

PROSPECTUS

Initial Public Offering

June 29, 2005



diversiYield Income Fund

Maximum \$200,000,000 (20,000,000 Trust Units)

diversiYield Income Fund (the “Fund”) is a closed-end investment trust established under the laws of the Province of Ontario which proposes to offer (the “Offering”) transferable, redeemable trust units (“Trust Units”) of the Fund.

The Fund has been designed to provide holders of Trust Units (“Unitholders”) with exposure to an actively managed portfolio comprised primarily of Income Trusts and High Yield Debt Securities (both as hereinafter defined). Income Trusts and High Yield Debt Securities are both high yielding asset classes which have in the past typically demonstrated attractive risk-return profiles and low correlation to one another. Accordingly, effective allocation between these asset classes may result in diminished volatility over the term of the Fund.

The Fund intends to invest in a diversified portfolio consisting primarily of Income Trusts and High Yield Debt Securities to achieve the following investment objectives (the “Investment Objectives”):

- (i) **Monthly Distributions:** to provide Unitholders with a stable stream of monthly cash distributions initially targeted to be \$0.0604 per Trust Unit (approximately 7.25% per annum on the original issue price of \$10.00 per Trust Unit);
- (ii) **Capital Repayment:** to return the original issue price of the Trust Units to Unitholders upon termination of the Fund on December 31, 2015 (the “Termination Date”); and
- (iii) **Capital Appreciation:** to provide Unitholders with an opportunity for capital appreciation.

The monthly distributions and capital repayment and appreciation objectives are only targets and amounts actually distributed or returned may be less than these targets.

The Fund will at least on an annual basis, commencing in December 2006, determine and announce an indicative distribution for the following twelve months based upon prevailing market conditions and the Manager’s (as hereinafter defined) estimate of distributable cash flow for the year.

Price: \$10.00 per Trust Unit
Minimum Purchase: 100 Trust Units

	Price to the Public ⁽¹⁾	Agents’ Fees	Net Proceeds to the Fund ⁽²⁾
Per Trust Unit	\$10.00	\$0.50	\$9.50
Minimum Total Offering ⁽³⁾⁽⁴⁾	\$50,000,000	\$2,500,000	\$47,500,000
Maximum Total Offering ⁽⁴⁾	\$200,000,000	\$10,000,000	\$190,000,000

- Notes:
- (1) The Offering Price (as hereinafter defined) was established by negotiation between the Agents (as hereinafter defined) and the Manager.
 - (2) Before deducting the expenses of the Offering estimated to be \$700,000 (subject to a maximum of 1.5% of the gross proceeds of the Offering), which, together with the Agents’ fees, will be paid by the Fund from the proceeds of the Offering.
 - (3) There will be no closing unless a minimum of 5,000,000 Trust Units are sold.
 - (4) The Fund has granted to the Agents an option (the “Over-Allotment Option”), exercisable for a period of 30 days from the closing of the Offering, to purchase additional Trust Units in an amount not exceeding 15% of the aggregate number of Trust Units issued on the closing of the Offering on the same terms as set forth above, solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full, under the maximum Offering, the price to the public, Agents’ fees and net proceeds will be \$230,000,000, \$11,500,000 and \$218,500,000, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Trust Units issuable on the exercise of the Over-Allotment Option. See “Plan of Distribution”.

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Goodman & Company, Investment Counsel Ltd. is the manager of the Fund (the “Manager”) and will also act as investment counsel and portfolio manager and be responsible for implementing the investment strategy of the Fund. The Manager is the manager of the Dynamic™ mutual funds. The Manager has retained Marret Asset Management Inc. to act as sub-advisor to the Fund (the “Sub-Advisor”) with respect to the High Yield Debt Securities component of the Fund Investments (as defined herein). The Manager, in consultation with the Sub-Advisor, will determine the asset allocation between Income Trusts and High Yield Debt Securities. Based on the Manager’s and Sub-Advisor’s views as to current economic and market conditions, they expect that initially High Yield Debt Securities will comprise 50% of the Fund Investments and Income Trusts will comprise the remaining 50%.

The Fund intends to enter into leverage and borrowing transactions up to a maximum of 25% of Total Assets (as hereinafter defined) of the Fund to acquire Fund Investments. In addition, if the Manager and the Sub-Advisor determine it is appropriate based on market and economic conditions, the Fund may invest in or use derivative instruments and other securities to hedge the foreign exchange rate, interest rate, credit and commodity risks associated with Fund Investments. The Fund may also engage in limited short selling of securities that the Manager and the Sub-Advisor consider to be overvalued. See “Investment Strategy and Restrictions — Investment Strategy — D. Leverage and Borrowing, E. Use of Derivative Instruments and F. Short Selling”.

Trust Units may be surrendered for redemption in November of each year commencing in November, 2006, subject to certain restrictions, for a redemption price equal to 100% of Net Asset Value (as hereinafter defined) per Trust Unit less out-of-pocket expenses, if any, directly incurred by the Manager to satisfy such redemptions, not to exceed 1% of the Net Asset Value per Trust Unit. See “Redemption of Trust Units”.

The Fund will terminate on the Termination Date and its net assets will thereafter be distributed to Unitholders unless Unitholders determine to continue the Trust by a majority vote at a meeting of Unitholders called for that purpose. See “Declaration of Trust — Termination of the Fund”.

There is currently no market through which the Trust Units may be sold and purchasers may not be able to resell the Trust Units purchased under this prospectus. The Toronto Stock Exchange (the “TSX”) has conditionally approved the listing of the Trust Units, subject to fulfillment by the Fund of the requirements of the TSX on or before September 28, 2005, including the distribution of Trust Units to a minimum number of Unitholders. The Agents may over-allot and effect transactions to cover their over-allotted position as described under “Plan of Distribution”.

There is no guarantee that an investment in the Fund will earn the initial targeted distribution of \$0.0604 per month (approximately 7.25% per annum based on the original issue price of the Trust Units) or any positive return in the short or long term, nor is there any guarantee that the Net Asset Value per Trust Unit will be preserved or any capital appreciation attained. No assurance can be given as to the amount of indicative distributions announced in future years of the Fund. 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 can withstand the effects of the targeted return not being met in any period. There are certain risk factors associated with an investment in Trust Units. See “Risk Factors”.

The Fund is not a trust company and does not carry on business as a trust company and, accordingly, the Fund is not registered under the trust company legislation of any jurisdiction. Trust Units are not “deposits” within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under provisions of that Act or any other legislation.

RBC Dominion Securities Inc., CIBC World Markets Inc., Dundee Securities Corporation, Scotia Capital Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Canaccord Capital Corporation, HSBC Securities (Canada) Inc., Berkshire Securities Inc., First Associates Investments Inc. and Raymond James Ltd. (collectively, the “Agents”) conditionally offer the Trust Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued, sold and delivered by the Fund in accordance with the conditions contained in the Agency Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the Fund by McCarthy Tétrault LLP and on behalf of the Agents by Blake, Cassels & Graydon LLP. See “Plan of Distribution”.

Subscriptions for Trust Units will be received subject to rejection or allotment in whole or in part and the Fund reserves the right to close the subscription books at any time without notice. Registrations of interests in and transfers and pledges of Trust Units will be made only through the book-based system administered by The Canadian Depository for Securities Limited (“CDS”). A single book-entry only certificate representing the Trust Units will be issued in registered form only to CDS or its nominee and will be deposited with CDS on the date of closing which is expected to occur on or about July 19, 2005 or such later date as the Fund and the Agents may agree, but in any event not later than August 31, 2005. A purchaser of Trust Units will receive a customer confirmation from the registered dealer which is a participant in CDS from or through which the Trust Units are purchased, and will not have the right to receive physical certificates evidencing ownership. See “Details of the Offering — Book Entry Registration”.

Dundee Securities Corporation, one of the Agents, is an affiliate of the Manager. Consequently, the Fund may be considered to be a “connected issuer” of Dundee Securities Corporation under applicable securities legislation. The decision of Dundee Securities Corporation to participate in the Offering was made independently of the Manager. Dundee Securities Corporation will receive no benefit in connection with the Offering other than receiving a portion of the Agents’ fees and a portion of the Service Fee described under “Fees and Expenses — Service Fee”. See “Plan of Distribution”.

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ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault LLP, counsel for the Fund, and Blake, Cassels & Graydon LLP, counsel for the Agents, provided that the Fund qualifies as a mutual fund trust or is a registered investment within the meaning of the *Income Tax Act* (Canada) (the "Tax Act"), if issued on the date hereof the Trust Units would be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans (collectively, "Plans") and for registered education savings plans. Bill C-43 which received Royal assent on June 28, 2005, repeals the foreign property limits in Part XI of the Tax Act applicable to Plans and certain other persons.

The Trust Units will constitute "restricted investment property" as described in the March 23, 2004 Federal Budget. If this budget proposal were to be enacted in the form originally proposed, pension trusts and pension corporations may be liable to a penalty tax with respect to investments in the Trust Units. On May 18, 2004 the Minister of Finance announced that this proposal was suspended to allow for further consultations. The February 23, 2005 Federal Budget indicates that the government will continue to monitor developments in relation to Income Trusts and similar flow-through vehicles, and shortly release a consultation paper.

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Certain capitalized terms used, but not defined, in this summary are defined in the "Glossary of Terms".

The Fund

diversiYield Income Fund is a closed-end investment trust established under the laws of the Province of Ontario on June 29, 2005. The Manager of the Fund is Goodman & Company, Investment Counsel Ltd.

Rationale for the Fund

The Fund has been designed to provide Unitholders with exposure to an actively managed portfolio comprised primarily of Income Trusts and High Yield Debt Securities. Income Trusts and High Yield Debt Securities are both high yielding asset classes which have in the past typically demonstrated attractive risk-return profiles and low correlation to one another. Accordingly, effective allocation between these asset classes may result in diminished volatility over the term of the Fund.

The Offering

Offering	A minimum of 5,000,000 and a maximum of 20,000,000 Trust Units.
Amount	A minimum of \$50,000,000 and a maximum of \$200,000,000.
Price	\$10.00 per Trust Unit.
Minimum Purchase	100 Trust Units (\$1,000).
Investment Objectives	<p>The Fund intends to invest in a diversified portfolio consisting primarily of Income Trusts and High Yield Debt Securities to achieve the following Investment Objectives:</p> <ul style="list-style-type: none">(a) Monthly Distributions: to provide Unitholders with a stable stream of monthly cash distributions initially targeted to be \$0.0604 per Trust Unit (approximately 7.25% per annum on the original issue price of \$10.00 per Trust Unit);(b) Capital Repayment: to return the original issue price of the Trust Units to Unitholders upon termination of the Fund on December 31, 2015 (the "Termination Date"); and(c) Capital Appreciation: to provide Unitholders with an opportunity for capital appreciation. <p>The monthly distributions and capital repayment and appreciation objectives are only targets and amounts actually distributed or returned may be less than these targets.</p> <p>The Fund will at least on an annual basis, commencing in December 2006, determine and announce an indicative distribution for the following twelve months based upon prevailing market conditions and the Manager's estimate of distributable cash flow for the year.</p>
Investment Strategy	The Manager and the Sub-Advisor intend to achieve the Investment Objectives by selecting and actively managing a portfolio consisting primarily of Income Trusts and High Yield Debt Securities that they believe represents the best allocation to achieve the Investment Objectives.

Based on the Manager’s and the Sub-Advisor’s views as to current economic and market conditions, they expect that initially High Yield Debt Securities will comprise 50% of the Fund Investments and Income Trusts will comprise the remaining 50%. The Manager, in consultation with the Sub-Advisor, will decide from time to time the asset allocation between Income Trusts and High Yield Debt Securities. The Fund may also invest up to 20% of Total Assets in Other Securities and in order to provide liquidity, and in conditions of market overvaluation, the Fund may invest in Cash and Cash Equivalents. The chart below sets forth the expected initial allocation and permitted ranges of each of the asset classes in which the Fund may invest, as determined by the Manager in consultation with the Sub-Advisor. The permitted ranges have been selected to provide the Manager with flexibility to vary the weightings of each asset class as appropriate in order to seek to achieve the Investment Objectives.

<u>Asset Classes</u>	<u>Expected Initial Allocation</u>	<u>Permitted Ranges</u>
Income Trusts	50%	25-75%
High Yield Debt Securities	50%	25-75%
Other Securities	0%	0-20%
Cash and Cash Equivalents	0%	0-50%

See “Investment Strategy and Restrictions — Investment Restrictions”.

Leverage and Borrowing

The Fund may from time to time enter into leverage and borrowing transactions. The overall limit of such leverage and borrowing transactions will be 25% of Total Assets. The Fund initially intends to enter into leverage and borrowing transactions equal to approximately 20% of Total Assets.

Leverage and borrowing for the Fund will be effected through one or more financing arrangements on terms that the Manager determines are in the best interests of the Fund and may include bank borrowings and other lending arrangements including short sales of highly liquid government bonds with known maturity values.

If the total leverage and borrowing transactions of the Fund exceed at any time 25% of Total Assets, the Manager will liquidate Fund Investments in an orderly manner and use the proceeds therefrom to reduce indebtedness so that the amount financed by the Fund is reduced to 25% of Total Assets. See “Investment Strategy and Restrictions — Investment Strategy — D. Leverage and Borrowing”.

Use of Derivative Instruments

The Fund may invest in or use derivative instruments solely for hedging purposes consistent with the Investment Objectives and Investment Strategy and subject to the Investment Restrictions. The Fund intends to enter into currency hedging to reduce the effects on the Fund and the Unitholders of changes in the values of foreign currencies relative to the Canadian dollar. The Sub-Advisor, in consultation with the Manager, will review the Fund’s foreign currency exposure and will adjust hedging levels as it considers appropriate, provided that at least 50% of the Net Asset Value of the Fund Investments denominated in foreign currencies will be hedged to the Canadian dollar. In addition, if the Manager determines that market and economic conditions make it appropriate to do so, the Fund may use derivatives, including interest rate, credit and commodity hedges, in order to seek to offset or reduce risks associated with Fund Investments. No assurance

can be given that the Fund will be hedged against all such risks at all times. See “Investment Strategy and Restrictions — Investment Strategy — E. Use of Derivative Instruments”.

Short Selling

The Fund may also engage in short selling of securities that the Manager and the Sub-Advisor consider to be overvalued. With the exception of highly liquid government bonds, the Fund may not make short sales of securities or maintain short positions in excess of 10% of Total Assets. In addition, the Fund will not make short sales of securities held in any of the other funds managed by the Manager or the Sub-Advisor. In the case of High Yield Debt Securities, securities may be sold short if they are deemed to be overvalued, thereby offering the potential for gains as well as limiting the overall credit risk exposure of the Fund Investments. In some cases, the equity securities of an issuer may be sold short to hedge a long bond position of the same issuer. The Sub-Advisor believes that this is an effective hedging strategy, since deteriorating company fundamentals generally hurt the equity securities of a company more than they do the High Yield Debt Securities, which tend to be protected by legal covenants. Short positions may be established in Income Trusts that are considered to be overvalued, thereby offering a potential for gains as well as lowering the overall exposure to the market where needed. See “Investment Strategy and Restrictions — Investment Strategy — F. Short Selling”.

Manager

Goodman & Company, Investment Counsel Ltd. is the Manager of the Fund and is responsible for providing or arranging for the provision of management and administrative services required by the Fund and will monitor the suitability of the Investment Strategy to meet the Investment Objectives. The Manager will also provide investment advisory and portfolio management services to the Fund. The Manager is the manager of the Dynamic™ mutual funds and currently manages approximately \$15 billion in assets. The Manager has been investing in Income Trusts since 1995 and currently manages approximately \$4 billion in Income Trust investments. The principal portfolio managers of the Manager who will make the investment decisions for the Fund in respect of the Income Trust and Other Securities components of the Fund Investments are Ned Goodman and Oscar Belaiche. Mr. Goodman and Mr. Belaiche are co-lead portfolio managers of the following funds:

- diversiTrust™ Income+ Fund;
- the diversiTrust™ Stable Income Fund;
- the diversiTrust™ Income Fund;
- the Dynamic Focus+ Diversified Income Trust Fund;
- the Dynamic Focus+ Energy Income Trust Fund; and
- the Dynamic Focus+ Small Business Fund.

Mr. Goodman has over 40 years of investment experience as a securities analyst, portfolio manager and senior executive. Mr. Belaiche has over 20 years of investment, operational and business experience. They are backed by a team of analysts that provide in-depth analysis on the securities selected by the Manager for the Fund. See “Management of the Fund — The Manager” and “Management of the Fund — Similar Funds Managed by the Manager and the Sub-Advisor”.

The Sub-Advisor

The Manager has retained Marret Asset Management Inc. as Sub-Advisor to the Fund. Marret Asset Management Inc. has also been the sub-advisor to the Dynamic Canadian High Yield Bond Fund I since November 2001 and the Dynamic Canadian High Yield Bond Fund II since August 2003, both of which are open-end mutual funds managed by the Manager. The Sub-Advisor will be responsible for providing investment advisory and portfolio management services with respect to the High Yield Debt Securities component of the Fund Investments. The portfolio managers of the Sub-Advisor who will be primarily responsible for making investment decisions with respect to the High Yield Debt Securities component of the Fund Investments will be Barry Allan and Greg Foss. In addition, Mr. Allan will be primarily responsible for the use of derivative instruments for hedging Fund Investments. Mr. Allan is the founder, President, Chief Executive Officer, Chief Investment Officer and Director of the Sub-Advisor. Mr. Allan has over 24 years of experience in the investment field including six years as a manager of fixed income securities at Altamira Management Ltd. Mr. Foss has ten years of experience in investing in High Yield Debt Securities. Before joining the Sub-Advisor in September of 2003, Mr. Foss spent seven years at TD Securities Inc., most recently as a vice president and director of Canadian corporate high yield trading. The Sub-Advisor currently manages assets aggregating to approximately \$800 million. See “Management of the Fund — The Sub-Advisor”.

Similar Funds Managed by the Manager and the Sub-Advisor

The Manager is also the manager of four closed-end funds which focus on the Income Trust sector:

- diversiTrust™ Energy Income Fund;
- diversiTrust™ Income+ Fund;
- diversiTrust™ Stable Income Fund; and
- diversiTrust™ Income Fund,

(collectively, the “Prior diversiTrust Funds”) and one mutual fund, Dynamic Focus+ Diversified Income Trust Fund (“Dynamic Diversified”) which also focuses on the Income Trust sector. These are the funds managed by the Manager that are most similar to the Fund, however, they have a narrower mandate in that they seek to provide a high level of income through a diversified portfolio of Income Trusts and interest bearing securities and do not generally invest in High Yield Debt Securities. Each month these funds seek to provide a stable tax-efficient distribution to their unitholders. In addition, the Fund, like the Prior diversiTrust Funds, may use leverage to seek to enhance returns. There can be no assurance that the performance of the Fund will equal or exceed the performance of the Prior diversiTrust Funds or Dynamic Diversified.

The Sub-Advisor is sub-advisor to the Dynamic Canadian High Yield Bond Fund I, the Dynamic Canadian High Yield Bond Fund II and Skylon Capital Yield Trust, all of which are focused on investing in High Yield Debt Securities.

Monthly Distributions

Commencing in the second month following the month in which Closing occurs, and on a monthly basis thereafter, it is intended that Distributions will be declared and each Unitholder of record at the close of business on the last Business Day of that month will be entitled to receive a monthly Distribution payable on or about the tenth Business Day of the subsequent

month. Monthly Distributions for the period ending December 31, 2006 are targeted to be \$0.0604 per Trust Unit (approximately 7.25% per annum on the original issue price of \$10.00 per Trust Unit). The Fund will at least on an annual basis, commencing in December 2006, determine and announce an indicative distribution for the following twelve months based upon prevailing market conditions and the Manager's estimate of distributable cash flow for the year. No assurance can be given as to the amount of indicative distributions announced in future years of the Fund. Additional cash Distributions may be made at year-end to ensure that the Fund will generally not be liable to pay income tax.

In order to achieve the initial targeted monthly distribution of \$0.0604 per Trust Unit, the Fund will be required to generate an average annual return on Fund Investments of approximately 8.38% assuming that the Fund leverages or borrows an amount equal to approximately 20% of Total Assets at an interest rate of 3.75% per annum in order to purchase additional Fund Investments. There is no guarantee that the requisite 8.38% return will be achieved by the Fund. If such return is not achieved, initial targeted monthly distributions may not be attained or increased leverage may be required. See "Distributions — Monthly Distributions".

Redemptions of Trust Units

Commencing in 2006, Trust Units may be surrendered for redemption at least 20, and not more than 45, Business Days prior to November 30, which will be the Redemption Date in each year. Unitholders whose Trust Units are redeemed will be entitled to receive a Redemption Price per Trust Unit equal to 100% of the Net Asset Value per Trust Unit determined as of the date of redemption, in accordance with the principles set out under "Valuation, Total Assets, Total Liabilities and Net Asset Value", less out-of-pocket expenses, if any, directly incurred by the Manager to satisfy such redemptions, not to exceed 1% of the Net Asset Value per Trust Unit, plus any distribution payable to Unitholders of record on or before the date of redemption. Unitholders whose Trust Units are redeemed will receive payment on or before the tenth Business Day following the applicable Redemption Date, subject to the Manager's right to suspend redemptions in certain circumstances. The Net Asset Value per Trust Unit will vary depending on a number of market factors, including performance of the Fund Investments, interest rates, commodity prices and the performance of the equity markets generally. See "Redemption of Trust Units".

Market Purchase Program

The Fund will undertake a mandatory market purchase program pursuant to which the Fund, subject to limited exceptions, will purchase any Trust Units offered in the market at prices that are less than 95% of the latest determined Net Asset Value per Trust Unit, up to a maximum amount in any calendar quarter of 2.5% of the number of Trust Units outstanding at the beginning of such calendar quarter. The Manager believes such program will be effective in decreasing any potential spread between the Net Asset Value per Trust Unit and the market price of the Trust Units and will enhance the liquidity of the Trust Units. It is also anticipated that the program will increase Net Asset Value per Trust Unit because Trust Units will be repurchased for cancellation at market prices that are less than 95% of the Net Asset Value per Trust Unit. See "Market Purchase of Trust Units".

Trustee

Goodman & Company, Investment Counsel Ltd.

Registrar, Transfer Agent and Distribution Disbursing Agent

Computershare Investor Services Inc.

Custodian and Prime Broker

Scotia Capital Inc.

Termination of the Fund

The Fund will terminate on December 31, 2015 and its net assets will be distributed thereafter to Unitholders unless Unitholders determine to continue the Fund by a majority vote at a meeting called for such purpose. See “Declaration of Trust — Termination of the Fund”.

Use of Proceeds

The Fund will use the proceeds from the Offering as follows:

	<u>Minimum Offering</u>	<u>Maximum Offering</u>	<u>Maximum Offering and Exercise of Over-Allotment Option</u>
Gross proceeds to the Fund .	\$50,000,000	\$200,000,000	\$230,000,000
Agents’ fees	\$ 2,500,000	\$ 10,000,000	\$ 11,500,000
Estimated expenses of issue .	\$ 700,000	\$ 700,000	\$ 700,000
Net proceeds to the Fund . .	\$46,800,000	\$189,300,000	\$217,800,000

The Fund will use the net proceeds of the Offering to acquire Income Trusts, High Yield Debt Securities and Other Securities in accordance with the Investment Objectives and the Investment Strategy and subject to the Investment Restrictions. See “Use of Proceeds”.

Summary of Fees and Expenses

The following table contains a summary of the fees and expenses payable by the Fund. For further particulars, see “Fees and Expenses”.

<u>Type of Charge</u>	<u>Description of Charge</u>
Agents’ Fees	\$0.50 per Trust Unit (5.00%).
Expenses of the Issue	The Fund will pay the expenses incurred in connection with the Offering which are estimated to be \$700,000, subject to a maximum of 1.5% of the gross proceeds of the Offering.
Management Fee	The Manager will receive an annual fee equal to 1.10% per annum of the Net Asset Value, calculated and payable monthly in arrears, plus applicable taxes. The Management Fee may be paid in cash or in Trust Units at the option of the Manager. To the extent Trust Units are issued from treasury for these purposes, Trust Units will be valued at the greater of the market price or Net Asset Value per Trust Unit. The Manager, and not the Fund, will pay an advisory fee to the Sub-Advisor pursuant to the Investment Sub-Advisory Agreement, which fee will not vary based on the percentage of Total Assets invested in High Yield Debt Securities. See “Fees and Expenses — Management Fee”.
Service Fee	The Fund will pay to the Manager a Service Fee (calculated quarterly and paid as soon as practicable after the end of each calendar quarter) of 0.40% per annum of the Net Asset Value of Trust Units held at the end of the relevant quarter by clients of dealers, plus applicable taxes. The Service Fee will be applied by the Manager to pay a service fee to certain registered dealers based on the number of Trust Units held by clients of such dealers at the end of the relevant quarter. All full service dealers that provide investment advice will receive 0.40% per annum of the Net Asset Value of Trust Units held by their clients. Any portion of the Service Fee not applied by the Manager to pay a service fee to dealers will be retained by the Manager to cover services provided by the Manager.

Risk Factors

There are risks associated with an investment in Trust Units that should be considered by prospective purchasers, including:

- (i) there is no assurance that the Fund will be able to achieve its targeted monthly distributions or preserve the Net Asset Value per Trust Unit;
- (ii) there is no assurance that the value of the Fund Investments will not be adversely affected by a number of underlying factors including, without limitation, interest rate effects and commodity prices;
- (iii) there can be no assurance that the Trust Units will trade at a price equal to Net Asset Value per Trust Unit;
- (iv) that the market price of the Trust Units and the Net Asset Value per Trust Unit will be affected by interest rate fluctuations;
- (v) there will be fluctuations in Net Asset Value per Trust Unit and funds available for Distributions;
- (vi) the effect of variations in the asset class allocations of the Fund Investments relative to the broader market;
- (vii) the risks associated with High Yield Debt Securities;

- (viii) the risks associated with foreign market exposure;
- (ix) the risks associated with commodity price and currency fluctuations;
- (x) the risks associated with commodity, credit, interest rate and foreign exchange rate hedging;
- (xi) the Fund's intention to enter into financing arrangements to enhance yield and the leverage effects this may have on the Net Asset Value;
- (xii) short sales of securities will expose the Fund to losses if the value of the securities sold short increases, because the Fund may be required to purchase such securities in order to cover its short position at a higher price than the price at which such securities were sold short;
- (xiii) the possibility of the Fund being unable to acquire or dispose of illiquid securities;
- (xiv) the risk of the Fund being required to pay subsequent instalments on a security that has declined in value where the security was purchased on an instalment basis;
- (xv) reliance on the Manager and the Sub-Advisor;
- (xvi) the possibility that proposed amendments to the Tax Act could adversely affect the deduction by the Fund of interest and other expenses incurred by it;
- (xvii) the possibility that if a view expressed by the Canada Revenue Agency relating to the deductibility of certain interest on money borrowed to invest in income funds were to apply to the Fund, the Fund could be subject to non-refundable income tax;
- (xviii) the Fund may not have made all of its income payable prior to December 31 in each year if issuers in which it has invested have failed to provide the Fund with sufficient information on a timely basis to enable the Fund to determine the amount to be distributed, thereby potentially subjecting the Fund to non-refundable income tax;
- (xix) that under proposed amendments to the Tax Act the Fund would cease to be a mutual fund trust if a majority of the Trust Units were held by non-residents or partnerships with non-resident partners;
- (xx) the possible loss of investment;
- (xxi) the Fund not being subject to regulation as a mutual fund;
- (xxii) the risks associated with securities lending;
- (xxiii) the potential for conflicts of interest;
- (xxiv) the Fund having no operating history and there being no existing market for Trust Units;
- (xxv) the risks associated with the use of derivatives;
- (xxvi) possible changes in legislation;
- (xxvii) the risk of a Plan or registered education savings plan receiving a non-qualified investment on an *in specie* payment pursuant to a redemption request;
- (xxviii) the risks associated with receiving assets of the Fund rather than cash upon redemption; and
- (xxix) tax risks with respect to cross border Income Trusts and possible tax changes with respect to Income Trusts and other flow through entities.

See "Risk Factors".

Canadian Federal Income Tax Considerations

A Unitholder who is resident in Canada will generally be required to include in computing income for a taxation year that part of the net income, and the taxable portion of the net realized capital gains, of the Fund, if any, that is paid or becomes payable to the Unitholder by the Fund in that year. To the extent that amounts payable to a Unitholder who is an individual are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit rules relating to the taxation of those dividends will apply to the Unitholder. To the extent that amounts payable to a Unitholder are designated as taxable capital gains, those amounts will be treated as taxable capital gains realized by the Unitholder.

Distributions by the Fund to a Unitholder in excess of the Unitholder's share of the Fund's net income and net realized capital gains will reduce the adjusted cost base of the Unitholder's Trust Units. Distributions classified as return of capital fall into this category. As a result of such distributions, the adjusted cost base of Trust Units purchased under the Offering is expected to be less than \$10.00 per Trust Unit on the Termination Date. To the extent that the adjusted cost base of a Trust Unit held as capital property would otherwise be less than zero, the Unitholder will be deemed to have realized a capital gain equal to that negative amount. A Unitholder who disposes of Trust Units held as capital property (on redemption or otherwise) will realize a capital gain (capital loss) to the extent that the proceeds of disposition exceed (are less than) the adjusted cost base of the Trust Units and any reasonable costs of disposition. See "Canadian Federal Income Tax Considerations".

GLOSSARY OF TERMS

In this prospectus, the following terms shall have the meanings set forth below, unless otherwise indicated.

“**Additional Distribution**” means a distribution that will, if necessary, be made in each year to Unitholders of record on December 31 in order that the Fund will generally not be liable to pay income tax.

“**Agency Agreement**” means the agency agreement dated as of June 29, 2005 among the Manager, on behalf of the Fund, the Manager and the Agents.

“**Agents**” means, collectively, RBC Dominion Securities Inc., CIBC World Markets Inc., Dundee Securities Corporation, Scotia Capital Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Canaccord Capital Corporation, HSBC Securities (Canada) Inc., Berkshire Securities Inc., First Associates Investments Inc. and Raymond James Ltd.

“**Book-Entry Only System**” means the book-based system administered by CDS.

“**Business Day**” means any day except Saturday, Sunday, a statutory holiday in Toronto, Ontario or any other day on which the TSX is not open for trading.

“**Business Trust**” means an Income Trust where the principal business of the underlying corporation or other entity is in the manufacturing, service, retail or general industrial sectors.

“**Cash and Cash Equivalents**” means (i) obligations issued or guaranteed by the Government of Canada or any province of Canada or any agency or instrumentality thereof with less than twelve months to maturity; (ii) term deposits, guaranteed investment certificates, certificates of deposit or bankers’ acceptances of or guaranteed by any Canadian chartered bank or other financial institution (including the Trustee and any affiliate of the Trustee), which short-term debt or deposits have been rated at least investment grade by Standard & Poor’s, Moody’s or DBRS; and (iii) commercial paper rated at least investment grade or the equivalent by Standard & Poor’s, Moody’s or DBRS, in each case either maturing within 365 days after the date of acquisition or for which the Manager believes that there will be a liquid market for the resale thereof within such 365 day period.

“**CDS**” means The Canadian Depository for Securities Limited.

“**CDS Participant**” means a participant in CDS.

“**Closing**” means the closing of the Offering.

“**Closing Date**” means the date of the Closing, which is expected to be on or about July 19, 2005, or such later date as the Fund and the Agents may agree, but in any event not later than August 31, 2005.

“**CRA**” means the Canada Revenue Agency.

“**Custodian**” means Scotia Capital Inc., in its capacity as custodian and prime broker under the Custodian Agreement.

“**Custodian Agreement**” means the custodian agreement to be entered into on or prior to the Closing Date between the Fund and the Custodian, as it may be amended from time to time.

“**DBRS**” means Dominion Bond Rating Service Limited.

“**Declaration of Trust**” means the declaration of trust dated as of June 29, 2005 establishing the Fund, as it may be amended from time to time.

“**Distribution(s)**” means the distribution(s) which are paid by the Fund to Unitholders in cash or, in some cases, additional Trust Units.

“**Distribution Date**” means the date on which Distributions are paid by the Fund, such date to be on or about the tenth Business Day after the applicable Record Date.

“**Dynamic Bond Funds**” means the Dynamic Canadian High Yield Bond Fund I and the Dynamic Canadian High Yield Bond Fund II.

“**Dynamic Diversified**” means Dynamic Focus+ Diversified Income Trust Fund.

“Extraordinary Resolution” means a resolution passed by the affirmative vote of at least 66 $\frac{2}{3}$ % of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of approving such resolution.

“Fund” means DiversiYield Income Fund, a closed-end investment trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust.

“Fund Investment” means a security acquired and managed by the Manager or the Sub-Advisor on behalf of the Fund and “Fund Investments” means a number of Fund Investments collectively.

“High Income Securities” means securities of Income Trusts, High Yield Debt Securities and Other Securities.

“High Yield Debt Securities” means debt securities that are generally rated at or below BB+ (a Standard & Poor’s rating category) or below BBB (a DBRS rating category) and will also include securities that are not formally rated by an “approved rating organization” as defined in NI 81-102 but that bear yields equivalent to comparable rated securities.

“Income Trust” means (i) a trust, corporation, limited partnership or other entity formed to own debt and/or equity, or entitled to a royalty on revenues, of an underlying company or other entity, carrying on directly or indirectly an active business that generally makes regular and predictable distributions of substantially all its distributable cash flow to securityholders; (ii) similarly structured entities which have issued income deposit securities, income participating securities or enhanced income securities; (iii) any entity that has announced its intention to convert into one of the foregoing; and (iv) any entity that has issued securities convertible into one of the foregoing.

“Investment Objectives” means the investment objectives of the Fund set forth in the Declaration of Trust, as described under “Investment Objectives”.

“Investment Restrictions” means the investment restrictions of the Fund set forth in the Declaration of Trust restricting the investment activities of the Fund as described under “Investment Strategy and Restrictions — Investment Restrictions”.

“Investment Strategy” means the investment strategy to be followed by the Manager in respect of the Fund as set forth in the Declaration of Trust and described under “Investment Strategy and Restrictions — Investment Strategy”.

“Investment Sub-Advisory Agreement” means the investment sub-advisory agreement dated as of June 29, 2005 between the Manager and the Sub-Advisor, as it may be amended from time to time.

“Loan Facility” means a loan facility between the Fund and one or more Canadian chartered banks or other financial institutions in connection with the Fund’s leverage and borrowing strategy.

“long position” means an investment position in an issuer in which an investor has ownership of securities of the issuer.

“Management Agreement” means the management agreement dated as of June 29, 2005 between the Manager and the Trustee, on behalf of the Fund, as it may be amended from time to time.

“Management Fee” means the management fee payable to the Manager, equal to 1.10% per annum of Net Asset Value plus applicable taxes, as more fully described under “Fees and Expenses — Management Fee”.

“Manager” means the manager and administrator of the Fund, Goldman & Company, Investment Counsel Ltd. or, if applicable, its successor.

“Moody’s” means Moody’s Investors Service, Inc.

“Net Asset Value” means the net asset value of the Fund, as determined by subtracting the Total Liabilities from the Total Assets as more fully described under “Valuation, Total Assets, Total Liabilities and Net Asset Value”.

“Net Asset Value per Trust Unit” means the Net Asset Value divided by the total number of Trust Units outstanding, in each case on the date on which the calculation is made.

“NI 81-102” means National Instrument 81-102 of the Canadian Securities Administrators.

“**Offering**” means the offering of a minimum of 5,000,000 Trust Units and a maximum of 20,000,000 Trust Units at the Offering Price pursuant to this prospectus.

“**Offering Price**” means \$10.00 per Trust Unit.

“**Other Securities**” means common shares, preferred shares and convertible fixed income securities.

“**Over-Allotment Option**” means the option granted by the Fund to the Agents, exercisable for a period of 30 days from the Closing Date, to purchase additional Trust Units at the Offering Price in an amount not exceeding 15% of the aggregate number of Trust Units issued on the Closing Date, solely to cover over-allotments, if any.

“**Plans**” means registered retirement savings plans, registered retirement income funds and deferred profit sharing plans.

“**Prior diversiTrust Funds**” means diversiTrust™ Energy Income Fund, diversiTrust™ Income+ Fund, diversiTrust™ Stable Income Fund and diversiTrust™ Income Fund.

“**Record Date**” means the last Business Day of each calendar month prior to the Termination Date and commencing on the last Business Day of the second month following the month in which the Closing Date occurs.

“**Redemption Date**” means November 30 in each year commencing in 2006.

“**Redemption Payment Date**” means the date on or before the tenth Business Day following the applicable Redemption Date.

“**Redemption Price**” means the Net Asset Value per Trust Unit determined as of the applicable Redemption Date, in accordance with the principles set out under “Valuation, Total Assets, Total Liabilities and Net Asset Value”, less out-of-pocket expenses, if any, directly incurred by the Manager to satisfy such redemptions, not to exceed 1% of the Net Asset Value per Trust Unit, plus any distribution payable to Unitholders of record on or before the applicable Redemption Date.

“**Regulations**” means the regulations under the Tax Act.

“**REIT**” means a real estate investment or real estate related trust or other entity that invests in real property to generate a consistent stream of rental income.

“**Resource Trust**” means an Income Trust where the principal business of the underlying corporation or other entity is the exploitation, production and/or sale of commodities such as fossil fuels, metals, minerals, timber and their by-products.

“**Securities Lending Agreement**” means an agreement setting forth the terms pursuant to which the Fund may lend Fund Investments to borrowers acceptable to the Fund.

“**Service Fee**” means the fee that the Fund will pay to the Manager (calculated quarterly and paid as soon as practicable after the end of each calendar quarter) of 0.40% per annum of the Net Asset Value of the Trust Units held at the end of the relevant quarter by clients of dealers, plus applicable taxes, as more fully described under “Fees and Expenses — Service Fee”.

“**short position**” means an investment position in an issuer in which an investor has made a short sale of an issuer’s securities and has not yet purchased securities to replace securities that were borrowed to complete the short sale.

“**short sale**” means the sale of securities that are not owned by the seller (and which, for purposes of settling a short sale, are borrowed by the seller) in the expectation of purchasing the same securities at a later date at a price that is lower than the price for which such securities were previously sold by the seller.

“**Standard & Poor’s**” means Standard & Poor’s Corporation.

“**Sub-Advisor**” means Marret Asset Management Inc., the sub-advisor to the Fund with respect to the High Yield Debt Securities component of the Fund Investments.

“**Tax Act**” means the *Income Tax Act* (Canada), as now or hereafter amended, or successor statutes, and all regulations promulgated thereunder.

“**Tax Proposals**” means all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance prior to the date hereof.

“**Termination Date**” means December 31, 2015 unless Unitholders determine to continue the Fund by a majority vote at a meeting called for such purpose as more fully described under “Declaration of Trust — Termination of the Fund”.

“**Total Assets**” means the aggregate value of the assets of the Fund determined in accordance with the terms of the Declaration of Trust.

“**Total Liabilities**” means the aggregate value of the liabilities of the Fund determined in accordance with the terms of the Declaration of Trust including without limitation liabilities under short sale financing transactions and leverage and borrowing.

“**Trust Units**” means the transferable, redeemable trust units of the Fund, each of which represents an equal, undivided beneficial interest in the net assets of the Fund.

“**Trustee**” means Goodman & Company, Investment Counsel Ltd., in its capacity as Trustee under the Declaration of Trust or, if applicable, its successor.

“**TSX**” means the Toronto Stock Exchange.

“**Unitholders**” means holders of Trust Units.

“**Utility Trust**” means an Income Trust where the principal business of the underlying corporation or other entity is in regulated sectors such as pipelines, energy distribution, power and water and including unregulated Income Trusts in similar sectors.

“**Valuation Date**” means each Business Day.

INFORMATION REGARDING PUBLIC ISSUERS

Certain information contained in this prospectus relating to publicly traded securities and the issuers of those securities is taken from, and based solely upon, information published by those issuers and other publicly available information. Neither the Manager, the Sub-Advisor, the Fund nor the Agents have independently verified the accuracy or completeness of any such information or assumed any responsibility for the completeness or accuracy of such information.

FORWARD LOOKING STATEMENTS

Certain statements included in this prospectus constitute forward looking statements including those identified by the expressions “intend”, “anticipate”, “believe”, “plan”, “estimate”, “expect” and similar expressions to the extent they relate to the Fund or the Manager. The forward looking statements are not historical facts but reflect the Fund’s current expectations regarding future results or events. These forward looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including matters discussed under “Risk Factors” and in other sections of this prospectus.

THE FUND

diversiYield Income Fund is a closed-end investment trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust. Goodman & Company, Investment Counsel Ltd. is the Manager and Trustee of the Fund. The Fund’s principal office is 40 King Street West, Scotia Plaza, 55th Floor, Toronto, Ontario M5H 4A9. The fiscal year-end of the Fund is December 31.

The beneficial interest in the net assets and net income of the Fund is divided into transferable, redeemable units, each of which represents an equal, undivided interest in the net assets of the Fund. Each Trust Unit is entitled to one vote at meetings of Unitholders and to participate equally with all other Trust Units with respect to all payments made to Unitholders out of the Trust’s assets. See “Declaration of Trust — Description of Trust Units”. Unitholders will have no voting rights in respect of Fund Investments held by the Fund. From time to time, the Manager will determine whether or not to exercise the voting rights attached to the Fund Investments and, if so, how such securities will be voted.

The Fund is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, the Fund is not subject to the various securities policies and regulations that apply to mutual funds. The Fund will, however, be a mutual fund trust for purposes of the Tax Act.

RATIONALE FOR THE FUND

The Fund has been designed to provide Unitholders with exposure to an actively managed portfolio comprised primarily of Income Trusts and High Yield Debt Securities. Income Trusts and High Yield Debt Securities are both high yielding asset classes which have in the past typically demonstrated attractive risk-return profiles and low correlation to one another. Accordingly, effective allocation between these asset classes may result in diminished volatility over the term of the Fund.

INVESTMENT OBJECTIVES

The Fund intends to invest in a diversified portfolio of Income Trusts, High Yield Debt Securities and Other Securities to achieve the following Investment Objectives:

- (a) **Monthly Distributions:** to provide Unitholders with a stable stream of monthly cash distributions initially targeted to be \$0.0604 per Trust Unit (approximately 7.25% per annum on the original issue price of \$10.00 per Trust Unit);
- (b) **Capital Repayment:** to return the original issue price of the Trust Units to Unitholders on the Termination Date; and
- (c) **Capital Appreciation:** to provide Unitholders with an opportunity for capital appreciation.

The monthly distributions and capital repayment and appreciation objectives are only targets and amounts actually distributed or returned may be less than these targets.

The Fund will at least on an annual basis, commencing in December 2006, determine and announce an indicative distribution for the following twelve months based upon prevailing market conditions and the Manager's estimate of distributable cash flow for the year.

HIGH INCOME SECURITIES

The Fund intends to invest primarily in the High Yield Debt Securities and Income Trusts classes of High Income Securities. The Fund may also invest in Other Securities and Cash and Cash Equivalents and engage in derivative transactions solely for hedging purposes. Each of the High Income Securities asset classes is described below.

Income Trusts

An Income Trust is an equity investment vehicle designed to distribute cash flow from an underlying business to investors in a tax-efficient manner. Income Trusts are designed to maximize value to unitholders by eliminating or significantly reducing the level of corporate tax and maximizing direct distributions to unitholders. The majority of return from an investment in an Income Trust is generally expected to come from distributions rather than from capital appreciation.

Income Trusts are generally structured as trusts or limited partnerships which own debt and/or equity of an underlying company or other entity, or are entitled to a royalty on revenues generated by the assets thereof, which carries on, in each case, an active business. The variety of businesses upon which Income Trusts have been created has become very broad, both in the nature of the underlying industries and assets and in geographic focus. The total number of Income Trusts in Canada is approximately 208 with a total market capitalization of approximately \$143 billion.*

Benefits of the Income Trust structure to investors include the elimination of double taxation on income, the discipline imposed upon management by the requirement that these businesses distribute their free cash flow and the ability to invest in businesses that otherwise would remain private or be consolidated with other businesses. Many of these businesses are leaders in their fields, generating strong free cash flow and are still managed by the entrepreneurs who founded them.

The Income Trust universe is viewed by the Manager as consisting of the following four key sectors which are discussed below: Business Trusts, Utility Trusts, REITs and Resource Trusts.

Information below with respect to average yields is for pre-tax annual cash-on-cash yields (excluding capital gains and losses) and was derived from publicly available information and is not intended to be, nor should it be construed to be, an indication of future yields. Yield is not comparable to a traditional yield on debt instruments where investors are entitled to a full return of the principal amount of the debt on maturity in addition to a return on investment through interest payments.

A. Business Trusts

A Business Trust is an Income Trust where the principal business of the underlying corporation or other entity is in the manufacturing, service, retail or general industrial sectors. The Manager anticipates that the number of businesses constituted or reorganized as Income Trusts will increase significantly over the duration of the Fund. The Manager believes that conversion to the Income Trust structure is attractive to many existing mature businesses with relatively high, stable cash flows and low capital expenditure requirements due to tax efficiency and investor demand for high-yielding equity securities. One of the primary attractions of Business Trusts, in addition to their relatively high yield, is their ability to enhance diversification in a portfolio as they cover a broad range of underlying businesses and geographic locations.

Based on publicly available information, as at June 21, 2005 there were approximately 114 Business Trusts in Canada with an aggregate market capitalization of approximately \$45 billion and an average yield as of June 21, 2005 of approximately 8.7%.*

B. Utility Trusts

A Utility Trust is an Income Trust where the principal business of the underlying corporation or other entity is in regulated sectors such as pipelines, energy distribution, power and water including unregulated Income Trusts in similar sectors. Utility Trusts tend to have stable cash flow and distributions.

The amount of distributions paid by Utility Trusts varies with the market demand for transportation of product on their distribution systems. While they are generally not as commodity price sensitive as Resource Trusts, they may be affected by fluctuations in commodity prices in the longer term. In some Utility Trusts, fluctuations in water flow can impact generators that provide the bulk of their electricity from single basin hydroelectric facilities.

Based on publicly available information, as at June 21, 2005 there were approximately 20 Utility Trusts in Canada with an aggregate market capitalization of approximately \$18 billion and an average yield as of June 21, 2005 of approximately 8.0%.*

C. REITs

A REIT is a “real estate investment or real estate related trust” or other entity that invests in real property to generate a consistent stream of rental income. The primary source of income generated by REITs is rental and lease income from commercial, industrial or residential real estate properties, which may include office buildings, hotels, shopping centres or residential rental properties.

REITs are tax-efficient vehicles for owning, managing and investing in real estate assets because a REIT is able to claim capital cost allowance for tax purposes in addition to normal cash expenses. As a result, a portion of a REIT’s distributions is normally tax deferred.

REITs tend to provide relatively stable and predictable income. In addition, real estate has traditionally served as a hedge against inflation as rental rates tend to be correlated with the level of inflation over the long term, whereas many financial assets are negatively impacted by inflation.

Based on publicly available information, as at June 21, 2005 there were approximately 25 REITs in Canada with an aggregate market capitalization of approximately \$19 billion and an average yield as of June 21, 2005 of approximately 7.3%.*

D. Resource Trusts

A Resource Trust is an Income Trust where the principal business of the underlying corporation or other entity is the exploitation, production and/or sale of commodities such as fossil fuels, metals, minerals, timber and their by-products.

The amount of distributions paid on a Resource Trust’s units will vary from time to time based on production levels, commodity prices, royalty rates, costs and expenses and deductions. Currently, most Resource Trusts focus on the oil and gas sector. They typically grow through the acquisition of producing companies or those with proven reserves of oil and gas, or the development of such properties, funded through the issuance of additional equity or, where the trust is able, additional debt. While they tend to pay the highest yields they also have higher volatility as a result of their exposure to commodity price variations, reserve variability and operating risk. Other Resource Trusts such as those engaged in forestry, pulp manufacturing and by-product processing are not subject to reserve depletion. Mining and oil sands trusts, while subject to depletion, have longer reserve lives.

Based on publicly available information, as at June 21, 2005 there were approximately 49 Resource Trusts in Canada with an aggregate market capitalization of approximately \$61 billion and an average yield as of June 21, 2005 of approximately 10.4%.*

*Derived from research conducted by RBC Dominion Securities Inc. based on publicly available information from various sources including Bloomberg, company websites, and various analyst reports.

E. Asset Allocation Among Income Trusts

Up to 75% of Total Assets may be invested in Income Trusts. The Manager and Sub-Advisor anticipate that initially Income Trusts will comprise 50% of Fund Investments. The actual allocation of the Income Trust component of Fund Investments across the four Income Trust sectors will vary based on the Manager's assessment of the prevailing or anticipated market conditions and the availability of Income Trusts at the time of investment. Generally, the Income Trust component of Fund Investments will be broadly diversified across all four Income Trust sectors, with no sector exceeding 50% of the Total Assets invested in the Income Trust component of the Fund Investments at any time. The initial target asset allocation for the Fund among the Income Trust sectors is as follows:

<u>Income Trust Category</u>	<u>Expected Initial Allocation</u>
Resource Trusts	35%
Business Trusts	30%
REITs	21%
Utility Trusts	14%

High Yield Debt Securities

The global High Yield Debt Securities market has traditionally involved transactions among corporate issuers or the governments of developing countries and institutional and other sophisticated investors. Many of these transactions are completed on an exempt basis without any public distribution or listing of the offered securities. As a result, opportunities for individual Canadian investors seeking direct High Yield Debt Securities investments have been limited. Even where such opportunities have been made available to the public, the number of such opportunities has been so few that investors have generally been unable to realize the benefits of portfolio diversification. The Sub-Advisor expects that the Fund will participate in both the private and public markets for High Yield Debt Securities.

High Yield Debt Securities are generally considered to be debt securities that are rated at or below BB+ (a Standard & Poor's rating category) or below BBB (a DBRS rating category). A lower credit rating suggests a greater risk of default. High Yield Debt Securities also include securities that are not formally rated by an "approved rating organization" as defined in NI 81-102 but that bear yields equivalent to comparable rated securities.

The prices at which High Yield Debt Securities trade vary over time based on such factors as term to maturity, interest and currency rate fluctuations, the liquidity of the security, underlying changes in the risks associated with the issuer of the securities (such as business changes affecting a corporate issuer or political or economic risks affecting a government issuer), investor demand, and general economic trends. The yield of a High Yield Debt Security at a specific time is typically calculated on a "yield-to-maturity" basis (the return to be earned on the security if held to maturity, taking into account the discounted value of the future interest and principal payments).

As of June 24, 2005, the U.S. corporate high yield market, as measured by the Merrill Lynch U.S. High Yield Master II Index, was estimated to be in excess of US\$655 billion, representing over 1960 issues including High Yield Debt Securities issued by Canadian corporations. Over the last several years, High Yield Debt Securities have become a distinct asset class which the Manager and the Sub-Advisor believe possesses attractive risk/return characteristics. The principal amount of new high yield debt issues has averaged US\$99 billion per annum over the five years from 2000 to 2004.**

Securities of Canadian issuers represent approximately US\$35 billion of the outstanding high yield debt market according to the Merrill Lynch Global High Yield Canadian Issuers' Index and constitute a growing sector of the U.S. corporate high yield debt market. Canadian high yield issuers typically issue debt denominated or swapped into U.S. dollars. Canadian issuers in the high yield debt market number approximately 60, diversified across a number of industries**. Industries represented in the market include communications and media, conglomerates, consumer products, paper and forest products, health care, metals and minerals, gold and precious minerals, oil and gas, real estate and industrial products. Canadian issuers of High Yield Debt

Securities at June 24, 2005 included Rogers Communications Inc., Jean Coutu Group PJC Inc., CanWest Global Communications Corp. and Novelis Inc., for example.

For the 10 years ended December 30, 2004, the average spread on High Yield Debt Securities was approximately 495 basis points, which includes the significant impact on spreads during the two most recent recessions. Over the same period, daily spreads have ranged from a low of approximately 270 basis points to a maximum of approximately 1,050 basis points. The longer term historical average spread of High Yield Debt Securities over 10-year U.S. Treasury notes is considered to be approximately 450 basis points, taken from two decades of data from January 1980 to December 1999.**

At June 24, 2005, the Merrill Lynch U.S. High Yield Master II Index yielded approximately 8.1% on a yield to maturity basis.

According to Moody's Speculative Grade Defaults, at April 30, 2005, the trailing twelve month default rate for U.S. issuers of High Yield Debt Securities was approximately 2.27%, compared to roughly 11.6% in January 2002.

The prices of High Yield Debt Securities vary inversely with yields available in the market which in turn reflect the changes in spreads over U.S. Treasury notes and yields on U.S. Treasury notes.

High Yield Debt Securities markets are beginning to develop outside of the United States, particularly in Europe. The European corporate high yield debt market has experienced robust growth; since 1997, the market value of the European corporate high yield debt market has grown from less than US\$1 billion to approximately EUR 65 billion as of June 24, 2005 according to the Merrill Lynch Euro High Yield Index.

Although not a core element of the Fund's Investment Strategy, the Fund may invest in emerging markets debt securities, which are fixed income instruments of issuers that are economically tied to countries whose economies are defined as emerging or developing by the World Bank or the United Nations. These securities may be denominated in local or U.S. currencies. A security is economically tied to an emerging market country if it is principally traded on the country's securities markets, or the issuer is organized or principally operates in the country, derives a majority of its income from operations within the country or has a majority of its assets in the country. Emerging markets are usually defined to include all of Latin America, Eastern Europe, Russia and Asia, excluding Japan. Emerging market debt is not a homogenous asset class as individual markets may have dramatically different growth prospects and risk factors.

Up to 75% of Total Assets may be invested in High Yield Debt Securities. The Manager and Sub-Advisor anticipate that initially High Yield Debt Securities will comprise 50% of Fund Investments. The actual composition of Fund Investments in each of the credit rating categories employed by recognized North American bond-rating agencies will vary based on the Sub-Advisor's assessment of the prevailing or anticipated credit market conditions. The objective is to select investments that have the potential to deliver attractive returns relative to their risk. Generally, the High Yield Debt Securities component of Fund Investments will be diversified by industry, maturity, level of liquidity and security. The initial target asset allocation for the Fund among the various credit ratings is as follows:

<u>Credit Rating</u>	<u>Expected Initial Allocation</u>
B	60%
BB	20%
CCC	20%

Other Securities

Other Securities include common shares, preferred shares and convertible fixed income securities. Other Securities may be used as an alternative to Cash or Cash Equivalents for defensive purposes to provide attractive yields and to further diversification relative to investing in Income Trusts and High Yield Debt Securities.

** Derived from a database compiled and continuously updated by Merrill Lynch & Co.

INVESTMENT STRATEGY AND RESTRICTIONS

Investment Strategy

A. Investment Approach

The Fund has been designed to provide Unitholders with exposure to an actively managed portfolio comprised primarily of Income Trusts and High Yield Debt Securities. Income Trusts and High Yield Debt Securities are both high yielding asset classes which have in the past typically demonstrated attractive risk-return profiles and low correlation to one another. Accordingly, effective allocation between these asset classes may result in diminished volatility over the term of the Fund. The Fund may also engage in short selling of securities that the Manager and the Sub-Advisor consider to be overvalued. The ability to use derivatives and short selling is intended to further reduce volatility and enhance growth potential.

The rapid expansion of the Income Trust market, which now includes businesses drawn from a wide cross-section of the Canadian economy, has made it more difficult for investors to make informed investment decisions in this asset class. Through comprehensive due diligence and ongoing securities analysis, the Manager will select Income Trusts for the Fund.

In structuring and managing Fund Investments, the Manager will use a top-down analysis taking into account factors such as the business cycle, interest rates and general business conditions to determine appropriate sector weightings. This will be followed by a bottom-up analysis that focuses on specific aspects of individual businesses. In selecting individual investments for the Fund, the Manager will adhere to its discipline of investing in reasonably valued businesses that provide tax efficient income with some growth potential.

The Sub-Advisor will select, monitor and manage the High Yield Debt Securities component of the Fund Investments in the following manner and subject to the Investment Restrictions. In selecting High Yield Debt Securities, the Sub-Advisor will perform a fundamental analysis of economic, political and market trends. This analysis identifies secular trends that provide a template which shapes the portfolio through the economic cycle. Next, the Sub-Advisor will determine the point and duration of the current economic cycle in order to evaluate the relative attractiveness of industries and sectors. Finally, the Sub-Advisor will identify sectors that will experience positive and negative cash flow trends as the cycle evolves.

Company fundamentals will be reviewed to assess a company's ability to generate cash and meet interest and principal obligations. During this stage, the Sub-Advisor will focus on industry position, operating leverage, management strength and experience, historical earnings and future projections, liquidity profile, accounting ratios and practices, and tracking the stock price as a leading indicator of changing credit fundamentals. The ultimate goal of this process is to identify High Yield Debt Securities whose trading levels are inconsistent with the Sub-Advisor's analysis of potential return and underlying risk. In selecting High Yield Debt Securities for the Fund, the Sub-Advisor will take into consideration industry, maturity, level of liquidity and security diversification. The Sub-Advisor will seek to acquire High Yield Debt Securities that offer attractive risk/return characteristics and have good call protection and security backing. The Sub-Advisor intends to avoid interest rate speculation.

B. Asset Allocation

The Manager, in consultation with the Sub-Advisor, will decide from time to time the asset allocation among Income Trusts, High Yield Debt Securities, Other Securities and Cash and Cash Equivalents. Based on the Manager's and Sub-Advisor's views as to current economic and market conditions, they expect that initially High Yield Debt Securities will comprise 50% of the Fund Investments and Income Trusts will comprise the remaining 50%.

Permitted ranges for asset class allocations have been established in order to provide the Manager and the Sub-Advisor with the flexibility to rotate Fund Investments among asset classes, while at the same time maintaining the degree of portfolio diversification and liquidity which the Manager and the Sub-Advisor consider desirable in seeking to meet the Investment Objectives. The chart below sets forth the expected initial

allocation and permitted ranges of each of the asset classes in which the Fund may invest. Actual allocations will vary depending on market conditions from time to time.

<u>Asset Classes</u>	<u>Expected Initial Allocation</u>	<u>Permitted Ranges</u>
Income Trusts	50%	25-75%
High Yield Debt Securities	50%	25-75%
Other Securities	0%	0-20%
Cash and Cash Equivalents	0%	0-50%

See “Investment Strategy and Restrictions — Investment Restrictions”.

Pending investment in High Income Securities, which will be made as soon as prudent investment practice permits, the Fund will invest the proceeds of the Offering in Cash and Cash Equivalents. It is anticipated that investment of the proceeds of the Offering in High Income Securities will be concluded within three months of Closing. In addition, during periods in which the Manager, in consultation with the Sub-Advisor, believes changes in economic, financial or political conditions make it advisable to do so, the Fund may, for temporary defensive purposes, reduce its holdings of High Income Securities and invest in Cash and Cash Equivalents.

C. Correlation Among Asset Classes

Correlation is a measure of how the performance of two different asset classes have moved together over time. A correlation can range between – 1 and 1. Low or negative correlations indicate complementary returns and added diversification. A high positive correlation, close to 1, indicates the asset class performance moves in tandem and therefore provides less diversification.

The Income Trust and High Yield Debt Securities asset classes in which the Manager intends to invest have demonstrated low correlations in the past. The Manager and the Sub-Advisor believe that this will mitigate Fund Investment volatility and help provide consistent returns through the business cycle. For example, Income Trusts and High Yield Debt Securities have a correlation of 0.26 and 0.10, respectively, over the five year and three year periods ended April 30, 2005⁽¹⁾ indicating that, if held together in a portfolio rather than separately, they would have benefitted from reduced portfolio volatility during that period.

D. Leverage and Borrowing

To seek to enhance the Fund’s total return as well as for certain other purposes, the Fund will from time to time enter into leverage and borrowing transactions. The overall limit of such leverage and borrowing transactions will be 25% of Total Assets after giving effect to any borrowing. The Fund initially intends to enter into leverage and borrowing transactions equal to approximately 20% of Total Assets.

Leverage and borrowing for the Fund will be effected through one or more financing arrangements on terms that the Manager determines will best position the Fund to achieve the Investment Objectives. Such financing arrangements may include, at the discretion of the Manager, loan facilities with one or more Canadian chartered banks or financial institutions (each, a “Loan Facility”), margin facilities with registered brokers and short sales of highly liquid government bonds. The short sale of government bonds will effectively allow the Manager to lock in fixed rate borrowing at an attractive rate and, due to the known maturity values of such bonds, should not expose the Fund to the volatility associated with short sales of equities. Such fixed rate borrowing will be attractive relative to floating rate borrowing in the event that interest rates increase. The Manager will not short sell bonds with a maturity date longer than the term of the Fund. The Manager does not intend to short sell bonds for the purpose of speculating on interest rates. The Manager believes that the choice of different financing methods as well as the ability to use them in combination will afford the Fund the opportunity to achieve the lowest possible borrowing costs, flexibility in financing options and the ability to lock in low fixed rate financings which may not otherwise be available through ordinary credit facilities. All such arrangements will be made with parties at arm’s length to the Fund, the Trustee, the Manager and their respective affiliates and associates.

(1) Source: S&P/TSX Trust Capped Trust Index and Merrill Lynch HY Master II Index.

The financing arrangements will be entered into for various purposes, including, without limitation, purchasing Fund Investments in accordance with the Investment Objectives and Investment Strategy and subject to the Investment Restrictions, maintaining liquidity, funding redemptions and paying Distributions. The Fund anticipates that any bank borrowing or broker margin arrangements will require the Fund to provide a security interest in some or all of its assets in favour of the relevant creditor. The Manager will ensure that any Loan Facility entered into on behalf of the Trust will provide that in the event of default on such Loan Facility, the lenders' recourse will be limited to the assets of the Fund.

If the total leverage and borrowing transactions of the Fund exceed at any time 25% of Total Assets, the Manager will liquidate Fund Investments in an orderly manner and use the proceeds therefrom to reduce indebtedness so that the amount financed by the Fund is reduced to 25% of Total Assets. Short term credit necessary for settlement of securities transactions is excluded from total leverage and borrowing transactions of the Fund for this purpose and the calculation of leverage and borrowing generally.

E. Use of Derivative Instruments

The Fund may invest in or use derivative instruments solely for hedging purposes consistent with the Investment Objectives and Investment Strategy and subject to the Investment Restrictions. A derivative is generally an instrument, agreement or security, the market price, value or payment obligations of which are derived from, referenced to or based on an underlying security, interest, benchmark or formula. The Fund intends to enter into currency hedging to reduce the effects on the Fund and the Unitholders of changes in the values of foreign currencies relative to the Canadian dollar. The Sub-Advisor, in consultation with the Manager, will review the Fund's foreign currency exposure and will adjust hedging levels as it considers appropriate, provided that at least 50% of the Net Asset Value of the Fund Investments denominated in foreign currencies will be hedged to the Canadian dollar. In addition, if the Manager determines that market conditions make it appropriate to do so, the Fund may also use derivatives, including interest rate, credit and commodity hedges, in order to seek to offset or reduce risks associated with Fund Investments. The Manager and Sub-Advisor are experienced in using derivatives for hedging purposes and have employed this strategy in connection with the Prior diversified Trust Funds, the Dynamic Canadian High Yield Bond Fund I and the Dynamic Canadian High Yield Bond Fund II. The Fund will not be hedged against all such risks at all times.

F. Short Selling

The Fund may also engage in short selling of securities that the Manager and the Sub-Advisor consider to be overvalued. With the exception of highly liquid government bonds, the Fund may not make short sales of securities or maintain short positions in excess of 10% of Total Assets. In addition, the Fund will not make short sales of securities held in any of the other funds managed by the Manager or the Sub-Advisor. In the case of High Yield Debt Securities, securities may be sold short if they are considered to be overvalued, thereby offering the potential for gains as well as limiting the overall credit risk exposure of the Fund Investments. In some cases, the equity securities of an issuer may be sold short to hedge a long bond position of the same issuer. The Sub-Advisor believes that this is an effective hedging strategy, since deteriorating company fundamentals generally hurt the equity securities of a company more than they do the High Yield Debt Securities, which tend to be protected by legal covenants. Short positions may be established in Income Trusts that are deemed overvalued, thereby offering a potential for gains as well as lowering the overall exposure to the market where needed.

To effect short selling, the Fund will borrow the securities it is selling short, and will be under an obligation to return the borrowed securities to the lender at a future date. The Fund will also be required to pay the lender any dividends or other distributions declared on the borrowed securities, together with any securities borrowing fees. To return the borrowed securities, the Fund will purchase these same securities at a later date, with the result that the Fund either will make a gain on the short sale if the price of the securities has declined by such later date or a loss on the short sale if the price of the securities has increased by such later date.

G. Securities Lending

In order to generate additional returns, the Fund may lend Fund Investments to securities borrowers acceptable to the Fund pursuant to the terms of a securities lending agreement between the Fund and such borrower (a “Securities Lending Agreement”). Under a Securities Lending Agreement: (i) the borrower will pay to the Fund a negotiated securities lending fee and will make compensation payments to the Fund equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as “securities lending arrangements” for the purposes of the Tax Act; and (iii) the Fund will receive collateral security.

Investment Restrictions

In making investments on behalf of the Fund, the Manager and the Sub-Advisor will be subject to certain Investment Restrictions, which are set out in the Declaration of Trust. The Investment Restrictions may not be changed without the prior approval of Unitholders by way of an Extraordinary Resolution, 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. See “Declaration of Trust — Modification of Declaration of Trust and Meetings of Unitholders”.

The Investment Restrictions provide that the Fund will not:

- (a) invest more than 10% of the Total Assets in the securities of any single issuer, other than securities issued or guaranteed by the Government of Canada or a province or territory thereof provided that subject to all other investment restrictions set out below including (j), during the first 6 months following the Closing or at any time thereafter but for a period not exceeding 90 days in order to facilitate changes in asset allocation or leverage, the Fund shall be permitted to invest more than 10% of the Total Assets in any single high yield credit derivative product such as the Dow Jones CDX U.S. High Yield Index;
- (b) for a period of more than 90 days have:
 - (i) less than 25% or more than 75% of the Total Assets in Income Trusts;
 - (ii) more than 50% of the Total Assets invested in the Income Trust component of Fund Investments invested in any one of Business Trusts, Utility Trusts, REITs or Resource Trusts.
 - (iii) less than 25% or more than 75% of the Total Assets in High Yield Debt Securities;
 - (iv) more than 20% of Total Assets in Other Securities; or
 - (v) more than 50% of Total Assets in Cash and Cash Equivalents;
- (c) invest more than 10% of the Total Assets in “illiquid securities” which for these purposes means securities that cannot be disposed of within 7 Business Days in the ordinary course of business at approximately the value ascribed to such securities by the Fund;
- (d) invest more than 20% of Total Assets in debt securities rated at the time of purchase less than “Ca” by Moody’s or “CC” by Standard & Poor’s or debt securities which have not been rated but the Sub-Advisor believes, if rated, would have a rating less than such ratings;
- (e) purchase real estate;
- (f) make short sales of securities or maintain short positions in excess of 10% of Total Assets, except short sales of highly liquid government bonds in order to provide the Fund with leverage;
- (g) own more than 10% of the outstanding equity securities of an issuer or purchase the securities of an issuer for the purpose of exercising control over management of that issuer;
- (h) borrow or enter into leverage transactions in amounts that in the aggregate are more than 25% of Total Assets, determined at the time of borrowing or the date such transactions are entered into;

- (i) guarantee the securities or obligations of any person other than the Manager, and then only in respect of the activities of the Fund;
- (j) make or hold any investment that would result in the Fund failing to qualify as a “unit trust” within the meaning of paragraph 108(2)(b) of the Tax Act. Among other requirements, paragraph 108(2)(b) of the Tax Act currently requires in order for the Fund to so qualify that:
 - (i) at all times at least 80% of the property of the Fund must consist of a combination of: shares; property that, under the terms or conditions of which or under an agreement, is convertible into, exchangeable for, or confers a right to acquire, shares; cash; bonds, debentures, mortgages, hypothecary claims, notes and other similar obligations; marketable securities; real property situated in Canada and interests in real property situated in Canada; or rights to and interests in any rental or royalty computed by reference to the amount or value of production from a natural accumulation of petroleum or natural gas in Canada, from an oil or gas well in Canada or from a mineral resource in Canada;
 - (ii) not less than 95% of the Fund’s income for each year must be derived from, or from the disposition of, investments described in (i) above; and
 - (iii) at no time may more than 10% of the Fund’s property consist of bonds, securities or shares in the capital stock of any one corporation or debtor other than Her Majesty in right of Canada or a Canadian province or a Canadian municipality;
- (k) make or hold any investment that would result in the Fund failing to qualify as a “mutual fund trust” within the meaning of the Tax Act;
- (l) with the exception of securities of the Fund’s own issue, purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with the Manager or any of its affiliates, any officer, director or shareholder of the Manager, any person, trust, firm or corporation managed by the Manager or any of its affiliates or any firm or corporation in which any officer, director or shareholder of the Manager may have a material interest (which, for these purposes, includes beneficial ownership of more than 10% of the voting securities of such entity) unless, with respect to any purchase or sale of securities, either: (i) any such transaction is effected through normal market facilities and the purchase price approximates the prevailing market price provided the Board of Governors of the Fund approves of the criteria in this subsection (i) in principle; or (ii) the conflict with respect to such purchase or sale is approved by a committee of independent members of the Board of Governors of the Fund;
- (m) own securities of an issuer if as a result of such ownership the Manager would, either directly or indirectly, hold or exercise control or direction over greater than 19.99% of the securities of such issuer;
- (n) invest in the securities of any non-resident corporation or trust or other non-resident entity (or of any partnership that holds such securities) if the Fund (or the partnership) would be required to mark its investment in such securities to market in accordance with proposed section 94.2 of the Tax Act or to include any significant amounts in income pursuant to proposed section 94.1 or 94.3 of the Tax Act, as set forth in the proposed amendments to the Tax Act dealing with foreign investment entities released on October 30, 2003 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto); or
- (o) invest in any security that would be a tax shelter investment within the meaning of section 143.2 of the Tax Act.

If a percentage restriction on investment or use of assets or borrowing or financing arrangements set forth above as an Investment Restriction is adhered to at the time of the transaction, later changes to the market value of the Fund Investment or Total Assets will not be considered a violation of the Investment Restrictions (except for the restrictions in paragraphs (b), (i), (j), (k), (l), (n) and (o) above which must be complied with at all times and which may necessitate the selling of Fund Investments from time to time). If the Fund receives from an issuer subscription rights to purchase securities of that issuer, and if the Fund exercises those subscription rights

at a time when the Fund's holdings of securities of that issuer would otherwise exceed the limits set forth above, the exercise of those rights will not constitute a violation of the Investment Restrictions if, prior to the receipt of securities of that issuer on exercise of these rights, the Fund has sold at least as many securities of the same class and value as would result in the restriction being complied with.

USE OF PROCEEDS

The Fund will use the proceeds from the Offering as follows:

	<u>Minimum Offering</u>	<u>Maximum Offering</u>	<u>Maximum Offering and Exercise of Over-Allotment Option</u>
Gross proceeds to the Fund	\$50,000,000	\$200,000,000	\$230,000,000
Agents' fees	\$ 2,500,000	\$ 10,000,000	\$ 11,500,000
Estimated expenses of issue	\$ 700,000	\$ 700,000	\$ 700,000
Net proceeds to the Fund	\$46,800,000	\$189,300,000	\$217,800,000

The Agents' fees and all other expenses of the Offering (including without limitation the cost of creating and organizing the Fund, the cost of preparing and printing this prospectus, legal expenses of the Fund and the Agents and certain other expenses) will be paid by the Fund out of the gross proceeds of the Offering subject to a maximum of 1.5% of the gross proceeds of the Offering.

The Fund will use the net proceeds of the Offering to acquire High Income Securities in accordance with the Investment Objectives and the Investment Strategy and subject to the Investment Restrictions.

Pending investment in High Income Securities, which will be made as soon as prudent investment practice permits, the Fund will hold the proceeds of the Offering in accordance with the terms of the Declaration of Trust and will invest the proceeds of the Offering in Cash and Cash Equivalents. It is anticipated that investment of the net proceeds of the Offering in High Income Securities will be concluded within three months of Closing.

MANAGEMENT OF THE FUND

The Manager

Goodman & Company, Investment Counsel Ltd. has its head office in Toronto at 40 King Street West, Scotia Plaza, 55th Floor, Toronto, Ontario, M5H 4A9. The Manager is the manager of a fully integrated family of broad based and specialty mutual funds. The Manager and its directors and officers have extensive experience in managing financial assets and public and private entities including the management of closed-end funds and open-end mutual funds. Certain of the Manager's directors and officers also have extensive practical operating experience in industries such as real estate, oil and gas and independent power which are often represented in Income Trusts.

The Manager will also provide investment advisory and portfolio management services to the Fund. The Manager is the manager of the Dynamic™ mutual funds and currently manages approximately \$15 billion in assets. The Manager has been investing in Income Trusts since 1995 and currently manages approximately \$4 billion in Income Trust investments.

The entire investment management team meets on a regular basis to share ideas and analysis. This teamwork enables every portfolio manager to stay current with market developments and incorporate this perspective into his or her decision making.

Directors and Officers of the Manager

The board of directors of the Manager currently consists of four members. Directors are appointed to serve on the board of directors of the Manager until such time as they retire or are removed and their successors are appointed. The directors and officers of the Manager collectively have extensive experience in the analysis and understanding of the risks associated with many of the businesses underlying the securities that may comprise the Fund Investments. The Manager will draw upon this experience when necessary in analyzing potential investments for the Fund.

The name, municipality of residence, position with the Manager and principal occupation of each director and certain officers that will be involved in the performance of the Manager's duties in respect of the Fund are set out below:

<u>Name and Municipality of Residence</u>	<u>Positions with the Manager</u>	<u>Director Since</u>	<u>Principal Occupation</u>
Oscar Belaiche Toronto, Ontario	Vice-President, Counselling	—	Officer of the Manager
Edward C. Bezeau Toronto, Ontario	Director	2002	Corporate Director
Benjamin J. Eggers Burlington, Ontario	Director, Vice-President and Secretary	2002	Officer and Director of the Manager
David Goodman Toronto, Ontario	Director, President and Chief Executive Officer	1998	President, Chief Executive Officer and Director of the Manager
Ned Goodman Innisfil, Ontario	Director and Chairman of the Board of Directors	1985	President, Chief Executive Officer and Chairman of the Board of Dundee Wealth Management Inc., President and Chief Executive Officer of Dundee Corporation and Chairman of the Board of the Manager
Michael McHugh Ajax, Ontario	Vice-President, Counselling	—	Officer of the Manager
John Pereira Richmond Hill, Ontario	Vice-President and Chief Financial Officer	—	Officer of the Manager
Debra Stockla Toronto, Ontario	Vice-President, Counselling and Head Trader	—	Officer of the Manager
Annamaria Testani Montreal, Quebec	Executive Vice-President, Business and Product Development	—	Officer of the Manager

During the past five years, all of the directors and officers of the Manager listed above have held their present principal occupations (or similar positions with their present employer or its affiliates) except for Mr. Eggers who, prior to November 2001, was Investigation Counsel, Enforcement Division with the Ontario Securities Commission.

The principal portfolio managers of the Manager who will make the investment decisions for the Fund in respect of the Income Trust component of the Fund Investments are Ned Goodman and Oscar Belaiche.

Ned Goodman is the Chairman, President and Chief Executive Officer of Dundee Wealth Management Inc., the President and Chief Executive Officer of Dundee Corporation and the Chairman of the Manager. Mr. Goodman obtained a Masters of Business Administration from the University of Toronto in 1962, was awarded the designation Chartered Financial Analyst in 1967 and is a member of the Toronto Society of Financial Analysts and the Association for Investment Management and Research. In November 1997,

Concordia University awarded him a Doctorate of Laws, *honoris causa*. Mr. Goodman is also a member of the Institute of Mining, Metallurgy and Petroleum. From 1962 to 1967, Mr. Goodman was employed as a security analyst and portfolio manager. In 1967, he co-founded Beutel, Goodman & Company Ltd., investment counsel. He sold his interest in Beutel, Goodman & Company Ltd. in 1990 and formed what is now Dundee Corporation, Dundee Wealth Management Inc. and Goodman & Company, Investment Counsel Ltd., which manage approximately \$15 billion in fiduciary assets. Mr. Goodman has been a director of numerous publicly traded companies and is the founder, benefactor and adjunct professor of the Goodman Institute of Investment Management at the John Molson School of Business at Concordia University. Mr. Goodman currently sits on the board of directors of Eurogas Corporation. Mr. Goodman is the lead portfolio manager of diversiTrust™ Energy Income Fund and the co-lead portfolio manager of diversiTrust™ Income+ Fund, diversiTrust™ Stable Income Fund, diversiTrust™ Income Fund, Dynamic Focus+ Diversified Income Trust Fund, Dynamic Focus+ Energy Income Trust Fund and Dynamic Focus+ Small Business Fund. Mr. Goodman has over 40 years of investment experience as a securities analyst, portfolio manager and senior executive. His efforts are supported by a team of investment professionals who provide in depth analysis on the securities selected for the Fund.

Oscar Belaiche joined the Manager's Canadian equities team in 1997 and currently is the co-lead portfolio manager of diversiTrust™ Income+ Fund, diversiTrust™ Stable Income Fund, diversiTrust™ Income Fund, Dynamic Focus+ Diversified Income Trust Fund, Dynamic Focus+ Energy Income Trust Fund and Dynamic Focus+ Small Business Fund and is lead manager of Dynamic Dividend Income Fund, Dynamic Dividend Fund, Dynamic Focus+ Real Estate Fund and Dynamic Global Real Estate Fund which total over \$4 billion in assets. All of the funds managed by Mr. Belaiche hold Income Trusts within their respective portfolios. Before joining the Manager, Mr. Belaiche held the position of Vice President, Property Investments at The Prudential Insurance Company of America. There, he was responsible for Prudential's Canadian real estate investment portfolio totalling 5.6 million square feet. Following Prudential's decision to withdraw from the Canadian real estate market, he oversaw the \$456 million sale of the portfolio to GE Capital and Oxford Properties in 1997. Mr. Belaiche graduated in 1980 with a Bachelor of Arts (Honours) in Business Administration from the University of Western Ontario, holds the Chartered Financial Analyst designation and is a Fellow of the Institute of Canadian Bankers. Mr. Belaiche has more than 20 years of investment, operational and business experience.

The Manager reserves the right to provide other portfolio managers in addition to, or instead of, Mr. Goodman and/or Mr. Belaiche as determined to be appropriate by the Manager in the circumstances.

The Sub-Advisor

The Manager has retained Marret Asset Management Inc. as Sub-Advisor pursuant to the Investment Sub-Advisory Agreement between the Sub-Advisor and the Manager. The Sub-Advisor will be responsible for providing investment advisory and portfolio management services with respect to the High Yield Debt Securities component of the Fund Investments. Decisions as to the purchase and sale of High Yield Debt Securities will be made by the Sub-Advisor, in accordance with and subject to the terms of the Investment Sub-Advisory Agreement. Subject to the terms of the Investment Sub-Advisory Agreement, the Sub-Advisor will implement the investment strategy and determine rating, security type and industry weighting for the High Yield Debt Securities component of the Fund Investments on an on-going basis.

The Manager is responsible for ensuring that the provisions of the Investment Sub-Advisory Agreement are consistent with the Investment Objectives and Investment Restrictions relating to the High Yield Debt Securities component of the Fund Investments and that such Investment Objectives and Investment Restrictions comply with applicable Canadian federal and provincial laws. See "Investment Objectives" and "Investment Strategy and Restrictions — Investment Restrictions".

The Sub-Advisor has its head office in Toronto at Scotia Plaza, 40 King Street West, Suite 3910, Toronto, Ontario M5H 3Y2. The Sub-Advisor has also been the sub-advisor to the Dynamic Canadian High Yield Bond Fund I since November 2001 and the Dynamic Canadian High Yield Bond Fund II since August 2003, both of which are open-end mutual funds managed by the Manager. The portfolio managers of the Sub-Advisor who will be primarily responsible for making investment decisions with respect to the High Yield Debt Securities

component of the Fund Investments will be Barry Allan and Greg Foss. In addition, Mr. Allan will be primarily responsible for the use of derivative instruments for hedging Fund Investments.

Mr. Allan is the founder, President, Chief Executive Officer, Chief Investment Officer and Director of the Sub-Advisor. Mr. Allan has over 24 years of experience in the investment field including six years as an investment manager with Altamira. From August 1995 to August 2000, Mr. Allan managed the Altamira High Yield Bond Fund. From February 1997 to June 2000, Mr. Allan managed the Triax Diversified High-Yield Trust. Prior to joining Altamira in 1994, Mr. Allan was Vice President and Director of Nesbitt Thomson Deacon Inc., the predecessor firm to BMO Nesbitt Burns Inc. (“Nesbitt”). After joining Nesbitt in 1987, Mr. Allan founded and developed a fixed income derivative department responsible for the structuring and trading of all non-traditional fixed income products including distressed corporate debt, emerging market sovereign debt and foreign currency corporate debt. At Altamira, he was responsible for a wide range of functions including management of a high yield mutual fund, a global bond mutual fund and several varied institutional mandates relating to high yield corporate bonds and global bonds and currencies. Mr. Foss has ten years of experience in investing in High Yield Debt Securities. Prior to joining the Sub-Advisor in September of 2003, Mr. Foss spent seven years at TD Securities Inc., most recently as a vice president and director of Canadian corporate high yield trading. The Sub-Advisor currently manages assets aggregating to approximately \$800 million.

Board of Governors

The Board of Governors acts in an advisory capacity to the Manager, representing the interests of securityholders of the Dynamic™ mutual funds, including the diversiTrust™ Funds. The Board of Governors consists of six members, all of whom are independent as such term is defined in the guidelines of the TSX. There are four committees of the Board of Governors: the Audit Committee, the Fund Review Committee, the Governance Committee and the Independent Review Committee. The members of each committee are identified below together with the name, municipality of residence and principal occupation of each member of the Board of Governors. The purpose and function of the Board of Governors is expected to evolve over time in response to changing market conditions and legislation.

<u>Name and Municipality of Residence</u>	<u>Governor Since</u>	<u>Principal Occupation</u>
Alain Benedetti ⁽⁴⁾ Sainte Anne des Lacs, Quebec	2004	Retired.
Brahm Gelfand ⁽¹⁾⁽⁵⁾ Westmount, Quebec	1995	Lawyer and Senior Partner in the law firm of Lapointe Rosenstein.
Garth MacRae ⁽¹⁾⁽³⁾ Toronto, Ontario	1998	Retired; Director of Dundee Corporation and Dundee Wealth Management Inc.; Director of Breakwater Resources Ltd., Eurogas Corporation and Great Plains Exploration Inc.
Robert T. Ruggles ⁽³⁾ Toronto, Ontario	1997	Retired.
Ronald Singer ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ Montreal, Quebec	1995	Consultant and Corporate Director.
Frank D. White ⁽¹⁾⁽⁴⁾ Montreal, Quebec	1995	President of Frank White Enterprises Inc. (business management company).

Notes:

- (1) Member of the Audit Committee.
- (2) Chairman of the Board of Governors.
- (3) Member of the Fund Review Committee.
- (4) Member of the Governance Committee.
- (5) Member of the Independent Review Committee.

During the past five years, all of the members of the Board of Governors listed above have held their present principal occupations (or similar positions with their present employer or its affiliates, as applicable) except for Mr. Benedetti who, prior to July 2004, was Vice-Chairman and Canadian Area Managing Partner, Ernst & Young LLP.

Management Agreement

The terms of the Management Agreement were established by the Manager as manager, portfolio manager and promoter of the Fund, and the Agents in accordance with what the Manager and the Agents considered to be fair and commercially acceptable to the Fund and to purchasers of Trust Units.

Pursuant to the Management Agreement, the Manager has exclusive authority to manage the undertaking and affairs of the Fund and to make all decisions regarding the undertaking of the Fund and has authority to bind the Fund. The Manager may, pursuant to the terms of the Management Agreement, delegate certain of its powers to third parties, including the Sub-Advisor or other sub-advisors, at no additional cost to the Fund where, in the discretion of the Manager, it would be in the best interests of the Fund and the Unitholders to do so. The Manager is required to exercise its powers and perform its duties honestly, in good faith and in the best interests of the Fund and to exercise the care, diligence and skill that a reasonably prudent and qualified manager would exercise in comparable circumstances. The Management Agreement provides that the Manager will not be liable in any way for any default, failure or defect in any of the Fund Investments if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager will incur liability, however, in cases of wilful misconduct, bad faith, negligence or disregard of its duties or standard of care, diligence and skill or for material breach or default of its obligations under the Management Agreement. Among other restrictions imposed on the Manager, it may not dissolve the Fund or wind up the Fund's affairs except in accordance with the provisions of the Declaration of Trust.

The Manager has coordinated the organization of the Fund, will work to develop and implement all aspects of the communications, marketing and distribution strategies of the Fund and will manage the ongoing undertaking and administration of the Fund. The Manager will be responsible for ensuring that the proceeds of the Offering are invested as described under "Use of Proceeds". Funds of the Manager will not be commingled with those of the Fund.

Under the terms of the Management Agreement, the Manager is responsible for providing, or causing to be provided, management, administrative and portfolio management services and facilities to the Fund, including, without limitation: (i) making decisions with respect to Fund Investments and asset allocation in order to achieve the Investment Objectives in accordance with the Investment Strategy and subject to the Investment Restrictions; (ii) selecting members of security exchanges, brokers and investment dealers for the execution of transactions in respect of Fund Investments; (iii) monitoring relationships with the Custodian, registrar and transfer agent, auditors, legal counsel and other organizations or professionals serving the Fund; (iv) monitoring the suitability of the Investment Strategy to meet the Investment Objectives and preparing for adoption by the Unitholders of any amendments to the Investment Objectives, Investment Strategy or Investment Restrictions which the Manager believes are in the best interests of Unitholders; (v) the authorization and payment on behalf of the Fund of expenses incurred on behalf of the Fund and the negotiation of contracts with third party providers of services (including, but not limited to, custodian, transfer agents, legal counsel, auditors and printers); (vi) the preparation of accounting, management and other reports, including quarterly and annual reports to Unitholders, financial statements, tax reporting to Unitholders and income tax returns; (vii) keeping and maintaining the books and records of the Fund and the supervision of compliance by the Fund with record keeping requirements under applicable regulatory regimes; (viii) the calculation of the amount, and the determination of the frequency, of Distributions by the Fund; (ix) ensuring that the Net Asset Value of the Fund is published; (x) responding to investors' inquiries and general investor relations in respect of the Fund; (xi) terminating the Trustee as the trustee of the Fund and replacing it with another trustee in certain circumstances (See "Declaration of Trust"); (xii) at its sole discretion establishing and monitoring a distribution reinvestment plan on such terms and conditions as it may deem appropriate; (xiii) dealing with banks and custodians, including the maintenance of bank records and the negotiation and securing of bank financing or refinancing; and (xiv) ensuring: (a) that the Fund complies with all regulatory requirements and applicable stock exchange listing requirements; (b) the preparation and delivery of the Fund's reports to and dealing with

relevant securities regulatory authorities and any similar organization of any government or any stock exchange to which the Fund is obligated to report; (c) the organization of meetings of Unitholders; and (d) the provision of such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Fund.

Subject to compliance with the Investment Objectives, the Investment Strategy and the Investment Restrictions, the Trustee may not approve or reject any investment proposed by the Manager.

In consideration for these services, the Fund will pay to the Manager the Management Fee and will reimburse the Manager for all reasonable costs and expenses incurred by the Manager on behalf of the Fund. See “Fees and Expenses — Management Fee”. In addition, the Manager and each of its directors, officers, employees, consultants and agents will be indemnified and reimbursed by the Fund to the fullest extent permitted by law against all liabilities and expenses (including judgments, fines, penalties, interest, amounts paid in settlement with the approval of the Fund and counsel fees and disbursements on a solicitor and client basis) reasonably incurred in connection with acting as the Manager or a director, officer, employee, consultant or agent thereof, including in connection with any civil, criminal, administrative, investigative or other action, suit or proceeding to which any such person may hereafter be made a party by reason of being or having been the Manager or a director, officer, employee, consultant or agent thereof, except for liabilities and expenses resulting from the person’s wilful misconduct, bad faith, negligence, disregard of the Manager’s duties or standard of care, diligence and skill or material breach or default of the Manager’s obligations under the Management Agreement.

The Fund will pay to the Manager a Service Fee (calculated quarterly and paid as soon as practicable after the end of each calendar quarter) of 0.40% per annum of the Net Asset Value of Trust Units held at the end of the relevant quarter by clients of dealers. The Service Fee will be applied by the Manager to pay a service fee to certain registered dealers based on the number of Trust Units held by clients of such dealers at the end of the relevant quarter. All full service dealers that provide investment advice will receive 0.40% per annum of the Net Asset Value of Trust Units held by their clients. Any portion of the Service Fee not applied by the Manager to pay a service fee to dealers will be retained by the Manager to cover services provided by the Manager.

The Management Agreement may be terminated at any time by the Fund on 90 days’ written notice provided that an Extraordinary Resolution approving the termination of the Management Agreement is approved and Unitholders present at the meeting called to consider and vote upon such Extraordinary Resolution represent Trust Units equal to at least 15% of the Trust Units outstanding on the record date of the meeting held to approve the Extraordinary Resolution. In the event that the Manager is in material breach of the Management Agreement and, if capable of being cured, any such breach or default has not been cured within 30 days’ written notice of such breach or default to the Manager, the Management Agreement may be terminated by the Fund. The Management Agreement may be terminated immediately by the Fund in the event of the commission by the Manager of any fraudulent act and shall be automatically terminated if the Manager becomes bankrupt, insolvent or makes a general assignment for the benefit of its creditors. The Manager may assign the Management Agreement to an affiliate of the Manager at any time. The Manager may resign upon 120 days’ notice. If no new manager is appointed within such 120 day period, the Fund will be terminated. Other than fees and expenses payable to the Manager pursuant to the Management Agreement up to and including the date of termination, no additional payments will be required to be made to the Manager as a result of any termination.

The services of the Manager and the officers and directors of the Manager are not exclusive to the Fund. The Manager and its affiliates and associates (as defined in the *Securities Act* (Ontario)) may, at any time, engage in the administration of any other fund or trust.

The Investment Sub-Advisory Agreement

Pursuant to the Investment Sub-Advisory Agreement, the Sub-Advisor has agreed to act at all times on a basis which is fair and reasonable to the Fund, to act honestly and in good faith with a view to the best interests of the Fund, and, in connection therewith, to exercise the degree of care, diligence, and skill that a reasonably prudent and experienced portfolio manager would exercise in comparable circumstances. Pursuant to the Investment Sub-Advisory Agreement, the Sub-Advisor will not be liable in any way for any default, failure or

defect in any of the securities comprising the Fund Investments if it has satisfied its duties and complied with the standard of care, diligence, and skill set forth above. The Sub-Advisor will incur liability, however, in cases of wilful misconduct, bad faith, negligence or failure to abide by its duties or standard of care, diligence and skill or for material breach or default of its obligations under the Investment Sub-Advisory Agreement.

Pursuant to the Investment Sub-Advisory Agreement, the Manager is responsible for the advice given by the Sub-Advisor and will pay the Sub-Advisor a fee out of the Management Fee, which fee will not vary based upon the percentage of Total Assets invested in High Yield Debt Securities. There are no additional fees payable by the Fund to the Sub-Advisor. See “Fees and Expenses — Management Fee”.

The Investment Sub-Advisory Agreement may be terminated by the Manager by giving the Sub-Advisor not less than 90 days’ prior written notice and paying to the Sub-Advisor a termination fee, which fee shall be payable by the Manager, not the Fund. The Manager may terminate the Investment Sub-Advisory Agreement upon written notice and without payment to the Sub-Advisor of a termination fee if (i) there is a change of control of the Sub-Advisor; (ii) Barry Allan ceases to be a registered portfolio manager for the Sub-Advisor; or (iii) in certain other circumstances such as bankruptcy or insolvency of the Sub-Advisor or the Sub-Advisor’s loss of any required registration or licence.

Similar Funds Managed by the Manager and the Sub-Advisor

The Manager is the manager of the Dynamic™ mutual funds and currently manages approximately \$15 billion in assets. The Manager has been investing in Income Trusts since 1995 and currently manages approximately \$4 billion in Income Trust investments. The principal portfolio managers of the Manager who will make the investment decisions for the Fund in respect of the Income Trust and Other Securities components of the Fund Investments are Ned Goodman and Oscar Belaiche. Mr. Goodman and Mr. Belaiche are co-lead portfolio managers of the diversiTrust™ Income+ Fund, the diversiTrust™ Stable Income Fund, the diversiTrust™ Income Fund, the Dynamic Focus+ Diversified Income Trust Fund, the Dynamic Focus+ Energy Income Trust Fund and the Dynamic Focus+ Small Business Fund.

The Manager is also the manager of four closed-end funds: diversiTrust™ Energy Income Fund, diversiTrust™ Income+ Fund, diversiTrust™ Stable Income Fund and diversiTrust™ Income Fund (collectively, the “Prior diversiTrust Funds”) and one mutual fund, Dynamic Focus+ Diversified Income Trust Fund (“Dynamic Diversified”) each of which focuses on the Income Trust sector. These are the funds managed by the Manager that are most similar to the Fund, however, they have a narrower mandate in that they seek to provide a high level of income through a diversified portfolio of Income Trusts and interest bearing securities and do not generally invest in High Yield Debt Securities. Each month these funds seek to provide a stable tax-efficient distribution to their unitholders.

Dynamic Diversified had assets of over \$2.2 billion as at June 24, 2005. It has been the top performer in the Income Trust funds category for the three year period ending April 30, 2005⁽²⁾ and had a three year annualized return as of April 30, 2005 of 22.7%.

diversiTrust™ Energy Income Fund raised \$74.4 million in its initial public offering in December 2004 at \$10.00 per unit and had a net asset value per unit of \$9.81 as of June 24, 2005; diversiTrust™ Income+ Fund raised \$189 million in its initial public offering in February 2004 at \$10.00 per unit and had a net asset value per unit of \$12.13 as of June 24, 2005; diversiTrust™ Stable Income Fund raised \$192 million in its initial public offering in September 2003 at \$10.00 per unit and had a net asset value per unit of \$12.80 as of June 24, 2005; and diversiTrust Income Fund raised \$84 million in its initial public offering in December 2002 at \$10.00 per unit and had a net asset value per unit of \$15.55 as of June 24, 2005. The Prior diversiTrust Funds have all paid all monthly distributions to date in accordance with their investment objectives.

The Sub-Advisor has been investing in fixed income assets since 2001 and currently manages assets aggregating to approximately \$800 million. The Sub-Advisor is sub-advisor to the Dynamic Canadian High Yield Bond Fund I, the Dynamic Canadian High Yield Bond Fund II and Skylon Capital Yield Trust, all of which are

(2) Ranking based on publicly available information from various sources including Morningstar Canada and the Canadian Income Trusts sections of globefund.com.

focused on investing in High Yield Debt Securities. As at April 30, 2005, the Dynamic Canadian High Yield Bond Fund I had a three year-annualized return of 8.2% and the Dynamic Canadian High Yield Bond Fund II's annualized return since inception (August 2003) is 7.3%. These are the funds in respect of which the Sub-Advisor provides investment advisory and portfolio management services that are most similar to the High Yield Debt Securities component of the Fund.

There can be no assurance that the performance of the Fund will equal or exceed the performance of the Prior diversified Trust Funds, Dynamic Diversified or the Dynamic Bond Funds.

FEES AND EXPENSES

Fees and Expenses of the Offering

The expenses of the Offering (including the costs of creating and organizing the Fund, the costs of printing and preparing this prospectus, legal expenses, marketing expenses and other reasonable out-of-pocket expenses incurred by the Agents) and other incidental expenses will be paid out of the gross proceeds of the Offering, subject to a maximum of 1.5% of the gross proceeds of the Offering. The expenses of the Offering are estimated to be \$700,000. In addition, the Agents' fees of \$0.50 per Trust Unit will be paid to the Agents from the gross proceeds as described under "Plan of Distribution".

Management Fee

The Manager will receive an annual fee equal to 1.10% per annum of Net Asset Value, calculated and payable monthly in arrears plus applicable taxes. The Management Fee may be paid in cash or in Trust Units at the option of the Manager. To the extent Trust Units are issued from treasury for these purposes, Trust Units will be valued at the greater of the market price or Net Asset Value per Trust Unit. Trust Units that are distributed in this respect will be distributed in accordance with exemptions from applicable securities laws in a manner determined by the Manager. Such distributions will be made in accordance with any applicable securities laws including without limitation private placement rules, the *Securities Act* (Ontario) and the rules of the TSX. The Manager, and not the Fund, will pay an advisory fee to the Sub-Advisor, pursuant to the Investment Sub-Advisory Agreement, which fee will not vary based upon the percentage of Total Assets invested in High Yield Debt Securities.

Service Fee

The Fund will pay to the Manager an additional management fee (the "Service Fee") (calculated quarterly and paid as soon as practicable after the end of each calendar quarter) of 0.40% per annum of the Net Asset Value of Trust Units held at the end of the relevant quarter by clients of dealers, plus applicable taxes. The Service Fee will be applied by the Manager to pay a service fee to certain registered dealers based on the number of Trust Units held by clients of such dealers at the end of the relevant quarter. All full service dealers that provide investment advice will receive 0.40% per annum of the Net Asset Value of Trust Units held by their clients. Any portion of the Service Fee not applied by the Manager to pay a service fee to dealers will be retained by the Manager to cover services provided by the Manager.

Ongoing Expenses

The Fund will pay all expenses incurred in connection with the operation and administration of the Fund, including, without limitation, any Trustee's fees, the Management Fee, the Service Fee, custodial fees, legal, audit and valuation fees and expenses, Unitholder reporting costs, registrar, transfer and distribution agency costs, printing and mailing costs, listing fees and expenses and other administrative expenses and costs incurred in connection with the Fund's continuous public filing requirements and investor relations, taxes, brokerage commissions, costs and expenses relating to the issue of Trust Units, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies and all amounts paid by the Fund on account of the indebtedness of the Fund. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager, the Custodian, the Trustee or the Agents and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Fund.

The Manager estimates that ongoing expenses, exclusive of the Management Fee, the Service Fee, debt service and other costs related to borrowing and brokerage expenses in connection with Fund Investment transactions, will be approximately \$225,000 per year (based on an offering size of \$100 million). The actual amount may vary significantly depending on the value of Total Assets.

Portfolio Transactions and Brokerage Commissions

The Manager is responsible for selecting members of securities exchanges, brokers and investment dealers for the execution of transactions in respect of the Fund Investments and, when applicable, the negotiation of commissions in connection therewith. The Fund will be responsible for paying those commissions. In the event that any trailer fee is paid to the Fund by virtue of its ownership of a Fund Investment, such fee will become the property of the Fund and as such will be held for the benefit of Unitholders.

Additional Services

Any arrangements for additional services between the Fund and the Manager, or any affiliate thereof, that have not been described in this prospectus shall be on terms that are generally no less favourable to the Fund than those available from arm's length parties (within the meaning of the Tax Act) for comparable services and the Fund shall pay all expenses associated with such additional services.

VALUATION, TOTAL ASSETS, TOTAL LIABILITIES AND NET ASSET VALUE

The Net Asset Value per Trust Unit on any Valuation Date shall be calculated by dividing the Net Asset Value on such Valuation Date by the total number of Trust Units outstanding on such Valuation Date (before giving effect to any issue or redemption of Trust Units implemented on that date). The Manager will calculate the Net Asset Value per Trust Unit as at the close of business on each Valuation Date. The Fund will make available to the financial press for publication on a daily basis the Net Asset Value per Trust Unit.

For the purpose of calculating Net Asset Value per Trust Unit on such Valuation Date, Net Asset Value will be calculated by subtracting the aggregate amount of the Fund's Total Liabilities from Total Assets. Total Assets on such Valuation Date will be determined as follows:

- (a) the value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, distributions, dividends or other amounts received (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which Total Assets are being determined, and to be received) and interest accrued and not yet received, shall be deemed to be the full amount thereof provided that if the Manager has determined that any such deposit, bill, demand note, accounts receivable, prepaid expense, distribution, dividend or other amount received (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which Total Assets are being determined, and to be received) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof shall be deemed to be such value as the Manager determines to be the fair market value thereof;
- (b) on any day other than a Redemption Date, the value of any security which is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Manager) shall be determined by taking the official closing sale price, 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 Manager such value does not reflect the value thereof and in which case the Manager, in its sole discretion, shall determine in good faith the fair market value thereof), as at the Valuation Date on which Total Assets are being determined, all as reported by any means in common use;
- (c) on a Redemption Date (or, if a Redemption Date is not a Business Day, the immediately preceding Business Day), the value of any security which is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Manager) shall be determined by taking the volume weighted average trading price of the security on such exchange during the three most recent trading days of such exchange ending on and including such Redemption

Date, or lacking any sales during such period 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 Manager such value does not reflect the value thereof and in which case the fair market value as determined by the Manager shall be used), as at the Redemption Date, all as reported by any means in common use;

- (d) the value of any security which is traded over-the-counter will be determined by taking the closing sale price as at the Valuation Date and, if no such closing sale price is available, the average of the last bid and asked prices as at the Valuation Date, all as reported by the financial press;
- (e) the value of any security or other asset for which a market quotation is not readily available will be its fair market value on the Valuation Date on which Total Assets are being determined as determined by the Manager;
- (f) any market price reported in a currency other than Canadian dollars shall be translated into Canadian currency at the Reuters noon rate of exchange on the Valuation Date on which Total Assets are being determined;
- (g) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Manager and investments in private companies and other assets for which no published market exists will be valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the Manager; and
- (h) the value of any security or property to which, in the opinion of the Manager, the above principles cannot be applied or are inappropriate in the circumstances (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair market value thereof determined in good faith in such manner as the Manager from time to time adopts.

The liabilities of the Fund will include (i) bills, notes and accounts payable, (ii) the Management Fee (including unpaid fees, if any, owed to the Manager), the Service Fee and ongoing expenses payable, (iii) all contractual obligations for the payment of money or property, including short sales (valued at current market value) and unpaid distributions, (iv) all allowances authorized or approved by the Trustee for taxes (if any) or contingencies, and (v) all other liabilities of the Fund.

The Net Asset Value per Trust Unit will be calculated in Canadian dollars.

DISTRIBUTIONS

Monthly Distributions

Commencing in the second month following the month in which Closing occurs, and on a monthly basis thereafter, it is intended that Distributions will be declared and each Unitholder of record at the close of business on the last Business Day of that month will be entitled to receive a monthly Distribution payable on or about the tenth Business Day of the subsequent month. Monthly Distributions for the period ending December 31, 2006 are targeted to be \$0.0604 per Trust Unit (approximately 7.25% per annum on the original issue price of \$10.00 per Trust Unit). Unitholders will be entitled to participate equally in respect of each Trust Unit held with respect to any and all Distributions made by the Fund. Yield is not comparable to a traditional yield on debt instruments where investors are entitled to a full return on the principal amount of the debt on maturity in addition to a return on investment through interest payments. The Fund may make other Distributions at any time in addition to monthly Distributions, if the Manager considers it appropriate.

The Fund will at least on an annual basis, commencing in December 2006, determine and announce an indicative distribution for the following twelve months based upon prevailing market conditions and the Manager's estimate of distributable cash flow for the year. **No assurance can be given as to the amount of indicative distributions announced in future years of the Fund.**

It is expected that monthly cash Distributions from the Fund will primarily be derived from distributions and interest income received on the Fund Investments and, in certain circumstances, from net realized capital

gains from the disposition of Fund Investments and revenue earned from securities lending, less estimated expenses and estimated taxes payable by the Fund, if any. In the near term, the Manager expects that approximately 65% of Distributions by the Fund will be taxed as ordinary income in the hands of Unitholders and most of the balance will be taxed as a capital gain or will be a return of capital. A return of capital is generally not immediately taxable but reduces the adjusted cost base of a Unitholder's Trust Units, thereby increasing the capital gain realized on the disposition of the Trust Units. The adjusted cost base of Trust Units purchased under the Offering is therefore expected to be less than \$10.00 per Trust Unit on the Termination Date. Were the adjusted cost base of a Trust Unit held as capital property to be reduced to an amount less than zero, the Unitholder would be deemed to have realized a capital gain equal to such negative amount. The actual components of Distributions for tax purposes may vary from time to time as market conditions warrant and the range of available Income Trusts and High Yield Debt Securities changes. See "Canadian Federal Income Tax Considerations — Taxation of Unitholders."

The distributions received by the Fund from issuers whose securities are included in the Fund Investments may vary from month to month and certain of these issuers may pay distributions less frequently than monthly, with the result that the monthly cash available for distribution to Unitholders could vary substantially and there can be no assurance that the Fund will make any Distributions in any particular month or months. See "Risk Factors". The Fund may also borrow to pay Distributions if it considers it appropriate.

The Fund may, in the future, adopt a distribution reinvestment plan so that, subject to obtaining all necessary regulatory approvals, all distributions shall be automatically reinvested on a Unitholder's behalf. The terms of such a plan, if adopted, will be similar to the reinvestment plans adopted by other similar funds including diversiTrust™ Income Fund and diversiTrust™ Stable Income Fund.

In order to achieve the initial targeted monthly Distribution of \$0.0604 per Trust Unit, the Fund will be required to generate an average annual return on the Fund Investments of approximately 8.38% assuming that the Fund leverages or borrows an amount equal to approximately 20% of the Total Assets at a rate of 3.75% per annum to purchase additional Fund Investments. **There is no guarantee that the requisite 8.38% return will be achieved by the Fund. If such return is not achieved, the initial targeted monthly Distributions may not be attained or increased leverage may be required.**

The Fund will be subject to tax each year under Part I of the Tax Act on the amount of its net income for tax purposes for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amounts paid or payable to Unitholders in the year. Provided the Fund makes Distributions in each year of its net income and net realized capital gains, and provided the Fund deducts (taking into account any expected capital gains refund) in computing its income the full amount available for deduction in each year, the Fund will generally not be liable for income tax under Part I of the Tax Act, other than such tax on net realized capital gains as would be recoverable by the Fund as a result of the capital gains refund. In order to ensure this result, the Declaration of Trust provides that an Additional Distribution in cash will, if necessary, be automatically payable in each year to Unitholders of record on December 31. The Additional Distribution may be necessary where the Fund realizes income for tax purposes which is in excess of the monthly Distributions paid or made payable to Unitholders during the year. If the Fund does not have cash in an amount sufficient to pay the full amount of the Additional Distribution, the shortfall will be satisfied by the issuance of additional Trust Units having a value equal to the cash shortfall. See "Canadian Federal Income Tax Considerations".

Unitholders who are non-residents of Canada or partnerships other than "Canadian partnerships" for purposes of the Tax Act will be subject to all withholding taxes payable in respect of any distributions by the Fund. Such Unitholders should contact their tax advisors concerning the income tax consequences of investing in Trust Units and, in particular, the possible application of provisions in the Tax Act which would require tax to be withheld from "TCP gains distributions" and "assessable distributions" (as these terms are defined in the proposed amendments) made by the Fund to such Unitholders.

Each Unitholder will be mailed annually, no later than 90 days after the Fund's taxation year, the information necessary to enable such Unitholder to complete an income tax return with respect to amounts paid or payable by the Fund to the Unitholder in the preceding taxation year of the Fund. See "Canadian Federal Income Tax Considerations".

MARKET PURCHASE OF TRUST UNITS

Market Purchase Program

The Fund will undertake a mandatory market purchase program pursuant to which the Fund will purchase any Trust Units offered in the market at prices that are less than 95% of the latest determined Net Asset Value per Trust Unit, up to a maximum amount in any calendar quarter of 2.5% of the number of Trust Units outstanding at the beginning of such calendar quarter. The Fund will not be required to make such purchases if, in the opinion of the Manager, (i) the Fund lacks the cash, debt capacity or resources in general to make such purchases, or (ii) the making of any such purchases would adversely effect the ongoing activities of the Fund or the remaining Unitholders. The Manager believes such program will be effective in decreasing any potential spread between the Net Asset Value per Trust Unit and the market price of the Trust Units and will enhance the liquidity of the Trust Units. Also, it is anticipated that the program will increase Net Asset Value per Trust Unit because Trust Units will be repurchased for cancellation at market prices that are less than 95% of the Net Asset Value per Trust Unit.

In addition, the Fund will have the right (but not the obligation) exercisable in its sole discretion, to purchase for cancellation Trust Units at any time in the market if the market price is less than 100% of the latest determined Net Asset Value per Trust Unit, subject to the maximum described above and any applicable regulatory requirements and limitations.

Market Purchases by Affiliates

Affiliates of the Manager may from time to time purchase Trust Units in the market at prevailing market prices.

REDEMPTION OF TRUST UNITS

Commencing in 2006, Trust Units may be surrendered for redemption at least 20, and not more than 45, Business Days prior to November 30 which will be the Redemption Date in each year. Unitholders whose Trust Units are redeemed will be entitled to receive a redemption price (the "Redemption Price") per Trust Unit equal to 100% of the Net Asset Value per Trust Unit determined as of the applicable Redemption Date, in accordance with the principles set out under "Valuation, Total Assets, Total Liabilities and Net Asset Value", less out-of-pocket expenses, if any, directly incurred by the Manager to satisfy such redemptions, not to exceed 1% of the Net Asset Value per Trust Unit, plus any Distribution payable to Unitholders of record on or before the applicable Redemption Date. Unitholders who have surrendered Trust Units for redemption will receive payment on or before the tenth Business Day following such Redemption Date (the "Redemption Payment Date"). Any unpaid Distribution payable to Unitholders of record on or before the Redemption Date in respect of Trust Units tendered for redemption will also be paid on the Redemption Payment Date.

A Unitholder who desires to exercise redemption privileges must do so by causing the CDS Participant through which he or she holds his or her Trust Units to deliver to CDS at its office in the City of Toronto on behalf of the Unitholder, a written notice of the Unitholder's intention to redeem Trust Units by no later than 5:00 p.m. on the day which is at least 20, and not more than 45, Business Days prior to a Redemption Date. A Unitholder who desires to redeem Trust Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption right sufficiently in advance of the Redemption Date deadline so as to permit the CDS Participant to deliver a notice to CDS prior to such deadline.

By causing a CDS Participant to deliver to CDS a notice of the Unitholder's intention to redeem Trust Units, the Unitholder shall be deemed to have irrevocably surrendered his or her Trust 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 shall, for all purposes, be void and of no effect and the redemption privilege to which it relates shall be 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 Unitholder's instructions

will not give rise to any obligations or liability on the part of the Fund or the Manager to the CDS Participant or the Unitholder.

The aggregate Redemption Price payable by the Fund in respect of any Trust Units surrendered for redemption shall be satisfied by way of a cash payment; provided that the entitlement of Unitholders to receive cash upon redemption of their Trust Units is subject to the limitation that if the Manager determines in good faith, with the approval of the Board of Governors of the Fund, that satisfying redemptions with cash will be materially detrimental to the continuing Unitholders of the Fund, then redeeming Unitholders will receive, to the extent reasonably determined by the Manager to be necessary, any assets of the Fund other than cash. Such *in specie* payments may include units and/or undivided interests in Income Trusts or High Yield Debt Securities. It is possible that assets delivered to Unitholders in connection with a redemption will not be listed on any stock exchange and that no market will develop for such assets. Assets so distributed may be subject to resale restrictions under applicable securities laws and may not be qualified investments under the Tax Act for Plans or registered education savings plans which would have adverse tax consequences for such plans and/or their annuitants or beneficiaries. Unitholders who hold Trust Units through such plans should consult their tax advisors in the event that such an *in specie* payment is to be made.

The Manager may direct the Trustee to suspend the redemption of Trust Units or payment of redemption proceeds (i) for the whole or any part of a period during which normal trading is suspended on one or more stock exchanges, options exchanges or futures exchanges on which more than 50% of the Fund Investments (by value) are listed and traded; or (ii) for any period not exceeding 120 days during which the Manager determines, with the approval of the Board of Governors of the Fund, that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may 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 Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first Business 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. Subject to applicable law, any declaration of suspension made by the Manager shall be conclusive.

DETAILS OF THE OFFERING

The Offering consists of a minimum of 5,000,000 Trust Units and a maximum of 20,000,000 Trust Units at a price of \$10.00 per Trust Unit.

The Trust Units

The Fund is authorized to issue an unlimited number of transferable, redeemable units of beneficial interest, each of which represents an equal, undivided interest in the net assets of the Fund. Fractions of Trust Units may be issued which will have the same rights, restrictions, conditions and limitations attaching to whole Trust Units in the proportion which they bear to a whole Trust Unit, except that fractional Trust Units will not have the right to vote. Trust Units are freely transferable, except as provided under “Declaration of Trust — Non-Resident Unitholders” or as otherwise restricted by the Trustee in order to comply with any applicable laws, regulations or other requirements imposed by regulatory authorities or to obtain, maintain or renew any licenses, rights, status or powers pursuant to any applicable laws, regulations or other requirements imposed by any stock exchange or other applicable regulatory authorities.

Each Trust Unit entitles the holder to the same rights and obligations as a holder of any other Trust Unit and except as provided under “Declaration of Trust — Non-Resident Unitholders”, no holder of Trust Units is entitled to any privilege, priority or preference in relation to any other holder of Trust Units. Each holder of Trust Units is entitled to one vote for each whole Trust Unit held and is entitled to participate equally with respect to any and all Distributions made by the Fund, including distributions of net income and net realized capital gains, if any. On termination or liquidation of the Fund, the holders of outstanding Trust Units of record are entitled to receive on a pro rata basis all of the assets of the Fund remaining after payment of all debts,

liabilities and liquidation expenses of the Fund. See “Declaration of Trust — Description of Trust Units” and “Declaration of Trust — Termination of the Fund”.

Book Entry Registration

Registration of interests in and transfers and pledges of the Trust Units will be made only through the Book-Entry Only System. On or about the Closing Date, the Trustee will deliver to CDS a certificate representing the aggregate number of Trust Units subscribed for under the Offering. Trust Units must be purchased, transferred, pledged and surrendered for redemption through a CDS Participant. All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholders are entitled will be made or delivered by CDS or the CDS Participant through which the Unitholder holds such Trust Units. Upon the purchase of any Trust Units, the Unitholders will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Trust Units are purchased. References in this prospectus to a Unitholder mean, unless the context otherwise requires, the owner of the beneficial interest in such Trust Units.

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

The Fund has the option under certain circumstances to terminate registration of the Trust Units through the Book-Entry Only System, in which case certificates for the Trust Units in fully registered form will be issued to beneficial owners of such Trust Units or their nominees.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents have agreed to act as, and have been appointed as, the sole and exclusive agents of the Fund to offer the Trust Units for sale to the public, on a best efforts basis, if, as and when issued by the Fund. The Trust Units will be issued at a price of \$10.00 per Trust Unit. In consideration for their services in connection with the Offering, the Agents will be paid a fee of \$0.50 per Trust Unit sold under the Offering and will be reimbursed for reasonable out of pocket expenses incurred by them. The Agents’ fees and expenses will be paid by the Fund out of the proceeds of the Offering. The Agents may form a sub-agency group including other qualified investment dealers and limited market dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Trust Units offered hereby, the Agents will not be obligated to purchase any Trust Units which are not sold.

The Fund has granted to the Agents the Over-Allotment Option, which is exercisable for a period of 30 days from the Closing and gives the Agents the right to purchase additional Trust Units in an amount not exceeding 15% of the aggregate number of Trust Units sold on the Closing on the same terms as set forth above. To the extent that the Over-Allotment Option is exercised, the additional Trust Units will be purchased at the Offering Price hereunder and the Agents will be paid a fee of \$0.50 per Trust Unit in respect of Trust Units purchased pursuant to the exercise of the Over-Allotment Option. This prospectus qualifies the grant of the Over-Allotment Option and the distribution of Trust Units issuable upon the exercise of the Over-Allotment Option.

If subscriptions for a minimum of 5,000,000 Trust Units (or \$50,000,000) have not been received within 90 days following the date of issuance of a final receipt for the prospectus, the Offering may not continue without the consent of the securities regulatory authorities and those who have subscribed for Trust Units on or before such date. The maximum number of Trust Units which will be sold pursuant to the Offering, excluding any Trust Units issued should the Over-Allotment Option be exercised, is 20,000,000 Trust Units. Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement and withdraw all subscriptions for Trust Units on behalf of subscribers. In the event the minimum Offering is not achieved and the necessary consents are not obtained or, if the Closing does not occur for any reason, subscription proceeds received from prospective purchasers in respect of the Offering will be returned to such purchasers promptly without interest or deduction. Subscriptions for Trust Units will be received subject to

rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. Closing will take place on or about July 19, 2005 or such later date as the Fund and the Agents may agree, but in any event not later than August 31, 2005.

There is currently no market through which the Trust Units can be sold. Accordingly, the Offering Price for the Trust Units was determined by negotiation between the Agents and the Manager on behalf of the Fund.

Dundee Securities Corporation, one of the Agents, is an affiliate of the Manager. Consequently, the Fund may be considered to be a “connected issuer” of Dundee Securities Corporation under applicable securities legislation. The decision of Dundee Securities Corporation to participate in the Offering was made independently of the Manager. Dundee Securities Corporation will receive no benefit in connection with this Offering other than receiving a portion of the Agents’ fee and a portion of the Service Fee described under “Fees and Expenses — Service Fee”.

Pursuant to policy statements of the Ontario Securities Commission and the Autorité des marchés financiers, the Agents may not, throughout the period of distribution under this prospectus, bid for or purchase Trust Units. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Trust Units. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market making activities and a bid or purchase made for or on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with the Offering, the Agents may over-allot and effect transactions in connection with their over-allotted position. Such transactions, if commenced, may be discontinued at any time.

Pursuant to the Agency Agreement, the Fund and the Manager have agreed to indemnify the Agents and their controlling persons, directors, officers and employees against certain liabilities.

The Fund has agreed with the Agents not to, directly or indirectly, sell, issue, offer to sell or issue any of its Trust Units or other securities (or announce publicly its intention to do so) for a period of 90 days following the Closing Date, except pursuant to the Over-Allotment Option, without the consent of RBC Dominion Securities Inc., such consent not to be unreasonably withheld. Following such date, the Fund may in its discretion raise additional capital by any means determined appropriate by the Manager including, without limitation, through a rights offering, the making of an exchange offer through the facilities of an exchange on which the Trust Units may be listed from time to time or any further issue of Trust Units, provided that in each case the net proceeds received by the Fund for additional Trust Units are at least equal to the Net Asset Value per Trust Unit at that time.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault LLP, counsel to the Fund, and Blake, Cassels & Graydon LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a person who is an individual (other than a trust), who acquires Trust Units pursuant to the Offering and who, for the purposes of the Tax Act, is resident in Canada, deals at arm’s length with the Fund and the Agents, is not affiliated with the Fund and holds the Trust Units as capital property. Generally, the Trust Units will be considered to be capital property to a purchaser provided that the purchaser does not hold the Trust Units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain purchasers who might not otherwise be considered to hold their Trust Units which are “Canadian Securities” as defined in the Tax Act as capital property may, in certain circumstances, be entitled to have them (and all other Canadian securities) treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the “Regulations”), all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance prior to the date hereof (the “Tax Proposals”), and counsel’s understanding of the administrative policies and assessing practices of the Canada Revenue Agency (the “CRA”) that have been made publicly available prior to the date hereof. This summary assumes that the Tax Proposals will be

enacted as proposed. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in the law, whether by way of legislative, governmental or judicial decision or action, nor does it take into account other federal or any provincial or foreign tax legislation or considerations.

This summary is based on the assumption that the Fund will qualify at all times as a “unit trust” and a “mutual fund trust” within the meaning of the Tax Act. In order to so qualify, the Fund must comply on a continuous basis with certain investment criteria referred to under “Investment Strategy and Restrictions — Investment Restrictions” and certain minimum distribution requirements relating to the Trust 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. The Manager has advised counsel that the Fund intends to make an election so that it will qualify under the Tax Act as a mutual fund trust from the commencement of its first taxation year. If 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 and adversely different.

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 the purposes of the Tax Act if, at any time after 2004, the fair market value of all Trust Units held by non-residents or partnerships which are not “Canadian partnerships” for purposes of the Tax Act is more than 50% of the fair market value of all issued and outstanding Trust Units unless no more than 10% (based on fair market value) of the Fund’s property is at any time “taxable Canadian property” as defined in the Tax Act and certain other types of “specified property” as defined in such Tax Proposals. On December 6, 2004 the Minister of Finance indicated that the September 16, 2004 Tax Proposals are being further considered.

This summary is also based on the assumption that, at all relevant times, none of the issuers of the securities comprising the Fund Investments will be foreign affiliates of the Fund or of any Unitholder, that none of the securities will be “tax shelter investments” within the meaning of section 143.2 of the Tax Act and that none of the securities comprising the Fund Investments will be participating interests, other than exempt interests, in foreign investment entities or tracking entities under the proposals to amend the Tax Act released October 30, 2003 (or such proposals as amended or enacted or successor provisions thereto) or interests in partnerships that hold such securities.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Trust Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Trust Units will vary according to the status of the investor, the province or provinces in which the investor resides or carries on business and, generally, the investor’s own particular circumstances. Accordingly, the following description of income tax matters is of a general nature only and is not intended to constitute advice to any particular investor. Prospective investors should consult their own tax advisors with respect to the income tax consequences of investing in Trust Units, based upon the investor’s particular circumstances.

Taxation of the Fund

The Fund will be subject to tax under Part I of the Tax Act on the amount of its net income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amounts paid or payable to Unitholders in the year. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid in the year by the Fund or the Unitholder is entitled in that year to enforce payment of the amount.

With respect to an issuer that is a trust whose units are included in the Fund Investments, the Fund will be required to include in the calculation of its income such portion of the net income and the taxable portion of the net realized capital gains of such issuer as is paid or becomes payable to the Fund in the year, notwithstanding that certain of such amounts may be reinvested in additional units of the issuer. Provided that appropriate designations are made by the issuer, any net taxable capital gains realized by the issuer, foreign source income and foreign taxes eligible for a foreign tax credit and taxable dividends received by the issuer from taxable Canadian corporations that are paid or become payable to the Fund will effectively retain their character as such in the hands of the Fund. In addition, for taxation years beginning before 2007, the Fund will be required to include in the calculation of its income any amount designated under subsection 104(29) of the Tax Act by such an issuer in respect of certain Crown royalties and charges in excess of the resource allowance deductible in computing the issuer’s income. The Fund may designate an amount in respect of such designated amount to

Unitholders with the result that the Fund will be entitled to deduct the amount it designates in computing its income and Unitholders will be required to include their share of such amount in their income. The Fund will generally be required to reduce its adjusted cost base of the units of such an issuer to the extent that the amounts paid or payable in a year by the issuer to the Fund exceed the amounts included in the income of the Fund for the year plus the Fund's share of the non-taxable portion of capital gains of such issuer for the year. To the extent that the adjusted cost base to the Fund of the units of such an issuer is negative, the amount by which it is negative will be deemed to be a capital gain realized by the Fund and the Fund's adjusted cost base of such units will be increased by the amount of such deemed capital gain.

With respect to an issuer that is a limited partnership whose limited partnership units are included in the Fund Investments, the Fund will be required to include or, subject to certain restrictions, including draft proposals regarding the deductibility of interest and other expenses released on October 31, 2003 discussed below, will be entitled to deduct, in computing its income, its share of the net income or loss for tax purposes of the issuer allocated to the Fund for the fiscal period of the issuer ending in the Fund's taxation year, whether or not a distribution is received. In general, the adjusted cost base to the Fund of the limited partnership units of such an issuer at a particular time will be equal to the actual cost of such limited partnership units plus the share of the income and capital gains of the issuer allocated to the Fund for fiscal years of the issuer ending before the particular time less the share of losses and capital losses of the issuer allocated to the Fund for fiscal years of the issuer ending before the particular time, and less the Fund's share of any distributions received from the issuer before the particular time. If the adjusted cost base to the Fund of the limited partnership units of such an issuer is negative, the amount by which it is negative will be deemed to be a capital gain realized by the Fund and the Fund's adjusted cost base of such limited partnership units will be increased by the amount of such deemed capital gain.

The Fund will be required to include in its income for each taxation year all interest that accrues or is deemed to accrue to it to the end of the year and, with respect to any High Yield Debt Securities disposed of during a taxation year, any interest that accrues or was deemed to accrue to the date of such disposition or which becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year.

The Fund will be required to include in its income for a taxation year all dividends received in the year on shares of corporations.

Upon the actual or deemed disposition of a Fund Investment held by the Fund, the Fund will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of amounts otherwise included in income, exceed (or are less than) the adjusted cost base of such Fund Investment and any reasonable costs of disposition, provided such Fund Investment is capital property to the Fund. The Manager has advised counsel that the Fund intends to make an election under subsection 39(4) of the Tax Act so that all Fund Investments that are Canadian securities (as defined in the Tax Act) will be deemed to be capital property. Securities disposed of pursuant to a short sale that are not Canadian securities (as defined in the Tax Act) will generally not be capital property. Accordingly, gains or losses realized on the short sale of such securities will generally be required to be included in or deducted from, respectively, the income of the Fund.

In computing its income for tax purposes, the Fund may generally deduct reasonable administrative and other expenses incurred to earn income, including interest on any borrowings generally to the extent borrowed funds are used for the purpose of earning income from Fund Investments. The Fund may generally deduct over a five-year period the Agents' fees and other costs and expenses of the Offering paid by the Fund and not reimbursed.

The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in an income trust may be reduced on a pro rata basis in respect of distributions from the income trust that are a return of capital and which are not reinvested for an income earning purpose. If the CRA's view were to apply to the Fund, part of the interest payable by the Fund in connection with money borrowed to acquire certain Fund Investments could be non-deductible, increasing the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders. Income of the Fund which is not distributed to Unitholders would be subject to non-refundable income tax in the Fund.

On October 31, 2003 the Department of Finance announced a Tax Proposal relating to the deductibility of losses under the Tax Act. Under this Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume 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. Profit, for this purpose, does not include capital gains or capital losses. If such Tax Proposal were to apply to the Fund, deductions that would otherwise reduce the Fund's taxable income could be denied and the Fund could be subject to non-refundable tax. The February 23, 2005 Federal Budget indicates that the Department of Finance will respond to concerns raised in respect of the October 31 Tax Proposal with a more modest legislative proposal, which will be released for public comment.

The Fund will be 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 redemptions of Trust Units during the year ("capital gains refund"). 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 Fund Investments in connection with redemptions of Trust Units.

The Manager has advised counsel that the Fund generally intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year. Therefore, provided the Fund makes distributions in each year of its net income for tax purposes and net realized capital gains as described under "Distributions — Monthly Distributions", it will generally not be liable in such year for income tax under Part I of the Tax Act other than such tax on net realized capital gains that would be recoverable by it in such year by reason of the capital gains refund.

The Fund Investments may include securities that are not denominated in Canadian dollars. Proceeds of disposition of securities, distributions, interest and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars at the exchange rate prevailing at the time of the transaction. The Fund may realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars.

The Fund may derive income or gains from investments in countries other than Canada and, as a result, may be liable to pay or deemed to have paid income or profits tax to such countries. To the extent that such foreign tax paid or deemed to have been paid does not exceed 15% of such amount and has not been deducted in computing the Fund's income, the Fund may designate a portion of its foreign source income in respect of a Unitholder so that such income and a portion of the foreign tax paid by the Fund may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Tax Act. To the extent that such foreign tax paid by the Fund exceeds 15% of the amount included in the Fund's income from such investments, such excess may generally be deducted by the Fund in computing its income for the purposes of the Tax Act.

The Manager has advised counsel that the Fund will apply to be registered as a registered investment under the Tax Act effective from the date of its creation. Bill C-43 which repeals the foreign property rules effective January 2005 and provides that the provisions with respect to certain agreements to acquire shares not apply to registered investments has received Royal assent.

Taxation of Unitholders

A Unitholder will generally be required to include in computing income for a particular taxation year of the Unitholder such portion of the net income, including the deemed income arising as a result of a designation under subsection 104(29) of the Tax Act and the taxable portion of the net realized capital gains of the Fund for a taxation year as is paid or becomes payable to the Unitholder in that particular taxation year whether received in cash or reinvested in additional Trust Units. Provided that appropriate designations are made by the Fund, such portions of (a) the net realized taxable capital gains of the Fund, (b) foreign source income of the Fund and foreign taxes eligible for a foreign tax credit and (c) the taxable dividends received or deemed to be received by the Fund on shares of taxable Canadian corporations, as are paid or become payable to a Unitholder will effectively retain their character and be treated as such in the hands of the Unitholder. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and

dividend tax credit rules will apply. The non-taxable portion of net realized capital gains of the Fund that are paid or become payable to a Unitholder in a year will not be included in computing the Unitholder's income for the year. Any other amount in excess of a Unitholder's share of the net income and the net realized capital gains of the Fund for a taxation year that is paid or becomes payable to the Unitholder in such year will generally not be included in computing the Unitholder's income for the year but will reduce the adjusted cost base of Trust Units to the Unitholder. It is expected that the adjusted cost base of Trust Units purchased by an investor under the Offering will be less than \$10.00 per Trust Unit at the Termination Date. To the extent that the adjusted cost base of a Trust Unit becomes a negative amount, such negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Trust Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain.

The Net Asset Value per Trust Unit will reflect any income and gains of the Fund that have accrued or been realized but have not been made payable at the time Trust Units are acquired. A Unitholder who acquires Trust Units may become taxable on the Unitholder's share of such income and gains of the Fund.

Capital Gains and Losses

Upon the disposition or deemed disposition by a Unitholder of a Trust Unit, whether on a sale, redemption, repurchase or otherwise, a capital gain (or capital loss) will be realized by the Unitholder to the extent that the proceeds of disposition exceed (or are less than) the adjusted cost base of the Trust Unit to the Unitholder immediately before the disposition and any reasonable costs of disposition. If the Fund distributes Fund Investments in satisfaction of a portion of the Redemption Price of a Trust Unit surrendered for redemption, the Unitholder's proceeds of disposition of the Trust Unit will include the fair market value of each such Fund Investment so distributed and the Unitholder will be considered to have acquired each such Fund Investment at a cost equal to its fair market value. On such distribution the Unitholder will be required to include in income interest on any Fund Investment which is a debt acquired (including interest accrued prior to the acquisition) in accordance with the provisions of the Tax Act. To the extent that the Unitholder is required to include in income any interest that accrued prior to the date of the acquisition of the Fund Investment by the Unitholder, an offsetting deduction may be available and to the extent of such deduction the adjusted cost base of the Fund Investment will be reduced.

One-half of any capital gain (a "taxable capital gain") realized by a Unitholder in a taxation year must be included in computing the income of the Unitholder for that year and one-half of any capital loss (an "allowable capital loss") realized by a Unitholder in a taxation year may be deducted from taxable capital gains realized by the Unitholder 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.

Alternative Minimum Tax

In general terms, net income of the Fund paid or payable to a Unitholder (other than amounts designated as taxable dividends from taxable Canadian corporations or designated in respect of net realized capital gains) will not increase the Unitholder's liability for alternative minimum tax. Amounts designated as taxable dividends from taxable Canadian corporations and net realized capital gains paid or payable to a Unitholder by the Fund and designated in respect of a Unitholder or realized on the disposition of Trust Units may increase the Unitholder's liability for alternative minimum tax.

New Rules Regarding Restricted Investment Property

Trusts governed by registered pension plans, pension corporations and other "designated taxpayers" (but not trusts governed by a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan or a registered education savings plan) may be subject to penalty taxes in respect of the holding of Units under the proposed amendments to the Tax Act announced by the Minister of Finance (Canada) on March 23, 2004. On May 18, 2004, the Minister of Finance (Canada) announced that the implementation of these proposals would be suspended pending further consultation with interested parties,

following which further legislative proposals will be announced. The February 23, 2005 Federal Budget indicates that the government will continue to monitor developments in relation to Income Trusts and similar flow-through vehicles and shortly release a consultation paper. Investors who may be subject to the proposed tax should consult their own tax advisors before purchasing Trust Units.

RISK FACTORS

There are many risks associated with an investment in Trust Units, some of which are outlined below. Investors should consider the following risk factors before subscribing for Trust Units.

No Assurance in Achieving Investment Objectives or Targeted Distributions

There is no assurance that the Fund will be able to achieve its Investment Objectives. There is no assurance that the Fund will be able to pay monthly Distributions in the short or long term, or will be able to meet its objective of providing monthly cash Distributions to Unitholders that meet the initial targeted distribution of \$0.0604 per month or approximately 7.25% per annum based on the Offering Price of the Trust Units or the targeted distribution from time to time, nor is there any assurance that the Net Asset Value of the Fund will be repaid or any capital appreciation attained.

The Distributions received by the Fund from issuers whose securities are held as Fund Investments may vary from month to month and certain of these issuers may pay distributions less frequently than monthly, with the result that the monthly cash available for distribution to Unitholders could vary substantially.

Performance of Fund Investments

The Net Asset Value per Trust Unit will vary in accordance with the value of the securities acquired by the Fund. The value of the securities acquired by the Fund will be affected by business factors and risks that are beyond the control of the Manager or the Fund. Some of these factors and risks are:

- (i) some of the Income Trusts acquired by the Fund as Fund Investments will have limited operating histories;
- (ii) operational risks related to specific business activities of respective issuers;
- (iii) quality of underlying assets;
- (iv) financial performance of the respective issuers;
- (v) volatility in the commodity prices;
- (vi) environmental risks;
- (vii) political risks;
- (viii) fluctuations in exchange rates;
- (ix) fluctuations in interest rates; and
- (x) changes in government regulations.

Trading Price of Trust Units

Trust Units may trade in the market at a premium or discount to Net Asset Value per Trust Unit and there can be no assurance that Trust Units will trade at a price equal to Net Asset Value per Trust Unit. This risk is separate and distinct from the risk that the Net Asset Value per Trust Unit may decrease. The market price of the Trust Units will be determined by, among other things, the relative demand for and supply of Trust Units in the market, the Fund's investment performance, the Trust Unit's yield and investor perception of the Fund's overall attractiveness as an investment as compared with other investment alternatives.

Sensitivity to Interest Rates

The market price of the Trust Units may be affected by the level of interest rates prevailing from time to time. In addition, the Net Asset Value per Trust Unit may be highly sensitive to interest rate fluctuations because the value of the Fund Investments will fluctuate based on interest rates. Further, any decrease in the Net Asset Value per Trust Unit resulting from an increase in interest rates may also negatively affect the market price of the Trust Units. Unitholders who wish to redeem or sell their Trust Units will, therefore, be exposed to the risk that the Net Asset Value per Trust Unit or the market price of the Trust Units will be negatively affected by interest rate fluctuations. Increases in interest rates will also increase the Fund's cost of borrowing.

Fluctuations in Net Asset Value

The Net Asset Value per Trust Unit and the funds available for Distributions will vary according to, among other things, the value of the Fund Investments acquired by the Fund and the distributions paid and interest earned thereon. Fluctuations in the market value of the Fund Investments in which the Fund invests may occur for a number of reasons beyond the control of the Manager or the Fund.

Composition of Fund Investments

The composition of the Fund Investments taken as a whole may vary from time to time and may be concentrated by type of security, commodity, industry or geography, resulting in the Fund Investments being less diversified than anticipated. Focusing on a certain sector or industry involves risk that the Fund will suffer a loss because of general declines in the prices of securities in that sector or industry.

High Yield Debt Securities

Up to 75% of Total Assets may be invested in High Yield Debt Securities 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. Analysis of the creditworthiness of issuers of High Yield Debt 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 Sub-Advisor may not accurately evaluate the security's comparative credit rating. 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 the Fund may have greater difficulty selling such securities.

Fund Investments in High Yield Debt Securities may, at any time, include investments in sovereign debt securities of emerging market countries. Such investments involve certain risks not typically associated with investing in domestic or U.S. securities, and impose risks greater than, or in addition to, risks of investing in foreign, developed countries. These risks include: greater risks 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 the securities markets and participants in those markets; controls on foreign investment and limitations on repatriation of invested capital and on the Fund's 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.

Foreign Market Exposures

The High Yield Debt Securities component of the Fund Investments 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 U.S. 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 U.S. 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.

Currency and Commodity Price Fluctuations

As the portfolio may include securities traded in U.S. dollars or other foreign currencies, the NAV of the Fund and distributable cash, when measured in Canadian dollars, will, to the extent this has not been fully hedged against, be affected by changes in the value of the U.S. dollar or other foreign currencies relative to the Canadian dollar.

The operations and financial condition of a number of the issuers in which the Fund will invest and, accordingly, the amount of distributions paid on such securities, will be dependent on commodity prices applicable to such issuers. Prices for commodities may vary and are determined by supply and demand factors including weather and general economic and political conditions. A decline in commodity prices could have an adverse effect on the operations and financial condition of the issuers of such securities and the amount of distributions paid on such securities. In addition, certain commodity prices are based on a U.S. dollar market price. Accordingly, to the extent this has not been fully hedged against, an increase in the value of the Canadian dollar against the U.S. dollar could reduce the amount of distributions paid on such securities.

Hedging Transactions

Foreign exchange, interest rate, credit and commodity hedges will be used by the Fund only to the extent that the Manager considers appropriate and as described above under “Investment Strategy and Restrictions — Investment Strategy — E. Use of Derivative Instruments”. The Fund will not be hedged at all times and accordingly no assurance can be given that the Fund will not be adversely impacted by changes in foreign exchange rates, interest rates or commodity prices. The use of hedges involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Manager’s assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if the hedging had not been used. The hedging arrangements may have the effect of limiting or reducing the total returns to the Fund if the Manager’s expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with the hedging program may outweigh the benefits of the arrangements in such circumstances.

In using derivatives, the Fund is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange traded instruments or another third party in the case of over-the-counter instruments) may be unable to meet its obligations. In addition, there is a risk of loss by the Fund of margin deposits in the event of the bankruptcy of the dealer with whom the Fund has an open position in an option or futures or forward contract. The ability of the Fund to close out its positions may also be affected by exchange imposed daily trading limits on options and futures contracts. If the Fund is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires or the futures or forward contract terminates, as the case may be. The inability to close out options, futures and forward positions could also have an adverse impact on the Fund's ability to use derivative instruments to effectively hedge its portfolio or implement its Investment Strategy.

Leverage and Borrowing

The Fund will incur indebtedness for various purposes, including purchasing Fund Investments in accordance with the Investment Objectives and Investment Strategy and subject to the Investment Restrictions, effecting market purchases of Trust Units, maintaining liquidity and funding redemptions and paying Distributions. The Fund anticipates that lenders will require the Fund to provide a security interest in some or all of its assets in favour of the lenders to secure such borrowings. There can be no assurance that such a strategy will enhance returns and, in fact, the strategy may reduce returns (both distributions and capital) and thereby increase the risk to Unitholders. If the Fund Investments suffer a decrease in value, the leverage component will cause a decrease in Net Asset Value in excess of that which would otherwise be experienced. If any financing is required to be repaid on demand by a lender or if the value of the Fund Investments decrease, the Fund may be required to liquidate Fund Investments to repay the indebtedness at a time when the market for the Fund Investments may be depressed, thereby forcing the Fund to incur losses.

Risks of Short Sales

As part of its Investment Strategy, the Fund may engage in short selling securities to a maximum of 10% of the Total Assets. A short sale of a security may expose the Fund to losses if the price of the security sold short increases because the Fund may be required to purchase such securities in order to cover its short position at a higher price than the price at which such securities were sold short. The potential loss on the short sale of securities is unlimited, since there is no limit on how much the price of a security will appreciate before the short position is closed out. In addition, a short sale entails the borrowing of the security in order that the short sale may be transacted. There is no assurance that the lender of the security will not require the security to be repaid before the Fund wishes to do so, thereby requiring the Fund to borrow the security elsewhere or purchase the security in the market at an unattractive price, which particularly may be the case with respect to units of Income Trusts where it is expected that fewer such units will be available for borrowing and then only at a higher cost. In the event that numerous lenders of the security in the market simultaneously recall the same security, a "short-squeeze" may occur, whereby the market price of the borrowed security may increase significantly. In addition, the borrowing of securities entails the payment of a borrowing fee. There is no assurance that a borrowing fee will not increase during the borrowing period, adding to the expense of the short sale strategy. In addition, there is no assurance that the security sold short can be repurchased due to supply and demand constraints in the marketplace.

Illiquid Securities

There is no assurance that an adequate market will exist for Fund Investments acquired by the Fund. Fund Investments purchased on a private placement basis or issued by issuers that are not reporting issuers in all provinces may be subject to hold periods under certain provincial securities legislation. The Fund cannot predict whether the Fund Investments held by it will trade at a discount to, a premium to, or at their respective net asset values.

In addition, if the Manager is unable, or determines that it is inappropriate, to dispose of some or all of the Fund Investments prior to the Termination Date, Unitholders may, subject to applicable laws, receive distributions of securities in specie upon the termination of the Fund, for which there may be an illiquid market or which may be subject to resale restrictions of indefinite duration. Further, if the Manager determines that it is

appropriate to acquire certain securities for the Fund, the Manager may be unable to acquire the number of such securities, or to acquire such securities at a price acceptable to the Manager, if the market for such securities is particularly illiquid.

Instalment Receipts

The Fund may purchase certain Fund Investments as instalment receipts representing ownership interests in securities, the original issue price of which is payable on an instalment basis. The Fund may be required to pay subsequent instalments despite a decline in the value of the Fund Investment of an issuer in which the Fund invests.

Reliance on the Manager and Sub-Advisor

The Fund will be dependent on the Manager and the Sub-Advisor for investment advisory and portfolio management services under the Management Agreement and the Investment Sub-Advisory Agreement. There is no certainty that key employees will continue to be employees of the Manager or the Sub-Advisor, as applicable, throughout the life of the Fund. Investors who are not willing to rely on the Manager or the Sub-Advisor should not invest in Trust Units.

Taxation of the Fund

There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders. The Department of Finance has indicated that it will continue to evaluate the development of the income trust market as part of its ongoing monitoring and assessment of Canadian financial markets and the Canadian tax system. Accordingly, changes in this area are possible. Such changes could result in the income tax considerations described under the heading “Canadian Federal Income Tax Considerations” being materially different in certain respects. In addition, 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 Trust Units held by non-residents or partnerships which are not “Canadian partnerships” for purposes of the Tax Act is more than 50% of the fair market value of all issued and outstanding Trust 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” as defined in such Tax Proposals. If the Fund ceases to qualify as a “mutual fund trust” under the Tax Act, the income tax considerations described under the heading “Canadian Federal Income Tax Considerations” would be materially and adversely different in certain respects. On December 6, 2004 the Minister of Finance indicated that the September 16, 2004 Tax Proposals are being further considered.

The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in an income trust may be reduced on a pro rata basis in respect of distributions from the income trust that are a return of capital and which are not reinvested for an income earning purpose. If the CRA’s view were to apply to the Fund, part of the interest payable by the Fund in connection with money borrowed to acquire certain Fund Investments could be non-deductible, increasing the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders. Income of the Fund which is not distributed to Unitholders would be subject to non-refundable income tax in the Fund. See also the discussion below under “Tax Proposals Regarding Deductions”.

Tax Proposals Regarding Deductions

On October 31, 2003 the Department of Finance announced a Tax Proposal relating to the deductibility of losses under the Tax Act. Under this Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume 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. Profit, for this purpose, does not include capital gains or capital losses. If such a tax proposal were to apply to the Fund, deductions that would otherwise reduce the Fund’s taxable income could be denied with after

tax returns to Holders reduced as a result. The February 23, 2005 Federal Budget indicates that the Department of Finance will respond to concerns raised in respect of the October 31 Tax Proposal with a more modest legislative proposal, which will be released for public comment. Prospective Holders should consult their own tax advisors regarding the possible application of this Tax Proposal to interest on money borrowed to acquire Trust Units.

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 the targeted return not being met in any period.

Status of the Fund

As the Fund is not a mutual fund as defined under Canadian securities laws, the Fund is not subject to the Canadian policies and regulations that apply to open-end mutual funds. As a result, some of the protections provided to investors in open-end mutual funds under such laws will not be available to investors in the Trust Units. The Fund will, however, be a mutual fund trust for purposes of the Tax Act.

Securities Lending

The Fund may engage in securities lending as described under “Investment Strategy and Restrictions — Investment Strategy — G. Securities Lending”. Although the Fund will receive collateral for the loans and such collateral will be 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.

Conflicts of Interest

The Manager and its directors and officers and their respective affiliates and associates may engage in the promotion, management or investment management of one or more funds or trusts which invest primarily in Income Trusts and/or High Yield Debt Securities.

Although none of the directors or officers of the Manager or Sub-Advisor will devote his or her full time to the business and affairs of the Fund, each will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Fund. See “Conflicts of Interest”.

Operating History and Marketability of Trust Units

The Fund is a newly organized investment trust with no previous operating history. There is currently no public market for the Trust Units and there can be no assurance that an active public market will develop or be sustained after completion of the Offering.

Changes in Legislation

There can be no assurance that certain laws applicable to the Fund, including income tax laws and government incentive programs relating to the natural resource or real estate industries and the treatment of mutual fund trusts under the Tax Act will not be changed in a manner which could adversely affect the distributions received by the Fund or by the Unitholders.

Redemptions

While the Fund intends to pay the redemption price of Trust Units redeemed in cash, it is possible that assets of the Fund delivered to Unitholders in connection with the redemption of their Trust Units will not be listed on any stock exchange and that no market will develop for such assets. Assets so distributed may be subject to resale restrictions under applicable securities laws and may not be qualified investments for Plans or registered education savings plans which would have adverse tax consequences to such plans and/or their annuitants or beneficiaries. In addition, in certain circumstances, the Fund may suspend redemptions.

Cross Border Income Trusts

Based on publicly available information, it is the understanding of the Fund that no U.S. Internal Revenue Service rulings were sought in connection with the establishment of a number of Income Trusts that have significant operations in the United States. No assurance can be given that the U.S. Internal Revenue Service will not successfully challenge various aspects of the structures adopted by these Income Trusts or that advisers to these Income Trusts will continue to provide audit and other opinions relating to the operations of these Income Trusts. Any successful challenge by the U.S. Internal Revenue Service or a withdrawal of such services by advisers may have a material effect on the after-tax income available for distribution by such Income Trusts. To the extent that such Income Trusts are held by the Fund at that time, the distributions of the Fund and the value of the Trust Units may be adversely affected.

CONFLICTS OF INTEREST

The Declaration of Trust acknowledges that the Trustee may provide services to the Fund in other capacities, including acting as manager of the Fund, provided that the terms of any such arrangements are no less favourable to the Fund than those which would be obtained from parties which are at arm's length for comparable services.

In addition, the directors and officers of the Manager may be directors, officers, shareholders or unitholders of one or more issuers from which the Fund may acquire securities. If required by applicable laws, the Trustee will consent to the acquisition of such securities. The Manager or its affiliates may be managers of one or more issuers from which the Fund may acquire securities and may be managers of funds that invest in the same securities as the Fund.

Dundee Securities Corporation is an affiliate of the Manager. Dundee Securities Corporation will receive fees pursuant to the Agency Agreement and may from time to time act as broker to the Fund in respect of purchases or sales of Fund Investments or as underwriter or agent to the Fund in respect of further issues of Trust Units or other Fund securities. See "Plan of Distribution".

The services of the Manager are not exclusive to the Fund. The Manager acts as the advisor to other funds and may in the future act as the advisor to other funds which invest primarily in High Income Securities and which may have similar investment mandates to the Fund. Since the Manager will continue to manage the investments of its other clients, the Manager may acquire or dispose of the same investment for the Fund and one or more of its other clients. However, because of different investment policies, the Manager may be selling an investment for one client and buying the same investment for another client. Under the Management Agreement, the Manager has agreed to allocate opportunities to acquire and dispose of investments fairly among the Fund and its other clients that have similar investment objectives and to adhere generally to the standards set by the Association for Investment Management and Research. See "The Manager — Management Agreement".

THE TRUSTEE

Goodman & Company, Investment Counsel Ltd. is the Trustee of the Fund. The Trustee is responsible for certain aspects of the administration of the Fund as described in the Declaration of Trust.

The Trustee or any successor Trustee may resign upon 90 days' written notice to the Manager or may be removed by an Extraordinary Resolution passed at a meeting of Unitholders called for such purpose. Any such resignation or removal shall become effective only on the appointment of a successor Trustee. If, after notice of resignation has been received from the Trustee, no successor has been appointed within 90 days of such notice, the Trustee, the Manager or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor Trustee.

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 where the Trustee fails to act honestly and in good faith with a view to the best interests of the Unitholders or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the Declaration of Trust contains other

customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The address of the Trustee is 40 King Street West, Scotia Plaza, 55th Floor, Toronto, Ontario M5H 4A9.

The Trustee is entitled to receive fees from the Fund as described under “Fees and Expenses — Ongoing Expenses” and to be reimbursed by the Fund for all expenses which are reasonably incurred by the Trustee in connection with the activities of the Fund.

DECLARATION OF TRUST

The following description of the Declaration of Trust does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the Declaration of Trust.

Description of Trust Units

The Fund is authorized to issue an unlimited number of transferable, redeemable units of beneficial interest, each of which represents an equal undivided interest in the net assets of the Fund. Fractions of Trust Units may be issued which will have the same rights, restrictions, conditions and limitations attaching to whole Trust Units in the proportion which they bear to a whole Trust Unit, except fractional Trust Units will not have the right to vote. Each Trust Unit entitles the holder to the same rights and obligations as a holder of any other Trust Unit and no holder of Trust Units is entitled to any privilege, priority or preference in relation to any other holder of Trust Units. Each holder of Trust Units is entitled to one vote for each whole Trust Unit held and is entitled to participate equally with respect to any and all Distributions made by the Fund, including distributions of net income and net realized capital gains, if any. On termination or liquidation of the Fund, the holders of outstanding Trust Units of record are entitled to receive on a pro rata basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund.

Information and Reports to Unitholders

The Fund will furnish to Unitholders such financial statements (including quarterly unaudited and annual audited financial statements, accompanied by management’s discussion and analysis of the affairs and operations of the Fund) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders’ tax returns under the Tax Act and equivalent provincial legislation.

While the Fund will not hold regularly scheduled annual meetings of Unitholders, prior to any meeting of Unitholders, which is called under the provisions of the Declaration of Trust, the Fund will provide the Unitholders (along with notice of such meeting) all such information as is required by applicable law to be provided to such holders.

Non-Resident Unitholders

At no time may persons who are non-residents of Canada or partnerships which are not “Canadian partnerships” for the purposes of the Tax Act (“non-residents”) be the beneficial owners of a majority of the Units and the Trustee shall inform the Transfer Agent and Registrar of this restriction. The Trustee may require declarations as to the jurisdictions in which beneficial owners of Trust Units are resident. If the Trustee becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Trust Units then outstanding are, or may be, non-residents, or that such a situation is imminent, the Trustee may make a public announcement thereof and shall not accept a subscription for Trust Units from or issue or register a transfer of Trust Units to a person unless the person provides a declaration that the person is not a non-resident. If the Trustee determines that 45% or more of the Trust Units then outstanding are beneficially held by non-residents, the Trustee shall send a notice to such non-resident Unitholders, chosen in inverse order to the order of acquisition or in such manner as the Trustee may consider equitable and practicable, requiring them to sell their Trust Units or a portion thereof within a specified period of not less than 30 days to residents of Canada or partnerships which are “Canadian partnerships” for the purposes of the Tax Act. If the Unitholders receiving such notice have not sold the specified number of Trust Units or provided

the Trustee with satisfactory evidence that they are not non-residents within such period, the Trustee may on behalf of such Unitholders sell such Trust Units and, in the interim, shall suspend the voting and distribution rights attached to such Trust Units. Upon such sale, the affected holders shall cease to be beneficial holders of Trust Units and their rights shall be limited to receiving the net proceeds of sale of such Trust Units.

Notwithstanding the foregoing, the Trustee may determine not to take any of the actions described above if the Trustee has been advised by legal counsel that the failure to take any such actions would not adversely impact the status of the Fund as a mutual fund trust for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of the Fund as a mutual fund trust for purposes of the Tax Act.

Repurchase of Trust Units

The Declaration of Trust provides that, subject to applicable law, the Fund may, in its sole discretion, from time to time purchase (in the open market or by invitation for tenders) Trust Units for cancellation up to a maximum in any calendar year of 10% of the aggregate of (a) the number of Trust Units outstanding on the date that the purchase occurs and (b) all Trust Units previously purchased by the Fund during the year in which the purchase occurs, in all cases at prices per Trust Unit not exceeding the Net Asset Value per Trust Unit on the Valuation Date immediately prior to the date of any such purchase of Trust Units. It is expected that these purchases will be made as normal course issuer bids through the facilities and under the rules of the TSX or such other exchange or market on which the Trust Units are then listed.

Modification of Declaration of Trust and Meetings of Unitholders

Not less than 21 days' notice will be given for any meeting of Unitholders. The quorum for any meeting of Unitholders is two or more Unitholders present in person or represented by proxy voting not less than 15% of the Trust Units then outstanding. If no quorum is present at such meeting when called, the meeting shall be adjourned for not less than 14 days and the Unitholders present in person or represented by proxy at such adjourned meeting will form the necessary quorum. At any such meetings, each Unitholder will be entitled to one vote for each whole Trust Unit held.

The following may only be undertaken with the approval of Unitholders by an Extraordinary Resolution:

- (a) any termination of the Management Agreement other than termination by, or as a result of the resignation of, the Manager or in circumstances where the Manager has been removed by the Trustee for cause pursuant to the Declaration of Trust or the Management Agreement;
- (b) the liquidation, dissolution or termination of the Fund prior to the Termination Date;
- (c) except as otherwise provided herein, any material amendment to the Declaration of Trust;
- (d) the sale of all or substantially all the assets of the Fund other than in the ordinary course;
- (e) the termination of the Trustee or any of its affiliates as the trustee of the Fund;
- (f) any change in the Investment Objectives, Investment Strategy or Investment Restrictions, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (g) any material change in the Management Agreement;
- (h) any increase in the Management Fee;
- (i) any amendment, modification or variation in the provisions or rights attaching to the Trust Units;
- (j) any issuance of Trust Units subsequent to the initial issuance of Trust Units (other than (i) issuances where the net proceeds for each Trust Unit issued is not less than the Net Asset Value per Trust Unit calculated prior to the entering into of the commitment by the subscriber to purchase such Trust Units or prior to the pricing of the offering, as the case may be, (ii) a Distribution in Trust Units or the automatic reinvestment of distributions of net income or net realized capital gains, or (iii) issuances of Trust Units to the Manager in satisfaction of the Management Fee); and

- (k) any change in the frequency of calculating Net Asset Value per Trust Unit to less often than each Business Day.

The Trustee is entitled to amend the Declaration of Trust without the consent of, or notice to, the Unitholders, to:

- (i) ensure compliance with applicable laws, regulations or requirements of any governmental authority having jurisdiction over the Fund;
- (ii) maintain the status of the Fund as a “unit trust”, “mutual fund trust” and a “registered investment” under the Tax Act;
- (iii) make changes or corrections which counsel for the Fund advise are necessary or desirable for the correction of typographical mistakes or are required for the purpose of curing any ambiguity or defective or inconsistent provisions or omissions or manifest error or, conforming with this prospectus;
or
- (iv) provide added protection for Unitholders upon the advice of counsel to the Fund,

but only if such amendments do not in the opinion of the Manager materially adversely affect the interests of the Unitholders or restrict any protection for the Trustee or the Manager or increase their respective responsibilities.

Except for changes to the Declaration of Trust which require the approval of Unitholders or changes described above which require neither approval of nor prior notice to Unitholders, the Declaration of Trust may be amended from time to time by the Trustee at the request of the Manager upon not less than 30 days prior written notice to Unitholders.

The holders of not less than 10% of the then outstanding Trust Units may requisition the Trustee to call a meeting of Unitholders for the purpose stated in the requisition.

Take-over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for the Trust Units and not less than 90% of the Trust Units (but not including any Trust Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Trust Units held by the Unitholders who did not accept the take-over bid on the terms offered by the offeror.

Termination of the Fund

The Fund will continue until December 31, 2015 (subject to extension as described below) and thereupon will terminate and the net assets of the Fund will be distributed to the Unitholders unless an alternative to termination is approved by the Unitholders as described below. Prior to the Termination Date, the Manager will, to the extent practicable, convert the assets of the Fund to cash. The Manager may, in its discretion with the prior approval of the Board of Governors of the Fund and upon not less than 30 days prior written notice to Unitholders, extend the Termination Date by a period of 90 days if the Manager determines that it will be unable to convert all the portfolio assets to cash and the Manager determines that it would be in the best interests of the Unitholders to do so. Should the liquidation of certain securities not be practicable or should the Manager consider such liquidation not to be appropriate prior to the Termination Date, such securities will be distributed to Unitholders in specie rather than in cash subject to compliance with any securities or other laws applicable to such distributions. See “Risk Factors — Illiquid Securities”. Following such distribution, the Fund will be dissolved.

Not less than six months prior to the Termination Date, the Manager may present a proposal to Unitholders providing an alternative to the dissolution of the Fund on the Termination Date. Such proposal may include, without limitation: (i) continuing the Fund; or (ii) exchanging the Trust Units for units in one or more mutual funds or closed-end investment funds on or after the Termination Date. A meeting of Unitholders to consider such a proposal must be held at least six months prior to the Termination Date in order to give the Manager the

opportunity to conduct an orderly liquidation of the assets of the Fund if the Unitholders do not approve the proposal. In order to be implemented, such proposal would require the approval of Unitholders by a majority vote at such meeting. Any such proposal may be conditional on such matters as the Manager considers are appropriate, including obtaining any necessary regulatory approvals.

The Fund will also be terminated in the event of the resignation of the Manager if a replacement Manager has not been appointed within 120 days of the date upon which the Manager gives notice to the Trustee of its resignation. Such termination shall occur on the date which is 60 days following the last day of the aforementioned 120 day period.

PROMOTER

The Manager took the initiative in creating the Fund and, accordingly, is a promoter of the Fund as defined in the securities legislation of certain provinces and territories of Canada. Except as otherwise described herein, the Manager will not receive any benefits, directly or indirectly, from the issuance of Trust Units offered hereunder.

LEGAL PROCEEDINGS

Neither the Fund nor the Manager are involved in any material legal proceedings involving the Fund, nor is the Trustee or the Manager aware of existing or pending material legal or arbitration proceedings involving the Fund or the Manager.

MATERIAL CONTRACTS

The only material contracts entered into by the Fund or the Manager during the past two years or to which either of them will become a party prior to the Closing, are as follows:

- (a) the Declaration of Trust referred to under “The Fund” and under “Declaration of Trust”;
- (b) the Management Agreement referred to under “Management of the Fund — Management Agreement”;
- (c) the Investment Sub-Advisory Agreement referred to under “Management of the Fund — The Investment Sub-Advisory Agreement”;
- (d) the Custodian Agreement referred to under “Custodian and Prime Broker”; and
- (e) the Agency Agreement referred to under “Plan of Distribution”.

Copies of the foregoing documents may be examined during normal business hours at the principal office of the Fund during the period of distribution to the public of the Trust Units offered under the Offering. Copies of the Declaration of Trust may be obtained at any time from the Trustee on written request.

LEGAL MATTERS

Certain legal matters in connection with the issuance and sale of the Trust Units offered by this prospectus will be reviewed on behalf of the Fund by McCarthy Tétrault LLP and on behalf of the Agents by Blake, Cassels & Graydon LLP.

AUDITORS

The auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Accountants, Suite 3000, Royal Trust Tower, Toronto-Dominion Centre, Toronto, Ontario, M5K 1G8.

CUSTODIAN AND PRIME BROKER

Scotia Capital Inc. will be appointed the custodian and prime broker of the Fund's assets on or prior to the Closing Date pursuant to the Custodian Agreement.

The Custodian may employ sub-custodians as considered appropriate in the circumstances. The address of the Custodian is Suite 6500, Scotia Plaza, 40 King Street West, Toronto, Ontario M5W 2X6.

REGISTRAR, TRANSFER AGENT AND DISTRIBUTION DISBURSING AGENT

Computershare Investor Services Inc. has been appointed the registrar, transfer agent and distribution disbursing agent for the Trust Units.

The register and transfer ledger will be kept by the Trustee at its principal stock and bond transfer offices located in Toronto.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in several of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment thereto. In several of the provinces and territories of Canada, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if this prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of his or her province or territory of residence for the particulars of these rights or consult with a legal adviser.

AUDITORS' REPORT

To the Unitholder and the Trustee of diversiYield Income Fund

We have audited the statement of financial position of diversiYield Income Fund (the "Fund") as at June 29, 2005. This statement of financial position is the responsibility of the Fund's management. Our responsibility is to express an opinion on this statement of financial position based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the statement of financial position is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial position. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, this statement of financial position presents fairly, in all material respects, the financial position of the Fund as at June 29, 2005 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
June 29, 2005

PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

diversiYield Income Fund
STATEMENT OF FINANCIAL POSITION
As at June 29, 2005

Assets	
Cash	<u>\$10</u>
Unitholder's Equity	
Unitholder's Equity (Note 1):	
Units (1 Unit)	<u>\$10</u>

Approved by the Board of Directors of the Manager, Goodman & Company, Investment Counsel Ltd.

By: (Signed) EDWARD C. BEZEAU
Director

By: (Signed) BENJAMIN J. EGGERS
Director

The accompanying notes are an integral part of this statement of financial position.

diversiYield Income Fund
NOTES TO STATEMENT OF FINANCIAL POSITION
As at June 29, 2005

1. ORGANIZATION AND UNITHOLDER'S EQUITY

diversiYield Income Fund (the "Fund") is a closed-end investment trust created under the laws of the Province of Ontario pursuant to a declaration of trust dated as of June 29, 2005 (the "Declaration of Trust"). The beneficiaries of the Fund will be the holders of Trust Units (as defined below) being offered pursuant to this prospectus. The Fund is authorized to issue an unlimited number of redeemable transferable trust units ("Trust Units"). On June 29, 2005, the Fund issued one unit for \$10.00 cash.

2. AGENCY AGREEMENT, CUSTODIAN AND TRUSTEE

The Fund and Goodman & Company, Investment Counsel Ltd. (the "Manager") have entered into an agency agreement with RBC Dominion Securities Inc., CIBC World Markets Inc., Dundee Securities Corporation, Scotia Capital Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Canaccord Capital Corporation, HSBC Securities (Canada) Inc., Berkshire Securities Inc., First Associates Investments Inc. and Raymond James Ltd. (collectively, the "Agents") dated as of June 29, 2005 pursuant to which the Fund has agreed to create, issue and sell, and the Agents have agreed to offer for sale to the public, a minimum of 5,000,000 Trust Units and a maximum of 20,000,000 Trust Units at \$10 per Trust Unit.

Pursuant to the Declaration of Trust, Goodman & Company, Investment Counsel Ltd. is trustee of the assets of the Fund and is also responsible for certain aspects of the Fund's day to day operations. In consideration of the services provided by Goodman & Company, Investment Counsel Ltd., the Fund will pay a fee to be agreed upon between the Fund and the Manager.

Pursuant to a custodian agreement to be entered into on or before Closing, Scotia Capital Inc. will be appointed custodian of the Fund's assets. In consideration of the services to be provided by Scotia Capital Inc., the Fund will pay a fee to be agreed upon between the Manager and Scotia Capital Inc.

3. COMMITMENTS

The Fund has retained the Manager to act as manager and investment manager under a management agreement dated as of June 29, 2005. Pursuant to such agreement, the Manager is entitled to a management fee equal to 1.10% per annum of the Net Asset Value of the Fund. The Fund will also pay to the Manager a Service Fee of 0.40% per annum of the Net Asset Value of Trust Units held by clients of dealers. The Service Fee will be used by the Manager to in turn pay a service fee to certain dealers based on the number of Trust Units held by the clients of such dealers.

Marret Asset Management Inc. is a sub-advisor to the Fund with respect to certain of the investments of the Fund and will be paid a fee by the Manager and not the Fund.

AUDITORS' CONSENT

We have read the prospectus of diversiYield Income Fund (the "Fund") dated June 29, 2005 relating to the issue and sale of units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above mentioned prospectus of our report to the unitholder and the trustee of the Fund on the statement of financial position of the Fund as at June 29, 2005. Our report is dated June 29, 2005.

Toronto, Canada
June 29, 2005

PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

CERTIFICATE OF THE FUND AND THE PROMOTER

Dated: June 29, 2005

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of the *Securities Act* (Saskatchewan), by Part VII of the *Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 63 of the *Securities Act* (Nova Scotia), by Part 6 of the *Securities Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act* (Newfoundland and Labrador), by the *Securities Act* (Yukon), by the *Securities Act* (Northwest Territories) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

DIVERSIYIELD INCOME FUND

By: its manager GOODMAN & COMPANY, INVESTMENT COUNSEL LTD.

By: (Signed) DAVID GOODMAN
President and Chief Executive Officer

By: (Signed) JOHN PEREIRA
Vice-President and Chief Financial Officer

On behalf of the board of directors of
GOODMAN & COMPANY, INVESTMENT COUNSEL LTD.

By: (Signed) NED GOODMAN
Director

By: (Signed) BENJAMIN J. EGGERS
Director

Promoter
GOODMAN & COMPANY, INVESTMENT COUNSEL LTD.

By: (Signed) DAVID GOODMAN
President and Chief Executive Officer

CERTIFICATE OF THE AGENTS

Dated: June 29, 2005

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of the *Securities Act* (Saskatchewan), by Part VII of the *Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 64 of the *Securities Act* (Nova Scotia), by Part 6 of the *Securities Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act* (Newfoundland and Labrador), by the *Securities Act* (Yukon), by the *Securities Act* (Northwest Territories) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. To our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

RBC DOMINION
SECURITIES INC.

CIBC WORLD
MARKETS INC.

DUNDEE SECURITIES
CORPORATION

SCOTIA CAPITAL INC.

By: (Signed) EDWARD V.
JACKSON

By: (Signed) RONALD
W.A. MITCHELL

By: (Signed) DAVID P.
STYLES

By: (Signed) BRIAN D.
MCCHESNEY

TD SECURITIES INC.

By: (Signed) J. DAVID BEATTIE

BMO NESBITT BURNS INC.

NATIONAL BANK FINANCIAL INC.

By: (Signed) DAVID R. THOMAS

By: (Signed) MICHAEL D. SHUH

CANACCORD CAPITAL CORPORATION

HSBC SECURITIES (CANADA) INC.

By: (Signed) JENS MAYER

By: (Signed) CATHERINE J. CODE

BERKSHIRE SECURITIES INC.

FIRST ASSOCIATES
INVESTMENTS INC.

RAYMOND JAMES LTD.

By: (Signed) L. WARREN PIMM

By: (Signed) SUSAN E.
BARTHOLOMEW

By: (Signed) SARA MINATEL



diversiYield Income Fund