

ANNUAL INFORMATION FORM
December 31, 2007
of
GLOBAL DIVIDEND FUND

March 31, 2008

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**GLOBAL DIVIDEND FUND
ANNUAL INFORMATION FORM**

DECEMBER 31, 2007

Unless otherwise indicated, the information set out in this annual information form is given as at December 31, 2007

NAME, FORMATION AND HISTORY OF THE FUND

Global Dividend Fund (the “Fund”) is an investment trust established under the laws of the Province of Ontario pursuant to a trust declaration made December 12, 2006, by frontier*Alt* Capital Corporation (the “Manager” or “Trustee”) (the “Trust Declaration”). The principal place of business of the Fund and the registered office of the Manager is 350 Bay St. Suite 1300, Toronto, Ontario M5H 2S6. The Fund has no employees or subsidiaries.

The beneficial interest in the net assets and net income of the Fund is divided into redeemable, transferable units of equal value (the “Units”). Each Unit entitles a holder of Units (“Holder”) to the same rights and privileges as a Holder of any other Unit and no Unit is entitled to any privilege, priority or preference in relation to any other Unit. The rights of Holders are further described under “Description of Units”.

On January 4, 2007, pursuant to a prospectus dated December 12, 2006 (the “Prospectus”), 6,000,000 Units were issued at a price of \$10.00 per Unit (the “Offering”). Units began trading on the Toronto Stock Exchange (the “TSX”) under the symbol GDP.UN. On January 24, 2007, an additional 180,000 Units were issued pursuant to the Prospectus upon partial exercise of the overallotment option granted to the agents who offered the Units for sale. The Manager has appointed MFC Global Investment Management (Canada) as the investment advisor to the Fund (the “Investment Advisor”).

INVESTMENT RESTRICTIONS AND PRACTICES

General

The Fund invests in a diversified global portfolio comprised primarily of common shares and other equity securities, including preferred shares and income trust units (“Dividend-Paying Equity Securities”) as described under the heading “Investment Strategy”. The Fund is not limited to such investments.

Investment Objectives

The Fund’s investment objectives are to provide Holders with monthly cash distributions and to preserve and enhance net asset value.

Any amendment to the Fund's investment objective or investment restrictions as described in the Prospectus requires the approval of Holders by Extraordinary Resolution (as defined below) at a meeting of Holders duly convened for that purpose. See "Description of Units – Holder Matters".

The initial indicative distribution for the Fund is \$0.04583 per month (\$0.55 per Unit per annum), representing a yield of 5.5% per annum based on the \$10.00 per Unit issue price. Commencing in December 2007, the Fund will annually determine and announce an indicative distribution for the following 12 months based upon prevailing market conditions and the Manager's estimate of distributable cash flow for the year. On January 10, 2008 the Fund declared that the indicative distribution for 2008 would remain \$0.04583 per month (\$0.55 per Unit per annum), representing a yield of 5.5% per annum based on the \$10.00 per Unit issue price.

Investment Strategy

In accordance with the investment restrictions set out below, the assets of the Fund, consisting of the net proceeds of the Offering and any borrowings under a Loan Facility (as defined below) are invested in a diversified global portfolio (the "Portfolio") comprised primarily of common shares and other equity securities, including preferred shares and income trust units of issuers that the Investment Advisor believes are fundamentally sound but which are trading at a discount to their intrinsic value.

The Investment Advisor will seek to invest in issuers that have strong cash flows and the ability to grow their distributions. It is expected that the Portfolio will be comprised of the equity securities of approximately 40-60 issuers diversified by both geography and sector, with each issuer typically having a market capitalization of at least U.S. \$2 billion.

The Fund's investments will include securities traded in foreign currencies. The Manager will hedge certain portions of the Portfolio back to the Canadian dollar. At least 75% of the value of the Fund's investments will be hedged back to the Canadian dollar at all times.

The Fund will invest primarily in equity securities of businesses located around the world, emphasizing dividend-paying securities with attractive valuations.

Investment Restrictions

The investment activities of the Fund are conducted in accordance with, among other things, the following investment restrictions which provide that the Fund will not:

- (i) invest more than 10% of the aggregate value of the assets of the Fund determined in accordance with the terms of the Trust Declaration ("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;

- (ii) except as necessary to effect any currency hedging strategy, invest more than 5% of Total Assets in any asset class other than Dividend-Paying Equity Securities or cash and cash equivalents;
- (iii) invest more than 10% of Total Assets in common shares or equity securities that do not pay a dividend;
- (iv) invest in securities of any single issuer with a market capitalization of less than U.S.\$1 billion;
- (v) invest more than 20% of Total Assets in securities of issuers domiciled in emerging markets (i.e., countries whose financial market is included in the Morgan Stanley Capital International World Emerging Markets Index from time to time);
- (vi) invest more than 5% of Total Assets in “illiquid securities” as such term is defined in National Instrument 81-102 – Mutual Funds of the Canadian Securities Administrators, as amended from time to time;
- (vii) invest more than 20% of Total Assets in income trust units;
- (viii) purchase real estate;
- (ix) make short sales of securities or maintain short positions;
- (x) 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;
- (xi) other than pursuant to the Loan Facility, borrow or enter into leverage transactions and, in respect of the Loan Facility, the Fund will not borrow 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;
- (xii) guarantee the securities or obligations of any person other than the Manager, and then only in respect of the activities of the Fund;
- (xiii) make or hold any investment that would result in the Fund failing to qualify as a “mutual fund trust” within the meaning of the *Income Tax Act* (Canada) (the “Tax Act”);
- (xiv) 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, any such transaction is effected through normal market facilities and the purchase price approximates the prevailing market price;

- (xv) 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;
- (xvi) invest in the securities of any non-resident corporation, 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 or invest in any non-resident trust other than an “exempt foreign trust”, as set forth in the proposed amendments to the Tax Act dealing with foreign investment entities and non-resident trusts released on November 9, 2006 (or amendments to such proposals or provisions as enacted into law or successor provisions thereto);
- (xvii) invest in any security that is a “tax shelter investment” within the meaning of section 143.2 of the Tax Act;
- (xviii) invest in any security of an issuer that would be a foreign affiliate of the Fund for purposes of the Tax Act; or
- (xix) make or hold any investments that would result in the Fund itself being subject to the tax proposed in respect of “SIFT trusts” (as contemplated in the proposed amendments to the Tax Act contained in Bill C-52, which received first reading in the House of Commons on March 29, 2007 (or amendments to such proposals as enacted into law or successor provisions thereto)).

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 investment or Total Assets will not be considered a violation of the investment restrictions (except for the restrictions in paragraphs (i), (xi), (xii), (xiii), (xvi), (xvii), (xviii) and (xix) above which must be complied with at all times and which may necessitate the selling of 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.

Subject to the receipt of any required regulatory approval, the Fund may, from time to time, invest in or continue to hold securities of related parties of the Investment Advisor, namely Manulife Financial Corporation, provided that the decision to buy, sell or hold such securities is in the best interests of the Fund and the Fund's investors, and is made in accordance with: (i) the investment objectives and restrictions of the Fund; and (ii) applicable regulatory rules, the terms of any regulatory approval, if necessary and approval of the Fund's Independent Review Committee.

Loan Facility

The Fund may enter into a loan facility (the "Loan Facility") with a financial institution. Initially, the Manager does not expect to utilize a Loan Facility. However, the Manager will consider entering into the Loan Facility when market conditions provide opportunities to attempt to increase the potential returns of the Fund by taking advantage of the spread between the potential return on additional investments in the Fund and the cost of borrowing the purchase price for such investments.

Any Loan Facility would permit the Fund to borrow an amount not exceeding 25% of the value of the Total Assets of the Fund (at any time) which may be used by the Fund to purchase additional Portfolio securities and for working capital purposes. In the event that the total amount borrowed by the Fund for the purpose of purchasing Portfolio securities at any time exceeds 25% of the value of the Total Assets of the Fund, the Investment Advisor will sell Portfolio securities in an orderly manner and use the proceeds thereof to reduce indebtedness so that the amount borrowed by the Fund under this portion of the Loan Facility does not exceed 25% of the value of the Total Assets of the Fund.

The Fund may fix the interest rate on the portion of any Loan Facility used to purchase Portfolio securities to eliminate the risk of rising interest rates on that part of such Loan Facility. The Fund expects that the terms, conditions, interest rates, fees and expenses of and under any Loan Facility will be typical for loans of this nature. The lender will be at arm's length to the Fund, the Manager, the Investment Advisor and its respective affiliates and associates. The Fund anticipates that the lender with respect to any loan facility will require the Fund to provide a security interest in some or all of its assets in favour of the lender to secure such borrowings. The Manager will ensure that any loan agreement will provide that in the event of default, the lender's recourse will be limited to the assets of the Fund.

Securities Lending

In order to generate additional returns, the Fund may lend Portfolio securities to securities borrowers acceptable to the Fund pursuant to the terms of a securities lending agreement between the Fund and any such borrower under which: (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. If a securities lending agent is appointed for the Fund, such agent will be responsible for the ongoing administration of the securities loans, including the obligation to mark-to-market the collateral on a daily basis.

Use of Derivative Instruments

The Fund does not currently intend to use derivative instruments, except that the Fund may invest in or use derivative instruments for hedging purposes consistent with its investment objectives and investment strategy, subject to its investment restrictions.

Eligibility for Investment

Provided that either the Fund qualifies as a “mutual fund trust” for the purposes of the Tax Act at all times, Units are listed on the TSX, Units will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans and registered education savings plans.

DESCRIPTION OF UNITS

General

The Fund is authorized to issue an unlimited number of redeemable, transferable Units of a single class, each of which represents an equal, undivided interest in the net assets of the Fund. Fractional Units will not be issued.

Each Holder is entitled to one vote for each Unit held, except in relation to an Extraordinary Resolution as described below, and to participate equally with respect to all distributions made out of the Fund’s assets. However, to the extent that any of them holds Units from time to time, none of the Manager, insiders of the Fund (where used in this annual information form, “insider” is as defined in the *Securities Act* (Ontario)), affiliates, associates, and insiders of the Manager, and any director or officer of such persons shall be entitled to vote on any Extraordinary Resolution to be adopted by the Holders. On termination of the Fund, all Holders of record holding outstanding Units are entitled to receive their *pro rata* share of any assets of the Fund. See “Termination of the Fund” below.

For a description of the redemption rights of Holders, see “Redemption of Units” below.

Distributions

In accordance with the Fund’s investment objective, the Fund intends to make monthly distributions to Holders of record on the last business day of each month. Distributions will be paid on a business day designated by the Manager that will be no later than the 10th business day of the following month. Distributions on Units will be funded primarily from dividends and other distributions received by the Fund on securities in the Portfolio and net realized capital gains and may include a return of capital.

The amount of distributions in any particular calendar month will be determined by the Manager having regard to the investment objectives of the Fund, the net realized capital gains and net income of the Fund, if any, during the calendar month and in the year to date, the net realized capital gains and net income of the Fund anticipated in the balance of the year and distributions made in previous months.

Amounts distributed on the Units that represent returns of capital are generally nontaxable to a Holder but reduce the Holder’s adjusted cost base of the Units for tax purposes.

If the Fund’s net income for tax purposes, including net realized taxable capital gains, for any year exceeds the aggregate amount of the regular monthly distributions made in the year to Holders, the Fund will also pay one or more special distributions in such year to Holders as is necessary to ensure that the Fund will not be liable for income tax on such amounts under the Tax Act (after taking into account all available deductions, credits and refunds). Unless the Manager otherwise determines, all special distributions will be paid to Holders (net of any applicable withholding tax) in Units, after which the Units will be automatically consolidated into the number of Units outstanding immediately prior to the distribution.

Mandatory Market Purchase Program

To enhance liquidity and to provide market support for the Units, the Fund will have a mandatory market purchase program under which the Fund will, subject to the following exceptions and to compliance with any applicable regulatory requirements, be obligated to purchase any Units offered in the market at the then prevailing market price if, at any time, the price at which Units are then offered in the market is less than 95% of the latest determined NAV per Unit (as defined below). The maximum number of Units to be purchased by the Fund pursuant to such mandatory market purchase program in any calendar quarter will be 1.25% of the number of Units outstanding at the beginning of such calendar quarter. In addition, the Fund will not be obligated to make such purchases, if among other things: (i) the Manager reasonably believes that the Fund would be required to make an additional distribution in respect of the year to Holders of record on the last Valuation Date (as defined below) in December of a year in order that the Fund

will generally not be liable to pay income tax after the making of such purchase; (ii) in the opinion of the Manager, the Fund lacks the cash, debt capacity or other resources to make such purchases; or (iii) in the opinion of the Manager, such purchases would adversely affect the ongoing activities of the Fund or the remaining Holders. In addition, the Fund will have the right (but not the obligation), exercisable in its sole discretion, at any time to purchase additional Units in the market, subject to any applicable regulatory requirements and limitations.

Holder Matters

The Fund will not issue additional Units, except: (i) for net proceeds per Unit of not less than 100% of NAV per Unit; (ii) by way of Unit distributions; or (iii) with the approval of Holders by resolution passed by at least 66²/₃% of the votes cast at a meeting called and held for such purpose (an “Extraordinary Resolution”).

The Trustee may, at any time, convene a meeting of the Holders and will be required to convene a meeting on receipt of a request in writing from the Manager or of the Holders holding 10% or more of the outstanding Units, which request must specify the purpose or purposes for which such meeting is to be called. Otherwise, the Fund need not generally hold annual meetings of Holders.

The quorum at any meeting of all Holders is two beneficial Holders present in person or by proxy except for the purpose of any meeting called to consider a change of the manager of the Fund, other than a change resulting in an affiliate of such person assuming such position, in which case the quorum shall be Holders holding 15% of the outstanding Units. If no quorum is present at such meeting when called, the meeting, if called on the requisition of Holders or for the purpose of a change of the manager of the Fund, will be terminated and otherwise will be adjourned for not less than 10 days and at the adjourned meeting the Holders then present in person or represented by proxy will form the necessary quorum. At any meeting of Holders, each Holder will be entitled to one vote for each whole Unit registered in the Holder’s name. Pursuant to the Trust Declaration, the following matters require the approval of Holders by Extraordinary Resolution, other than items (e) and (f), which require approval of Holders by a simple majority vote at a meeting called and held for such purpose:

- (a) a change in the investment objectives of the Fund as described in the Prospectus;
- (b) a change in the investment restrictions of the Fund as described in the Prospectus;
- (c) any change in the basis of calculating fees or other expenses that are charged to the Fund which could result in an increase in charges to the Fund other than a fee or expense charged by a person or company that is at arm’s length to the Fund;

- (d) a change of the manager of the Fund, other than a change resulting in an affiliate of such person assuming such position;
- (e) except as described herein, a change in the trustee of the Fund, other than a change resulting in an affiliate of such person assuming such position;
- (f) a change in the auditors of the Fund;
- (g) a reorganization with, or transfer of assets to, a mutual fund trust, if (i) the Fund ceases to continue after the reorganization or transfer of assets; and (ii) the transaction results in Holders becoming securityholders in the mutual fund trust;
- (h) a reorganization with, or acquisition of assets of, a mutual fund trust, if (i) the Fund continues after the reorganization or acquisition of assets; (ii) the transaction results in the securityholders of the mutual fund trust becoming Holders; and (iii) the transaction would be a significant change to the Fund;
- (i) a termination of the Fund prior to the Termination Date (as defined below), other than as described under “Termination of the Fund”;
- (j) an amendment, modification or variation in the provisions or rights attaching to the Units;
- (k) the issuance of additional Units, other than: (i) for net proceeds equal to or greater than 100% of the most recently calculated NAV per Unit calculated prior to the pricing of such issuance; or (ii) by way of Unit distribution; and
- (l) a reduction in the frequency of calculating the NAV per Unit.

Amendments to the Trust Declaration

The Manager may, without the approval of or notice to Holders, amend the Trust Declaration for certain limited purposes specified therein, including to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Trust Declaration and any provisions of any law or regulation applicable to or affecting the Fund;
- (b) make any change or correction in the Trust Declaration which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;

- (c) bring the Trust Declaration into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities industry, provided that any such amendment does not adversely affect the rights, privileges or interests of the Holders;
- (d) maintain, or permit the Manager to take such steps as may be desirable or necessary to maintain, the status of the Fund as a “mutual fund trust” and a “unit trust” for the purposes of the Tax Act; or
- (e) provide added protection to Holders.

Except for changes to the Trust Declaration which require the approval of Holders or changes described above which do not require approval of or prior notice to Holders, the Trust Declaration may be amended from time to time by the Manager upon not less than 30 days’ prior written notice to Holders.

Non-Resident Holders

At no time may “non-residents” of Canada and/or partnerships that are not “Canadian partnerships” within the meaning of the Tax Act (or any combination thereof) (collectively, “non-residents”) be the beneficial owners of a majority of the Units, and the Manager shall inform the registrar and transfer agent of the Fund of this restriction. The Manager may require declarations as to the jurisdictions in which a beneficial owner of Units is resident and, if a partnership, its status as a Canadian partnership. If the Manager becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units then outstanding are, or may be, non-residents, or that such a situation is imminent, the Manager may make a public announcement thereof. If the Manager determines that more than 40% of the Units are beneficially held by non-residents, or that such a situation is imminent, the Manager may send a notice to such non-resident Holders, chosen in inverse order to the order of acquisition or in such manner as the Manager may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 30 days. If the Holders receiving such notice have not sold the specified number of Units or provided the Manager with satisfactory evidence that they are not non-residents, each within the period specified in the notice, the Manager may, on behalf of such Holders, sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be beneficial holders of Units and their rights shall be limited to receiving the net proceeds of sale of such Units.

Notwithstanding the foregoing, the Manager may determine not to take any of the actions described above if the Manager has been advised by legal counsel that the failure to take any of 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.

Termination of the Fund

The Fund does not have a fixed termination date. However, the Fund may be terminated at any time (the “Termination Date”) upon not less than 90 days written notice by the Manager provided that the prior approval of Holders has been obtained by a majority vote at a meeting of Holders called for that purpose; provided, however, that the Manager may, in its discretion, on 60 days notice to Holders, terminate the Fund without the approval of Holders prior to the Termination Date if, in the opinion of the Manager, the NAV of the Fund is reduced as a result of redemptions or otherwise so that it is no longer economically feasible to continue the Fund and it would be in the best interests of the Holders to terminate the Fund. Upon termination, the net assets of the Fund will be distributed to Holders on a *pro rata* basis. Immediately prior to the termination of the Fund, including on the Termination Date, the Manager will, to the extent possible, convert the assets of the Fund to cash and after paying or making adequate provision for all of the Fund’s liabilities, distribute the net assets of the Fund to the Holders as soon as practicable after the date of termination.

Valuation of Units

The net asset value (“NAV”) of the Fund on a particular date will be equal to the aggregate value of the assets of the Fund less the aggregate value of the liabilities of the Fund, including any income, net realized capital gains or other amounts payable to Holders on or before such date expressed in Canadian dollars at the applicable exchange rate on such date. The NAV per Unit on any day will be obtained by dividing the NAV of the Fund on such day by the number of Units then outstanding.

The NAV of the Fund and NAV per Unit will be calculated by the Manager or its affiliate as of 4:00 p.m. (Toronto time) or such other time the Manager deems appropriate (the “Valuation Time”) on the following days (each, a “Valuation Date”): (i) each Thursday during the year (or, if a Thursday is not a business day, then on the business day following such Thursday); (ii) each Monthly Redemption Date (as defined below); (iii) each Annual Redemption Date (as defined below); and (iv) such other dates as the Manager considers appropriate.

Calculation of Net Asset Value

In determining the NAV of the Fund, at any time the Manager will take into account the following (provided that NAV shall be calculated in accordance with applicable laws):

- (i) the value of any cash on hand or on deposit, prepaid expenses, cash dividends and other distributions declared and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless the Manager determines that any such asset is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Manager determines to be the fair value thereof;

- (ii) bonds, debentures and other debt securities shall be valued by taking the average of the bid and ask prices at the Valuation Time on the Valuation Date. Short-term investments including notes and money market instruments shall be valued at cost plus accrued interest;
- (iii) any security that is listed or dealt in on a stock exchange shall be valued at the sale price last reported at the Valuation Time on the Valuation Date on the principal stock exchange on which such security is traded, or, if no sale price is available at that time, the last closing price quoted for the security, but if bid and ask quotes are available, at the average of the latest bid and asked price rather than at the last quoted closing price;
- (iv) any security purchased, the purchase price of which has not been paid, shall be included for valuation purposes as a security held, and the purchase price, including brokers' commissions and other expenses, shall be treated as a liability of the Fund;
- (v) any security sold but not delivered, pending receipt of the proceeds, shall be valued at the net sale price;
- (vi) illiquid securities shall be valued at the lesser of the value thereof based on reported quotations in common use and that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage that the Fund's acquisition cost was of the market value of such securities at the time of acquisition; provided that a gradual taking into account of the actual value of such securities may be made where the date on which the restriction will be lifted is known;
- (vii) the value of any futures contract or forward contract shall be the gain or loss with respect thereto that would be realized if, at the Valuation Time, the position in the futures contract, or the forward contract, as the case may be, were to be closed out unless daily limits are in effect in which case fair value shall be based on the current market value of the underlying interest;
- (viii) debt-like securities and listed warrants shall be valued at the current market value thereof;
- (ix) if any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Manager to be inappropriate under the circumstances, then notwithstanding the

foregoing rules, the Manager shall make such valuation as it considers fair and reasonable;

- (x) the value of all assets of the Fund quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable to the Fund in foreign currency and the value of all liabilities and contractual obligations payable by the Fund in foreign currency shall be determined using the applicable rate of exchange current at, or as nearly as practicable to, the applicable date on which NAV is determined; and
- (xi) estimated operating expenses shall be accrued to the date as of which the NAV is being determined.

Monthly redemptions and redemptions of Units will be taken into account when calculating the NAV.

National Instrument 81-106 Investment Fund Continuous Disclosure (“NI 81-106”) requires an investment fund, such as the Fund, to calculate its net asset value in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). Canadian GAAP was recently modified by the introduction of section 3855 *Financial Instruments – Recognition and Measurement* of the handbook of the Canadian Institute of Chartered Accountants. Section 3855 redefines fair value as being the closing bid price for long positions and the closing ask price for short positions, in lieu of the closing or last trade price for all positions. Section 3855 applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2006. Therefore, the combined effect of NI 81-106 and section 3855 would require the Fund to determine the value of securities listed on a recognized public securities exchange or on NASDAQ using the fair value as defined by section 3855, instead of the valuation principles described above. However, the Canadian securities regulatory authorities have issued a related decision (the “CSRA Decision”) which permits an investment fund, such as the Fund, to calculate its net asset value in accordance with Canadian GAAP without giving effect to section 3855 (“Modified GAAP”) for purposes other than issuing annual or interim financial statements, such as the issue and redemption of Units.

Financial statements of the Fund will contain a reconciliation of the net asset value that is reported in such financial statements in accordance with Canadian GAAP to the net asset value used by the Fund for all other purposes as determined in accordance with Modified GAAP. Unless the CSRA Decision is extended, the exemptive relief granted by it will terminate on the earlier of September 30, 2008 and the date on which amendments to NI 81-106 come into effect with respect to the calculation of net asset value.

The NAV per Unit will be provided by the Manager to Holders on request by calling toll-free 1.866.745.5545 ext. 3173 or via the Internet at www.frontieralt.com.

REDEMPTION OF UNITS

Annual Redemption of Units

Commencing in 2008, Units may be surrendered annually for redemption during the period from May 15th until 5:00 p.m. (Toronto time) on the 20th business day before the last business day in June of each year (the “Notice Period”) subject to the Fund’s right to suspend redemptions in certain circumstances. Units surrendered for redemption during the Notice Period will be redeemed on the second last business day of June of each year (the “Annual Redemption Date”) and the Holder will receive payment on or before the 15th day following the Annual Redemption Date.

Redeeming Holders will be entitled to receive a redemption price per Unit equal to the NAV per Unit determined as of the Annual Redemption Date, less any costs and expenses incurred by the Fund in connection with funding the redemption (the “Annual Redemption Amount”). Any unpaid distribution payable on or before the Annual Redemption Date in respect of Units tendered for redemption on such Annual Redemption Date will also be paid on the same day as the redemption proceeds are paid. The NAV per Unit will vary depending on a number of market factors, including interest rates and volatility in the equity, fixed income and income trust markets.

Monthly Redemption of Units

Units may be surrendered for redemption in any month. Units properly surrendered for redemption by a Holder prior to 5:00 p.m. (Toronto time) on the 10th business day before the last business day of a month will be redeemed on the last day of that month (“Monthly Redemption Date”) and the Holder will receive payment on or before the 15th business day following such Monthly Redemption Date, subject to the Fund’s right to suspend redemptions in certain circumstances.

A Holder who properly surrenders a Unit for redemption will receive the amount, if any, equal to the lesser of (A) 96% of the weighted average trading price of the Units on the TSX during the 15 trading days preceding the applicable Monthly Redemption Date, and (B) the “closing market price” of the Units on the principal market on which the Units are quoted for trading on the applicable Monthly Redemption Date. The “closing market price” is an amount equal to (i) the closing price of the Units if there was a trade on the applicable Monthly Redemption Date and the market provides a closing price; (ii) the average of the highest and lowest prices of the Units if there was trading on the applicable Monthly Redemption Date and the market provides only the highest and lowest prices of the Units traded on a particular day; or (iii) the average of the last bid and last asking prices of the Units if there was no trading on the applicable Monthly Redemption Date. Notwithstanding the foregoing, a Holder who properly surrenders a Unit for redemption during the Notice Period for an annual redemption will receive the Annual Redemption Amount.

Exercise of Redemption Right

An owner of Units who desires to exercise redemption privileges thereunder must do so by causing a CDS Participant (a participant in CDS Clearing and Depository Services Inc. (“CDS”) through which that Holder holds Units being a “CDS Participant”) to deliver to CDS on behalf of the owner a written notice (the “Redemption Notice”) of the owner’s intention to redeem Units. An owner who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption privilege sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS and so as to permit CDS to deliver notice to the registrar and transfer agent of the Fund in advance of the required time. The form of Redemption Notice will be available from a CDS Participant or the registrar and transfer agent. Any expense associated with the preparation and delivery of Redemption Notices will be for the account of the owner exercising the redemption privilege.

Suspension of Redemptions

The Manager may suspend the redemption of Units or payment of redemption proceeds: (i) during any period when normal trading is suspended on a stock exchange or other market on which securities owned by the Fund are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the total assets of the Fund, without allowance for liabilities, and if these securities are not traded on any other exchange that represents a reasonably practical alternative for the Fund; or (ii) with the prior permission of the Canadian securities regulators where required, for any period not exceeding 30 days during which the Manager determines 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 to which payment has not been made, as well as to all requests received while the suspension is in effect. All Holders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first business day following the termination of the suspension. All such Holders 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 day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager shall be conclusive.

RESPONSIBILITY FOR FUND OPERATIONS

Manager and Trustee

The Manager is the trustee and acts as manager of the Fund and, as such, is responsible for providing managerial, administrative and compliance services to the Fund including engaging the Investment Advisor to acquire the Portfolio securities on behalf of

the Fund and for providing or arranging for required administrative services to the Fund including, without limitation: authorizing the payment of operating expenses incurred on behalf of the Fund; preparing financial statements and financial and accounting information as required by the Fund; ensuring that Holders are provided with financial statements (including interim and annual financial statements) and other reports as are required by applicable law from time to time; ensuring that the Fund complies with regulatory requirements and applicable stock exchange listing requirements; preparing the Fund's reports to Holders and the Canadian securities regulators; determining the amount of distributions to be made by the Fund; negotiating contractual agreements with third party providers of services, including custodians, registrars, transfer agents, auditors and printers; and arranging for any payment required on or about the Termination Date.

Pursuant to the Trust Declaration, the Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Holders and to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. The Trust Declaration provides that the Manager will not be liable in carrying out its duties under the Trust Declaration except in cases of wilful misconduct, bad faith, negligence or the disregard of its obligations or duties or breach of its standard of care and duty. The Manager and each of its directors, officers, and employees will be indemnified by the Fund for all liabilities and expenses reasonably incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Manager or any of its officers, directors or employees in the exercise of its duties under the Trust Declaration, except those resulting from such person's wilful misconduct, bad faith, negligence, disregard of such person's obligations or duties or breach of their standard of care in relation to the matter in respect of which indemnification is claimed.

The Manager is entitled to receive fees from the Fund as described under "Fees and Expenses".

Termination of the Manager

Unless the Manager resigns or is removed as described below, the Manager will continue as trustee until the termination of the Fund. The Manager or any successor trustee may resign upon 60 days' written notice to Holders, and the Manager is deemed to have resigned in certain circumstances, including if the Manager becomes bankrupt or insolvent or in the event the Manager ceases to be resident in Canada for the purposes of the Tax Act. The Manager may not be removed other than by an Extraordinary Resolution of the Holders in the event the Manager is in material breach or default of the provisions of the Trust Declaration and, if capable of being cured, such breach or default had not been cured within 20 business days' notice of such breach or default. Any such resignation or removal shall become effective only upon the appointment of a successor trustee. If the Manager resigns or is removed by Holders, its successor must be approved by Holders. If, after the resignation or removal of the Manager, no successor has been appointed within 90 days, the Manager or any Holder may apply to a court of competent Jurisdiction for the appointment of a successor trustee. If a successor trustee is not appointed, the Fund shall be terminated.

Directors and Officers of the Manager

The principal office of the Manager is located at 350 Bay Street, Suite 1300, Toronto, Ontario M5H 2S6, reachable by telephone at: (866) 745-5545 Ext. 3173, email: info@frontieralt.com and by the web at www.frontieralt.com. The name, municipality of residence, position with the Manager and principal occupation of each of the directors and officers of the Manager are set out below:

Name and Municipality of Residence	Position with Manager	Principal Occupation
Mohamed Asif Khan, Toronto, ON	Chairman, Chief Executive Officer and Director	Chairman and Chief Executive Officer
Akbar Habib Muscat, Sultanate of Oman	Deputy Chairman and Director	Deputy Chairman and Director Group CEO, ONIC Holding
Feico Leemhuis Montreal, Quebec	Director	President of Rimac Financial Inc.
Terrie-Lynne Devonish Toronto, Ontario	Director	General Counsel, Aon Re Canada Inc.
Walter Martin Elmira, Ontario	Director	Corporate Director
Michael Newbury Toronto, Ontario	Director	Corporate Director
Kurankye Sekyi-Otu Toronto, Ontario	Executive Vice President	Executive Vice President, Sales of the Manager
Ron Sanchez Markham, Ontario	Vice President, Finance	Vice President, Finance of the Manager

The following is a brief description of the background of the directors and officers of the Manager:

Mohamed Asif Khan was Senior Vice President of StrategicNova Mutual Funds Inc. from 1998 until it was sold in 2002, prior to co-founding the Manager. Mr. Khan was a member of the product development team at StrategicNova and at Goodman & Company Investment Counsel Ltd. where Mr. Khan was Vice President prior to joining StrategicNova. Mr. Khan is a director of the general partner of each of, frontierAlt Energy 2006 Flow-Through Limited Partnership and frontierAlt Energy 2006-II Flow-Through Limited Partnership and the Chairman and Chief Executive Officer of MAK, Allen & Day Capital Partners.

Akbar Habib has over 20 years experience in the financial industry. Since April 2002, he has been Group Chief Executive Officer of ONIC Holding. Prior to joining ONIC Holding, he was the Director of Revenues in the Civil Services Pension Fund from April 2000 to March 2002. He was also the Chief Manager of Oman International Bank from

1999 to 2000 and worked in the Treasury and Investment Departments in the Central Bank of Oman from 1986 to 1999.

Feico Leemhuis has been President of Rimac Financial Inc., an investment advisor, since 1985.

Terrie-Lynne Devonish is General Counsel at Aon Re Canada Inc. Previous positions include General Counsel Primus Telecommunications Canada Inc., General Counsel and Corporate Secretary at HSBC Securities (Canada) Inc. (2000 – 2004) and Associate at the law firm of Fraser Milner Casgrain LLP (1997 – 2000). Terrie-Lynne received a B.A. from le Collège Glendon, York University in 1992 and an LL.B from Osgoode Hall Law School in 1995. She was called to the Ontario bar in 1997. Terrie-Lynne is a member of the Board of Governors of York University and is on the Executive Committee of the Canadian Bar Association (Ontario) – Corporate Counsel Section.

Walter Martin has been active in the investment management business for over 25 years. Mr. Martin managed Brightside Financial Services Inc., a securities dealership, from its founding in 1983 until 1999, where he served as President from 1986. After Brightside Financial Services Inc. merged with Assante Capital Management in 1996, Mr. Martin served as a director of Assante Capital Management until 1999. Mr. Martin is a director of Plan Plus Inc. and St. Jacobs Country Inn.

Michael Newbury is a project finance specialist with over 35 years experience in the operation, financing and evaluation of natural resource projects - primarily in mining. Mr. Newbury managed Barclays Bank's world mining group and Credit Suisse Corporate Banking Group. He was one of the initial partners in Endeavour Financial and provided his technical expertise to that group for over 10 years. Mr. Newbury is currently a director of Richview Resources, Simberi Mining and Renforth Resources. Mr. Newbury received a B.Sc. from Queen's University and a M.Sc. from McGill University.

Kurankye Sekyi-Otu has over 13 years financial services experience. Prior to cofounding frontier*Alt*, he was Regional Vice-President for Mackenzie Financial from 2001 to 2003 responsible for sales among bank-owned dealers in the Greater Toronto Area. Prior to Mackenzie Financial, Mr. Sekyi-Otu was Director, Debt Capital Markets at CIBC World Markets where he was responsible for marketing all fixed-income securities as well as equity and interest rate structured products through CIBC Wood Gundy investment advisors. Mr. Sekyi-Otu's fixed income experience also includes trading US-Pay strip bonds at CIBC World Markets. He holds an Honours Bachelor of Arts Degree in Economics from York University and holds the Canadian Investment Manager (CIM), Fellow of the Canadian Securities Institute (F.C.S.I) and Chartered Financial Analyst (CFA) designations. Mr. Sekyi-Otu is also President and a director of frontier*Alt* Funds Management Limited and a director of frontier*Alt* Oasis Funds Management Inc.

Ron Sanchez has over 15 years of experience in the accounting and finance industry. Prior to joining the Manager in November 2003, Mr. Sanchez was Senior Accountant for the US division of Interactive Media Group from September 1997 to October 2003 and

was instrumental in implementing various accrual-tracking systems, and corporate policies and procedures for corporate governance.

Investment Advisor

MFC Global Investment Management (Canada), a division of Elliott & Page Limited, a subsidiary of Manulife Financial Corporation, is the investment advisor of the Fund. The principal office of the Investment Advisor is located at 200 Bloor Street East, Toronto, Ontario, Canada M4W 1E5.

The Investment Advisor provides investment advisory and portfolio management services to the Fund with respect to the Portfolio pursuant to an investment advisory agreement dated as of December 12, 2006 (the “Investment Advisory Agreement”) between the Manager, the Fund and the Investment Advisor. Decisions regarding the purchase and sale of Portfolio securities and the execution of transactions for the Portfolio are made by the Investment Advisor, in accordance with and subject to the terms of the Investment Advisory Agreement. Subject to the terms of the Investment Advisory Agreement, the Investment Advisor will implement the investment strategy for the Portfolio on an ongoing basis.

Under the Investment Advisory Agreement, the Investment Advisor covenants to act at all times on a basis which is fair and reasonable to the Manager and the Fund, to act honestly and in good faith with a view to the best interests of the Fund and the Holders and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent portfolio manager would exercise in the circumstances. The Investment Advisory Agreement provides that the Investment Advisor will not be liable in any way to the parties indemnified under the Investment Advisory Agreement for any default, failure or defect in any of the securities comprising the Portfolio if it satisfied the standard of care, diligence and skill set forth above. The Investment Advisory Agreement further provides that the Investment Advisor will not be liable for any losses in the NAV of the Fund if it has satisfied the standard of care, diligence and skill set forth above. Pursuant to the Investment Advisory Agreement, the Investment Advisor and its officers, directors and employees shall be indemnified, from the assets of the Fund, against all losses (other than loss of profits), expenses and liabilities incurred by any of them in connection with any matter relating to their respective duties under the Investment Advisory Agreement, unless any such indemnified person is finally adjudicated to have committed a material breach or default of its obligations under the Investment Advisory Agreement or an act or omission involving wilful misfeasance, bad faith, negligence or reckless disregard of such person’s duties under the Investment Advisory Agreement.

The Manager is responsible for payment of the investment management fees of the Investment Advisor out of the Manager’s fees.

Termination of the Investment Advisor

The Investment Advisory Agreement, unless terminated as described below, will continue until the Termination Date. The Investment Advisor may terminate the Investment Advisory Agreement, without payment of any penalty, including in the following circumstances: (i) upon 90 days' notice; (ii) in the event that the Manager is in material breach of the Investment Advisory Agreement and the material breach has not been cured within 20 business days' notice thereof to the Manager; (iii) on 30 days' notice if there is a material change in the investment objectives, strategies and/or restrictions of the Fund to which the Investment Advisor has not previously agreed; (iv) if there is a dissolution and commencement of winding-up of the Fund; (v) if the Fund becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors or a receiver is appointed in respect of the Fund or a substantial portion of its assets; or (vi) if the assets of the Fund become subject to seizure or confiscation by any public or governmental organization.

The Manager may terminate the Investment Advisory Agreement, without payment of any penalty, including in the following circumstances: (i) upon 90 days' notice; (ii) in the event that the Investment Advisor is in material breach of the Investment Advisory Agreement and the material breach has not been cured within 20 business days' notice thereof to the Investment Advisor; (iii) if there is a dissolution and commencement of winding-up of the Investment Advisor; (iv) if the Investment Advisor becomes bankrupt or insolvent or makes a general assignment for the benefit of the creditors or a receiver is appointed in respect of the Investment Advisor or a substantial portion of the assets of the Investment Advisor; (v) if the assets of the Investment Advisor become subject to seizure or confiscation by any public or governmental organization; (vi) if the Investment Advisor has lost any registration, license or other authorization or cannot rely on an exemption therefrom required by the Investment Advisor for it to perform the services delegated to it thereunder; or (vii) if the Investment Advisor has breached its standard of care or acted with wilful misconduct, fraud or negligence and as a result of such action there has been a material adverse effect on the Portfolio or the Fund.

The Investment Advisory Agreement will not be subject to termination under clause (ii) in the preceding paragraph if a material breach by the Investment Advisor cannot be cured within 20 business days' notice thereof but the Investment Advisor commences the cure within the 20 business day period and completes the cure within 45 days of such notice. In addition, if the Investment Advisor purchases or sells a security for the Portfolio or takes any other action with respect to the assets of the Portfolio that through inadvertence violates any investment strategy or restriction set forth in the Investment Advisory Agreement and the violation has or will have a material adverse effect on the Portfolio, then it will not be considered a material breach for purposes of the termination right in clause (ii) in the preceding paragraph if the Investment Advisor takes action that returns the Portfolio to compliance with such investment strategy or restriction within the cure period described above, as the same may be extended by agreement in writing by all the parties to the Investment Advisory Agreement.

In the event that the Investment Advisory Agreement is terminated as provided above, the Manager shall promptly appoint one or more successor investment advisors to carry out the activities of the Investment Advisor until a meeting of Holders is held to confirm such appointment.

Key Personnel

The name of each of the Investment Advisor's portfolio managers that will be primarily responsible for the Portfolio and their principal occupations are as follows:

Name	Position with Investment Advisor and Principal Occupation
Danny Tomka	Vice-President & Senior Portfolio Manager, MFC Global
Prakash Chaudhari	Associate Portfolio Manager and Senior Investment Analyst, MFC Global
Alan Wicks	Vice President and Senior Portfolio Manager, MFC Global
Jonathan Popper	Assistant Vice President and Portfolio Manager, MFC Global
Duncan Anderson	Assistant Vice President and Portfolio Manager, MFC Global

The following is a brief description of the background of the portfolio managers of the Investment Advisor listed above:

Danny Tomka, B.Sc., P. Eng., CFA, *Senior Portfolio Manager*

Danny Tomka is Assistant Vice President and Portfolio Manager for MFC Global Investment Management. He is a member of the Canadian Large Cap Value team, and the lead manager for the Elliott & Page Global Dividend Fund, which invests in attractively-valued, dividend-paying companies world-wide. Danny joined MFC Global in 1997. He began his investment career in 1991 and worked as an investment analyst with Economic Investment Trust and CT Investment Management. Danny received his Bachelor of Science in Civil Engineering from Queen's University, and he holds the Chartered Financial Analyst designation.

Prakash Chaudhari, B.Sc. (Hons), M.B.A, CFA, *Associate Portfolio Manager and Senior Investment Analyst*

Prakash Chaudhari is an Associate Portfolio Manager and Senior Investment Analyst on the Value Equity team for MFC Global Investment Management. Prakash is responsible for the research and analysis of securities within the global equity universe for the Elliott & Page Global Dividend Fund. Prakash joined MFC Global in 2002. He worked as an Investment Analyst in MFC Global's Hong Kong office for three years, then returned to the Toronto office. Prakash has an Honours Bachelor of Science from Queen's University, a Master of Business Administration from the Schulich School of Business, York University, and holds the Chartered Financial Analyst designation.

Alan Wicks, B.A., CFA, *Vice President and Senior Portfolio Manager*

Alan Wicks, is Vice President and Senior Portfolio Manager for MFC Global Investment Management. He is responsible for MFC Global's Canadian Large Cap Value Equity team, managing both value equity and income portfolios. Alan is the team leader for the Elliott & Page Value Equity Fund, Elliott & Page Monthly High Income Fund, MIX Canadian Equity Value among other institutional value equity and income portfolios. Alan joined MFC Global Investment Management in 1996, and he has 16 years of investment industry experience. His educational background includes a Bachelor of Arts in Economics from the University of Toronto, and he holds the Chartered Financial Analyst designation.

Jonathan Popper, B.A., M.A., M.B.A., *Assistant Vice President and Portfolio Manager*

Jonathan Popper is Assistant Vice President and Portfolio Manager for the MFC Global Canadian Large Cap Value Equity team. Jonathan joined MFC Global Investment Management in 1999 and was part of the North American High Yield investment team. He is part of the MFC Global Canadian Value Equity team that manages both value equity and income trust portfolios. Prior to that, he worked with CIBC Investment Services and CIBC Wood Gundy. His educational background includes an Honours Bachelor of Arts from the University of Western Ontario, a Master of Arts and a Masters of Business Administration from York University.

Duncan Anderson, B.A., CFA, *Assistant Vice President and Portfolio Manager*

Duncan Anderson is Assistant Vice President and Portfolio Manager for MFC Global Investment Management. He is responsible for the analysis of Canadian equities and income trusts, and is part of the Canadian Value Equity investment management team that manages both value equity and income trust portfolios. Duncan joined the mutual fund arm of Manulife in 1999, moving to MFC Global Investment Management in 2002. His educational background includes a B.A. in Economics from York University, and he holds the Chartered Financial Analyst designation. The investment decisions made by the individuals set out above are not subject to the oversight, approval or ratification of a committee.

Brokerage Arrangements

The Investment Advisor is responsible for selecting members of securities exchanges, brokers and investment dealers for the execution of transactions in respect of the Fund's investments and, when applicable, the negotiation of commissions in connection therewith. The Fund is responsible to pay those commissions. The Investment Advisor will not use order execution services or other services of a broker or dealer for which the Fund is a connected issuer or related issuer, as defined in applicable securities legislation, unless the commissions, brokerage charges or other fees of such broker or dealer are no less favourable to the Fund than those which could be obtained from brokers or dealers at arm's length to the Fund.

The allocation of portfolio brokerage transactions is conducted by the Investment Advisor and is based on a number of factors, including the quality and efficiency of the available services, the competitiveness of their commissions, the reliability, integrity and

financial condition of the broker-dealer, size of the transaction and order execution and investment decision-making services provided. The Investment Advisor does not generally allocate brokerage business to affiliates.

In December, 2006, the Investment Advisor changed its internal policy to permit entering into “soft dollar” arrangements whereby client brokerage commission dollars may be used to obtain eligible order execution and/or investment decision-making services. All soft dollar arrangements are established in accordance with applicable laws including Ontario Securities Commission Policy 1.9. The Investment Advisor will not make any commitment to a broker/dealer to allocate a certain level of brokerage business in return for soft dollar services nor will transactions, under any circumstances, be undertaken solely for the purpose of generating soft dollar commissions. The overriding priority in broker/dealer selection will always be based on the standard of best execution in the marketplace.

To date, Fund brokerage commissions have not been used by the Investment Advisor to obtain soft dollar services. However, the Investment Advisor may from time to time in the future use some of the Fund’s brokerage commissions to obtain soft dollar services, which may take the form of research, portfolio analytics and company risk analysis, as well as other investment decision-making services.

Custodian

RBC Dexia Investor Services Trust (the “Custodian”) is the custodian of the Fund pursuant to a custodian agreement between the Fund and the Custodian dated December 12, 2006 (the “Custodian Agreement”). The Custodian’s principal place of business in respect of the Fund is Toronto, Ontario. The Custodian Agreement provides that the Custodian, except as described below, will receive and hold all cash, portfolio securities (including derivatives) and other assets of the Fund for safekeeping. The Custodian will receive fees for custodial services provided to the Fund. In the event that any portfolio assets are acquired by the Fund that cannot be held in Canada, the Custodian may appoint sub-custodians who are qualified to act as such. The Fund will indemnify and save harmless the Custodian and its directors, officers, and employees (the “Indemnified Parties”) from and against all taxes, duties, charges, costs, expenses, damages, claims, actions, demands and any other liability whatsoever to which the Indemnified Parties, or any of them, may become subject, including legal fees and expenses, in respect of anything done or omitted to be done in connection with the Custodian Agreement, except to the extent occasioned by the negligence, wilful misconduct or lack of good faith of any Indemnified Party. The Custodian Agreement provides that the agreement may be terminated by either party at any time on 30 days’ written notice. Either party may terminate the Custodian Agreement immediately in the event that either party is declared bankrupt or shall be insolvent, the assets or the business of either party shall become liable to seizure or confiscation by a public or governmental authority, or the Manager’s powers and authorities to act on behalf of or represent the Fund have been revoked or terminated.

Auditors

The auditors of the Fund are Smith Nixon LLP, Chartered Accountants, 390 Bay Street, Suite 1900, Toronto, Ontario M5H 2Y2. The auditors have been the auditors of the Fund since its formation.

Transfer Agent, Registrar and Distribution Disbursing Agent

Computershare Investor Services Inc., at its principal office in Toronto, has been appointed the transfer agent, registrar and distribution disbursing agent (the “Registrar and Transfer Agent”) for the Units pursuant to a transfer agent, registrar and distribution disbursing agent agreement between the Fund and the Registrar and Transfer Agent dated December 19, 2006 (the “Transfer Agent, Registrar and Distribution Disbursing Agent Agreement”). Pursuant to the agreement, the Fund agrees to indemnify and hold harmless the Registrar and Transfer Agent, its affiliates, their current and former directors, officers, employees and agents from and against any and all claims, demands, losses, penalties, costs, expenses, fees and liabilities, including, without limitation, legal fees and expenses, directly or indirectly arising out of, in connection with, or in respect of, the Transfer Agent, Registrar and Distribution Disbursing Agent Agreement, except where same results from gross negligence, wilful misconduct or bad faith on the part of the Registrar and Transfer Agent. The Transfer Agent, Registrar and Distribution Disbursing Agent Agreement may be terminated on 90 days’ prior written notice.

CONFLICTS OF INTEREST

The services of the Investment Advisor and its officers and directors are not exclusive to the Fund. The Investment Advisor, or any member of MFC Global Investment Management, may serve as an investment manager for other investment vehicles with similar investment objectives as the Fund and may at certain times be simultaneously seeking to purchase or dispose of investments for their respective accounts, the Fund, any similar entity for which any member of MFC Global Investment Management serves as manager or advisor and for their other clients or affiliates. In such circumstances the quantity of a security available at the same price may be insufficient to satisfy the requirements of every client, or the quantity of a security to be sold may be too large to be completed at the same time. Similarly, new issues of a security may be insufficient to satisfy the total requirements of all clients. Under such conditions, the Investment Advisor will allocate among clients, insofar as it is possible, such purchases or sales in accordance with their respective trade allocation policies in effect from time to time, generally on a *pro rata* basis.

The services of the Manager under the Trust Declaration are not exclusive and nothing in the Trust Declaration prevents the Manager from providing similar services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities.

Principal Holders

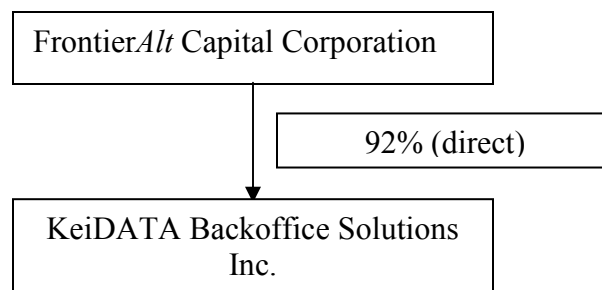
To the knowledge of the Manager, as at March 31, 2008, no person or company owns beneficially, either directly or indirectly, more than 10% of the outstanding Units. All of the Units are registered in the name of CDS & Co.

As at March 31, 2008, M. Asif Khan was the direct holder of record and beneficial owner of 9,564,768 common shares of the Manager, representing 50% of the issued and outstanding common shares of the Manager and Oman National Investment Corporation Holding (SAOG) (“ONIC”) was the direct holder of record and beneficial owner of 3,862,511 common shares of the Manager, representing 20% of the issued and outstanding common shares of the Manager. Other than M. Asif Khan and ONIC, there is no other shareholder holding 10% or more of voting securities of Manager.

Affiliated Entities

The Manager is the majority shareholder of KeiDATA Backoffice Solutions Inc. (“KeiDATA”) which provides NAV calculation services to the Fund and the Manager. The Manager and KeiDATA are affiliated because KeiDATA is a subsidiary of the Manager. The amount of any fees received by KeiDATA from a Fund is contained in the audited financial statements of the Fund.

Relationship between the Manager and KeiData



FUND GOVERNANCE

Independent Review Committee

NI 81-107 requires all publicly offered investment funds, such as the Partnership, to establish an independent review committee to whom the General Partner must refer all conflict of interest matters for review or approval. NI 81-107 also imposes obligations on the General Partner to establish written policies and procedures for dealing with conflict of interest matters, to maintain records in respect of those matters and to provide assistance to the independent review committee in carrying out its functions.

frontierAlt Capital has established an Independent Review Committee for all of the investment funds, including the Partnership, managed by it or its affiliates. The Independent Review Committee is composed of three individuals, each of whom will be independent of frontierAlt Capital and its affiliates. The initial members of the Independent Review Committee are Andrew Jones, Zareer Pavri and Michael Singer and their biographies are as follows:

Andrew Jones is currently a partner with Hawk Partners, a professional services company specializing in providing financial services to small and mid-sized companies. Prior to joining Hawk Partners, Mr. Jones was Vice President, Finance for the Ontario Teachers Pension Plan from 1995 to 2004 where he was responsible for all internal and external reporting, operational risk due diligence reviews and management of enterprise-wide business risk. Prior to joining the Ontario Teachers Pension Plan, Mr. Jones was Vice President & Corporate Controller for Olympia & York Development Limited. Mr. Jones holds a B.S.B.A. from Clarkson University and is a Chartered Accountant.

Zareer Pavri is President of Business Valuations & Strategy Inc., a company providing a variety of valuation-related services and strategy consulting. Prior to joining Business Valuations & Strategy Inc. in 2002, Mr. Pavri was Vice President, Financial Advisory Services Group, PricewaterhouseCoopers LLP from 1978 to 2002. While at PricewaterhouseCoopers LLP, Mr. Pavri provided valuation advisory services to transactions of values up to \$5 billion, including investor group support. Prior to PricewaterhouseCoopers LLP, Mr. Pavri was Assistant Manager at Thorne Riddell and Pro Manager with First National City Bank. Mr. Pavri is a Chartered Accountant and Chartered Business Valuator.

Michael Singer practices corporate, commercial and securities law in Toronto, Ontario and has been a member of the Ontario Bar since 1973. He is a director of Trust Opco, Calgary, Alberta and has been a director of Danbel Industries Corporation, since November 2002.

The mandate of the Independent Review Committee is to review, and provide input on, the General Partner's written policies and procedures that deal with conflict of interest matters and to review and, in some cases, approve conflict of interest matters. The Independent Review Committee will prepare, at least annually, a report of its activities for investors. This report will be available on frontierAlt Capital's website at www.frontieralt.com or a Limited Partner may request a copy, at no cost, by contacting frontierAlt Capital at 1-866-745-5545 ext. 3173. The first report of the Independent Review Committee will be available on and after April 29, 2008 and subsequent reports will be available on or about March 31 in each year. The fees and expenses of the Independent Review Committee, including the fees paid to each member and the reasonable expenses incurred by each member, will be paid by the Partnership and any other investment funds that the Independent Review Committee oversees pro rata to the time spent on the relevant fund's business and affairs. In addition, to the extent permitted under NI 81-107, the Partnership will indemnify the members of the Independent Review Committee for acting in such capacity.

Policies Regarding Derivatives

The Fund does not currently intend to use derivative instruments, except that the Fund may invest in or use derivative instruments for hedging purposes consistent with its investment objectives and subject to its investment strategy and investment restrictions. The Investment Advisor does not intend to use derivatives for non-hedging purposes. The Investment Advisor has written policies and procedures in place that set out the objectives, goals, and risk management procedures applicable to derivatives trading. The Investment Advisor's policies are reviewed on a regular basis. In addition, a compliance team monitors compliance with the Fund's investment objectives/restrictions including those with respect to derivatives. The Trustee does not have day-to-day involvement in this risk management process.

Proxy Voting Policies and Procedures

The Manager has delegated the right and obligation to vote proxies relating to the securities in the Portfolio to the Investment Advisor as part of the Investment Advisor's portfolio management responsibilities. The Investment Advisor has established a proxy voting policy (the "Proxy Voting Policy") that provides that the Investment Advisor will vote the securities in the Portfolio in the best interests of the Holders. The Proxy Voting Policy provides that routine, uncontested matters to be considered at annual general meetings will generally be voted in accordance with management's recommendations. More complex, non-routine matters (i.e. certain issues related to the compensation and liability of directors, amendments to the constating documents of an issuer, share and debt issuances, related party transactions, reorganizations, restructurings, shareholder proposals and proposals relating to corporate social responsibility) will be decided on a case-by-case basis.

The Proxy Voting Policy also provides procedures for dealing with potential conflicts of interest, the delegation of proxy voting services to third party service providers such as Institutional Shareholder Services Canada Corp. and recordkeeping obligations whereby the Investment Advisor will maintain records of all votes cast by the Fund. The Fund's proxy voting record for the annual period ending June 30, 2008 will be available at any time after August 31, 2008 to any Holder on request by contacting the Manager at 1.866.745.5545 ext. 3173, at no cost, and will also be available on the Internet at www.frontieralt.com.

Policies Regarding Business Practices

The Manager maintains a Code of Business Conduct (the "Code") which applies to all of its employees. This Code addresses business practices, including conflicts, confidentiality, privacy and other matters. The Manager has no policies, practices or guidelines relating to sales practices and risk management controls. The Code is in place to ensure that all employees of the Manager are working with the sole purpose of doing what is best for the clients with no real or perceived conflicts of interest. The Code

provides mandatory policies in respect of the conduct of business including conflicts of interest, privacy and confidentiality.

FEES AND EXPENSES

Management Fee

Pursuant to the terms of the Trust Declaration, the Manager is entitled to a monthly management fee equal to one-twelfth of 1.10% of the NAV of the Fund at month end, plus an amount equal to the Servicing Fee (described below), plus applicable taxes. Fees payable to the Manager will be paid monthly in arrears based on the NAV of the Fund as at the last Valuation Date of each month. The Investment Advisor will be remunerated by the Manager out of the management fee.

Ongoing Expenses

The Fund will pay for all ordinary expenses incurred in connection with its operation and administration. It is expected that these expenses will include, without limitation: mailing and printing expenses for periodic reports to Holders and other Holder communications including marketing and advertising expenses; fees payable to the registrar and transfer agent; any reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their on-going obligations to the Fund; fees payable to the auditors and legal advisors of the Fund; fees and expenses of the Independent Review Committee; regulatory filing, stock exchange and licensing fees; and any expenditures incurred upon the termination 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 is entitled to indemnity by the Fund. The Fund will also be responsible for any debt service and costs relating to any Loan Facility, fees associated with hedging activities and any extraordinary expenses which it may incur from time to time.

The Manager will pay to registered dealers a servicing fee (the “Servicing Fee”) equal to 0.40% annually of the NAV per Unit held by clients of the registered dealer (calculated and paid at the end of each calendar quarter).

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding, and disposition of Units by a Holder. This summary applies to a Holder who is an individual (other than a trust) and who, for the purposes of the Tax Act, is resident in Canada, deals at “arm’s length” with the Fund, and holds Units as capital property. This summary is also based on the assumptions that: (i) none of the issuers of the securities in the Portfolio will be “foreign affiliates” of the Fund or of any Holder for purposes of the Tax Act; (ii) none of the securities in the Portfolio will be a “tax shelter investment” within the meaning of section 143.2 of the Tax Act or a “participating interest” in a “tracking entity” or a “foreign investment entity” (other than an “exempt interest”) or an interest in a non-

resident trust (other than an “exempt foreign trust”) under Bill C-10; and (iii) at no time will the Fund be a “SIFT trust” within the meaning of the Tax Act.

This summary is based on the current provisions of the Tax Act and the regulations thereunder, the current administrative and assessing practices of the Canada Revenue Agency (the “CRA”) publicly released prior to the date hereof, and all specific proposals to amend the Tax Act and regulations thereunder publicly announced by the Minister of Finance (Canada) prior to the date hereof (such proposals referred to hereafter as the “Tax Proposals”). This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

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

Status of the Fund

This summary is based on the assumption that the Fund will qualify at all times as a “mutual fund trust” within the meaning of the Tax Act, that the Fund will validly elect under the Tax Act to be a mutual fund trust from the date it was established, and that the Fund has not been established and will not be maintained primarily for the benefit of non-residents and that not more than 50% (based on fair market value) of the Units will be held by “non-residents” of Canada or partnerships that are not “Canadian partnerships”, each as defined in the Tax Act, or any combination thereof. To qualify as a “mutual fund trust”: (i) the Fund must be a Canadian resident “unit trust” for purposes of the Tax Act; (ii) the sole undertaking of the Fund must be the investing of its funds in property (other than real property or interests in real property); and (iii) the Fund must comply on a continuous basis with certain minimum requirements relating to the dispersal of ownership of Units. This summary is also based on the assumption that the Fund will not be a “SIFT trust” within the meaning of the Tax Act. The Fund will be considered a SIFT trust in a taxation year if, at any time during the taxation year, it is resident in Canada, its securities are listed on a public market (e.g. TSX) and it holds one or more “non-portfolio properties”. Non-portfolio properties include property used by the Fund in the course of carrying on a business in Canada, certain types of direct or indirectly holdings of Canadian real estate or Canadian resource property if such holdings have a fair market value that is greater than 50% of the equity value of the Fund, investments in

a “subject entity” that have a fair market value greater than 10% of the particular subject entity’s “equity value,” and a subject entity where the Fund holds securities of it or its affiliates that have a total fair market value greater than 50% of the equity value of the Fund. A subject entity includes corporations resident in Canada, trusts resident in Canada and Canadian resident partnerships. If the Fund is a SIFT trust, the Fund would be prevented from deducting any part of the amount payable to its Holders in respect of (i) income from businesses it carries on in Canada or from its non-portfolio properties (exceeding any losses for the taxation year from such businesses or non-portfolio properties); and (ii) taxable capital gains from its dispositions of non-portfolio properties (exceeding its allowable capital losses from the disposition of such properties). Income which the Fund is prevented from deducting will be taxed in the Fund at corporate tax rates and distributions of such income received by Holders will be treated as “eligible dividends” payable to the Holders. Provided the Fund complies with its investment restrictions, the Fund will not be a SIFT trust.

Taxation of the Fund

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Holders in the year. The Fund intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year and, therefore, provided the Fund makes distributions in each year of its net income and net realized capital gains, it will generally not be liable in such year for income tax under Part I of the Tax Act.

With respect to each issuer included in the Portfolio that is a trust resident in Canada and is not a SIFT trust for the purposes of the Tax Act, the Fund will be required to include in the calculation of its income such portion of the net income, including net taxable capital gains, paid or payable to the Fund by the issuer in the year, notwithstanding that certain of such amounts may be reinvested in additional securities of the issuer. Provided that appropriate designations are made by the issuer, net taxable capital gains, foreign source income (including foreign taxes eligible as a foreign tax credit), and taxable dividends received or deemed to be received by the issuer from taxable Canadian corporations that are paid or payable to the Fund will effectively retain their character as such in the hands of the Fund. The Fund will generally be required to reduce the adjusted cost base of the securities of such an issuer to the extent that all amounts paid or payable in a year by such 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, the taxable portion of which was designated in respect of the Fund. To the extent that the adjusted cost base of those securities would otherwise become negative, such negative amount will be deemed to be a capital gain realized by the Fund and the Fund’s adjusted cost base of such securities will be increased by the amount of such deemed capital gain.

If the Fund were not to qualify as a mutual fund trust at all times, or is a SIFT trust, the income tax considerations described below would, in some respects, be materially different.

With respect to each issuer in the Portfolio that is a limited partnership and is not a “SIFT partnership” for the purposes of the Tax Act, the Fund will be required to include or, subject to certain restrictions, will be entitled to deduct, in computing its income, its share of the net income or loss for tax purposes of the limited partnership 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 units of a limited partnership at a particular time will be equal to the actual cost of such units plus the share of the income and capital gains of the limited partnership allocated to the Fund for fiscal years of the limited partnership ending before the particular time less the share of losses and capital losses of the limited partnership allocated to the Fund for fiscal years of the limited partnership ending before the particular time, and less the Fund’s share of any distributions received from the limited partnership before the particular time. If the adjusted cost base to the Fund of such units would otherwise be negative, such negative amount 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.

Each issuer in the Portfolio that is a “SIFT trust” or a “SIFT partnership” as defined under the Tax Act (which will generally include certain income trusts and partnerships, the units of which are listed on a stock exchange or other public market) (a “SIFT”) is subject to a special tax in respect of (i) income from business carried on in Canada, and (ii) certain income and capital gains in respect of “non-portfolio properties” (collectively, the “Non-Portfolio Earnings”). Non-Portfolio Earnings that are earned by a partnership that is a SIFT, or are distributed by a trust that is a SIFT to its unitholders, is taxed at a rate that is equivalent to the federal general corporate tax rate plus an amount on account of provincial tax. These rules do generally not apply in respect of issuers, units of which were publicly traded before November 1, 2006 for taxation years that end before 2011. Any Non-Portfolio Earnings that become payable to the Fund by an issuer that is a SIFT will be taxed as though it were a taxable dividend from a taxable Canadian corporation and will be deemed to be an “eligible dividend” for the purposes of the enhanced gross-up and dividend tax credit rules.

The Fund will also be required to include in its income for each taxation year, any dividends received (or deemed to be received) by it in such year on a Portfolio security and all interest that accrues to it to the end of the year, or 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.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income, generally including interest payable by the Fund on borrowed funds used to purchase securities to be included in the Portfolio.

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 which are not reinvested for an income earning purpose. If the CRA's view was to apply to the Fund, part of the interest payable by the Fund on money borrowed under any Loan Facility to acquire interests in certain income trusts in the Portfolio could be non-deductible, increasing the net income of the Fund for tax purposes and the taxable component of distributions to Holders. Income of the Fund that is not distributed to Holders would be subject to non-refundable income tax in the Fund.

Upon the actual or deemed disposition of indebtedness, the Fund will be required to include in computing its income for the year of disposition all interest that accrued on such indebtedness from the last interest payment date to the date of disposition except to the extent such interest was included in computing the Fund's income for that or another taxation year and such income inclusion will reduce the proceeds of disposition for purposes of computing any capital gain or loss.

Upon the actual or deemed disposition of a security included in the Portfolio, the Fund will generally realize a capital gain (or capital loss) to the extent the proceeds of disposition net of amounts included as interest on the disposition of the security and any reasonable costs of disposition exceed (or are less than) the adjusted cost base of such security unless the Fund is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the securities in a transaction or transactions considered to be an adventure in the nature of trade. The Fund will purchase securities in the Portfolio with the objective of earning distributions and income thereon and will take the position that gains and losses realized on the disposition thereof are capital gains and capital losses. The Fund has made an election under subsection 39(4) of the Tax Act so that all securities included in the Portfolio that are "Canadian securities" (as defined in the Tax Act) will be deemed to be capital property to the Fund. The Fund will be entitled for each taxation year throughout which it is a mutual fund trust for the purposes of the Tax Act 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 Units during the year (the "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 securities included in the Portfolio in connection with the redemption of Units.

It is possible that, if certain Tax Proposals released on October 31, 2003 are enacted in the form originally proposed, the deduction of losses of the Fund in a particular taxation year could be limited. Under these Tax Proposals, with effect for taxation years commencing after 2004, a taxpayer will have a loss for a taxation year from a particular source that is a business or property only if, in that year, it is reasonable to expect that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on the business or has held the property and can reasonably be expected to carry on the business or hold the property. Profit in this

sense will not include capital gains. If the deduction of losses of the Fund were limited in a particular year, the taxable income of the Fund would be increased, along with the taxable amount of distributions to Holders. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the Tax Proposals of October 31, 2003 would be released for comment. No such alternative proposal has been released to date.

The Fund may enter into transactions denominated in currencies other than the Canadian dollar, including the acquisition of securities in the Portfolio. The cost and proceeds of disposition of securities, 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 amount of income, gains and losses realized by the Fund may be affected by fluctuations in the value of foreign currencies relative to the Canadian dollar.

The Fund will derive income or gains from investments in countries other than Canada and, as a result, may be liable to pay income or profits tax to such countries. 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. To the extent that such foreign tax 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 Holder 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 Holder for the purposes of the foreign tax credit provisions of the Tax Act.

Taxation of Holders

A Holder will generally be required to include, in computing income for a taxation year, the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Holder in the taxation year. Any amount in excess of the Fund's net income for a taxation year paid or payable to the Holder in the year will not generally be included in the Holder's income. Such amount, however, will generally reduce the adjusted cost base of the Holder's Units, except to the extent such amount is the non-taxable portion of a capital gain of the Fund the taxable portion of which was designated to the Holder. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Holder from the disposition of the Unit and the Holder's adjusted cost base will be increased by the amount of such deemed capital gain.

Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund, the foreign source income and the taxable dividends received or deemed received by the Fund on shares of taxable Canadian corporations as is paid or becomes payable to a Holder will effectively retain its character and be treated as such in the hands of the Holder. To the extent the Fund so designates in accordance with the Tax Act, Holders will, for the purpose of computing their foreign tax

credits, be entitled to treat their proportionate share of foreign taxes paid by the Fund as foreign taxes paid by the Holders. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules will apply, including the enhanced gross-up and dividend tax credit rules in respect of “eligible dividends” paid by taxable Canadian corporations. Any loss of the Fund for the purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, the Holders.

Under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount which is less than the amount of its distributions for the year. This will enable the Fund to utilize, in a taxation year, losses from prior years without affecting the ability of the Fund to distribute its income annually. The amount distributed to a Holder but not deducted by the Fund will not be included in the Holder’s income. However, the adjusted cost base of the Holder’s Units will be reduced by such amount.

The Net Asset Value per 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 Units are acquired.

Accordingly, a Holder who acquires Units may become taxable on the Holder’s share of income and gains of the Fund that accrued or were realized before the Units were acquired.

On the disposition or deemed disposition of a Unit, the Holder will realize a capital gain (or capital loss) to the extent that the Holder’s proceeds of disposition (other than any amount payable by the Fund which represents an amount that is otherwise required to be included in the Holder’s income as described above) exceed (or are less than) the aggregate of the adjusted cost base of Units and any reasonable costs of disposition. For the purpose of determining the adjusted cost base to a Holder of Units, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all Units owned by the Holder as capital property before that time.

One-half of any capital gain (“taxable capital gain”) realized on the disposition of Units will be included in the Holder’s income and one-half of any capital loss realized may be deducted from taxable capital gains in accordance with the provisions of the Tax Act.

Capital gains realized on the disposition of Units or amounts designated by the Fund to a Holder as taxable capital gains or as dividends from taxable Canadian corporations may give rise to a liability for alternative minimum tax.

REMUNERATION OF DIRECTORS, OFFICERS AND TRUSTEES

The Fund has no officers or directors. The Manager is entitled to receive an annual fee for its management and trustee services performed pursuant to the Trust

Declaration, and for reimbursement of its reasonable costs and expenses incurred on behalf of the Fund. See “Fees and Expenses”.

MATERIAL CONTRACTS

The following contracts can reasonably be regarded as material to purchasers of Units:

- (i) the Trust Declaration referred to under “Name, Formation and History of the Fund”;
- (ii) the Investment Advisory Agreement referred to under “Responsibility for Fund Operations – Investment Advisor”; and
- (iii) the Custodian Agreement referred to under “Responsibility for Fund Operations –Custodian”.

Copies of the contracts referred to above may be inspected during normal business hours at the offices of the Manager at 350 Bay Street Suite 1300, Toronto, Ontario M5H 2S6.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

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

RISK FACTORS

An investment in Units is subject to certain risk factors, including:

- (i) there can be no assurance that the Fund will be able to achieve its investment objectives;
- (ii) the NAV per Unit and the funds available for distribution will vary according to, among other things, the value of the securities in the Portfolio and the distributions paid thereon;
- (iii) the risk of inefficient asset allocation in the Portfolio;
- (iv) the financial performance of the Portfolio and market and economic conditions affecting the equity, fixed income and income trust markets;
- (v) risks relating to investments in equity securities;
- (vi) risks relating to fixed income investments;

- (vii) the fact that income trusts depend on the financial performance of the related operating entity and may also be subject to general risks associated with various economic factors, that investments in real estate investment trusts are subject to general risks associated with real property investments and that investments in oil and gas royalty trusts are subject to risks associated with fluctuations in commodity prices;
- (viii) reliance on the Manager, the Investment Advisor and key portfolio managers;
- (ix) risks relating to the use of leverage;
- (x) sensitivity to interest rates;
- (xi) the effect of variations in the asset class allocations of the Fund's investments relative to the broader market;
- (xii) the risks relating to investments in income trusts;
- (xiii) the risks associated with foreign market exposure;
- (xiv) the risks associated with foreign currency exposure;
- (xv) the possibility that the Fund will be unable to acquire or dispose of illiquid securities;
- (xvi) risks relating to the use of derivative instruments;
- (xvii) counterparty risks associated with securities lending;
- (xviii) the Units may trade in the market at a premium or discount to their NAV per Unit
- (xix) there can be no guarantee that Units will trade at prices that reflect their net asset value;
- (xx) risk relating to annual redemptions;
- (xxi) as the Fund is not a mutual fund as defined under Canadian securities laws, the Fund is not subject to the policies and regulations of the Canadian securities regulators that apply to open-end mutual funds;
- (xxii) potential conflicts of interest;
- (xxiii) changes in legislation, including tax legislation;
- (xxiv) risks relating to taxation of the Fund and of Holders;

- (xxv) under a Tax Proposal, certain losses of the Fund might not be recognized for the purposes of the Tax Act. On February 23, 2005, the federal Department of Finance announced that it has developed an alternative proposal, which it intends to release for comment. No such alternative Tax Proposal has been released to date. It will be necessary for the Fund to monitor its activities and this Tax Proposal, which is proposed to apply to taxation years beginning after 2004;
- (xxvi) the risk that the Fund could be characterized as a “SIFT trust”, under the Tax Act and effectively treated as a corporation certain trusts or limited partnerships, the securities of which are held by the Fund will be SIFT trusts or SIFT partnerships, and the risk that the value of or return on such securities might decline;
- (xxvii) the Fund’s lack of operating history and the current absence of a public trading market for the Units;
- (xxviii) the fact that the Fund is not a trust company and the Units are not insured deposits; and
- (xxix) the fact that Units are neither fixed-income nor equity securities, and Holders will not have certain rights associated with investments in such securities.

Additional information about the Fund is available in the Fund's management report of fund performance and financial statements. A copy of the financial statements and additional information with respect to the Fund may be obtained from www.sedar.com or from the Manager upon request at no cost:

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