

**ANNUAL INFORMATION FORM
("AIF")**

Investment Fund:

FIRST ASSET YIELD OPPORTUNITY TRUST

Securities Covered by AIF:

SERIES A UNITS (TSX: FAY.UN)

and

SERIES B UNITS (TSX: FAY.U)

Period Covered by AIF:

JANUARY 1, 2010 TO DECEMBER 31, 2010

Date of AIF:

March 31, 2011

TABLE OF CONTENTS

SECTION 1	- CERTAIN DEFINITIONS	1		8.4	Brokerage Arrangements	30	
SECTION 2	- NAME, FORMATION AND HISTORY OF THE FUND.....	2		8.5	Directors, Officers and Trustees.....	30	
	2.1 Full Name and Registered Office	2		8.6	Custodian	31	
	2.2 Formation	3		8.7	Auditor	32	
	2.3 Constatng Documents.....	3		8.8	Registrar	32	
	2.4 Major Events	4		8.9	Valuation Agent.....	32	
				8.10	Warrant Agent	33	
SECTION 3	- INVESTMENT OBJECTIVES, RESTRICTIONS AND PRACTICES	6			SECTION 9	- CONFLICTS OF INTEREST	34
	3.1 Investment Objectives	6		9.1	Principal Holders of Securities	34	
	3.2 Investment Strategy	6		9.2	Affiliated Entities	34	
	3.3 Global Bond Trust - Global Bond Portfolio	8		9.3	Services Not Exclusive	35	
	3.4 Investment Restrictions and Permitted Investments	9			SECTION 10	- FUND GOVERNANCE.....	35
	3.5 Variances From Investment Objectives, Strategy, Practices & Restrictions	10		10.1	Independent Review Committee	35	
	3.6 Permitted Mergers	10		10.2	Business Practices, Sales Practices, Risk Management Controls and Internal Conflicts of Interest	36	
SECTION 4	- SECURITIES OFFERED BY THE FUND	11		10.3	Use of Derivatives.....	36	
	4.1 General.....	11		10.4	Securities Lending, Repurchase Transactions, Etc	37	
	4.2 Authorized and Issued Securities	11		10.5	Voting Securities of Other Funds.....	38	
	4.3 Termination of the Fund; Rights on Termination.....	12		10.6	Proxy Voting.....	38	
	4.4 Distributions	12		10.7	Short-Term Trading.....	38	
	4.5 Book-Entry Only System	13			SECTION 11	- FEES AND EXPENSES.....	39
	4.6 Amendments to the Declaration of Trust	14		11.1	Fees.....	39	
	4.7 Meetings of Holders and Extraordinary Resolutions.....	14		11.2	Expenses.....	40	
	4.8 Information and Reports to Holders	17		11.3	Management Fee Rebate or Distribution Programs	41	
SECTION 5	- VALUATION OF PORTFOLIO SECURITIES	17			SECTION 12	- INCOME TAX CONSIDERATIONS.....	41
	5.1 Valuation	17		12.1	General	41	
	5.2 Discretion	18		12.2	Status of the Fund.....	42	
SECTION 6	- CALCULATION OF NET ASSET VALUE	19		12.3	Taxation of the Fund	43	
SECTION 7	- REDEMPTION OF SECURITIES/PURCHASES FOR RESALE.....	20		12.4	Taxation of Holders.....	44	
	7.1 Redemptions	20		12.5	Eligibility For Investment.....	46	
	7.2 Market Purchases.....	23			SECTION 13	- REMUNERATION OF DIRECTORS, OFFICERS, TRUSTEE AND INDEPENDENT REVIEW COMMITTEE	46
	7.3 Recirculation	24		13.1	Directors and Officers	46	
SECTION 8	- RESPONSIBILITY FOR FUND OPERATIONS	25		13.2	Trustee	46	
	8.1 Manager.....	25		13.3	Independent Review Committee	47	
	8.2 Trustee	26			SECTION 14	- MATERIAL CONTRACTS	47
	8.3 Investment Adviser	28			SECTION 15	- LEGAL AND ADMINISTRATIVE PROCEEDINGS	47
					SECTION 16	- OTHER MATERIAL INFORMATION	48
				16.1	Risk Factors.....	48	

TABLE OF CONTENTS
(continued)

SECTION 17 - EXEMPTIONS AND APPROVALS.....57

SECTION 1 - CERTAIN DEFINITIONS

In this AIF:

<u>Term:</u>	<u>Means:</u>
<i>"Auditor"</i>	Ernst & Young, LLP
<i>"Business Day"</i>	Any day on which the TSX is open for trading
<i>"CDS"</i>	CDS Clearing and Depository Services Inc.
<i>"CICA"</i>	Canadian Institute of Chartered Accountants
<i>"Custodian"</i>	State Street Trust Company Canada
<i>"Declaration of Trust"</i>	Amended and restated declaration of trust dated April 16, 2008 made by the Trustee, as assigned on September 24, 2010 by First Asset Funds Inc. to First Asset Investment Management Inc.
<i>"Declaration Date"</i>	The last Business Day of each month
<i>"FACC"</i>	First Asset Capital Corp.
<i>"Fund"</i>	First Asset Yield Opportunity Trust
<i>"GAAP"</i>	Generally accepted accounting principles
<i>"Holder"</i>	A holder who holds either of the two series of redeemable, transferable Units of the Fund, being the Series A Units and the Series B Units
<i>"IRC"</i>	Independent Review Committee
<i>"Manager"</i>	First Asset Investment Management Inc., as successor manager to First Asset Funds Inc.
<i>"NAV"</i>	Net asset value as determined in accordance with the Declaration of Trust
<i>"NI 81-102"</i>	National Instrument 81-102 - <i>Mutual Funds</i>
<i>"NI 81-106"</i>	National Instrument 81-106 - <i>Investment Fund Continuous Disclosure</i>
<i>"NI 81-107"</i>	National Instrument 81-107 - <i>Independent Review Committee for Investment Funds</i>
<i>"Investment Adviser"</i>	First Asset Investment Management Inc.
<i>"Prospectus"</i>	The final prospectus of the Fund dated July 30, 2003

"Registrar"	Computershare Investor Services Inc.
"Series A Holder"	A holder of Series A Units
"Series B Holder"	A holder of Series B Units
"Series A Units"	Transferable, redeemable units of the Fund denominated in Canadian dollars, each of which represents an equal, undivided beneficial interest in the net assets of the Fund attributable to the series A units
"Series B Units"	Transferable, redeemable units of the Fund denominated in U.S. dollars, each of which represents an equal, undivided beneficial interest in the net assets of the Fund attributable to the series B units
"Tax Act"	<i>Income Tax Act</i> (Canada) and the regulations thereunder
"Total Assets"	The aggregate value of the property and assets of the Fund in respect of each Series of Units, as the case may be
"Trustee"	First Asset Investment Management Inc., as successor trustee to First Asset Funds Inc.
"TSX"	Toronto Stock Exchange
"Units"	Either or both of the two series of redeemable, transferable units, being the Series A Units and the Series B Units
"Valuation Agent"	State Street Fund Services Toronto Inc.
"Valuation Date"	Each Business Day in respect of which the NAV is calculated

Unless otherwise indicated, the information set out in this AIF is current to December 31, 2010.

SECTION 2 - NAME, FORMATION AND HISTORY OF THE FUND

2.1 Full Name and Registered Office

<i>Name:</i>	First Asset Yield Opportunity Trust
<i>Registered Office:</i>	95 Wellington Street West, Suite 1400, Toronto, Ontario, M5J 2N7

2.2 Formation

<i>Structure:</i>	Closed-end investment trust
<i>Laws:</i>	Province of Ontario
<i>Date:</i>	July 30, 2003

Manner: Declaration of trust dated July 30, 2003 made by the Trustee (the “**Original Declaration of Trust**”)

2.3 Constating Documents

The Original Declaration of Trust dated July 30, 2003, as supplemented, amended and/or restated as follows:

- (1) *Amended and Restated Declaration of Trust made as of April 30, 2005 made by the Trustee* - Amendments made to add a monthly redemption feature.
- (2) *Amended and Restated Declaration of Trust made as of June 21, 2006 made by the Trustee* - Amendments made to implement the extraordinary resolutions passed by Holders at a special meeting held on June 2, 2006, as adjourned to June 12, 2006. Holders agreed to amend the Declaration of Trust in the following manner: (i) to permit Holders to switch to other investment vehicles sponsored or promoted by the Manager or an affiliate of the Manager, to be offered to the public by prospectus, by adding a further redemption right at 100% of the NAV per unit (“units” defined as transferable, redeemable units of a single class and series, each of which represented an equal, undivided beneficial interest in the net assets of the Fund prior to the Fund’s re-designation of units into Series A Units and Series B Units on December 17, 2007) from time to time at the discretion of the Manager, and to allow for the equitable allocation of the Fund’s income and other amounts among redeeming Holders; (ii) to permit the Trustee, in its sole discretion and without obtaining the approval of the Holders, to issue units at a price per unit that is less than the NAV per unit at such time; (iii) to grant the Manager the authority, without seeking Holder approval, to merge or otherwise combine or consolidate the Fund with one or more other funds administered by the Manager or an affiliate of the Manager, provided that the fund or funds to be merged or otherwise combined or consolidated with the Fund meet certain criteria and to amend the Declaration of Trust as necessary in order to effect any such merger; (iv) to permit the Trustee to make amendments to the Declaration of Trust, without the approval of Holders, for the purpose of bringing the Declaration of Trust into conformity with current market practices; (v) to permit the preparation, filing and delivery to Holders of only such financial statements and other continuous disclosure documents as are required from time to time by applicable laws; (vi) to remove the fixed termination date of the Fund; (vii) to permit the Manager, in its discretion, to terminate the Fund without approval of Holders if, in its opinion, it is no longer economically practical to continue the Fund, or if it determines that it would be in the best interests of the Holders to terminate the Fund; (viii) to permit the Trustee or the Manager to designate as payable to redeeming Holders capital gains realized by the Fund in connection with the disposition of securities required in order to fund the redemption; (ix) to permit the management fees to be paid, at the option of the Manager and without Holder approval, in either units or cash; (x) to reduce the number of outstanding units required to be held by Holders in order to constitute a quorum of Holders at any meeting; and (xi) to provide for the deduction, on a pro rata basis among redeeming Holders, of all the costs

- of funding a redemption of units from the proceeds of such redemption paid to redeeming Holders.
- (3) *Amended and Restated Declaration of Trust made as of October 29, 2007 by the Trustee* - Amendments made to change the date by which units of the Fund must be surrendered in advance of the Annual Redemption Date in order to be redeemed.
 - (4) *Amended and Restated Declaration of Trust made as of December 17, 2007 by the Trustee* - Amendments made to re-designate the existing units of the Fund as Series A Units and the creation of the Series B Units, resulting from the merger with Preferred Securities Income Fund ("PSIF") and Preferred Securities Limited Duration Fund ("PSLDF").
 - (5) *Amended and Restated Declaration of Trust made as of April 16, 2008 by the Trustee* - Amendments made for the purpose of bringing the Declaration of Trust into conformity with current market practice and to allow Units purchased by the Fund, together with Units surrendered for redemption, to be held by the Fund and resold by the Fund where the Fund enters into a recirculation agreement with one or more investment dealers designated by the Manager whereby the dealer agrees, subject to the terms of the recirculation agreement, to use commercially reasonable efforts to find purchasers for such Units.
 - (6) *Amended and Restated Declaration of Trust made as of September 24, 2010* - Amendments made for the purpose of bringing the Declaration of Trust into conformity with current market practice.

2.4 Major Events

- (1) On *July 30, 2003*, the Fund was created.
- (2) On *August 19, 2003*, prior to a merger with certain other funds as described below, pursuant to the Prospectus and an agency agreement between CIBC World Markets Inc., TD Securities Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., Canaccord Capital Corporation, Desjardins Securities Inc., Dundee Securities Corporation, First Associates Investments Inc., Raymond James Ltd. (collectively, the "**Agents**"), the Trustee as trustee of the Fund and in its own capacity, the Investment Adviser and Triax Capital Corporation dated July 30, 2003, the Fund issued 1,800,000 units of a single class at a price of \$25.00 per unit and began trading on the TSX under the symbol "*FAY.UN*" (the "**Offering**").
- (3) On *September 5, 2003*, the Fund issued an additional 136,847 units pursuant to the Prospectus upon partial exercise of the over-allotment option granted to the Agents who offered the units for sale.
- (4) On *July 28, 2005*, all of the issued and outstanding shares of First Asset Management Inc. of which the Manager and Investment Adviser were then indirectly owned subsidiaries,

- were purchased by Affiliated Managers Group, Inc., resulting in an indirect change of control of the Manager and the Investment Adviser.
- (5) On *June 12, 2006*, at an adjourned special meeting of the Fund, Holders approved the Extraordinary Resolutions described under Section 2.3(2) – *Constituting Documents*.
 - (6) On *April 3, 2007*, FACC, a company owned and controlled by senior management of the Manager, indirectly acquired the Manager.
 - (7) On *December 17, 2007*, the Manager, as trustee and manager of each of PSIF and PSLDF and the Fund, merged PSIF and PSLDF into the Fund on a tax-deferred roll-over basis (the “**Merger**”). As a result of the Merger, all of the outstanding units of the Fund immediately prior to the completion of the Merger were re-designated as Series A Units and a new class of Series B Units was also created. All holders of units of PSIF and all holders of series A units of PSLDF received Series A Units of the Fund on the basis of an exchange ratio determined with reference to the NAV of each of these parties as at the close of business on December 14, 2007, which was the Business Day prior to the effective date of the Merger. All holders of series B units of PSLDF received one Series B Units of the Fund for each series B unit of PSLDF held. Following the Merger, the investment objectives of the Fund were revised to reflect the Series A Units and Series B Units as further described in Section 3.1 – *Investment Objectives*.
 - (8) On *February 12, 2008*, the Fund completed issuances of Series A Units issued in connection with the exercise of rights originally offered under a rights offering made pursuant to a rights offering circular dated January 10, 2008. The Fund issued 1,348,363 Series A Units for gross proceeds of approximately \$25 million.
 - (9) On *July 23, 2009*, the Fund completed issuances of Series A Units issued in connection with the exercise of warrants originally offered under an offering of warrants to Series A Holders made pursuant to a short form prospectus dated February 18, 2009. The Fund issued an aggregate of 2,592,503 Series A Units (at \$14.05 per Series A Unit) for gross proceeds of approximately \$36.4 million.
 - (10) On *September 24, 2010*, First Asset Investment Management Inc. assumed the role of trustee and manager of the Fund from First Asset Funds Inc.

SECTION 3 – INVESTMENT OBJECTIVES, RESTRICTIONS AND PRACTICES

3.1 Investment Objectives

The Fund’s investment objectives are (i) to provide Holders with a stable stream of monthly distributions targeted to be \$0.1458 per Series A Unit and U.S. \$0.044 per Series B Unit, and (ii) to preserve and enhance the NAV per Series A Unit and NAV per Series B Unit in order to return at least \$25.00 per Series A Unit and U.S. \$10.00 per Series B Unit to Holders on or about the termination date of the Fund.

3.2 Investment Strategy

The Fund provides Series A Holders and Series B Holders with exposure to two portfolios, one for each of the Series A Units (the “**Series A Portfolio**”) and Series B Units (the “**Series B Portfolio**”), collectively with the Series A Portfolio, the “**Global Bond Portfolio**”), both of which consist primarily of global high yield instruments, as established by First Asset Global Bond Trust (“**GBT**”). The return to Holders and the Fund is dependent upon the return on the relevant portfolio included in the Global Bond Portfolio by virtue of the Forward Agreement (as defined below). However, neither the Fund nor Holders have any ownership interest in GBT or the Global Bond Portfolio.

GBT is an investment trust established under a declaration of trust entered into by the Manager, as manager and trustee of GBT, made as of July 30, 2003, as supplemented, amended and/or restated from time to time, under the laws of the Province of Ontario. GBT is managed by Goldman Sachs Asset Management, L.P. (the “**Portfolio Manager**”) and was established for the purpose of acquiring the Global Bond Portfolio.

Prior to the Merger, the Fund invested the net proceeds from the Offering in a portfolio of common shares of Canadian public companies (the “**Pre-Merger Common Share Portfolio**”). The Fund then entered into a forward purchase and sale agreement in respect of the Pre-Merger Common Share Portfolio (the “**Pre-Merger Forward Agreement**”) with an affiliate of a Canadian Chartered Bank (the “**Counterparty**”), whose obligations under the Forward Agreement are guaranteed by the Chartered Bank.

At the time of the Merger, the assets of PSIF and the assets of PSLDF attributed to the series A units of PSLDF were transferred to the Fund for the benefit of the Fund’s Series A Units and were invested in additional common shares of Canadian public companies (together with the Pre-Merger Common Share Portfolio, the “**Series A Common Share Portfolio**”) and the Fund entered into an additional forward purchase and sale agreement with the Chartered Bank in respect of such additional common shares in the Series A Common Share Portfolio (together with the Pre Merger Forward Agreement, the “**Series A Forward Agreement**”). Also at the time of the Merger, the assets of PSLDF attributed to the series B units of PSLDF were transferred to the Fund for the benefit of the Fund’s Series B Units and were also invested in common shares of Canadian public companies (the “**Series B Common Share Portfolio**” and, together with the Series A Common Share Portfolio, the “**Common Share Portfolio**”) and the Fund entered into an additional forward purchase and sale agreement with the Chartered Bank in respect of the Series B Common Share Portfolio (the “**Series B Forward Agreement**” and, together with the Series A Forward Agreement, the “**Forward Agreement**”).

The Forward Agreement is intended to provide the Fund, in exchange for the Common Share Portfolio, with a payment, for each Series A Unit and Series B Unit of the Fund outstanding, on or about the date of termination of the Fund of an amount equal to the cash amount paid by GBT to holders on the redemption of a corresponding number of series A units or series B units of GBT upon termination of GBT. Redemption amounts paid by GBT to its series A and series B unitholders will be equal to the net realized proceeds of disposition of the respective portions of the Global Bond Portfolio (after satisfying the liabilities of GBT, if any). The Forward

Agreement has been upsized from time to time to reflect the cash inflows from the exercise of rights and warrants in connection with various right and warrant offerings by the Fund.

Under the terms of the Forward Agreement, the Fund and the Counterparty agreed that their settlement obligations under the Forward Agreement with respect to the Common Share Portfolio will be discharged, at the election of the Fund, either by physical delivery of the Common Share Portfolio by the Fund to the Counterparty against cash payment or by the making of cash payments between the parties. The amount payable by the Counterparty for physical delivery of the Series A Common Share Portfolio or Series B Common Share Portfolio may be more or less than the original subscription price of the Series A Units or Series B Units, respectively. If the Fund elects for physical delivery of the Common Share Portfolio under the Forward Agreement, the Counterparty will pay to the Fund on or about the date of termination of the Fund as the purchase price for the Series A Common Share Portfolio or Series B Common Share Portfolio an amount equal to the redemption proceeds for a corresponding number of series A units or series B units of GBT. Common Share Portfolio securities or other acceptable collateral are pledged to and held by the Counterparty as security for the obligations of the Fund under the Forward Agreement.

To fund distributions as well as redemptions of Units by Holders from time to time, payment for purchases of Units in the market and expenses of the Fund, the terms of the Forward Agreement provide that the Forward Agreement may be partially settled prior to the date of termination of the Fund.

Under the Forward Agreement, the forward purchase price may be reduced for all dividends and distributions, including extraordinary distributions, declared and paid on the Common Share Portfolio securities paid to the Fund as owner of the Common Share Portfolio. In order to minimize the likelihood that such dividends or distributions will be paid, the Fund acquired common shares of Canadian public companies that did not at the time pay dividends. However, if any such dividends or distributions are to be received by the Fund, the Forward Agreement provides that prior to the record date for such dividend or distribution, replacement securities acceptable to the Counterparty may, at the Fund's option, be substituted for shares in respect of which the dividend or distribution has been declared to preserve the value of the forward transaction. In the event that such replacement securities are not available, the Fund may consider contributing additional securities to the Common Share Portfolio or entering into additional forward, derivative or other transactions. The Forward Agreement has similar provisions designed to avoid adjustments of the amount to be paid on or about the date of termination of the Fund which might otherwise be required if the Fund receives consideration as a consequence of a merger transaction involving any of the securities in the Common Share Portfolio.

The Forward Agreement may be terminated prior to the date of termination of the Fund in certain circumstances including: (i) at the option of the Fund in its sole discretion upon payment of certain fees; (ii) by the Counterparty if the Counterparty determines in its sole discretion that it is unable to hedge its position under the Forward Agreement; (iii) if the Fund is unwilling to compensate the Counterparty for an increase in the costs of hedging its position under the Forward Agreement; or (iv) by the Counterparty if the Fund fails to pay the monthly fee under

the Forward Agreement. In addition, the Fund intends to exercise its right to partially settle the Forward Agreement prior to the date of termination of the Fund in order to permit the Fund to fund monthly distributions as well as payments upon redemptions of Units by Holders from time to time, payment for purchases of Units in the market and expenses of the Fund.

The payment obligations of the Counterparty to the Fund under the relevant portion of the Forward Agreement are determined by reference to the performance of the relevant portion of the Global Bond Portfolio. The Counterparty may choose to enter into transactions in order to hedge its exposure under the terms of the Forward Agreement to the economic performance of the Global Bond Portfolio (including by purchasing units of GBT) but is not contractually obligated to do so. There is no assurance that the Counterparty or its affiliates will maintain a hedge or will do so with respect to the full amount or term of the Forward Agreement. The Fund is exposed to the credit risk associated with the Counterparty, the Chartered Bank and any guarantor in respect of the Forward Agreement.

See also, Section 10.3 *-Use of Derivatives* and Section 10.4 *- Securities Lending, Repurchase Transactions, Etc.*

3.3 Global Bond Trust - Global Bond Portfolio

The Global Bond Portfolio consists primarily of an actively managed portfolio of global high yield instruments, including senior and subordinated corporate debt obligations (such as bonds, debentures, notes and commercial paper), convertible and non-convertible corporate debt obligations, loan participations, custodial receipts, municipal securities, preferred shares and other high yield instruments.

The Portfolio Manager selects, monitors and manages the Global Bond Portfolio subject to the investment restrictions relating thereto. Securities in the Global Bond Portfolio are selected by the Portfolio Manager based on their expected return at time of purchase, net of foreign income or withholding taxes, relative to risk characteristics, taking into consideration factors such as credit quality. The Global Bond Portfolio may be diversified by company and industry. Cash equivalents may be held from time to time by GBT. Securities in the Global Bond Portfolio are selected based on their level of current income and potential for capital appreciation.

In addition, the Portfolio Manager may purchase United States dollar institutional class shares of the Goldman Sachs Global High Yield Portfolio or other fund with similar investment objectives managed by the Portfolio Manager or its affiliates (the "**GS Fund**"), which invest in similar instruments as those expected to be purchased for the Global Bond Portfolio. The Portfolio Manager or its affiliates serve as investment adviser for the GS Fund. If an investment is made in the GS Fund, the aggregate management fee payable to the Manager and in respect of the investment in the GS Fund will not exceed 0.85% of the net asset value of GBT. GBT will not hold investments in the GS Fund in the event that the GS Fund becomes available for public distribution in Canada. It is expected that the ability of GBT to make investments in the GS Fund will provide portfolio management and operational efficiencies, improved diversification, and enable GBT to become fully invested faster than would otherwise be possible. With regard to any investments made in the GS Fund, while the investment activities of the GS Fund are not subject to the foregoing investment restrictions, the Portfolio Manager expects that the

investment approach utilized in the GS Fund is unlikely to deviate significantly from the foregoing investment restrictions, however, no assurances can be given in this regard.

The Series B Units of GBT were invested in the GS Fund upon their inception. The Series A Units have been invested in the GS Fund since February, 2009.

3.4 Investment Restrictions and Permitted Investments

The activities of the Fund are subject to the following investment restrictions and permitted investments:

- (a) **Restriction on Investments.** The Fund will restrict its investments in equity securities to common shares of Canadian public companies that are “Canadian securities” for the purposes of the Tax Act.
- (b) **Purchasing Securities.** Except in connection with a merger effected in accordance with the Declaration of Trust, the Fund will not purchase securities other than through normal market facilities unless the purchase price therefore approximates the prevailing market price or is negotiated or established on an arm’s length basis.
- (c) **Cash Equivalents.** The Fund may hold cash equivalents from time to time, in accordance with the Declaration of Trust.
- (d) **Forward Agreement and Securities Lending.** The Fund entered into the Forward Agreement and may engage in securities lending as further described in the Prospectus, and may, in certain limited circumstances, purchase and hold units of GBT.
- (e) **Unit Trust.** The Fund will restrict its investments to the extent necessary to qualify as a unit trust for purposes of the Tax Act.

In addition, but subject to the investment restrictions and as otherwise provided in the Declaration of Trust, the Fund has adopted, in connection with the Common Share Portfolio, the standard investment restrictions and practices set forth in NI 81-102 other than the standard investment restrictions and practices set forth in NI 81-102 with respect to the Forward Agreement and securities lending.

3.5 Variances From Investment Objectives, Strategy, Practices & Restrictions

The Fund has not sought nor received the approval of the securities regulatory authorities to vary any of the investment restrictions and practices contained in securities legislation, except as follows:

- (a) On April 11, 2008, the Fund obtained relief from securities legislation in order to permit it to re-circulate Units that have been surrendered for redemption or purchased by the Fund. See Section 7.3 - *Recirculation*.

In accordance with NI 81-107, the Manager has obtained standing instructions from the IRC with respect to certain matters including inter-fund trades, investments in related funds and mergers among affiliated funds. Provided it complies with these standing instructions, and the provisions of NI 81-107, these standing instructions permit the Manager to engage in these activities without having to adhere to investment restrictions and practices contained in securities legislation that may otherwise apply. The Manager relied on these standing instructions and the relevant requirements of NI 81-107 in order to merge the Fund with PSIF and PSLDF.

Except as just noted, the Fund has not sought nor relied on the approval of the IRC and the relevant requirements of NI 81-107 to vary any of the investment restrictions and practices contained in securities legislation, nor to implement a reorganization with, or transfer of assets to, another fund or to proceed with a change of auditor of the Fund.

Any amendment to the Fund's investment objectives, investment strategy or investment restrictions as described in the Declaration of Trust requires the approval of Holders by Extraordinary Resolution (as defined in Section 4.7 - *Meetings of Holders and Extraordinary Resolutions*), unless such change or changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed from time to time by applicable regulatory authorities.

3.6 Permitted Mergers

The Trustee may, without any action or consent by the Holders, merge the Fund with another fund or funds, provided that: (i) the funds being merged must have similar investment objectives as set forth in their respective declaration of trusts, as determined in good faith by the Manager in its sole discretion; (ii) the funds with which the Fund is merged must be managed by the Manager or an affiliate of the Manager; (iii) the Manager must have determined in good faith that there will be no increase in the management expense ratio borne by Unitholders of the Fund as a result of the merger; (iv) the merger of funds is completed on the basis of an exchange ratio determined with reference to the NAV per Series A Unit or NAV per Series B Unit, as applicable, and the net asset value per unit (or the net asset values of the applicable units) of the fund or funds with which the Fund is merged; and (v) the merger of the funds must be capable of being accomplished on a tax-deferred "roll-over" basis for unitholders of the fund that become unitholders of the continuing fund.

While the funds that may be merged must have similar investment objectives, they may have different investment strategies, guidelines and restrictions and thus the securities of the merged funds will be subject to different risk factors.

SECTION 4 - SECURITIES OFFERED BY THE FUND

4.1 General

The beneficial interest in the net assets of the Fund is divided into redeemable, transferable trust units of a single class in two series designated as the Series A Units denominated in Canadian dollars and the Series B Units denominated in U.S. dollars. Each Unit represents an equal,

undivided interest in the net assets of the Fund attributable to the relevant Series, and entitles a Holder to the same rights and obligations as a Holder of any other Unit of that Series, and no Holder is entitled to any privilege, priority or preference in relation to any other Holder of that same Series. Each Holder is entitled to one vote for each Unit held at meetings of Holders where both Series of Units vote together, or to one vote at meetings of Series A Holders or Series B Holders, as applicable, where the Series A Holders or the Series B Holders vote separately as a Series. Each Holder is entitled to participate equally with respect to any and all distributions made by the Fund in respect of the applicable Series, including distributions of net income and net realized capital gains, if any. On termination of the Fund, all Holders of record holding outstanding Units are entitled to receive their *pro rata* share of any assets of the Fund attributable to the applicable Series of Units remaining after payment of all debts, liabilities and liquidation or termination expenses of the Fund attributable to the applicable Series of Units.

4.2 Authorized and Issued Securities

Following the Merger as described under Section 2.4(7) – *Major Events*, the Fund is authorized to issue an unlimited number of redeemable, transferable units of a single class in two Series designated as the Series A Units and Series B Units.

Subject to the terms of the Declaration of Trust, the Trustee may allot and issue Units at such time or times at such price and in such manner and to such person or persons as the Trustee in its sole discretion shall determine, having regard to such matters as would be considered by the board of directors of a corporation incorporated under federal law when issuing shares in comparable circumstances.

Fractional Units will not be issued.

As at December 31, 2010, there were 2,643,866 Series A Units and 950,666 Series B Units issued and outstanding. As at March 21, 2011, there were 2,240,181 Series A Units and 797,166 Series B Units issued and outstanding.

4.3 Termination of the Fund; Rights on Termination

The Fund has no fixed termination date. The Trustee may, in its discretion, terminate the Fund without approval of Holders if, in its opinion, it is no longer economically practical to continue the Fund, or if it determines that it would be in the best interests of the Holders to terminate the Fund.

The Fund will, after settlement of the Forward Agreement and after the orderly sale of the Common Share Portfolio if the Fund elects cash settlement, and after paying or making adequate provision for all of the Fund's liabilities, distribute the net assets of the Fund to Holders, on a *pro rata* basis, as soon as practicable after the date of termination and, to the extent liquidation of certain securities is not possible, or in the opinion of the Trustee is not advisable, prior to the date of termination of the Fund, such securities will be distributed to Holders *in specie*, subject to compliance with any securities or other laws applicable to such distributions. The payment of the net assets of the Fund to the Holders after the date of termination is

expected, subject to performance of the Global Bond Portfolio and the Counterparty, to consist of an amount equal to the redemption proceeds for a corresponding number of units of GBT.

4.4 Distributions

In accordance with the Fund's investment objective to provide monthly distributions targeted to be \$0.1458 per Series A Unit and U.S. \$0.044 per Series B Unit and to preserve and enhance the NAV per Series A Unit and NAV per Series B Unit in order to return at least \$25.00 per Series A Unit and U.S.\$10.00 per Series B Unit to Holders on or about the date of termination of the Fund, the Fund endeavours to make monthly distributions to Series A Holders and Series B Holders of record on or about the Declaration Date.

The Fund pays distributions to Holders within 15 days after the Declaration Date. All distributions with respect to Series A Units shall be calculated and paid in Canadian currency and all distributions with respect to Series B Units shall be calculated and paid in U.S. currency. Under the Forward Agreement, if GBT suspends redemptions or fails to pay distributions on its units corresponding to the Fund's targeted distributions, the Counterparty suspends payment in respect of a partial settlement until such time as such redemptions and distributions are reinstated. In such circumstances, the Fund would be unable to pay its targeted distributions.

If, in any year after such distributions, there would otherwise remain in the Fund additional net income or net realized capital gains, the Fund makes, on or before December 31 of that year, a special distribution of such portion of the remaining net income and net realized capital gains as is necessary to ensure that the Fund is not liable for non-refundable income tax thereon under the Tax Act.

The amount of distributions in any particular calendar month is determined by the Manager, having regard to the investment objectives of the Fund, the net realized capital gains and net income of the Fund, if any, during the calendar month and in the year to date, the net realized capital gains and net income of the Fund anticipated in the balance of the year and distributions made in previous months. Monthly cash distributions over the life of the Fund are derived from the partial settlement of the Forward Agreement.

The Fund may, at its option, make a distribution of any net income or net realized capital gains in Units and/or in cash that is automatically reinvested in Units. Immediately following any such distribution of Units or automatic reinvestment of cash distributions in Units, the number of Units outstanding is automatically consolidated such that the number of Units outstanding after such distribution is equal in number to the number of Units outstanding immediately prior to the distribution. Any such distribution, reinvestment and consolidation increases the aggregate adjusted cost base of Units to Holders.

The following is a table showing the distributions per Series announced by the Fund during 2010 and the first 3 months of 2011:

	<u>Series A</u>	<u>Series B</u>		<u>Series A</u>	<u>Series B</u>
January, 2010	\$0.1458	US\$0.044	September	\$0.1458	US\$0.044
February	\$0.1458	US\$0.044	October	\$0.1458	US\$0.044
March	\$0.1458	US\$0.044	November	\$0.1458	US\$0.044
April	\$0.1458	US\$0.044	December	\$0.1458	US\$0.044
May	\$0.1458	US\$0.044	January, 2011	\$0.1458	US\$0.044
June	\$0.1458	US\$0.044	February	\$0.1458	US\$0.044
July	\$0.1458	US\$0.044	March	\$0.1458	US\$0.044
August	\$0.1458	US\$0.044			

4.5 Book-Entry Only System

Registration of interests in and transfers of the Units are made only through a book-based system administered by CDS (the “**Book-Entry Only System**”). Units must be purchased, transferred and surrendered for redemption through a CDS participant (“**CDS Participant**”), which includes securities brokers and dealers, banks and trust companies. Indirect access to the CDS book-entry only system is also available to other institutions that maintain custodial relationships with a CDS Participant, either directly or indirectly. All rights of Holders must be exercised through, and all payments or other property to which such Holders are entitled will be made or delivered by CDS or the CDS Participant through which the Holder holds such Units. Upon purchase of any Units, the Holders will receive only a customer confirmation of purchase from the registered dealer which is a CDS Participant and from whom such Units are purchased in accordance with the practices and procedures of such CDS Participant.

No Holder is entitled to a certificate or other instrument from the transfer agent for Units or CDS evidencing that person’s interest in or beneficial ownership of Units, or will be shown on the records maintained by CDS, except through an agent who is a CDS Participant. All distributions in respect of Units are made by the Fund to CDS and distributions to CDS will be forwarded by CDS to CDS Participants, and thereafter to the Holders.

The ability of Holders to pledge such Units or otherwise take action with respect to such Holder’s interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Trustee has the option to terminate the Book-Entry Only System through CDS, in which case certificates for the Units in fully registered form would be issued to Holders, as of the effective date of such termination.

4.6 Amendments to the Declaration of Trust

Except as described below, the Declaration of Trust may only be amended with the consent of Holders by an Extraordinary Resolution, including changes, in any manner, to the investment guidelines of the Fund, the liability of any Holder, the right of a Holder to vote at any meeting or changing the Fund from a trust to a different form of issuer. However, no amendment can be made to the Declaration of Trust that would have the effect of reducing the interest in the Fund

of Holders unless all Holders consent thereto. No amendment can be made to the Declaration of Trust that would have the effect of reducing the fees payable to the Manager unless the Manager, in its sole discretion, consents.

However, the Manager is entitled, without the consent of Holders, to amend the Declaration of Trust for the purpose of (i) making any change or correction which is of a typographical nature or is required to cure or correct a clerical omission, mistake or manifest error contained therein; (ii) amending the existing provisions or adding any provisions which are for the protection or benefit of the Holders or the Fund; (iii) curing an ambiguity in the Declaration of Trust; (iv) supplementing any provision which may be defective or inconsistent with another provision; (v) complying with applicable law; and (vi) conforming the Declaration of Trust with current market practice. Such amendments may be made only if they will not materially adversely affect the interest of any Holder.

The Manager may also amend the Declaration of Trust without the consent of Holders for the purpose of removing any conflicts or other inconsistencies which may exist between the Declaration of Trust and applicable law, changing the Fund's taxation year-end as permitted under the Tax Act or providing the Fund with the right to acquire Units from any Holder for the purpose of maintaining the status of the Fund as a "mutual fund trust" for purposes of the Tax Act. Any amendments made by the Manager without the consent of the Holders must be disclosed in the next regularly scheduled report to Holders.

4.7 Meetings of Holders and Extraordinary Resolutions

The Trustee may, at any time, convene a meeting of the Holders and will be required to convene a meeting on receipt of a request in writing of the Holders holding in the aggregate not less than 10% of the Units then outstanding, which request must specify the purposes for which such meeting is to be called. A meeting of the Series A Holders or the Series B Holders will also be called by the Trustee upon written request of the Series A Holders or the Series B Holders, respectively, holding in the aggregate not less than 10% of the Series A Units or Series B Units then outstanding, respectively, which request must specify the purpose or purposes for which such meeting is to be called. Subject to the foregoing, the Fund need not hold annual meetings of Holders. A meeting of the Series A Holders or the Series B Holders may also be called at any time by the Trustee if the nature of the business to be transacted is only relevant to the Series A Holders or the Series B Holders as described in the Declaration of Trust.

At any meeting of the Holders, subject as hereinafter provided, a quorum shall consist of two or more Holders present in person or by proxy representing not less than 5% of the outstanding Units. At any meeting of Series A Holders or Series B Holders, subject as hereinafter provided, a quorum shall consist of two or more Series A Holders or Series B Holders, present in person or by proxy and representing not less than 5% of the outstanding Series A Units or Series B Units, respectively.

Certain matters including those described under Section 4.6 - *Amendments to the Declaration of Trust* require the approval of Holders by Extraordinary Resolution, which is a resolution passed by Holders of not less than 66 2/3% of Units voting thereon at a meeting duly convened for the consideration of such matter (an "**Extraordinary Resolution**"). An Extraordinary Resolution in

respect of Series A Units means a resolution passed by a majority of not less than 66 2/3% of the votes cast by the Series A Holders who voted in respect of that resolution. An Extraordinary Resolution in respect of Series B Units means a resolution passed by a majority of not less than 66 2/3% of the votes cast by the Series B Holders who voted in respect of that resolution.

At any meeting convened to consider a matter requiring the approval of Holders by Extraordinary Resolution, a quorum shall consist of two or more Holders present in person or by proxy and representing not less than 5% of the outstanding Units. At any meeting convened to consider a matter requiring the approval of Series A Holders by Series A Extraordinary Resolution, a quorum shall consist of two or more Series A Holders present in person or by proxy and representing not less than 5% of the outstanding Series A Units. At any meeting convened to consider a matter requiring the approval of Series B Holders by Series B Extraordinary Resolution, a quorum shall consist of two or more Series B Holders present in person or by proxy and representing not less than 5% of the outstanding Series B Units.

If a quorum is not present at a meeting within 30 minutes after the time fixed for the meeting, the meeting, if convened pursuant to a request of Holders, is cancelled, but otherwise is adjourned to another day, not less than ten days or more than 21 days later, selected by the Manager and notice is given to the Holders of such adjourned meeting. The Holders present at any adjourned meeting constitutes a quorum.

Holders will be able to vote on:

- (a) the amendment of any provision of the Declaration of Trust (other than amendments made by the Trustee, without Holder authorization, in accordance with the Declaration of Trust), which shall be deemed to include changing the Fund from a trust to a different form of issuer, changing the liability of any Holder, and changing the right of a Holder to vote at any meeting;
- (b) any increase in the fees payable out of the Total Assets to the Trustee;
- (c) any change in the basis of the calculation of a fee or expense that is charged to the Fund and is changed in a way that could result in an increase in the charges to the Fund, other than where the Fund contracts with parties who are not related to the Fund within the meaning of the Tax Act, for all or part of the services it requires to carry on its operations provided that sixty (60) days' notice of any such change has been given to Holders before the effective date of the change;
- (d) the removal of the Trustee;
- (e) the replacement of the Trustee;
- (f) the removal or replacement of the auditor of the Fund;
- (g) the appointment of an inspector to investigate and report on the performance by the Trustee of its duties with respect to the Fund ;

- (h) any decrease in the frequency of calculating the Series A NAV or the Series B NAV and which results in the Series A NAV or the Series B NAV being calculated less frequently than once each Business Day;
- (i) the termination of the Fund other than pursuant to certain provisions in the Declaration of Trust;
- (j) any change in the fundamental investment objectives of the Fund, and any change to the Investment Policy (as defined in the Declaration of Trust), except for the standard investment restrictions and practices set forth in NI 81-102;
- (k) except in connection with a permitted merger effected in accordance with the Declaration of Trust, the reorganization with, or the transfer of assets to, another form of issuer, if the Fund ceases to continue after the reorganization or the transfer of assets, and the transaction results in the Holders becoming unitholders in the other form of issuer;
- (l) except in connection with a permitted merger effected in accordance with the Declaration of Trust, the reorganization with, or the acquisition of assets from, another form of issuer, if the Fund continues after the reorganization or the acquisition of assets, and the transaction results in the unitholders of the other form of issuer becoming Holders in the Fund and the transaction would be a significant change to the Fund; and
- (m) a determination by the Fund, at its option, to partially settle or terminate the Forward Agreement prior to the termination date of the Fund other than to:
 - (i) fund distributions;
 - (ii) fund redemptions of Units by Holders;
 - (iii) fund purchases of Units in the market by the Fund;
 - (iv) pay expenses of the Fund;
 - (v) enable the Fund to enter into one or more other transactions, including other forward or derivatives transaction, otherwise permitted by the Fund's investment restrictions and permitted investments as set forth in the Declaration of Trust, or take such other steps which the Trustee determines in its sole discretion but subject to its duty under the Declaration of Trust are necessary or desirable to carry out the Fund's investment objectives, taking into consideration the income tax consequences of the Forward Agreement and any such transactions or steps for Holders; or
 - (vi) enable the Fund to effect a permitted merger in accordance with the Declaration of Trust.

To the extent that any of them holds Units from time to time, none of the Manager, insiders of the Fund (where used in this AIF, “insider” is as defined in the *Securities Act* (Ontario)), affiliates, associates and insiders of the Manager, and any director or officer of such persons shall be entitled to vote on any Extraordinary Resolution to be adopted by the Holders.

4.8 Information and Reports to Holders

The Fund furnishes to Holders such financial statements (including interim unaudited and annual audited financial statements, accompanied by management reports of fund performance for the Fund and GBT) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Holders’ tax returns under the Tax Act and equivalent provincial legislation. Holders are informed of the composition of the Global Bond Portfolio through the inclusion of a statement of investment portfolio in the interim and annual financial statements of GBT.

The Fund complies with all of the continuous disclosure requirements applicable to it as a reporting issuer under applicable securities laws. Prior to any meeting of Holders, the Fund provides to Holders (along with notice of such meeting) all such information as is required by applicable law to be provided to Holders.

SECTION 5 - VALUATION OF PORTFOLIO SECURITIES

5.1 Valuation

Subject to applicable law, the securities in the Fund’s portfolio are valued in accordance with the following principles:

- (a) the value of any security which is listed or traded upon a stock exchange is determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless, in the opinion of the Valuation Agent, such value does not reflect the fair value thereof and in which case the latest offer price or bid price should be used), as at the date of valuation on which the NAV is being determined, all as reported by any means in common use;
- (b) the value of any cash on hand or on deposit, prepaid expenses, cash dividends received (or declared to Holders of record on a date before the Valuation Date as of which the NAV is being determined and to be received) and interest accrued and not yet received, is deemed to be the face amount thereof unless the Valuation Agent has determined that any such asset is not otherwise worth the face amount thereof, in which case the value thereof is deemed to be such value as the Valuation Agent determines to be the fair value thereof;
- (c) the value of a forward contract is the gain or loss with respect thereto that would be realized if, on the Valuation Date, the position in the forward contract were to be closed out in accordance with its terms;

- (d) the value of any bonds, debentures and other debt obligations is the average of the bid and ask prices on the Valuation Date at such times as the Valuation Agent, in its discretion, deems appropriate. Amounts drawn under any loan facility are valued at par. Short-term investments, including notes and money market instruments, are valued at cost plus accrued interest; and
- (e) the value of all assets quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable in foreign currency and the value of all liabilities and contractual obligations payable in foreign currency are determined using the applicable rate of exchange current at, or as nearly as practicable to, the date on which the NAV is computed.

If a security cannot be valued under the foregoing principles or if the foregoing principles are at any time considered by the Valuation Agent or the Investment Adviser to be inappropriate under the circumstances for any reason, then notwithstanding such principles, the Valuation Agent or the Investment Adviser, as the case may be, may make such valuation as it considers fair and reasonable.

The Valuation Agent calculates the value of the Fund's securities for which there exists a published market on the basis of quoted prices in such market. For this purpose, a published market means any market on which such securities are traded if the prices are regularly published in a newspaper or business or financial publication of general and regular paid circulation. The process of valuing investments for which no published market exists is based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments and may differ from the prices at which the investments may be sold.

5.2 Discretion

The Investment Adviser will notify the Valuation Agent of any information relevant to the valuation of the Fund's investments, including any adjustments in the holdings of the Fund and of any circumstances that would necessitate an adjustment to the current valuation. The Manager will review and, if satisfactory, approve the valuation monthly and will, from time to time, consider the appropriateness of the valuation policies adopted by the Fund, as such policies are modified from time to time in the discretion of the Manager, acting reasonably, and in the best interests of Holders.

The Fund has not deviated from its valuation policies in the last three years.

SECTION 6 - CALCULATION OF NET ASSET VALUE

The Valuation Agent calculates the NAV on each Valuation Date, ordinarily between 4:00 p.m. to 6:00 p.m. (Toronto time).

The total NAV of the Fund for each of Series A and Series B consist of the aggregate value of the assets of the Global Bond Portfolio for the relevant Series and the relevant portion of the Forward Agreement ("**Series A NAV**" and "**Series B NAV**", respectively, for the Fund). Since

the value of the Fund's rights and obligations under the Series A or Series B portion of the Forward Agreement is determined by reference to the value of the Series A or Series B portion of the Global Bond Portfolio, Series A NAV and Series B NAV are linked to the value of the relevant portion of the Global Bond Portfolio. The total assets of the Series A or Series B portion of the Global Bond Portfolio consist of the aggregate value of the relevant portion of the Global Bond Portfolio assets.

NAV for each relevant Series is calculated by subtracting the aggregate amount of the applicable series liabilities of the Fund or GBT from the total series assets of the Fund or GBT, as applicable. The liabilities of the Fund include all bills and accounts payable, all other contractual obligations for the payment of money, including the amount of distributions declared and unpaid, all accrued and unpaid fees to all parties that provide services to the Fund and all other accrued and unpaid fees and expenses, all reserves for taxes or contingencies and all other liabilities of the Fund determined in accordance with Canadian GAAP. All fees and expenses of the Fund are deemed to accrue on a daily basis in accordance with the Manager's best estimate.

"NAV per Series A Unit" means the amount obtained by dividing the Series A NAV as of a particular date by the total number of Series A Units outstanding on that date as determined in Canadian dollars from time to time by the Valuation Agent pursuant to the Valuation Services Agreement (as defined under Section 8.9 - *Valuation Agent*) and the **"NAV per Series B Unit"** means the amount obtained by dividing the Series B NAV as of a particular date by the total number of Series B Units outstanding on that date as determined in U.S. dollars from time to time by the Valuation Agent pursuant to the Valuation Services Agreement.

The NAV per Unit is available to Holders on request, at no cost, and is available on the Internet at www.firstasset.com.

For financial statement reporting purposes, the fair value of the Fund's investments are measured in accordance with CICA Handbook Section 3855: Financial Instruments - *Recognition and Measurement*, which for publicly listed securities is based on the closing bid price on the recognized stock exchange on which the investments are listed or principally traded. Pursuant to NI 81-106, investment funds are required to calculate their net asset value in accordance with Canadian GAAP. The Canadian securities regulatory authorities have published amendments to NI 81-106 that remove the requirement that net asset value for redemptions and subscriptions be calculated in accordance with Canadian GAAP effective September 8, 2008. As a result of the amendments, the net asset value of investment funds will continue to be calculated based on the fair value of investments using the close or last trade price. Due to the structure of the Fund, the Net Assets per unit for financial reporting purposes and net asset value per unit for pricing purposes are the same. As at December 31, 2010, the Common Share Portfolio is valued at the closing bid price of each security and the value of the Forward Agreement has been adjusted accordingly.

SECTION 7 - REDEMPTION OF SECURITIES/PURCHASES FOR RESALE

7.1 Redemptions

(1) Annual Redemptions

Units may be surrendered for redemption not more than 45 days, and at least 15 Business Days, prior to the second last Business Day of January (each, an “**Annual Redemption Date**”). Units surrendered for redemption by a Holder at least 15 Business Days prior to an Annual Redemption Date are redeemed as at such Annual Redemption Date and the Holder receives payment in respect of any Units surrendered for redemption on or before the tenth Business Day following such Redemption Date (“**Redemption Payment Date**”).

Holder will receive a redemption price per Unit equal to 100% of the NAV per Series A Unit or NAV per Series B Unit, as applicable, determined as of such Redemption Date less a *pro rata* share of all the costs of funding the redemption, including any expenses incurred by the Fund to partially settle the Forward Agreement in order to fund such redemption (the “**Unit Redemption Price**”). The NAV per Series A Unit and NAV per Series B Unit varies depending on the performance of the Global Bond Portfolio by virtue of the Forward Agreement, which depends on a number of factors, including the value of the securities in the Global Bond Portfolio, the performance of the global high yield debt market generally and interest rates. Any redemption of Units or payment of redemption proceeds is subject to the Trustee’s right to suspend such redemption of Units or payment of redemption proceeds as described below. Any unpaid distribution payable on or before an Annual Redemption Date in respect of Units tendered for redemption on such Annual Redemption Date is also paid on the Redemption Payment Date. The Trustee or the Manager may designate as payable to redeeming Holders capital gains realized by the Fund in connection with the disposition of securities required in order to fund the redemption.

In order to permit the Fund to fund distributions as well as redemptions of Units by Holders from time to time, payment for purchases of Units in the market and expenses of the Fund, the terms of the Forward Agreement provide that the Forward Agreement may be partially settled prior to the date of termination of the Fund by the Fund tendering to the Counterparty securities of the Common Share Portfolio.

Any Units redeemed pursuant to this annual redemption feature shall be held for resale as described below under “Recirculation”.

(2) Monthly Redemptions

In addition to the annual redemption right described above, a Holder is entitled to surrender Units at any time for redemption on (i) the last Business Day of each month where Units are surrendered by 5:00 p.m. (Toronto time) on a day that is 15 Business Days prior to the last day of the month; or (ii) the last Business Day of the following month where Units are surrendered after 5:00 p.m. (Toronto time) on the day that is within 15 Business days of the last day of the month (each, a “**Monthly Redemption Date**”). The redemption price per Unit for monthly redemptions is equal to the lesser of:

- (a) 95% of the Market Price (as defined below) per Series A Unit or Series B Unit, as applicable, during the 10 trading days immediately subsequent to the applicable Monthly Redemption Date; and
- (b) 100% of the Closing Market Price (as defined below) per Series A Unit or Series B Unit, as applicable,

on the applicable Monthly Redemption Date minus an amount equal to the aggregate of all brokerage fees, commissions and other costs or expenses incurred by the Fund in connection with such payment.

Units surrendered for redemption not more than 45 days and at least 15 Business Days prior to the Annual Redemption Date will be deemed to have been surrendered pursuant to the annual redemption right. The Trustee or the Manager may designate as payable to redeeming Holders capital gains realized by the Fund in connection with the disposition of securities required in order to fund the redemption.

Market price (the “**Market Price**”) means an amount equal to the weighted average of the closing price of the Series A Units or Series B Units, as applicable, for each of the trading days on which there was a closing price; provided that if the applicable exchange or market does not provide a closing price, but only provides the highest and lowest prices of the Units traded on a particular day, the Market Price shall be an amount equal to the average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five of the ten trading days, the Market Price shall be the average of the following prices established for each of the ten trading days; (a) the average of the last bid and last asking prices of the Series A Units or Series B Units, as applicable, for each day there was no trading; (b) the closing price of the Series A Units or Series B Units, as applicable, for each day that there was trading if the exchange or market provides a closing price; and (c) the average of the highest and lowest prices of the Series A Units or Series B Units, as applicable, for each day that there was trading if the market provides only the highest and lowest prices of the Units traded on a particular day.

Closing market price (the “**Closing Market Price**”) means an amount equal to (a) the closing price of the Series A Units or Series B Units, as applicable, on the principal stock exchange on which the Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) if there was a trade on the date and the exchange or market provides a closing price; (b) an amount equal to the average of the highest and lowest prices of the Series A Units or Series B Units, as applicable, on the principal stock exchange on which the Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) if there was trading and the exchange or other market provides only the highest and lowest prices of the Series A Units or Series B Units, as applicable, traded on a particular day; or (c) the average of the last bid and last asking prices of the Series A Units or Series B Units, as applicable, on the principal stock exchange on which the Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) if there was no trading on the relevant date.

Any Units redeemed pursuant to this monthly redemption feature shall be held for resale as described below under "Recirculation".

(3) **Additional Redemptions**

In addition to the annual and monthly redemption rights described above, the Manager may direct the Trustee to pay an amount for each Unit surrendered for redemption before 5:00 p.m. (Toronto time) on a particular Business Day equal to the NAV per Unit as of a particular Business Day, less any cost of funding the redemption including commissions, if the Holders thereof apply the full amount of such redemption proceeds to be received for the Units so redeemed to the purchase of units of another investment vehicle sponsored or promoted by the Manager or an affiliate of the Manager to be offered to the public by prospectus. The Trustee or the Manager may designate as payable to redeeming Holders capital gains realized by the Fund in connection with the disposition of securities required in order to fund the redemption.

(4) **Changes to Redemption Rights**

The Manager may, without the approval of Holders (but subject to regulatory approval in respect of additional redemption rights based on a redemption price determined with reference to NAV), change the redemption rights attached to the Units on not less than 30 days' notice to registered Holders (and disclosed in the next regularly scheduled report to Holders) by increasing the number of times in each year that Units may be redeemed by Holders on terms specified by the Manager, provided that no such change may be made without Holder approval if it would eliminate the rights of Holders to redeem their Units on the redemption date in any year at a Unit Redemption Price equal to the NAV per Unit or if it would result in the Fund being a "mutual fund" for securities law purposes. Any redemptions based on a redemption price determined with reference to the NAV more frequently than once a year would, based on the current views of the securities regulatory authorities, make the Fund a "mutual fund" for securities law purposes (as a result of which the Fund would be subject to the investment restrictions of NI 81-102).

(5) **Redemption Procedures**

A Holder who desires to exercise Unit redemption privileges must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto, Ontario) on behalf of the Holder a written notice of the Holder's intention to redeem Units, no later than 5:00 p.m. (Toronto time) on the relevant notice date. A Holder who desires to redeem Units should ensure that a CDS Participant is provided with notice of his or her intention to exercise his or her redemption right sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver a notice to CDS by the required time.

By causing a CDS Participant to deliver to CDS a notice of a Holder's intention to redeem Units, the Holder is deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of such redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any redemption notice that CDS determines to be incomplete, not in proper form or not duly executed is, for all purposes, void and of no effect, and the redemption privilege to which it relates is considered, for all purposes, not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with a Holder's instructions does not give rise to any obligations or liability on the part of the Fund or the Manager to the CDS Participant or the Holder.

(6) **Suspension of Redemptions**

The Trustee may suspend the redemption of Units or payment of redemption proceeds (i) for the whole or any part of a period during which normal trading is suspended on a stock exchange, options exchange or futures exchange or other market within or outside Canada on which high yield debt securities are listed and traded, or on which derivatives are traded, if those securities or derivatives represent more than 50% by value, or underlying market exposure, of the total assets of the Common Share Portfolio or the Global Bond Portfolio without allowance for liabilities and if those securities or derivatives are not traded on any other exchange or market that represents a reasonably practical alternative for the Fund or GBT; or (ii) with the prior permission of the Ontario Securities Commission, for any period not exceeding 120 days during which the Trustee determines that conditions exist which render impractical the sale of assets of the Fund or GBT or which impair the ability of the Valuation Agent to determine the value of the assets of the Fund and GBT. The suspension may, at the sole discretion of the Trustee, apply to all requests for redemption received prior to the suspension but as for which payment has not been made, as well as to all requests received while the suspension is in effect. All Holders making such requests are advised of the suspension and of their right to withdraw their request for redemption. Redemptions so suspended are effected at a price determined on the first date that the NAV is calculated following the termination of the suspension. The suspension terminates on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Trustee is conclusive.

7.2 Market Purchases

To enhance liquidity and to provide market support for the Units, the Fund has a mandatory market purchase program under which the Fund, subject to certain exceptions contained in the Declaration of Trust and in compliance with any applicable regulatory requirements, is obligated to purchase any Series A Units or Series B Units offered in the market if the price at which such Units are offered for sale is less than 95% of the NAV per Unit determined as at the close of business in Toronto, Ontario on the immediately preceding Business Day. The maximum number of Series A Units or Series B Units to be purchased in any three month period (commencing with the three month period that begins on the first day of the month following the closing date of the Offering) is 1.25% of the number of Series A Units or Series B Units, respectively, outstanding at the beginning of such period.

The Declaration of Trust provides that the Fund is not obligated to make such purchases if, among other things, (i) the Fund lacks the cash, debt capacity or other resources to make such

purchases, or (ii) in the opinion of the Manager, such market purchases would adversely affect the ongoing activities of the Fund. In addition, the Declaration of Trust provides that the Fund has the right (but not the obligation) exercisable in its sole discretion, at any time, to purchase Units in the market, subject to any applicable regulatory requirements and limitations.

Any Units purchased by the Fund shall be held for resale as described below under "Recirculation".

The Fund has made normal course issuer bids for Units through the facilities of the TSX. The details of the last three such bids are as follows:

<u>Bid Commenced</u>	<u>Bid Terminated</u>	<u>Units Purchased</u>	<u>Average Price/Security*</u>
December 19, 2008	December 18, 2009	8,100 Series A Units 0 Series B Units	\$12.74 -
December 19, 2009	December 18, 2010	0 Series A Units 0 Series B Units	- -
December 20, 2010	December 19, 2011	See Below	See Below

* Excluding commissions

As at March 21, 2011, no Series A Units or Series B Units have been acquired pursuant to the current bid.

7.3 Recirculation

Effective April 11, 2008, all Units that have been surrendered for redemption or re-purchased by the Fund in accordance with the Declaration of Trust, shall be held by the Fund for resale. The Fund may, but is not obligated to, enter into a recirculation agreement with one or more investment dealers as recirculation agent where the recirculation agent will agree to use commercially reasonable efforts to find purchasers for Units that have been surrendered for redemption or re-purchased by the Fund in accordance with the Declaration of Trust.

Pending the sale of Units, the rights, obligations and liabilities attached to the Units shall be suspended, and such Units shall not be considered to be issued and outstanding for the purposes of calculating the NAV per Unit. Upon a sale, the Unit shall then be entitled to the rights and privileges and subject to the obligations and liabilities of the Declaration of Trust and shall be considered to be issued and outstanding.

Units that have not been resold within sixteen months after the date they have been redeemed or repurchased, as the case may be, will be cancelled.

SECTION 8 - RESPONSIBILITY FOR FUND OPERATIONS

8.1 Manager

(1) Contact Information

First Asset Investment Management Inc.

95 Wellington Street West, Suite 1400

Toronto, Ontario M5J 2N7

(416) 642-1289 or (877) 642-1289

info@firstasset.com • www.firstasset.com

On September 24, 2010, First Asset Funds Inc. (the former manager of the Fund), assigned its responsibilities as manager to First Asset Investment Management Inc., the then investment adviser of the Fund and a wholly-owned subsidiary of First Asset Funds Inc.

(2) Duties and Services Provided

The Manager performs the management functions for the Fund as manager of the Fund. As such, the Manager is responsible for managing the day-to-day administration and operation of the Fund, and for ensuring the Fund complies with all laws that are applicable to it. The Manager, on behalf of the Fund, has engaged certain other parties to provide other services to the Fund, some of which are disclosed elsewhere in this AIF.

The Manager, as manager of the Fund, is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill of a prudent and qualified manager. The Manager as manager is liable to the Fund for any loss occasioned by the Manager's wilful misconduct, bad faith, negligence, any breach of its standard of care and duty prescribed by the Declaration of Trust or by any material breach or default by it of its obligations under the Declaration of Trust. The Manager is indemnified by the Fund out of the Fund property against all liabilities and expenses (including judgements, fines, penalties, amounts paid in settlement and counsel fees) reasonably incurred in connection with any action, suit or proceeding to which the Manager may be made a party by reason of being or having been the manager of the Fund. However, the Manager shall not be indemnified if it is finally adjudged in such action, suit or proceeding to be in breach of its standard of care or duty imposed upon it under the Declaration of Trust in relation to the matter in respect of which indemnification is claimed.

(3) Directors and Officers of the Manager

<i>Name and Municipality of Residence</i>	<i>Position with Manager</i>	<i>Principal Occupation</i>
Akkawi, Z. Edward Toronto, Ontario	Director and Chief Operating Officer	Director and Chief Operating Officer of FA Management Corp. ("FAMC") ⁽¹⁾
Allardyce, Craig ⁽²⁾	Portfolio Manager	Portfolio Manager of FAMC

<i>Name and Municipality of Residence</i>	<i>Position with Manager</i>	<i>Principal Occupation</i>
Toronto, Ontario		
Couprie, Chris ⁽³⁾ Toronto, Ontario	Portfolio Manager	Portfolio Manager of FAMC
Dinelle, Paul V. Toronto, Ontario	Director and Executive Vice-President	Director and Executive Vice-President of FAMC
Goldman, Lee ⁽⁴⁾ Toronto, Ontario	Senior Vice-President, Portfolio Manager and Chief Compliance Officer	Senior Vice-President, Portfolio Manager and Chief Compliance Officer of FAMC
Gordon, Barry H. Toronto, Ontario	Director, President and Chief Executive Officer	Director, President and Chief Executive Officer of FAMC
Goswami, Manash ⁽⁵⁾ Toronto, Ontario	Portfolio Manager	Portfolio Manager of FAMC
Schikowsky, Charlene A. Toronto, Ontario	Senior Vice-President, Administration and Operations	Senior Vice-President, Administration and Operations of FAMC
Stephenson, John ⁽⁶⁾ Toronto, Ontario	Senior Vice-President and Portfolio Manager	Senior Vice-President and Portfolio Manager of FAMC
Wagman, Karen Toronto, Ontario	Chief Financial Officer	Chief Financial Officer of FAMC

Unless otherwise indicated, all of the directors and officers of the Manager have held their principal occupations for the five years preceding the date hereof.

- (1) FAMC is a Toronto-based, independent asset management company.
- (2) Prior to joining the First Asset organization in April 2010, Mr. Allardyce was Vice President and Portfolio Manager with Mavrix Fund Management Inc. where he was responsible for economic and credit research, investment strategy and trading. He has nearly 20 years of fixed income experience including portfolio management, sales and trading and interdealer brokerage.
- (3) Prior to joining the First Asset organization in February 2007, Mr. Couprie was a research associate at Desjardins Securities covering the transportation sector, as well as special situations. Prior to that, Mr. Couprie worked at a hedge fund employing a long short market neutral strategy. Mr. Couprie holds a Bachelor of Commerce degree from the University of Toronto in Toronto, Ontario and holds the designation of Chartered Financial Analyst.
- (4) Prior to joining the First Asset organization in April 2006, Mr. Goldman was the Vice President and Treasurer of a subsidiary of Mackenzie Financial Corporation, and Manager of the Mackenzie Sentinel Mortgage Fund.
- (5) Prior to joining the First Asset organization in September 2007, Mr. Goswami was a Research

<i>Name and Municipality of Residence</i>	<i>Position with Manager</i>	<i>Principal Occupation</i>
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Associate at Scotia Capital covering the Canadian energy infrastructure sector. Prior to that, Mr. Goswami worked at a boutique investment bank specializing in structured finance products. Mr. Goswami holds a Bachelor of Arts Honours (Biology & Economics) from Queen's University in Kingston, Ontario, a Masters of Business Administration from the Ivey School of Business at the University of Western Ontario in London, Ontario. In addition, he holds the designation of Chartered Financial Analyst and Certified Management Accountant.

- (6) Prior to joining the First Asset organization in April, 2006, Mr. Stephenson led a team managing a fund of income trusts and in designing and managing a long/short North American equity/commodities strategy focused on the North American energy and utilities sectors for Second Street Capital, Ltd. Between June of 1997 and February 2006 he worked as an equity analyst (covering the merchant energy and oil and gas sector) and as a partner in an energy-focused management consulting firm as well as co-founder and principal strategist of a long/short U.S. equities fund.

(4) **Termination of Manager**

The Manager will be terminated as manager of the Fund upon termination of the Declaration of Trust or termination of the Fund.

8.2 **Trustee**

(1) **Contact Information**

First Asset Funds Inc.
95 Wellington Street West, Suite 1400
Toronto, Ontario M5J 2N7
(416) 642-1289 or (877) 642-1289
info@firstasset.com • www.firstasset.com

On September 24, 2010, First Asset Funds Inc. (the former trustee of the Fund), assigned its responsibilities as trustee to First Asset Investment Management Inc., the then investment adviser of the Fund and a wholly-owned subsidiary of First Asset Funds Inc.

(2) **Duties and Services Provided**

The Trustee, as trustee of the Fund, is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Holders and to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. The Declaration of Trust provides that the Trustee will not be liable in carrying out its duties under the Declaration of Trust except in cases of wilful misconduct, bad faith, negligence or the disregard of its obligations or duties or breach of its standard of care and duty. The Declaration of Trust provides that the Trustee is not liable in any way for any default, failure or defect in any of the securities comprising the investment portfolio of the Fund if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Trustee and each of its directors, officers, and employees are indemnified by the Fund for all liabilities and expenses reasonably incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Trustee or any of its officers, directors or

employees in the exercise of its duties under the Declaration of Trust, except those resulting from such person's wilful misconduct, bad faith, negligence, disregard of such person's obligations or duties or breach of their standard of care in relation to the matter in respect of which indemnification is claimed.

(3) **Directors and Officers of the Trustee**

The directors and officers of the Trustee are the same individuals listed in Section 8.1(3) – *Directors and Officers of the Manager*, as First Asset Investment Management Inc. is both the manager and trustee of the Fund.

(4) **Termination Provisions**

The Trustee or any successor trustee may resign upon 60 days' written notice to Holders or may be removed by an Extraordinary Resolution by Holders in the event the Trustee is in material breach or default of the provisions of the Declaration of Trust and, if capable of being cured, such breach or default has not been cured within 20 Business Days' notice of such breach or default. Any such resignation or removal will become effective only on the acceptance of appointment by a successor trustee. The Trustee is deemed to have resigned in certain circumstances, including if the Trustee becomes bankrupt or insolvent or in the event the Trustee ceases to be resident in Canada for the purposes of the Tax Act.

In the event the Trustee resigns or is removed by Holders, its successor must be approved by Holders. If, after the resignation or removal of the Trustee, no successor has been appointed within 60 days, the Trustee or any Holder may apply to a court of competent jurisdiction for the appointment of a successor trustee. If a successor trustee is not appointed, the Fund will be terminated.

8.3 Investment Adviser

(1) **Contact Information**

First Asset Investment Management Inc.
95 Wellington Street West, Suite 1400
Toronto, Ontario M5J 2N7

(2) **Duties and Services Provided**

The Investment Adviser has been retained by the Manager to provide investment advisory and portfolio management services to the Fund pursuant to an investment management agreement entered into between the Manager and the Investment Adviser made as of August 19, 2003, as superseded and replaced by an investment advisory agreement dated December 17, 2007 in order to include certain changes resulting from the Merger (the "**Investment Advisory Agreement**"). As investment adviser to the Fund, the Investment Adviser is responsible for implementing the Fund's investment strategy.

In the Investment Advisory Agreement, the Investment Adviser covenants to act at all times on a basis which is fair and reasonable to the Trustee and the Fund, to act honestly and in good

faith with a view to the best interests of the Fund and the Holders and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent investment adviser would exercise in the circumstances. The Investment Advisory Agreement provides that the Investment Adviser will not be liable in any way for any default, failure or defect in any of the securities comprising the Common Share Portfolio if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Investment Advisory Agreement also requires that the Investment Adviser and its officers, directors and employees be indemnified in respect of all losses (other than loss of profits), expenses, claims, actions, damages or liabilities whatsoever (a “**Claim**”) which they may suffer or incur as a result of the wilful misconduct, fraud, negligence or reckless disregard of the duties of the Trustee or a material breach of the Trustee’s obligations under the Investment Advisory Agreement, unless such Claims resulted from an act or omission involving wilful misconduct, fraud, negligence or reckless disregard of the Investment Adviser’s duties under the Investment Advisory Agreement or a material breach of the Investment Adviser’s obligations under the Investment Advisory Agreement.

(3) **Key Members**

The following officers of the Investment Adviser are responsible for ensuring that the Fund complies with its investment guidelines: Barry H. Gordon (President and Chief Executive Officer), Paul V. Dinelle (Executive Vice President), Z. Edward Akkawi (Chief Operating Officer), Karen Wagman (Chief Financial Officer), Lee Goldman (Senior Vice-President, Portfolio Manager and Chief Compliance Officer) and John Stephenson (Senior Vice-President and Portfolio Manager). Information for all of the directors and officers of the Investment Adviser can be found in Section 8.1(3) - *Directors and Officers of the Manager*.

Investment decisions made by the above mentioned individuals are not subject to the oversight, approval or ratification of a committee.

(4) **Termination Provisions**

The Investment Advisory Agreement, unless terminated as described below, continues until the date of termination of the Fund. The Trustee may terminate the Investment Advisory Agreement including in the following circumstances: (i) upon 90 days’ notice; (ii) in the event that the Investment Adviser is in material breach of the Investment Advisory Agreement and the material breach has not been cured within 20 Business Days’ notice thereof to the Investment Adviser; (iii) if there is a dissolution and commencement of winding-up of the Investment Adviser; (iv) if the Investment Adviser becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors or a receiver is appointed in respect of the Investment Adviser or a substantial portion of its assets; (v) if the assets of the Investment Adviser become subject to seizure or confiscation by any public or governmental organization; (vi) if the Investment Adviser has lost any registration, license or other authorization required by it to perform the services delegated to it thereunder; or (vii) if the Investment Adviser has acted with wilful misconduct, fraud or negligence and as a result of such action there has been a material adverse effect on the Common Share Portfolio. The Investment Advisory Agreement is not subject to termination under clause (ii) above if a material breach cannot be cured within 20 Business Days’ notice thereof but the Investment Adviser commences the cure within the 20 Business Day period and completes the cure within 45 days of such notice.

The Investment Adviser may terminate the Investment Advisory Agreement, without payment of any penalty, including in the following circumstances: (i) upon 90 days' notice; (ii) in the event the Trustee is in material breach of the provisions thereof and such material breach has not been cured within 20 Business Days' notice of such breach to the Trustee; (iii) if there is a material change in the investment objectives, strategies or restrictions relating to the Fund to which the Investment Adviser has not agreed to; (iv) if there is a dissolution and commencement of winding-up of the Fund; or (v) if the Fund becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors or a receiver is appointed in respect of the Fund or a substantial portion of its assets.

In the event that the Investment Advisory Agreement is terminated as provided above, the Trustee will promptly appoint a successor investment adviser to carry out the activities of the Investment Adviser until a meeting of its Holders is held to confirm such appointment.

8.4 Brokerage Arrangements

The Investment Adviser is responsible for selecting members of securities exchanges, brokers and investment dealers for the execution of transactions in respect of the Fund's investments and, when applicable, the negotiation of commissions in connection therewith. The Fund is responsible to pay those commissions.

The Investment Adviser's allocation of brokerage business to companies, including those that furnish statistical, research or other services to the Fund, is based on decisions made by the portfolio managers, analysts and traders of the Investment Adviser and will only be made in compliance with applicable law and in accordance with the Investment Adviser's policies and procedures. The Investment Adviser does not generally allocate brokerage business to affiliates. The allocation of business among brokers is based on a number of factors, including: (i) the nature and character of the security or instrument being traded and the markets in which it is purchased or sold; (ii) the desired timing of the transaction; (iii) the Investment Adviser's knowledge of the expected commission rates and spreads currently available; (iv) the activity existing and expected in the market for the particular security or instrument; (v) the full range of brokerage services provided; (vi) the broker's or dealer's capital strength and stability, as well as its execution, clearance and settlement capabilities; (vii) the quality of research and research services provided; (viii) the reasonableness of the commission or its equivalent for the specific transaction; and (ix) the Investment Adviser's knowledge of any actual or apparent operational problems of a broker or dealer.

The Investment Adviser utilizes a wide variety of Canadian and international brokerage and investment dealers that specialize in macroeconomic and security specific analysis. In addition, the Investment Adviser utilizes the services of Commission Direct Inc., a soft dollar broker. A portion of the commissions generated through the use of Commission Direct Inc. are used to pay for such services as Bloomberg Financial Markets and the fees of the various exchanges used by the Fund, or the Investment Adviser, as applicable.

8.5 Directors, Officers and Trustees

The Fund does not have any directors or officers. The Trustee is First Asset Investment Management Inc. Please refer to Section 8.2 - *Trustee*.

8.6 Custodian

(1) Contact Information

State Street Trust Company Canada
30 Adelaide Street East, Suite 1200
Toronto, Ontario M5C 3G6

(2) Duties and Services Provided

The Custodian serves as custodian of the Fund pursuant to a custodial agreement between the Trustee and Custodian dated August 19, 2003, as superseded and replaced by the custodial agreement dated December 17, 2007 and further superseded and replaced by the master custodial agreement dated January 13, 2010 (the "**Custodial Agreement**"). The Fund is responsible for payment of the fees of the Custodian which are included in the ongoing expenses of the Fund.

In the Custodial Agreement, the Custodian covenants, when carrying out its duties in respect of the safekeeping of and dealing with the assets of the Fund, to exercise, at a minimum, the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances. The Custodian agrees to hold, or direct its sub-custodians to hold, for the account of the Fund, all securities, collateral security and other non-cash property (other than securities which are held in a book-based system). The Custodian may employ sub-custodians as considered appropriate in the circumstances. The sub-custodian contracts entered into by the Custodian are in compliance with Part 6 of NI 81-102 and, to the best of the Fund's knowledge and belief, each sub-custodian retained by the Custodian to provide sub-custodial services for the Fund satisfies the applicable requirements of sections 6.2 and 6.3 of NI 81-102.

Pursuant to the Custodial Agreement, the Custodian will be indemnified out of the Fund's assets in certain circumstances, including from and against any direct loss, liability, claim or expense (including reasonable legal counsel fees and disbursements) suffered or incurred by the Custodian arising from or in connection with the performance of its duties under the agreement except with respect to any liability or expense (including any portion of liability insurance) occasioned by or resulting from the fraud, wilful default, negligence, breach or wrongful act of the Custodian or any of its employees, directors or officers in the performance of the Custodian's duties or obligations under the agreement, or a breach by the Custodian of its standard of care.

(3) Termination Provisions

The Custodial Agreement may be terminated by either the Fund or the Custodian on at least 60 days' prior written notice, and may be terminated immediately if a party is in material breach of its obligations under the agreement and has failed to cure such breach within 30 days

of receiving notice of the breach, or in the event any involuntary action or proceeding is initiated against the other party under any applicable insolvency, bankruptcy or reorganization legislation or similar law. The Custodial Agreement shall also terminate automatically in connection with a merger, amalgamation or other consolidation of the Fund with another fund or funds, if the Fund ceases to continue following such merger, amalgamation or consolidation, or in connection with the winding up and dissolution of the Fund.

8.7 Auditor

Ernst & Young LLP
222 Bay Street
Toronto, Ontario M5K 1J7

The Auditors have been the auditors of the Fund since its formation.

8.8 Registrar

(1) Contact Information

Computershare Investor Services Inc.
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1

(2) Duties and Services Provided

The Registrar acts as transfer agent and registrar for the Fund, providing certain record-keeping, Holder reporting and general administration services pursuant to a registrar, transfer agency and distribution agency agreement between the Trustee and the Registrar, dated February August 19, 2003 as superseded and replaced by the registrar, transfer agency and distribution agreement dated December 17, 2007 (the "**Registrar, Transfer Agency and Distribution Agency Agreement**").

The Fund is responsible for payment of the fees and reimbursement of expenses of the Registrar, which are included in the ongoing expenses of the Fund. Pursuant to the Registrar, Transfer Agency and Distribution Agency Agreement, the Fund agrees to indemnify the Registrar in certain circumstances, including from any liability which may arise out of acts performed or omitted to be performed by it in accordance with the agreement, except liability arising out of gross negligence, wilful default, wilful misconduct or bad faith.

The register of Units is kept by the Registrar in Toronto, Ontario.

(3) Termination Provisions

The Registrar, Transfer Agency and Distribution Agency Agreement may be terminated on 60 days' prior written notice.

8.9 Valuation Agent

(1) Contact Information

State Street Fund Services Toronto Inc.
30 Adelaide Street East, Suite 1200
Toronto, Ontario M5C 3G6

(2) Duties and Services Provided

The Valuation Agent performs certain accounting and record keeping services and certain valuation services for the Fund pursuant to a valuation services agreement between the Trustee and the Valuation Agent dated August 19, 2003 as superseded and replaced by the valuation services agreement dated December 17, 2007 (the "**Valuation Services Agreement**"). The Fund is responsible for payment of the fees of the Valuation Agent which are included in the ongoing expenses of the Fund. Subject to the provisions of the Valuation Services Agreement and provided the Valuation Agent has not breached its standard of care, the Valuation Agent will be indemnified out of the Fund's assets from and against any legal fees, liability, claim or expense (including reasonable legal counsel fees and disbursements) incurred by the Valuation Agent in connection with the performance of its duties under the Valuation Services Agreement.

(3) Termination Provisions

The Valuation Services Agreement may be terminated on 60 days' prior written notice by any party, or immediately in the event another party is in material breach of its obligations under the agreement and has failed to cure such breach within 30 days of receiving notice of the breach, or in the event any involuntary action or proceeding is initiated against another party under any applicable insolvency, bankruptcy or reorganization legislation or similar law.

SECTION 9 - CONFLICTS OF INTEREST

The information provided in this Section 9 is as at March 21, 2011.

9.1 Principal Holders of Securities

To the knowledge of the Manager, no person or company owns, beneficially, either directly or indirectly, more than 10% of the outstanding Units. All of the Units are registered in the name of CDS.

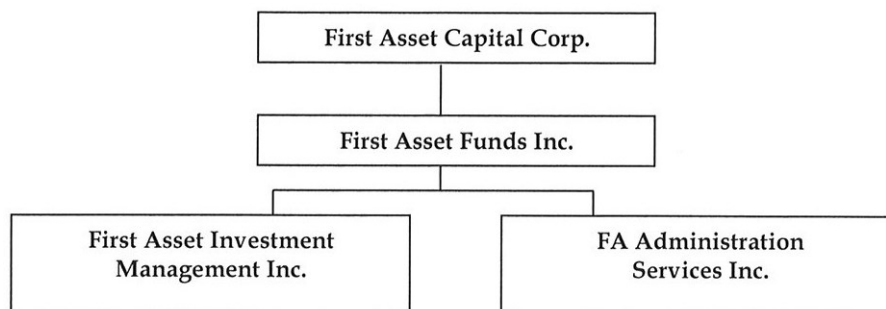
FACC indirectly owns both beneficially and of record all of the issued and outstanding share capital of First Asset Investment Management Inc. (the Manager, Trustee and Investment Adviser) ("**First Asset**"). FACC is a Toronto-based financial services company owned and controlled by members of the senior management of First Asset.

None of the directors or officers of First Asset, individually or in aggregate, own more than 10% of the outstanding Units.

The members of the IRC do not own any securities of the Fund, First Asset or any person or company that provides services to the Fund or First Asset.

9.2 Affiliated Entities

The diagram below, which illustrates only some of the entities related to FACC, illustrates the relationship between some of the service providers to the Fund. The fees paid by the Fund to these parties are contained in the audited financial statements of the Fund.



Note: All ownership is 100%

FA Administration Services Inc., an affiliate of First Asset, provides administrative services to First Asset in relation to the Fund's IRC, but does not receive any compensation for doing so.

9.3 Services Not Exclusive

The services of First Asset, as manager, trustee and investment adviser are not exclusive to the Fund. First Asset or any of its affiliates and associates may, at any time, engage in the promotion, management, administration or investment management of other investment funds (some of which may invest primarily in securities held in the Fund), and provide similar services to other investment funds and other clients, and engage in other activities.

First Asset may acquire or dispose of the same investment for the Fund and for one or more of its other clients, but the timing of transactions for other clients may not necessarily coincide with those carried out for the Fund because of different investment policies. First Asset has adopted policies to ensure it allocates all investment opportunities fairly among the Fund and its other client accounts.

SECTION 10 - FUND GOVERNANCE

10.1 Independent Review Committee

The Fund has appointed Messrs. Douglas A. S. Mills, Carl M. Solomon and Henry J. Knowles as members of its IRC. The Fund shares its IRC with other investment funds managed and/or administered by First Asset or its affiliates. The relationship with the IRC is administered by FA Administration Services Inc., an affiliate of First Asset. The costs and expenses associated with the IRC are shared among the investment funds. The Fund has agreed to indemnify each

IRC member as permitted under NI 81-107, and has entered into an indemnity agreement to that effect with each IRC member.

The IRC is responsible for overseeing conflicts of interest matters relating to the Fund, which are identified by the Manager. NI 81-107 requires the Manager to have policies and procedures relating to conflicts of interest. The mandate of the IRC is to review and provide input or recommendations to the Manager on all conflict of interest matters that the Manager has referred to the IRC. The IRC has adopted a written charter which it will follow when performing its functions and will be subject to requirements to conduct regular assessments and provide reports to the Fund and its Holders in respect of its functions. In performing their duties, members of the IRC are required to act honestly, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

There has been no change in the composition of the IRC since its formation.

10.2 Business Practices, Sales Practices, Risk Management Controls and Internal Conflicts of Interest

All employees of First Asset are bound by:

- (a) a Code of Ethics and Conduct which, among other things, addresses proper business practices, conflicts of interest and personal trading rules; and
- (b) the First Asset Investment Fund Conflicts Policy and Procedures which, among other things, addresses conflicts of interests involving investment funds managed or administered by First Asset as required under NI 81-107.

There are no formal risk management policies, practices or guidelines, however, the Fund is managed in accordance with the investment objectives, strategy, practices and restrictions set out in Section 3 - *Investment Objectives, Restrictions and Practices*, and which are monitored regularly by appropriate personnel to ensure compliance therewith.

10.3 Use of Derivatives

The Fund has entered into the Forward Agreement, and has the ability to enter into additional or replacement forward agreements or other derivative transactions intended to have the same effect and other documentation relating thereto, including the pledge of the Common Share Portfolio.

Other than with respect to the Forward Agreement, the Fund has adopted the investment restrictions and practices prescribed by NI 81-102 with respect to the use of derivatives for hedging and non-hedging purposes. Under the Investment Adviser's policies and procedures with respect to the use of derivatives, the lead portfolio manager is responsible for initiating, approving and supervising all derivative transactions. All portfolio transactions, including derivative transactions, are reviewed monthly by the Investment Adviser's compliance department to ensure that they are consistent with the policies, strategies and procedures for the Fund. Derivative transactions are regularly assessed by derivative type, term, and

counterparty. The Investment Adviser regularly tests the derivative management activities in order to: (a) ensure that derivatives activities are in compliance with the Investment Adviser's derivatives policies and procedures and with the laws and regulations to which these activities are subject; (b) ensure that derivative transactions are duly authorized and accurately and completely recorded on the books and records of the Fund; (c) ensure that the securities are properly valued on the books and records of the Fund; and (d) ensure that hedging activities are consistent with the Investment Adviser's derivatives/securities portfolio management policies and procedures for the Fund. The Trustee does not have day-to-day involvement in the risk management process.

10.4 Securities Lending, Repurchase Transactions, Etc.

In accordance with the terms of the Declaration of Trust, and pursuant to a securities lending authorization agreement dated June 30, 2009 (the "SLAA") entered into between the Fund, the Trustee and a Canadian chartered bank ("**Securities Lending Agent**"), the Fund authorized the Securities Lending Agent to establish, manage and administer a securities lending program on behalf of the Fund with respect to certain Common Share Portfolio securities.

This securities lending program was established to earn securities lending fees based on market rates for the benefit of Holders, with only a limited increase of risk of loss which arises due to the risks inherent in securities lending transactions. Although the Fund receives collateral for the securities loans and such collateral is marked to market, the Fund will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities.

Securities lending by the Fund is not subject to the restrictions on securities lending applicable to mutual funds which are set out in NI 81-102. However, effective June 30, 2009, the Fund adopted written policies and procedures prescribing the risk management procedures applicable to any securities lending transactions to be entered into by the Fund, including the following:

- (a) The securities loans must qualify as "securities lending arrangements" for the purposes of the Tax Act;
- (b) Any securities lending collateral required to be posted under a securities loan agreement (an "SLA") shall have a mark-to-market value of at least 102.5% of the mark-to-market value of the securities being loaned;
- (c) All securities lending collateral shall be limited to (a) cash, (b) easily liquidated securities with stable value, or (c) other asset classes which are commonly pledged as collateral for securities loans or for which there are other commercial reasons for justifying such acceptance of alternate collateral;
- (d) Initially, securities loans will be limited to Canadian-resident counterparties that are regulated financial institutions or securities dealers. If other borrowers are accepted, such borrowers shall have a credit rating of A+ or higher, or otherwise a credit analysis shall be made to determine if they are of suitable credit risk. In

any case, the approval of the Investment Adviser shall be required in determining the list of approved borrowers;

- (e) Each securities lending agent shall be required to report on securities lending activities and will have positive duties and obligations to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances; and
- (f) All securities lending activities are subject to periodic review based on the written statements of lending activities and fees incurred which are to be provided by the relevant securities lending agent to the Fund from time to time.

The Investment Adviser reviews these policies and procedures on an annual basis.

The SLAA and the form of securities lending agreement which the Securities Lending Agent is authorized to enter into on behalf of the Fund have been reviewed in order to establish that they are in compliance with these policies and procedures and will permit the Investment Adviser to review securities lending activities on a periodic basis. Furthermore, the Investment Adviser has confirmed that it believes that the Securities Lending Agent is a creditworthy and reputable securities lending agent.

10.5 Voting Securities of Other Funds

The Fund did not vote securities of other investment funds it held during the year.

10.6 Proxy Voting

The proxies associated with securities held by the Fund are voted by the Investment Adviser in a manner which it believes will maximize the value of the Fund's investments and those of its Holders over the long-term and that is consistent with the Fund's investment guidelines. The Investment Adviser maintains detailed guidelines for the voting of proxies, however, each vote is ultimately cast on a case-by-case basis, taking into consideration the relevant facts and circumstances at the time of the vote. The Investment Adviser's guidelines do not expressly address the procedures that are to be followed when a vote presents a conflict between the interests of the Holders and those of the Investment Adviser or its affiliates. However, all conflicts of interest or potential conflicts of interest, including those involving the voting of proxies, are referred to the IRC for consideration. The Fund may vote contrary to such guidelines, if it determined it would be in the Fund's best interests to do so.

The current proxy voting policies and procedures of the Investment Adviser are available to Holders on request, at no cost, by calling or writing the Manager. The Fund's proxy voting record for the most recent period ended June 30 of each year is available free of charge to any Holder of the Fund upon request at any time after August 31 of that year and is available at www.firstasset.com.

10.7 Short-Term Trading

The Fund has no policies and procedures relating to the monitoring, detection and deterrence of short-term trades of Units by Holders.

SECTION 11 - FEES AND EXPENSES

11.1 Fees

<u>Fee Payable To:</u>	<u>Amount and Description</u>
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Manager	An annual management fee in an amount equal to 0.25% of the sum of the Series A NAV and the Series B NAV of the Fund, calculated daily and payable monthly in arrears plus an amount equal to the Service Fee (as defined below), plus applicable taxes. The management fee is payable, at the option of the Manager, in either cash or Units, subject to a maximum of 200,000 Units, issued at the greater of the NAV Per Series A Unit or NAV per Series B Unit, as applicable, and market price.
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In addition, as compensation for management services rendered to GBT the Manager receives an annual management fee in an amount equal to 0.85% of the sum of the Series A NAV and the Series B NAV of GBT calculated daily and payable monthly in arrears plus applicable taxes.

Trustee	An annual fee of 0.025%. See Section 13.2 - <i>Trustee</i> .
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Investment Adviser	The Manager is responsible for payment of the investment management fees of the Investment Adviser out of its fees.
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IRC	The Fund pays a fee to each IRC member. See Section 13.3 - <i>Independent Review Committee</i> .
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Dealers	The Manager pays to dealers an annual service fee (the “ Service Fee ”), calculated and payable semi-annually in arrears, equal to 0.40% of the NAV per Series A Unit and the NAV per Series B Unit for Series A Units and Series B Units, respectively, held by clients of the sales representatives of the registered dealers, plus applicable taxes.
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The management fees payable with respect to the Series A Units will be paid from the Total Assets held in trust by the Trustee for the Holders pursuant to the Declaration of Trust attributable to the Series A Units, and the management fees payable with respect to the Series B Units will be paid from the Total Assets attributable to the Series B Units. All other expenses of the Fund will be allocated by the Trustee among the Series A Units and the Series B Units as the Trustee deems fair and equitable, provided that expenses incurred solely in respect of one Series of Units will be allocated only to that series.

In the event that the Fund does not distribute at least \$0.1458 per Series A Unit or U.S. \$0.044 per Series B Unit, or GBT does not distribute at least \$0.1458 per Series A unit or U.S.\$0.044 per

Series B unit of GBT, adjusted appropriately for capital changes including any issuance of Units subsequent to the Offering, the management fees payable to the Manager, as compensation for management services rendered to the Fund or GBT, as applicable, in respect of each subsequent month and the Service Fee payable to registered dealers in respect of each such subsequent month are reduced *pro rata* based on the amount by which the distribution in respect of the previous month is less than \$0.1458 per Series A Unit or U.S. \$0.044 per Series B Unit of the Fund, or is less than \$0.1458 per Series A unit or U.S.\$0.044 per Series B unit of GBT, as applicable. Any such reduction is subject to a minimum aggregate monthly management fee for management services rendered to the Fund of 1/12 of 0.18% of the sum of the Series A NAV and the Series B NAV of the Fund and for management services rendered to GBT of 1/12 of 0.62% of the sum of the Series A NAV and the Series B NAV of GBT. Regular monthly fees payable to the Manager and the Service Fee payable to registered dealers in respect of the Fund resume in respect of the month (or, in the case of the Service Fee, the semi-annual period) for which the Fund distributes at least \$0.1458 per Series A Unit or U.S. \$0.044 per Series B Unit. Regular monthly fees payable to the Manager in respect of GBT resume in respect of the month for which GBT distributes at least \$0.1458 per Series A unit or U.S. \$0.044 per Series B unit of GBT. The amount by which such fees are reduced is not recoverable by the Manager until such time as the total corresponding distribution shortfall has been paid to Holders or holders of the units of GBT, as applicable and, on the date of termination of the Fund, will not be payable out of the assets of the Fund or GBT unless an amount equal to any distribution shortfall with respect to the applicable trust plus, in the case of the Fund, \$25.00 per Series A Unit and U.S. \$10.00 per Series B Unit is returned to the Series A Holders and the Series B Holders, as applicable and, in the case of GBT, \$25.00 per Series A unit and U.S. \$10.00 per Series B unit, is returned to the relevant holders of units of GBT, respectively. The amount of the management fees payable to the Manager for management services rendered to GBT in respect of the investment management fees payable by the Manager to the Portfolio Manager are also reduced to the extent that the investment management fees payable to the Portfolio Manager or an affiliate of the Portfolio Manager are reduced in connection with an investment in the Goldman Sachs Global High Yield Portfolio or other funds with similar investment objectives managed by the Portfolio Manager or its affiliates (a “**Managed Fund**”). If an investment is made in the Managed Fund, the aggregate of the management fee payable to the Manager and in respect of the Managed Fund will not exceed 0.85% of the NAV of GBT.

The Fund pays to the Counterparty a fee under the Forward Agreement of approximately 0.55% per annum of the NAV of the corresponding number of units of GBT that will determine the purchase price of the Common Share Portfolio under the Forward Agreement, plus a fee which may vary based on the value of the Common Share Portfolio, calculated and payable monthly in arrears. The fee which may vary is intended to compensate the Counterparty for the costs of hedging its exposure under the Forward Agreement, if it chooses to do so, and closely approximates the fees that would be charged to the Counterparty for borrowing securities matching the securities in the Common Share Portfolio.

11.2 Expenses

The Fund also pays for all expenses incurred in connection with its operation, management and administration. These expenses include, without limitation: the various fees described in Section

11.1- *Fees* and elsewhere in this AIF; legal, audit, accounting and tax-reporting costs; registrar, transfer and distribution agency, custodial and valuation costs; preparation, printing and mailing costs incurred in connection with the continuous public filing to Holders; fees payable to the Trustee for acting as trustee of the Fund; investor relations and Holder reporting requirements of the Fund; taxes payable by the Fund or to which the Fund may be subject; interest expenses; expenses relating to portfolio transactions; brokerage commissions and other expenses associated with portfolio transactions; costs of insuring the IRC; regulatory and stock exchange fees and expenses; reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their on-going obligations to the Fund; amounts paid on account of the indebtedness of the Fund; and expenditures incurred upon the termination of the Fund. The Fund is also responsible for any extraordinary expenses of the Fund which may be incurred from time to time.

Expenses also include expenses of any action, suit or other proceedings in which or in relation to which the Manager, the Trustee, the Investment Adviser, the Custodian, the Valuation Agent, the Registrar and in certain cases their respective directors, officers, employees, consultants and/or agents, and any IRC member is entitled to indemnity by the Fund.

11.3 Management Fee Rebate or Distribution Programs

The Fund does not have any arrangements that result, directly or indirectly, in one Holder paying as a percentage of the Holder's investment in the Fund a management fee that differs from that payable by another Holder.

SECTION 12 - INCOME TAX CONSIDERATIONS

12.1 General

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Fund, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units by a Holder. This summary is applicable to a Holder who is an individual (other than a trust) who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length and is not affiliated with the Fund and holds Units as capital property. Generally, Securities are considered to be capital property to a Holder provided that the Holder does not hold Securities in the course of carrying on a business of buying and selling securities and has not acquired Securities in one or more transactions considered to be an adventure in the nature of trade. Certain Holders who might not otherwise be considered to hold their Securities as capital property may, in certain circumstances, be entitled to have Securities treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary is based on the assumptions that the Common Share Portfolio consists of "Canadian securities" for purposes of the Tax Act and that the Fund has elected in accordance with the Tax Act to have each of its Canadian securities treated as capital property.

This summary is based on a certificate of the Manager, the current provisions of the Tax Act, counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency ("CRA") and all specific proposals to amend the Tax Act publicly

announced by the Minister of Finance (Canada) (the “**Minister**”) prior to the date hereof (such proposals referred to hereafter as the “**Tax Proposals**”). This summary does not otherwise take into account or anticipate any changes in law or administrative policies and assessing practice, whether by legislative, governmental or judicial action, nor does it take into account provincial or foreign income tax legislation or considerations. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on an investor's particular circumstances including the province in which the investor resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisers for advice with respect to the income tax consequences of an investment in Units, based on their particular circumstances.

12.2 Status of the Fund

This summary is based on the assumption that the Fund qualifies at all times as a “unit trust” and a “mutual fund trust”, both within the meaning of the Tax Act. In order to so qualify, the Fund must satisfy various requirements including minimum distribution requirements relating to the Units. In addition, the Fund may not reasonably at any time be considered to be established or maintained primarily for the benefit of non-resident persons unless, at that time, substantially all of its property consists of property other than “taxable Canadian property” within the meaning of the Tax Act (if the definition of such term were read without reference to paragraph (b) of that definition). Counsel has been advised by the Manager that the Fund has made an election so that it qualified under the Tax Act as a mutual fund trust from the commencement of its first taxation year. In the event the Fund were not to qualify as a mutual fund trust at all times, the income tax consequences described below would in some respects be materially different.

This summary is based on the assumption that the Fund will at no time be subject to the tax for “SIFT trusts” as defined in the Tax Act.

12.3 Taxation of the Fund

The Fund is subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including dividends, if any, and net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Holders in the year. Provided the Fund makes distributions in each year of its net income and net realized capital gains, as described under Section 4.4 – Distributions, and deducts, in computing its income in each taxation year, such amount as will be sufficient to ensure that the Fund will not be liable for income tax under Part I of the Tax Act for each year other than such tax on net realized capital gains that will be recoverable by the Fund in respect of such year by reason of the capital gains refund mechanism, the Fund is not generally liable for income tax under Part I of the Tax

Act. The Manager has advised counsel that the Fund generally intends to deduct such amount. The taxation year of the Fund ends on December 31.

The Fund did not realize any income, gain or loss upon entering into the Forward Agreement. As the Manager has advised counsel that the Fund elected in accordance with the Tax Act to have each of its Canadian securities treated as capital property, gains or losses realized by the Fund on the sale of Canadian securities are taxed as capital gains or capital losses. If the obligations of the Fund and the Counterparty under the Forward Agreement are settled by making cash payments, a payment made or received by the Fund may be treated as an income outlay or receipt, as applicable. If the Fund delivers securities in the Common Share Portfolio to the Counterparty in satisfaction of its obligations under the Forward Agreement and receives a payment from the Counterparty equal to the price stipulated in the Forward Agreement, the Fund would realize capital gains (losses) equal to the amount by which such purchase price (less reasonable costs of disposition) exceeds (is less than) the aggregate adjusted cost base of such securities and reasonable costs of disposition.

One-half of the amount of any capital gain (a “**taxable capital gain**”) realized by the Fund in a taxation year on the delivery of securities in the Common Share Portfolio to the Counterparty in satisfaction of its obligations under the Forward Agreement must be included in computing the Fund’s income for the year, and one-half of the amount of any capital loss (an “**allowable capital loss**”) realized by the Fund in a taxation year may be deducted against any taxable capital gains realized by the Fund in the year. Any excess of allowable capital losses over taxable capital gains for a taxation year may be deducted against taxable capital gains realized by the Fund in any of the three preceding taxation years or in any subsequent taxation year to the extent and under the circumstances described in the Tax Act.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income. The Fund may deduct the costs and expenses of issuances or sales of Securities paid by the Fund and not reimbursed at a rate of 20% per year, pro-rated where the Fund’s taxation year is less than 365 days. Any losses incurred by the Fund may not be allocated to Holders but may generally be carried forward or back and deducted in computing the taxable income of the Fund in accordance with the detailed rules and limitations contained in the Tax Act (including the Tax Proposals released on October 31, 2003 discussed in Section 16.1 – *Risk Factors – Tax Risk*).

The Fund is entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (“**capital gains refund**”). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale of securities in connection with redemptions of Units.

12.4 Taxation of Holders

A Holder will generally be required to include in income for a particular taxation year of the Holder such portion of the net income, including the taxable portion of the net realized capital gains, of the Fund for a taxation year as is paid or becomes payable to the Holder in that

particular taxation year, whether received in cash or additional Units. Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund and the taxable dividends received or deemed received by the Fund on shares of taxable Canadian corporations as is paid or becomes payable to a Holder will effectively retain its character and be treated as such in the hands of the Holder. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules will apply, including the enhanced gross-up and dividend tax credit rules in respect of eligible dividends paid by taxable Canadian corporations.

Under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the year. This enables the Fund to utilize, in a taxation year, losses from prior years without affecting the ability of the Fund to distribute its income annually. The amount distributed to a Holder but not deducted by the Fund will not be included in the Holder's income. However, the adjusted cost base of the Holder's Units will be reduced by such amount. The non-taxable portion of the Fund's net realized capital gains paid or payable and designated to a Holder in a taxation year will not be included in the Holder's income for the year. Any other amount in excess of the Holder's share of the Fund's net income for a taxation year paid or payable to the Holder in the year will not generally be included in the Holder's income, but will generally reduce the adjusted cost base of the Holder's Units.

To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount is deemed to be a capital gain realized by the Holder from the disposition of the Unit and the Holder's adjusted cost base is increased by the amount of such deemed capital gain.

Any loss of the Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, the Holders.

The NAV per Unit reflects any income and gains of the Fund that have accrued or been realized but have not been made payable at the time Units are acquired. Accordingly, a Holder who acquires Units may become taxable on the Holder's share of such income and gains of the Fund. The purchase price for the Common Share Portfolio under the Forward Agreement from time to time may significantly exceed the aggregate adjusted cost base of the securities comprising the Common Share Portfolio. Therefore, there may be significant accrued gains in the Fund prior to the settlement of the Forward Agreement on or about the termination of the Fund.

Series B Holders receive distributions from the Fund denominated in U.S. currency. Such amounts are determined for purposes of the Tax Act in Canadian dollars using the appropriate exchange rates determined in accordance with the detailed rules in the Tax Act in that regard.

Any additional Units acquired by a Holder in satisfaction of a distribution or on the automatic reinvestment of a net income or capital gains distribution have an initial cost to the Holder equal to the amount of the distribution so satisfied. In computing the adjusted cost base of a Unit so acquired, the cost of such Unit must be averaged with the adjusted cost base of any other Units of that series then held by that Holder as capital property. A consolidation of Units following a distribution paid in the form of Units or an automatic reinvestment of a net income

or capital gains distribution is not regarded as a disposition of Units and does not affect the total adjusted cost base to a Holder of Units.

On the disposition or deemed disposition of a Unit, the Holder realizes a capital gain (or capital loss) to the extent that the Holder's proceeds of disposition (other than any amount of capital gains made payable by the Fund to the Holder which represents capital gains realized by the Fund in connection with its disposition of securities required in order to fund the redemption) exceed (or are exceeded by) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition.

One-half of any capital gain (a "**taxable capital gain**") realized by a Holder or designated by the Fund in respect of the Holder in a taxation year must be included in computing the income of the Holder for that year and one-half of any capital loss (an "**allowable capital loss**") realized by a Holder in a taxation year may be deducted from taxable capital gains realized by the Holder or designated by the Fund in respect of the Holder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains realized in such year to the extent and under the circumstances provided for in the Tax Act.

In general terms, net income of the Fund paid or payable to a Holder that is designated as net realized taxable capital gains or as dividends from taxable Canadian corporations or taxable capital gains realized on the disposition of Units may increase the Holder's liability for alternative minimum tax.

12.5 Eligibility For Investment

Provided the Fund qualifies at all times as a mutual fund trust for purposes of the Tax Act, the Units will be qualified investments for trusts governed by 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.

Provided that the holder of a tax-free savings account or, pursuant to certain Tax Proposals released on March 22, 2011 (the "**March 22 Proposals**"), the annuitant under a registered retirement savings plan or registered retirement income fund does not hold a significant interest in the Fund or any person or partnership that does not deal at arm's length with the Fund for purposes of the Tax Act, and provided that such holder or annuitant deals at arm's length with the Fund for purposes of the Tax Act, the Units will not be a prohibited investment for a trust governed by such tax-free savings account or, pursuant to the March 22 Proposals, such registered retirement savings plan or registered retirement income fund. Generally, a holder or annuitant will not have a significant interest in the Fund unless the holder or annuitant owns 10% or more of the value of the Fund's outstanding Units, either alone or together with persons and partnerships with which the holder or annuitant does not deal at arm's length.

SECTION 13 - REMUNERATION OF DIRECTORS, OFFICERS, TRUSTEE AND INDEPENDENT REVIEW COMMITTEE

13.1 Directors and Officers

The Fund has no directors or officers.

13.2 Trustee

During the most recently completed financial year, the Trustee was paid a fee and had expenses reimbursed in the following amounts:

	<i>Series A</i>	<i>Series B</i>
<i>Fees Paid</i>	\$11,408	\$1,380
<i>Expenses Reimbursed</i>	Nil	Nil

13.3 Independent Review Committee

For their services as members of the IRC, the IRC members are paid an annual fee (as set out in the table below) and are reimbursed for their expenses. As previously mentioned, the Fund shares its IRC with other investment funds managed and/or administered by the Manager or its affiliates, and the costs and expenses associated with the IRC are shared on a *pro rata* basis among those investment funds.

For the most recently completed financial year, the IRC members received the following amounts in fees and in reimbursement of expenses, in aggregate for all of the investment funds managed or administered by the Manager or its affiliates:

	<i>Aggregate Annual Fees *</i>	<i>Expenses Reimbursed</i>	<i>Indemnities Paid</i>
Mills, Douglas **	\$45,000.00	\$1,799.19	Nil
Solomon, Carl	\$40,000.00	\$599.80	Nil
Knowles, Henry	\$40,000.00	\$678.38	Nil

* *Plus applicable tax*

** *Chair of the IRC*

SECTION 14 - MATERIAL CONTRACTS

The only material contracts entered into by the Fund or the Manager with respect to the Fund, other than those entered into in the ordinary course of business, are as follows:

- (a) The Declaration of Trust as supplemented, amended and/or restated from time to time;
- (b) The Investment Advisory Agreement;
- (c) the Forward Agreement; and
- (d) The Custodial Agreement.

Prospective or existing Holders can obtain copies of the foregoing on SEDAR at www.sedar.com or may examine such documents during normal business hours at the principal office of the Fund.

SECTION 15 - LEGAL AND ADMINISTRATIVE PROCEEDINGS

There are no ongoing legal or administrative proceedings material to the Fund to which the Fund or the Manager is a party, nor is the Manager aware that any such proceedings are contemplated.

SECTION 16 - OTHER MATERIAL INFORMATION

16.1 Risk Factors

There are risks and other considerations which investors should carefully consider before investing (or continuing to invest) in Units, including but not limited to the following:

No Assurances on Achieving Objectives - There is no assurance that the Fund will be able to achieve any of its investment objectives.

Loss of Investment - An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment and who can withstand the effect of a distribution not being made in any period.

No Guaranteed Return - There is no guarantee that an investment in Units will earn any positive return in the short or long term.

Portfolio Management - There is a risk that a strategy used by the Portfolio Manager in managing the Global Bond Portfolio may fail to produce the intended results.

Value of Common Share Portfolio - As a consequence of entering into the Forward Agreements, the Fund has foregone the benefits of any increase in the value of the Common Share Portfolios.

Dependence on Global Bond Portfolio - The Fund's ability to pay distributions is influenced by the performance of the Global Bond Portfolio, as the return to Holders is dependent upon the return on the GBT and the Global Bond Portfolio by virtue of the Forward Agreements.

Fluctuations in NAV - The NAV and the funds available for distribution vary according to, among other things, distributions paid on the securities in, and the value of, the securities held in the Global Bond Portfolio (or the portfolio of the GS Fund, as the case may be), which depend, in part, upon the performance of the issuers of such securities, the performance of the global yield debt market generally, interest rates and foreign currency exposure. Additionally, external economic forces can affect the competitive strength and profitability of the businesses represented by these securities which would significantly affect the value of such securities. Fluctuations in the market values of the securities held in the Global Bond Portfolio may occur for a number of reasons beyond the control of the Portfolio Manager. It is possible that, due to declines in the market values of such securities in the Global Bond Portfolio, the Fund may not

be able to achieve in full its monthly distribution objective or its objective to preserve and enhance the NAV in order to return at least the original subscription price of the Units to Holders on or about the date of termination of the Fund.

As discussed above, the NAV per Unit varies in accordance with the value of the securities acquired by GBT and in some cases the value of securities in the Global Bond Portfolio owned by GBT may be affected by factors beyond the control of the Portfolio Manager, the Investment Adviser, the Manager or the Fund. There is no assurance that an adequate market exists or will continue to exist for securities acquired by GBT. Investments issued by issuers who are not reporting issuers in certain jurisdictions may be subject to an indefinite hold period under applicable securities legislation. In some circumstances, the issuers of securities which GBT (or the GS Fund, as the case may be) may acquire have limited operating histories. The Fund cannot predict whether the securities in the Global Bond Portfolio held by GBT (or in the portfolio of the GS Fund, as the case may be) will trade at a discount to, a premium to, or at their respective NAV.

Units may trade in the market at a premium or discount to the NAV per Unit and there can be no assurance that Units will trade at a price equal to the NAV per Unit.

Global High-Yield Debt Securities - The Global Bond Portfolio (or the portfolio of the GS Fund, as the case may be) holds investments in debt securities which involve risks of default on interest and principal and price changes due to such factors as general economic conditions and an issuer's credit worthiness. The Global Bond Portfolio (or the portfolio of the GS Fund, as the case may be) consists primarily of global high yield instruments, which typically entail greater potential price volatility and may be less liquid than higher rated instruments. High yield debt securities may be regarded as predominantly speculative with respect to the issuer's continuing ability to meet principal and interest payments. They may also be more susceptible to real or perceived adverse economic and competitive industry conditions than higher rated securities. High yield debt securities also include risks of default on interest and principal. The Global Bond Portfolio (or the portfolio of the GS Fund, as the case may be) may consist of securities issuers that are in default. Analysis of the creditworthiness of issuers of high yield securities may be more complex than for issuers of higher quality debt obligations. Unrated securities may be less liquid than comparable rated securities and involve the risk that the Portfolio Manager may not accurately evaluate the security's comparative credit risk. The secondary market on which high yield debt securities are traded may be less liquid than the market for investment grade securities. During periods of thin trading in these markets, the spread between bid and ask prices is likely to increase significantly and GBT (or the GS Fund, as the case may be) may have greater difficulty selling the securities in the Global Bond Portfolio (or in the portfolio of the GS Fund, as the case may be).

Call risk is the risk that an issuer will exercise its right to pay principal on an obligation, such as a mortgage backed security, earlier than expected. This may happen when there is a decline in interest rates. Under these circumstances, the party holding the obligation may be unable to recoup all of its initial investment and also suffers from having to reinvest in lower yielding securities.

Extension risk is the risk that an issuer will exercise its right to pay principal on an obligation, such as a mortgage backed security, later than expected. This may happen when there is a rise in interest rates. Under these circumstances, the value of the obligation will decrease, and the party holding the obligation also suffers from the inability to invest in higher yielding securities.

Composition of the Global Bond Portfolio - As at the date of this AIF, the Global Bond Portfolio is invested in securities of the GS Fund. The GS Fund invests in the same instruments as those that would have been held in the Global Bond Portfolio. Accordingly, the Fund's investments may be affected by operating regulatory matters affecting the GS Fund.

Foreign Market Exposure - The Global Bond Portfolio (or the portfolio of the GS Fund, as the case may be) may, at any time, include securities of issuers established in jurisdictions outside Canada and the United States. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to Canadian and United States companies, some issuers may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than a Canadian or United States company. Volume and liquidity in some foreign markets may be less than in Canada and the United States and, at times, volatility of price may be greater than in Canada or the United States. As a result, the price of such securities may be affected by conditions in the market of the jurisdiction in which the issuer is located or its securities are traded. Investments in foreign markets carry the potential exposure to the risk of political upheaval, acts of terrorism and war, all of which could have an adverse impact on the value of such securities.

Emerging Markets - The Global Bond Portfolio (or the portfolio of the GS Fund, as the case may be) may consist of securities of issuers in emerging market countries. Securities of issuers in Asian, Latin and South American, Eastern European, African and other emerging market countries involve certain risks typically not associated with investing in domestic or United States securities, and impose risks greater than, or in addition to, risks of investing in foreign, developed countries. These risks include: greater risk of nationalization or expropriation of assets or confiscatory taxation; currency devaluations and other currency exchange rate fluctuations; greater social, economic and political uncertainty and instability (including the risk of war); more substantial government involvement in the economy; less government supervision and regulation of securities markets and participants in those markets; controls on foreign investment and limitations on repatriation of invested capital and the ability to exchange local currencies; unavailability of currency hedging techniques in certain emerging market countries; the fact that companies in emerging market countries may be smaller, less seasoned and newly organized companies; the difference in, or lack of, auditing and financial reporting standards, which may result in unavailability of material information about issuers; the risk that it may be more difficult to obtain and/or enforce a judgment in a court outside Canada or the United States; and greater price volatility, substantially less liquidity and significantly smaller market capitalization of securities markets.

In addition, a number of emerging market countries restrict, to various degrees, foreign investment in securities, and high rates of inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries. Also, any change in the leadership or politics of emerging

market countries, or the countries that exercise a significant influence over those countries, may halt the expansion of or reverse the liberalization of foreign investment policies now occurring and adversely affect existing investment opportunities.

Counterparty Risk - The Fund has entered into the Forward Agreements with the Counterparty pursuant to which the Fund is required to deliver to the Counterparty on the date of termination of the Fund the Common Share Portfolio in exchange for a payment in an amount equal to the redemption proceeds for a corresponding number of units of GBT. In entering into the Forward Agreements, the Fund is exposed to the credit risk associated with the Counterparty. Depending on the value of the Common Share Portfolios, the Fund's exposure to the credit risk of the Counterparty may be significant. In addition, the possibility exists that the Counterparty or any guarantor of the obligations of a counterparty pursuant to the Forward Agreements will default on their payment obligations under the Forward Agreements or that the proceeds of the Forward Agreements will be used to satisfy other liabilities of the Fund, which liabilities could include obligations to third-party creditors in the event the Fund has insufficient assets, excluding the proceeds of the Forward Agreements, to pay its liabilities. Holders have no recourse or rights against the assets of the Global Bond Portfolio or the Counterparty in respect of the Forward Agreements or arising out of the Forward Agreements.

Securities Lending - The Fund engages in securities lending. Although the Fund receives collateral for such loans and such collateral is marked to market, the Fund is exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities.

Leverage - GBT may utilize borrowings under a loan facility or employ other forms of leverage to make investments in additional instruments. The obligations under a loan facility or other forms of leverage may be secured by the assets of GBT. By adding additional leverage, these strategies have the potential to enhance returns but also involve additional risks. There can be no assurance that the leveraging strategy employed for GBT will enhance returns. The use of leverage may reduce returns (both distributions and capital) to Holders. If the instruments in the Global Bond Portfolio suffer a substantial decrease in value, the leverage component causes a decrease in value of the Global Bond Portfolio in excess of that which would otherwise be experienced. In addition, if the aggregate amount of borrowings under a loan facility and other forms of leverage exceed at any time 25% of the NAV of GBT at the time the borrowing or other transaction is entered into, as a result of redemptions or other decrease in the number of units of GBT, GBT is required to sell investments or enter into other transactions in order to reduce the aggregate amount of borrowings to such 25% level. Such transactions may be required to be effected at prices or on terms that may adversely affect the value of the Global Bond Portfolio and, consequently, the return to the Fund by virtue of the Forward Agreement. However, GBT is not required to reduce borrowings or other leverage as a result of decreases in the NAV of the units in GBT occurring otherwise than as a result of a decrease in the number of units of GBT outstanding. If the NAV of GBT decreases otherwise than as a result of redemptions or other decreases in the number of units of GBT outstanding, the percentage of leverage in the Global Bond Portfolio may constitute more than 25% of the NAV of the outstanding units of GBT from time to time.

The interest expense and banking fees incurred in respect of a loan facility, or expenses and fees incurred in respect of other forms of leverage, may exceed the incremental capital gains/losses and income generated by the incremental investments for the Global Bond Portfolio. In addition, GBT may not be able to renew a loan facility or other form of leverage on acceptable terms. GBT may be leveraged at the maximum amount permitted by its investment restrictions.

Leverage may take the forms of trading on margin, derivative instruments that are inherently leveraged, including forward contracts, futures contracts, swaps and repurchase agreements, and other forms of direct and indirect borrowings, which increase the volatility of the Global Bond Portfolio. The use of leverage by GBT can substantially increase the likelihood of the occurrence of an event that may adversely impact the value of the Global Bond Portfolio. Trading securities on margin, unlike trading in futures (which also involves margin), results in interest charges and, depending on the amount of trading activity, such charges could be substantial. The level of interest rates generally, and the rates at which GBT can borrow also may adversely affect the return of the Global Bond Portfolio.

GBT's anticipated use of short-term margin borrowings results in certain additional risks to GBT. For example, should the securities pledged to brokers to secure GBT's margin accounts decline in value, GBT could be subject to a "margin call", pursuant to which GBT must either deposit additional funds with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Global Bond Portfolio, GBT might not be able to liquidate assets quickly enough to pay off its margin debt.

In North American futures markets, margin deposits typically range between 1% and 15% of the value of the futures contracts purchased or sold. In the forward, currency and certain other derivative markets, margin deposits may be even lower or may not be required at all. Low margin deposits are indicative of the fact that any trading in these markets typically is accompanied by a high degree of leverage. Low margin deposits mean that a relatively small adverse price movement in a futures or forward contract may result in immediate and substantial losses to the investor. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the futures contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for the brokerage commission. Like other leveraged investments, any purchase or sale of a futures, forward or other commodity contract may result in losses in excess of the amount invested.

When GBT purchases an option in the United States, there is no margin requirement because the option premium is paid for in full. However, the premiums for certain options traded on foreign exchanges may be paid for on margin. When GBT sells an option on a futures contract, it may be required to deposit margin in an amount that may be determined by the margin requirement established for the futures contract underlying the option and, in addition, an amount substantially equal to the current premium for the option. The margin requirements imposed on the writing of options, although adjusted to reflect the probability that out-of-the-money options will not be exercised, can in fact be higher than those imposed in dealing in the futures markets directly. Whether any margin deposit is required for over-the-counter ("OTC")

options and other OTC instruments, such as currency forwards, swaps and certain other derivative instruments depends on the credit determinations and specific agreements of the parties to the transaction, which are individually negotiated.

United States Government Securities Risk - The United States government may not provide financial support to United States government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Many United States government securities that may be held in the Global Bond Portfolio (or in the portfolio of the GS Fund), such as those issued by the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation, are not backed by the full faith and credit of the United States government. The maximum potential liability of the issuers of some United States government securities held in the Global Bond Portfolio (or in the portfolio of the GS Fund) may greatly exceed their current resources, including their legal right to support from the United States Treasury. It is possible that these issuers will not have the funds to meet their payment obligations in the future.

Nature of Units - The Units share certain attributes common to both equity securities and debt instruments. While it is intended that at least the initial subscription price will be returned to Holders on the date of termination of the Fund, the Units are dissimilar to debt instruments in that there is no obligation or guarantee to do so. The Units represent a fractional interest in the assets of the Fund. Holders do 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.

Tax Risk - The Fund has made the election under the Tax Act to treat each of its "Canadian securities" as defined in subsection 39(6) of the Tax Act as capital property. In determining its income for tax purposes, the Fund treats gains or losses on any disposition of securities in the Common Share Portfolio under the Forward Agreement as capital gains and losses. No advance income tax ruling has been requested or obtained from CRA regarding the timing or characterization of the Fund's gains or losses.

If, contrary to the advice of counsel to the Fund or as a result of a change of law, upon any physical settlement of the Forward Agreement the character and timing of the gain under the Forward Agreement were other than a capital gain on the sale of the securities thereunder, after-tax returns to Holders could be reduced.

It is possible that, if certain Tax Proposals released on October 31, 2003 are enacted in the form currently proposed, the deduction of losses of the Fund in a particular taxation year could be limited. Under these Tax Proposals, with effect for taxation years commencing after 2004, a taxpayer will have a loss for a taxation year from a particular source that is a business or property only if, in that year, it is reasonable to expect that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, and can reasonably be expected to carry on, the business or has held, and can reasonably be expected to hold, the property in taxation years commencing after 2004. Profit in this sense will not include capital gains. If the deduction of losses of the Fund was limited in a particular year, the taxable income of the Fund would be increased along with the taxable amount of distributions to Holders. On February 23, 2005, the Minister announced that an alternative

proposal to replace the Tax Proposals of October 31, 2003 would be released for comment. Such alternative proposal has not yet been released.

If certain Tax Proposals released on September 16, 2004 are enacted as proposed, the Fund would cease to qualify as a mutual fund trust for purposes of the Tax Act if, at any time after 2004, the fair market value of all Units held by non-residents or partnerships which are not "Canadian partnerships" for the purpose of the Tax Act is more than 50% of the fair market value of all issued and outstanding Units unless no more than 10% (based on fair market value) of the Fund's property is at any time "taxable Canadian property" within the meaning of the Tax Act and certain other types of specified property. Provided the Fund complies with the investment restrictions as provided in Section 3.4 - *Investment Restrictions and Permitted Investments*, it is not anticipated that more than 10% of the fair market value of the Fund's assets will at any time consist of taxable Canadian property and such other specified property, with the result that the Manager does not anticipate that these Tax Proposals (if enacted as proposed) would lead to a loss of mutual fund trust status for the Fund. On December 6, 2004, the Minister suspended implementation of these Tax Proposals pending further discussion with the private sector. Pursuant to a recent amendment to the Tax Act, the Fund would be deemed not to be a mutual fund trust after any time when it can reasonably be considered that the Fund was established or is maintained primarily for the benefit of non-resident persons unless, at that time, all or substantially all of its property is property other than taxable Canadian property. It is not clear whether this amendment supersedes the Tax Proposals released on September 16, 2004.

SIFT Rules - Pursuant to the rules relating to the tax for SIFT trusts, a SIFT trust is subject to a tax in respect of distributions deemed to be payable out of "non-portfolio earnings" in a taxation year. The non-portfolio earnings distributed by a SIFT trust to its unitholders are effectively taxed at combined rates comparable to the rates that apply to income earned and distributed by public Canadian corporations.

The Manager does not anticipate that the Fund will at any time be subject to the tax for SIFT trusts.

Changes in Legislation - There can be no assurance that applicable laws, or other legislation, legal and statutory rights will not be changed in a manner which adversely affects the Fund and its Holders. There can be no assurance that income tax, securities, and other laws or the interpretation and application of such laws by courts or government authorities will not be changed in a manner which adversely affects the distributions received by the Fund or by the Holders.

Reliance on Investment Adviser, Portfolio Manager and Manager - Performance of the Global Bond Portfolio will be dependent on the Manager, which provides management services to both the Fund and GBT, and the Investment Adviser, which provides investment advisory and portfolio management services to both the Fund and GBT. Performance of the Global Bond Portfolio will also be dependent on the Portfolio Manager, which provides investment advisory and portfolio management services to GBT with respect to the Global Bond Portfolio pursuant to the investment sub-advisory agreement. In the event that all or substantially all of the key members of the Portfolio Manager cease to be employed by the Portfolio Manager, or if the

Portfolio Manager ceases to be the portfolio manager, the performance of the Global Bond Portfolio may be adversely affected.

Foreign Currency Exposure - The NAV is measured in Canadian dollars and payments to Series A Holders are made in Canadian dollars while payments to Series B Holders are made in U.S. dollars. However, most of the investments in the Global Bond Portfolio, at any time, consist of securities denominated in currencies other than the Canadian dollar. The Portfolio Manager manages the Global Bond Portfolio primarily in United States dollars. Accordingly, the NAV and the Fund's obligations to make payments to Holders are affected by fluctuations in the value of other currencies relative to the Canadian dollar and the United States dollar.

Although investments in the Global Bond Portfolio (or the GS Fund) may be denominated in currencies other than the United States dollar, the Global Bond Portfolio is hedged by the Portfolio Manager to the United States dollar at all times. In addition, certain hedging measures are taken to address the foreign currency exposure of the Fund as a result of fluctuations in the value of the United States dollar relative to the Canadian dollar.

Sensitivity to Interest Rates - Interest rate risk is the risk that debt obligations will decline in value because of changes in interest rates. Generally, debt securities decrease in value when interest rates rise and increase in value when interest rates decline. NAV fluctuates with interest rate changes and the corresponding changes in the value of the securities in the Global Bond Portfolio (or in the GS Fund, as the case may be). The market price of Units may be affected by the level of interest rates prevailing from time to time.

Illiquid Securities - If the Portfolio Manager is unable to dispose of some or all of the Global Bond Portfolio securities prior to the date of termination of the Fund, the Fund may experience a delay in the receipt of the payment by the Counterparty under the Forward Agreements until such time as the Portfolio Manager is able to dispose of such Global Bond Portfolio securities. If the Portfolio Manager determines that it is appropriate to acquire certain securities for GBT, the Portfolio Manager may be unable to acquire the number of such securities, or to acquire such securities at a price acceptable to the Portfolio Manager, if the market for such securities is particularly illiquid.

Redemptions - The Fund has a redemption feature for its Units. As with all funds with redemption features, there is always a risk that redemptions will be significant. If a significant number of Units are redeemed, the trading liquidity of the Units could be significantly reduced and expenses of the Fund would be spread over fewer Units, resulting in a higher management expense ratio for the Fund.

Suspension of Redemptions - The Fund may, in certain circumstances, suspend redemptions.

Derivatives - The Global Bond Portfolio may use derivatives for any purpose including, among other things, as a substitute for taking a position in the underlying asset or as part of a strategy designed to reduce or increase exposure to other risks, such as interest rate or currency risk. The Global Bond Portfolio's use of derivative instruments involves risks different from, and possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of risks, such as liquidity risk, interest rate

risk, market risk, credit risk, leveraging risk, counterparty risk and management risk. They also involve the risk of mis-pricing or improper valuation and the risk that changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index. If GBT invests in a derivative instrument, it could lose more than the principal amount invested.

Conflicts of Interest - The Manager, the Investment Adviser and the Portfolio Manager, their respective directors and officers and their respective affiliates and associates may engage in the promotion, management or investment management of any other fund or trust which invests primarily in securities to be held in the Common Share Portfolio or Global Bond Portfolio (or the portfolio of the GS Fund, as the case may be).

Although none of the directors or officers of the Manager devotes his or her full time to the business and affairs of the Fund, GBT or the Manager, each devotes as much time as is necessary to supervise the management of (in the case of the directors) or to manage (in the case of officers) the business and affairs of the Manager, the Fund and GBT. Although officers, directors and professional staff of the Portfolio Manager devote as much time to GBT as the Portfolio Manager deems appropriate to perform its duties in accordance with the investment sub-advisory agreement, the staff of the Portfolio Manager may have conflicts in allocating its time and services among the Global Bond Portfolio and the other portfolios of the Portfolio Manager, including the GS Fund.

In addition, the Portfolio Manager and/or its affiliates, in connection with their other business activities, may acquire material non-public confidential information that may restrict it from purchasing assets or selling assets for itself or its clients (including GBT and the GS Fund, as the case may be) or otherwise using such information for the benefit of its clients or itself.

Status of the Fund and GBT - The Fund is not a "mutual fund" for securities law purposes. As a result, some of the protections provided to holders of mutual funds under such laws are not available to Holders and certain restrictions imposed on mutual funds under Canadian securities laws do not apply to the Fund. The Fund has adopted, in connection with the Common Share Portfolio, certain standard investment restrictions and practices that are applicable to mutual funds under NI 81-102. For greater certainty, the Fund has not adopted the standard investment restrictions and practices set forth in NI 81-102 with respect to the Forward Agreement or securities lending. Restrictions imposed on mutual funds under Canadian securities laws, including NI 81-102, do not apply to GBT.

Legal and Statutory Rights - The Portfolio Manager is a limited partnership formed under the laws of the State of Delaware. The foreign organization and offices of the Portfolio Manager and the fact that all or a substantial portion of its assets are situated outside of Canada may make it more difficult to enforce legal rights against the Portfolio Manager than if it were organized and resident in Canada. Although the custodian of the Global Bond Portfolio is in Canada and some of the assets of GBT may be held in Canada, the majority of the GBT's assets may be held in accounts with sub-custodians in other jurisdictions. Accordingly, there may be additional defences available to any judgment obtained by GBT in Canada that may affect enforcement in any such jurisdictions.

Market Disruptions - War and occupation, terrorism and related geopolitical risks may in the future lead to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. Those events could also have an acute effect on individual issuers or related groups of issuers. These risks could also adversely affect securities markets, inflation and other factors relating to the securities that would be held from time to time.

Trading Levels - Units may trade in the market at a discount to NAV per Unit, and there can be no assurance that the Units will trade at a price equal to (or greater than) the NAV per Unit.

Custodian - Although the Custodian is in Canada and some of the assets of the Fund may be held in Canada, some of the Fund's assets may be held in accounts with sub-custodians in other jurisdictions and, accordingly, there may be additional defences available to any judgement obtained by the Fund in Canada which may affect enforcement in any such jurisdictions.

Future Offerings - The Fund may issue additional Units from time-to-time which may be dilutive to Holders.

Merger - Under certain defined circumstances, the Manager has the ability to merge the Fund with another investment fund managed or administered by the Manager or one of its affiliates. If this occurs, and the Fund is not the surviving fund, the surviving fund's investment strategy may be different than the Fund's and may provide exposure to a different portfolio of securities.

Multi-Class (or Series) Structure - The Units of the Fund are available in more than one class (or series). If the Fund cannot pay the expenses or satisfy the obligations of the Fund entered into by the Fund for the sole benefit of one of those classes (or series) of Units using that class (or series) of Unit's proportionate share of the assets of the Fund, the Fund may have to pay those expenses or satisfy those obligations out of another class (or series) of Unit's proportionate share of the assets, which would lower the investment return of such other class (or series) of Unit. In addition, a creditor of the Fund may seek to satisfy its claim from the assets of the Fund as a whole, even though its claim or claims relate only to a particular class (or series) of Units.

Readers may wish to consult their own investment advisers for advice in connection with an investment (or continuing to invest) in the Units.

SECTION 17 - EXEMPTIONS AND APPROVALS

Except as described elsewhere in this AIF, the Fund has not applied for or obtained exemptive relief from any provisions of NI 81-102, National Instrument 81-105 - Mutual Fund Sales Practices or National Policy Statement No. 39 - *Mutual Funds*.

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- Additional information about the Fund is available in the Fund's management reports of fund performance and financial statements.
- You can get a copy of these documents at no cost by calling us at (416) 642-1289, or toll-free at 1-877-642-1289, or from your dealer or by e-mail at info@firstasset.com.
- These documents and other information about the Fund, such as information circulars and material contracts, are also available at www.firstasset.com or at www.sedar.com. For greater certainty, neither those websites nor any of the information on those websites, are incorporated by reference in this AIF.