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PROSPECTUS

Initial Public Offering

October 29, 2002



diversiTrust™ Income Fund

Maximum \$150,000,000 (15,000,000 Trust Units)

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

The Fund intends to invest in a diversified portfolio of High Income Securities (as hereinafter defined) to achieve the following investment objectives (“Investment Objectives”):

- (i) to provide holders of Trust Units (“Unitholders”) with a stable stream of monthly cash distributions targeted to be \$0.0771 per Trust Unit (approximately 9.25% per annum on the original issue price of \$10.00 per Trust Unit); and
- (ii) to return the original issue price of the Trust Units (\$10.00 per Trust Unit) to Unitholders upon termination of the Fund on December 31, 2012 (the “Termination Date”), as well as to provide Unitholders some opportunity for capital appreciation above the original issue price.

The distributions and return of the original issue price of the Trust Units noted in the Investment Objectives are only targets and amounts actually distributed or returned may be less than these targets.

Dynamic Mutual Funds Ltd. (the “Manager”) is the manager of the Fund. Goodman & Company, Investment Counsel, a division of the Manager, will act as investment counsel and portfolio manager and be responsible for implementing the investment strategy of the Fund as well as selecting and managing the Fund’s investments.

The Manager intends to achieve the targeted returns by selecting and actively managing a diversified portfolio of High Income Securities. The Fund will invest in a diversified portfolio consisting primarily of Business Trusts, Resource Trusts, REITs and Utility Trusts (all as hereinafter defined). In order to enhance total returns, the Fund intends to enter into leverage and borrowing transactions to a maximum of 30% of Total Assets (as hereinafter defined) of the Fund to acquire additional High Income Securities. See “Investment Strategy and Restrictions — Investment Strategy — C. Leverage and Borrowing”.

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

	Price to the Public	Agents’ Fees	Net Proceeds to the Fund ⁽¹⁾
Per Trust Unit	\$10.00	\$0.550	\$9.450
Minimum Total Offering ⁽²⁾⁽³⁾	\$40,000,000	\$2,200,000	\$37,800,000
Maximum Total Offering ⁽³⁾	\$150,000,000	\$8,250,000	\$141,750,000

Notes:

- (1) Before deducting the expenses of the Offering, estimated to be \$650,000, which, together with the Agents’ fees, will be paid by the Fund from the proceeds of the Offering.
- (2) There will be no closing unless a minimum of 4,000,000 Trust Units are sold.
- (3) The Fund has granted to the Agents an option (the “Over-Allotment Option”), exercisable for a period of 30 days from the closing of the Offering, to offer additional Trust Units in an amount not exceeding 15% of the aggregate number of Trust Units sold on the closing of the Offering on the same terms as set forth above, solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full, under the maximum Offering, the price to the public, Agents’ fees and net proceeds will be \$172,500,000, \$9,487,500 and \$163,012,500, respectively. This prospectus also qualifies the Over-Allotment Option and the distribution of the Trust Units issuable on the exercise of the Over-Allotment Option. See “Plan of Distribution”.

Trust Units may be surrendered for redemption in January of each year commencing January 2004, subject to certain conditions, for a redemption price equal to 100% of Net Asset Value per Trust Unit. See “Redemption of Trust Units”.

There is currently no market through which the Trust Units may be sold and purchasers may not be able to resell the Trust Units purchased under this prospectus. The Agents may over-allot or effect transactions as described under “Plan of Distribution”. The terms of the Offering were established through negotiation between the Agents and the Manager on behalf of the Fund. The Toronto Stock Exchange has conditionally approved the listing of the Trust Units. Listing is subject to the Fund fulfilling all of the requirements of The Toronto Stock Exchange on or before January 24, 2003, including the distribution of Trust Units to a minimum number of public Unitholders.

There is no guarantee that an investment in the Fund will earn the targeted distribution of \$0.0771 per month (approximately 9.25% per annum based on the offering price of the Trust Units) or any positive return in the short or long term, nor is there any guarantee that the Net Asset Value per Trust Unit will be preserved or any capital appreciation attained. An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment and can withstand the effect of the targeted return not being met in any period. There are certain risk factors associated with an investment in Trust Units. See “Risk Factors”.

The Fund is not a trust company and does not carry on business as a trust company and, accordingly, the Fund is not registered under the trust company legislation of any jurisdiction. 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.

Scotia Capital Inc., Dundee Securities Corporation, BMO Nesbitt Burns Inc., National Bank Financial Inc., RBC Dominion Securities Inc., TD Securities Inc., Canaccord Capital Corporation, HSBC Securities (Canada) Inc., Raymond James Ltd., Yorkton Securities Inc., Bieber Securities Inc. and Research Capital Corporation (collectively, the “Agents”) conditionally offer the Trust Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued, sold and delivered by the Fund in accordance with the conditions contained in the Agency Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the Fund by McCarthy Tétrault LLP and on behalf of the Agents by Osler, Hoskin & Harcourt LLP. See “Plan of Distribution”. Subscriptions for Trust Units will be received subject to rejection or allotment in whole or in part and the Fund reserves the right to close the subscription books at any time without notice. Registrations of interests in and transfers and pledges of Trust Units will be made only through the book-based system (the “Book-Entry Only System”) administered by The Canadian Depository for Securities Limited (“CDS”). A single book-entry only certificate representing the Trust Units will be issued in registered form only to CDS or its nominee and will be deposited with CDS on the date of closing which is expected to occur on or about November 28, 2002 or such later date as the Fund and the Agents may agree, but in any event not later than January 23, 2003. A purchaser of Trust Units will receive a customer confirmation from the registered dealer which is a CDS participant from or through which the Trust Units are purchased, and will not have the right to receive physical certificates evidencing ownership. See “Details of the Offering — Book Entry Registration”.

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

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ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault LLP, counsel for the Fund, and Osler, Hoskin & Harcourt LLP, counsel for the Agents, provided that the Fund qualifies as a mutual fund trust or is a registered investment within the meaning of the Tax Act, the Trust Units will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans (collectively, "Plans") and for registered education savings plans. Provided that the Fund is a mutual fund trust and complies with restrictions on the ownership of foreign property, or is a registered investment, the Trust Units will not constitute foreign property for Plans or other persons subject to tax under Part XI of the Tax Act.

PROSPECTUS SUMMARY

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

The Fund

diversiTrust™ Income Fund is a closed-end investment trust established under the laws of the Province of Ontario on October 29, 2002. The Manager of the Fund is Dynamic Mutual Funds Ltd.

The Offering

Offering	A minimum of 4,000,000 and a maximum of 15,000,000 Trust Units.
Amount	A minimum of \$40,000,000 and a maximum of \$150,000,000.
Price	\$10.00 per Trust Unit.
Minimum Purchase	100 Trust Units (\$1,000).
Investment Objectives	<p>The Fund plans to invest in a diversified portfolio of High Income Securities to achieve the following Investment Objectives:</p> <p>(a) Monthly Distributions: to provide Unitholders with a stable stream of monthly cash distributions targeted to be \$0.0771 per Trust Unit (approximately 9.25% per annum on the original issue price of \$10.00 per Trust Unit); and</p> <p>(b) Capital Repayment: to return the original issue price of the Trust Units (\$10.00 per Trust Unit) to Unitholders upon termination of the Fund on December 31, 2012 (the "Termination Date"), as well as to provide Unitholders some opportunity for capital appreciation above the original issue price.</p>

The distributions and return of the original issue price of the Trust Units noted in the Investment Objectives are only targets and amounts actually distributed or returned may be less than these targets.

High Income Securities	The Fund intends to invest primarily in the class of High Income Securities known as Income Trusts. The Fund may also invest in Other High-Yielding Securities. The Income Trust universe may be considered to consist of four key asset sectors: Business Trusts, Resource Trusts, REITs and Utility Trusts. Other High-Yielding Securities include debt or equity-based securities other than Income Trust securities and may include, without limitation, corporate bonds, common and preferred shares, convertible debentures, and other marketable securities.
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Investment Strategy	<p>The Manager intends to achieve the Investment Objectives by selecting and actively managing a diversified portfolio of High Income Securities that the Manager believes represents the best allocation to achieve the targeted monthly distributions and make a capital repayment upon termination of the Fund at least equal to the original issue price of the Trust Units.</p> <p>In selecting investments for the Fund, the Manager will use a top-down analysis taking into account factors such as the business cycle, interest rates and general business conditions to determine appropriate sector weightings. This will be followed by a bottom-up analysis that focuses on specific aspects of individual businesses. In selecting individual investments, the Manager will adhere to its</p>
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discipline of investing in reasonably valued businesses that provide tax efficient income with some growth potential.

Asset Allocation

The Manager will allocate assets across the four types of Income Trusts based on its view as to the economic prospects for the applicable industries. To provide liquidity, and in conditions of market overvaluation, the Manager may choose to invest in Cash and Cash Equivalents.

Over the life of the Fund, it is expected that the Manager will vary the allocation of assets among the various asset classes and sectors based on its analysis of relative return potential. The chart below sets out the maximum permitted asset allocations. Actual allocations will vary depending on market conditions from time to time.

<u>High Income Securities</u>	<u>Maximum Permitted Asset Allocations</u>
Business Trusts	100%
Resource Trusts	40%
REITs	40%
Utility Trusts	40%
Other High-Yielding Securities	20%
Cash and Cash Equivalents	100%

The Fund will not invest more than 10% of its net assets at any time in illiquid securities. See “Investment Strategy and Restrictions — Investment Restrictions”.

Leverage and Borrowing

In order to provide the Fund with a prudent level of leverage to enhance the Fund’s total return as well as for certain other purposes, the Fund will from time to time enter into leverage and borrowing transactions. The overall limit of such leverage and borrowing transactions will be 30% of Total Assets and the Manager’s initial target for leverage and borrowing will be approximately 15% of Total Assets.

Leverage and borrowing for the Fund will be effected through one or more financing arrangements on terms that the Manager determines will best position the Fund to achieve the Investment Objectives and may include bank borrowings, margin accounts and short sales of highly liquid government bonds with known maturity values.

If the total financial obligations of the Fund exceed at any time 30% of Total Assets, the Manager will liquidate Fund Investments in an orderly manner and use the proceeds therefrom to reduce indebtedness so that the amount financed by the Fund is reduced to 30% of Total Assets. See “Investment Strategy and Restrictions — Investment Strategy — C. Leverage and Borrowing”.

Investment Restrictions

In making investments on behalf of the Fund, the Manager will be subject to certain Investment Restrictions. See “Investment Strategy and Restrictions — Investment Restrictions”.

Manager

Dynamic Mutual Funds Ltd. is the Manager of the Fund and is responsible for providing or arranging for the provision of management and administrative services required by the Fund and will monitor the suitability of the Investment Strategy to meet the Investment Objectives. Goodman & Company, Investment Counsel, a division of the Manager, will provide investment advisory and portfolio management services to the Fund. The principal managers of the Manager responsible for the investment management of the Fund and who will

**Dynamic Focus+
Diversified Income Trust
Fund**

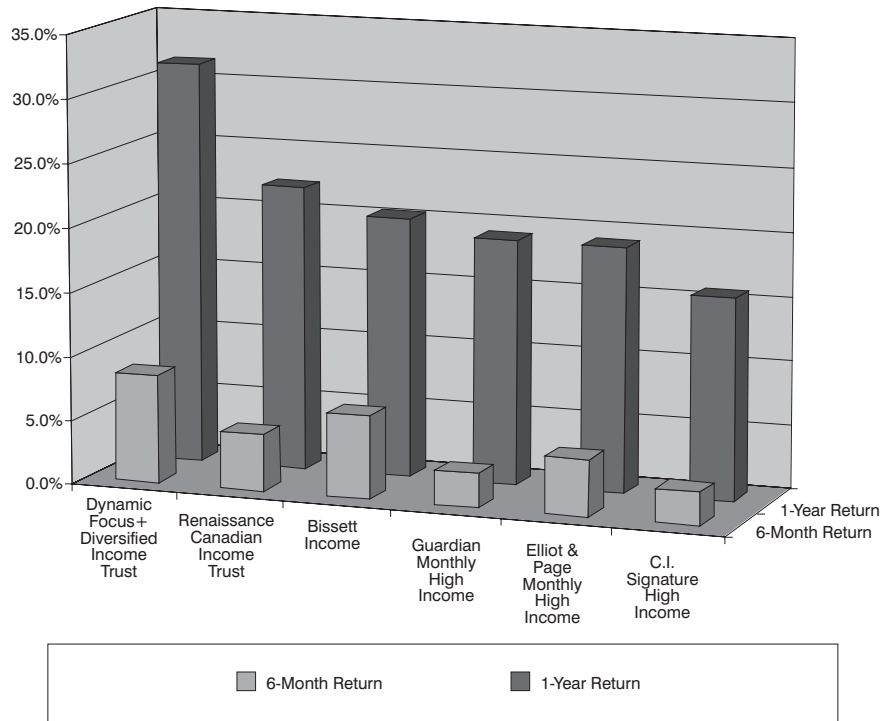
make the investment decisions for the Fund are Ned Goodman and Oscar Belaiche. Mr. Goodman and Mr. Belaiche are co-lead portfolio managers of the Dynamic Focus+ Diversified Income Trust Fund. Mr. Goodman has over 40 years of investment experience as a securities analyst, portfolio manager and senior executive. Mr. Belaiche has over 20 years of investment, operational and business experience. See “The Manager”.

The Dynamic fund that the Manager manages which is most similar to the Fund is the Dynamic Focus+ Diversified Income Trust Fund (“DDITF”). According to the Manager, at September 30, 2002, DDITF had assets of approximately \$604 million, the majority of which were invested in the asset classes to be targeted by the Fund.

DDITF was the top-performing fund in the Canadian Income Trust category for the six and twelve month periods ended September 30, 2002.* Comparisons for longer than twelve months are not relevant, as DDITF converted to a fund focused on income trusts on July 1, 2001. DDITF has been a top quartile performer since its inception. The following chart sets out the one year and 6 month returns of DDITF for the period ended September 30, 2002 as compared to the returns for the same periods of 5 of the largest Canadian Income Trusts based on asset size for the class of funds designated by Morningstar Canada as Canadian Income Trusts. According to Morningstar Canada, the Canadian Income Trust category consists of funds that have a minimum of 40% of their total assets invested in income trusts, and at least 75% of non-cash assets in income trusts (including REITs) or other income-producing securities. Morningstar Canada is a research company that provides performance data on a wide variety of mutual funds in Canada.

* Based on publicly available information from the Canadian Income Trusts section of globefund.com.

**Dynamic Focus+ Diversified Income Trust Fund vs. Peer Group
(as of Sept 30/02)**



Note: Returns are calculated net of fees. Based on publicly available information from Morningstar Canada and the Canadian Income Trusts section of globefund.com. The funds included in the above chart have investment portfolios that differ from the Fund's investment portfolio. The chart is intended to provide a comparison of the funds in the Canadian Income Trust category.

The Manager expects the investment approach of the Fund will be similar to DDITF in terms of asset allocation technique and security selection methodology. The primary difference between DDITF and the Fund is that the Fund will use leverage in order to enhance returns. **There can be no assurance that the performance of the Fund will equal or exceed the performance of DDITF.**

**Monthly Distributions
And Distribution
Reinvestment Plan**

Commencing no later than the third month following the month in which Closing occurs, or if determined appropriate by the Manager, in the second month, and on a monthly basis thereafter, distributions will be declared and each Unitholder of record at the close of business on the last Business Day of that month will be entitled to receive a monthly Distribution targeted to be \$0.0771 per Trust Unit, payable on or about the tenth Business Day of the subsequent month. The first Distribution is expected to be \$0.0771 per Trust Unit. Additional cash Distributions may be made at year-end to ensure that the Fund will generally not be liable to pay income tax.

In order to achieve the targeted monthly distribution of \$0.0771 per Trust Unit, the Fund will be required to generate an average annual return on Fund Investments of approximately 10.5% assuming that the Fund borrows an amount equal to approximately 15% of the Total Assets at an interest rate of 4.00% per annum to purchase additional Fund Investments. **There is no guarantee that the requisite 10.5% return will be achieved by the Fund. If such return is not achieved,**

targeted monthly distributions may not be attained or increased leverage may be required. See “Distributions and Reinvestment — Monthly Distributions”.

Subject to obtaining any necessary regulatory approvals, the Fund will provide Unitholders with the opportunity to reinvest Distributions from the Fund in additional Trust Units and to purchase additional Trust Units for cash by participating in the Reinvestment Plan. See “Distributions and Reinvestment — Distribution Reinvestment Plan”.

Redemptions of Trust Units

Commencing in 2004, Trust Units may be surrendered for redemption at least 10 Business Days prior to January 31, which will be the redemption date in each year. Unitholders whose Trust Units are redeemed will be entitled to receive a Redemption Price per Trust Unit equal to 100% of the Net Asset Value per Trust Unit determined as of the date of redemption plus any distribution payable to Unitholders of record on or before the date of redemption and will receive payment on or before the tenth Business Day following the date of redemption, subject to the Manager’s right to suspend redemptions in certain circumstances. The Net Asset Value per Trust Unit will vary depending on a number of market factors, including performance of the Fund Investments, interest rates, commodity prices and the performance of the equity markets generally.

If the Manager determines in good faith, with the approval of the board of governors of the Fund, that satisfying redemptions with cash will be materially detrimental to the continuing Unitholders of the Fund, all or part of the amount payable by the Fund in respect of a redemption may be satisfied by distributing assets of the Fund other than cash. Such *in specie* payments may include units and/or undivided interests in High Income Securities that the Fund holds. See “Redemption of Trust Units”.

Market Purchase Program

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

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

Trustee

Dynamic Mutual Funds Ltd.

Registrar, Transfer Agent and Distribution Disbursing Agent

Computershare Trust Company of Canada.

Custodian and Prime Broker

Scotia Capital Inc.

Termination of the Fund

The Fund will terminate on December 31, 2012 and its net assets will be distributed thereafter to Unitholders unless Unitholders determine to continue the Fund by a majority vote at a meeting called for such purpose. See “Declaration of Trust — Termination of the Fund”.

Use of Proceeds

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

	<u>Minimum Offering</u>	<u>Maximum Offering</u>	<u>Maximum Offering and Exercise of Over-Allotment Option</u>
Gross proceeds to the Fund	\$40,000,000	\$150,000,000	\$172,500,000
Agents’ fees	\$ 2,200,000	\$ 8,250,000	\$ 9,487,500
Estimated expenses of issue	\$ 650,000	\$ 650,000	\$ 650,000
Net proceeds to the Fund	\$37,150,000	\$141,100,000	\$162,362,500

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

The Toronto Stock Exchange has conditionally approved the listing of the Trust Units. Listing is subject to the Fund fulfilling all of the requirements of The Toronto Stock Exchange on or before January 24, 2003, including the distribution of Trust Units to a minimum number of public Unitholders.

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”.

Type of Charge	Description of Charge
Agents’ Fees	\$0.550 per Trust Unit (5.50%).
Expenses of the Issue	The expenses of the Offering are estimated to be \$650,000 which, together with the Agents’ fees, will be paid by the Fund.
Management Fee	<p>The Manager will receive an annual fee equal to 1.10% per annum of the Net Asset Value, calculated and payable monthly in arrears, plus applicable taxes. If regular targeted monthly distributions on the Trust Units are not paid in full in any month (commencing no later than the third month following the month in which Closing occurs), the management fee payable in respect of that month will be reduced <i>pro rata</i> based on the distribution shortfall, subject to a minimum monthly management fee of $\frac{1}{12}$ of 0.60% of Net Asset Value. Any unpaid management fees will accrue but will only be paid at such time as the corresponding distribution shortfall, calculated on a total return basis, has been paid to Unitholders.</p> <p>The management fees may be paid in cash or in Trust Units at the option of the Manager. For the three year period following Closing the Manager has undertaken to invest any management fees paid in cash in additional Trust Units. To the extent Trust Units are issued from treasury for these purposes, Trust Units will be valued at Net Asset Value per Trust Unit. See “Fees and Expenses — Management Fee”.</p>
Service Fee	The Fund will pay to the Manager a Service Fee (calculated quarterly and paid as soon as practicable after the end of each calendar quarter) of 0.40% per annum of the Net Asset Value of Trust Units held at the end of the relevant quarter by clients of dealers, plus applicable taxes. The Service Fee will be applied by the Manager to pay a service fee to certain registered dealers based on the number of Trust Units held by clients of such dealers at the end of the relevant quarter. All full service dealers that provide investment advice will receive 0.40% per annum of the Net Asset Value of Trust Units held by their clients.

Risk Factors

There are risks associated with an investment in Trust Units that should be considered by prospective purchasers, including: (i) there is no assurance that the Fund will be able to achieve its targeted monthly distributions or preserve the Net Asset Value per Trust Unit; (ii) there is no assurance that the value of the Fund Investments will not be adversely affected by a number of underlying factors including, without limitation, interest rate effects and commodity prices; (iii) there can be no assurance that the Trust Units will trade at a price equal to Net Asset Value per Trust Unit; (iv) that the market price of the Trust Units and the Net Asset Value per Trust Unit will be affected by interest rate fluctuations; (v) there will be fluctuations in Net Asset Value per Trust Unit and funds available for Distributions; (vi) the effect of variations in the asset class and sector allocations of the Fund Investments relative to the broader market; (vii) reliance on the Manager; (viii) the Fund's intention to enter into financing arrangements to enhance yield and the leverage effects this may have on the Net Asset Value; (ix) the possibility of the Fund being unable to acquire or dispose of illiquid securities; (x) the risk of the Fund being required to pay subsequent instalments on a security that has declined in value where the security was purchased on an instalment basis; (xi) the possibility that the Fund may become taxable; (xii) the possibility that if, contrary to the advice of counsel to the Fund and to the Agents, a view expressed by the Canada Customs and Revenue Agency relating to the deductibility of certain interest on money borrowed to invest in income funds were to apply to the Fund, the after-tax returns to Unitholders could be reduced and the Fund could be subject to non-refundable income tax; (xiii) the possibility that the Fund may be required to defer the deduction of certain capital losses in calculating its income for tax purposes; (xiv) the risks associated with interest rate hedging; (xv) the possible loss of investment; (xvi) the Fund not being subject to regulation as a mutual fund; (xvii) the potential liability of Unitholders; (xviii) the risks associated with securities lending; (xix) the potential for conflicts of interest; (xx) the Fund having no operating history and there being no existing market for Trust Units; (xxi) the risks associated with the use of derivatives; (xxii) possible changes in legislation; and (xxiii) the risk of a Plan or registered education savings plan receiving a non-qualified investment on an *in specie* payment pursuant to a redemption request. See "Risk Factors".

Canadian Federal Income Tax Considerations

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

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

GLOSSARY OF TERMS

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

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

“**Agency Agreement**” means the agency agreement dated as of October 29, 2002 among the Manager, on behalf of the Fund, the Manager and the Agents.

“**Agents**” means, collectively, Scotia Capital Inc., Dundee Securities Corporation, BMO Nesbitt Burns Inc., National Bank Financial Inc., RBC Dominion Securities Inc., TD Securities Inc., Canaccord Capital Corporation, HSBC Securities (Canada) Inc., Raymond James Ltd., Yorkton Securities Inc., Bieber Securities Inc. and Research Capital Corporation.

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

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

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

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

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

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

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

“**Closing Date**” means the date of the Closing, which is expected to be on or about November 28, 2002, or such later date as the Fund and the Agents may agree, but in any event not later than January 23, 2003.

“**Current Yield**” means, for any issuer, the most recent reported monthly or quarterly per unit distribution for that issuer multiplied by 12 in the case of issuers that make monthly distributions and by four in the case of issuers that make quarterly distributions and divided by the closing price per unit of such issuer on September 12, 2002.

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

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

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

“**Declaration of Trust**” means the declaration of trust dated as of October 29, 2002, as it may be amended from time to time.

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

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

“Extraordinary Resolution” means a resolution passed by the affirmative vote of at least 66⅔% of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of approving such resolution.

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

“Fund Investment” means an investment acquired and managed by the Manager on behalf of the Fund and “Fund Investments” means a number of Fund Investments collectively.

“High Income Securities” means securities of Income Trusts and Other High-Yielding Securities.

“Income Trust” means a trust, limited partnership or other entity formed to own debt and/or equity, or entitled to a royalty on revenues, of an underlying company or other entity, carrying on directly or indirectly an active business that generally makes regular and predictable distributions of substantially all its distributable cash flow to securityholders.

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

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

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

“Management Agreement” means the management agreement dated as of October 29, 2002 between the Manager and the Trustee, on behalf of the Fund, as it may be amended from time to time.

“Management Fee” means the management fee payable to the Manager, equal to 1.10% per annum of Net Asset Value (subject to reduction in certain circumstances), as more fully described under “Fees and Expenses — Management Fee”.

“Manager” means the manager and administrator of the Fund, Dynamic Mutual Funds Ltd. or, if applicable, its successor.

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

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

“Offering” means the offering of a minimum of 4,000,000 Trust Units and a maximum of 15,000,000 Trust Units at the Offering Price pursuant to this prospectus.

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

“Other High-Yielding Securities” means debt or equity-based securities other than Income Trust securities including without limitation, corporate bonds, common and preferred shares, convertible debentures and other marketable securities.

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

“Plan Agent” means Computershare Trust Company of Canada, in its capacity as agent under the Reinvestment Plan.

“Plan Participants” means Unitholders who are participants in the Reinvestment Plan.

“**Record Date**” means the last Business Day of each calendar month prior to the Termination Date commencing no later than the last Business Day of the third month following the month in which the Closing Date occurs.

“**Reinvestment Plan**” means the Fund’s Distribution Reinvestment Plan, as it may be amended from time to time.

“**Reinvestment Plan Agency Agreement**” means the Reinvestment Plan Agency Agreement to be entered into on or prior to the Closing Date among the Trustee, on behalf of the Fund, the Manager and the Plan Agent, establishing the Reinvestment Plan, as it may be amended from time to time.

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

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

“**Service Fee**” means the fee that the Fund will pay to the Manager (calculated quarterly and paid as soon as practicable after the end of each calendar quarter) of 0.40% per annum of the Net Asset Value of the Trust Units held at the end of the relevant quarter by clients of dealers, plus applicable taxes. The Service Fee will be applied by the Manager to pay a service fee to certain registered dealers based on the number of Trust Units held by clients of such dealers at the end of the relevant quarter. All full service dealers that provide investment advice will receive 0.40% per annum of the Net Asset Value of Trust Units held by their clients.

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

“**Termination Date**” means December 31, 2012 unless Unitholders determine to continue the Fund by a majority vote at a meeting called for such purpose as more fully described under “Declaration of Trust — Termination of the Fund”.

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

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

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

“**Trustee**” means Dynamic Mutual Funds Ltd., in its capacity as Trustee under the Declaration of Trust.

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

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

“**Valuation Date**” means, at a minimum, Friday of each week, or if any Friday is not a Business Day, the immediately preceding Business Day, and the last business day of each month, and includes any other date on which the Manager elects, in its discretion, to calculate the Net Asset Value per Trust Unit.

THE FUND

diversiTrust™ Income Fund is a closed-end investment trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust. Dynamic Mutual Funds Ltd. is the Manager and Trustee of the Fund. The Fund's principal office is 40 King Street West, Scotia Plaza, 55th Floor, Toronto, Ontario M5H 4A9. The fiscal year-end of the Fund is December 31.

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

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

INVESTMENT OBJECTIVES

The Fund intends to invest in a diversified portfolio of High Income Securities to achieve the following Investment Objectives:

- (a) **Monthly Distributions:** to provide Unitholders with a stable stream of monthly cash distributions targeted to be \$0.0771 per Trust Unit (approximately 9.25% per annum on the original issue price of \$10.00 per Trust Unit); and
- (b) **Capital Repayment:** to return the original issue price of the Trust Units (\$10.00 per Trust Unit) to Unitholders on the Termination Date, as well as to provide Unitholders some opportunity for capital appreciation above the original issue price.

The distributions and return of the original issue price of the Trust Units noted in the Investment Objectives are only targets and amounts actually distributed or returned may be less than these targets.

HIGH INCOME SECURITIES

The Fund intends to invest primarily in the class of High Income Securities known as Income Trusts. The Fund may also invest in Other High-Yielding Securities. Each of the High Income Securities asset classes is described below.

Income Trusts

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

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

The Income Trust market has grown substantially over the past six months. During this period, 23 initial public offerings of Income Trusts were completed raising approximately \$3.6 billion, increasing the total number of Income Trusts available to 90 with a total market capitalization of approximately \$42 billion.*

* Based on publicly available information from various sources including, Morningstar Canada, the Canadian Income Trusts section of globefund.com, other websites, and various analyst reports.

Benefits of the Income Trust structure to investors include the ability to invest in medium sized businesses that otherwise would remain private or be consolidated with other businesses, the elimination of double taxation on distributions and the discipline imposed upon management by the requirement that these businesses distribute their free cash flow. Many of these businesses are leaders in their fields, generating strong free cash flow and are still managed by the entrepreneurs who founded them. This uniquely Canadian vehicle allows investors to participate in some of Canada's most successful businesses.

The Income Trust universe is viewed by the Manager as consisting of four key asset sectors: Business Trusts, Resource Trusts, REITs and Utility Trusts. Business Trusts engage in the manufacturing, service and general industrial sectors. Resource Trusts invest in the exploitation, production and/or sale of commodities such as fossil fuels, metals, minerals, timber and their by-products. REITs invest in real property to generate a consistent stream of rental income. Utility Trusts derive their incomes from operating public utilities that provide regulated services such as pipelines, energy distribution, telecommunications, light, power and water.

The following chart highlights some of the key characteristics of the four sectors of Income Trusts.

	<u>Approximate Yield Range</u>	<u>Variability of Distributions</u>	<u>Commodity Exposure</u>	<u>Business Risk</u>
Business Trusts	7-15%	Moderate	Low	Moderate
Resource Trusts	6-18%	High	High	High
REITs	7-12%	Low	Low	Low
Utility Trusts	7-10%	Low	Moderate	Low

The four sectors of Income Trusts that the Fund may invest in are discussed below. Within each of the sector descriptions is a list of publicly traded Income Trusts in which the Manager has previously invested on behalf of clients. The actual composition of the Fund Investments in each of the following Income Trust sectors will vary from the Income Trusts shown in the lists below and will be based on the Manager's assessment of the prevailing or anticipated market conditions and the available Income Trusts at the time of investment.

Information below with respect to Current Yields is for pre-tax annual cash-on-cash yields (excluding capital gains and losses) and was derived from publicly available information and is not intended to be, nor should it be construed to be, an indication of future yields.

A. Business Trusts

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

Based on publicly available information, as at September 18, 2002, there were 33 Business Trusts in Canada with an aggregate market capitalization of approximately \$7.7 billion.* The following is a list of publicly traded Business Trusts in which the Manager has previously invested on behalf of clients and is not intended to be representative of all Business Trusts.

Business Trusts

- | | |
|-----------------------------------|--------------------------------------|
| A&W Revenue Royalties Income Fund | Heating Oil Partners Income Fund |
| Arctic Glacier Income Fund | The Keg Royalties Income Fund |
| Connors Bros. Income Fund | Livingston International Income Fund |
| Davis + Henderson Income Fund | Menu Foods Income Fund |
| FP Newspapers Income Fund | North West Company Fund |
| General Donlee Income Fund | Westshore Terminals Income Fund |

The Current Yields on the above Business Trusts range from 7.3% to 14.5%.*

* Based on publicly available information from various sources including, Morningstar Canada, the Canadian Income Trusts section of globefund.com, other websites, and various analyst reports.

B. Resource Trusts

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

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

Based on publicly available information, as at September 18, 2002, there were 25 Resource Trusts in Canada with an aggregate market capitalization of approximately \$14.9 billion.* The following is a list of publicly traded Resource Trusts in which the Manager has previously invested on behalf of clients and is not intended to be representative of all Resource Trusts.

Resource Trusts

Advantage Energy Income Fund	Labrador Iron Ore Royalty Income Fund
ARC Energy Trust	NAL Oil & Gas Trust
CCS Income Trust	NCE Petrofund
Canadian Oil Sands Trust	Provident Energy Trust
Chemtrade Logistics Income Fund	Sun Gro Horticulture Income Fund
Enerplus Resources Fund	Timberwest Stapled Units
Focus Energy Trust	Ultima Energy Trust
Freehold Royalty Trust	Viking Energy Royalty Trust

The Current Yields on the above Resource Trusts range from 5.5% to 17.7%.*

C. REITs

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

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

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

* Based on publicly available information from various sources including, Morningstar Canada, the Canadian Income Trusts section of globefund.com, other websites, and various analyst reports.

Based on publicly available information, as at September 18, 2002, there were 19 REITs in Canada with an aggregate market capitalization of approximately \$9.9 billion.* The following is a list of publicly traded REITs in which the Manager has previously invested on behalf of clients and is not intended to be representative of all REITs.

REITs

Atlas Cold Storage Income Trust	Morguard REIT
Canadian Apartment Properties Real Estate Investment Trust	O & Y REIT
Cominar REIT	Residential Equities REIT
Canadian Real Estate Investment Trust	RIOCAN REIT
H & R REIT	Royal Host REIT
IAT Air Cargo Facilities Income Fund	Summit REIT

The Current Yields on the above REITs range from 7.5% to 11.7%.*

D. Utility Trusts

A Utility Trust is an Income Trust where the principal business of the underlying corporation or other entity derives its income from operating public utilities that provide regulated services such as pipelines, telecommunications, light, power and water. Utility Trusts tend to have stable cash flow and distributions.

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

Based on publicly available information, as at September 18, 2002, there were 13 Utility Trusts in Canada with an aggregate market capitalization of approximately \$9.6 billion.* The following is a list of publicly traded Utility Trusts in which the Manager has previously invested on behalf of clients and is not intended to be representative of all Utility Trusts.

Utility Trusts

Algonquin Power Income Fund	Northland Power Income Fund
Bell Nordiq Income Fund	Pembina Pipeline Income Fund
Boralex Power Income Fund	TransCanada Power L.P.
Koch Pipelines Canada L.P.	

The Current Yields on the above Utility Trusts range from 7.5% to 10.1%.*

Other High-Yielding Securities

Other High-Yielding Securities include debt or equity-based securities other than Income Trusts and may include, without limitation, corporate bonds, common and preferred shares, convertible debentures, and other marketable securities. Other High-Yielding Securities may be used as an alternative to Cash or Cash Equivalents for defensive purposes or may provide attractive yields and further diversification relative to investing in Income Trusts.

* Based on publicly available information from various sources including, Morningstar Canada, the Canadian Income Trusts section of globefund.com, other websites, and various analyst reports.

INVESTMENT STRATEGY AND RESTRICTIONS

Investment Strategy

A. Investment Approach

The rapid expansion of the Income Trust market, which now includes businesses drawn from every sector of the Canadian economy, has made it more difficult for investors to make informed investment decisions in this asset class. Through comprehensive due-diligence and ongoing securities analysis, the Manager has developed a strong record of selecting Income Trusts that have provided excellent total returns.

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

The Manager is also the manager of the Dynamic Focus+ Diversified Income Trust Fund (the “DDITF”). DDITF was the top performing fund in the Canadian Income Trust category for the six and twelve month periods ended September 30, 2002.* Comparisons for periods longer than twelve months are not relevant as DDITF converted to a fund focused on income trusts on July 1, 2001. The Manager intends to employ a similar investment approach for the Fund as is used for DDITF.

To provide diversification and further reduce portfolio risk, the Manager will select businesses that are in diverse markets that are not highly correlated with existing holdings. The Manager will select Fund Investments across the High Income Securities asset classes and sectors based on its view as to the economic prospects for those classes and sectors. From time to time, the Manager may choose at its discretion to invest in Cash and Cash Equivalents.

B. Asset Allocation

The Manager will allocate assets across the four Income Trust sectors based on its view as to the economic prospects for the applicable industries. To provide liquidity, or in conditions of market overvaluation, the Manager may choose to invest in Cash and Cash Equivalents.

Maximum permitted asset class allocations have been established for each of the High Income Securities asset classes and sectors, with each such limit designed to provide the Manager with the flexibility to rotate Fund Investments among asset classes and sectors, while at the same time maintaining the degree of portfolio diversification and liquidity which the Manager considers desirable to meet the Investment Objectives. The chart below sets out the maximum permitted asset allocations. Actual allocations will vary depending on market conditions from time to time.

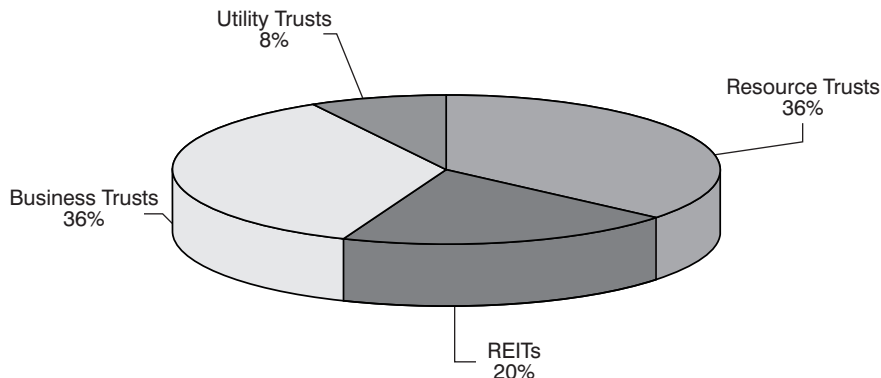
<u>High Income Securities</u>	<u>Maximum Permitted Asset Allocations</u>
Business Trusts	100%
Resource Trusts	40%
REITs	40%
Utility Trusts	40%
Other High-Yielding Securities	20%
Cash and Cash Equivalents	100%

The Fund will not invest more than 10% of its net assets at any time in illiquid securities. See “Investment Strategy and Restrictions — Investment Restrictions”.

* Based on publicly available information from the Canadian Income Trusts section of globefund.com

The chart below shows the initial target asset allocation for the Fund:

Initial Target Asset Allocation



The initial target asset allocation for the Fund is based on the asset allocation of DDITF, excluding cash and cash equivalents, as at September 30, 2002. While a similar investment approach will be used for the Fund, the actual initial and ongoing asset allocation of the Fund will differ from that of DDITF as a result of a number of factors including, without limitation, portfolio size, the availability and liquidity of some securities and the actual sequence used to build the portfolio of the Fund which will be largely determined by market conditions at the time of investment.

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

C. Leverage and Borrowing

In order to provide the Fund with a prudent level of leverage to enhance the Fund's total return as well as for certain other purposes, the Fund will from time to time enter into leverage and borrowing transactions. The overall limit of such leverage and borrowing transactions will be 30% of Total Assets and the Manager's initial target for leverage and borrowing will be approximately 15% of Total Assets.

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

The financing arrangements will be for various purposes, including, without limitation, purchasing Fund Investments in accordance with the Investment Objectives and Investment Strategy and subject to the

Investment Restrictions, effecting market purchases of Trust Units, maintaining liquidity, funding redemptions and paying Distributions. The Fund anticipates that any bank borrowing or broker margin arrangements will require the Fund to provide a security interest in some or all of its assets in favour of the relevant creditor. The Manager will endeavour to ensure that in the event of default on any financing arrangement, the lenders' recourse will be limited to the assets of the Fund.

If the total financial obligations of the Fund exceed at any time 30% of Total Assets, the Manager will liquidate Fund Investments in an orderly manner and use the proceeds therefrom to reduce indebtedness so that the amount financed by the Fund is reduced to 30% of Total Assets. Short term credits necessary for settlement of securities transactions are excluded from total financial obligations of the Fund for this purpose and the calculation of leverage and borrowing generally.

D. Use of Derivative Instruments

The Fund may invest in or use derivative instruments for hedging purposes consistent with the Investment Objectives and Investment Strategy and subject to the Investment Restrictions. For example, the Fund may use derivatives, including interest rate and foreign exchange hedges, with the intention of offsetting or reducing risks associated with a Fund Investment or group of Fund Investments. These risks include currency value fluctuations, commodity price fluctuations, stock market risks and interest rate changes.

E. Securities Lending

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

Investment Restrictions

In making investments on behalf of the Fund, the Manager will be subject to certain Investment Restrictions, which are set out in the Declaration of Trust. The Investment Restrictions may not be changed without the prior approval of Unitholders by way of an Extraordinary Resolution, unless such change or changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed from time to time by applicable regulatory authorities. See "Declaration of Trust — Modification of Declaration of Trust and Meetings of Unitholders".

The Investment Restrictions provide that the Fund will not:

- (a) invest more than 10% of the Total Assets in the securities of any single issuer, other than securities issued or guaranteed by the Government of Canada or a province or territory thereof;
- (b) invest more than 100% of the Total Assets in Business Trusts, invest more than 40% of the Total Assets in Resource Trusts, invest more than 40% of the Total Assets in REITs, invest more than 40% of the Total Assets in Utility Trusts or invest more than 20% of the Total Assets in Other High-Yielding Securities;
- (c) invest more than 10% of the Total Assets in illiquid securities (which for these purposes means securities the resale of which is restricted by a representation, undertaking or agreement by the Fund (or by the Fund's predecessor in title) or by law);
- (d) purchase real estate (other than through the purchase of securities of issuers that invest in real estate or interests therein, including, without limitation, REITs and limited partnerships);
- (e) make short sales of securities, buy specified commodities futures or maintain short positions, except (i) for the purpose of hedging to offset or reduce risks associated with a Fund Investment or a group of Fund Investments, or (ii) short sales of highly liquid government bonds in order to provide the Fund with leverage to enhance total return;

- (f) 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;
- (g) borrow or enter into leverage transactions in amounts that in the aggregate are more than 30% of the Total Assets, determined at the time of borrowing or of such transactions;
- (h) guarantee the securities or obligations of any person other than the Manager, and then only in respect of the activities of the Fund;
- (i) make or hold any investment that would result in the Fund failing to qualify as a “unit trust” within the meaning of paragraph 108(2)(b) of the Tax Act. Among other requirements, in order for the Fund to so qualify:
 - (i) at all times at least 80% of the property of the Fund must consist of a combination of: shares; property that, under the terms or conditions of which or under an agreement, is convertible into, exchangeable for, or confers a right to acquire, shares; cash; bonds, debentures, mortgages, hypothecary claims, notes and other similar obligations; marketable securities; real property situated in Canada and interests in real property situated in Canada; or rights to and interests in any rental or royalty computed by reference to the amount or value of production from a natural accumulation of petroleum or natural gas in Canada, from an oil or gas well in Canada or from a mineral resource in Canada;
 - (ii) not less than 95% of the Fund’s income for each year must be derived from, or from the disposition of, investments described in (i) above;
 - (iii) at no time may more than 10% of the Fund’s property consist of bonds, securities or shares in the capital stock of any one corporation or debtor other than Her Majesty in right of Canada or a province or a Canadian municipality;
- (j) make or hold any investment that would result in the Fund failing to qualify as a “mutual fund trust” within the meaning of the Tax Act;
- (k) invest in or hold securities which may be considered “foreign property”, if the “cost amount” to the Fund of all “foreign property” (as those terms are defined in the Tax Act) held by it would cause the Fund to be subject to tax under Part XI of the Tax Act or would cause Trust Units to be foreign property under the Tax Act;
- (l) with the exception of securities of the Fund’s own issue, purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with the Manager or any of its affiliates, any officer, director or shareholder of the Manager, any person, trust, firm or corporation managed by the Manager or any of its affiliates or any firm or corporation in which any officer, director or shareholder of the Manager may have a material interest (which, for these purposes, includes beneficial ownership of more than 10% of the voting securities of such entity) unless, with respect to any purchase or sale of securities, either: (a) any such transaction is effected through normal market facilities and the purchase price approximates the prevailing market price provided the board of governors of the Fund approves of the criteria in this subsection (a) in principle; or (b) the conflict with respect to such purchase or sale is approved by a committee of independent members of the board of governors of the Fund;
- (m) enter into agreements to buy shares of a corporation at a price that may differ from fair market value at the time of acquisition that could give rise to tax under Part XI of the Tax Act; or
- (n) invest in the securities of any non-resident corporation or trust or other non-resident entity if the Fund 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 of the Tax Act, as set forth in the proposed amendments to the Tax Act dealing with foreign investment entities released on October 11, 2002 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto).

If a percentage restriction on investment or use of assets or borrowing or financing arrangements set forth above as an Investment Restriction is adhered to at the time of the transaction, later changes to the market value of the Fund Investment or Total Assets will not be considered a violation of the Investment Restrictions (except for the restrictions in paragraphs (i), (j) and (k) above which must be complied with at all times and which may necessitate the selling of Fund Investments from time to time). If the Fund receives from an issuer subscription rights to purchase securities of that issuer, and if the Fund exercises those subscription rights at a time when the Fund's holdings of securities of that issuer would otherwise exceed the limits set forth above, the exercise of those rights will not constitute a violation of the Investment Restrictions if, prior to the receipt of securities of that issuer on exercise of these rights, the Fund has sold at least as many securities of the same class and value as would result in the restriction being complied with.

USE OF PROCEEDS

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

	Minimum Offering	Maximum Offering	Maximum Offering and Exercise of Over-Allotment Option
Gross proceeds to the Fund	\$40,000,000	\$150,000,000	\$172,500,000
Agents' fees	\$ 2,200,000	\$ 8,250,000	\$ 9,487,500
Estimated expenses of issue	\$ 650,000	\$ 650,000	\$ 650,000
Net proceeds to the Fund	\$37,150,000	\$141,100,000	\$162,362,500

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

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

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

THE MANAGER

The Manager

Dynamic Mutual Funds Ltd. ("Dynamic" or the "Manager") has head offices in Toronto at 40 King Street West, Scotia Plaza, 55th Floor, Toronto, Ontario, M5H 4A9. Dynamic is the manager of a fully integrated family of broad-based and specialty mutual funds. Dynamic and its directors and officers have extensive experience in managing financial assets and public and private entities including the management of closed-end funds and open-end mutual funds. Dynamic's directors and officers have also had extensive practical operating experience in industries such as real estate, oil and gas and independent power which are often represented in High Income Securities.

Goodman & Company, Investment Counsel, a division of the Manager, will provide investment advisory and portfolio management services to the Fund. Goodman & Company, Investment Counsel is the manager of most of the Dynamic mutual funds and manages over \$8 billion in assets. Goodman & Company has been investing in Income Trusts since at least 1995 and currently manages over \$750 million in Income Trust investments. The fees paid by the Fund to the Manager are inclusive of the services of the Goodman & Company team.

The entire Goodman & Company team meets on a regular basis to share ideas and analysis. This teamwork enables every portfolio manager to stay current with market developments, and incorporate this perspective into their decision-making.

Directors and Officers

The board of directors of the Manager currently consists of six members.

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

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

<u>Name and Municipality of Residence</u>	<u>Positions With the Manager</u>	<u>Principal Occupation</u>
Oscar Belaiche Toronto, Ontario	Vice-President, Counselling	Officer of Dynamic, Counselling
Brett A. Berman Toronto, Ontario	Vice-President, Product Development	Officer of Dynamic
Edward C. Bezeau Toronto, Ontario	Director	Corporate Director
Marie Desroches* Montreal, Quebec	Director	Executive Vice-President of DynamicNova Inc.
Benjamin J. Eggers Burlington, Ontario	Director, Vice-President and Secretary	Officer of Dynamic
Joanne Ferstman* Toronto, Ontario	Director	Chief Financial Officer of Dundee Bancorp Inc. and Dundee Wealth Management Inc.
Rosanna Gatti Oakville, Ontario	Vice-President	Officer of Dynamic
David Goodman Toronto, Ontario	Director, President and Chief Executive Officer of Dynamic and President, Goodman & Company, Investment Counsel	President, Chief Executive Officer and Director of Dynamic and President, Goodman & Company, Investment Counsel
Ned Goodman Innisfil, Ontario	Director and Chairman of the Board of Directors	President, Chief Executive Officer and Chairman of the Board of Dundee Wealth Management Inc., President and Chief Executive Officer of Dundee Bancorp Inc. and Chairman of the Board of Dynamic
Michael McHugh Ajax, Ontario	Vice-President, Counselling	Officer of Dynamic, Counselling
John Pereira Richmond Hill, Ontario	Vice-President	Officer of Dynamic
Debra Stockla Toronto, Ontario	Vice-President, Counselling	Officer of Dynamic, Counselling

* Subject to regulatory approval

During the past five years, all of the directors and officers of Dynamic listed above have held their present principal occupations (or similar positions with their present employer or its affiliates) except for: Mr. Belaiche who, prior to October 1997, was Vice-President, Property Investments, The Prudential Insurance Company of America; Mr. Berman who, prior to January 2001 was Associate Director, Fidelity Investments; Ms. Desroches who, prior to June 1998 was self-employed as a consultant, prior to December 2001 was President, Les Fonds Evolution Inc., prior to October 2002 was President, StrategicNova Inc. (now DynamicNova Inc.); Mr. Eggers who, prior to November 2001, was Investigation Counsel, Enforcement Division with the Ontario Securities Commission, prior to May 1999 was Vice-President, Legal with Burgeonvest Securities Limited, prior to January 1999 held various positions at Ross Dixon Financial Services Ltd.; Ms. Ferstman who, prior to January 2000, was Executive Vice President and Chief Financial Officer of Peelbrooke Capital Inc., a securities dealer; and Mr. Pereira who, prior to December 1997, was Supervisor, Financial Services for General Accident Assurance Company of Canada.

Board of Governors

The board of governors was established to represent and enhance the long-term interests of the unitholders and shareholders of the Dynamic Mutual Funds and in such capacity acts in an advisory role to the Manager. The board of governors consists of 6 members, 5 of whom are independent as such term is defined in the guidelines of The Toronto Stock Exchange. The board of governors has agreed to act as the board of governors of the Fund. The members of the board of governors are Ronald Singer (Chairman), Brahm Gelfand, Robert Ruggles, Garth MacRae, Frank White and Hyman W. Harris. Garth MacRae is considered a non-independent member of the board of governors because he is Vice-Chairman and a Director of Dundee Bancorp Inc. and a Director of Dundee Wealth Management Inc.

The Portfolio Managers

The principal managers of Goodman & Company, Investment Counsel responsible for the investment management of the Fund and who will make the investment decisions for the Fund are as follows:

<u>Name and Municipality of Residence</u>	<u>Positions with the Manager</u>
Ned Goodman Innisfil, Ontario	Chairman, Dynamic Mutual Funds Ltd. and Chairman, Counselling, Goodman & Company Investment Counsel
Oscar Belaiche Toronto, Ontario	Vice-President, Counselling, Dynamic Mutual Funds Ltd. and Goodman & Company Investment Counsel

Ned Goodman is the Chairman, President and Chief Executive Officer of Dundee Wealth Management Inc., the President and Chief Executive Officer of Dundee Bancorp Inc. and the Chairman of Dynamic Mutual Funds Ltd. Mr. Goodman obtained a Master of Business Administration from the University of Toronto in 1962, was awarded the designation Chartered Financial Analyst in 1967 and is a member of the Toronto Society of Financial Analysts and the Association for Investment Management and Research. In November 1997, Concordia University awarded him a Doctorate of Laws, *honoris causa*. Mr. Goodman is also a member of the Institute of Mining, Metallurgy and Petroleum. From 1962 to 1967, Mr. Goodman was employed as a security analyst and portfolio manager. In 1967, he co-founded Beutel, Goodman & Company Ltd., investment counsel. He sold his interest in Beutel, Goodman & Company Ltd. in 1990 and formed what is now Dundee Bancorp Inc., Dundee Wealth Management Inc. and Dynamic Mutual Funds Ltd., which manage in excess of \$8 billion in fiduciary assets. Mr. Goodman is a director of numerous publicly traded companies and is the founder, benefactor and adjunct professor of the Goodman Institute of Investment Management at the John Molson School of Business at Concordia University.

Oscar Belaiche joined the Goodman & Company Canadian equities team in 1997 and currently co-manages DDITF and is lead manager of the Dynamic Dividend Fund, Dynamic Focus+ Real Estate Fund, Dynamic Global Real Estate Fund and the Dynamic Global Real Estate Class Fund which total over \$900 million in assets. All of the Funds managed by Mr. Belaiche hold income trusts within their respective portfolios.

Before joining Goodman & Company, Mr. Belaiche held the position of Vice President, Property Investments at The Prudential Insurance Company of America. There, he was responsible for Prudential's Canadian real estate investment portfolio totalling 5.6 million square feet. Following Prudential's decision to withdraw from the Canadian real estate market, he oversaw the \$456 million sale of the portfolio to GE Capital and Oxford Properties in 1997.

Mr. Belaiche graduated in 1980 with a Bachelor of Arts (Honours) in Business Administration from the University of Western Ontario, holds the Chartered Financial Analyst designation and is a Fellow of the Institute of Canadian Bankers. Mr. Belaiche has more than 20 years of investment, operational and business experience.

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

Management Agreement

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

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

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

Under the terms of the Management Agreement, the Manager is responsible for providing, or causing to be provided, management and administrative services and facilities to the Fund, including, without limitation: (a) making decisions with respect to investments in High Income Securities in order to achieve the Investment Objectives in accordance with the Investment Strategy and subject to the Investment Restrictions; (b) monitoring relationships with the Custodian, registrar and transfer agent, auditors, legal counsel and other organizations or professionals serving the Fund; (c) monitoring the suitability of the Investment Strategy to meet the Investment Objectives and preparing for adoption by the Unitholders any amendments to the Investment Objectives, Investment Strategy or Investment Restrictions which the Manager believes are in the best interests of Unitholders; (d) the authorization and payment on behalf of the Fund of expenses incurred on behalf of the Fund and the negotiation of contracts with third party providers of services (including, but not limited to, custodians, transfer agents, legal counsel, auditors and printers); (e) the preparation of accounting, management and other reports, including quarterly and annual reports to Unitholders, financial statements, tax reporting to Unitholders and income tax returns; (f) keeping and maintaining the books and records of the Fund and the supervision of compliance by the Fund with record keeping requirements under applicable regulatory regimes; (g) the calculation of the amount, and the determination of the frequency, of Distributions by the Fund; (h) establishing and monitoring the Reinvestment Plan, and amending, modifying, suspending or terminating the Reinvestment Plan in a manner which the Manager believes is in the best interests of Unitholders; (i) ensuring

that the Net Asset Value of the Fund is published; (j) responding to investors' inquiries and general investor relations in respect of the Fund; (k) terminating the Trustee as the trustee of the Fund and replacing it with another trustee in certain circumstances (See "Declaration of Trust"); (l) dealing with banks and custodians, including the maintenance of bank records and the negotiation and securing of bank financing or refinancing; and (m) ensuring: (i) that the Fund complies with all regulatory requirements and applicable stock exchange listing requirements; (ii) the preparation and delivery of the Fund's reports to and dealing with relevant securities regulatory authorities and any similar organization of any government or any stock exchange to which the Fund is obligated to report; (iii) the organization of meetings of Unitholders; and (iv) the provision of such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Fund.

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

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

The Fund will pay to the Manager a Service Fee (calculated quarterly and paid as soon as practicable after the end of each calendar quarter) of 0.40% per annum of the Net Asset Value of Trust Units held at the end of the relevant quarter by clients of dealers, plus applicable taxes. The Service Fee will be applied by the Manager to pay a service fee to certain registered dealers based on the number of Trust Units held by clients of such dealers at the end of the relevant quarter. All full service dealers that provide investment advice will receive 0.40% per annum of the Net Asset Value of Trust Units held by their clients.

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

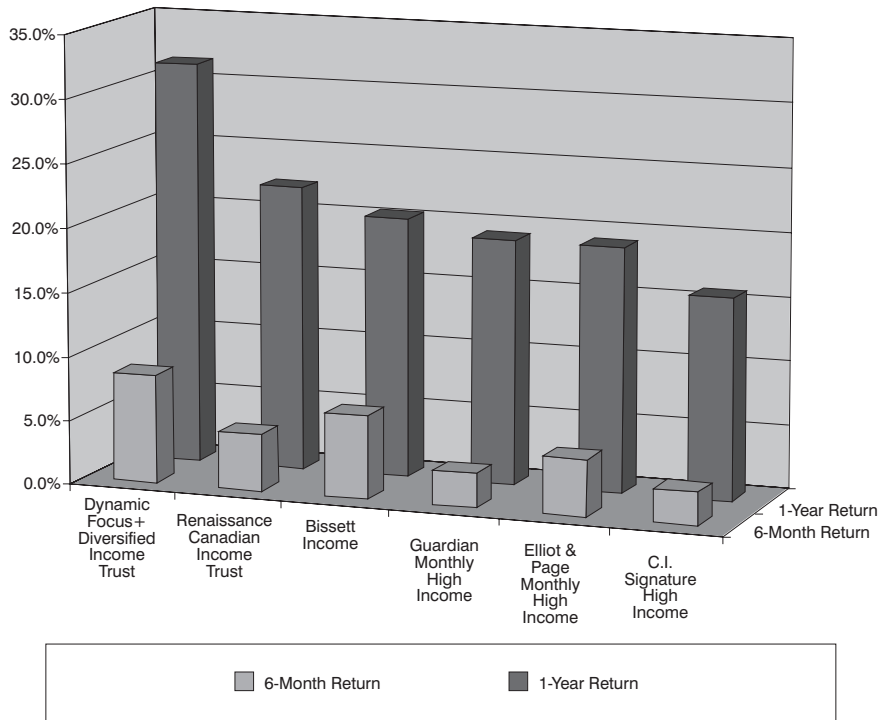
The services of the Manager and the officers and directors of the Manager are not exclusive to the Fund. The Manager and its affiliates and associates (as defined in the Securities Act (Ontario)) may, at any time, engage in the administration of any other fund or trust.

The Dynamic Focus+ Diversified Income Trust Fund

The Dynamic fund which is most similar to the Fund is DDITF. According to the Manager, at September 30, 2002, DDITF had assets of approximately \$604 million, the majority of which were invested in the asset classes to be targeted by the Fund. DDITF is an equity mutual fund that invests its assets in the Canadian income trust market. It seeks to provide a high level of income and long term growth of capital through a diversified portfolio of Business Trusts, Resource Trusts, REITs and interest bearing securities. Each month DDITF seeks to provide a stable tax-efficient distribution to its unitholders.

DDITF was the top-performing fund in the Canadian Income Trust category for the six and twelve month periods ended September 30, 2002.* Comparisons for longer than twelve months are not relevant, as DDITF converted to a fund focused on income trusts on July 1, 2001. DDITF has been a top quartile performer since its inception. The following chart and table set out the one year and 6 month returns of the DDITF for the period ended September 30, 2002 as compared to the returns for the same periods of 5 of the largest Canadian Income Trusts based on asset size for the class of funds designated by Morningstar Canada as Canadian Income Trusts. According to Morningstar Canada, the Canadian Income Trusts category consists of funds that have a minimum of 40% of their total assets invested in income trusts, and at least 75% of non-cash assets in income trusts (including REITs) or other income-producing securities. Morningstar Canada is a research company that provides performance data on a wide variety of mutual funds in Canada.

**Dynamic Focus+ Diversified Income Trust Fund vs. Peer Group
(as of Sept 30/02)**



* Based on publicly available information from the Canadian Income Trusts section of globefund.com.

Dynamic Focus+ Diversified Income Trust Fund vs. Peer Group

Canadian Income Trust Funds (as of Sept 30/02)	Assets (\$millions)	6-Month Return	1-Year Return
Dynamic Focus+ Diversified Income Trust	\$ 604.43	8.47%	31.49%
Renaissance Canadian Income Trust	\$ 625.40	4.40%	22.23%
Bissett Income	\$ 388.70	6.48%	20.26%
Guardian Monthly High Income	\$1,093.10	2.66%	19.11%
Elliott & Page Monthly High Income	\$ 387.29	4.40%	19.09%
C.I. Signature High Income	\$ 649.97	2.57%	15.71%

Note: Returns are calculated net of fees. The funds included in the above chart have investment portfolios that differ from the Fund's investment portfolio. The chart is intended to provide a comparison of the funds in the Canadian Income Trust category.

There can be no assurance that the performance of the Fund will equal or exceed the performance of DDITF. None of the other funds or accounts in respect of which the Manager currently acts as investment adviser has an asset mix comparable to that of DDITF or the anticipated asset mix of the Fund. Further, none of the other funds or accounts in respect of which the Manager acts as investment advisor have investment objectives, investment strategies and investment restrictions similar to those of the Fund.

The Manager expects the investment approach of the Fund will be similar to DDITF in terms of asset allocation technique and security selection methodology. The primary difference between DDITF and the Fund is that the Fund will use leverage in order to enhance returns.

FEES AND EXPENSES

Fees and Expenses of the Offering

The expenses of the Offering (including the costs of creating and organizing the Fund, the costs of printing and preparing this prospectus, legal expenses, marketing expenses and other reasonable out-of-pocket expenses incurred by the Agents) and other incidental expenses will be paid out of the gross proceeds of the Offering. The expenses of the Offering are estimated to be \$650,000. In addition, the Agents' fee of \$0.550 per Trust Unit will be paid to the Agents from the gross proceeds as described under "Plan of Distribution".

Management Fee

The Manager will receive an annual fee equal to 1.10% per annum of Net Asset Value, calculated and payable monthly in arrears plus applicable taxes. The management fees may be paid in cash or in Trust Units at the option of the Manager. For the three year period following Closing the Manager has undertaken to invest any management fees paid in cash in additional Trust Units. To the extent Trust Units are issued from treasury for these purposes, Trust Units will be valued at Net Asset Value per Trust Unit. Trust Units that are distributed in this respect will be distributed in accordance with exemptions from applicable securities laws in a manner determined by the Manager. Such distributions will be made in accordance with any applicable securities laws including without limitation private placement rules, the Securities Act (Ontario) and the rules of The Toronto Stock Exchange.

If regular targeted monthly distributions on the Trust Units are not paid in full in any month (commencing with the third month following the Closing), the management fee payable in respect of that month will be reduced *pro rata* based on the distribution shortfall, subject to a minimum monthly management fee of 1/12 of 0.60% of Net Asset Value. Any unpaid management fees will accrue but will only be paid at such time as the corresponding distribution shortfall, calculated on a total return basis, has been paid to Unitholders and, on the Termination Date will not be payable unless an amount at least equal to the original subscription price plus any distribution shortfall has been paid to Unitholders.

Service Fee

The Fund will pay to the Manager a Service Fee (calculated quarterly and paid as soon as practicable after the end of each calendar quarter) of 0.40% per annum of the Net Asset Value of Trust Units held at the end of the relevant quarter by clients of dealers, plus applicable taxes. The Service Fee will be applied by the Manager

to pay a service fee to certain registered dealers based on the number of Trust Units held by clients of such dealers at the end of the relevant quarter. All full service dealers that provide investment advice will receive 0.40% per annum of the Net Asset Value of Trust Units held by their clients. Any portion of the Service Fee not applied by the Manager to pay a service fee to dealers will be retained by the Manager.

Ongoing Expenses

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

The Manager estimates that ongoing expenses, exclusive of the Management Fee, the Service Fee, debt service and other costs related to borrowing and brokerage expenses related to Fund Investment transactions, will be approximately \$200,000 per year. The actual amount may vary significantly depending on the amount of assets in the Fund.

Portfolio Transactions and Brokerage Commissions

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

Additional Services

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

VALUATION, TOTAL ASSETS, TOTAL LIABILITIES AND NET ASSET VALUE

The Net Asset Value per Trust Unit on any Valuation Date shall be calculated by dividing the Net Asset Value on such Valuation Date by the total number of Trust Units outstanding on such Valuation Date (before giving effect to any issue or redemption of Trust Units implemented on that date). The Manager will calculate the Net Asset Value per Trust Unit as at the close of business on each Valuation Date. The Manager may, at its discretion, elect to calculate the Net Asset Value per Trust Unit more frequently than Friday of each week, in which case the date on which such calculation is made shall also be deemed to be a Valuation Date. The Fund will make available to the financial press for publication on a weekly basis the Net Asset Value per Trust Unit.

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

- (a) the value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, distributions, dividends or other amounts received (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which the Total Assets are being determined, and to be received) and interest accrued and not yet received, shall be deemed to be the full amount thereof provided that if the Manager has determined that any such deposit, bill, demand note, accounts receivable, prepaid expense, distribution, dividend or other amount received

(or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which the Total Assets are being determined, and to be received) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof shall be deemed to be such value as the Manager determines to be the fair market value thereof;

- (b) the value of any security which is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Manager) shall be determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Manager such value does not reflect the value thereof and in which case the latest offer price or bid price shall be used), as at the Valuation Date on which the Total Assets are being determined, all as reported by any means in common use;
- (c) the value of any security which is traded over-the-counter will be priced at the average of the last bid and asked prices quoted by a major dealer in such securities;
- (d) the value of any security or other asset for which a market quotation is not readily available will be its fair market value on the Valuation Date on which the Total Assets are being determined as determined by the Manager;
- (e) any market price reported in currency other than Canadian dollars shall be translated into Canadian currency at the rate of exchange available to the Fund from the Custodian on the Valuation Date on which the Total Assets are being determined;
- (f) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Manager and investments in private companies and other assets for which no published market exists will be valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the Manager; and
- (g) the value of any security or property to which, in the opinion of the Manager, the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair market value thereof determined in good faith in such manner as the Manager from time to time adopts.

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

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

DISTRIBUTIONS AND REINVESTMENT

Monthly Distributions

Commencing no later than the third month following the month in which Closing occurs, or if determined appropriate by the Manager, in the second month, and on a monthly basis thereafter, distributions will be declared and each Unitholder of record at the close of business on the last Business Day of that month will be entitled to receive a monthly Distribution targeted to be \$0.0771 per Trust Unit, payable on or about the tenth Business Day of the subsequent month. The first Distribution is expected to be \$0.0771 per Trust Unit. Unitholders will be entitled to participate equally in respect of each Trust Unit held with respect to any and all Distributions made by the Fund. The targeted monthly Distributions of \$0.0771 per Trust Unit is equal to a yield of approximately 9.25% per annum based on the Offering Price of the Trust Units. The Fund may make other Distributions at any time in addition to monthly Distributions, if the Manager considers it appropriate.

It is expected that monthly cash Distributions from the Fund will primarily be derived from distributions and interest income received on the Fund Investments and, in certain circumstances, from net realized capital gains from the disposition of Fund Investments, less estimated expenses and estimated taxes payable by the Fund, if any. In the near term, the Manager expects that approximately 50% of Distributions by the Fund will be taxed as ordinary income in the hands of Unitholders and most of the balance will be taxed as a capital gain or

will be a return of capital. A return of capital is not immediately taxable but reduces the adjusted cost base of a Unitholder's Trust Units, thereby increasing the capital gain realized on the disposition of the Trust Units. The adjusted cost base of Trust Units purchased under the Offering is therefore expected to be less than \$10.00 per Trust Unit on the Termination Date. The actual components of Distributions for tax purposes may vary from time to time as market conditions warrant and the range of available High Income Securities changes. See "Canadian Federal Income Tax Considerations — Taxation of Unitholders."

The distributions received by the Fund from issuers whose securities are included in the Fund Investments may vary from month to month and certain of these issuers may pay distributions less frequently than monthly, with the result that the monthly cash available for distribution to Unitholders could vary substantially and there can be no assurance that the Fund will make any Distributions in any particular month or months. See "Risk Factors". If the monthly cash available for Distributions to Unitholders is consistently higher or lower than \$0.0771 per Trust Unit, then the Manager on behalf of the Fund may re-evaluate its distribution policy. The Fund may also borrow to pay Distributions if it considers it appropriate.

In order to achieve the targeted monthly Distribution of \$0.0771 per Trust Unit, the Fund will be required to generate an average annual return on the Fund Investments of approximately 10.5% assuming that the Fund leverages or borrows an amount equal to approximately 15% of the Total Assets at a rate of 4.00% per annum to purchase additional Fund Investments. **There is no guarantee that the requisite 10.5% return will be achieved by the Fund. If such return is not achieved, targeted monthly Distributions may not be attained or increased leverage may be required.**

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

Unitholders who are non-residents of Canada will be required to pay all withholding taxes payable in respect of any distributions by the Fund to the extent that they are considered to be payable from the income of the Fund determined in accordance with the Tax Act, excluding capital gains. Distributions that are payable out of net realized capital gains or from the capital of the Fund will not be subject to withholding tax.

Each Unitholder will be mailed annually, no later than March 31, the information necessary to enable such Unitholder to complete an income tax return with respect to amounts paid or payable by the Fund to the Unitholder in the preceding taxation year of the Fund. See "Canadian Federal Income Tax Considerations".

Distribution Reinvestment Plan

The Fund's Reinvestment Plan will provide, subject to obtaining all necessary regulatory approvals, that all Distributions may be automatically reinvested on each Unitholder's behalf, at the election of each such Unitholder, in accordance with the provisions of the Reinvestment Plan Agency Agreement. Non-resident Unitholders may not participate in the Reinvestment Plan. **There is no guarantee that the Fund will receive the requisite regulatory approvals to effect reinvestment of Distributions or avoid resale restrictions in connection with the operation of the Reinvestment Plan. Such approvals may not be available, or may be conditional upon amendments being made to the Reinvestment Plan.** If necessary regulatory approvals in respect of the Reinvestment Plan cannot be obtained, the Fund will, to the extent permitted under applicable laws and stock exchange rules, use Distributions to acquire, through purchases in the market on behalf of each Unitholder that has elected to have his or her Distributions automatically reinvested, additional Trust Units.

Distributions due to Plan Participants shall be applied, on behalf of Plan Participants, to purchase additional Trust Units. Such purchases will either be made from the Fund or in the market. If the weighted average trading price on The Toronto Stock Exchange (or such other stock exchange on which the Trust Units

are listed, if the Trust Units are not listed on The Toronto Stock Exchange) for the 10 trading days immediately preceding the relevant Distribution Date (the “Market Price”) is less than the Net Asset Value per Trust Unit on the Distribution Date, the Plan Agent shall apply the Distributions either to purchase Trust Units in the market or from treasury as follows: purchases in the market will be made by the Plan Agent on an orderly basis during the 10 trading day period following the Distribution Date and the price paid for those Trust Units will not exceed 115% of the Market Price of the Trust Units. On the expiry of that period, the unused part, if any, of the Distributions attributable to the Plan Participants will be used to purchase Trust Units from the Fund at the higher of (i) the Net Asset Value per Trust Unit on the relevant Distribution Date and (ii) 95% of the Market Price.

If the Market Price is equal to or greater than the Net Asset Value per Trust Unit on the Distribution Date, the Plan Agent shall apply the Distributions to purchase Trust Units from the Fund through the issue of new Trust Units at the higher of (i) the Net Asset Value per Trust Unit on the relevant Distribution Date and (ii) 95% of the Market Price on the relevant Distribution Date.

If the Trust Units are thinly traded, purchases in the market under the Reinvestment Plan may significantly affect the market price. Depending on market conditions, direct reinvestment of cash Distributions by Unitholders in the market may be more, or less, advantageous than the reinvestment arrangements under the Reinvestment Plan. The Trust Units purchased in the market or from the Fund will be allocated on a *pro rata* basis to the Plan Participants. The Plan Agent will furnish to each Plan Participant a report of the Trust Units purchased for the Plan Participant’s account in respect of each Distribution and the cumulative total purchased for that account. The Plan Agent’s charges for administering the Reinvestment Plan and all brokerage fees and commissions in connection with purchases in the market pursuant to the Reinvestment Plan will be paid by the Fund. The automatic reinvestment of Distributions under the Reinvestment Plan will not relieve participants of any income tax applicable to those distributions. See “Canadian Federal Income Tax Considerations”.

The Reinvestment Plan will also allow Plan Participants, to the extent permitted under applicable law and regulatory rulings obtained, to make cash payments (“Optional Cash Payments”) which will be invested in Trust Units by the Plan Agent. Any Plan Participant may invest a minimum of \$100 per Optional Cash Payment up to a maximum amount as determined by the Manager from time to time. Optional Cash Payments will be invested on the same basis as Distributions. Optional Cash Payments must be received by the Plan Agent at least five Business Days prior to a Distribution Date to be used to purchase Trust Units immediately following such Distribution Date. Optional Cash Payments received less than five Business Days prior to a Distribution Date will be held by the Plan Agent and will not be used by the Plan Agent to purchase Trust Units until the next Distribution Date. A Plan Participant who wishes to make an Optional Cash Payment must ensure that the CDS Participant through which he or she holds his or her Trust Units is provided with the notice of his or her intention to make such Optional Cash Payment and the funds to make such Optional Cash Payment sufficiently in advance of the Distribution Date so as to permit the CDS Participant to deliver a notice and the funds to CDS by 5:00 p.m. (Toronto time) on the day which is five Business Days prior to the Distribution Date. The aggregate number of Trust Units that may be purchased with Optional Cash Payments in a calendar year may not exceed 2% of the outstanding Trust Units at the commencement of such calendar year, except for the 2002 calendar year in respect of which the number of Trust Units purchased with Optional Cash Payments may not exceed 2% of the outstanding Trust Units immediately following the closing of the Offering and any Trust Units issued upon the exercise of the Over-Allotment Option by the Agents.

A Unitholder may, after electing to participate in the Reinvestment Plan, terminate his or her participation in the Reinvestment Plan by written notice to the CDS Participant through which he or she holds his or her Trust Units who will then appropriately instruct the Plan Agent. That notice, if actually received no later than five days prior to a Record Date, will have effect for the Distribution to be made on the following Distribution Date. Thereafter, Distributions to those Unitholders will be by cheque. The Manager may terminate the Reinvestment Plan in its sole discretion on not less than 30 days notice to the Plan Participants. The Manager may also amend, modify or suspend the Reinvestment Plan at any time in its sole discretion, provided that it gives notice of that amendment, modification or suspension to Unitholders. The Fund is not required to issue Trust Units into any jurisdiction where that issuance would be illegal.

MARKET PURCHASE OF TRUST UNITS

Market Purchase Program

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

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

Market Purchases by Affiliates

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

REDEMPTION OF TRUST UNITS

Commencing in 2004, Trust Units may be surrendered for redemption at least 10 Business Days prior to January 31, which will be the redemption date in each year (the "Redemption Date"). Unitholders whose Trust Units are redeemed will be entitled to receive a redemption price (the "Redemption Price") per Trust Unit equal to 100% of the Net Asset Value per Trust Unit determined as of the Redemption Date plus any distribution payable to Unitholders of record on or before the Redemption Date and will receive payment on or before the tenth Business Day following such Redemption Date (the "Redemption Payment Date"). Any unpaid Distribution payable to Unitholders of record on or before the Redemption Date in respect of Trust Units tendered for redemption will also be paid on the Redemption Payment Date.

A Unitholder who desires to exercise redemption privileges must do so by causing the CDS Participant through which he or she holds his or her Trust Units to deliver to CDS at its office in the City of Toronto on behalf of the Unitholder, a written notice of the Unitholder's intention to redeem Trust Units by no later than 5:00 p.m. on the day which is 10 Business Days prior to a Redemption Date. A Unitholder who desires to redeem Trust Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption right sufficiently in advance of the Redemption Date deadline so as to permit the CDS Participant to deliver a notice to CDS prior to such deadline.

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

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

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

The Manager may direct the Trustee to suspend the redemption of Trust Units or payment of redemption proceeds (a) for the whole or any part of a period during which normal trading is suspended on one or more stock exchanges, options exchanges or futures exchanges on which more than 50% of the Fund Investments (by value) are listed and traded; or (b) for any period not exceeding 120 days during which the Manager determines, with the approval of the board of governors of the Fund, that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension, but as for which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first Business Day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. Subject to applicable law, any declaration of suspension made by the Manager shall be conclusive.

DETAILS OF THE OFFERING

The Offering consists of a minimum of 4,000,000 Trust Units and a maximum of 15,000,000 Trust Units at a price of \$10.00 per Trust Unit.

The Trust Units

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

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

Book Entry Registration

Registration of interests in and transfers and pledges of the Trust Units will be made only through the Book-Entry Only System. On or about the Closing Date, the Trustee will deliver to CDS a certificate

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

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

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

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents have agreed to act as, and have been appointed as, the sole and exclusive agents of the Fund to offer the Trust Units for sale to the public, on a best efforts basis, if, as and when issued by the Fund. The Trust Units will be issued at a price of \$10.00 per Trust Unit. In consideration for their services in connection with the Offering, the Agents will be paid a fee of \$0.550 per Trust Unit sold under the Offering and will be reimbursed for reasonable out of pocket expenses incurred by them. The Agents' fees and expenses will be paid by the Fund out of the proceeds of the Offering. The Agents may form a sub-agency group including other qualified investment dealers and limited market dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Trust Units offered hereby, the Agents will not be obligated to purchase any Trust Units which are not sold.

The Fund has granted to the Agents the Over-Allotment Option, which is exercisable for a period of 30 days from the Closing and gives the Agents the right to offer additional Trust Units in an amount not exceeding 15% of the aggregate number of Trust Units sold on the Closing on the same terms as set forth above. To the extent that the Over-Allotment Option is exercised, the additional Trust Units will be offered at the Offering Price hereunder and the Agents will be paid a fee of \$0.550 per Trust Unit in respect of Trust Units purchased pursuant to the exercise of the Over-Allotment Option. This prospectus qualifies the Over-Allotment Option and the distribution of Trust Units issuable upon the exercise of the Over-Allotment Option.

If subscriptions for a minimum of 4,000,000 Trust Units (or \$40,000,000) have not been received by January 23, 2003, the Offering may not continue without the consent of the securities regulatory authorities and those who have subscribed for Trust Units on or before such date. The maximum number of Trust Units which will be sold pursuant to the Offering is 15,000,000 Trust Units or \$150,000,000. Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement and withdraw all subscriptions for Trust Units on behalf of subscribers. In the event the minimum Offering is not achieved and the necessary consents are not obtained or, if the closing of the Offering does not occur for any reason, subscription proceeds received from prospective purchasers in respect of the Offering will be returned to such purchasers promptly without interest or deduction. Subscriptions for Trust Units will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. Closing will take place on or about November 28, 2002 or such later date as the Fund and the Agents may agree, but in any event not later than January 23, 2003.

There is currently no market through which the Trust Units can be sold. Accordingly, the Offering Price for the Trust Units was determined by negotiation between the Agents and the Manager on behalf of the Fund. The Toronto Stock Exchange has conditionally approved the listing of the Trust Units. Listing is subject to the Fund fulfilling all of the requirements of The Toronto Stock Exchange on or before January 24, 2003, including the distribution of Trust Units to a minimum number of public Unitholders.

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

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

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

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

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

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

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the “Regulations”), all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance prior to the date hereof (the “Tax Proposals”), and counsel’s understanding of the current administrative policies and assessing practices of the Canada Customs and Revenue Agency. It also takes into account counsel’s understanding of a proposed amendment relating to subsection 104(29) of the Tax Act (the “Proposed Amendment”). This summary assumes that the Tax Proposals and the Proposed Amendment will be enacted as proposed. Except for the Tax Proposals and the Proposed Amendment, this summary does not take into account or anticipate any changes in the law, whether by way of legislative, governmental or judicial decision or action, nor does it take into account other federal or any provincial or foreign tax legislation or considerations.

This summary is based on the assumption that the Fund will qualify at all times as a “unit trust” and a “mutual fund trust” within the meaning of the Tax Act. In order to so qualify, the Fund must comply on a

continuous basis with certain investment criteria referred to under “Investment Strategy and Restrictions — Investment Restrictions” and certain minimum distribution requirements relating to the Trust Units. In addition, the Fund may not reasonably at any time be considered to be established or maintained primarily for the benefit of non-resident persons. The Manager has advised counsel that the Fund intends to make an election so that it will qualify under the Tax Act as a mutual fund trust from the commencement of its first taxation year. If the Fund were not to qualify as a mutual fund trust at all times, the income tax consequences described below would in some respects be materially different.

This summary is also based on the assumption that none of the issuers of the securities comprising the Fund Investments will be foreign affiliates of the Fund or of any Unitholder and that none of the securities comprising the Fund Investments will be participating interests, other than exempt interests, in foreign investment entities or tracking entities under the proposals to amend the Tax Act released October 11, 2002 (or such proposals as amended or enacted or successor provisions thereto).

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

Taxation of the Fund

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

With respect to an issuer that is a trust whose units are included in the Fund Investments, the Fund will be required to include in the calculation of its income such portion of the net income and the taxable portion of the net realized capital gains of such issuer as is paid or becomes payable to the Fund in the year, notwithstanding that certain of such amounts may be reinvested in additional units of the issuer. Provided that appropriate designations are made by the issuer, any net taxable capital gains realized by the issuer and taxable dividends received by the issuer from taxable Canadian corporations that are paid or become payable to the Fund will effectively retain their character as such in the hands of the Fund. In addition, the Fund will be required to include in the calculation of its income any amount designated under subsection 104(29) of the Tax Act by such an issuer in respect of certain Crown royalties and charges in excess of the resource allowance deductible in computing the issuer’s income. Counsel understand that the Proposed Amendment will permit the Fund to designate an amount in respect of such designated amount to Unitholders with the result that the Fund will be entitled to deduct the amount it designates in computing its income and Unitholders will be required to include their share of such amount in their income. The Fund will generally be required to reduce its adjusted cost base of the units of such an issuer to the extent that the amounts paid or payable in a year by the issuer to the Fund exceed the amounts included in the income of the Fund for the year plus the Fund’s share of the non-taxable portion of capital gains of such issuer for the year. To the extent that the adjusted cost base to the Fund of the units of such an issuer is negative, the amount by which it is negative will be deemed to be a capital gain realized by the Fund and the Fund’s adjusted cost base of such units will be increased by the amount of such deemed capital gain.

With respect to an issuer that is a limited partnership whose limited partnership units are included in the Fund Investments, the Fund will be required to include or, subject to certain restrictions, will be entitled to deduct, in computing its income, its share of the net income or loss for tax purposes of the issuer allocated to the Fund for the fiscal period of the issuer ending in the Fund’s taxation year, whether or not a distribution is received. In general, the adjusted cost base to the Fund of the limited partnership units of such an issuer at a particular time will be equal to the actual cost of such limited partnership units plus the share of the income and

capital gains of the issuer allocated to the Fund for fiscal years of the issuer ending before the particular time less the share of losses and capital losses of the issuer allocated to the Fund for fiscal years of the issuer ending before the particular time, and less the Fund's share of any distributions received from the issuer before the particular time. If the adjusted cost base to the Fund of the limited partnership units of such an issuer is negative, the amount by which it is negative will be deemed to be a capital gain realized by the Fund and the Fund's adjusted cost base of such limited partnership units will be increased by the amount of such deemed capital gain.

The Fund will be required to include in its income for each taxation year, all interest that accrues 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.

Upon the actual or deemed disposition of a Fund Investment held by the Fund, the Fund will realize a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are exceeded by) the adjusted cost base of such Fund Investment and any reasonable costs of disposition, provided such Fund Investment is capital property to the Fund. The Manager has advised counsel that the Fund intends to make an election under subsection 39(4) of the Tax Act so that all Fund Investments that are Canadian securities (as defined in the Tax Act) will be deemed to be capital property.

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

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

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

The Tax Act provides for a special tax on designated income (which includes income from businesses carried on in Canada and net taxable capital gains from disposition of "taxable Canadian property") of certain trusts which have designated beneficiaries. This special tax does not apply to a trust for a taxation year of the trust if the trust is a mutual fund trust throughout such year. Accordingly, provided that the Fund qualifies, or is deemed to qualify, as a mutual fund trust throughout a taxation year, it will not be subject to the special tax for such taxation year.

The Manager has advised counsel that the Fund will apply to be registered as a registered investment under the Tax Act effective from the date of its creation. As a registered investment, the Fund will be liable for tax under Part XI of the Tax Act if it invests in foreign property (including most limited partnership units) in excess of the limits provided in Part XI of the Tax Act or if it invests in certain options to acquire shares. The Manager has advised counsel that the Fund will restrict its investments in foreign property and options such that the Fund will not be liable for tax under Part XI of the Tax Act.

Taxation of Unitholders

A Unitholder will generally be required to include in computing income for a particular taxation year of the Unitholder such portion of the net income, and the taxable portion of the net realized capital gains, of the Fund for a taxation year as is paid or becomes payable to the Unitholder in that particular taxation year, whether received in cash or reinvested in additional Trust Units, including pursuant to the Reinvestment Plan. Provided

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

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

Any additional Trust Units acquired by a Unitholder on the reinvestment of distributions or on the investment of an Optional Cash Payment will generally have a cost equal to the amount reinvested or invested, as the case may be. If a Unitholder participates in the Reinvestment Plan and, because the Plan Agent is unable to purchase sufficient Trust Units in the market to fully reinvest a distribution or invest an Optional Cash Payment, the Unitholder acquires a Trust Unit from the Fund at a price that is less than the then fair market value of the Trust Unit, it is the administrative position of the Canada Customs and Revenue Agency that the Unitholder must include the difference in income and that the cost of the Trust Unit will be correspondingly increased. For the purpose of determining the adjusted cost base to a Unitholder of Trust Units, when a Trust Unit is acquired, the cost of the newly-acquired Trust Unit will be averaged with the adjusted cost base of all of the Trust Units owned by the Unitholder as capital property before that time.

Upon the disposition or deemed disposition by a Unitholder of a Trust Unit, whether on a sale, redemption, repurchase or otherwise, a capital gain (or capital loss) will be realized by the Unitholder to the extent that the proceeds of disposition exceed (or are less than) the adjusted cost base of the Trust Unit to the Unitholder immediately before the disposition and any reasonable costs of disposition. If the Fund distributes Fund Investments in satisfaction of a portion of the Redemption Price of a Trust Unit surrendered for redemption, the Unitholder's proceeds of disposition of the Trust Unit will include the fair market value of each such Fund Investment so distributed (net of any accrued capital gain in respect of such Fund Investment) and the Unitholder will be considered to have acquired each such Fund Investment at a cost equal to its fair market value.

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

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

RISK FACTORS

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

No Assurance in Achieving Investment Objectives or Targeted Distributions

There is no assurance that the Fund will be able to achieve its Investment Objectives of preserving the value of the Fund's assets and providing monthly cash Distributions to Unitholders that meet the targeted distribution of \$0.0771 per month or approximately 9.25% per annum based on the Offering Price of the Trust Units.

There is no assurance that the Fund will be able to pay monthly Distributions in the short or long term, nor is there any assurance that the Net Asset Value of the Fund will be preserved or any capital appreciation attained.

Changes in the relative allocations between the various types of investment vehicles making up the Fund Investments can affect the overall yield to Unitholders. The Distributions received by the Fund from issuers whose securities are held as Fund Investments may vary from month to month and certain of these issuers may pay distributions less frequently than monthly, with the result that the monthly cash available for distribution to Unitholders could vary substantially.

Performance of Fund Investments

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

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

Trading Price of Trust Units

Trust Units may trade in the market at a premium or discount to Net Asset Value per Trust Unit and there can be no assurance that Trust Units will trade at a price equal to Net Asset Value per Trust Unit. This risk is separate and distinct from the risk that the Net Asset Value per Trust Unit may decrease.

In recognition of the possibility that the Trust Units may trade at a discount, the terms and conditions attaching to the Trust Units have been designed to attempt to reduce or eliminate a market value discount from Net Asset Value per Trust Unit by way of mandatory and optional purchases of Trust Units by the Fund, as described under "Distributions and Reinvestment", and by way of the annual redemptions described under "Redemption of Trust Units". There can be no assurance that purchases and/or redemptions of Trust Units by the Fund will result in the Trust Units trading at a price which is equal to the Net Asset Value per Trust Unit. The market price of the Trust Units will be determined by, among other things, the relative demand for and supply of Trust Units in the market, the Fund's investment performance, the Trust Unit's yield and investor perception of the Fund's overall attractiveness as an investment as compared with other investment alternatives.

Sensitivity to Interest Rates

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

Fluctuations in Net Asset Value

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

Composition of Fund Investments

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

Reliance on the Manager

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

Leverage and Borrowing

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

Illiquid Securities

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

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

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

Instalment Receipts

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

Taxation of the Fund

While the Fund has been structured so that the Fund will generally not be liable to pay income tax, the information available to the Fund and the Manager relating to the characterization, for tax purposes, of the distributions received by the Fund in any year from issuers of Fund Investments may be insufficient as at December 31 of that year to ensure that the Fund will make sufficient distributions in order that it will not be liable to pay income tax in respect of that year.

There is uncertainty as to the manner in which the Canada Customs and Revenue Agency (“CCRA”) may apply the “suspended loss” rules in the Tax Act to the Fund because the Trustee of the Fund is also the trustee of other trusts. Such rules could be applied, in certain circumstances, to require the Fund to defer the deduction of capital losses realized by the Fund on the disposition of Fund Investments. If such rules were to be applicable to the Fund in a manner that the Manager determines would materially adversely affect the Fund and its Unitholders, the Manager may request the Trustee to resign.

The CCRA 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, the CCRA’s view should not affect the Fund’s ability to deduct interest on money borrowed to acquire units of Income Trusts included in the Fund Investments. In addition, the Manager will take steps to ensure that money borrowed by the Fund is used to purchase units of Income Trusts which are less likely to make return of capital distributions. If the CCRA’s view were to apply to the Fund, part of the interest payable by the Fund in connection with money borrowed to acquire certain Fund Investments could be non-deductible, increasing the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders. Income of the Fund which is not distributed to Unitholders would be subject to non-refundable income tax in the Fund.

Interest Rate Hedging

Interest rate and foreign exchange hedges will be used by the Fund only to the extent that the Manager considers appropriate and as described above under “Investment Strategy and Restrictions — Investment Strategy — D. Use of Derivative Instruments”. The use of hedges involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Manager’s assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if the hedging had not been used.

Loss of Investment

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment and who can withstand the effect of the targeted return not being met in any period.

Status of the Fund

As the Fund is not a mutual fund as defined under Canadian securities laws, the Fund is not subject to the Canadian policies and regulations that apply to open-end mutual funds. The Fund will, however, be a mutual fund trust for purposes of the Tax Act.

Liability of Unitholders

The Fund is a unit trust and as such its Unitholders do not receive the protection of statutorily mandated limited liability as in the case of shareholders of most Canadian corporations. There is no guarantee, therefore, that Unitholders could not be made party to legal action in connection with the Fund. However, the Declaration of Trust provides that no Unitholder, in its capacity as such, will be subject to any liability whatsoever, in tort, contract or otherwise, to any person in connection with the Fund's property or the obligations or the affairs of the Fund and all such persons are to look solely to the Fund's property for satisfaction of claims of any nature arising out of or in connection therewith and only the Fund's property will be subject to levy or execution. Pursuant to the Declaration of Trust, the Fund will indemnify and hold harmless each Unitholder from any costs, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of such Unitholder not having limited liability.

The Declaration of Trust provides that the Trustee and the Manager shall use reasonable means to cause to be inserted in each written agreement, undertaking and obligation signed by or on behalf of the Fund a provision to the effect that such agreement, undertaking or obligation will not be binding upon Unitholders personally. Any documents relating to the borrowing of money or leverage transactions undertaken by the Fund must contain such a provision.

As a result of the foregoing, it is considered that the risk of any personal liability of Unitholders is minimal in view of the nature of its activities and the requirement of the Fund that any agreement include an express disavowal of liability of Unitholders. If a Unitholder should be required to satisfy any obligation of the Fund, such Unitholder will be entitled to reimbursement from any available assets of the Fund.

It is intended that the Fund's operations be conducted in such a way as to minimize any such risk and, in particular, where practical, to cause every written contract or commitment of the Fund to contain an express disavowal of liability of Unitholders.

Securities Lending

The Fund may engage in securities lending as described under "Investment Strategy and Restrictions — Investment Strategy — E. Securities Lending". Although the Fund will receive collateral for the loans and such collateral will be marked-to-market, the Fund will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities.

Conflicts of Interest

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

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

Operating History and Marketability of Trust Units

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

Use of Derivatives

The Fund may invest in and use derivative instruments for hedging purposes to the extent, if any, considered appropriate by the Manager, taking into account factors including transaction costs. There can be no assurance that the Fund's hedging strategies will be effective.

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

Changes in Legislation

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

Payment of Redemption Price in Kind

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

CONFLICTS OF INTEREST

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

In addition, the directors and officers of the Manager may be directors, officers, shareholders or unitholders of one or more issuers from which the Fund may acquire securities. The Manager or its affiliates may be managers of one or more issuers from which the Fund may acquire securities and may be managers of funds that invest in the same securities as the Fund.

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

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

THE TRUSTEE

Dynamic Mutual Funds Ltd. is the Trustee of the Fund. The Trustee is responsible for certain aspects of the administration of the Fund as described in the Declaration of Trust.

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

The Declaration of Trust provides that the Trustee will not be liable in carrying out its duties under the Declaration of Trust except in cases where the Trustee fails to act honestly and in good faith with a view to the best interests of the Unitholders or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the Declaration of Trust contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

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

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

DECLARATION OF TRUST

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

Description of Trust Units

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

Information and Reports to Unitholders

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

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

Non-Resident Unitholders

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

Repurchase of Trust Units

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

Modification of Declaration of Trust and Meetings of Unitholders

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

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

- (i) any termination of the Management Agreement other than termination by, or as a result of the resignation of, the Manager or in circumstances where the Manager has been removed by the Trustee for cause pursuant to the Declaration of Trust or the Management Agreement;
- (ii) the liquidation, dissolution or termination of the Fund prior to the Termination Date;
- (iii) except as provided below, an amendment to the Declaration of Trust, other than as currently provided for in the Declaration of Trust;
- (iv) the sale of all or substantially all the assets of the Fund other than in the ordinary course;
- (v) the termination of the Trustee or any of its affiliates as the trustee of the Fund;
- (vi) any change in the Investment Objectives, Investment Strategy or Investment Restrictions, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;

- (vii) any material change in the Management Agreement;
- (viii) any increase in the Management Fee;
- (ix) any amendment, modification or variation in the provisions or rights attaching to the Trust Units;
- (x) any issue of Trust Units for net proceeds per Trust Unit less than the most recently calculated Net Asset Value per Trust Unit prior to the date of the setting of the subscription price by the Fund; and
- (xi) any change in the frequency of calculating Net Asset Value per Trust Unit to less often than weekly.

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

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

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

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

Take-over Bids

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

Resignation of the Trustee at Request of the Manager

If the “suspended loss” rules in the Tax Act were to be applicable to the Fund in a manner that the Manager determines would materially adversely affect the Fund and its Unitholders, because of the requirement to defer the deduction of certain capital losses realized by the Fund on the disposition of Fund Investments, the Manager may request the Trustee to resign. If requested to do so in such circumstances, the Trustee will resign. The Manager will propose a replacement trustee concurrently with submitting the resignation request, and the proposed replacement will become the trustee of the Fund upon such resignation.

Termination of the Fund

The Fund will continue until December 31, 2012 (subject to extension as described below) and thereupon will terminate and the net assets of the Fund will be distributed to the Unitholders unless an alternative to termination is approved by the Unitholders as described below. Prior to the Termination Date, the Manager will, to the extent practicable, convert the assets of the Fund to cash. The Manager may, in its discretion with the prior approval of the board of governors of the Fund and upon not less than 30 days prior written notice to Unitholders, extend the Termination Date by a period of 90 days, if the Manager determines that it will be unable to convert all the portfolio assets to cash and the Manager determines that it would be in the best interests of the Unitholders to do so. Should the liquidation of certain securities not be practicable or should the

Manager consider such liquidation not to be appropriate prior to the Termination Date, such securities will be distributed to Unitholders *in specie* rather than in cash subject to compliance with any securities or other laws applicable to such distributions. See “Risk Factors-Illiquid Securities”. Following such distribution, the Fund will be dissolved.

Not less than six months prior to the Termination Date, the Manager may present a proposal to Unitholders providing an alternative to the dissolution of the Fund on the Termination Date. Such proposal may include, without limitation: (i) continuing the Fund; or (ii) exchanging the Trust Units for units in one or more mutual funds or closed-end investment funds on or after the Termination Date. A meeting of Unitholders to consider such a proposal must be held at least six months prior to the Termination Date in order to give the Manager the opportunity to conduct an orderly liquidation of the assets of the Fund if the Unitholders do not approve the proposal. In order to be implemented, such proposal would require the approval of Unitholders by a majority vote at such meeting. Any such proposal may be conditional on such matters as the Manager considers are appropriate, including obtaining any necessary regulatory approvals.

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

PROMOTER

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

LEGAL PROCEEDINGS

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

MATERIAL CONTRACTS

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

- (a) the Declaration of Trust referred to under “The Fund” and under “Declaration of Trust”;
- (b) the Management Agreement referred to under “The Manager”;
- (c) the Custodian Agreement to be entered into on or prior to the Closing Date referred to under “Custodian and Prime Broker”;
- (d) the Agency Agreement referred to under “Plan of Distribution”; and
- (e) the Reinvestment Plan Agency Agreement to be entered into on or prior to the Closing Date referred to under “Distributions and Reinvestment — Distribution Reinvestment Plan”.

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

LEGAL MATTERS

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

AUDITORS

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

CUSTODIAN AND PRIME BROKER

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

The Custodian may employ sub-custodians as considered appropriate in the circumstances. The address of the Custodian is Suite 1100, 30 Adelaide Street East, Toronto, Ontario, M5C 3G6.

REGISTRAR, TRANSFER AGENT AND DISTRIBUTION DISBURSING AGENT

Computershare Trust Company of Canada has been appointed the registrar, transfer agent and distribution disbursing agent for the Trust Units.

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

PURCHASERS' STATUTORY RIGHTS

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

AUDITORS' REPORT

To the Unitholder and the Trustee of diversiTrust™ Income Fund

We have audited the statement of financial position of diversiTrust™ Income Fund (the "Fund") as at October 29, 2002. This statement of financial position is the responsibility of the Fund's management. Our responsibility is to express an opinion on this statement of financial position based on our audit.

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

In our opinion, this statement of financial position presents fairly, in all material respects, the financial position of the Fund as at October 29, 2002 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
October 29, 2002

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants

COMPILATION REPORT

To the Unitholder and the Trustee of diversiTrust™ Income Fund

We have reviewed, as to compilation only, the accompanying pro forma statement of financial position of diversiTrust™ Income Fund (the "Fund") as at October 29, 2002 which has been prepared for inclusion in the prospectus relating to the issue of Units of the Fund. In our opinion, the pro forma statement of financial position has been properly compiled to give effect to the transactions and assumptions described in the notes hereto.

Toronto, Canada
October 29, 2002

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants

diversiTrust™ Income Fund
STATEMENT OF FINANCIAL POSITION
As at October 29, 2002

	Actual	Pro Forma
		(unaudited)
Assets		
Cash	\$ 10	\$ —
Investment in portfolio securities	\$ —	\$93,850,000
Total	<u>\$ 10</u>	<u>\$93,850,000</u>
Unitholder's Equity		
Unitholder's Equity (Note 1):		
Units (actual 1 Unit; pro forma 10,000,001 Units, net of issue costs)	<u>\$ 10</u>	<u>\$93,850,000</u>

Approved by the Board of Directors of the Manager,
Dynamic Mutual Funds Ltd.

(Signed) DAVID GOODMAN
Director

(Signed) JOANNE FERSTMAN
Director

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

diversiTrust™ Income Fund
NOTES TO STATEMENT OF FINANCIAL POSITION
As at October 29, 2002

1. ORGANIZATION AND UNITHOLDER'S EQUITY

diversiTrust™ Income Fund (the “Fund”) is a closed-end investment trust created under the laws of the Province of Ontario pursuant to a declaration of trust dated as of October 29, 2002 (the “Declaration of Trust”). The beneficiaries of the Fund will be the holders of Trust Units (as defined below) being offered pursuant to this prospectus. The Fund is authorized to issue an unlimited number of redeemable transferable trust units (“Trust Units”). On October 29, 2002, the Fund issued one unit for \$10.00 cash.

2. AGENCY AGREEMENT, CUSTODIAN AND TRUSTEE

The Fund and the Manager have entered into an agency agreement with Scotia Capital Inc., Dundee Securities Corporation, BMO Nesbitt Burns Inc., National Bank Financial Inc., RBC Dominion Securities Inc., TD Securities Inc., Canaccord Capital Corporation, HSBC Securities (Canada) Inc., Raymond James Ltd., Yorkton Securities Inc., Bieber Securities Inc. and Research Capital Corporation (collectively, the “Agents”) dated as of October 29, 2002 pursuant to which the Fund has agreed to create, issue and sell, and the Agents have agreed to offer for sale to the public, a minimum of 4,000,000 Trust Units and a maximum of 15,000,000 Trust Units at \$10 per Trust Unit.

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

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

3. PRO FORMA STATEMENT OF FINANCIAL POSITION (UNAUDITED)

The pro forma statement of financial position gives effect, as at October 29, 2002, to the following transactions:

- (a) the issue of 10,000,000 units for total gross proceeds of \$100,000,000;
- (b) the payment of estimated costs relating to this offering of \$6,150,000, which amount is comprised of the fee payable to the agents in this offering of \$5,500,000 and issue costs of \$650,000;
- (c) the completion of the purchase of an investment portfolio at a cost of \$93,850,000.

4. COMMITMENTS

The Fund has retained Dynamic Mutual Funds Limited (the “Manager”) to act as manager and investment manager under a management agreement dated as of October 29, 2002. Pursuant to such agreement, the Manager is entitled to a management fee equal to 1.10% (subject to reduction in certain circumstances) per annum of the Net Asset Value of the Fund. The Fund will also pay to the Manager a Service Fee of 0.40% per annum of the Net Asset Value of Trust Units held by clients of dealers. The Service Fee will be used by the Manager to in turn pay a service fee to certain dealers based on the number of Trust Units held by the clients of such dealers.

CERTIFICATE OF THE FUND AND THE PROMOTER

Dated: October 29, 2002

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 8 of the Securities Act (Alberta), by Part XI of the Securities Act (Saskatchewan), by Part VII of the Securities Act (Manitoba), by Part XV of the Securities Act (Ontario), by Section 63 of the Securities Act (Nova Scotia), by Section 13 of the Security Frauds Prevention Act (New Brunswick), by Part II of the Securities Act (Prince Edward Island), by Part XIV of the Securities Act (Newfoundland and Labrador), by the Securities Act (Yukon), by the Securities Act (Northwest Territories) and by the Securities Act (Nunavut) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the Securities Act (Quebec) and the respective regulations thereunder.

DIVERSITRUST™ INCOME FUND
By: ITS MANAGER DYNAMIC MUTUAL FUNDS LTD.

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

By: (Signed) JOHN PEREIRA
Vice-President, Finance

On behalf of the board of directors of
DYNAMIC MUTUAL FUNDS LTD.

By: (Signed) JOANNE FERSTMAN
Director

By: (Signed) BENJAMIN J. EGGERS
Director

Promoter
DYNAMIC MUTUAL FUNDS LTD.

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

CERTIFICATE OF THE AGENTS

Dated: October 29, 2002

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 8 of the Securities Act (Alberta), by Part XI of the Securities Act, (Saskatchewan), by Part VII of the Securities Act (Manitoba), by Part XV of the Securities Act (Ontario), by Section 64 of the Securities Act (Nova Scotia), by Section 13 of the Security Frauds Prevention Act (New Brunswick), by Part II of the Securities Act (Prince Edward Island), by Part XIV of the Securities Act (Newfoundland and Labrador), by the Securities Act (Yukon), by the Securities Act (Northwest Territories) and by the Securities Act (Nunavut) and the respective regulations thereunder. To our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the Securities Act (Quebec) and the regulations thereunder.

SCOTIA CAPITAL INC.

DUNDEE SECURITIES CORPORATION

By: (Signed) BRIAN D. MCCHESENEY

By: (Signed) DAVID G. ANDERSON

BMO NESBITT
BURNS INC.

NATIONAL BANK
FINANCIAL INC.

RBC DOMINION
SECURITIES INC.

TD SECURITIES
INC.

By: (Signed)
DAVID R. THOMAS

By: (Signed)
VINCENZA SERA

By: (Signed)
EDWARD JACKSON

By: (Signed)
J. DAVID BEATTIE

CANACCORD CAPITAL
CORPORATION

HSBC SECURITIES
(CANADA) INC.

RAYMOND JAMES
LTD.

YORKTON
SECURITIES INC.

By: (Signed)
PETER MARRONE

By: (Signed)
PATRICK NOLAN

By: (Signed)
JAMES R.E. COULTER

By: (Signed)
MARILIA COSTA

BIEBER SECURITIES INC.

RESEARCH CAPITAL CORPORATION

By: (Signed) GUY N. BIEBER

BY: (SIGNED) BETH A. SHAW



*diversi*Trust