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## PROSPECTUS

Initial Public Offering

December 12, 2006



### GLOBAL DIVIDEND FUND

**\$100,000,000 (10,000,000 Units) Maximum  
\$10.00 per Unit**

Global Dividend Fund (the "Fund") is an investment trust established under the laws of the Province of Ontario which proposes to issue redeemable, transferable units ("Units") of the Fund (the "Offering").

The Canadian equity market is estimated to represent less than 4% of the global equity market measured by market capitalization. Canadian investors having portfolios concentrated in Canadian issuers risk not having a truly diversified portfolio. The Fund is designed to provide global (and portfolio) diversification through investment in international companies that are leaders in their sector and country. These established issuers, operating primarily in industrialized economies, have a recognized track record of paying and growing dividends or other distributions, which has been shown to provide stability and income to equity portfolios without adding the additional risk associated with investing solely in emerging markets.

The Fund's investment objectives are:

- i) to provide holders of Units ("Unitholders") with monthly cash distributions; and
- ii) to preserve and enhance net asset value.

The net proceeds of the Offering, together with any borrowings under any Loan Facility (as hereinafter defined), will be invested in a diversified global portfolio (the "Portfolio") comprised primarily of common shares and other equity securities, including preferred shares and income trust units ("Dividend-Paying Equity Securities") of issuers that MFC Global (as hereinafter defined) believes are fundamentally sound but which are trading at a discount to their intrinsic value. MFC Global will seek to invest in issuers that have strong cash flows and the ability to grow their distributions. MFC Global expects that the resulting 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 Manager will hedge certain portions of the Portfolio that are denominated in foreign currencies back to the Canadian dollar at all times.

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 (as hereinafter defined) estimate of distributable cash flow for the year. The Fund expects that the initial distribution, which will be pro-rated for the period from the closing of the Offering until January 31, 2007, will be payable on February 15, 2007 to Unitholders of record on January 31, 2007. 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.

Based on the Indicative Portfolio (as hereinafter defined), the initial indicative monthly distributions (after deducting expenses) will be funded through (i) dividend and other income from the Portfolio (approximately 3.77% currently); and (ii) proceeds from the sale of securities held by the Fund. To the extent necessary, the Fund will return capital to Unitholders to fund the monthly distributions (in which case the net asset value per Unit would be reduced). The Portfolio would be

required to appreciate at a rate of approximately 4.67% per annum in order for the Fund to maintain a stable net asset value while making the initial indicative monthly cash distributions. The Portfolio's composition over time will vary depending on MFC Global's assessment of overall market conditions and outlook.

MFC Global Investment Management (Canada) (the "Investment Advisor" or "MFC Global Investment Management" or "MFC Global"), a division of Elliott & Page Limited, a Manulife Company, will act as the investment advisor to the Fund and will actively manage the Portfolio on behalf of the Fund. The Investment Advisor, one of North America's largest and most experienced asset managers, and its affiliates provide investment advisory and portfolio management services to institutional clients and investment funds and, as of September 30, 2006, had over \$230 billion in assets under management. See "Management of the Fund – The Investment Advisor".

frontierAlt Investment Management Corporation (the "Manager" or "frontierAlt") will be the manager and trustee of the Fund and will be responsible for the administration of the Fund. frontierAlt specializes in the manufacturing and distribution of structured products, flow-through limited partnerships and mutual funds. See "Management of the Fund – The Manager".

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

	Price to the Public <sup>(1)</sup>	Agents' fees	Net Proceeds to the Fund <sup>(2)</sup>
Per Unit .....	\$10.00	\$ 0.50	\$ 9.50
Total Minimum Offering <sup>(3)(4)</sup> .....	\$20,000,000	\$1,000,000	\$19,000,000
Total Maximum Offering <sup>(4)</sup> .....	\$100,000,000	\$5,000,000	\$95,000,000

Notes:

- (1) The price of the Units was established by negotiation between the Fund and the Agents (defined below).
- (2) Before deducting the expenses of issue (estimated at \$750,000) which, subject to a maximum of 1.5% of the gross proceeds of the Offering will, together with the Agents' fees, be paid out of the proceeds of the Offering.
- (3) There will be no closing unless a minimum of 2,000,000 Units are sold. If subscriptions for a minimum of 2,000,000 Units have not been received within 90 days following the date of issuance of a receipt for this prospectus, the offering of Units may not continue without the consent of the Canadian securities regulators and those who have subscribed for Units on or before such date.
- (4) The Fund has granted the Agents an option (the "Over-Allotment Option"), exercisable until 30 days after the closing of the Offering, to purchase up to 15% of the aggregate number of Units issued at the closing of the Offering on the same terms set forth above. This prospectus qualifies the distribution of the Over-Allotment Option, and the Units issuable on the exercise thereof. If the Over-Allotment Option is exercised in full, the total price to the public under the maximum Offering will be \$115,000,000, the Agents' fees will be \$5,750,000 and the net proceeds to the Fund will be \$109,250,000.

**There is no assurance that the Fund will meet its investment objectives. See "Risk Factors" for a discussion of certain factors that should be considered by prospective investors in Units. There is currently no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus.** The Agents may over-allot or effect transactions as described under "Plan of Distribution".

Commencing in 2008, Units may be surrendered annually for redemption during the period from May 15<sup>th</sup> until 5:00 p.m. (Toronto time) on the 20<sup>th</sup> business day before the last business day in June in 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 Unitholder will receive payment on or before the 15<sup>th</sup> day following the Annual Redemption Date. Redeeming Unitholders will receive a redemption price per Unit equal to NAV (as hereinafter defined) per Unit determined as of the Annual Redemption Date, less any costs and expenses incurred by the Fund in order to fund such redemption. See "Description of the Units – Redemptions".

In the opinion of McMillan Binch Mendelsohn LLP, counsel to the Fund, and Blake, Cassels & Graydon LLP, counsel to the Agents, provided that the Fund qualifies, and continues at all times to qualify, as a "mutual fund trust" within the meaning of the *Income Tax Act* (Canada) (the "Tax Act"), the Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans. See "Canadian Federal Income Tax Considerations" and "Eligibility for Investment".

**The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that Act or any other legislation.**

CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., TD Securities Inc., Canaccord Capital Corporation, Dundee Securities Corporation, HSBC Securities (Canada) Inc., Raymond James Ltd., Blackmont Capital Inc., Wellington West Capital Inc., Berkshire Securities Inc., Desjardins Securities Inc. and GMP Securities L.P. (collectively, the “Agents”) conditionally offer the Units on a best efforts basis, subject to prior sale, if, as and when issued by the Fund and accepted by the Agents in accordance with the conditions contained in the Agency Agreement (defined under “Plan of Distribution”), and subject to the approval of certain legal matters on behalf of the Fund and the Manager by McMillan Binch Mendelsohn LLP and on behalf of the Agents by Blake, Cassels & Graydon LLP. See “Plan of Distribution”.

**MFC Global is an affiliate of The Manufacturers Life Insurance Company, which owns common shares of Canaccord Capital Inc., which represent approximately 5% of the outstanding voting and equity securities of Canaccord Capital Inc. on a fully diluted basis. Canaccord Capital Corporation, one of the Agents, is a wholly-owned subsidiary of Canaccord Capital Inc. As such, Canaccord Capital Corporation may be considered to be a “connected issuer” of the Fund under Canadian securities legislation by virtue of the investment advisory relationship between the Manager, the Fund and MFC Global.**

The Toronto Stock Exchange has conditionally approved the listing of the Units, subject to the fulfillment of the requirements of such exchange on or before February 27, 2007, including the distribution to a minimum number of Unitholders.

Subscriptions for Units will be received subject to acceptance or rejection in whole or in part, and the right is reserved to close the subscription books at any time without notice. Closing of the Offering is expected to occur on or about January 4, 2007, but no later than February 2, 2007. Registrations and transfers of Units will be effected only through the book-entry only system administered by The Canadian Depository for Securities Limited. Beneficial owners will not have the right to receive physical certificates evidencing their ownership. See “Plan of Distribution” and “Description of the Units – Book-Entry Only System”.

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## PROSPECTUS SUMMARY

The following is a summary of the principal features of these offerings (the “Offering”) and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Unless otherwise indicated, all references to dollar amounts in this prospectus are to Canadian dollars.

**Issuer:** Global Dividend Fund (the “Fund”), an investment trust established under the laws of the Province of Ontario pursuant to a trust declaration (the “Trust Declaration”), dated as of December 12, 2006, by frontierAlt Investment Management Corporation (“frontierAlt” or the “Manager”) as trustee of the Fund.

**Offering:** The Fund is offering redeemable, transferable units (“Units”) of the Fund.

**Maximum Issue:** \$100,000,000 (10,000,000 Units)

**Minimum Issue:** \$20,000,000 (2,000,000 Units)

**Price:** \$10.00 per Unit

**Minimum Subscription:** 100 Units (\$1,000)

**Rationale for the Fund:** The Canadian equity market is estimated to represent less than 4% of the global equity market measured by market capitalization. Canadian investors having portfolios concentrated in Canadian issuers risk not having a truly diversified portfolio. The Fund is designed to provide global (and portfolio) diversification through investment in international companies that are leaders in their sector and country. These established issuers, operating primarily in industrialized economies, have a recognized track record of paying and growing dividends or other distributions, which has been shown to provide stability and income to equity portfolios without adding the additional risk associated with investing solely in emerging markets.

**Investment Objectives:** The Fund’s investment objectives are:

- i) to provide holders of Units (“Unitholders”) with monthly cash distributions; and
- ii) to preserve and enhance net asset value.

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. See “Distributions”. There is no assurance that the Fund will meet its investment objectives.

**Investment Strategy:** The net proceeds of the Offering, together with any borrowings under any Loan Facility (as defined under “The Fund – Loan Facility”), will be invested in a diversified global Portfolio (the “Portfolio”) comprised primarily of common shares and other equity securities, including preferred shares and income trust units (“Dividend-Paying Equity Securities”) of issuers that MFC Global (as hereinafter defined) believes are fundamentally sound but which are trading at a discount to their intrinsic value. MFC Global will seek to invest in issuers that have strong cash flows and the ability to grow their distributions. MFC Global expects that the resulting 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.

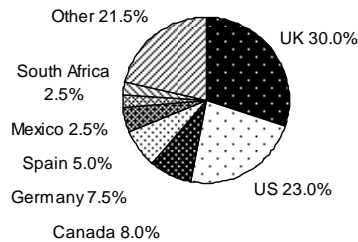
The Fund's investments will include securities traded in foreign currencies. The Manager will hedge certain portions of the Portfolio back to the Canadian dollar. At least 75% of the value of the Fund's investments will be hedged back to the Canadian dollar at all times.

The Fund will invest primarily in equity securities of businesses located around the world emphasizing dividend-paying securities with attractive valuations. Investment analysis for the Fund follows a bottom-up approach, focusing on those securities that are considered undervalued in relation to potential future earnings and which have lower valuations and higher than average dividend yields. The Fund generally uses a fundamental value approach using quantitative analysis for assessing the long term value of a particular issuer, combined with input from the portfolio management team external research and meetings with issuer management.

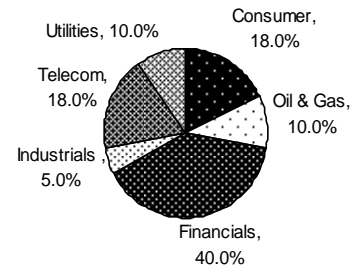
**Indicative Portfolio:**

The Indicative Portfolio means the portfolio of Dividend-Paying Equity Securities that would have been held by the Fund on November 3, 2006 had the Fund been in existence on such date (the "Indicative Portfolio"). The Indicative Portfolio is diversified by geography and business sector as follows:

**Indicative Country Allocation**



**Indicative Sector Allocation**



The following is a representative sample of issuers included in the Indicative Portfolio.

**Representative Sample of Indicative Portfolio Issuers**

(actual Portfolio will include approximately 40-60 issuers)

<u>Company</u>	<u>Country</u>	<u>Sector</u>
Grupo Televisa, S.A.	Mexico	Consumer Discretionary
Vivendi S.A.	France	Consumer Discretionary
Cadbury Schweppes plc	UK	Consumer Staples
Statoil ASA (ADR)	Norway	Energy
TOTAL S.A. (Sp ADR)	France	Energy
Barclays PLC	UK	Financials
Aviva plc	UK	Financials
ABN AMRO Holding N.V.	Netherlands	Financials
Bank of Ireland	Ireland	Financials
Société Générale	France	Financials
Fortis N.V.	Belgium	Financials
Bank of America Corporation	US	Financials
Lloyds TSB Group plc (ADR)	UK	Financials
Masco Corporation	US	Industrials
Deutsche Post AG	Germany	Industrials
Telefónica, S.A.	Spain	Telecom
Verizon Communications Inc.	US	Telecom
Vodafone Group Plc (ADR)	UK	Telecom
The Southern Company	US	Utilities
Scottish Power plc	UK	Utilities

**The foregoing information is for illustrative purposes only and should not be construed as a representation concerning the future composition or diversification of the Portfolio.**

**Investment Advisor:**

MFC Global Investment Management (Canada) (the “Investment Advisor” or “MFC Global Investment Management” or “MFC Global”), a division of Elliott & Page Limited, a Manulife Company, will act as the investment advisor of the Fund. The Investment Advisor, one of North America’s largest and most experienced asset managers, and its affiliates provide investment advisory and portfolio management services to institutional clients and investment funds and, as of September 30, 2006, had over \$230 billion in assets under management.

The following individuals at MFC Global will be responsible for the Portfolio:

*Danny Tomka*, B.Sc., P. Eng., CFA is Senior Portfolio Manager at MFC Global. Mr. Tomka is the lead manager for the Elliott & Page Global Dividend Fund, which invests in attractively-valued, dividend-paying companies world-wide.

*Prakash Chaudhari*, B.Sc. (Hons), MBA, CFA is Associate Portfolio Manager and a Senior Investment Analyst at MFC Global. Mr. Chaudhari is responsible for the research and analysis of securities within the global equity universe for the Elliott & Page Global Dividend Fund.

*Alan Wicks*, B.A., CFA is Vice President and Senior Portfolio Manager at MFC Global. Mr. Wicks is responsible for MFC Global's Canadian Large Cap Value Equity team, managing both value equity and income portfolios.

*Jonathan Popper*, B.A., M.A., M.B.A. is Assistant Vice President and Portfolio Manager for the MFC Global Canadian Large Cap Value Equity team.

*Duncan Anderson*, B.A., CFA is Assistant Vice President and Portfolio Manager for MFC Global Investment Management. Mr. Anderson is responsible for the analysis of Canadian equities and income trusts, and is part of the MFC Global Canadian Value Equity team that manages both value equity and income trust portfolios.

**Manager:**

frontierAlt Investment Management Corporation will be the manager and trustee of the Fund and will be responsible for the administration of the Fund. frontierAlt specializes in the manufacturing and distribution of structured products, flow-through limited partnerships and mutual funds. See “Management of the Fund – The Manager”. frontierAlt and its affiliates manage frontierAlt-Mineralfields 2004 Flow-Through Limited Partnership, frontierAlt Mining 2005 Flow-Through Limited Partnership, frontierAlt Resource 2005 Flow-Through Limited Partnership, frontierAlt Energy 2006 Flow-Through Limited Partnership, frontierAlt Energy 2006-II Flow-Through Limited Partnership, frontierAlt All Terrain Global Commodities Fund, frontierAlt Oasis World Fund, frontierAlt Oasis Canada Fund, frontierAlt All Terrain World Fund, frontierAlt All Terrain Canada Fund and frontierAlt All Terrain Bond Fund.

**Distributions:**

The Fund intends to make monthly distributions to Unitholders of record on the last business day of each month (each, a “Distribution Record Date”). Distributions will be paid on a business day designated by the Manager that will be no later than the 10<sup>th</sup> business day of the following month (each, a “Distribution Payment Date”). The Manager expects that the initial distribution, which will be pro rated for the period from the closing of the Offering until January 31, 2007, will be payable to Unitholders of record on January 31, 2007. It is anticipated that 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.

Monthly distributions for the period ending December 31, 2007 are targeted to be \$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. No assurance can be given as to the amount of indicative distributions announced in future years of the Fund.

Based on the Indicative Portfolio, the initial indicative monthly distributions (after deducting expenses) will be funded through (i) dividend and other income from the Portfolio (approximately 3.77% currently); and (ii) proceeds from the sale of securities held by the Fund. Assuming (i) an offering size of \$50 million, and (ii) the fees and expenses described under "Summary of Fees and Expenses", the Portfolio would be required to appreciate at a rate of approximately 4.67% per annum in order for the Fund to maintain a stable net asset value while making the initial indicative monthly cash distributions.

Amounts distributed on the Units that represent returns of capital are generally non-taxable to a Unitholder but reduce the Unitholder's adjusted cost base of the Units for tax purposes. See "Canadian Federal Income Tax Considerations".

If the Fund's net income for tax purposes, including net realized capital gains, for any year exceeds the aggregate amount of the regular monthly distributions made in the year to Unitholders, the Fund will also pay one or more special distributions in such year to Unitholders as is necessary to ensure that the Fund will not be liable for income tax on such amounts under the *Income Tax Act* (Canada) (the "Tax Act") (after taxing into account all available deductions, credits and refunds). See "Canadian Federal Income Tax Considerations".

The Portfolio's composition over time will vary depending on MFC Global's assessment of overall market conditions and outlook. There is no assurance that the Fund will meet its investment objectives.

See "Description of the Units – Monthly Distributions".

**Redemptions:**

Commencing in 2008, Units may be surrendered annually for redemption during the period from May 15<sup>th</sup> until 5:00 p.m. (Toronto time) on the 20<sup>th</sup> 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 Unitholder will receive payment on or before the 15<sup>th</sup> day following the Annual Redemption Date. Redeeming Unitholders will receive a redemption price per Unit equal to NAV (as hereinafter defined) per Unit determined as of the Annual Redemption Date, less any costs and expenses incurred by the Fund in order to fund such redemption. See "Description of the Units – Redemptions".

**Termination:**

The Fund does not have a fixed termination date. However, the Fund may be terminated at any time upon not less than 90 days' written notice by the Manager provided that the prior approval of Unitholders has been obtained by a majority vote at a meeting of Unitholders called for that purpose; provided, however, that the Manager may, in its discretion, on 60 days notice to Unitholders, terminate the Fund without the approval of Unitholders 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 Unitholders to terminate the Fund. Upon termination, the net assets of the Fund will be distributed to Unitholders on a *pro rata* basis. See "Description of the Units – Termination of the Fund".

**Loan Facility:** Following closing of the Offering, 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 Fund’s total assets (at any time), which may be used by the Fund to purchase additional securities for the Portfolio and for working capital purposes. See “The Fund – Loan Facility”.

**Market Purchases:** To enhance liquidity and provide market support for the Units, the Fund will have a mandatory market purchase program under which, subject to certain limitations and exceptions, and in compliance with any applicable regulatory requirements, the Fund will be obligated to purchase Units for cancellation if, at any time following the closing of the Offering, the price at which Units are offered in the market is less than 95% of the latest determined NAV per Unit, up to a maximum in any calendar quarter of 1.25% of the outstanding Units at the beginning of such calendar quarter. In addition, the Fund will have the right, but not the obligation, to purchase Units in the market at its sole discretion, subject to applicable regulatory requirements and limitations. See “Description of the Units – Mandatory Market Purchase Program”.

**Trustee:** The Manager is the trustee of the Fund. See “The Trustee”.

**Eligibility for Investment:** In the opinion of counsel, provided that the Fund qualifies, and continues at all times to qualify, as a “mutual fund trust” within the meaning of the Tax Act, the Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans. See “Eligibility for Investment”.

**Canadian Federal Income Tax Considerations:** A Unitholder will generally be required to include in computing income for a taxation year that part of the net income of the Fund, including net taxable capital gains, if any, that is paid or becomes payable to the Unitholder by the Fund in the year (whether in cash or in Units). To the extent that amounts payable to a Unitholder are designated by the Fund as taxable dividends from taxable Canadian corporations, the taxable portion of the net realized capital gains and foreign source income, those amounts will retain their character and be treated as such in the hands of the Unitholder.

Distributions by the Fund to a Unitholder in excess of the Unitholder’s share of the Fund’s net income and net realized capital gains will not result in an income inclusion but will reduce the adjusted cost base of the Unitholder’s Units. To the extent that the adjusted cost base of a Unit held as capital property would otherwise be less than zero, the Unitholder will be deemed to have realized a capital gain equal to such negative amount. A Unitholder who disposes of Units held as capital property (on a redemption or otherwise) will realize a capital gain (or capital loss) to the extent that the proceeds of disposition (other than any amount payable by the Fund which represents an amount that is otherwise required to be included in the Unitholder’s income), exceed (or are less than) the aggregate adjusted cost base of the Units and any reasonable costs of disposition.

**Each investor should satisfy himself or herself as to the federal, provincial and territorial tax consequences of an investment in Units by obtaining advice from his or her tax advisor.** See “Canadian Federal Income Tax Considerations”.

**Risk Factors:** An investment in the Units will be subject to certain risk factors, including:

- i) there can be no assurance that the Fund will be able to achieve its distribution or total return 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) the tax proposed for “specified investment flow-throughs” (as contemplated in the proposal to amend the Tax Act announced by the Minister of Finance (Canada) on October 31, 2006);
- ix) reliance on the Manager, the Investment Advisor and key portfolio managers;
- x) risks relating to the use of leverage;
- xi) sensitivity to interest rates;
- xii) the effect of variations in the asset class allocations of the Fund’s investments relative to the broader market;
- xiii) the risks related to investments in income trusts;
- xiv) the risks associated with foreign market exposure;
- xv) the risks associated with foreign currency exposure;
- xvi) the possibility that the Fund will be unable to acquire or dispose of illiquid securities;
- xvii) risks relating to the use of derivative instruments;
- xviii) counterparty risks associated with securities lending;
- xix) the Units may trade in the market at a premium or a discount to their NAV per Unit and 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;
- xxiv) tax proposals and administrative positions of the Canada Revenue Agency regarding the deductibility of interest and other expenses;
- xxv) risks relating to taxation of the Fund and of Unitholders;
- xxvi) the Fund’s lack of operating history and the current absence of a public trading market for the Units;

- xxvii) the fact that the Fund is not a trust company and the Units are not insured deposits; and
- xxviii) the fact that Units are neither fixed-income nor equity securities, and Unitholders will not have certain rights associated with investments in such securities.

See “Risk Factors”.

## SUMMARY OF FEES AND EXPENSES

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

<b><u>Type of Charge</u></b>	<b><u>Description</u></b>
<b>Fees payable to the Agents:</b>	\$0.50 per Unit.
<b>Expenses of issue:</b>	The Fund will, subject to a maximum of 1.5% of the gross proceeds of the Offering, pay the expenses incurred in connection with the Offering of Units by the Fund, which are estimated to be \$750,000.
<b>Management Fee:</b>	A monthly management fee equal to one-twelfth of 1.10% of the net assets of the Fund at month end, paid monthly in arrears, plus an amount equal to the Servicing Fee (described below), plus applicable taxes, will be paid to the Manager. The Investment Advisor will be remunerated by the Manager out of the management fee.
<b>Operating expenses of the Fund:</b>	The Fund will pay for all ordinary expenses incurred in connection with its operation and administration, estimated to be \$250,000 per annum. The Fund will also be responsible for any extraordinary expenses which it may incur from time to time.
<b>Servicing Fees:</b>	The Manager will pay to registered dealers a servicing fee (the “Servicing Fee”) equal to 0.40% annually of the NAV per Unit for each Unit held by clients of the registered dealer (calculated and paid at the end of each calendar quarter commencing on June 30, 2007).

## INFORMATION REGARDING PUBLIC ISSUERS

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

## 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 dated December 12, 2006 (the “Trust Declaration”) by frontierAlt Investment Management Corporation (“frontierAlt” or the “Manager”) as trustee of the Fund. See “Management of the Fund – The Manager”.

The principal office of the Fund and frontierAlt is located at 42 Wellington Street East, 4<sup>th</sup> Floor, Toronto, Ontario, M5E 1C7.

The beneficial interest in the net assets and net income of the Fund is divided into redeemable, transferable units of the Fund (the “Units”), each of which represents an equal, undivided interest in the net assets of the Fund. See “Description of the Units”. This prospectus qualifies the offering of the Units (the “Offering”).

### Investment Rationale

The Canadian equity market is estimated to represent less than 4% of the global equity market measured by market capitalization. Canadian investors having portfolios concentrated in Canadian issuers risk not having a truly diversified portfolio. The Fund is designed to provide global (and portfolio) diversification through investment in international companies that are leaders in their sector and country. These established issuers, operating primarily in industrialized economies, have a recognized track record of paying and growing dividends or other distributions, which has been shown to provide stability and income to equity portfolios without adding the additional risk associated with investing solely in emerging markets.

### Investment Objectives

The Fund’s investment objectives are:

- i) to provide holders of Units (“Unitholders”) with monthly cash distributions; and
- ii) to preserve and enhance net asset value.

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. See “Description of the Units – Monthly Distributions”. There is no assurance that the Fund will meet its investment objectives.

### Investment Strategy

The net proceeds of the Offering, together with any borrowings under any Loan Facility (as defined under “The Fund – Loan Facility”), will be invested in a diversified global Portfolio (the “Portfolio”) comprised primarily of common shares and other equity securities, including preferred shares and income trust units (“Dividend-Paying Equity Securities”) of issuers that MFC Global (as hereinafter defined) believes are fundamentally sound but which are trading at a discount to their intrinsic value. MFC Global will seek to invest in issuers that have strong cash flows and the ability to grow their distributions. MFC Global expects that the resulting 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 analysis for the Fund follows a bottom-up approach, focusing on those securities that are considered undervalued in relation to potential future earnings and which have lower valuations and higher than average dividend yields. The Fund generally uses a fundamental value approach using quantitative analysis for assessing the long term value of a particular issuer, combined with input from the portfolio management team external research and meetings with issuer management.

### ***International Diversification***

With Canada representing less than 4% of the overall global equity market investing in Canada alone limits investment opportunities. The Investment Advisor believes that, although attractive investment opportunities may be found in any market, expanding the number of markets that are included in a search for undervalued issuers affords investors a much expanded range of attractive investment opportunities.

In addition, Canada's equity market is highly concentrated in three industry sectors: financial services, energy and materials, which as of October 31, 2006 accounted for over 75% of the S&P/TSX Composite Index. By comparison, the three most heavily weighted sectors in the MSCI World Index account for 50.6% of such index. Accordingly, the Manager believes that having the ability to invest globally will provide investors with better access to industry sectors that are not well represented in Canada.

Due to underlying differences in local economies, regional performance leadership has tended to change on a regular basis. The Investment Advisor believes that a globally diversified portfolio will be less vulnerable to general economic conditions affecting any one local equity market.

### ***The Value of Dividends***

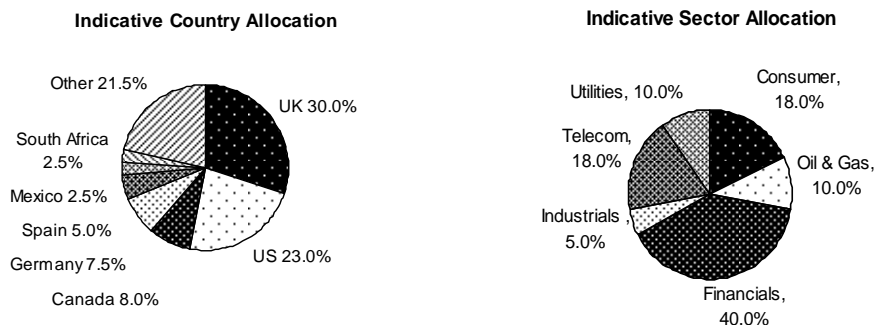
The Investment Advisor believes that in respect of global dividend-paying companies, strong dividend payouts may be an indication of a company's growth potential. In a recent study that analyzed U.S. companies over the past 50 years, a "strong, positive association" between current dividend payouts and future earnings growth was identified (Source: Dividend Payout and Future Earnings Growth, Financial Analysts Journal, 2006).

The Investment Advisor believes that dividend-paying companies tend to experience consistent earnings growth and, when considering the impact of dividends on total returns, dividend payouts enhance portfolio growth. The return from reinvested dividends accounted for 51 per cent of the total return of the MSCI World Index between May 1986 and April 2006 (Source: MSCI Global Capital Markets). In Canada, dividend-paying stocks traditionally include large, well-established, blue-chip companies with moderate growth potential. The Investment Advisor believes that globally, some companies within both developed and emerging economies provide dividend payouts that are significantly higher than Canadian and U.S. companies. Further, these companies in some cases can enjoy strong growth and earnings. The Investment Advisor's research shows that Canadian and U.S. dividend payouts average 16 per cent less than the global average (Source: Citigroup, The Global Investor, June 2006 MSCI AC World Index).

The Investment Advisor believes investing in global dividend-paying companies offers investors the potential for stability of a dividend income stream and for enhanced capital appreciation through the investment in growth companies.

### **Indicative Portfolio**

The Indicative Portfolio means the portfolio of Dividend-Paying Equity Securities that would have been held by the Fund on November 3, 2006 had the Fund been in existence on such date (the "Indicative Portfolio"). The Indicative Portfolio is diversified by geography and business sector as follows:



The following is a representative sample of issuers included in the Indicative Portfolio.

**Representative Sample of Indicative Portfolio Issuers**  
(actual Portfolio will include approximately 40-60 issuers)

<u>Company</u>	<u>Country</u>	<u>Sector</u>
Grupo Televisa, S.A.	Mexico	Consumer Discretionary
Vivendi S.A.	France	Consumer Discretionary
Cadbury Schweppes plc	UK	Consumer Staples
Statoil ASA (ADR)	Norway	Energy
TOTAL S.A. (Sp ADR)	France	Energy
Barclays PLC	UK	Financials
Aviva plc	UK	Financials
ABN AMRO Holding N.V.	Netherlands	Financials
Bank of Ireland	Ireland	Financials
Société Générale	France	Financials
Fortis N.V.	Belgium	Financials
Bank of America Corporation	US	Financials
Lloyds TSB Group plc (ADR)	UK	Financials
Masco Corporation	US	Industrials
Deutsche Post AG	Germany	Industrials
Telefónica, S.A.	Spain	Telecom
Verizon Communications Inc.	US	Telecom
Vodafone Group Plc (ADR)	UK	Telecom
The Southern Company	US	Utilities
Scottish Power plc	UK	Utilities

**The foregoing information is for illustrative purposes only and should not be construed as a representation concerning the future composition or diversification of the Portfolio.**

The Portfolio may or may not include issuers and asset classes from the foregoing list and may include securities of issuers which are not listed above. The Investment Advisor will actively manage the Portfolio to position it to meet the Fund's investment objectives and therefore the composition of the Portfolio will vary from time to time based on the Investment Advisor's assessments of the market conditions.

### **Investment Restrictions**

The investment activities of the Fund are to be 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 ("NI 81-102");
- 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 for “specified investment flow-throughs” (as contemplated in the proposal to amend the Tax Act announced by the Minister of Finance (Canada) on October 31, 2006 (or amendments to such proposals as enacted into law or successor provisions thereto) (the “SIFT Proposals”)).

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 MFC Global, 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 and the terms of any regulatory approval, if necessary.

## **Loan Facility**

Following closing of the Offering, 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. The lender under the Loan Facility may be an affiliate of one or more of the Agents (defined under “Plan of Distribution”).

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.

## **MANAGEMENT OF THE FUND**

### **The Investment Advisor**

MFC Global Investment Management (Canada), a division of Elliott & Page Limited, a Manulife Company, will act as the investment advisor of the Fund. MFC Global, one of North America’s largest and most experienced asset managers, and its affiliates provide investment advisory and portfolio management services to institutional clients and investment funds and, as of September 30, 2006, had over \$230 billion in assets under management.

The principal office of the Investment Advisor is located at 200 Bloor Street East, Toronto, Ontario, Canada M4W 1E5.

## *Key Personnel*

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

<u>Name</u>	<u>Position with Investment Advisor and Principal Occupation</u>
Danny Tomka .....	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 Senior 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), MBA, 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 15 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 Advisory Agreement*

The Investment Advisor will provide investment advisory and portfolio management services to the Fund with respect to the Portfolio pursuant to an investment advisory agreement (the "Investment Advisory Agreement") to be entered

into on or prior to the closing of the Offering 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 will be 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, 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 net asset value ("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 Investment Advisory Agreement, unless terminated as described below, will continue until the Termination Date (defined under "Description of the Units – Termination of the Fund"). 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) 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 Unitholders is held to confirm such appointment.

The Manager is responsible for payment of the investment management fees of the Investment Advisor out of the Manager's fees. See "Fees and Expenses – Ongoing Fees and Expenses".

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. See "Risk Factors".

## The Manager

frontierAlt will be the manager and trustee of the Fund and will be responsible for the administration of the Fund. frontierAlt specializes in the manufacturing and distribution of structured products, flow-through limited partnerships and mutual funds. frontierAlt and its affiliates manage frontierAlt-Mineralfields 2004 Flow-Through Limited Partnership, frontierAlt Mining 2005 Flow-Through Limited Partnership, frontierAlt Resource 2005 Flow-Through Limited Partnership, frontierAlt Energy 2006 Flow-Through Limited Partnership, frontierAlt Energy 2006-II Flow-Through Limited Partnership, frontierAlt All Terrain Global Commodities Fund, frontierAlt Oasis World Fund, frontierAlt Oasis Canada Fund, frontierAlt All Terrain World Fund, frontierAlt All Terrain Canada Fund and frontierAlt All Terrain Bond Fund.

### *Powers and Duties of the Manager*

Pursuant to the Trust Declaration, 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 Unitholders 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 Unitholders 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.

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.

### *Directors and Officers of the Manager*

The name and municipality of residence of each of the directors and senior officers of the Manager and their principal occupations are as follows:

<u>Name and Municipality of Residence</u>	<u>Position with Manager</u>	<u>Principal Occupation</u>
Mohamed Asif Khan ..... Toronto, Ontario	Chairman, Chief Executive Officer and Director	Chairman and Chief Executive Officer of the Manager
Bharat Nauriyal..... Columbus, Ohio	Director	Managing Director, IC Ventures
Feico Leemhuis..... Montreal, Quebec	Director	President of Rimac Financial Inc.
Terrie-Lynne Devonish..... Toronto, Ontario	Director	General Counsel, Primus Telecommunications Canada Inc.

<u>Name and Municipality of Residence</u>	<u>Position with Manager</u>	<u>Principal Occupation</u>
Walter Martin..... Elmira, 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 MineralFields 2004 Flow-Through Limited Partnership, frontierAlt Mining 2005 Flow-Through Limited Partnership, frontierAlt Resource 2005 Flow-Through Limited Partnership, 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.

**Bharat B. Nauriyal**, Ph.D, is President and Managing Director of IC Ventures LLC (ICV), a niche private equity group. Prior to launching ICV in October 2003, Mr. Nauriyal served for more than five years in various senior executive positions at US based Nationwide, a Fortune 200 company and ranked among the world's 50 largest insurers, including acting as Chief Investment Officer of Nationwide Global, the company's international arm (December 2000 - September 2003) and as Investment Officer and the Chief Economist in years preceding. Between 1992 and 1997 Mr. Nauriyal held positions at AMP Incorporated (August 1995-October 1997) another US based Fortune 300 company and The World Bank. Mr. Nauriyal earned his Ph.D. in Economics (with a specialization in Finance) from the Ohio State University and completed his undergraduate economics curriculum at the University of Delhi, India.

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

**Terrie-Lynne Devonish** is General Counsel at Primus Telecommunications Canada Inc. and in that position is responsible for providing legal advice and guidance to all areas of the business. Previous positions include 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, 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.

**Kurankye Sekyi-Otu** has over 12 years financial services experience. Prior to co-founding frontierAlt, he was Regional Vice-President for Mackenzie Financial 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 director of frontierAlt Mutual Funds and a director of frontierAlt Oasis Funds Management Inc.

**Ron Sanchez** has over 14 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.

### **The Custodian**

RBC Dexia Investor Services Trust (the "Custodian") will be appointed custodian of the Fund pursuant to a custodian agreement between the Fund and the Custodian (the "Custodian Agreement"). The Custodian's principal place of

business in respect of the Fund is Toronto, Ontario. The Custodian Agreement will provide 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.

In carrying out its duties, the Custodian is required to exercise:

- (a) the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances,
- or
- (b) at least the same degree of care which it gives to its own property of a similar kind under its custody, if this is a higher degree of care than in paragraph (a) above.

Except to the extent the Custodian has not complied with its standard of care, the Custodian will not be liable for any act or omission in the course of, or connected to, rendering services under the Custodian Agreement or for loss to, or diminution of, the Fund's property. In no event shall the Custodian be liable for any consequential or special damages. The Fund shall indemnify and save harmless the Custodian, and its affiliates, subsidiaries and agents, and their directors, officers, and employees from and against all legal fees, judgements and amounts paid in settlement incurred by such indemnified parties in connection with custodial or sub-custodial services provided under the Custodian Agreement except to the extent incurred as a result of breach of the above standard of care.

The Custodian Agreement provides that the agreement may be terminated by either party at any time on 60 days' written notice unless a different period is agreed to. 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.

### **Accounting and Reporting**

The Fund's fiscal year will be the calendar year. The annual financial statements of the Fund shall be audited by the Fund's auditors in accordance with Canadian generally accepted auditing standards. The auditors will be asked to report on the fair presentation of the annual financial statements in accordance with Canadian generally accepted accounting principles. The Manager will ensure that the Fund complies with all applicable reporting and administrative requirements.

The Manager will keep adequate books and records reflecting the activities of the Fund. A Unitholder or his or her duly authorized representative will have the right to examine the books and records of the Fund during normal business hours at the offices of the Manager. Notwithstanding the foregoing, a Unitholder shall not have access to any information that, in the opinion of the Manager, should be kept confidential in the interests of the Fund.

### **Proxy Voting Guidelines**

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 Unitholders of the Fund. 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 Manager will publish these records on an annual basis, commencing in 2007, on its web site at [www.frontieralt.com](http://www.frontieralt.com). A copy of the Proxy Voting Policy is available on request by contacting the Manager at 1.866.745.5545 ext. 322.

## **Independent Review Committee**

National Instrument 81-107 Independent Review Committee for Investment Funds (“NI 81-107”), which came into force on November 1, 2006, requires all publicly offered investment funds, such as the Fund, to establish an independent review committee to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintain records in respect of these matters and provide assistance to the independent review committee in carrying out its functions. The independent review committee will be required to be comprised of a minimum of three independent members, and will be subject to requirements to conduct regular assessments and provide reports to the Manager and to Unitholders in respect of its functions. While the initial members of the independent review committee are required to be appointed by May 1, 2007, full compliance with NI 81-107 is not required until November 1, 2007.

## **THE TRUSTEE**

The Manager is the trustee of the Fund under the Trust Declaration, and is responsible for managing all of the Fund’s activities. The address of the Manager is Suite 42 Wellington Street East, 4<sup>th</sup> Floor, Toronto, Ontario, M5E 1C7.

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 Unitholders 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.

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 Unitholders, 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 (as hereinafter defined) of the Unitholders 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 Unitholders, its successor must be approved by Unitholders. If, after the resignation or removal of the Manager, no successor has been appointed within 90 days, the Manager or any Unitholder 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.

The Manager is entitled to fees for its services under the Trust Declaration as described under “Fees and Expenses” and will be reimbursed by the Fund for all reasonable costs and expenses incurred by the Manager on behalf of the Fund.

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

## **DESCRIPTION OF THE UNITS**

The beneficial interest in the net assets and net income of the Fund is divided into units, each of which represents an equal, undivided interest in the net assets of the Fund. The Fund is authorized to issue an unlimited number of units.

The Fund will be a reporting issuer under the *Securities Act* (Ontario) prior to the closing of the Offering and the Fund is governed by the laws of Ontario by virtue of the provisions of the Trust Declaration.

All Units have equal rights and privileges. At any meeting of Unitholders of the Fund, each Unitholder will be entitled to one vote for each whole Unit held by such Unitholder. Each whole Unit is entitled to participate equally with

respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, and distributions upon the termination of the Fund. Units are issued only as fully paid and are non-assessable.

The Trust Declaration provides that the Fund will not issue additional Units following completion of the Offering, 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 Unitholders by Extraordinary Resolution. Immediately after a pro-rata distribution of Units to all Unitholders in satisfaction of any non-cash distributions, the number of outstanding Units will be consolidated such that each Unitholder will hold, after the consolidation, the same number of Units as the Unitholder held before the non-cash distribution.

Subject to applicable law, the Fund may at any time or times purchase Units for cancellation at prices not exceeding the most recently calculated NAV per Unit.

## **Monthly Distributions**

In accordance with the Fund's investment objective to provide Unitholders with monthly cash distributions, the Fund intends to make monthly distributions to Unitholders of record on the last business day of each month (each, a "Distribution Record Date"). Distributions will be paid on a business day designated by the Manager that will be no later than the 10<sup>th</sup> business day of the following month (each, a "Distribution Payment Date"). The Manager expects that the initial distribution, which will be pro rated for the period from the closing of the Offering until January 31, 2007, will be payable to Unitholders of record on January 31, 2007. 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.

Monthly distributions for the period ending December 31, 2007 are targeted to be \$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. No assurance can be given as to the amount of indicative distributions announced in future years of the Fund.

Based on the Indicative Portfolio, the initial indicative monthly distributions (after deducting expenses) will be funded through (i) dividend and other income from the Portfolio (approximately 3.77% currently); and (ii) proceeds from the sale of securities held by the Fund. Assuming (i) an offering size of \$50 million; and (ii) the fees and expenses described under "Fees and Expenses", the Portfolio would be required to appreciate at a rate of approximately 4.67% per annum in order for the Fund to maintain a stable net asset value while making the initial indicative monthly cash distributions. The Portfolio's composition over time will vary depending on the MFC Global's assessment of overall market condition and outlook. There is no assurance that the Fund will meet its investment objectives.

Amounts distributed on the Units that represent returns of capital are generally non-taxable to a Unitholder but reduce the Unitholder's adjusted cost base of the Units for tax purposes. See "Canadian Federal Income Tax Considerations".

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 Unitholders, the Fund will also pay one or more special distributions in such year to Unitholders 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 Unitholders (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.

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. Distributions will be payable to Unitholders of record on the Distribution Record Date. All distributions will be paid to Unitholders proportionately based on their respective holdings of Units.

## Redemptions

### *Annual Redemption of Units*

Commencing in 2008, Units may be surrendered annually for redemption during the period from May 15<sup>th</sup> until 5:00 p.m. (Toronto time) on the 20<sup>th</sup> business day before the last business day in June in 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 Unitholder will receive payment on or before the 15<sup>th</sup> day following the Annual Redemption Date.

Redeeming Unitholders 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 Unitholder prior to 5:00 p.m. (Toronto time) on the 10<sup>th</sup> 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 Unitholder will receive payment on or before the 15<sup>th</sup> business day following such Monthly Redemption Date, subject to the Fund’s right to suspend redemptions in certain circumstances.

A Unitholder 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 Toronto Stock Exchange 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” shall be 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 Unitholder 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 The Canadian Depository for Securities Limited (“CDS”) through which that Unitholder 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.

Except as provided under “Suspension of Redemptions”, by causing a CDS Participant to deliver to CDS a notice of the owner’s intention to redeem Units, an owner shall be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any Redemption Notice delivered by a CDS Participant regarding an owner’s intent to redeem which CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with the owner’s

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

### *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 Unitholders 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 Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first 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.

### **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. 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 Unitholders of record on the last Valuation Date (as defined under "Calculation of Net Asset Value") 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 Unitholders. 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.

### **Calculation of Net Asset Value**

The NAV 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 Unitholders 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 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) (subject to regulatory approval of weekly NAV calculation); (ii) each Monthly Redemption Date; (iii) each Annual Redemption Date; and (iv) such other dates as the Manager considers appropriate. Such information will be provided by the Manager to Unitholders on request by calling toll-free 1.866.745.5545 ext. 322 or via the Internet at [www.frontieralt.com](http://www.frontieralt.com).

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

- (a) 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;

- (b) 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;
- (c) 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;
- (d) 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;
- (e) any security sold but not delivered, pending receipt of the proceeds, shall be valued at the net sale price;
- (f) 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;
- (g) 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;
- (h) debt-like securities and listed warrants shall be valued at the current market value thereof;
- (i) 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;
- (j) 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
- (k) 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.

### **Meetings of Unitholders**

A meeting of Unitholders may be convened by the Manager by a written requisition specifying the purpose of the meeting and must be convened if requisitioned by Unitholders holding not less than 10% of the Units then outstanding by a written requisition specifying the purpose of the meeting. Not less than 21 days' and not more than 50 days' notice will be given of any meeting of Unitholders. The quorum at any meeting of all Unitholders is two beneficial Unitholders present in person or by proxy except for the purpose of any meeting called to consider item (d) below under "Acts Requiring Unitholder Approval" in which case the quorum shall be Unitholders holding 15% of the outstanding Units. If no quorum is present at such meeting when called, the meeting, if called on the requisition of Unitholders or for the purpose of item (d), will be terminated and otherwise will be adjourned for not less than 10 days and at the adjourned meeting the Unitholders then present in person or represented by proxy will form the necessary quorum. At any meeting of Unitholders, each Unitholder will be entitled to one vote for each whole Unit registered in the Unitholder's name.

The Fund does not intend to hold annual meetings of Unitholders.

### **Acts Requiring Unitholder Approval**

Pursuant to the Trust Declaration, the following matters require the approval of Unitholders by resolution passed by at least 66 2/3% of the votes cast at a meeting called and held for such purpose (an "Extraordinary Resolution"), other than

items (e) and (f), which require approval of Unitholders by a simple majority vote at a meeting called and held for such purpose (an “Ordinary Resolution”):

- (a) a change in the investment objectives of the Fund as described under “The Fund – Investment Objectives”;
- (b) a change in the investment restrictions of the Fund as described under “The Fund – Investment Restrictions”;
- (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 under “The Trustee”, 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 Unitholders 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 unitholders of the Fund; and
  - (iii) the transaction would be a significant change to the Fund;
- (i) a termination of the Fund prior to the Termination Date, 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.

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

- (i) 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;
- (ii) 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;
- (iii) 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 Unitholders;
- (iv) 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
- (v) provide added protection to Unitholders.

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

## **Termination of the Fund**

The Fund does not have a fixed termination date. However, the Fund may be terminated at any time upon not less than 90 days' written notice by the Manager provided that the prior approval of Unitholders has been obtained by a majority vote at a meeting of Unitholders called for that purpose (the "Termination Date"); provided, however, that the Manager may, in its discretion, on 60 days notice to Unitholders, terminate the Fund without the approval of Unitholders 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 Unitholders to terminate the Fund. Upon termination, the net assets of the Fund will be distributed to Unitholders 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 Unitholders as soon as practicable after the date of termination.

## **Non-Resident Unitholders**

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 Unitholders, 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 Unitholders receiving such notice have not sold the specified number of Units or provided the Manager with satisfactory evidence that they are not non-residents within such period, the Manager may, on behalf of such Unitholders, 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.

## **Book-Entry Only System**

Registration of interests in, and transfers of, the Units will be made only through the book-entry only system of CDS. On the date of closing of the Offering, the Fund will deliver to CDS certificates evidencing the aggregate number of Units subscribed for under the Offering. Units must be purchased, transferred and surrendered for retraction only through a CDS Participant. All rights of an owner of Units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Units. Upon purchase of any Units, the owner will receive only the customary confirmation. References in this prospectus to a holder of Units means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

The Fund, the Manager, the Investment Advisor and the Agents will not have any liability for (i) records maintained by CDS relating to the beneficial interests in the Units or the book-entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

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

The Fund has the option to terminate registration of the Units through the book-entry only system in which case certificates for Units in fully registered form will be issued to beneficial owners of such Units or to their nominees.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McMillan Binch Mendelsohn LLP, counsel to the Fund, and Blake, Cassels & Graydon LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units by a Unitholder who acquires Units pursuant to this prospectus. This summary is applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act and at all relevant times, is resident in Canada, deals at arm's length with the Fund and holds Units as capital property. Generally, the Units will be considered to be capital property to a purchaser provided that the purchaser does not hold such Units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders who might not otherwise be considered to hold Units as capital property may, in certain circumstances, be entitled to have such securities and all other "Canadian securities" owned or subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is also based on the assumptions that none of the issuers of the securities in the Portfolio will be foreign affiliates of the Fund or of any Unitholder and that 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 the draft legislation released November 9, 2006 (or such proposals as amended or enacted, or successor provisions thereto).

This summary is based on the current provisions of the Tax Act and the regulations thereunder, counsel's understanding of the current published administrative and assessing practices of the Canada Revenue Agency (the "CRA") publicly available prior to the date hereof and all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (such proposals referred to hereafter as the "Tax Proposals") and relies upon advice from the Manager and the Agents as to certain factual matters. 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 other federal or any 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 income tax considerations applicable to an investment in Units and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on an investor's particular circumstances including the province 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 particular circumstances.**

### Status of the Fund

This summary is based on the assumptions 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, partnerships that are not Canadian partnerships 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 only undertaking of the Fund must be (a) the investing of its funds in property (other than real property or interests in real property), (b) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) that is capital property of the Fund, or (c) any combination of the activities described in (a) and (b), and (iii) the Fund must comply with certain minimum requirements respecting the ownership and dispersal of Units (the "minimum distribution requirements"). In this connection, (i) the Manager intends to cause the Fund to qualify as a unit trust throughout the life of the Fund, (ii) the Fund's undertaking conforms with the restrictions for mutual fund trusts, and (iii) the Manager and the Agents have advised counsel that they have no reason to believe at the date hereof that the Fund will not comply with the minimum distribution requirements at all material times. The Manager has advised counsel that it intends to ensure that the Fund will meet the requirements necessary for it to qualify as a mutual fund trust no later than 90 days after the end of its first taxation year and at all times thereafter and to file the necessary election so that the Fund will qualify as a mutual fund trust throughout its first taxation year.

If the Fund were not to qualify as a mutual fund trust at all times, the income tax considerations described below and under “Eligibility for Investment” would, in some respects, be materially different.

## **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 Unitholders in the year. The Manager has advised counsel that 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 as described under “Description of the Units – Monthly Distributions”, 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, 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.

In addition, for taxation years beginning before 2007, the Fund will be required to include in the calculation of its income any amount designated in respect of the Fund under subsection 104(29) of the Tax Act by a Canadian Resident trust that is an oil and gas royalty trust in respect of certain Crown royalties and charges in excess of the resource allowance deductible in computing the trust’s income. The Manager has advised counsel that any such deemed income will be made payable by the Fund to Unitholders. The Fund may deduct the amount it designates as payable to the Unitholders, who will be required to include their share of such amount in their income.

With respect to each issuer in the Portfolio that is a limited partnership, 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 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 units will be increased by the amount of such deemed capital gain.

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. The Fund may deduct the costs and expenses of this Offering paid by the Fund and not reimbursed at a rate of 20% per year, pro-rated where the Fund’s taxation year is less than 365 days.

The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in an income trust may be reduced on a pro rata basis in respect of distributions from the income trust that are a return of capital which are not reinvested for an income earning purpose. Counsel are of the view that, while the ability to deduct interest depends on the facts, based on the jurisprudence, the expected use of borrowed funds and the anticipated nature of

income trust distributions, the CRA's position should not adversely affect the Fund's ability to deduct interest on money borrowed to acquire income trusts in the Portfolio. If the CRA's view were to prevail and apply to the Fund, part of the interest payable by the Fund on money borrowed under any Loan Facility to acquire 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 Unitholders. Income of the Fund that is not distributed to Unitholders 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 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 Manager has advised counsel that 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 Manager has also advised counsel that the Fund intends to make 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 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.

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, net of associated deductions, such excess may generally be deducted by the Fund in computing its net 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 in respect of a Unitholder a portion of its foreign source income which can reasonably be considered to be part of the Fund's income distributed to such Unitholder so that such income and a portion of the foreign tax paid by the Fund may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Tax Act.

On October 31, 2003, the federal Department of Finance announced a Tax Proposal relating to the deductibility of losses under the Tax Act (the "October 2003 Proposed Amendments"). Under the October 2003 Proposed Amendments, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If this Tax Proposal were to apply to the Fund, deductions that would otherwise reduce the Fund's taxable income could be denied, with the after-tax returns to Unitholders reduced as a result. On February 23, 2005, the federal Department of Finance announced that it has developed an alternative proposal to the October 2003 Proposed Amendments, which it intends to release for comment. No such alternative proposal has been released to date. There can be no assurance that such alternative proposal will not adversely affect the Fund.

## Taxation of Unitholders

A Unitholder 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 Unitholder (whether in cash or in Units) in the taxation year. The non-taxable portion of the Fund's net realized capital gains paid or payable and designated to a Unitholder in a taxation year will not be included in the Unitholder's income for the year. Any other amount in excess of the Unitholder's share of the Fund's net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder's income, but will generally reduce the adjusted cost base of the Unitholder's Units. 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 Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain. Any losses of the Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Unitholder.

Provided that appropriate designations are made by the Fund, such portion of (i) the net realized taxable capital gains of the Fund, (ii) the income of the Fund from foreign sources, and (iii) the taxable dividends received or deemed to be received by the Fund on shares of taxable Canadian corporations, as is paid or becomes payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that the Fund so designates its income from a foreign source in respect of a Unitholder, the Unitholder will, for the purposes of computing its foreign tax credits, be entitled to treat the Unitholder's proportionate share of foreign taxes paid by the Fund in respect of such income as foreign taxes paid by the Unitholder. The availability of foreign tax credits in respect of foreign source income designated to a Unitholder by the Fund is subject to the foreign tax credit rules under the Tax Act and the Unitholder's particular circumstances. Investors should consult their own tax advisors in this regard. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit rules will apply. On October 16, 2006, the Minister of Finance (Canada) released draft legislation which are intended to enhance the dividend gross-up and tax credit mechanism applicable to certain "eligible dividends" paid after 2005 which are so designated by the dividend-paying corporation. Such Tax Proposal, if enacted, would be applicable to amounts that are paid or payable to a Unitholder and designated by the Fund as being in respect of a dividend received or deemed to be received by the Fund on shares of a taxable Canadian corporation. There can be no assurance that such Tax Proposal will be enacted into law in the form proposed or at all.

If the Fund designates an amount in respect of deemed income of the Fund arising as a result of a designation of an amount under subsection 104(29) of the Tax Act by an oil and gas royalty trust included in the Portfolio, the Unitholder would be required to include in income the Unitholder's share of the amount designated by the Fund. See "Taxation of the Fund" above.

Under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the year. This 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 Unitholder but not deducted by the Fund will not be included in the Unitholder's income. However, the adjusted cost base of the Unitholder's Units will be reduced by such amount. 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 Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain.

The NAV per Unit will reflect any income and gains of the Fund that have accrued or have been realized but have not been made payable at the time Units are acquired. Accordingly, a Unitholder who acquires Units may become taxable on the Unitholder's share of income and gains of the Fund that accrued before the Units were acquired notwithstanding that such amounts will have been reflected in the price paid by the Unitholder for the Units.

On the disposition or deemed disposition of a Unit (whether on a sale, redemption or otherwise), the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder'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 Unitholder's income as described above) exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. If the Fund distributes property in specie on the termination of the Fund, a Unitholder's proceeds of disposition would generally be equal to the aggregate of the fair market value of the distributed property and the amount of any cash received, less any capital gain realized by the Fund on the disposition of such distributed property. For the purpose of determining the adjusted cost base of Units to a Unitholder, when Units are acquired, the cost of the newly acquired Units will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property immediately before that time. The cost of Units acquired as a distribution of income or capital gains from the Fund will generally be equal to the

amount of the distribution. A consolidation of Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Units. See “Description of the Units – Monthly Distributions”.

One-half of any capital gain realized on the disposition of Units will be included in the Unitholder’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.

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

### **SIFT Proposals**

Under the SIFT Proposals, each issuer in the Portfolio that is a “specified investment flow-through” as defined under the SIFT Proposals (which will generally include income trusts and partnerships, the units of which are listed on a stock exchange or other public market) (a “SIFT”) will be subject to a special tax in respect of (i) income from business carried on in Canada, and (ii) certain income and capital gains respecting “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 will be taxed at a rate that is equivalent to the federal general corporate tax rate plus 13% on account of provincial tax. The SIFT Proposals will generally not apply to issuers that have been publicly traded before November 1, 2006 for taxation years that end before 2011. Any Non-Portfolio Earnings that become payable 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” eligible for the enhanced gross-up and tax credit under the draft legislation released by the Minister of Finance (Canada) on October 16, 2006.

### **ELIGIBILITY FOR INVESTMENT**

In the opinion of McMillan Binch Mendelsohn LLP, counsel for the Fund, and Blake, Cassels & Graydon LLP, counsel for the Agents, provided that the Fund qualifies, and continues at all times to qualify, as a “mutual fund trust” within the meaning of the *Income Tax Act* (Canada) (the “Tax Act”), the Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans.

### **USE OF PROCEEDS**

The Fund will use the proceeds from the sale of Units as follows:

	<u>Maximum Offering</u>	<u>Minimum Offering</u>
Gross proceeds to the Fund .....	\$100,000,000	\$20,000,000
Agents’ fees .....	\$5,000,000	\$1,000,000
Expenses of issue .....	\$750,000	\$300,000
Net proceeds to the Fund .....	<u>\$94,250,000</u>	<u>\$18,700,000</u>

The Fund will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option (defined below)), together with any borrowings under any Loan Facility, to invest in the Portfolio in accordance with the investment objectives, strategy and restrictions of the Fund (as described under “The Fund”) as soon as possible after closing.

### **PLAN OF DISTRIBUTION**

Pursuant to an agreement dated as of December 12, 2006 (the “Agency Agreement”) between CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., TD Securities Inc., Canaccord Capital Corporation, Dundee Securities Corporation, HSBC Securities (Canada) Inc., Raymond James Ltd., Blackmont Capital Inc., Wellington West Capital Inc., Berkshire Securities Inc., Desjardins Securities Inc. and GMP Securities L.P. (collectively, the “Agents”), the Manager, the Investment Advisor and the Fund, the Agents have agreed to offer the Units for sale, as agents of the Fund, on a best efforts basis, if, as and when issued by the Fund. The Agents will

receive a fee equal to \$0.50 for each Unit sold and will be reimbursed for out-of-pocket expenses incurred by them. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Units offered hereby, the Agents will not be obligated to purchase Units which are not sold.

The Fund has granted the Agents an option (the “Over-Allotment Option”), exercisable for a period of 30 days from the closing of the Offering, to purchase up to 15% of the aggregate number of Units issued at the closing of the Offering on the same terms set forth above. This prospectus qualifies the distribution of the Over-Allotment Option, and the Units issuable on the exercise thereof. The Agents may exercise the Over-Allotment Option in whole or in part at any time on or before the close of business on the 30<sup>th</sup> day following the closing of this Offering. To the extent that the Over-Allotment Option is exercised, the additional Units will be offered at the Offering price hereunder and the Agents will be entitled to a fee of \$0.50 per Unit purchased.

If subscriptions for a minimum number of Units have not been received within 90 days following the date of issuance of a final receipt for this prospectus, this Offering may not continue without the consent of the Canadian securities regulators and those who have subscribed for Units on or before such date. Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. In the event the minimum Offering is not achieved by the Fund and the necessary consents are not obtained or if the closing of the Offering does not occur for any reason, subscription proceeds received from prospective purchasers will be returned to such purchasers promptly without interest or deduction. Subscriptions for Units will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. Closing of the Offering will take place on or about January 4, 2007 or such later date as may be agreed upon by the Fund and the Agents that is on or before February 2, 2007.

Pursuant to policy statements of certain Canadian securities regulators, the Agents may not, throughout the period of distribution, bid for or purchase Units. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. Such exceptions include a bid or purchase permitted under applicable by-laws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with the Offering, the Agents may over-allot or effect transactions in connection with their over-allotted position. Such transactions, if commenced, may be discontinued at anytime.

MFC Global is an affiliate of The Manufacturers Life Insurance Company, which owns common shares of Canaccord Capital Inc., which represent approximately 5% of the outstanding voting and equity securities of Canaccord Capital Inc. on a fully diluted basis. Canaccord Capital Corporation, one of the Agents, is a wholly owned subsidiary of Canaccord Capital Inc. As such, Canaccord Capital Corporation may be considered to be a “connected issuer” of the Fund under Canadian securities legislation by virtue of the investment advisory relationship between the Manager, the Fund and MFC Global.

## **FEES AND EXPENSES**

### **Initial Expenses**

The expenses of the Offering, which are estimated to be \$750,000 (including the costs of creating the Fund, the costs of printing and preparing this prospectus, legal expenses of the Fund, marketing expenses and legal and other out-of-pocket expenses incurred by the Agents and certain other expenses), subject to a maximum of 1.5% of the gross proceeds of the Offering, will, together with the Agents’ fees, be paid from the gross proceeds of the Offering.

### **Ongoing Fees and Expenses**

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 as at the last Valuation Date of each month. The Investment Advisor will be remunerated by the Manager out of the management fee.

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

Unitholders and other Unitholder 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 ongoing obligations to the Fund; fees payable to the auditors and legal advisors of the Fund; 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 (as described under “Management of the Fund – The Manager”). The aggregate annual amount of these fees and expenses is estimated to be \$250,000. The Fund will also be responsible for any debt service and costs relating to any Loan Facility, fees associated with hedging activities (as described under “The Fund – Use of Derivative Instruments”) 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). The Servicing Fee payable to the registered dealers in respect of the period ending June 30, 2007 shall be pro-rated based on the fraction, the numerator of which is the number of days from and including the closing of the Offering to and including June 30, 2007, the denominator of which is equal to the number of days in the preceding two quarters.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

The Manager will receive the fees described under “Fees and Expenses” for its services to the Fund and will be reimbursed by the Fund for all expenses incurred in connection with the operation and administration of the Fund. The Fund may retain an affiliate of the Manager to calculate NAV of the Fund (at rates consistent with those of a third party dealing at arm's length with the Fund and furnishing similar services).

### **RISK FACTORS**

In addition to the considerations set out elsewhere in this prospectus, the following are certain considerations relating to an investment in Units which prospective investors should consider before purchasing such Units:

#### **No Assurances of Achieving Objectives**

There is no assurance that the Fund will be able to achieve its distribution objective. The funds available for distribution to Unitholders will vary according to, among other things, the levels of distributions paid on the securities in the Portfolio and the value of the securities in the Portfolio. There is no assurance that the Portfolio will earn any return.

It is possible that, due to declines in the market value of the securities in the Portfolio, the Fund will have insufficient Portfolio assets to achieve in full its investment objectives, including that of long-term total returns.

#### **Fluctuations in Net Asset Value**

The NAV per Unit and the funds available for distribution will vary according to, among other things, the net asset value of the securities held in the Portfolio and the distributions paid thereon. Fluctuations in the market values of the securities held in the Portfolio and the amount of dividends or interest paid on such securities may occur for a number of reasons beyond the control of the Manager or the Fund.

#### **Inefficient Asset Allocation**

It is possible that the Fund may allocate assets to or over-weight an asset category that underperforms in relation to other asset categories. For example, the Fund may be overweighted in equity securities when the equity market is falling and the fixed income market is rising. Similarly, the Fund may underweight an asset category that outperforms the other asset categories.

#### **Performance of the Portfolio**

The NAV per Unit will vary as the value of the securities in the Portfolio varies. The Fund has no control over the factors that affect the value of the securities in the Portfolio, including factors that affect the debt and equity markets generally such as general economic and political conditions and fluctuations in interest rates, and factors unique to each issuer included in the Portfolio, such as changes in management, changes in strategic direction, achievement of strategic

goals, mergers, acquisitions and divestitures, changes in distribution policies and other events that may affect the value of its securities.

### **Equity Risk**

Equities such as the common and preferred shares give the holder part ownership in a company. The value of an equity security changes with the fortunes of the company that issued it. General market conditions and the health of the economy as a whole can also affect equity prices. Equity related securities that provide indirect exposure to the equity securities of an issuer, such as convertible debentures, can also be affected by equity risk.

### **Fixed Income Investment Risk**

The value of the securities in the Portfolio will be affected by changes in the general level of interest rates. Generally, fixed income securities will decrease in value when interest rates rise and increase in value when interest rates decline. The value of the fixed income securities will also be affected by the risk of default in the payment of interest and principal and price changes due to such factors as general economic conditions and the issuers' creditworthiness.

### **Income Trust Risk**

The yields on income trusts are not assured. Income trusts depend ultimately on the financial performance of the related operating entity and may also be subject to general risks associated with industry, business cycles, commodity prices, interest rates and other economic factors. The market value of income trusts in which the Fund invests may materially decline if such income trusts are unable to meet their cash distribution targets in the future. Some of the income trusts in the Portfolio will have limited operating histories. The SIFT Proposals, which are intended to change the rules in the Tax Act applicable to income trusts, could negatively affect the yields of income trust securities even though the scope of the SIFT Proposals is uncertain and draft legislation in respect of such proposals has not yet been released. There is a risk that the rules in the Tax Act may change, which could negatively affect the yields of income trust securities in the Portfolio.

Within the income trust sector, investments in REITs are subject to the general risks associated with real property investments. Real property investments are affected by various factors including changes in general economic conditions (such as the availability of long-term mortgage funds) and in local conditions (such as oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to tenants, competition from other available space and various other factors.

Within the income trust sector, the operations and financial condition of resource-based issuers, including oil and gas royalty trusts, and the amount of distributions paid on their units, is dependent in part on commodity prices. Prices for commodities will vary and are determined by supply and demand factors, including weather, general conditions and political conditions. A decline in commodity prices could have an adverse effect on the operations and financial conditions of such issuers and the amount of distributions paid on their units. In addition, certain commodity prices are based on a U.S. dollar market price. Accordingly, an increase in the value of the Canadian dollar against the U.S. dollar could reduce the amount of distributions paid on the units of such resource-based issuers.

### **Reliance on the Manager and the Portfolio Advisors of the Investment Advisor**

Unitholders will be dependent on the ability of the Manager to effectively manage the Fund in a manner consistent with the investment objectives, strategy and restrictions of the Fund. Performance of the investments in the Portfolio will be dependent on the Investment Advisor, which provides portfolio management services with respect to the Fund. There is no certainty that the individuals who are principally responsible for providing administration and portfolio management services to the Fund will continue to be employed by the Manager and Investment Advisor, respectively.

### **Foreign Market Exposures**

The Fund's Investments will, at any time, include securities of issuers established in jurisdictions outside Canada and the United States. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to Canadian and U.S. companies, some issuers may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than a Canadian or U.S. company. Volume and liquidity in some foreign markets may be less than in Canada and the United States and, at times, volatility of price may be greater than in Canada or the United States. As a result, the price of such securities may be affected by

conditions in the market of the jurisdiction in which the issuer is located or its securities are traded. Investments in foreign markets carry the potential exposure to the risk of political upheaval, acts of terrorism and war, all of which could have an adverse impact on the value of such securities.

### **Currency Exposure**

As the Portfolio will be invested in securities traded in U.S. dollars and other foreign currencies, the NAV of the Fund, when measured in Canadian dollars, will, to the extent this has not been hedged against, be affected by changes in the value of the U.S. dollar and other foreign currencies relative to the Canadian dollar. 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 not be fully hedged at all times and distributions received on the Portfolio will not be hedged and accordingly no assurance can be given that the Fund will not be adversely impacted by changes in foreign exchange rates or other factors. The use of hedges, if used, involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Investment Advisor's assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if the hedging had not been used. The hedging arrangements may have the effect of limiting or reducing the total returns to the Fund if the Investment Advisor's expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with the hedging program may outweigh the benefits of the arrangements in such circumstances.

### **Use of Leverage**

The Fund may at times incur indebtedness under a Loan Facility in an amount up to 25% of the value of the total assets of the Fund (at any time), including cash and other assets acquired through the borrowings. Any such indebtedness will be secured by the Fund's assets, including the Portfolio. There can be no assurance that such a strategy will enhance returns and, in fact, the strategy may reduce returns. If the securities in the Portfolio suffer a decrease in value, the use of leverage will cause a decrease in the NAV in excess of that which would otherwise be experienced. In the event that any such Loan Facility is called by the lender thereunder or exceeds the permitted limit, the Fund may be required to liquidate the Portfolio to repay or reduce the indebtedness at a time when the market for the securities in the Portfolio may be depressed, thereby forcing the Fund to incur losses.

The interest expense and banking fees incurred in respect of any Loan Facility may exceed the incremental capital gains/losses and income generated by the incremental investments for the Portfolio. In addition, the Fund may not be able to renew a Loan Facility on acceptable terms.

### **Sensitivity to Interest Rates**

The market price of the Units may be affected by the level of interest rates prevailing from time to time. In addition, any decrease in the NAV resulting from an increase in interest rates may also negatively affect the market price of the Units. Unitholders will therefore be exposed to the risk that the NAV per Unit or the market price of the Units may be negatively affected by interest rate fluctuations.

### **Illiquid Securities**

If the Investment Advisor is unable to dispose of some or all of the Portfolio securities, the Fund may experience a delay in the receipt of the proceeds of disposition until such time as the Investment Advisor is able to dispose of such Portfolio securities. If the Investment Advisor determines that it is appropriate to acquire certain securities for the Fund, the Investment Advisor may be unable to acquire the number of such securities, or to acquire such securities at a price acceptable to the Investment Advisor, if the market for such securities is particularly illiquid.

### **Use of Derivative Instruments**

The Fund may utilize derivatives for hedging purposes. The use of derivative instruments involves risks different from and possibly greater than, the risks associated with investing directly in securities and other traditional investments. Risks associated with the use of derivatives include: (i) hedging to reduce risk does not guarantee that there will not be a loss or that there will be a gain; (ii) there is no guarantee that a market will exist when the Fund wants to complete the derivative contract, which could prevent the Fund from reducing a loss or making a profit; (iii) securities exchanges may impose trading limits on options and futures contracts, and these limits may prevent the Fund from completing the derivative contract; (iv) the Fund could experience a loss if the other party to the derivative contract is unable to fulfill its obligations; and (v) if the

Fund has an open position in an option, a futures contract or a forward contract with a dealer who goes bankrupt, the Fund could experience a loss and, for an open futures or forward contract, a loss of margin deposits with that dealer. In circumstances where there is an interest rate hedge employed, total return on the Portfolio may be higher with the hedge than without it when interest rates rise significantly, but total return may be lower than it otherwise would be in a stable to falling interest rate environment.

### **Securities Lending**

The Fund may engage in securities lending. Although it will receive collateral for the loans and such collateral will be marked-to-market, the Fund will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral be insufficient to reconstitute the portfolio of loaned securities.

### **Trading Price of Units**

Units may trade in the market at a premium or discount to the NAV per Unit and there can be no assurance that Units will trade at prices that reflect their net asset value.

### **Annual Redemptions**

If holders of a substantial number of Units exercise their annual redemption rights, the number of Units outstanding and the NAV of the Fund could be significantly reduced. A significant number of redemptions would decrease the liquidity of the Units in the market and increase the management expense ratio of the Fund. The Manager may terminate the Fund upon notice to Unitholders 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 Unitholders to terminate the Fund.

### **Status of the Fund for Securities Law Purposes**

The Fund is not a “mutual fund” for securities law purposes. As a result, some of the protections provided to investors in mutual funds under such laws will not be available to investors in the Units and restrictions imposed on mutual funds under Canadian securities laws, including National Instrument 81-102, do not apply to the Fund.

### **Potential Conflicts of Interest**

The Manager and the Investment Advisor, their respective directors and officers and their respective affiliates and associates may engage in the promotion, management or investment management of other accounts, funds or trusts which invest primarily in the securities held by the Fund.

Although officers, directors and professional staff of the Manager and the Investment Advisor will devote as much time to the Fund as is deemed appropriate to perform its duties, the staff of the Manager and the Investment Advisor may have conflicts in allocating their time and services among the Fund and the other funds managed by the Manager and the Investment Advisor.

### **Changes in Legislation**

There can be no assurance that income tax, securities and other laws will not be changed in a manner which adversely affects the distributions received by the Fund or by the Unitholders. There can no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the Unitholders. If the Fund ceases to qualify as a “mutual fund trust” under the Tax Act, the income tax considerations described under the heading “Canadian Federal Income Tax Considerations” would be materially and adversely different in certain respects.

### **Taxation of the Fund**

The October 2003 Proposed Amendments limiting claims for losses are draft proposals. The scope of such provisions and whether or not there will be material changes before the provisions are finalized is uncertain. There can be no assurance that the October 2003 Proposed Amendments if enacted, or any alternative proposal, may not have an adverse effect on the Fund. On February 23, 2005, the Department of Finance announced that it has developed an alternative

proposal to the October 2003 Proposed Amendments which it intends to release for comment. No such alternative proposal has been released to date.

Currently, a trust will be deemed not to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents unless all or substantially all of its property is property other than taxable Canadian property as defined in the Tax Act. On September 16, 2004, the Minister of Finance (Canada) released a proposal to amend the Tax Act (the "September 16<sup>th</sup> Tax Proposals"), which propose that a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not Canadian partnerships, or any combination thereof, is more than 50% of the aggregate fair market value of all units issued by the trust where, at that time or any previous time, more than 10% (based on fair market value) of the trust's property is taxable Canadian property or certain other types of property. If the September 16<sup>th</sup> Tax Proposals are enacted as proposed, and if these circumstances applied to the Fund, the Fund would thereafter cease to be a mutual fund trust. The September 16<sup>th</sup> Tax Proposals do not currently provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Department of Finance tabled a Notice of Ways and Means Motion which did not include these proposed changes, pending further consultation with interested parties.

If the Fund ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading "Canadian Federal Income Tax Considerations" and "Eligibility for Investment" would be materially and adversely different in certain respects.

The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in an income trust may be reduced on a *pro rata* basis in respect of distributions from the income trust that are a return of capital and which are not reinvested for an income earning purpose. Counsel are of the view that, while the ability to deduct interest depends on the facts, based on the jurisprudence and the anticipated nature of income trust distributions, the CRA's view should not affect the Fund's ability to deduct interest on money borrowed to acquire units of income trusts included in the Portfolio securities. If the CRA's view were to apply to the Fund, part of the interest payable by the Fund in connection with money borrowed to acquire certain Portfolio securities could be non deductible, increasing the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders. Income of the Fund which is not distributed to Unitholders would be subject to non-refundable income tax in the Fund.

In determining its income for tax purposes, the Fund will treat gains or losses on the disposition of securities in the Portfolio as capital gains and losses. In addition, in accordance with the CRA's published administrative practice, derivatives used to hedge capital items will be treated and reported for purposes of the Tax Act on capital account and designations with respect to its income and capital gains will be made and reported to Unitholders on this basis. CRA's practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained. If these dispositions or transactions of the Fund are not on capital account, the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders could increase.

## **Operating History**

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

## **Not a Trust Company**

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that Act or any other legislation.

## **Nature of Units**

The Units share certain attributes common to both equity securities and debt instruments. The Units represent a fractional interest in the net assets of the Fund. Units are dissimilar to debt instruments in that there is no principal amount owing Unitholders. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions.

## **MATERIAL CONTRACTS**

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

- (a) the Trust Declaration described under “Description of the Units”;
- (b) the Agency Agreement described under “Plan of Distribution”; and
- (c) the Investment Advisory Agreement described under “Management of the Fund - The Investment Advisor”.

Copies of the agreements referred to above after the execution thereof may be inspected during business hours at the principal office of the Fund during the course of distribution of the Units offered hereby.

## **PROMOTER**

The Manager may be considered a promoter of the Fund within the meaning of the securities legislation of certain provinces or territories of Canada by reason of its initiative in organizing the Fund. The promoter will not receive any benefits, directly or indirectly, from the issuance of securities offered hereunder other than as described under “Fees and Expenses”.

## **LEGAL MATTERS**

The matters referred to under “Eligibility for Investment” and “Canadian Federal Income Tax Considerations” and certain other legal matters relating to the securities offered hereby will be passed upon on behalf of the Fund and the Manager by McMillan Binch Mendelsohn LLP, and on behalf of the Agents by Blake, Cassels & Graydon LLP.

## **AUDITORS**

The auditors of the Fund are Smith, Nixon & Co. LLP, Chartered Accountants, 390 Bay Street, Suite 1900, Toronto, Ontario M5H 2Y2.

## **REGISTRAR AND TRANSFER AGENT**

Computershare Investor Services Inc., at its principal offices in Toronto, will be appointed the registrar, transfer agent and distribution agent for the Units pursuant to a registrar, transfer agency and distribution agency agreement to be entered into as of the date of the closing of the Offering.

## **PURCHASERS’ STATUTORY RIGHTS**

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

## AUDITORS' CONSENT

We have read the prospectus of Global Dividend Fund (the "Fund") dated December 12, 2006 relating to the issue and sale of units of the Fund. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the inclusion in the above-mentioned prospectus of our report to the Manager of the Fund on the statement of financial position of the Fund as at December 12, 2006. Our report is dated December 12, 2006.

Toronto, Ontario  
December 12, 2006

(Signed) Smith, Nixon & Co. LLP,  
Chartered Accountants

## AUDITORS' REPORT

To the Manager of  
Global Dividend Fund

We have audited the statement of financial position of Global Dividend Fund (the "Fund") as at December 12, 2006. This financial statement is the responsibility of the Fund's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

In our opinion, this statement of financial position presents fairly, in all material respects, the financial position of the Fund as at December 12, 2006 in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario  
December 12, 2006

(Signed) Smith, Nixon & Co. LLP  
Chartered Accountants

**GLOBAL DIVIDEND FUND  
STATEMENT OF FINANCIAL POSITION**

**December 12, 2006**

	<b>Actual</b>
<b>ASSETS</b>	
Cash .....	\$10
Total .....	\$10
 <b>UNITHOLDER'S EQUITY (Note 1)</b>	
Unitholder's equity (1 Unit) .....	\$10

Approved by the Manager:

(Signed) MOHAMED ASIF KHAN  
Chief Executive Officer

(Signed) RON SANCHEZ  
Vice President, Finance  
(signing in the capacity of chief financial officer)

**1. UNITS AUTHORIZED AND OUTSTANDING**

*Establishment of the Fund and Authorized Units*

Global Dividend Fund (the "Fund") was established under the laws of the Province of Ontario by a Trust Declaration (the "Trust Declaration") dated December 12, 2006 by frontierAlt Investment Management Corporation, as trustee of the Fund. The Fund is authorized to issue an unlimited number of units (the "Units"). On December 12, 2006 the Fund issued 1 Unit for \$10 cash.

**2. AGENCY AGREEMENT**

The Fund has engaged CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., TD Securities Inc., Canaccord Capital Corporation, Dundee Securities Corporation, HSBC Securities (Canada) Inc., Raymond James Ltd., Blackmont Capital Inc., Wellington West Capital Inc., Berkshire Securities Inc., Desjardins Securities Inc. and GMP Securities L.P. (collectively, the "Agents") as agents to offer Units for sale to the public pursuant to a prospectus dated December 12, 2006. The Agents' fee and the expenses of the offering of the Units (the "Offering"), estimated at \$750,000, will be paid from the proceeds of the Offering, subject to a maximum of 1.5% of the gross proceeds of the Offering.

**3. COMMITMENTS**

As compensation for management and investment management services rendered to the Fund pursuant to the Trust Declaration, the Manager is entitled to receive a monthly management fee equal to one-twelfth of 1.10% of the net assets of the Fund at month end, paid monthly in arrears, plus an amount equal to the servicing fee (the "Servicing Fee") to be paid by the Manager to registered dealers, plus any applicable taxes. The Servicing Fee is equal to 0.40% annually of the net asset value per Unit for Units held by clients of registered dealers calculated and paid at the end of each calendar quarter commencing on June 30, 2007.

**CERTIFICATE OF THE FUND AND THE PROMOTER**

Dated: December 12, 2006

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Part 6 of the *Securities Act* (New Brunswick), by Section 63 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act* (Newfoundland and Labrador), by Part 3 of the *Securities Act* (Yukon Territory), by the *Securities Act* (Northwest Territories) and by the *Securities Act* (Nunavut), and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, as required by the *Securities Act* (Québec) and the regulations thereunder.

**FRONTIERALT INVESTMENT MANAGEMENT CORPORATION  
as manager and on behalf of Global Dividend Fund**

(Signed) MOHAMED ASIF KHAN  
Chief Executive Officer

(Signed) RON SANCHEZ  
Vice President, Finance  
(signing in the capacity of chief financial officer)

**On behalf of the Board of Directors of frontierAlt Investment Management Corporation**

(Signed) FEICO LEEMHUIS  
Director

(Signed) WALTER MARTIN  
Director

**FRONTIERALT INVESTMENT MANAGEMENT CORPORATION, as Promoter**

By: (Signed) MOHAMED ASIF KHAN  
Chief Executive Officer

## CERTIFICATE OF THE AGENTS

Dated: December 12, 2006

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 64 of the *Securities Act* (Nova Scotia), by Part 6 of the *Securities Act* (New Brunswick), by Part XIV of the *Securities Act* (Newfoundland and Labrador), by Part II of the *Securities Act* (Prince Edward Island), by Part 3 of the *Securities Act* (Yukon Territory), by the *Securities Act* (Northwest Territories) and by the *Securities Act* (Nunavut), and the respective regulations thereunder. To our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, as required by the *Securities Act* (Quebec) and the regulations thereunder.

**CIBC WORLD MARKETS INC.**

**RBC DOMINION SECURITIES INC.**

**SCOTIA CAPITAL INC.**

By: (Signed) RONALD W.A. MITCHELL

By: (Signed) EDWARD V. JACKSON

By: (Signed) BRIAN D. MCCHESENEY

**BMO NESBITT BURNS INC.**

**NATIONAL BANK FINANCIAL INC.**

**TD SECURITIES INC.**

By: (Signed) DAVID R. THOMAS

By: (Signed) MICHAEL D. SHUH

By: (Signed) CAMERON GOODNOUGH

**CANACCORD CAPITAL  
CORPORATION**

**DUNDEE SECURITIES  
CORPORATION**

**HSBC SECURITIES (CANADA)  
INC.**

**RAYMOND JAMES LTD.**

By: (Signed) BINA N. PATEL

By: (Signed) DAVID G.  
ANDERSON

By: (Signed) JAY LEWIS

By: (Signed) SARA MINATEL

**BLACKMONT CAPITAL INC.**

**WELLINGTON WEST CAPITAL INC.**

By: (Signed) CHARLES A.V. PENNOCK

By: (Signed) KEVIN M. HOOKE

**BERKSHIRE SECURITIES INC.**

**DESJARDINS SECURITIES INC.**

**GMP SECURITIES L.P.**

By: (Signed) DAVID MACLEOD

By: (Signed) BETH SHAW

By: (Signed) NEIL SELFE