	55,000
Issuance costs, net of future income tax benefits (note 9)	(2,594)	—	—	(2,594)
Net loss for the period	—	—	(531)	(531)
Comprehensive loss for the period	—	(97)	—	(97)
Distributions (note 11)	—	—	(8,889)	(8,889)
Balance, March 31, 2009	$415,038	$(10,566)	$(42,417)	$362,055

MORNEAU SOBECO INCOME FUND

CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

For the three months ended March 31, 2009 and 2008
(Unaudited)
(In thousands of dollars)

Three months ended March 31, 2008

	Unitholders' Capital	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
Balance, December 31, 2007	$211,833	$—	$(14,165)	$197,668
Exchange of Class B LP Units	1,260	—	—	1,260
Net income for the period	—	—	2,780	2,780
Distributions	—	—	(4,919)	(4,919)
Balance, March 31, 2008	$213,093	$—	$(16,304)	$196,780

See accompanying notes to consolidated financial statements

MORNEAU SOBECO INCOME FUND

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2009 and 2008
(Unaudited)
(In thousands of dollars)

	March 31, 2009	March 31, 2008
Cash provided by (used in):		
Operating activities		
Net (loss) income $	$ (531)	$ 2,780
Items not involving cash:		
Amortization of capital assets (note 4)	1,033	660
Amortization of intangible assets (note 5)	10,316	3,643
Amortization of debt issue costs (note 6)	117	13
Non-controlling interests of Class B LP Units	(84)	691
Future income taxes (recovery)	(3,635)	(760)
Salary component of Heath acquisition (note 3)	—	240
Accretion and loss on early settlement related to promissory note and loss	2,670	—
Fair value of interest-rate swap agreements (note 6)	—	699
Fair value of forward exchange contracts (note 22)	517	—
Other non-cash items related to office premise leases	252	
	10,655	7,966
Change in non-cash operating working capital (note 16)	(2,585)	(8,022)
	8,070	(56)
Financing activities		
Distributions paid	(9,700)	(6,132)
Operating line of credit	1,000	—
Issuance of Units	55,000	—
Expenses related to issuance of units	(3,500)	—
Partial repayment of promissory note	(51,500)	—
	(8,700)	(6,132)
Investing activities		
Purchase of capital assets	(1,477)	(266)
	(1,477)	(266)
Net increase in bank indebtedness for the period	(2,107)	(6,454)
Bank indebtedness, beginning of period	(504)	2,898
Bank indebtedness, end of period	$ (2,611)	$(3,556)

Supplement disclosure (note 16)

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended
March 31, 2009 and 2008
(Unaudited)
(In thousands of dollars except unit and per unit amounts)

1. ORGANIZATION AND NATURE OF THE BUSINESS

Morneau Sobeco Income Fund (the "Fund") is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario on August 22, 2005.

The Fund is the largest Canadian-owned firm providing human resource consulting and outsourcing services. The firm delivers solutions to assist employers in managing the financial security, health and productivity of their employees. With over 2,200 employees in offices across North America, the Fund offers its services to organizations that are situated in Canada, in the United States and around the globe.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Fund have been prepared by management in accordance with Canadian generally accepted accounting principles and the significant accounting policies are summarized below:

(a) Basis of presentation

These consolidated financial statements include the assets, liabilities, revenue and expenses of the following entities:

	% Ownership
Morneau Sobeco Trust ("Trust")	100.0
Morneau Sobeco GP Inc. ("MS GP")	100.0
Morneau Sobeco Limited Partnership ("MSLP")	88.2
Morneau Sobeco Group Limited Partnership ("MS Group LP")	88.2
Morneau Sobeco, Ltd. ("MSUS")	88.2
HRCO Inc ("HRCO") (formerly Morneau Sobeco Corporation)	88.2
FGI World France S.A.R.L.	88.2
FGI World New Caledonia	88.2
1137273 Ontario Limited	88.2
Morneau Sobeco IT Solution Limited (formerly 2183573 Ontario Inc.)	88.2
Innu-Med Inc.	42.3

All material intercompany transactions and balances have been eliminated upon consolidation.

(b) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

The most significant estimates that the Fund is required to make relate to the recoverability of its intangibles, goodwill, accounts receivable, derivative financial instruments and the valuation of future income tax assets and liabilities. The estimated value of these assets and liabilities usually depend upon estimates of the profitability of the related business which, in turn, depend upon assumptions regarding future conditions in the general or specific industry, including the effects of economic cycles, and other factors that affect the operating revenue.

The estimates of reported value of these assets and liabilities may also depend upon, among other things, assumptions regarding economical market conditions, income taxes, interest rates, the availability, cost and terms of financing, the impact of present or future legislation or regulation and debt incurred by the Fund.

These assumptions are limited by the availability of reliable comparable data, economic uncertainty and the uncertainty of predictions concerning future events. Accordingly, by their nature, estimates of fair value are subjective and do no necessarily result in precise determinations. Should the underlying assumptions change, the estimated value could change by a material amount.

(c) Revenue recognition and unbilled fees

Fees for administrative, actuarial and consulting services are recognized when the services are rendered.

Employee Assistant Program revenue is recognized through a combination of the minimum contracted amount and

incremental usage above the minimum thresholds. The minimum contracted amount is recognized on a straight-line basis over the term of the contract. Incremental usage is recognized when the minimum usage threshold is exceeded.

Unbilled fees are recorded at the lower of unbilled hours worked at normal billing rates and the amount which is estimated to be recoverable upon invoicing.

Commissions are recognized when earned, which is at the later of the billing or the effective date of the policy, net of a provision for return commissions due to policy cancellations or change of brokers.

Other revenue includes investment income recorded on the accrual basis.

(d) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the exchange rate prevailing at the consolidated balance sheet dates. Non-monetary items have been translated into Canadian dollars at the exchange rate prevailing when the assets were acquired or obligations incurred. Revenue and expenses have been translated at rates in effect on the transaction dates. Exchange gains or losses are reflected in income for the period.

(e) Capital assets

Capital assets are stated at their initial capital cost less accumulated amortization. Amortization is recognized over the assets' estimated useful lives as follows:

Asset	Basis	Rate
Computer equipment	Declining balance	30%
Computer software	Declining balance	30% - 50%
Furniture and equipment	Declining balance	20%
Leasehold improvements	Straight-line	Over term of the lease

(f) Intangible assets

Intangible assets are recorded at cost less accumulated amortization. Intangible assets acquired through acquisitions or business combinations are initially recognized at fair value based on an allocation of the purchase price. Intangible assets with a finite life are amortized on a straight-line basis over their estimated useful lives. Intangible assets with an indefinite life are not amortized but are tested for impairment annually or more frequently if events or circumstances indicate there may be an impairment by comparing the estimated discounted future net cash flows from the asset to its carrying amount.

Amortization is calculated using the straight-line method based on following estimated useful lives:

Asset	Estimated useful lives
Customer relationships	15 to 20 years
Customer contracts	1 to 2 years
Proprietary software	5 years
Non-compete agreements	16 months
Trade names	Indefinite

(g) Impairment of long-lived assets

Long-lived assets with finite lives are reviewed for impairment annually or whenever events or changes in circumstances cause their carrying amount to exceed the total undiscounted cash flow expected from their use and eventual disposition. An impairment loss is measured at the amount by which the carrying amount of the long-lived asset exceeds its fair value.

(h) Goodwill

Goodwill is not amortized and is subject to an annual impairment test. Goodwill impairment is assessed based on a comparison of the estimated fair value of the Fund and the carrying value of its net assets including goodwill. An impairment loss will be recognized if the carrying amount of the Fund's net assets exceeds its estimated fair value.

(i) Insurance premium liabilities and related cash and investments

In its capacity as consultants, the Fund collects premiums from insureds and remits premiums, net of agreed deductions, such as taxes, administrative fees and commissions, to insurance underwriters. These are considered flow-through items for the Fund and, as such, the cash and investment balances relating to these liabilities are deducted from the related liability in the consolidated balance sheets.

(j) Long-term incentive plan

The Fund has a long-term incentive plan under which participants are eligible to receive Units. The amount awarded under this plan is recorded as salary, benefit and contractor expenses in line with the vesting dates which range from one to three years.

(k) Employee future benefits

The Fund offers a pension benefit plan for its employees, which includes a defined benefit option and a defined contribution option.

The defined benefit option was closed effective January 1, 1998 and included 7 employees, 8 retirees and 50 deferred vested members as at March 31, 2009. All other employees are covered by the defined contribution option of the plan.

The Fund accrues its obligations under the defined benefit option of the plan as the employees render the services necessary to earn the pension. For the defined contribution option, the Fund matches member contributions and may be required to make additional contributions at the option of the member, up to the limits defined in the plan text.

(l) Income taxes

The Fund uses the asset and liability method of accounting for income taxes. Future income taxes are recognized for the

temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws that are expected to apply to taxable income in the years in which those temporary differences are expected to be reversed or settled. A valuation allowance is recorded against a future income tax asset if it is not anticipated that the asset will be realized in the foreseeable future. The effect on future income tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the date of enactment or substantive enactment.

(m) Deferred lease inducements

Lease inducements comprise rent-free periods and leasehold improvement allowances. Lease inducements are deferred and amortized to rental expense on a straight-line basis over the term of the related lease.

(n) Financial instruments

Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in the income statement. Loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization. The Fund had neither available-for-sale nor held-to-maturity instruments.

Transaction costs are expensed as incurred for financial instruments classified or designated as held–for-trading. For other financial instruments, transaction costs are capitalized on initial recognition and are included in the underlying balance.

Derivative financial instruments are used by the Fund in the management of its interest rate risk exposure on debt financing and foreign exchange risk arising due to fluctuations in the United States dollar. Derivatives that have been designated and function effectively as a hedge are accounted for using hedge accounting principles. The effective portions of changes in fair value of derivatives that qualify for hedge accounting are

recorded in other comprehensive income. Any ineffective portions of changes in the fair value are recognized in net income in the period in which the change occurred. If the hedging relationship ceases to be highly effective, changes in the fair value of the interest-rate swap are recognized in income beginning in the period in which the change occurs. Derivatives that do not qualify for hedge accounting are recorded on the consolidated balance sheet at fair value with changes in fair value recorded as income or expense in the consolidated statement of income.

The Fund does not use derivative financial instruments for trading or speculative purposes.

(o) New accounting policies

Effective January 1, 2009 the Fund adopted the following new accounting standards:

(i) Section 3064, *Goodwill and Intangible Assets,* which replaces the existing Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. The standards concerning goodwill are unchanged from the standards included in the previous section 3062. The adoption of this section has not impacted the Fund's consolidated financial statements.

(ii) EIC 173, *Credit Risk and Fair Value of Financial Assets and Financial Liabilities*. This Abstract establishes that an entity's own credit risk and that of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, inclusive of derivative instruments. EIC 173 has been applied retrospectively without restatement of prior periods for the period commencing January 1, 2009. The adoption of EIC 173 resulted in an adjustment to opening accumulated other comprehensive loss of $627.

(p) Future accounting changes

(i) International Financial Reporting Standards – The Canadian Accounting Standards Board confirmed in February 2008 plans to converge Canadian Generally Accepted Accounting Principles ("GAAP") with International Financial Reporting Standards ("IFRS") over a transition period expected to be effective for interim and annual periods commencing January 1, 2011. The Fund is currently assessing the new standards and has not yet finalized the impact on its consolidated financial statements.

3. BUSINESS ACQUISITIONS

(a) Leong & Associates Actuaries And Consultants Inc. ("Leong & Associates")

On October 1, 2008, a subsidiary of the Fund acquired all the issued and outstanding shares of Leong & Associates, a British Columbia based business and one of the largest independent actuarial and pension consulting firms in Western Canada.

The purchase price is contingent on business results and is expected to be approximately $7,600 payable in three instalments. The first instalment was satisfied on closing through cash and equity consideration. The second and third instalments, which are subject to revenue adjustments plus interest calculated at annual rates of 3.27% and 3.87% will be settled on January 1, 2010 and April 1, 2011, respectively.

The contingent consideration has been recognized to the extent the acquired assets net of liabilities assumed exceed the first instalment of the purchase price. The acquisition has been accounted for by the purchase method based on management's best estimate of the relative fair value of the identifiable assets and liabilities acquired. The fair values of the identifiable assets and liabilities acquired are as follows:

Assets and liabilities acquired:	
Cash	$ 71
Accounts receivable	1,200
Unbilled fees	132
Prepaid expenses and other	57
Capital assets	19
Intangible assets	5,797
Accounts payable and accrued liabilities	(737)
Other liabilities	(280)
Future income tax liabilities	(1,662)
	$ 4,597
Consideration:	
Cash	$ 2,410
Exchangeable Units	600
Future considerations	1,587
	$ 4,597

These consolidated financial statements include the results of Leong & Associates from the date of acquisition on October 1, 2008.

(b) Shepell·FGI Holdings LP ("Shepell•fgi")

On June 2, 2008, the Fund indirectly acquired certain assets, shares of certain subsidiaries, liabilities and contracts of Shepell•fgi. The total purchase price is $320,121 including estimated transaction cost of $1,404. The consideration was satisfied by cash of $247,359 and two non-interest bearing promissory notes of $75,000 and $4,500 repayable on July 2, 2009 and July 2, 2010, respectively. The promissory notes were recorded at their combined present value of $71,358 (Note 7).

The acquisition was financed by the issuance of the Fund's Units for proceeds of $153,000, net of underwriters' fees and

estimated issuance expenses of approximately $10,287. The remaining amount was financed through cash from operations and the utilization of a new credit facility. $245,223 of the cash consideration, excluding transaction costs, was paid on closing and the remainder of $2,136 was settled in July 2008 after the finalization of the working capital.

The acquisition has been accounted for by the purchase method based on management's best estimate of the relative fair value of the identifiable assets and liabilities acquired.

Assets and liabilities acquired:

Cash	$ 272
Accounts receivable	14,672
Unbilled fees	9,956
Income taxes recoverable	572
Prepaid expenses and other	2,225
Capital assets	7,669
Intangible assets:	
Customer relationship	90,000
Customer contracts	27,500
Trade name	70,000
Non-compete agreements	5,000
Proprietary software	6,000
Goodwill	125,628
Accounts payable and accrued liabilities	(23,139)
Deferred revenue	(2,298)
Future income tax liabilities	(5,948)
Other liabilities	(7,988)
	$320,121
Consideration:	
Cash	$247,359
Transaction costs	1,404
Promissory notes issued to vendors, at present value	71,358
	$320,121

As a result of the transaction being an asset purchase, a subsidiary of the Fund has approximately $224,000 of eligible tax deductions which are deductible from taxable income at 7% per annum on a declining balance basis.

These consolidated financial statements include the results of Shepell•fgi from the date of acquisition on June 2, 2008.

(c) Cowan Benefits Consulting Limited ("Cowan")

On June 1, 2007, a subsidiary of the Fund directly acquired certain assets, liabilities and contracts of the defined benefit pension administration and actuarial consulting practices ("Cowan DB business") of Cowan. The purchase price is based on the final pension administration and actuarial consulting services revenue and certain other integration conditions and is expected to be approximately $6 million. The acquisition will be paid in three instalments. The first and second instalments have been paid and the last instalment is due on August 1, 2009.

The contingent consideration has been recognized to the extent the acquired assets net of liabilities assumed exceed the first and second instalments of the purchase price.

(d) Heath Benefits Consulting Inc. ("Heath")

On June 1, 2006, the Fund indirectly acquired all of the issued and outstanding shares of Heath, a Vancouver-based benefits consulting firm with over 90 employees across Canada.

The purchase price was $16,853. The consideration was satisfied primarily through cash, the assumption and repayment of the Heath debt and the issuance of Class B LP Units of MS Group LP based on a predetermined value of $12.52 per unit.

A portion of the purchase price was conditional on the continuing employment of certain selling shareholders ("salary component of the Heath acquisition") and has been recorded as salary expense over the required employment period to December 2008. The expenses related to the salary component of the Heath acquisition for the three months ended March 31, 2008 was $240.

4. CAPITAL ASSETS

The Fund's capital assets are comprised of:

	Cost	Accumulated Amortization March 31, 2009	Net Book Value March 31, 2009	Net Book Value December 31, 2008
Computer equipment	$ 4,510	$(1,557)	$ 2,953	$ 2,286
Computer software	2,408	(819)	1,589	1,198
Furniture and equipment	6,906	(2,409)	4,497	4,706
Leasehold improvements	13,379	(4,707)	8,672	9,077
	$27,203	$(9,492)	$17,711	$17,267

Amortization for the three months ended March 31, 2009 and 2008 was $1,033 and $660, respectively.

5. INTANGIBLE ASSETS

The Fund's intangible assets are comprised of:

	Cost	Accumulated Amortization March 31, 2009	Net Book Value March 31, 2009	Net Book Value December 31, 2008
Customer relationships	$199,708	$(23,224)	$176,484	$179,438
Customer contracts	27,500	(13,750)	13,750	17,875
Proprietary software	46,000	(29,000)	17,000	19,300
Non-compete agreements	5,000	(3,125)	1,875	2,812
Trade names	70,000	—	70,000	70,000
	$348,208	$(69,099)	$279,109	$289,425

Amortization for the three months ended March 31, 2009 and 2008 was $10,316 and $3,643, respectively.

6. BANK INDEBTEDNESS AND LONG-TERM DEBT

	March 31, 2009	December 31, 2008
Non-revolving term loan	$137,000	$137,000
Revolving loan	8,000	7,000
	145,000	144,000
Less: current portion of long term debt	(8,000)	(7,000)
Less: debt issue costs, net of accumulated amortization	(1,465)	(1,582)
	$135,535	$135,418

New credit agreement

As part of the Shepell•fgi acquisition the Fund entered into a new credit agreement with a syndicate of Canadian chartered banks for a period of four years maturing on June 1, 2012. Under the agreement, the following credit facilities are available:

- $20,000 senior secured revolving facility ("revolving loan").
- $137,000 senior secured non-revolving term loan ("term loan").
- $23,000 senior secured non-revolving delayed draw term facility (reduced from the initial balance of $40,000 on March 27, 2009, as a result of the repayment of $51,500 of the promissory note during the quarter). This facility shall be available until July 2, 2009 by way of a single draw to fund a portion of the $23,230 promissory note remaining in connection with the Shepell.fgi acquisition.

The interest rates for the facilities are floating, based on a margin over certain reference rates of interest. The applicable margin may vary up and down depending on the ratio of the Fund's consolidated debt to Adjusted EBITDA as calculated in the new credit agreement. Adjusted EBITDA is defined as the rolling twelve months earnings before interest, taxes, deprecation and amortization of the Fund and Shepell•fgi and Leong & Associates.

The credit facilities are secured by a general assignment of all the assets of the Fund. The new credit agreement also requires the Fund to maintain the following financial covenants on a consolidated basis:

(i) Debt to Adjusted EBITDA ratio shall not exceed 3.5:1.0 for the period up to December 30, 2009, and declining to 3.0:1.0 on December 31, 2009 and 2.5:1.0 on June 30, 2011 and thereafter.

(ii) EBITDA to interest expense ratio of not less than 3.0 to 1.0

EBITDA is defined as net income before interest expense, income taxes (recovery), depreciation, amortization and non-controlling interest.

The Fund complied with all the required financial covenants and the ratios as at March 31, 2009 were 2.58 and 5.21 respectively.

At March 31, 2009 the Fund has utilized the following credit facilities:

- $137,000 of term loan. The term loan is repayable in full on June 1, 2012 and bears interest at one month banker acceptance ("BA") rate plus an applicable margin.

- $8,000 of revolving loan. The loan matures on April 2, 2009 but is eligible for rollover under the terms of the revolving loan. The loan bears interest at banker acceptance rate plus an applicable margin.

- Bank indebtedness of $2,611 under the revolving facilities. The overdraft carries interest at prime plus an applicable margin.

Interest-rate swap

In connection with the term loan, the Fund entered into new interest-rate swap agreements for a total notional amount of $102,000, increasing to $137,000 from July 2, 2008 to and ending on June 1, 2012. These swaps are used to fix the variable component of the interest rate at 3.647%, before the applicable margin, for the duration of the loan and have been designated as cash flow hedges. The fair value of the swaps as at March 31, 2009 was $(10,566).

Interest expense

Interest expense is comprised of the following:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Interest on term loan	$2,005	$ 371
Accretion of interest on promissory notes (note 7)	2,670	—
Interest on revolving loan, bank indebtedness and other charges	171	8
Amortization of debt issue costs	117	13
Interest-rate swap agreements fair value adjustment	—	699
	$4,963	$1,091

7. PROMISSORY NOTES

The promissory notes issued as part of the Shepell•fgi acquisition in the amounts of $75,000 and $4,500 are due on July 2, 2009 and July 2, 2010, respectively. The notes are non-interest bearing and are secured by a general assignment of all the assets of the Fund, which is subordinated to the credit facilities.

On March 24, 2009, the Fund used the net proceeds from the Offering (note 9) to prepay $51,500 of the $75,000 note. The Fund has agreed to pay $23,230 on June 30, 2009, to satisfy the remainder of the note. As a result of the prepayment, additional accretion interest of $1,001 has been recorded in the quarter. Since the Fund has available the $23,000 senior secured non-revolving delayed draw term facility to substantially cover the remaining $23,230, the balance has been reflected as a long-term liability.

The Fund has the option to repay 100% of the $4,500 promissory note through the issuance of Units, the number determined by dividing the dollar amount by the then market trading price discounted by 5%, subject to the Fund's ability to issue new Units under the guidance for income trusts that

qualify for the four-year transitional relief. The effect of this potential issuance has been excluded from the net income per unit calculation since the effect would be anti-dilutive.

The promissory notes also include a covenant that the Fund and its subsidiaries shall not incur any debt other than permitted debt as defined in the promissory note agreements unless, after the incurrence of such debt, the Fund would have on a pro forma consolidated basis a ratio of debt to adjusted EBITDA of not greater than 4.5:1.0 determined as of the end of the fiscal quarter ending immediately prior to the date of determination. The Fund complied with all the required covenants.

8. OTHER LIABILITIES

	March 31, 2009	December 31, 2008
Acquired above market rent leases	$5,348	$5,486
Sub-lease loss	1,806	1,766
Deferred lease obligations	1,850	1,359
	$9,004	$8,611

As part of the Shepell•fgi acquisition, the Fund assumed lease agreements for several offices. The above amounts include the difference between estimated market rates and the lease agreements. The estimated sub-lease losses are as a result of excess office spaces assumed from the Shepell•fgi and Leong & Associates acquisitions.

9. FUND UNITS

The Fund is authorized to issue an unlimited number of Units and an unlimited number of special voting units (“Special Voting Units”). Special Voting Units are not entitled to any beneficial interest in any distribution from the Fund.

Units are redeemable at any time on demand by the Unitholders up to an aggregate maximum monthly amount of $50. Trustees may, in their sole discretion, waive this limitation. The redemption price is calculated based on the lesser of:

(i) 90% of the "market price", as defined in the prospectus, as of the date on which the Units were surrendered for redemption; and

(ii) 100% of the "closing market price", as defined in the prospectus, on the redemption date.

The following details the issued and outstanding Units and Special Voting Units:

	Units Issued	Special Voting Units	Total Units	Amount
Balance, December 31, 2008	35,380,524	5,696,591	41,077,115	$362,223
Exchange of Class B LP Units	46,712	(46,712)	—	409
Class A LP Units	6,666,700	—	6,666,700	55,000
Issuance costs	—	—	—	(2,594)
Balance, March 31, 2009	42,093,936	5,649,879	47,743,815	$415,038

On March 24, 2009, the Fund completed a public offering ("Offering"). Pursuant to the Offering, the Fund issued 6,666,700 Units at a price of $8.25 per unit for cash proceeds of $55,000. The issuance costs, net of future income tax benefits of $906, was $2,594.

10. NON-CONTROLLING INTERESTS

The former shareholders of Morneau Sobeco, Heath and Leong & Associates own 5,649,879 Class B LP Units of MS Group LP. The Class B LP Units are fully exchangeable for an equal number of Units in the Fund which equates to a non-controlling interest of 11.2% (December 31, 2008 – 13.9%) in the Fund. Some of the Class B LP Units were subordinated in their rights to receive distributions.

	Unit issued	Amount
Balance, December 31, 2008	5,696,591	$51,724
Exchange Units	(46,712)	(409)
Share of loss for the period	—	(84)
Distributions for the period	—	(1,335)
Balance, March 31, 2009	5,649,879	$49,896

11. DISTRIBUTIONS TO UNITHOLDERS

The Board of Trustees determines the amount of distributions. The Fund's Declaration of Trust provides that distributions must be made to ensure that the Fund will not be liable for ordinary income taxes under the *Income Tax Act (Canada)*. Any taxable income of the Fund that is unavailable for cash distribution will be distributed to Unitholders in the form of additional Units, which Units will be immediately consolidated such that each Unitholder will hold after consolidation the same number of Units as the Unitholder held prior to the distribution, subject to certain exceptions.

Distributions announced during the three months ended March 31, 2009 and 2008 were as follows:

Unitholder record date	Total	Per Unit	Paid or payable for the three months ended March 31, 2009
Trust Units			
January 30, 2009	$ 2,788	$ 0.07871	February 16, 2009
February 27, 2009	2,788	0.07871	March 16, 2009
March 31, 2009	3,313	0.07871	April 15, 2009
	$8,889	$0.23613	
Class B LP Units			
January 30, 2009	$ 445	$ 0.07871	February 16, 2009
February 27, 2009	445	0.07871	March 16, 2009
March 31, 2009	445	0.07871	April 15, 2009
	$ 1,335	$ 0.23613	

Unitholder record date	Total	Per Unit	Paid or payable for the three months ended March 31, 2008
Trust Units			
January 31, 2008	$ 1,635	$ 0.07356	February 15, 2008
February 29, 2008	1,642	0.07356	March 17, 2008
March 31, 2008	1,642	0.07356	April 15, 2008
	$4,919	$0.22068	
Class B LP Units			
January 31, 2008	$ 409	$ 0.07356	February 15, 2008
February 29, 2008	403	0.07356	March 17, 2008
March 31, 2008	401	0.07356	April 15, 2008
	$1,213	$0.22068	

12. LONG-TERM INCENTIVE PLAN

Senior management is eligible to participate in Morneau Sobeco's Long-Term Incentive Plan ("LTIP"), which is designed to align compensation with the performance of the Fund's subsidiaries and to aid in the retention of a select group of senior professionals. The Fund's Compensation, Nominating and Corporate Governance Committee of the Board of Trustees determines (i) who will participate in the LTIP; (ii) the level of participation; and (iii) the time or times when LTIP awards will vest or be paid to each participant.

Pursuant to the LTIP, Morneau Sobeco sets aside a pool of funds in an amount determined by the Board. Morneau Sobeco

or a trustee purchases Units in the market with this pool of funds and holds the Units until such time as ownership vests to each participant. Generally, Units will either vest upon departure from the firm after a period of at least three years, or in equal amounts over a period of three years following the grant of the awards. LTIP participants are entitled to receive distributions on all Units held for their account prior to the applicable vesting date. Unvested Units held by the trustee for an LTIP participant will be forfeited if the participant resigns or is terminated prior to the applicable vesting date and those Units will be sold and the proceeds returned to Morneau Sobeco, or as otherwise directed.

Amounts awarded under the terms of the LTIP since inception of the plan and their associated expenses by year based on vesting periods are summarized as follow:

Year awarded	Year units purchased	Award amount	Expense by year – December 31				
			2007	2008	2009	2010	2011
2006 . .	2007	$ 386	$146	$ 198	$ 42	$—	$—
2007 . .	2008	1,340	—	484	439	417	—
2008 . .	2008	2,046	—	907	591	334	214
2009 . .	2009	220	—	—	112	73	35
		$3,992	$146	$1,589	$1,184	$824	$249

Once awarded, the LTIP amount to be recognized as an expense in future periods is classified as a prepaid expense on the consolidated balance sheet. As at March 31, 2009 the amount recorded under prepaid is $1,712. The expense recognized for the three months ended March 31, 2009 and March 31, 2008 was $321 and $170, respectively.

13. INCOME TAXES

The Fund currently qualifies as a Mutual Fund Trust for Canadian income tax purposes. Prior to new legislation relating to the federal income taxation of publicly-listed or traded trusts, as discussed below, income earned by the Fund and distributed annually to Unitholders was not, and would not be, subject to taxation in the Fund. For financial statement reporting

purposes, the tax deductibility of the Fund's distributions was treated as an exemption from taxation as the Fund distributed and was committed to continue distributing all of its income to its Unitholders. Accordingly, the Fund did not previously record a provision for income taxes, or future income tax assets or liabilities, in respect of the Fund and its flow-through entities. The Fund, however, recorded current and future income tax liability relating to the corporate subsidiaries.

On June 22, 2007, legislation relating to the federal income taxation of a "specified investment flow-through" trust or partnership (a "SIFT"), received Royal Assent (the "SIFT Rules"). A SIFT includes a publicly-listed or traded partnership and trust, such as an income trust and a real estate investment trust. The Fund is a SIFT, as discussed below.

Under the SIFT Rules, following a transition period for qualifying SIFTs, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. Distributions paid by a SIFT as returns of capital will not be subject to the tax.

A SIFT which was publicly listed on or before October 31, 2006 (an "Existing Trust") will become subject to the tax on distributions commencing with the 2011 taxation year end. However, an Existing Trust may become subject to this tax prior to the 2011 taxation year if its equity capital increases beyond certain limits measured against the market capitalization of the Existing Trust at the close of trading on October 31, 2006.

As a result of the SIFT Rules, the Fund commenced recognizing future income tax assets and liabilities with respect to the temporary differences between the carrying amounts and tax bases of its assets and liabilities, and those of its flow-through entities that are expected to reverse in or after 2011. Future income tax assets or liabilities are recorded using tax rates and laws expected to apply when the temporary differences are expected to reverse.

The difference between income taxes calculated using the Fund's effective income tax rates and the amounts that would result from the application of the statutory income tax rates arises from the following:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Income taxes at statutory rates:		
Federal	19.00%	19.50%
Provincial	13.06%	12.68%
	32.06%	32.18%
Income tax provision applied to income before income taxes:		
Combined basic federal and provincial income taxes at statutory rates applied to income from operations	$(1,275)	$ 964
Earnings taxed in the hands of the Unitholders	(2,591)	(1,583)
Non-deductible expenses	66	104
Non-deductible portion of intangibles amortization	491	—
Effect of higher tax rates in non-Canadian jurisdictions	47	—
Adjustment to future income tax assets and liabilities for change in income tax rate	135	—
Other	(235)	39
	$(3,362)	$ (476)

The significant components of future income tax assets and liabilities related to operations are as follows:

	March 31, 2009	December 31, 2008
Future income tax assets:		
Fund Unit issuance costs	$ 4,599	$ 4,091
Capital assets	776	740
Loss carryforward (expiring in 2028)	4,380	2,909
	$ 9,755	$ 7,740
Future income tax liability:		
Intangible assets	$30,246	$31,825
Other liabilities	317	1,265
	$30,563	$33,090

14. EMPLOYEE FUTURE BENEFITS

The Fund offers a pension benefit plan for its employees, which includes a defined benefit option and a defined contribution option. The defined benefit option was closed to new members effective January 1, 1998.

Under the defined contribution option, each member is required to contribute a specific dollar amount based on the member's job level classification. Each member may elect to make an optional contribution of between 50% and 300% of the member's required contribution. The Fund matches required contributions. For employees with less than 10 years of service, the Fund contributes 50% of optional contributions and for members with 10 or more years, 75% of optional contributions.

The pension fund assets and obligations are measured as at March 31 2009. Information about the pension plan's defined benefit option is as follows:

	March 31, 2009	December 31, 2008
Fair value of plan assets	$2,605	$2,662
Accrued benefit obligation	2,461	2,594
Funded status – surplus	$ 144	$ 68
Plan assets:		
Fair value, beginning of year	$2,662	$2,897
Actual return on plan assets	(60)	(287)
Employer contributions	54	288
Benefits paid	(51)	(236)
Fair value, end of period/year	$2,605	$2,662
Accrued benefit obligation:		
Balance, beginning of year	$2,594	$3,218
Current service cost	12	55
Interest cost	47	174
Benefits paid	(51)	(236)
Actuarial gains	(141)	(617)
Balance, end of period/year	$2,461	$2,594
Reconciliation of plan assets to accrued benefit obligation, end of period/year:		
Fair value of plan assets	$2,605	$2,662
Accrued benefit obligation	2,461	2,594
Funded status – surplus	144	68
Unamortized net actuarial (gain)	(388)	(335)
Unamortized transitional obligation	246	269
Accrued benefit asset	$ 2	$ 2
End of year allocation of fair value of plan assets (%):		
Pooled Equities Fund	45%	45%
Pooled Bond Fund	55%	55%
	100%	100%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended
March 31, 2009 and 2008
(Unaudited)
(In thousands of dollars, except unit and per unit amounts)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Pension plan cost:		
Current service cost	$ 12	$ 14
Interest cost on accrued benefit obligation	47	44
Return on plan assets	60	(4)
Actuarial gains during the period on accrued benefit obligation	(141)	(205)
	$ (22)	$(151)
Other adjustments:		
Difference between actual and expected return on plan assets	(107)	(47)
Amortization of actuarial losses	160	249
Transitional amounts	23	23
Net pension plan expense	$ 54	$ 74
Other information about the Fund's defined benefit option is as follows:		
Employer contributions	$ 54	$ 74
Benefits paid	51	15

Actuarial valuation for the Fund's pension plan is generally required every three years. The most recent actuarial valuation of the Fund's pension plan was conducted as of December 31, 2006.

Weighted average assumptions: Weighted average of the amounts assumed in accounting for the plan:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Discount rate at the end of the current fiscal period used to determine the accrued benefit obligation	7.75%	7.25%
Discount rate at the end of preceding period used to determine the benefit cost	7.25%	5.50%
Rate of compensation increase used to determine the accrued benefit obligation	3.50%	3.50%
Rate of compensation increase used to determine the benefit cost	3.50%	2.50%
Expected long-term rate of return on plan assets	7.00%	7.00%

The net expense for the Fund's defined contribution option for the three months ended March 31, 2009 and 2008 was $579 and $511, respectively. In addition, the employees of Shepell•fgi participate in a Group RRSP program in which Shepell•fgi matches 50% of the first 6% of salary contribution. The related expense for the period ended March 31, 2009 was $140.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended
March 31, 2009 and 2008
(Unaudited)
(In thousands of dollars, except unit and per unit amounts)

15. NET INCOME PER UNIT

Net income (loss) per Unit is calculated by dividing net income by the weighted average number of Units outstanding during the period. The following table reconciles the weighted average number of Units outstanding used in computing basic Net income (loss) per Unit to weighted average number of Units in computing diluted Net income (loss) per Unit:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Basic:		
Net (loss) income	$ (531)	$ 2,780
Weighted average number of Units outstanding	36,008,053	22,251,619
Diluted:		
Net (loss) income	$ (531)	$ 2,780
Non-controlling interests	(84)	691
Net (loss) income available to Unitholders and Class B LP Unitholders	$ (615)	$ 3,471
Weighted average number of Units outstanding – basic	36,008,053	22,251,619
Weighted average exchangeable Class B LP Units outstanding	5,661,657	5,532,741
Total weighted average number of diluted Units	41,669,711	27,784,360
Net (loss) income per Unit – basic and diluted	$ (0.015)	$ 0.125

16. SUPPLEMENT DISCLOSURE OF CASH FLOW INFORMATION

Change in non-cash operating working capital:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Accounts receivable	$(2,849)	$(1,910)
Unbilled fees	1,783	(516)
Income taxes recoverable/payable	(821)	(208)
Prepaid expense and other	1,177	518
Accounts payable and accrued liabilities	(2,427)	(6,064)
Deferred revenue	552	158
	$(2,585)	$(8,022)
Supplemental disclosure		
Interest paid	$ 2,089	$ 304
Income taxes paid	$ 951	$ 98

17. COMMITMENTS

The Fund has lease commitments for office premises and equipment with options for renewal. As at March 31, 2009 the minimum payments not including operating expenses, due in each of the next five years and thereafter, are expected to be as follows for each year ending December 31:

2009	$ 8,033
2010	10,172
2011	8,892
2012	7,549
2013	6,840
Thereafter	40,648
Total	$82,134

In addition, the Fund has two subleases for which the Fund is liable for the rent in case of a default by the subtenants. The average annual rent for the leases are $192 and $278 and expire on October 30, 2011 and June 29, 2017, respectively. The fair

value of the total future lease payments related to these subleases as at March 31, 2009 was $2,277 The Fund considers the risk of default by the subtenants to be low therefore no accrual has been set up for the guarantee.

18. CONTINGENCIES

From time to time, the Fund is involved in routine litigation incidental to the Fund's business. Management believes that adequate provisions have been made where required and the ultimate resolution with respect to any claim will not have a material adverse effect on the financial position or results of operations of the Fund.

19. ECONOMIC DEPENDENCE

Revenue from the Fund's largest client was approximately 5% of the total revenue for the three months ended March 31, 2009 (for the three months ended March 31, 2008 – 11%). The Fund's top 10 clients accounted for approximately 22% of the total revenue for the three months ended March 31, 2009 (for the three months ended March 31, 2008 – 31%).

Accounts receivable from the Fund's largest client was approximately 2% of the total accounts receivable as at March 31, 2009 (December 31, 2008 – 2%). The Fund's top 10 clients accounted for approximately 20% of the total accounts receivable as at March 31, 2009 (December 31, 2008 – 23%).

20. SEGMENTED INFORMATION

The Fund's operations consist of one reporting segment, which provides human resource consulting and outsourcing services. Geographic data is as follows:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Revenue:		
Canada	$ 75,620	$ 36,701
United States	6,136	2,433

	March 31, 2009	December 31, 2008
Assets:		
Canada	$672,759	$680,903
United States	9,905	8,962
Liabilities:		
Canada	$317,562	$369,118
United States	3,047	2,617

21. MANAGEMENT OF CAPITAL

The Fund views its capital as the combination of its cash (bank indebtedness), long-term debt, promissory notes, non-controlling interests and Unitholders' equity. The Fund's objectives when managing capital are to safeguard the entity's ability to continue as a going concern while maintaining the distributions to its Unitholders and the growth of the Fund's business through organic growth and new acquisitions.

The Fund manages the capital structure and makes adjustments to it in accordance with the aforementioned objectives, as well as taking into consideration changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Fund may adjust the amount of distributions paid to Unitholders, issue new or repurchase existing Units and assume new or repay existing debt. The Fund will also review its level of equity in the context of the change in taxation impacting the Fund commencing in 2011.

The credit facilities and promissory notes require the Fund to maintain certain financial covenants. Management also uses these ratios as key indicators in managing the Fund's capital.

Distributions are made to Unitholders monthly. Various ratios of distributions to available cash, cash from operating activities and Standardized EBITDA are used by management and the Board of Trustees to assist with the determination of distributions.

22. FINANCIAL INSTRUMENTS

The following table summarizes information regarding the carrying value of the Fund's financial instruments:

	March 31, 2009	December 31, 2008
Held for trading (1)	$ (1,338)	$ (821)
Loans and receivables (2)	58,030	54,414
Other financial liabilities (3)	225,449	275,004

(1) Includes cash and Interest-rate swap agreements

(2) Includes accounts receivable and income taxes recoverable.

(3) Includes accounts payable and accrued liabilities, deferred revenue, Unitholder distributions payable, bank indebtedness and long term debt.

Fair value

The fair value of the Fund's financial assets and liabilities approximate carrying values due to their short-term nature or with respect to the long-term debt instruments, because they bear interest at market rates. The fair value of interest-rate swaps was determined using estimated future discounted cash flows using a comparable market rate of interest. The Fund does not enter into financial instruments for trading or speculative purposes.

Interest rate risk

The Fund is subject to interest rate risk as its secured term loan bears interest at market rates. Interest-rate swap agreements are

used as part of the Fund's program to manage the fixed and floating interest rate mix of the Fund's total debt outstanding and related overall cost of borrowing. The interest-rate swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based.

A sensitivity analysis that assumes interest rates increased or decreased by 50 basis points with all other variables held constant would result in an increase (decrease) of the Fund's interest expense, excluding the interest subjected to interest-rate swap agreements, by $13.

Credit risk

The Fund's exposure to credit risk is limited to carrying amount of cash, accounts receivable and interest-rate swap agreements recognized at the balance sheet date.

The aging of fees receivable was:

	March 31, 2009	December 31, 2008
Current	$25,186	$21,353
Past due 0 - 30 days	13,541	13,443
Past due 31 - 90 days	11,801	9,592
Past due over 90 days	5,428	8,195
	$55,956	$52,583

The Fund believes that the credit risk of accounts receivable is limited for the following reasons:

(1) Risk associated with concentration of credit risk with respect to accounts receivable is limited due to the credit rating of the Fund's top 10 clients. The Fund has over 6,000 clients, with no client consisting of greater than 1% of total revenue with the exception of the top 10 clients.

(2) Management regularly reviews and assesses customer accounts and credit risk. Historically, bad debt as a percentage of revenue has been minimal.

The Fund determines its allowance for doubtful accounts based on it's best estimate of the net recoverable amount by customer account. Accounts that are considered uncollectible are written off. The allowance for doubtful accounts as at March 31, 2009 was $669 (December 31, 2008 -$683).

The Credit risk on cash and interest-rate swap agreements is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Foreign exchange risk

The Fund realizes a portion of sales in U.S. dollars and has operations in the United States and thus is exposed to fluctuations in the value of the U.S. dollar relative to the Canadian dollar. The net revenue exposure after accounting for related expenses denominated in U.S. dollars for the three months ended March 31, 2009 and 2008 was approximately US$1,521 and US$1,179, respectively.

The Fund entered into multiple forward exchange contracts to manage foreign exchange exposure on anticipated U.S. dollar sales transactions and the collection of the related accounts receivables. These contracts have maturities of less then two years. As at March 31, 2009, the aggregate amount of contracts outstanding was US$14,432. As the Fund does not account for these forward contracts using hedge accounting, these contracts are measured at fair value with changes recognized in net income. The unrealized loss as at March 31, 2009 was $1,337 and the expense for the period ended March 31, 2009 was $517.

As at March 31, 2009, the Fund's net exposure to currency risk through its current assets and liabilities dominated in US dollars was US$7,775. Assuming that all other variables remain constant, a 5% depreciation or appreciation of the Canadian dollar against the US dollars would result in an increase or decrease of $607 in the Fund's net income.

Liquidity risk

Liquidity risk is the risk that the Fund is not able to meet its financial obligations as they fall due. The Fund manages

liquidity risk through regular monitoring of financial results and actual cash flows, and also the management of its capital structure and financial leverage as outlined in note 21.

The Fund's principal liquidity needs arise from working capital requirements, debt servicing and repayment obligations, capital expenditures, distributions to Unitholders and acquisition funding requirements.

The Fund has historically utilized cash from operations to satisfy the above needs, with the exception of acquisition funding requirements.

The accounts payable and accrued liabilities and Unitholder distributions payable are due for payment within twelve months of the balance sheet date. In addition, the Fund also has the following contractual obligations maturing in the coming year;

- Promissory note issued in relation to the Shepell•fgi acquisition of $23,230 maturing on July 2, 2009.

- Final instalment related to the Cowan payable on August 1, 2009.

The Fund has the option to repay up to 100% of the $4.5 million promissory note through the issuance of Units, the number determined by dividing the dollar amount by the then market trading price discounted by 5%. In addition, the Fund has available $23 million in a secured non-revolving delayed draw term facility to satisfy funding requirements.

The final instalment related to Cowan is expected to be funded from our cash from operations or drawn from our revolving line of credit.

23. ENVIRONMENTAL REPORTING

As a consulting company, the Fund does not have environmental concerns.

Morneau Sobeco Income Fund (the "Fund") was formed on August 22, 2005 and commenced operations on September 30, 2005 when it completed an initial public offering.

This Management's Discussion and Analysis ("MD&A") covers the three months ended March 31, 2009 and should be read in conjunction with the accompanying unaudited interim Consolidated Financial Statements of the Fund and notes thereto for the three months ended March 31, 2009 as well as the MD&A, and the Audited Consolidated Financial Statements and notes thereto contained in the Fund's Annual Report for the year ended December 31, 2008.

All financial information is presented in Canadian dollars and in accordance with Canadian generally accepted accounting principles ("GAAP") unless otherwise noted. Certain totals, subtotals and percentages may not reconcile due to rounding.

This MD&A contains "forward-looking statements" within the meaning of applicable securities laws, such as statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Use of words such as "may", "will", "expect", "believe", or other words of similar effect may indicate a "forward-looking" statement. These statements are not guarantees of future performance and are subject to numerous risks and uncertainties, including those described in our publicly filed documents (available on SEDAR at *www.sedar.com*) and in this MD&A under the heading "Risks and Uncertainties". Those risks and uncertainties include income tax matters, ability to maintain profitability and manage growth, reliance on information systems and technology, reputational risk, dependence on key clients, reliance on key professionals and general economic conditions. Many of these risks and uncertainties can affect our actual results and could cause our actual results to differ materially from those expressed or implied in any forward-looking statement made by us or on our behalf. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. All forward-looking statements in this MD&A are qualified by these cautionary statements. These statements are made as of the date of this MD&A and, except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Additionally, we undertake no obligation to

comment on analyses, expectations or statements made by third parties in respect of the Fund, its financial or operating results or its securities.

To assist investors in assessing the Fund's financial performance, this discussion also makes reference to certain non-GAAP measures such as Standardized EBITDA, Standardized Distributable Cash, Adjusted Consolidated Distributable Cash, Standardized Distributable Cash Payout Ratio and Adjusted Consolidated Distributable Cash Payout Ratio. Standardized EBITDA represents an indication of the entity's capacity to generate income from operations before taking into account management's financing decisions and costs of consuming tangible and intangible capital assets, which vary according to their vintage, technological currency, and management's estimate of their useful life. Accordingly, Standardized EBITDA comprises revenues less operating costs before interest expense, capital asset amortization and impairment charges, and income taxes. We believe that Standardized EBITDA is a useful measure in evaluating performance of the Fund. It is used to monitor compliance with debt covenants and to make decisions related to distributions to Unitholders rather than net income due to the significant amount of amortization expense related to our intangible assets. We also believe that Standardized Distributable Cash, Adjusted Consolidated Distributable Cash, Standardized Distributable Cash Payout Ratio and Adjusted Consolidated Distributable Cash Payout Ratio are useful supplemental measures of performance as they are generally used by Canadian open-ended business income funds as indicators of financial performance. See the footnotes to the "Results of Operations" chart for more details. Non-GAAP measures do not have any standard meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other issuers.

This MD&A is in all material respects in accordance with the recommendations provided in CICA's publication *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure* and the CICA's publication *Improved Communication with Non-GAAP Financial Measures: General Principles and Guidance for Reporting EBITDA and Free Cash Flow*.

FORMATION AND OWNERSHIP STRUCTURE OF THE FUND

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of Ontario. It indirectly owns

42,093,936 Class A Limited Partnership units of Morneau Sobeco Group Limited Partnership ("MS Group LP"), which represents a 88.2% ownership interest. MS Group LP owns directly and indirectly 100% of Morneau Sobeco Limited Partnership and Morneau Sobeco, Ltd. (the "Morneau Sobeco Operating Entities"). The 11.8% non-controlling interest in MS Group LP is held through Class B LP units of the limited partnership (the "Class B LP Units") and an equal number of Special Voting Units of the Fund, which together are exchangeable into Units. Management employees and former owners of the predecessors of the Morneau Sobeco Operating Entities ("Management Securityholders") hold this non-controlling interest.

On March 24, 2009, the Fund completed a bought deal offering ("Offering"). Pursuant to the Offering, the Fund issued 6,666,700 units of the Fund at a price of $8.25 per unit, for aggregate gross proceeds of $55 million, and net proceeds, after payment of underwriting fees and expenses, of $51.5 million. The net proceeds from the Offering were used to prepay a portion of a $75 million vendor take-back note due July 2, 2009, related to the purchase of Shepell•fgi in June 2008. The Fund has agreed to pay an additional $23,2 million on June 30, 2009, which shall constitute full satisfaction of the Fund's obligations under the note.

As at March 31, 2009, 42,093,936 Units and 5,649,879 Special Voting Units of the Fund were issued and outstanding, and 5,649,879 MS Group LP Class B LP Units were issued and outstanding.

BUSINESS OVERVIEW

Morneau Sobeco Income Fund is the largest Canadian-owned firm providing human resource consulting and outsourcing services. The firm delivers solutions to assist employers in managing the financial security, health and productivity of their employees. With over 2,200 employees in offices across North America, Morneau Sobeco Income Fund offers its services to over 6,000 organizations situated in Canada, in the United States and around the globe.

We derive our revenue primarily from fees charged to clients for consulting engagements, outsourcing engagements, employee assistance program services and work place health and productivity solutions. Fees from consulting engagements are charged based on billable hours or a fee-for-service basis. In some cases, consulting engagements may be billed on a

fixed-fee basis, although these engagements are typically much smaller and the services are delivered over a shorter period of time. For some benefits consulting assignments which involve the purchase of an insurance policy underwritten by an insurance company, we may be paid commissions (in lieu of fees) by the client's insurance company, which is a common practice in the industry. These commissions are based on a percentage of the premiums paid by the client to the insurance company and our policy is to disclose them to our client. We assume no underwriting risk as the insurance policy is underwritten by the insurance company. In addition, we earn interest income from our cash balances which is included in other revenue. Fees from outsourcing engagements are generally based on negotiated fees or a formula tied to the nature of the service being provided.

Our outsourcing business is characterized by fixed contracts, which typically have three-year to five-year terms. Most outsourcing contracts contain an upfront implementation fee and an ongoing monthly service fee. Implementations usually take three to twelve months and involve transferring the administration of a client's pension and/or benefits plans onto our systems, tailoring our systems and training our employees. Additional services provided that are outside the scope of the outsourcing contract are usually paid on a fee-for-service basis.

In the billing for EAP services, a portion of the EAP client agreements require payment of a minimum retainer and incremental usage-based fees. The remainder of the EAP agreements are billed based on a actual usage or fixed fees. Most EAP agreements may be terminated by the client upon 30 to 60 days' notice to the firm, however, it is typical for EAP agreements to continue for multiple years and many automatically renew on an annual basis.

Our largest operating expense is compensation and related costs. This includes salaries, annual performance-based bonuses, benefits (e.g., pension, health, dental), payroll taxes, independent service providers and temporary staffing services. The remaining operating expenses include occupancy costs, technology costs (equipment leases, telecommunications and software), non-recoverable client service costs (such as printing, travel and third-party professional services), training, marketing, office costs, professional services (legal and audit) and insurance.

SUMMARY AND OUTLOOK

The results for the first quarter of 2009 included the results of the acquisitions of Shepell•fgi and Leong & Associates and exceeded our expectations. For the three months ended March 31, 2009 revenue growth was 108.9% compared to the same period in 2008. Beyond the anticipated growth from our 2008 acquisitions, the primary areas of exceptional growth came from our pension consulting practice and EAP. Standardized EBITDA growth was 47.0%, Standardized EBITDA margin was 15.1%, and Standardized EBITDA per Unit (basic) was $0.296. The EBITDA also included a fair value loss on foreign exchange contracts of $0.5 million. Removing the effects of this, our EBITDA margin was 15.7% . The low margin in the quarter is consistent with the seasonality of the EAP business which typically has high employee utilization in the first two quarters of the year and lower utilization in the second half. Expenses are incurred in line with the utilization patterns while revenue for some clients is recognized more heavily in the later part of the calendar year.

We are pleased with our start to 2009. We have seen some of our services positively impacted by the current economic situation. For example employee usage of EAP services has increased by 18% compared to the three months ended March 31, 2008. Pension committees have also requested additional services as they consider financial stress in their pension plans. In addition, we are seeing additional services in response to the need for pandemic disease crisis management.

In addition to our organic growth, we are starting to see results from cross-selling our services to our combined customer base of over 6,000 organizations. Many of our existing customers currently have only one of our service offerings and provide excellent opportunities for us to expand our services.

DISTRIBUTIONS TO UNITHOLDERS

Monthly distributions are declared by the Fund for Unitholders of record on the last business day of each month and are paid on about the 15th day of the following month.

The following table presents excess (shortfall) cash flow from operating activities and net income over distributions to Unitholders for the three months ended March 31, 2009 and 2008 and for the years ended December 31, 2008 and 2007.

	Three months Ended March 31, 2009	Three months Ended March 31, 2008	Year ended December 31, 2008	Year ended December 31, 2007
	(In thousands of dollars)			
Cash flow from (used in) operating activities	$ 8,070	$ (56)	$ 35,295	$ 27,878
Net (loss) income	(531)	2,780	8,796	12,120
Distributions to Unitholders, including Class B LP Units	10,224	6,132	32,718	24,257
(Shortfall) excess of cash flow from operating activities over distributions	(2,154)	(6,188)	2,577	3,621
(Shortfall) of net income from operating activities over distributions	(10,755)	(3,352)	(23,922)	(12,137)

We consider the amount of cash generated by the business in determining the amount of distributions payable to Unitholders. In general, we do not take into account quarterly working capital fluctuations as these tend to be temporary in nature. We do not generally consider net income in setting the level of distributions as this is a non-cash metric and is not reflective of the level of cash flow that we generate. The divergence is particularly relevant for us since we have a relatively high level of amortization expense as well as non-controlling interest related to the Class B LP Units. Our annual excess cash from operating activities over distributions has been used to finance growth in accounts receivable, capital expenditures and acquisitions.

The shortfall of cash flow from operating activities over distributions for the three months ended March 31, 2009 is the result of the annual payment of employee bonuses which are paid in the first half of each year. We believe that based on our current budget and past history, our cash flow from operating activities will exceed our distributions on a year to date basis in future quarters.

The Standardized Distributable Cash Payout Ratio was 94.9% on a twelve-month rolling basis ending March 31, 2009 compared to 90.8% for the same period in 2008. The Adjusted Consolidated Distributable Cash Payout Ratio for the three months ended March 31, 2009 was 111.4% compared to 79.6% for the same period in 2008. The high Adjusted Consolidated Distributable Cash Payout Ratio for the first three months ended March 31, 2009 reflects the seasonality of the EAP business. The comparable 2008 Payout Ratio does not include

the Shepell•fgi business. On a twelve-month rolling basis ended March 31, 2009, the Adjusted Consolidated Distributable Cash Payout Ratio was 81.8% compared to 86.2% for the same period in 2008.

ANALYSIS OF 2009 FIRST QUARTER OPERATING RESULTS

Results of Operations

Selected Unaudited Consolidated Financial Information

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
	(In thousands of dollars except per unit amounts)	
Revenue	**$81,756**	$39,134
Deduct:		
Salary, benefit and contractor expenses	**53,848**	24.337
Other operating expense	**15,573**	6,408
Interest	**4,963**	1,091
Amortization of capital and intangible assets	**11,349**	4,303
Income taxes (recovery)	**(3,362)**	(476)
Non-controlling interest	**(84)**	691
Net income (loss) for the period	**(531)**	2,780
Add (deduct):		
Amortization of capital and intangible assets	**11,349**	4,303
Income taxes (recovery)	**(3,362)**	(476)
Interest	**4,963**	1,091
Non-controlling interest	**(84)**	691
Standardized EBITDA[1]	**$12,335**	$ 8,389
Standardized EBITDA margin	**15.1%**	21.4%
Cash from operating activities	**$ 8,070**	$ (56)
Deduct: Capital expenditures	**1,477**	266
Consolidated Distributable Cash[2]	**6,593**	(322)
Deduct: Consolidated Distributable Cash available to non-controlling interest	**896**	(64)
Standardized Distributable Cash (available for Unitholders)[3]	**$ 5,697**	$ (258)
Consolidated Distributable Cash[2]	**$ 6,593**	$ (322)
Add: Changes in Non-cash operating working capital	**2,585**	8,022
Adjusted Consolidated Distributable Cash[4]	**$ 9,178**	$ 7,700
Net income (loss) per Unit (basic and diluted)	**$ (0.015)**	$ 0.125
Standardized EBITDA per Unit (basic)	**$ 0.296**	$ 0.302
Standardized Distributable Cash per Unit (basic and diluted)	**$ 0.158**	$ (0.012)
Adjusted Consolidated Distributable Cash per Unit (basic and diluted)	**$ 0.220**	$ 0.277
Standardized Distributions declared per Unit (basic and diluted)	**$ 0.236**	$ 0.221
Standardized Distributable Cash Payout Ratio[5][7]	**156.0%**	NM
Adjusted Consolidated Distributable Cash Payout Ratio[6]	**111.4%**	79.6%
Twelve-month rolling Standardized Distributable Cash Payout Ratio	**94.9%**	90.8%
Twelve-month rolling Adjusted Consolidated Distributable Cash Payout Ratio	**81.8%**	86.2%

Footnotes:

(1) "Standardized EBITDA" is defined as net income before interest expense, income taxes (recovery), depreciation, amortization and non- controlling interest.

(2) "Consolidated Distributable Cash" is defined as cash from operating activities adjusted for maintenance capital expenditures.

(3) "Standardized Distributable Cash" is defined as cash from operating activities, including the effects of changes in non-cash operating working capital, less maintenance capital expenditures and Consolidated Distributable Cash available to non-controlling interest.

(4) "Adjusted Consolidated Distributable Cash" is defined as Consolidated Distributable Cash excluding changes in non-cash operating working capital.
(5) "Standardized Distributable Cash Payout Ratio" is defined as declared distributions divided by Standardized Distributable Cash.
(6) "Adjusted Consolidated Distributable Cash Payout Ratio" is defined as declared distributions divided by Adjusted Consolidated Distributable Cash.
(7) This ratio is not presented since it is not a meaningful % when the Standard Distributable Cash per unit is a negative figure.

ANALYSIS OF 2009 FIRST QUARTER RESULTS

Revenue

Revenue for the three months ended March 31, 2009 increased by $42.7 million, or 108.9%, to $81.8 million compared to $39.1 million for the same period in 2008. The increase in revenue was primarily the result of the inclusion of the acquired businesses of Shepell•fgi for 37.4 million and of Leong & Associates for $1.1 million and growth in our pension consulting practice during the period.

Salary, Benefit and Contractor Expenses

Salary, benefit and contractor expenses for the three months ended March 31, 2009 increased by $29.5 million, or 121.3%, to $53.8 million compared to $24.3 million for the same period in 2008. The increase was mainly attributable to salary, benefit and contractor expenses of Shepell•fgi of $26.6 million and $0.5 million from Leong & Associates. The Shepell•fgi costs were higher than plan due to increased EAP client utilization which was up 18% over prior year. The remaining increase of $2.4 million was as a result of a 3% growth in the number of employees and general merit increases.

Other Operating Expenses

Other operating expenses for the three months ended March 31, 2009 increased by $9.2 million or 143.0%, to $15.6 million compared to $6.4 million for the same period in 2008. The increase was primarily attributable to the costs related to the Shepell•fgi business net of synergies of $7.2 million, increased rent and occupancy costs of $0.5 million due to the relocation and expansion of three large offices which occurred in the second and third quarters of 2008, foreign exchange loss of $0.5 million, a capital tax recovery of $0.4 million in 2008 and $0.6 million of general increases.

Interest Expense

Interest expense for the three months ended March 31, 2009 increased by $3.9 million to $5.0 million compared to $1.1 million for the same period in 2008. The increase was primarily

due to $1.8 million interest expense on the new credit facility obtained to finance the Shepell•fgi acquisition, amortization of $0.1 million of debt issuance costs related to the new facility, and accretion of interest of $2.7 million on the promissory notes issued as part of the Shepell•fgi acquisition. Included in the 2008 expenses was a negative fair value adjustment of $0.7 million related to our previous swap agreements.

Amortization of Capital and Intangible Assets

Amortization for the three months ended March 31, 2009 increased by $7.0 million to $11.3 million compared to $4.3 million for the same period in 2008. This change was primarily the result of the amortization of the intangible assets acquired through the acquisitions of Shepell•fgi and Leong & Associates during the second and fourth quarters of 2008.

Income Tax Expense (Recovery)

Income tax recovery for the three months ended March 31, 2009 increased by $2.9 million to $3.4 million compared to $0.5 million for the same period in 2008. The increase was primarily attributable to the tax loss generated by a taxable subsidiary due to the availability of the eligible tax deductions from the acquisition of Shepell•fgi.

Net Income (Loss)

As a result of the changes noted above, the net loss for the three months ended March 31, 2009 was $0.5 million compared to the net income of $2.8 million for the same period in 2008.

Cash from Operating Activities

Cash from operating activities for the three months ended March 31, 2009 increased by $8.1 million to a source of cash of $8.1 million compared to close to breakeven for the same period in 2008. This increase was primarily due to improved Standardized EBITDA of $3.9 million, the add back of the non-cash loss on the fair value of foreign exchange contracts of $0.5 million, and decreased use of cash related to the changes in non-cash operating working capital of $5.4 million (see below). This was partially offset by increased interest payments of $1.7 million related to the Fund's new debt obtained in June 2008.

Changes in Non-Cash Operating Working Capital

Changes in non-cash operating working capital for the three months ended March 31, 2009 improved by $5.4 million to a

use of cash of $2.6 million compared to a use of cash of $8.0 million for the same period in 2008. The decrease was primarily attributable to favorable changes in accounts receivable and unbilled fees of $1.4 million mainly due to the collection of delayed payments from one of our large outsourcing clients of $2.4 million partially offset by growth and favorable change in accounts payable and accrued liabilities of $3.6 million primarily due to the delay of payment of some annual bonuses to the second quarter.

Non-GAAP Financial Measures: Standardized EBITDA, Standardized Distributable Cash and Adjusted Consolidated Distributable Cash

Standardized EBITDA

Standardized EBITDA for the three months ended March 31, 2009 increased by $3.9 million, or 47.0%, to $12.3 million compared to $8.4 million for the same period in 2008. The increase was due to increased revenue of $42.7 million offset by increased salary, benefit and contractor expenses and other operating expenses of $38.7 million.

Standardized Distributable Cash

Standardized Distributable Cash for the three months ended March 31, 2009 increased by $5.9 million to $5.7 million compared to ($0.2) million for the same period in 2008. This increase was primarily due to increased cash from operating activities of $8.1 million, which was partially offset by increased capital expenditures of $1.2 million due to additional technology spending related to the integration and growth of the business and an increase of $1.0 million in Consolidated Distributable Cash available to non-controlling interest.

Adjusted Consolidated Distributable Cash

Adjusted Consolidated Distributable Cash for the three months ended March 31, 2009 increased by $1.5 million to $9.2 million compared to $7.7 million for the same period in 2008. The increase was primarily due to increased Standardized EBITDA of $3.9 million and the add back of the non-cash loss on the fair value of foreign exchange contracts of $0.5 million. This was partially offset by increased interest payments of $1.7 million related to the Fund's new debt obtained in June 2008 and increased capital expenditures of $1.2 million for additional technology spending (see above).

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following table provides an overview of the Fund's cash flows for the periods indicated:

Cash Flow Information

Selected Unaudited Consolidated Financial Information

	Three months ended March 31	
	2009	2008
	(In thousands of dollars)	
Cash provided by (used in):		
Operating activities	$ 8,070	$ (56)
Investing activities	(1,477)	(266)
Financing activities	(8,700)	(6,132)
Decrease in cash	$(2,107)	$(6,454)

2009 First Quarter Results

Cash from operating activities for the three months ended March 31, 2009 increased by $8.1 million to a source of cash of $8.1 million compared to close to breakeven for the same period in 2008. This increase was primarily due to improved Standardized EBITDA of $3.9 million, the add back of the non-cash loss on the fair value of foreign exchange contracts of $0.5 million, and decreased use of cash related to the changes in non-cash operating working capital of $5.4 million (see below). This was partially offset by increased interest payments of $1.7 million related to the Fund's new debt obtained in June 2008.

Cash outflows from investing activities for the three months ended March 31, 2009 increased by $1.2 million to $1.5 million compared to cash outflows of $0.3 million for the same period in 2008. This increase was primarily attributable to increased capital expenditures of $1.2 million for additional technology spending related to the integration of Shepell•fgi and growth of business.

Cash outflows from financing activities for the three months ended March 31, 2009 increased by $2.6 million to $8.7 million compared to cash outflows of $6.1 million for the same period in 2008. This increase was primarily due to higher distribution payments of $3.6 million as a result of additional Units issued in June 2008 and in March 2009 in conjunction with the Shepell•fgi acquisition as well as a 7% increase to our

monthly distribution from $0.07356 per Unit to $0.07871 per Unit in June 2008. This was offset by a $1.0 million additional borrowing from the revolving credit facility to manage the timing of our operating cash flow.

Capital Expenditures

Human resource consulting and outsourcing are not capital intensive. Our capital expenditures typically include office furniture, facility improvements and information technology hardware and software. Additional capital expenditure requirements may result from significant business expansion. Such amounts are expected to be funded from our operating cash flow.

Contractual Obligations

Commitments

We lease office space and selected equipment under operating lease agreements with terms ranging from one to fifteen years. We also have a term loan, a revolving loan and two promissory notes described under "Capital Resources". Future expected payments are as follows:

Summary of Contractual Obligations

	Total	2009 to 2010	2011 to 2012	Beyond 2012
	(In thousands of dollars)			
Term loan	$137,000	$ —	$ —	$137,000
Revolving loan	8,000	8,000	—	—
Promissory notes	27,730	27,730	—	—
Operating leases	82,134	18,205	16,441	47,488
Total	$254,864	$53,935	$16,441	$184,488

In addition, the Fund has two subleases for which the Fund is liable for the rent in case of a default by the subtenants. The average annual rent for each of these leases is $0.2 million, expiring on October 30, 2011 and June 29, 2017, respectively.

Contingent Considerations

The purchase price for the Cowan DB business is expected to be approximately $6 million and the amount will be paid in three instalments. The first two instalments, totaling $5.2 million, were paid as at the beginning of the current period. The third instalment is subject to adjustment based on final pension administration and actuarial consulting services revenue and will be payable on August 1, 2009.

The purchase price for Leong & Associates is contingent on business results and is expected to be approximately $7.6 million payable in three instalments. The first instalment of $2.6 million was satisfied on closing through cash and equity consideration. The second and third instalments, which are subject to revenue adjustments plus interest calculated at annual rates of 3.27% and 3.87%, will be settled on January 1, 2010 and April 1, 2011 respectively.

The Fund has no material contractual obligations other than those described in this MD&A and has no off-balance sheet financing arrangements.

Capital Resources

The following table provides an overview of the Fund's capital resources:

Capital Resources	As at March 31, 2009	As at December 31, 2008
	(In thousands of dollars)	
Bank indebtedness	$ 2,611	$ 504
Revolving loan	$ 8,000	$ 7,000
Long-term debt, net of unamortized debt issue cost	$135,535	$135,418
Promissory notes	$ 26,719	$ 43,917
Unitholders' equity	$362,055	$318,130

We have historically utilized cash from operations to finance our smaller acquisitions and to fund growth in our working capital requirements. As at March 31, 2009, the Fund's working capital (current assets minus current liabilities), excluding the current portion of promissory note and future considerations related to acquisition of $0.7 million, was approximately $ 21.0 million compared to $22.7 million as at December 31, 2008

As part of the Shepell•fgi acquisition the Fund entered into a new credit agreement with a syndicate of Canadian chartered banks for a period of four years maturing on June 1, 2012. Under the agreement, the following credit facilities are available:

- $20 million senior secured revolving facility ("revolving loan").

- $137 million senior secured non-revolving term loan ("term loan").

- $23 million senior secured non-revolving delayed draw term facility (reduced from the initial balance of $40 million on March 24, 2009, as a result of the prepayment of $51.5 million of the promissory note during the quarter). This facility shall be available until July 2, 2009 by way of a single draw to fund a portion of the $23.2 million promissory note remaining in connection with the Shepell•fgi acquisition.

The interest rates for the facilities are floating, based on a margin over certain reference rates of interest. The applicable margin may vary up and down depending on the ratio of the Fund's consolidated debt to Adjusted EBITDA as calculated in the new credit agreement. Adjusted EBITDA is defined as the rolling twelve months earnings before interest, taxes, deprecation and amortization of the Fund, Shepell•fgi and Leong & Associates.

The credit facilities are secured by a general assignment of all the assets of the Fund. The new credit agreement also requires the Fund to maintain the following financial covenants on a consolidated basis:

(i) Ratio of debt to Adjusted EBITDA shall commence at 3.5:1.0 for the period up to December 30, 2009 and declining to 3.0:1.0 on December 31, 2009 and 2.5:1.0 on June 30, 2011 and thereafter.

(ii) Ratio of Standardized EBITDA to interest expense of not less than 3.0:1.0

Standardized EBITDA is defined as net income before interest expense, income taxes (recovery), depreciation, amortization and non-controlling interest. Adjusted EBITDA is defined as the rolling twelve months earnings before interest, taxes, deprecation and amortization of the Fund, Shepell•fgi and Leong & Associates.

The Fund complied with all the required financial covenants and the ratios as at March 31, 2009 were 2.58:1 and 5.21:1 respectively.

Promissory notes

The promissory notes issued as part of the Shepell•fgi acquisition in the amounts of $75 million and $4.5 million are due on July 2, 2009 and July 2, 2010, respectively. The notes

are non-interest bearing and are secured by a general assignment of all the assets of the Fund, which is subordinated to the credit facilities.

On March 24, 2009, the Fund used the net proceeds from the Offering to prepay $51.5 million of the $75 million note. The Fund has agreed to pay $23.2 million on June 30, 2009, to satisfy the remainder of the note. As a result of the prepayment, additional accretion interest of $1 million has been recorded in the quarter. Since the Fund has available the $23 million senior secured non-revolving delayed draw term facility to substantially cover the remaining $23.2 million, the balance has been reflected as a long-term liability.

The Fund has the option to repay up to 100% of the $4.5 million promissory note through the issuance of Units, the number determined by dividing the dollar amount by the then market trading price discounted by 5%. In addition, the Fund has available $23 million in a secured non-revolving delayed draw term facility.

The promissory notes also include a covenant that the Fund and its subsidiaries shall not incur any debt other than permitted debt as defined in the promissory note agreements unless, after the incurrence of such debt, the Fund would have on a pro forma consolidated basis a ratio of debt to Adjusted EBITDA of not greater than 4.5:1.0 determined as of the end of the fiscal quarter ending immediately prior to the date of determination.

SELECTED BALANCE SHEET DATA

The following table provides an overview of the Fund's selected balance sheet data:

Selected Balance Sheet Data	As at March 31, 2009	As at December 31, 2008
	(in thousands of dollars)	
Current assets	$ 76,413	$ 75,757
Other long-term assets	$606,251	$614,108
Current liabilities	$ 55,401	$ 85,331

Current Assets

Current assets as at March 31, 2009 increased by $0.7 million to $76.4 million from $75.7 million as at December 31, 2008. The increase was due to an increase in accounts receivable net

of unbilled fees of $1.8 million. The change is offset by a decrease in prepaid expenses of $1.1 million due to the timing of vendor payments.

Other Long-Term Assets

Other long-term assets as at March 31, 2009 decreased by $7.8 million to $606.3 million from $614.1 million as at December 31, 2008. The decrease was primarily due to amortization expense of $11.3 million offset by capital assets additions of $1.4 million and increased future income tax assets of $2.1 million due to tax benefits generated from the share issuance costs during the quarter and tax losses generated in this quarter.

Current Liabilities

Current liabilities as at March 31, 2009 decreased by $29.9 million to $55.4 million from $85.3 million as at December 31, 2008. The decrease was primarily the result of the early partial repayment of the promissory note, yielding a decrease of $31.6 million in current liabilities. The remaining change was attributable to decreases in accounts payable and accrued liabilities of $2.2 million mainly due to payments of a portion of the year end bonuses. This was partially offset by increased distributions payable of $0.5 million. In addition, we increased our draw on our revolving loan of $3.0 million to manage our working capital needs.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements, in accordance with GAAP, requires us to make estimates and assumptions that affect the reported values of assets and liabilities as well as disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. Accordingly, actual results could differ from these estimates. The accounting policies and estimates that are critical to the Fund's business relate to the following items:

Revenue Recognition

We earn fee-for-service revenue based on hourly rates and the time spent delivering those services. We also earn contracted revenue based on negotiated fixed amounts or on a formula

tied to the nature of the service, rather than the time spent. Revenue is recognized in the period that the service is rendered, irrespective of when it is invoiced. EAP revenue is recognized through a combination of the minimum contracted amount and incremental usage above the minimum thresholds. The minimum contracted amount is recognized on a straight-line basis over the term of the contract. Incremental usage is recognized when the minimum usage threshold is exceeded up to a cap where applicable. Unbilled fees are recorded at the lower of unbilled hours worked at standard billing rates and the amount which we estimate can be recovered upon invoicing. Expenses are recognized as incurred. Losses on fixed-fee contracts are recognized during the period in which the loss becomes probable. Billings in excess of revenue are recorded as a deferred revenue liability until services are rendered. Revenue does not include reimbursements for recoverable expenses, such as employee travel expenses, outside printing and third-party professional services. Reimbursements are accounted for as a reduction to expenses.

We also earn commission revenue as payment for the provision of benefits consulting services to clients, as a percentage of insurance premiums paid by our clients. Commission revenue is received annually, semi-annually, quarterly or monthly. Annual fees are typically paid at the beginning of the insurance policy period and are recognized as income at the later of the billing or effective date of the policy, net of a provision for return commissions due to policy cancellations or change of broker.

Intangible Assets and Goodwill

Intangible assets consist of trade names, customer relationships, proprietary software, customer contracts and non-compete agreements. Intangible assets with a finite life are amortized on a straight-line basis over their estimated useful lives. Intangible assets with an indefinite life are not amortized but are tested for impairment annually or more frequently if events or circumstances indicate there may be an impairment by comparing the estimated discounted future net cash flows from the asset to its carrying amount.

Goodwill is not amortized and is subject to an annual impairment test. Goodwill impairment is assessed based on a comparison of the estimated fair value of the Fund and the carrying value of its net assets including goodwill. An impairment loss will be recognized if the carrying amount of the Fund’s net assets exceeds its estimated fair value.

Allowance for Doubtful Accounts

A provision for accounts receivable resulting from the potential risk that the accounts receivable will not be collected has been recorded. We continually monitor past due accounts to assess the likelihood of collection to estimate the required provision.

Litigation and Claims

We are involved in litigation and other claims arising in the normal course of business. We must use judgment to determine whether or not a claim has any merit, the amount of the claim and whether to record a provision, which is dependent upon the potential success of the claim. We believe that none of the current claims will have a material adverse impact on the financial position of the Fund.

Future Income Taxes

The Fund uses the asset and liability method of accounting for income taxes. Future income taxes are recognized for the temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws that are expected to apply to taxable income in the years in which those temporary differences are expected to be reversed or settled. The effect on future income tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the date of enactment or substantive enactment.

Financial Instruments

Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in the income statement. Loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization. The Fund had neither available-for-sale nor held-to-maturity instruments.

Transaction costs are expensed as incurred for financial instruments classified or designated as held–for-trading. For other financial instruments, transaction costs are capitalized on initial recognition and are included in the underlying balance.

The interest-rate swap and forward exchange agreements, that are not subject to hedge accounting are classified as held-for-trading and are recorded at their fair value with a corresponding adjustment to interest expense.

Derivative financial instruments are used by the Fund in the management of its interest rate risk exposure on debt financing and foreign exchange risk arises due to fluctuations in United States currency rates.

Derivatives that have been designated and function effectively as a hedge are accounted for using hedge accounting principles. The effective portion of changes in fair value of derivatives that qualify for hedge accounting are recorded in other comprehensive income. Any ineffective portions of changes in the fair value are recognized in net income in the period in which the change occurred. If the hedging relationship ceases to be highly effective, changes in the fair value of the interest-rate swap are recognized in income beginning in the period in which the change occurs. Derivatives that do not qualify for hedge accounting such as the foreign exchange derivatives are recorded on the consolidated balance sheet at fair value with changes in fair value recorded as income or expense in the consolidated statement of income.

New Accounting Policies

Effective January 1, 2009 the Fund adopted the following new accounting standards:

1. Section 3064, *Goodwill and Intangible Assets,* which replaces the existing Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs.* This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. The standards concerning goodwill are unchanged from the standards included in the previous section 3062. The adoption of this section has not impacted the Fund's consolidated financial statements

2. EIC 173, *Credit Risk and Fair Value of Financial Assets and Financial Liabilities.* This Abstract establishes that an entity's own credit risk and that of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, inclusive of derivative instruments. EIC 173 has been applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods commencing January 20, 2009. The adoption of EIC 173 resulted in an adjustment to opening accumulated other comprehensive loss of $0.6 million.

Future Accounting Changes

The Canadian Accounting Standards Board confirmed in February 2008 that publicly accountable entities will be required to adopt International Financial Reporting Standards ("IFRS") for interim and annual financial statements for periods beginning on January 1, 2011. The Fund has established a project plan for implementing IFRS which includes determining:

- Changes to accounting policies and implementation decisions;
- Changes to disclosure requirements;
- Changes to information systems and accounting processes;
- Changes to internal control over financial reporting and disclosure controls and procedures;
- Training requirements; and
- External stakeholder communications.

The impact of the adoption of IFRS on the Fund's financial reporting is currently being assessed.

RISKS AND UNCERTAINTIES

The results of operations, business prospects and financial condition of the Fund are subject to a number of risks and uncertainties and are affected by a number of factors outside our control.

Risk Related to the Business of Morneau Sobeco

Current Economic Conditions

An economic slowdown could cause demand for our services to decline. Growth in our clients' businesses may be affected by the economic environment and could therefore have an impact on the Fund's operating results. We can neither predict the impact current economic conditions will have on our future results, nor predict when the economy will show meaningful improvement. During the current economic period, our clients and potential clients may reduce or delay services or projects or defer contracts currently underway. This situation could also lead to greater delays and defaults in payments or debt

collection, resulting in lower operating results. Because of lower revenue during an economic slowdown, competition may increase and prices may be reduced by certain competitors to maintain or expand their market share. Our pricing and profitability could be adversely affected as a result.

Ability to Maintain Profitability and Manage Growth

There can be no assurance that Morneau Sobeco will be able to sustain profitability in future periods. Morneau Sobeco's future operating results will depend on a number of factors, including its ability to continue to successfully execute its strategic initiatives.

There can be no assurance that Morneau Sobeco will be successful in achieving its strategic plan or that its strategic plan will enable the firm to maintain its historical revenue growth rates or to sustain profitability.

Failure to successfully execute any material part of Morneau Sobeco's strategic plan could have a material adverse effect on its business, financial condition and operating results, and the ability of the Fund to make distributions on the Units.

There can be no assurance that Morneau Sobeco will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on the Fund's business, financial condition and operating results, and on the ability of the Fund to make distributions on the Units.

Integration of Shepell•fgi

While Management believes that the operation of Morneau Sobeco and Shepell•fgi can be successfully integrated, there can be no assurance that this will be the case. Morneau Sobeco could face impediments in its ability to implement its integration strategy. In addition, there can be no assurance that unforeseen costs and expenses or other factors will not offset, in whole or in part, the expected benefits of Morneau Sobeco's integration and operating plans.

The successful integration and management of the business involves numerous risks that could adversely affect the Fund's growth and profitability, including: (i) the risk that Management may not be able to successfully manage the operations of Shepell•fgi and the integration may place significant demands on Management, diverting their attention from existing operations; (ii) the risk that the Fund's

operational, financial and management systems may be incompatible with or inadequate to effectively integrate and manage the acquired systems; (iii) the risk that the acquisition may require unforeseen substantial financial resources that otherwise could be used in the development of other aspects of the business; and (iv) the risk that customers and channel partners may not be retained following the acquisition, which could be significant to the Fund's operation. The successful integration of the acquisition is also subject to the risk that personnel from the Shepell•fgi business and the existing Morneau Sobeco business may not be able to work together successfully, which could affect the operation of the combined business.

Failure to successfully integrate the operations of Morneau Sobeco and Shepell•fgi could have a material adverse effect on the Fund's business, financial condition, liquidity and results of operations.

Potential Undisclosed Liabilities Associated with Acquisition/ Limited Indemnification

In connection with the acquisitions completed by the Fund, there may be liabilities and contingencies that the Fund failed to discover or was unable to quantify in its due diligence which it conducted prior to the execution of an acquisition, and the Fund may not be indemnified for some or all of these liabilities and contingencies. The existence of any material liabilities or contingencies could have a material adverse effect on the Fund's business, financial condition, liquidity and results of operations.

Reliance on Information Systems and Technology

Information systems are an integral part of Morneau Sobeco's business and the products and services offered to its clients. Morneau Sobeco relies on systems to maintain accurate records and to carry out required administrative functions in accordance with the terms of its contractual obligations to its clients. Morneau Sobeco relies on the Internet as a key mechanism for delivering services to clients and achieving efficiencies in its service model. The Internet has experienced, and is expected to continue to experience, significant growth in the number of users and volume of traffic. As a result, its performance and reliability may decline. In order to maintain the level of security, service and reliability that clients require, Morneau Sobeco may be required to make significant investments in the online means of delivering consulting and

outsourcing services. In addition, Web sites and proprietary online services have experienced service interruptions and other delays. If these outages or delays occur frequently in the future, Internet usage as a medium of exchange of information could decline and the Internet might not adequately support the firm's Web-based tools. The adoption of additional laws or regulations with respect to the Internet may impede the efficiency of the Internet as a medium of exchange of information and decrease the demand for Morneau Sobeco's services.

Any disruptions in Morneau Sobeco's systems, the failure of the systems to operate as expected or the firm's ability to use the Internet effectively to deliver services could, depending on the magnitude of the problem, result in a loss of current or future business and/or potential claims against Morneau Sobeco, all of which could have a material adverse effect on Morneau Sobeco's business, financial condition and operating results, and on the ability of the Fund to make distributions on the Units.

Reputational Risk

Morneau Sobeco depends, to a large extent, on its relationships with its clients and its reputation for high-quality outsourcing and consulting services. As a result, the impact of a client not being satisfied with Morneau Sobeco's services or products may be more damaging in Morneau Sobeco's business than in other businesses. Moreover, if the firm fails to meet its contractual obligations, Morneau Sobeco could be subject to legal liability and a loss of client relationships.

Dependence on Key Clients

For the three months ended March 31, 2009, Morneau Sobeco's largest client accounted for approximately 5% of revenue (for the three months ended March 31, 2008 – 11%) and the top 10 clients accounted for approximately 22% of the total revenue for the three months ended March 31, 2009 (for the three months ended March 31, 2008 – 31%). As clients may terminate engagements with minimal notice, there can be no assurance that Morneau Sobeco will be able to retain relationships with its largest clients. Moreover, there can be no assurance that such clients will continue to use Morneau Sobeco's services in the future. Any negative change involving any of Morneau Sobeco's largest clients, including but not limited to a client's financial condition or desire to continue using the firm's services, could result in a significant reduction in revenue which could have a material adverse effect on

Morneau Sobeco's business, financial condition and operating results, and on the ability of the Fund to make distributions on the Units.

Risk of Future Legal Proceedings

Morneau Sobeco may be threatened with, or may be named as a defendant in, or may become subject to, various legal proceedings in the ordinary course of conducting its business, including lawsuits based upon professional errors and omissions. Morneau Sobeco's business involves assumptions and estimates concerning future events, the actual outcome of which cannot be known with certainty in advance. In addition, computational, software programming or data management errors could occur. For example, possible legal proceedings could result from:

(i) a client's assertion that actuarial assumptions used in a pension plan were unreasonable, leading to plan underfunding;

(ii) a claim that inaccurate data was used, which could lead to an underestimation of plan liabilities; or

(iii) a claim that employee benefits plan documents were misinterpreted or plan amendments were misstated in plan documents, which could lead to overpayments to beneficiaries.

The employee health and productivity services involve confidential counseling, occupational health activities and case management. Each of these activities could potentially put the Fund in conflict with its customers, their employees, or both. Possible legal proceedings could also result from matters such as an employee claiming for breach of confidence, failure to provide adequate counsel, or denial of benefits or employment as a result of Morneau Sobeco's actions.

Defending lawsuits of this nature could require much management attention, which could divert its focus from operations. Such claims could produce negative publicity that could hurt Morneau Sobeco's reputation and business. A significant judgment against Morneau Sobeco, or the imposition of a significant fine or penalty as a result of a finding that Morneau Sobeco failed to comply with laws or regulations, could have a material adverse effect on Morneau Sobeco's business, financial condition and operating results, and on the ability of the Fund to make distributions on the Units.

Reliance on Key Professionals

Morneau Sobeco's operations are dependent on the abilities, experiences and efforts of its professionals, many of whom have excellent reputations and a significant number of contacts in the industry in which Morneau Sobeco operates. Morneau Sobeco's business depends, in part, on its professionals' ability to develop and maintain alliances with businesses such as financial services companies, healthcare organizations, insurance companies, business process outsourcing organizations and other companies, in order to develop, market and deliver its services. If Morneau Sobeco's strategic alliances are discontinued due to the loss of professional staff or if the firm has difficulty developing new alliances, profitability could be negatively impacted. Should any member of its professional staff be unable or unwilling to continue his or her relationship with Morneau Sobeco, this change could have a material adverse effect on Morneau Sobeco's business, financial condition and operating results, and on the ability of the Fund to make distributions on the Units.

Reliance on Service Providers

Morneau Sobeco relies on a network of independent service providers to provide its EAP services to clients in numerous countries. There can be no assurance that the cost of retaining these service providers in the future will not increase or that any increases can be passed on to the clients. In addition, some of EAP service providers in certain jurisdictions have, in the past, become its competitors. This could have a material adverse effect on Morneau Sobeco's business, financial condition and operating results, and on the ability of the Fund to make distributions on the Units.

Relationships with Channel Partners

Morneau Sobeco markets its services directly to end user employers as well as through certain channel partners, primarily insurance companies (many of which compete amongst themselves directly). There can be no assurance that Morneau Sobeco will be able to maintain its existing relationships with all these channel partners which could have a material adverse effect on Morneau Sobeco's business, financial condition and operating results, and on the ability of the Fund to make distributions on the Units.

Competition

Morneau Sobeco operates in a highly competitive North American market. As a result, Morneau Sobeco competes with

many domestic and international firms. Some of its competitors have achieved substantially more market penetration in certain of the areas in which Morneau Sobeco competes. In addition, some of Morneau Sobeco's competitors have substantially more financial resources and/or financial flexibility than Morneau Sobeco. Competitive forces could result in reduced market share and thus have a material adverse effect on Morneau Sobeco's business, financial condition and operating results, and on the ability of the Fund to make distributions on the Units.

Legislative and Regulatory Changes

The business of pension and benefits consulting and outsourcing is highly regulated and laws are constantly evolving. Currently the provisions of employee health and productivity services are not generally subject to government regulation. However, there is no certainty that regulation will not be introduced as governments in these countries adjust their policies and practices in the health care industry.

Any changes to laws, rules, regulations or policies could have a material adverse effect on Morneau Sobeco's business, financial condition and operating results, and on the ability of the Fund to make distributions on the Units.

Changes in Business Conditions

Morneau Sobeco's future success depends, in part, on its ability to develop and implement technology solutions that anticipate and keep pace with rapid and continuing changes in technology, industry standards and client preferences. The firm may not be successful in anticipating or responding to these developments on a timely basis and its ideas may not be accepted in the marketplace. The effort to gain technological expertise and develop new technologies in its business requires Morneau Sobeco to incur significant expenses. If Morneau Sobeco cannot offer new technologies as quickly as its competitors, or if the competition develops more cost-effective technologies, Morneau Sobeco could lose market share. Also, products and technologies developed by Morneau Sobeco's competitors may make the firm's service or product offerings non-competitive or obsolete. Any one of these circumstances could have a material adverse effect on Morneau Sobeco's ability to obtain and fulfill important client engagements, and thus could have a material adverse effect on Morneau Sobeco's business, financial condition and operating results, and on the ability of the Fund to make distributions on the Units.

Timely Completion of Projects and Performance of Obligations

In its contracts with clients, Morneau Sobeco is sometimes committed to complete a project by a scheduled date. If the project is not completed by the scheduled date, Morneau Sobeco may either incur significant additional costs or be held responsible for the costs incurred by the client to rectify damages due to the late completion. Morneau Sobeco's success depends in large part on whether it fulfills these and other contractual obligations with clients and maintains client satisfaction. If Morneau Sobeco fails to satisfactorily perform its contractual obligations, its clients could terminate contracts and/or take legal action against Morneau Sobeco. Such occurrences could result in a loss of its professional reputation and in extra costs needed to defend or rectify the situation and thus have a material adverse effect on Morneau Sobeco's business, financial condition and operating results, and on the ability of the Fund to make distributions on the Units.

Timing of Revenue Collection Related to Fixed-Price Contract with Predetermined Threshold

The Fund recognizes certain revenues related to the EAP services that arise when clients' usage exceeds predetermined thresholds. Frequently, these revenues cannot be billed and collected until the anniversary date of the agreement. The time delay between earning this revenue and collecting it potentially increases the risk of not collecting on these unbilled receivables, which may negatively affect the ability of the Fund to make distribution on the Units.

Implications of Fixed-Price Contracts

A portion of Morneau Sobeco's revenue comes from fixed-price contracts. A fixed-price contract requires Morneau Sobeco to perform either all or a specified portion of work under the contract for a fixed price. Fixed-price contracts expose Morneau Sobeco to a number of risks, including underestimation of costs, ambiguities in specifications, unforeseen costs or difficulties, problems with new technologies, delays beyond the control of Morneau Sobeco, failures of subcontractors to perform, and economic or other changes that may occur during the contract period. Increasing use of fixed-price contracts and/or increasing the size of such contracts would increase Morneau Sobeco's exposure to these risks. Losses under fixed-price contracts could have a material adverse effect on Morneau Sobeco's business, financial condition and operating results, and on the ability of the Fund to make distributions on the Units.

Confidentiality of Client Information

Morneau Sobeco depends to a large extent on its relationships with its customers and its ability to properly maintain confidential client information. The failure of Morneau Sobeco to maintain client confidentiality could, depending on the magnitude of the problem, result in a loss of future business and/or potential claims against Morneau Sobeco which could have a material adverse effect on Morneau Sobeco's business, financial condition and operating results, and on the ability of the Fund to make distributions.

Foreign Exchange Risk

A portion of Morneau Sobeco's sales are in U.S. dollars and thus Morneau Sobeco is exposed to fluctuations in the value of the U.S. dollar relative to the Canadian dollar. During the first quarter of 2009, the Fund entered into a series of foreign exchange contracts to reduce its exposure to currency fluctuations over the next two years. As at March 31, 2009, the aggregate amount of foreign exchange contracts outstanding was $14.4 million, compared to $16.7 million at December 31, 2008. As the Fund does not account for these forward contracts using hedge accounting, these contracts are measured at fair value with changes recognized in net income. The unrealized loss as at March 31, 2009 was $1.3 million, compared to $0.8 million as at December 31, 2008. The net revenue exposure after accounting for related expenses denominated in U.S. dollars less amounts under foreign exchange contracts was approximately US$nil million for the quarter ended March 31, 2009, compared to US$1.2 million for the quarter ended March 31, 2008. An increase in foreign revenues would expose the Fund to fluctuations in exchange rates which may have a material adverse effect on Morneau Sobeco's business, financial condition, and operating results, and on the ability of the Fund to make distributions on the Units.

Interest Rate Fluctuations

Morneau Sobeco may be exposed to fluctuations in interest rates under its borrowings. Interest-rate swap agreements are used as part of the Fund's program to manage the fixed and floating interest rate mix of the Fund's total debt outstanding and related overall cost of borrowing. Increases in interest rates may have a material adverse effect on Morneau Sobeco's business, financial condition and operating results, and on the ability of the Fund to make distributions on the Units.

Protection of Intellectual Property

Morneau Sobeco continually develops and improves its proprietary technology solutions for clients. No assurance can be given that Morneau Sobeco's competitors will not develop substantially similar technology. Morneau Sobeco relies on one or more of the following to protect its proprietary rights: trademarks, copyrights, trade secrets, confidentiality procedures and contractual provisions. Despite Morneau Sobeco's efforts to protect its proprietary rights, unauthorized parties may attempt to obtain and use information that Morneau Sobeco regards as proprietary. Stopping unauthorized use of Morneau Sobeco's intellectual property may be difficult, time-consuming and costly. There can be no assurance that Morneau Sobeco will be successful in protecting its proprietary rights and, if it is not, this could have a material adverse effect on Morneau Sobeco's business, financial condition and operating results, and on the ability of the Fund to make distributions on the Units.

Rising Insurance Costs

The cost of maintaining professional errors and omissions insurance as well as director and officer liability insurance is significant. Morneau Sobeco could experience higher insurance premiums as a result of adverse claims experience or because of general increases in premiums by insurance carriers for reasons unrelated to its own claims experience. Generally, Morneau Sobeco's insurance policies must be renewed annually. Its ability to continue to obtain insurance at affordable premiums depends upon its ability to continue to operate with an acceptable claims record. A significant increase in the number of claims, the existence of one or more claims in excess of its policy limits or the inability to obtain adequate insurance coverage at acceptable rates, or at all, could have a material adverse effect on Morneau Sobeco's business, financial condition and operating results, and on the ability of the Fund to make distributions on the Units.

Risk Related to the Structure of the Fund

Income Tax Matters

There can be no assurance that Canadian federal income tax laws and administrative policies respecting the treatment of mutual fund trusts will not be changed in a manner which may adversely affect the Unitholders.

The Fund's Declaration of Trust provides that a sufficient amount of the Fund's net income and net realized capital gains

shall be distributed each year to Unitholders in order to eliminate the Fund's liability for tax under Part 1 of the *Income Tax Act (Canada)*. Where such amount of net income and net realized capital gains of the Fund in a taxation year exceeds the cash available for distribution in the year, such excess net income and net realized capital gains will be distributed to Unitholders in the form of additional Units. Unitholders are generally required to include an amount equal to the fair market value of those Units in their taxable income, in circumstances when they do not directly receive a cash distribution.

On June 22, 2007, legislation that proposed changes to the taxation of publicly traded income trusts received Royal Assent. Certain income of (and distributions made by) the Fund will be taxed in a manner similar to income earned by (and distributions made by) a corporation in the 2011 taxation year.

As a result, the Fund has recognized a $2.7 million future income tax liability as at June 30, 2007 on temporary differences in the reported amounts for financial statement and tax purposes in the intangible and capital assets. The Fund will be liable for income tax at a rate of 29.5% on its taxable income earned in 2011 and 28.0% thereafter.

This legislation is effective for the 2007 taxation year with respect to trusts which commenced public trading after October 31, 2006, but the application of the rules will be delayed to the 2011 taxation year with respect to trusts which were publicly traded prior to November 1, 2006.

On December 15, 2006, the Department of Finance (Canada) released guidance for income trusts and other flow-through entities that qualify for the four-year transitional relief. The guidance establishes objective tests with respect to how much an income trust is permitted to grow without jeopardizing its transitional relief. In general, the Fund will be permitted to issue new equity over the next four years equal to its market capitalization as of the end of trading on October 31, 2006 (subject to certain annual limits). Market capitalization, for these purposes, is to be measured in terms of the value of the Fund's issued and outstanding publicly traded Units. If these limits are exceeded, the Fund may lose its transitional relief and thereby become immediately subject to the proposed rules.

On December 20, 2007, the Department of Finance (Canada) announced technical amendments to clarify certain aspects of

the new rules (which, as discussed above, will be effective on January 1, 2011, subject to compliance with the normal growth guidelines). One of the amendments is intended to exempt from the new rules a subsidiary partnership that (i) is not publicly traded, and (ii) is wholly-owned by a publicly traded trust or partnership, a taxable Canadian corporation or a combination of these entities. Although the MS Group LP is not publicly traded, the amendments do not appear to exempt a partnership with individual partners. Legislation implementing these amendments was included in Bill C-10 which received royal assent on March 12, 2009. However, the Fund believes that the MS Group LP will not be subject to tax under the new rules prior to January 2011, assuming that the Fund complies with the normal growth guidelines.

On December 4, 2008, the Department of Finance (Canada) announced an acceleration of the safe harbour amounts for 2009 and 2010 such that after December 4, 2008, they became immediately available. The safe harbour rules remained cumulative such that after December 4, 2008, the maximum amount that could be issued by a SIFT under the safe harbour rule is 100% of its October 31, 2006 market capitalization less the value of any units issued after October 31, 2006 (other than any issuances of units that would not be subjected to the Normal Growth Guidelines).

This legislation may adversely affect the marketability of the Fund's Units and the ability of the Fund to undertake financings and acquisitions, and, at such time as the SIFT Rules apply to the Fund, the distributable cash of the Fund may be materially reduced.

Conversion to corporate structure

The Department of Finance has released legislation facilitating tax deferred conversion of SIFTs to corporations. The Fund has commenced the process of considering its options with respect to converting to a corporate structure. Currently we have no plans to convert early.

Dependence on Morneau Sobeco Group LP and Its Subsidiaries

The Fund is an unincorporated open-ended, limited purpose trust that is entirely dependent on the operations and assets of the Trust. Cash distributions to Unitholders will be dependent on, among other things, the ability of the Trust to pay interest on the Trust Notes and to make cash distributions in respect of the Trust Units, which, in turn, are dependent on MS Group

LP making cash distributions. MS Group LP's ability to make cash distributions is dependent on the ability of its subsidiaries to make cash distributions or other payments or advances. This will be subject to applicable laws and regulations and contractual restrictions contained in the instruments governing any indebtedness of those entities, including restrictive covenants in the credit facilities.

Cash Distributions Are Not Guaranteed and Will Fluctuate With the Business Performance

Although the Fund intends to distribute the interest received in respect of the Trust Notes and the cash distributions received in respect of the Trust Units, less expenses and amounts, if any, paid by the Fund in connection with the redemption of Units, there can be no assurance regarding the amounts of income to be generated by MS Group LP's businesses or ultimately distributed to the Fund. The ability of the Fund to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of MS Group LP (and its subsidiaries), and will be subject to various factors including each of its financial performance, its obligations under applicable credit facilities, fluctuations in its working capital, the sustainability of its margins and its capital expenditure requirements. The market value of the Units may deteriorate if the Fund is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

Restrictions on Potential Growth

The payout by Morneau Sobeco of substantially all of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of Morneau Sobeco and its cash flow.

Nature of Units

The Units share certain attributes common to both equity securities and debt instruments. The Units do not represent a direct investment in the businesses of Morneau Sobeco and should not be viewed by investors as direct securities of HRCO Inc. or its subsidiaries. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions or rights of dissent. The

Units represent a fractional interest in the Fund. The Fund's primary assets are Trust Units and Trust Notes.

The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporations Act (Canada)* and are not insured under the provisions of that Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation, as it does not carry on or intend to carry on the business of a trust company.

Market Price of Units

Publicly traded investment trusts such as the Fund do not necessarily trade at prices determined solely by reference to the underlying value of their investments. Increases in market rates of interest may lead purchasers to demand a higher yield on the Units, which may adversely affect their price. In addition, the market price for the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and other factors beyond the Fund's control.

The market value of the Units may deteriorate if the Fund is unable to meet its distribution targets in the future, and that deterioration may be material. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

Leverage and Restrictive Covenants in Agreements Relating to Indebtedness of Morneau Sobeco

The ability of the Trust and its subsidiaries to make distributions or make other payments or advances will be subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of those entities. The degree to which MS Group LP or Morneau Sobeco is leveraged could have important consequences to the Unitholders including: Morneau Sobeco's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; a significant portion of Morneau Sobeco's cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations; certain borrowings will be at variable rates of interest, which exposes Morneau Sobeco to the risk of increased interest rates; and Morneau Sobeco may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. These factors may increase

the sensitivity of Standardized Distributable Cash to interest rate variations.

The advance of the new credit facilities at the closing of the Shepell•fgi acquisition has significantly increased the amount of Morneau Sobeco's debt compared to historical levels. The new credit facilities contain numerous restrictive covenants that limit the discretion of Management with respect to certain business matters. These covenants place significant restrictions on, among other things, the ability of Morneau Sobeco to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidated with another entity. In addition, the new credit facilities contain a number of financial covenants that require Morneau Sobeco to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in Morneau Sobeco's credit facilities could result in a default which, if not cured or waived, could result in a reduction or termination of distributions by Morneau Sobeco and permit acceleration of the relevant indebtedness. If the indebtedness under the new credit facilities were to be accelerated, there can be no assurance that the assets of Morneau Sobeco would be sufficient to repay in full that indebtedness. In addition, the new credit facilities mature on June 1, 2012. There can be no assurance that future borrowings or equity financing will be available to the Fund or Morneau Sobeco, or available on acceptable terms, in an amount sufficient to fund the Fund's or Morneau Sobeco's needs.

Dilution of Existing Unitholders and MS Group LP Unitholders

The Fund's Declaration of Trust authorizes the Fund to issue an unlimited number of Units for that consideration and on those terms and conditions as shall be established by the Trustees without the approval of any Unitholders. The Unitholders will have no pre-emptive rights in connection with such further issues. Additional Units will be issued by the Fund in connection with the indirect exchange of the Class B MS Group LP Units. In addition, MS Group LP is permitted to issue additional MS Group LP Units for any consideration and on any terms and conditions.

Morneau Sobeco has the option to satisfy up to $4.5 million owing under the promissory note due July 2, 2010, issued in connection with Morneau Sobeco's acquisition of the business of Shepell•fgi, in the form of newly-issued Fund Units.

Issuances of additional Fund Units will dilute an investor's investment in Morneau Sobeco, which may adversely affect the market price of the Fund Units.

Distribution of Securities on Redemption or Termination of the Fund

It is anticipated that the redemption right will not be the primary mechanism for Unitholders to liquidate their investments. Upon redemption of Units or termination of the Fund, the Trustees may distribute the Trust Notes and Trust Units directly to the Unitholders, subject to obtaining all required regulatory approvals. Trust Units and Trust Notes so distributed may not be qualified investments for registered plans (i.e., trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, each as defined in the *Income Tax Act* (Canada), depending upon the circumstances at the time. There is currently no market for the Trust Notes and the Trust Units.

Future Sales of Units by the Management Securityholders

The Management Securityholders hold all of the Class B LP Units, representing in aggregate 19.6% of the outstanding MS Group LP Units, which, pursuant to the Exchange Agreement, can be exchanged for Units at any time, subject to certain conditions. Certain of the Management Securityholders have also been granted certain registration rights by the Fund. If the Management Securityholders sell a substantial number of Units in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also contribute to a decline in the market price of the Units.

Restrictions on Certain Unitholders and Liquidity of Units

The Fund's Declaration of Trust imposes various restrictions on Unitholders. Non-resident Unitholders are prohibited from beneficially owning either more than 40% of Units and/or the Special Voting Units (on non-diluted and fully diluted bases). These restrictions may limit (or inhibit the exercise of) the rights of certain persons, including non-residents of Canada and U.S. persons, to acquire Units, to exercise their rights as Unitholders and to initiate and complete takeover bids in respect of the Units. As a result, these restrictions may limit the demand for Units from certain Unitholders and thereby adversely affect the liquidity and market value of the Units held by the public.

Statutory Remedies

The Fund is not a legally recognized entity within the relevant definitions of the *Bankruptcy and Insolvency Act*, the *Companies' Creditors Arrangement Act* and in some cases, the *Winding- up and Restructuring Act*. As a result, in the event that a restructuring of the Fund is necessary, the Fund and its stakeholders may not be able to access the remedies and procedures available thereunder.

SUPPLEMENTARY SUMMARY OF QUARTERLY RESULTS

Operating results, distribution summary and condensed balance sheet history are as follows:

Operating Results, Distribution and Condensed Balance Sheets

Selected Unaudited Consolidated Financial Information

	Quarter ended							
	March 31 2009	December 31 2008	September 30 2008	June 30 2008	March 31 2008	December 31 2007	September 30 2007	June 30 2007
	(In thousands of dollars except per unit amounts)							
Revenue	$ 81,756	$ 82,298	$ 75,918	$ 52,363	$ 39,134	$ 36,707	$ 37,231	$37,057
Net income (loss)	(531)	3,001	557	2,456	2,780	4,489	2,907	1,680
Standardized EBITDA	12,335	17,301	13,933	10,486	8,389	7,391	7,481	8,106
Standardized EBITDA margin	15.1%	21.0%	18.4%	20.0%	21.4%	20.1%	20.1%	21.9%
Standardized Distributable Cash [(1)]	5,697	16,079	3,345	8,182	(258)	7,812	8,097	5,835
Adjusted Consolidated Distributable Cash	9,179	14,931	11,133	9,730	7,700	7,025	6,515	7,223
Distributions declared	10,224	9,661	9,629	7,296	6,132	6,131	6,131	6,131
Net income (loss) per Unit (basic)	(0.015)	0.085	0.016	0.093	0.125	0.203	0.132	0.076
Net income (loss) per Unit (diluted)	(0.015)	0.085	0.016	0.091	0.125	0.203	0.132	0.076
Standardized EBITDA per Unit (basic)	0.296	0.423	0.342	0.329	0.302	0.266	0.269	0.292
Standardized Distributable Cash per Unit (basic)[(1)]	0.158	0.455	0.095	0.310	(0.012)	0.352	0.366	0.264
Adjusted Consolidated Distributable Cash per Unit (basic)	0.220	0.365	0.273	0.305	0.277	0.253	0.234	0.260
Distributions declared per Unit (basic)	0.236	0.236	0.236	0.226	0.221	0.221	0.221	0.221
Standardized Distributable Cash Payout Ratio (basic)[(2)]	156.0%	51.9%	248.6%	73.9%	NM	62.6%	60.2%	83.4%
Adjusted Consolidated Distributable Cash Payout Ratio[(3)]	111.4%	64.7%	86.5%	75.0%	79.6%	87.3%	94.1%	84.9%
Twelve-month rolling Standardized Distributable Cash Payout Ratio[(4)]	94.9%	101.0%	126.2%	87.0%	90.8%	92.7%	95.0%	90.6%
Twelve-month rolling Adjusted Consolidated Distributable Cash Payout Ratio	81.8%	75.2%	81.8%	82.9%	86.2%	86.0%	85.9%	84.3%
Total assets	$682,664	$689,865	$683,273	$688,804	$328,665	$334,428	$337,391	342,569
Total long-term debt	$135,535	135,418	135,280	135,162	34,926	34,913	34,901	34,888

(1) The Standardized Distributable Cash for the three months ended March 31, 2008 was negative as the Fund paid its employees all of their annual bonuses in the first quarter of that year. For the three months ended March 31, 2009 the Fund paid a portion of the annual bonuses in the first quarter and the remaining paid in the second quarter.
For the three months ended September 30, 2008 the amount declined primarily due to the seasonality in the billing terms related of the EAP contracts, timing of our customer payments and the funding of long term incentive plan awards for new hires in 2008 as a result of the Shepell•fgi acquisition.

(2) This ratio is not presented for the quarters ended March 31, 2008 since it is not a meaningful % when the Standard Distributable Cash per unit is a negative figure.

(3) The Adjusted Consolidated Distributable Cash payout ratio is 111.4% as a result of the timing of the EAP revenue.

(4) The twelve-month rolling Standardized Distributable Cash payout ratio ended December 31, 2008 was 101.0%. Our receivables at year end were $2.4 million higher than normal due to delayed payments from one of our large outsourcing clients. This amount was subsequently collected after our year end. Removing the effect of the late payment, the Standardized Distributable Cash Payout Ratio for the year ended December 31, 2008 would have been 93.6 %.

Disclosure Controls and Procedures

The Fund's disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information is identified to its Disclosure Committee to ensure appropriate and timely decisions are made regarding public disclosure.

The Chief Executive Officer and the Chief Financial Officer have concluded that the disclosure controls and procedures are appropriately designed as at March 31, 2009 and operating effectively to provide this assurance based on the evaluation of these controls conducted as at December 31, 2008.

Internal control over financial reporting

Management is responsible for designing internal controls over financial reporting, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. In designing these controls, Management used the *Internal Control – Integrated Framework* (COSO Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission.

The Chief Executive Officer and the Chief Financial Officer have concluded that the internal controls over financial reporting are appropriately designed as at March 31, 2009 and operating effectively to provide this assurance based on the evaluation of these controls conducted as at December 31, 2008.

No changes were made in the Fund's internal controls over financial reporting during the first quarter ended March 31, 2009, that have materially affected, or are reasonably likely to materially affect, the Fund's internal controls over financial reporting, with the exception of internal controls related to the Shepell•fgi business.

The Fund acquired the Shepell•fgi business on June 2, 2008. The Fund is continuing the documentation and integration of internal controls over financial reporting for that business and will carry out an evaluation of theses controls during the second quarter.

The following is a summary of the financial information of Shepell•fgi:

- Revenue for the three months ended March 31, 2009 of $37.4 million.
- Current and non-current assets as at March 31, 2009 of $40.4 million and $8.1 million respectively.
- Current and non-current liabilities as at March 31, 2009 of $22.9 million and $7.5 million.

Additional Information

The Fund's Units trade on the Toronto Stock Exchange under the symbol MSI.UN. Additional information relating to the Fund, including all public filings, is available on the SEDAR Web site (*www.sedar.com*) and on our own Web site at *www.morneausobeco.com*.

The content of this MD&A reflects information known as of May 13, 2009.

MORNEAU SOBECO

HUMAN RESOURCE CONSULTING AND ADMINISTRATIVE SOLUTIONS

Morneau Sobeco Income Fund is the largest Canadian-owned firm providing human resource consulting and outsourcing services. Through Morneau Sobeco and Shepell•fgi, the firm delivers solutions to assist employers in managing the financial security, health and productivity of their employees. With over 2,200 employees in offices across North America, Morneau Sobeco Income Fund offers its services to organizations that are situated in Canada, in the United States and around the globe.

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