



Annual Information Form

Offering Series A and F units of:

**REDWOOD DIVERSIFIED EQUITY FUND
REDWOOD DIVERSIFIED INCOME FUND
REDWOOD GLOBAL SMALL CAP FUND**

June 27, 2012

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The funds and the securities of the funds offered under this annual information form are not registered with the United States Securities and Exchange Commission and are sold in such jurisdiction only in reliance on exemptions from such qualification or registration.

Table of Contents

Name and Formation of the Funds	1
Investment Restrictions and Practices of the Funds.....	1
Short Selling.....	1
Description of Units	2
General	2
Meetings of Unitholders	3
Calculation of Series Net Asset Value and Valuation of Portfolio Securities	4
Calculation of Net Asset Value	4
Valuation of Portfolio Securities	4
Purchase of Units.....	6
General	6
Purchase Price	6
Processing Orders.....	6
Certificates	7
Switching Privileges.....	7
Switch Fees.....	7
Redemption of Units.....	7
Processing Redemptions.....	7
Payment of Redemption Proceeds.....	8
Eligibility Requirements for Series F Units.....	8
Suspension of Redemptions	8
Short-Term Trading.....	9
Policies and Procedures Related to Voting Proxies Relating to Portfolio Securities	9
Policies Related to Voting Rights and Fund-of-Fund Investments	12
Management of the Funds.....	13
The Manager.....	13
Portfolio Adviser.....	15
Brokerage Arrangements.....	15
Custodian.....	15
Auditors.....	16
Registrar and Transfer Agent	16
Conflicts of Interest	16
Principal Holders of Securities	16
Fund Governance	17
Short Selling Risk Management	17
Policies Related to Repurchase and Reverse Repurchase Transactions and Securities Lending Transactions	18
Management Fee Distributions	18
Income Tax Considerations	19
Material Contracts	20
Auditors' Consent.....	21
Certificate of the Funds, Manager and Promoter.....	C1

Name and Formation of the Funds

Redwood Diversified Equity Fund, Redwood Diversified Income Fund and Redwood Global Small Cap Fund (the “Funds”) are mutual funds governed by the laws of Ontario pursuant to an amended and restated master declaration of trust (the “Master Declaration”) dated May 21, 2008, as amended on September 10, 2008. The schedule to the Master Declaration may be amended from time to time to add or remove mutual fund trusts. The Master Declaration establishes Redwood Asset Management Inc. (“Redwood”) as the trustee of the Funds (“Trustee”). It also provides that the Trustee may terminate a Fund as of a date not earlier than 60 days following the mailing of a notice of termination to unitholders.

The manager of the Funds is Redwood (the “Manager”, “we” or “us”), formed by articles of amalgamation under the laws of Ontario on January 1, 2010. The Manager’s offices are located at 120 Adelaide Street West, Suite 2400, P.O. Box 23, Toronto, Ontario M5H 1T1.

On August 31, 2009, Redwood acquired all of the issued and outstanding shares of Ark Financial Holdings Inc. (“Ark Holdings”), the parent company of Ark Fund Management Ltd. (“Ark Fund Management”). On January 1, 2010, Redwood, Ark Holdings and Ark Fund Management amalgamated, with the newly amalgamated company continuing under the name “Redwood Asset Management Inc.”

This Annual Information Form contains details about each of the Funds. It is intended to be read along with the Simplified Prospectus of the particular Fund you are investing in. If you have questions after reading these documents, please contact your financial advisor or us.

Investment Restrictions and Practices of the Funds

The Funds are subject to certain standard investment restrictions and practices contained in securities legislation, including National Instrument 81-102 – *Mutual Funds* (“NI-81-102”). This legislation is designed in part to ensure that the investments of the Funds are diversified and relatively liquid and to ensure the proper administration of the Funds. Each of the Funds adheres to these standard investment restrictions and practices.

The fundamental investment objectives of each of the Funds are set out in the Simplified Prospectus of the Funds. Any change in the fundamental investment objective of a Fund requires the approval of a majority of the votes cast at a meeting of investors called for that purpose. The Manager may change a Fund’s investment strategies from time to time at its discretion.

Each Fund is a mutual fund trust under the *Income Tax Act* (Canada)(the “**Tax Act**”). A mutual fund trust must restrict its undertaking to the investment of its funds in property for the purposes of the Tax Act. No fund has deviated from this requirement in the last year.

Each Fund is a registered investment under the Tax Act. In order to avoid certain penalty taxes, a Fund that is a registered investment but is not a mutual fund trust under the Tax Act must restrict its investments to qualified investments for registered retirement savings plans, registered retirement income funds and deferred profit sharing plans. Since each Fund was a mutual fund trust throughout last year, no Fund was subject to these requirements.

Short Selling

Each of the Funds may engage in short selling, which involves borrowing securities from a lender and selling those securities in the open market (or “selling short” the securities). At a later date, the same number of securities are repurchased by that fund and returned to the lender. In the interim, the proceeds from the first sale are deposited with the lender and the fund pays interest to the lender on the borrowed

securities. If the value of securities declines between the time that the fund borrows the securities and the time it repurchases and returns the securities to the lender, the fund will make a profit for the differences (less any interest the fund is required to pay to the lender). Selling short provides the Funds with more opportunities for profits when markets are generally volatile or declining.

The Funds will engage in short selling only within certain controls and limitations, pursuant to applicable securities legislation, which imposes the following conditions and limits on the Funds' short-selling activities. Securities will be sold short only for cash. A security sold short shall not be: (i) a security that the mutual fund is otherwise not permitted to purchase at the time of the short sale transaction; (ii) an illiquid asset; or (iii) a security of an investment fund unless the security is an index participation unit.

As well, at the time securities of a particular issuer are sold short by a Fund, (i) the Fund has borrowed or arranged to borrow from a borrowing agent the security that is to be sold under the short sale transaction; (ii) the aggregate market value of all securities of that issuer sold short will not exceed 5% of the net asset value of the Fund; and (iii) the aggregate market value of all securities sold short by a Fund will not exceed 20% of the net asset value of the Fund. The Fund also will hold cash cover (as defined in NI 81-102) in an amount, including the Fund's assets deposited with borrowing agents as security in connection with short transactions, that is at least 150% of the aggregate market value of all securities it sold short on a daily market-to-market basis. No proceeds from short sales will be used by a Fund to purchase long positions other than cash cover.

Description of Units

General

Each Fund is permitted to issue an unlimited number of series of units, and an unlimited number of units of each series. The Funds offer two series of units designated as Series A and Series F units. Redwood may create new series of units from time to time at its discretion.

A mutual fund generally derives its value from the portfolio assets held by that mutual fund and the income earned in respect thereof. A separate net asset value is calculated daily in respect of each series of units issued by each of the Funds. The net asset value of each Fund and of each series of units is determined as described under "Calculation of Series Net Asset Value and Valuation of Portfolio Securities" commencing on page 3.

Units or units of a series of a Fund have the following attributes:

- a unit or a unit of a series entitles the holder to vote on all matters brought before unitholders or before unitholders of a series of units on matters being voted on separately by series, as may be the case;
- each unit of a particular series entitles the owner to one vote at meetings of unitholders of the Fund where all series vote together and to one vote at meetings where that particular series votes separately;
- a unit or a unit of a series entitles the unitholder to an equal portion of all payments made to unitholders of that series of units in the form of income or capital distribution and to participate equally in the net assets of the Fund allocated to that series of units remaining after satisfaction of outstanding liabilities allocated to that series if the Fund is liquidated;
- each unit may be redeemed at the option of the holder at an amount equal to its net asset value.

All units of a Fund are fully paid and non-assessable when issued. Fractions of units may be issued. Fractional units carry the rights and privileges and are subject to the restrictions and conditions applicable to whole units in the proportions which they bear to one unit except fractional units do not carry voting rights.

The rights and conditions attached to the units of each of the Funds may be modified only in accordance with the provisions attached to such units and the provisions of the Master Declaration. A description of the series of units offered by each Fund and the eligibility requirements attached to each Series A or Series F unit of a Fund are contained in the Simplified Prospectus of the Funds.

Meetings of Unitholders

The Funds do not hold regular meetings. Unitholders of each Fund will be permitted to vote on all matters that require unitholder approval under NI 81-102. These matters are:

- a change in the basis of the calculation of a fee or expense that is charged to the Fund, or its unitholders by the Fund or the Manager in connection with the holding of units of the Fund, in a way that could result in an increase in charges to the Fund or its unitholders unless the Fund contracts at arm's length to the person or company charging the fee or expense and unitholders are given at least 60 days' notice before the effective date of the change that is to be made which could result in an increase in charges to the Fund;
- the introduction of a fee or expense to be charged to the Fund, or directly to its unitholders by the Fund or its manager in connection with the holding of units of the Fund;
- a change of the Manager, unless the new manager is an affiliate of the Manager;
- a change in the fundamental investment objectives of the Fund;
- a decrease in the frequency of the calculation of the net asset value per unit of the Fund;
- certain material reorganizations of the Fund; and
- the appointment of a successor trustee of the Funds in certain circumstances.

The Trustee may amend the Master Declaration without prior notice to unitholders if it believes that the proposed amendment does not have the potential to adversely affect the financial interests and rights of unitholders or it is necessary to:

- comply with applicable laws, regulations and policies;
- remove inconsistencies between the Master Declaration and applicable laws affecting the Funds or Redwood, as trustee;
- fix typographical errors or cure ambiguities;
- comply with the Tax Act; and
- protect unitholders.

Calculation of Series Net Asset Value and Valuation of Portfolio Securities

Calculation of Net Asset Value

The value of a mutual fund is its net asset value ("NAV"). We calculate a separate NAV for each series of units of the Funds. The NAV per series is calculated by adding together the total of the series' share of a Fund's assets and subtracting the total of the liabilities allocated to that series of units. The NAV of each series of securities of a Fund is calculated at the close of business each day of the week on which the Toronto Stock Exchange is open for trading (the "Valuation Date"). Once the NAV of a series of units of a Fund is

determined, the NAV for each unit of that series can be calculated by dividing the series NAV by the total number of securities outstanding in that series of the Fund.

Valuation of Portfolio Securities

In calculating the NAV, the Funds value the various assets as described below. We may deviate from these valuation practices in circumstances where this would be appropriate, for example, if trading in a security is halted because of significant negative news about a company.

- (a) The value of any cash on hand, on deposit or on call, prepaid expenses, cash dividends declared and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless the Manager determines that any such deposit or call loan is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Manager determines to be the reasonable value thereof.
- (b) The value of any bonds, debentures, and other debt obligations shall be valued by taking the average of the bid and ask prices on a Valuation Date at such times as the Manager, in its discretion, deems appropriate. Short-term investments including notes and money market instruments shall be valued at cost plus accrued interest.
- (c) The value of any security, index futures or index options thereon which is listed on any recognized exchange shall be determined by the sale price on the Valuation Date or, if there is no sale price, the average between the bid and the asked price on the day on which the NAV of a Fund is being determined, all as reported by any report in common use or authorized as official by a recognized stock exchange; provided that if such stock exchange is not open for trading on that date, then on the last previous date on which such stock exchange was open for trading.
- (d) The value of any security or other asset for which a market quotation is, in the Manager's opinion, inaccurate, unreliable, not reflective of all available material information, not readily available or not available, are valued at their fair market value, as determined by the Manager.
- (e) The value of any security, the resale of which is restricted or limited, shall be the lesser of the value thereof based on reported quotations in common use and that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by-law, equal to the percentage that a Fund's acquisition cost was of the market value of such securities at the time of acquisition; provided that a gradual taking into account of the actual value of the securities may be made where the date on which the restriction will be lifted is known.
- (f) Purchased or written clearing corporation options, options on futures, over-the counter options, debt-like securities and listed warrants shall be valued at the current market value thereof.
- (g) Where a covered clearing corporation option, option on futures or "over-the-counter" option is written, the premium received by a Fund shall be reflected as a deferred credit which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation shall be treated as an unrealized gain or loss on investment; the deferred credit shall be deducted in arriving at the net asset value of a Fund; the securities, if any, which are the subject of a written clearing corporation option, or "over-the-counter" option shall be valued at their then current market value.
- (h) The value of a futures contract, or a forward contract, shall be the gain or loss with respect thereto, if any, that would be realized if, at the Valuation Time, the position in the futures contract, or the forward contract, as the case may be, were to be closed out unless daily limits are in effect in which case fair value shall be based on the current market value of the underlying interest.
- (i) Margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin.

- (j) All assets of a Fund valued in a foreign currency and all liabilities and obligations of a Fund payable by a Fund in foreign currency shall be converted into Canadian funds by applying the rate of exchange obtained from the best available sources to the Manager including, but not limited to, the Manager or any of its affiliates.
- (k) All expenses or liabilities (including fees payable to the Manager) of a Fund shall be calculated on an accrual basis.
- (l) If an asset cannot be valued under the above rules or under any valuation rules set out in securities legislation or if any of the valuation rules adopted by the Manager but not set out in securities legislation are at any time considered by the Manager to be inappropriate in the circumstances, then the Manager shall use a valuation that it considers to be fair in the circumstances.

In the event of any inconsistency between the valuation principles set out above and the provisions of securities legislation, the provisions of securities legislation shall prevail.

The net asset value per unit of a Fund, for all purposes other than financial statements, is calculated using the valuation principles described above. Pursuant to National Instrument 81-106 – *Investment Fund Continuous Disclosure*, a Fund is required to prepare its financial statements in accordance with Canadian generally accepted accounting principles (“GAAP”) as applicable to public enterprises. The valuation principles established by the Manager outlined above differ from Canadian GAAP primarily with respect to fair valuation of listed securities. Under Canadian GAAP, financial instruments that are quoted in active markets shall be measured based on the bid price for long positions and the ask price for short position while under the Manager’s valuation principles such securities shall be valued using the closing price. As a result, the net asset value per unit presented in the financial statements may differ from the net asset value per unit for the purpose of redemption and purchase of units of a Fund.

The Canadian Accounting Standards Board (“AcSB”) previously confirmed that effective January 1, 2011, International Financial Reporting Standards (“IFRS”) would replace Canada Canadian GAAP for publicly accountable enterprises, which include investment funds. The following events have subsequently occurred:

- 1) In September 2010, the AcSB approved the optional one year deferral of IFRS adoption for investment companies applying Accounting Guideline 18 – “Investment Companies” (“AcG18”) issued by the Canadian Institute of Chartered Accountants (“CICA”), to years beginning on or after January 1, 2012.
- 2) In January 2011, the AcSB approved a further one year deferral of IFRS adoption for investment companies applying AcG18 and segregated funds, to years beginning on or after January 1, 2013.
- 3) In December 2011, the AcSB further extended the deferral of mandatory adoption of IFRS for investment companies by one year to years beginning on or after January 1, 2014.

Investment fund will now be required to mandatorily adopt IFRS for interim and annual financial statements relating to annual periods beginning on or after January 1, 2014. Accordingly, IFRS is expected to be applicable for the Funds effective January 1, 2014.

Purchase of Units

General

The Funds are sold in units, each representing an equal interest in a Fund. Units of each of the Funds are offered for sale on a continuous basis. We reserve the right, from time to time, to “cap” or “close” a Fund or any series of a Fund if it is determined to be in the best interest of a Fund or series of a Fund and the unitholders. If we do “cap” or “close” a Fund or a series of a Fund, it may be re-opened for investment at our sole discretion. Any “capping” or “closing” of a Fund or any series of a Fund will not impact redemption rights of unitholders.

Purchase orders must be placed with dealers or brokers registered in an investor's province. If you buy Series A units, your dealer or broker may charge you a sales charge of up to 5% of the cost of the units you purchase. The sales charge is negotiable between you and your dealer or broker. No sales charge is applied to the purchase of Series F units but you may pay a fee directly to your dealer for such purchase pursuant to a “fee for service” or wrap program.

Purchase Price

Units of each series of the Funds may be purchased at their unit price for that series from time to time, computed as described under “Calculation of Unit Price”. The purchase price per unit is the unit price next determined following receipt by the Fund of a purchase order. Any purchase order received on a Valuation Date after the cut-off time or on any day which is not a Valuation Date is deemed to have been received on the following Valuation Date. The purchase price per unit will then be the NAV per unit for the series established on the Valuation Date following the day of actual receipt of the order. If your purchase order is received by the Manager before 4:00 p.m. (EST) on a Valuation Date, you will pay the NAV per unit for the series set on that Valuation Date or if received after 4:00 p.m. the NAV per unit for the series set on the next Valuation Date.

Processing Orders

The procedures to be followed by investors who desire to purchase units of the Funds are described in the Funds' Simplified Prospectus.

Once you have given a purchase order to your dealer, the dealer must send your order to us on the same day it is received. It is the responsibility of your dealer to transmit orders to us in a timely manner and to assume all related costs. We have the right to accept or reject any purchase order within one business day of receiving the order. If an order is rejected, any amounts received will be returned to your dealer immediately. If your cheque for the purchase of units is not honoured for any reason, we may reverse the purchase order and hold you responsible for any costs involved.

If we don't receive payment and all the necessary documents within three business days of processing your purchase order, securities regulations require us to redeem your units on the next business day. If the proceeds are greater than the payment you owe, the Fund is required to keep the difference. If the proceeds are less than the payment you owe, your dealer will be required to pay the difference, and may wish to collect this amount plus the expenses of doing so from you. Your dealer has the right to collect these amounts from you.

If you purchase securities of a Fund during a period when the NAV is suspended, you may either withdraw your purchase order prior to the end of the suspension period or receive the units based on the NAV per unit first calculated following the end of the suspension period.

Certificates

Certificates are not issued for units purchased.

Switching Privileges

You may switch units of a Fund for units of another Fund at any time through your dealer. A switch is a redemption of the units of the Fund you then own, and a purchase of units in the other Fund.

Switching units of one series for units of another series of the same Fund is not a disposition for tax purposes, whereas a switch from units of one Fund to units of another Fund will constitute a disposition and may result in a capital gain or loss for income tax purposes. Please see “Income Tax Considerations” commencing on page 19 for additional information.

Switch Fees

In addition to any applicable redemption fees, your dealer may charge you a switch fee of up to 2% of the value of the switched units.

You may be charged a short-term trading fee in addition to a switch fee if you switch units within certain time periods. Please see “Short-term trading” commencing on page 8 for additional information.

Redemption of Units

You may redeem all or a portion of your units of the Funds at any time. Units of a Fund may be redeemed at their NAV per unit for the series next determined after receipt of a redemption request at the registered office of the Funds. Redemption requests received on any day that is not a Valuation Date or received after the cut-off time on a Valuation Date are deemed to have been received on the following Valuation Date. In that case, the price on redemption will be the applicable NAV per unit for the series established on the Valuation Date following the day of actual receipt. If your sell order is received by the Manager before 4:00 p.m. (EST) on a Valuation Date, you will receive the unit price set on that Valuation Date or if received after 4:00 p.m., the NAV per unit for the series set on the next Valuation Date.

Processing Redemptions

You must give redemption instructions in writing to your dealer. The redemption instructions must also bear a signature guaranteed by a Canadian chartered bank, trust company or member of a public stock exchange in Canada or be guaranteed to our satisfaction. Additional documentation may be required if the investor is a corporation, partnership, agent, a trustee acting for someone else or a surviving joint owner. If the redemption request relates to a registered plan, additional documentation or withholdings, as required by the Canada Revenue Agency, may be required.

Your dealer must forward your redemption request on the same day it is received. Whenever possible, a dealer is required to transmit redemption request by courier, Priority Post or telecommunications facilities. It is the responsibility of your dealer to transmit orders to us in a timely manner and to assume all associated costs. For security reasons, we may refuse to accept a redemption request sent by you directly through telecommunications facilities.

Redemption requests will be processed in the order in which they are received. A fund will not process a redemption request specifying a forward date or specific price. Redemption requests involving transfers to or from registered plans may be delayed if the transfer documents are not completed properly.

Payment of Redemption Proceeds

We will pay the redemption proceeds within three business days of the applicable Valuation Date in respect of the redemption. If all necessary documents are not received by us with ten business days of receiving a redemption request, you will be deemed to repurchase the units on the tenth business day which will be valued at the NAV per unit calculated as of the next Valuation Date. The redemption proceeds will be applied to the payment of the issue price of the units. If the cost to repurchase the units is less than the redemption proceeds, the difference will belong to the Fund. Any shortfall will initially be paid to the Fund by us. We will be entitled to collect such amount, together with the charges and expenses incurred, with interest, from the dealer who placed the redemption request. Your dealer has the right to collect these amounts from you.

Eligibility Requirements for Series F Units

If, at any time, we become aware that you are no longer eligible to hold Series F units, the Funds may require you to change your Series F units into another series of units of the same Fund after providing you with 30 days' notice. This change will not be made if during the notice period, Redwood agrees that you are once again eligible to hold Series F units. When changing to another series of units, your dealer may charge you a change fee and/or front-end sales charge.

To be eligible to hold Series F units, Redwood must receive confirmation from your dealer that you are enrolled in a dealer-sponsored "fee-for-service" or wrap program where you periodically pay your dealer an asset based fee rather than commissions on each transaction. Your dealer also needs to participate in Redwood's Series F program.

Suspension of Redemptions

Under exceptional circumstances we may be unable to process your redemption order and would be required, therefore, to suspend redemptions. This would most likely occur if (i) market trading has been suspended on the stock exchanges on which a significant portion of the Fund's assets are listed; or (ii) the Fund receives prior permission from the Ontario Securities Commission to do so.

During any period of suspension there will be no calculation of NAV and no units will be issued, switched or redeemed by the Fund. The calculation of the NAV per unit will resume when trading resumes on the exchange or with the permission of the Ontario Securities Commission.

If the right to redeem units of a Fund is suspended and you make a redemption request during that period, you may either withdraw your redemption request prior to the end of the suspension period or your units will be redeemed by the Fund in accordance with the redemption request at the NAV first calculated following the end of the suspension period.

Short-Term Trading

Short-term trading in units of the Fund can have an adverse effect on the Fund. Such trading can increase brokerage and other administrative costs of the Fund and interfere with the long-term investment decisions of the Portfolio Adviser.

We have adopted certain restrictions to deter short-term trading. If you redeem or switch securities of any of the Funds within three months of purchase, you may be charged a short-term trading fee of up to 5% of the value of the units redeemed or switched. We may refund or waive either of these fees at our discretion in special circumstances. Short-term trading fees are paid to the Fund from which the securities are redeemed or switched and are in addition to any other redemption or switch fees that may be payable.

In addition to any applicable short-term trading fees, we may, in our sole discretion, refuse future purchase or switch orders if we determine that your trading activities may be detrimental to the Funds.

While these restrictions and our monitoring attempt to deter short-term trading, we cannot ensure that such trading will be completely eliminated.

Policies and Procedures Related to Voting Proxies Relating to Portfolio Securities

Redwood has established Proxy Voting Policy and Guidelines (the “Guidelines”) that have been designed to provide general guidance, in compliance with the applicable legislation, for the voting of proxies. The Guidelines set out the voting procedures to be followed in voting routine and non-routine matters, together with general guidelines suggesting a process to be followed in determining how and whether to vote proxies. Although the Guidelines allow for the creation of a standing policy for voting on certain routine matters, each routine and non-routine matter must be assessed on a case-by-case basis to determine whether the applicable standing policy or general Guidelines should be followed.

Conflicts of Interest

Situations may exist in which, in relation to proxy voting matters, Redwood or the Portfolio Advisor may be aware of an actual, potential, or perceived conflict between the interests of the Portfolio Advisor and the interests of Unitholders. Where a Portfolio Advisor is aware of such a conflict, the Portfolio Advisor must bring the matter to the attention of the Trustee of the applicable Fund. The Trustee will, prior to the vote deadline date, review any such matter, and will take the necessary steps to ensure that the proxy is voted in accordance with what the Trustee believes to be the best interests of Unitholders, and in a manner consistent with the Proxy Voting Policy and Guidelines. Where it is deemed advisable to maintain impartiality, the Trustee may choose to seek out and follow the voting recommendation of an independent proxy research and voting service.

Directors

Redwood supports boards that have a majority of board members that it classifies as independent and generally looks for attendance records indicating at least a 75% meeting participation rate. Ordinarily, Redwood will not vote against the board of directors solely because the board fails to meet its independence standards or against a director because he or she fails to meet its attendance expectations. Redwood will, however, vote against the board, if corporate performance, over a reasonable period of time, is unsatisfactory.

As a general rule, Redwood does not support placing limits on the length of time a director may serve on a board and supports the separation of the Chairman and Chief Executive Officer roles. Generally, Redwood will not vote against the directors simply because it fails to separate the Chairman and Chief Executive Officer roles, but will vote against a board, if corporate performance, over a reasonable period of time, is unsatisfactory.

Committees

Redwood expects that public companies will at a minimum have the following committees: audit committee; corporate governance committee; compensation committee; and nominating committee. Redwood is primarily concerned with having, at a minimum, two-thirds independent membership on each committee, provided that the chair of the committee is independent.

Auditors

Provided the audit committee comprises independent directors, the auditor is independent of the issuer, and the auditor reports directly to the audit committee and not the management of the issuer, Redwood will generally support the appointment of auditors recommended by the audit committee of the issuer. Independence of auditors is compromised, in Redwood's view, when the auditor's non-audit fees are greater than its audit fees. Without further clarification, Redwood may withhold its support of the re-election of the outside auditor in those circumstances.

Cumulative Voting

In some circumstances, shareholders will be permitted to stack their votes behind one or a few board candidates rather than vote for each candidate separately. Redwood generally opposes cumulative voting, however it may be considered in certain circumstances where the board has been unresponsive to shareholders.

Size of Boards

Redwood is of the view that an effective board size should have no fewer than 7 and no greater than 15 members. A key priority of the board should be to ensure that it has enough competent and independent members, regardless of size. While the independence of the board is a greater concern than the number of members, Redwood will support a board size of 7 to 15 members. Redwood will not vote against the board simply based on it being outside of the guideline, but will do so if corporate performance, over a reasonable period of time, is unsatisfactory.

Director Liability and Indemnification

In order to encourage the nomination of able directors, Redwood believes that an appropriate indemnification policy for directors is warranted. However, these policies should be generally limited to the director acting honestly and in good faith, with a view to the best interests of the corporation and in criminal matters, limited to the director having reasonable grounds for believing the conduct was lawful. Redwood supports proposals that limit directors' liability and provide legal indemnifications to this extent.

Management Stock Options

Redwood supports stock options with the following features: expiry within 5 years of being granted; to prevent dilution, the total of all stock option plans outstanding should be capped at a maximum of 10% of outstanding shares; minimum holding period of at least two years before options can be exercised or sold; and options granted should be expensed by the issuer on its income statement and disclosed to shareholders.

Redwood does not support unrestricted stock options, options priced below current market value, and lowering the exercise price on previously granted options. Redwood is opposed to the large concentration of options to any one individual or a small group within the issuer.

Management Compensation

There should be a positive and significant correlation over a reasonable period of time between compensation and the enhancement of shareholder value. Redwood believes that executive compensation should be competitive without being excessive and will support those compensation plans that it considers to be fair.

Golden parachutes are used as a means to lure or retain qualified executives by providing financial security in the case of an unexpected change in control of a company. These arrangements help to ensure that management makes decisions in the best interests of a company and its shareholders regardless of

management's own welfare. Redwood believes that golden parachutes for senior executives should be reasonable and disclosed to shareholders.

Corporate Loans

Redwood believes that corporate loans for the purpose of purchasing company stock fails to align the interests of management with the shareholders and creates a conflict of interest. Redwood believes that corporate loans to employees, except to employees of financial institutions, in order to purchase company stock should be avoided. If however such loans are contemplated in non-financial institutions, they should be for a maximum of one-times the employee's annual salary and interest should be charged at the prevailing bank rate. Corporations should never provide corporate guarantees for an employee's third party loan.

Confidential Voting by Shareholders

Redwood believes that voting at annual and special meetings should be subject to the same safeguards as voting in any other election and should be free of any potential coercion and/or impropriety. Redwood supports any proposals to introduce or maintain confidential voting.

Dual Class Shares

Common stocks normally have one vote per share. However, it is not unusual for certain types of securities to have more than one vote per share. While this dual class share structure may only result in unequal or subordinate voting shares by providing different rights and privileges for different shareholders, it can also mean that control or power rests only in the hands of select shareholders, without the same relative equity or ownership risk. Accordingly, Redwood supports one class of voting shares only. We will not support the creation or extension of dual-class voting share structures.

Supermajority Approval

While a supermajority vote requirement of normally two-thirds (66.7%) or more, is set to ensure that there is agreement by the majority of shareholders on fundamental issues affecting the future of a company, it is important that the required threshold is not set too high so that the wishes of a dissenting minority of shareholders could defeat the majority wish. Redwood will review supermajority proposals on a case-by-case basis; however, Redwood will generally not support proposals which management seeks to decrease the number of votes required on a fundamental issue affecting the future of the company below two-thirds (66.7%) of the outstanding shares.

Linked Proposals

Linked proposals combine two separate issues into one for the purposes of a proxy vote in order to make an issue more acceptable to shareholders than it would be separately, thereby causing confusion or having the result of coercing shareholders. Redwood is against the submission of linked proposals and will look at each component of a linked proposal separately.

Increase in Authorized Shares

A company may ask shareholders to authorize the issuance of additional common shares to implement a stock split, to support an acquisition or restructuring plan, to use in a stock option plan or to implement an anti-takeover plan. This may, in some cases, dilute the value of existing shareholders holdings and may not be otherwise in their best interests. Redwood will support proposals for the authorization of additional common shares on a case-by-case basis, provided the amount requested is supported by sound business reasons.

Shareholder Proposals

Shareholder proposals give shareholders an opportunity to raise their concerns or issues and be heard by management and the board and give corporations the insights and knowledge of shareholders on particular issues. Redwood will review each shareholder proposal on a case-by-case basis.

Shareholder Right Plans

Shareholder rights plans such as “poison pills”, “crown jewel defence”, “payment of greenmail”, “going private transactions”, “leveraged buyouts” and “lockup arrangements” are considered among the most potent anti-takeover measures a company can adopt. Rights plans ensure that all shareholders are treated equally in the event of a change of control of the company. As well, they can provide directors of a targeted company with sufficient time to ensure that the appropriate course of action is chosen to ensure shareholder interests have been protected. However, shareholder rights plans may also undermine shareholders’ rights to determine the future course of the company. There is also a risk that the existence of anti-takeover measures may adversely influence current share prices, as well as affect long-term shareholder value. Redwood reviews each shareholder rights plan on a case-by-case basis and generally supports shareholder right plans that have the following features:

- renewable for no longer than three years;
- substantive amendments subject to prior shareholder approval;
- triggered when a person acquires at least 20% of outstanding voting shares;
- shares held by a person who enters into a lockup agreement with an offeror are not counted with shares already owned by the offeror and thus the locked-up shares would not count towards the specified percentage of votes required to trigger the rights plan; and
- the board cannot waive the plan’s application or allow for redemption of rights without shareholder ratification.

Redwood does not refrain from voting proxies, other than in respect of fund of fund investments made by Redwood on behalf of a Fund in another fund. Redwood uses internet based proxy collection services to track and confirm that proxies have been voted in accordance with its instructions.

Each Fund’s proxy voting record is available free of charge to any unitholder of the Fund upon request. The proxy voting record is posted on Redwood’s website at www.redwoodasset.com.

Policies Related to Voting Rights and Fund-of-Fund Investments

The Funds may hold investments in securities of other mutual funds (referred to in this context as an “underlying fund”). If a securityholders’ meeting is called for an underlying fund, Redwood may (but is under no obligation to do so) facilitate the delivery of the disclosure and notice materials delivered in connection with such meeting to the beneficial holders of securities of the applicable Fund to enable such securityholders to direct how their pro rata share of that Fund’s securities in the underlying fund are to be voted. Where a Fund holds securities of a related mutual fund, the securities of that related mutual fund cannot be voted by Redwood or the Fund.

Management of the Funds

The Manager

The Manager of the Funds is Redwood Asset Management Inc., a corporation incorporated under the laws of the Province of Ontario with offices located at 120 Adelaide Street West, Suite 2400, P.O. Box 23,

Toronto, Ontario M5H 1T1. The phone number for the Manager is (416) 368-8898 or toll-free at 1-877-313-7011, the e-mail address is invest@redwoodasset.com and the website address is www.redwoodasset.com. Redwood is responsible for all management and administration services required for the day-to-day business of the Funds, including investment management and arranging for the distribution of securities of the Funds.

The Funds have appointed Redwood as their manager pursuant to management agreements (the “Management Agreements”) between each Fund, the Trustee and the Manager, respectively, dated June 30, 2004 in respect of the Redwood Diversified Equity Fund and the Redwood Diversified Income Fund and May 21, 2008 in respect of Redwood Global Small Cap Fund. Pursuant to each Management Agreement, the relevant Fund has delegated to the Manager the management of all of the business and affairs of the Fund, including the provision of administrative services and facilities for the Fund and the investment of the assets of the Fund. The Manager may provide these services directly or it may retain agents to perform these services.

Each Management Agreement continues in effect until terminated. Each Management Agreement may be terminated by the Manager upon 60 days’ prior written notice to the Trustee. The Management Agreement may also be terminated by either party if the other party is in breach thereof and fails to cure the breach as required or if the other party ceases to hold appropriate regulatory approvals or becomes bankrupt or insolvent or commits any other act materially adversely affecting its ability to perform its obligations under the Management Agreement.

Each Management Agreement provides that the Manager is paid a management fee as compensation for its services to the relevant Fund. Please refer to the specific fund information in the Simplified Prospectus for the management fees applicable to each Fund. Any change in the manager of a Fund (other than to an affiliate of the Manager) may be made only with the approval of the investors of that Fund and, where applicable, in accordance with securities regulatory policies.

Distribution crediting services and all unitholders servicing requirements are furnished on behalf of the Manager by KeiData BackOffice Solutions Inc. (“KeiData Inc.”) pursuant to an administrative services agreement (the “Administrative Services Agreement”) dated September 29, 2009 between KeiData Inc. and the Manager.

The following is a list of individuals who are the directors and officers of the Manager. No payments or reimbursements have been made by any of the Funds to the directors or officers of the Manager. The names and municipalities of residence of the directors and officers of the Manager, and their positions and offices, are as follows:

Name and Municipality of Residence	Position and Office	Principal Occupation
Jonathan Clapham Toronto, Ontario	Director and Chief Executive Officer	Chief Executive Officer, Redwood Asset Management Inc.
Peter J. Shippen Toronto, Ontario	Director, President, Chief Financial Officer and Chief Compliance Officer	President, Chief Financial Officer and Chief Compliance Officer, Redwood Asset Management Inc.

Name and Municipality of Residence	Position and Office	Principal Occupation
Gian Delzotto Toronto, Ontario	Director	Private Equity Investor
Fern Karsh Toronto, Ontario	Secretary and General Counsel	General Counsel and Secretary, Redwood Asset Management Inc.

The principal occupation of each of the individuals listed above for the past five years is as follows:

Jonathan Clapham is currently the Chief Executive Officer and a Director of Redwood Asset Management Inc. He formed Redwood in December 2002. He began his career in the financial services industry at BMO Nesbitt Burns, where he was employed as an Investment Representative and Investment Advisor from May 1996 to June 1997. From June 1997 to September 2001, Mr. Clapham served as the Vice-President, Sales, for Clarington Capital Management Inc. In 2002, Mr. Clapham served as the head of sales for Ascendent Fund, a market-neutral arbitrage fund. Mr. Clapham is a graduate of York University.

Peter J. Shippen is currently the President, Chief Financial Officer, Chief Compliance Officer and a Director of Redwood Asset Management Inc. He was an executive officer and a Director of Ark Fund Management and its affiliated entities from September 2007 until its amalgamation with Redwood on January 1, 2010. From July 2002 until August 2007, Mr. Shippen worked at TD Waterhouse Canada Inc., most recently as Vice President, Fund Research and Product Due Diligence. Mr. Shippen is a CFA Charterholder, holder of the CAIA designation and earned a BA, Economics from Wilfrid Laurier University.

Gian Delzotto is and, since January 2002, has served as President and co-founder of IPI Corp. (formerly, Pinga Investment Corporation), an investment company with interests in certain Canadian financial and technology companies. Mr. Delzotto has served as a director of Redwood Asset Management Inc. since July 2008, and previously from February 2004 to June 2007.

Fern Karsh is currently Secretary and General Counsel of Redwood Asset Management Inc. She has been General Counsel at Redwood since March 2011, and Corporate Secretary since May 2012. Prior thereto she was General Counsel for Heritage Financial Group Limited, a group of investment fund companies. Prior thereto she worked in private practice, most recently in the corporate/commercial group at Keel Cottrelle LLP, and prior thereto at Lang Michener LLP. Ms. Karsh obtained her Juris Doctor from the University of Toronto, and her BA in Economics and Administrative and Commercial Studies, Dean's Honor List, with Distinction, from the University of Western Ontario.

Portfolio Adviser

Pursuant to the terms of the Management Agreement, the Manager may retain certain firms to act as portfolio advisers and portfolio managers of the Funds (the "Portfolio Advisers"). They are responsible for providing investment analysis, making investment recommendations to the Manager, making investment decisions of the Funds' portfolios and arranging for the acquisition and disposition of portfolio investments, including all necessary brokerage arrangements. The Manager and each Fund has entered into an advisory services agreement with LDIC Inc. appointing LDIC Inc. as the Portfolio Adviser for the Funds.

Michael B. Decter, President and Chief Executive Officer of LDIC Inc., is principally responsible for the portfolio management decisions of the Funds. He oversees and approves the Funds' investment decisions that are made on day-to-day basis. Mr. Decter is a portfolio manager and has been serving as such at LDIC Inc. since 1998. Mr. Decter's investment decisions are not subject to further committee review or approval.

The advisory services agreements continue in effect until terminated. They may be terminated: (i) by any party on 60 days' prior written notice; (ii) immediately if and when the Portfolio Adviser is in breach or default of any provision of the advisory services agreement which, if capable of being cured, has not been cured within 20 business days of written notice of such breach; (iii) immediately if and when the Portfolio Adviser ceases to carry on business or is dissolved or liquidated; (iv) immediately if and when the Portfolio Adviser becomes bankrupt or insolvent; or (v) immediately if and when the Portfolio Adviser ceases to have all licenses and registrations required to discharge its duties as Portfolio Adviser.

Brokerage Arrangements

Decisions as to the purchase and sale of portfolio securities and decisions as to the execution of all portfolio transactions, including selection of market, dealer or broker and the negotiation, where applicable, of commissions are made by the Portfolio Adviser. In effecting portfolio transactions, overall service and prompt execution of orders on favourable terms will be a primary consideration. To the extent that the executions and prices offered by more than one dealer are comparable, the Portfolio Adviser may, in its discretion, choose to effect portfolio transactions with dealers who provide research, statistical and other similar services to the Funds through the Portfolio Adviser.

For this purpose, investment decision-making services means advice as to the value of securities and the advisability of effecting transactions in securities, analyses and reports concerning securities, portfolio strategy or performance, issuers, industries, or economic or political factors and trends, and data bases or software to the extent they are designed mainly to support those services. Brokerage fees may be allocated to an entity affiliated with the Portfolio Adviser but only if the terms and conditions are as favourable as other dealers, including brokerage fees.

No person or company has provided to the Manager or the Portfolio Advisor investment decision-making services that were paid for through commissions or brokerage transactions executed on behalf of the Funds since the date of the last Annual Information Form, being June 21, 2011.

Custodian

The portfolio assets of the Funds are held under the custodianship of RBC Dominion Securities Inc. ("RBC Dominion Securities") pursuant to custodian and settlement services agreements (the "Custodian Agreements") dated as of August 3, 2004 and May 21, 2008, respectively. Under the Custodian Agreements, RBC Dominion Securities is responsible for the safekeeping of the property of the Funds.

The Custodian Agreements will continue in effect until the Funds cease holding any securities or other assets in their respective accounts with RBC Dominion Securities. RBC Dominion Securities is located in Toronto, Ontario.

Auditors

The auditors of the Funds are Collins Barrow Toronto LLP of Toronto, Ontario. The Manager will not seek the approval of unitholders before changing the auditors for the Funds; however, the Manager will provide unitholders with at least 60 days written notice before the effective date of the change.

The auditors are independent of the Manager.

Registrar and Transfer Agent

KeiData Inc., the registrar and transfer agent of the Funds, maintains the register of securities of the Funds at its principal office in Toronto, Ontario. KeiData Inc. serves in such capacities pursuant to the Administrative Services Agreement. Please see “The Manager” commencing on page 13 for a description of the Administrative Services Agreement.

Conflicts of Interest

Principal Holders of Securities

As of the date of this Annual Information Form, the only shareholders known to the Manager to own, of record or beneficially, directly or indirectly, more than 10% of the issued and outstanding shares of the Manager are:

Name	Number and Class of Shares	Percentage of Class
Clapham Family 2011 Investment Partnership ⁽¹⁾	400,445 Common Shares	24.46%
IPI Corp. ⁽²⁾	356,364 Common Shares	21.77%
Peter Shippen ⁽³⁾	286,334 Common Shares	17.49%
Brian Petersen	191,560 Common Shares	11.70%

Note:

- (1) Jonathan Clapham, a partner to the Clapham Family 2011 Investment Partnership, is the Chief Executive Officer and a Director of the Manager.
- (2) Gian Delzotto is the sole registered and beneficial shareholder of IPI Corp. Gian Delzotto is a Director of the Manager.
- (3) Peter Shippen is the President, Chief Financial Officer and a Director of the Manager.

The following table sets out the only persons or companies, as at May 31, 2012, who are owners of record or who own beneficially, directly or indirectly, more than 10% of any series of voting securities of the Funds.

Fund	Securityholder Name*	Series	Type of Ownership	Number	Percentage of Series
Redwood Diversified Equity Fund	Individual Investor	F units	Beneficially and of Record	149,837.6	18.14%
Redwood Diversified Income Fund	Individual Investor	F units	Beneficially	259,467.3	21.26%
Redwood Global Small Cap Fund	Individual Investor	F units	Beneficially	189,467.7	25.88%

*To protect the privacy of investors, we have omitted the names of the beneficial owners. This information is available on request by contacting us at the telephone number on the back cover of this Annual Information Form.

Fund Governance

All of the Funds are organized as trusts. Redwood, as trustee, is responsible for fund governance which is the responsibility of Redwood’s board of directors.

Pursuant to the Fund's continuous disclosure obligations, the board of directors reports on the activities of the Funds each year. Part of its mandate is to consider matters relating to conflicts of interest and to recommend to Redwood what action Redwood should take to achieve a fair and reasonable result for the Funds in those circumstances and to review and advise on or consent to, if appropriate, any other matter required by the Funds' declarations of trust and by applicable securities laws, regulations and rules. The board of directors meets quarterly.

The board of directors has reviewed, commented on and approved the Redwood Code of Ethics and Conduct (the "Code"), which establishes rules of conduct designed to ensure fair treatment of the Funds' securityholders and to ensure that at all times the interests of the Funds and their securityholders are placed above personal interests of employees, officers and directors of Redwood. The Code applies the highest standards of integrity and ethical business conduct. The objective is not only to remove any potential for real conflict of interest, but also to avoid any perception of conflict. The Code addresses the area of investments, which covers personal trading by employees, conflict of interest, and confidentiality among departments and portfolio advisors, and also addresses confidentiality, fiduciary duties, enforcement of rules of conduct and sanctions for violations.

As stated above, Redwood (as trustee) has the exclusive authority over the assets and affairs of the Funds and is ultimately responsible for the Funds. Pursuant to the Management Agreement, the day-to-day administration and operation of the Funds are delegated to the Manager (which is also Redwood). Please see "Management of the Funds" on page 13 for a description of the Management Agreement.

National Instrument 81-107 – *Independent Review Committee for Investment Funds* ("NI 81-107") requires all investment funds that are reporting issuers to establish an independent review committee (the "IRC") to whom the Funds must refer all conflict of interest matters for review and approval. NI 81-107 also imposes obligations upon the Funds to establish written policies and procedures for dealing with conflict of interest matters, maintain records in respect of these matters and provide assistance to the IRC in carrying out its functions. The IRC is required to comprise a minimum of three independent members. The IRC must also adopt a written charter setting forth its mandate, responsibilities and functions and the policies and procedures it will follow when performing its functions. The IRC will conduct its review at least annually and will provide Redwood with a written report of its assessment. For each financial year of the Funds, the IRC will also deliver a report of its activities to the securityholders of the Funds in respect of its functions. The fees and expenses of the IRC are allocated among the Funds in a manner that is considered by the IRC to be fair and reasonable to the Funds.

Each member is entitled to receive compensation for the duties they perform as IRC members. For the period beginning January 1, 2011 to December 31 2011, the most recently completed financial year-end for the Funds, the aggregate compensation paid by the Funds to the IRC was \$9,365. This amount was allocated among the Funds in a manner that was fair and reasonable.

Short Selling Risk Management

The funds may engage in short selling from time to time as described commencing on page 1.

The Manager and Custodian have in place policies and procedures relating to short selling by the Funds. Any agreements, policies and procedures that are applicable to a Fund relating to short selling (including trading limits and controls in addition to those specified above) will be prepared and reviewed by the Manager and Trustee. The decision to effect any particular short sale will be made by the Portfolio Adviser and reviewed and monitored as part of Redwood's ongoing compliance procedures and risk control measures.

Policies Related to Repurchase and Reverse Repurchase Transactions and Securities Lending Transactions

Each Fund may enter into securities lending agreements as permitted under applicable securities laws as described in Part A of the Simplified Prospectus of the Funds after giving investors 60 days' prior written notice. The Fund's custodian or sub-custodian shall act as the agent for the Fund in administering the securities lending transactions of the Fund. The risks associated with these transactions will be managed by requiring that the Fund's agent enter into such transactions for the Fund with reputable and well-established Canadian and foreign brokers, dealers and institutions. The agent will be required to maintain internal controls, procedures and records, including a list of approved third parties based in generally accepted creditworthiness standards, transaction and credit limits for each third party and collateral diversification standards.

The Manager has established certain policies and procedures to ensure that the risks associated with securities lending agreements will be properly managed. The policy specifies that all securities lending transactions must be done in accordance with securities lending rules outlined in applicable securities legislation and that the Custodian and the Manager will be responsible for ensuring such compliance. In addition, the Custodian and the Manager will monitor total assets of each Fund (excluding collateral) to ensure that the value of securities on loan will not exceed 50% of the Fund's total assets. The Manager will ensure that the Custodian is notified of any related parties so that securities lending agreements will not be executed with related borrowers. The Custodian and the Manager will also be responsible for ensuring that each loan is over-collateralized to at least 102% on each business day. The Manager will monitor, on a daily basis, the Fund's securities lending activities. The Custodian and the Manager will review the securities lending transactions on a monthly basis to ensure the guidelines are being met and the Custodian will issue a monthly certificate to the Manager certifying that all transactions are in compliance with applicable securities legislation. The policies and procedures relating to securities lending will be reviewed and updated on a regular basis.

Currently, the Funds do not enter into repurchase or reverse repurchase transactions. However, the Funds may enter into repurchase or reverse repurchase agreements in the future as permitted under applicable securities laws as described in Part A of the Simplified Prospectus of the Funds after giving investors 60 days' prior written notice. The Funds may enter into these transactions only as permitted under securities law. In the event the Funds commence repurchase or reverse repurchase transactions, similar controls, policies and procedures will be put into place for those transactions as described above for securities lending agreements.

Management Fee Distributions

The Manager encourages large investments in the Funds and tries to achieve competitive management fees. From time to time the Manager may agree to arrange for the management fee or the performance fee payable in respect of an investment to effectively be reduced.

Any such reduction will be conditional on the amount of the reduction being distributed to the relevant investor as a special distribution that is generally reinvested in additional units of the Fund (a "Management Fee Distribution"). Management Fee Distributions are calculated and distributed at such intervals as prescribed from time to time by the Trustee and shall be payable out of net income and net capital gains of the series of the particular Fund for the taxation year ending in the calendar year in which the Management Fee Distributions are made to the extent so that the Fund will not have any obligation to pay tax under Part I of the Tax Act after taking into account any entitlement to a capital gains refund under the Tax Act, and otherwise out of the capital of the particular series.

Management Fee Distributions must be negotiated on a case-by-case basis by the investor or the investor's dealer or broker with the Manager and are based primarily on the size of the investment in the Funds.

Income Tax Considerations

This general summary applies to an individual (other than a trust) who is resident in Canada and holds units of the Funds as capital property for the purposes of the Tax Act. This summary is based on the current provisions of the Tax Act and the regulations thereunder, specific proposals to amend the Act and regulations that have been publicly announced by the Minister of Finance (Canada) (“Minister”) prior to the date hereof (“Proposed Amendments”) and the published administrative practices and policies of the Canada Revenue Agency. This summary is not exhaustive of all possible Canadian federal income tax considerations and does not deal with foreign or provincial income tax legislation or considerations. This summary is of a general nature only and is not intended to constitute legal or tax advice to an investor. Investors should seek independent advice regarding the tax consequences of investing in units, based upon the investors’ own particular circumstances.

This summary is based on the assumption that each Fund will qualify at all material times as a mutual fund trust under the Act.

Taxation of the Funds

Each Fund will in each year distribute sufficient net income and net realized capital gains to investors so that the Fund will not be liable for income tax under Part I of the Tax Act, after taking into account any capital gains refunds under the Tax Act.

Gains and losses from short sales and derivatives will generally be taxed on income account rather than as capital gains and capital losses.

All of the Fund’s deductible expenses, including expenses common to all classes and management fees and other expenses specific to a particular class, will be taken into account in determining the income or loss of the Fund as a whole.

Taxation of the Investor

An investor will be required to include in income for tax purposes for any year the amount of net income and the taxable portion of net realized capital gains paid or payable to him or her in the year, whether such amounts are reinvested in additional units or paid by cheque. A Management Fee Distribution to an investor may include net income and net realized capital gains. Provided that the Fund makes the appropriate designations, to the extent permitted under the Tax Act, investors generally will be entitled to treat amounts of Canadian dividend income, foreign income and net taxable capital gains of the Fund paid or payable to them, as if the investors received such amounts directly. An enhanced dividend tax credit is available for certain eligible dividends from Canadian corporations. Income of the Fund derived from foreign sources may be subject to foreign withholding tax which may, to the extent designated by the Fund and within certain limits, be credited against Canadian income taxes payable by investors. Investors will be provided with information slips reporting their share of the Fund’s income, including capital gains and allowable tax credits.

An investor must include in income for tax purposes the net income and net taxable capital gains paid or payable to him or her in the year by the Fund, even if the income and capital gains accrued to the Fund or were realized by the Fund before the investor acquired the units.

To the extent that distributions (including fee distributions) paid or payable to an investor in a year by the Fund exceed the investor’s share of the Fund’s net income and net realized capital gains for the year, the excess (except to the extent that it is proceeds of disposition) will be a return of capital and will not generally be taxable in the investor’s hands in the year of receipt but will reduce the adjusted cost base of an investor’s units of the Fund. If the adjusted cost base of an investor’s units is reduced to less than zero the investor will be deemed to have realized a capital gain equal to the negative amount and the adjusted cost base of the units will be reset to zero.

Upon the actual or deemed disposition of a unit of the Fund, including the redemption of a unit and a redemption to effect a transfer to another mutual fund managed by the Manager, a capital gain (or a capital loss) will be realized by the investor to the extent that the proceeds of disposition of the unit, less any costs of disposition exceed (or are exceeded by) the adjusted cost base to the investor of his or her unit. Generally, one-half of a capital gain must be included in an investor's income as a taxable capital gain and one-half of a capital loss may be used to offset taxable capital gains in accordance with the provisions of the Tax Act. A change of one series of units of a Fund into another series of units of the same Fund will not, by itself, result in a disposition of the units being changed.

Generally, for the purpose of determining the adjusted cost base to an investor of units of a Fund, when a unit of the Fund is acquired, whether on the reinvestment of distributions or otherwise, the adjusted cost base of the unit is determined by averaging the cost of the newly-acquired unit with the adjusted cost base to the investor of all other identical units held by the investor immediately before that time.

Capital gains and dividends may result in a liability for alternative minimum tax.

Units of the Fund are qualified investments under the Tax Act for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts (collectively, "Registered Plans"). Annuitants of registered retirement savings plans and registered income funds, and holders of tax-free savings accounts should consult with their own tax advisors as to whether units of a Fund would be a prohibited investment under the Tax Act in their particular circumstances. If units of the Fund are held in a Registered Plan, distributions from the Fund and capital gains from a disposition of the units are generally not subject to tax under the Tax Act until withdrawals are made from the Registered Plan (withdrawals from a tax-free savings account, and certain withdrawals from a registered education savings plan or registered disability savings plan, are not subject to tax).

Material Contracts

The material contracts of the Funds are as follows:

1. Amended and Restated Master Declaration of Trust as described on page 1 under "Name and Formation of the Funds";
2. Management Agreement for each Fund as described on page 13 under "Management of the Funds";
3. Advisory Services Agreement for each Fund as described on page 15 under "Portfolio Adviser"; and
4. Custodian and Settlement Services Agreements as described on page 15 under "Custodian".

Copies of the material contracts mentioned above may be inspected during ordinary business hours on any business day at the head office of the Funds.

AUDITORS' CONSENT

We have read the Simplified Prospectus and related Annual Information Form dated June 27, 2012 relating to the sale and distribution of Series A and F units of Redwood Diversified Equity Fund, Redwood Diversified Income Fund and Redwood Global Small Cap Fund (collectively, the "Funds"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We have reported to the unitholders of Redwood Diversified Equity Fund, the Redwood Diversified Income Fund and the Redwood Global Small Cap Fund on the following statements of each of these Funds:

- Statements of Net Assets as at December 31, 2011 and 2010;
- Statements of Operations for the years ended December 31, 2011 and 2010;
- Statements of Changes in Net Assets for the years ended December 31, 2011 and 2010; and
- Statement of Investments as at December 31, 2011.

Our reports were each dated March 30, 2012

We hereby consent to the incorporation by reference in the above-mentioned Simplified Prospectus and related Annual Information Form of the above-mentioned reports.

(signed) "Collins Barrow Toronto LLP"

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario

June 27, 2012

Certificate of the Funds, Manager and Promoter

REDWOOD DIVERSIFIED EQUITY FUND
REDWOOD DIVERSIFIED INCOME FUND
REDWOOD GLOBAL SMALL CAP FUND

(collectively, the “Funds”)

This annual information form, together with the simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Prince Edward Island, Nova Scotia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Yukon Territory and Nunavut and do not contain any misrepresentations.

DATED: June 27, 2012

(signed) “Jonathan Clapham”

Jonathan Clapham
Chief Executive Officer of
Redwood Asset Management Inc.

(signed) “Peter J. Shippen”

Peter J. Shippen
Chief Financial Officer of
Redwood Asset Management Inc.

ON BEHALF OF THE BOARD OF DIRECTORS OF
REDWOOD ASSET MANAGEMENT INC. IN ITS CAPACITY AS TRUSTEE,
MANAGER AND PROMOTER OF THE FUNDS

(signed) “Gian Delzotto”

Gian Delzotto
Director



Offering A and F Units of:

**REDWOOD DIVERSIFIED EQUITY FUND
REDWOOD DIVERSIFIED INCOME FUND
REDWOOD GLOBAL SMALL CAP FUND**

For more information, you, as a purchaser, should refer to the applicable provisions of the securities legislation of your province or territory for the particulars of these rights or consult with a lawyer.

Additional information about the Funds is available in the Funds' Simplified Prospectus, Fund Facts and financial statements. These documents are incorporated by reference into this Annual Information Form, which means that they legally form part of this document just as if they were printed as part of this document.

You can get a copy of the Funds' Simplified Prospectus, Fund Facts, financial statements, management reports of fund performance including a statement of portfolio transactions, at your request, and at no cost, by calling (416) 368-8898, or 1-877-313-7011, or from your dealer or by email at invest@redwoodasset.com or by writing us at the address below.

These documents and other information about the Funds, such as information circulars and material contracts, may also be available on Redwood's Internet site at www.redwoodasset.com or at the Internet site of SEDAR (the System for Electronic Document Analysis and Retrieval) at www.sedar.com.

Manager of the Redwood Mutual Funds

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