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## **AGF GROUP OF FUNDS**

### **Simplified Prospectus**

#### **Initial Offering of Mutual Fund Series, Series F and Series O Securities of**

**AGF DIVERSIFIED INCOME CLASS\***

**AGF HIGH INCOME CLASS\***

**October 1, 2011**

**\* Class of AGF All World Tax Advantage Group Limited.**

## TABLE OF CONTENTS

|  |    |
|--|----|
| INTRODUCTION.....  | 1  |
| WHAT IS A MUTUAL FUND AND WHAT ARE THE RISKS OF INVESTING IN A MUTUAL FUND? .....    | 3  |
| ORGANIZATION AND MANAGEMENT OF THE AGF FUNDS .....                                   | 9  |
| PURCHASES, SWITCHES AND REDEMPTIONS .....  | 11 |
| OPTIONAL SERVICES.....   | 16 |
| FEES AND EXPENSES .....  | 18 |
| IMPACT OF SALES CHARGES .....  | 23 |
| DEALER COMPENSATION.....   | 23 |
| INCOME TAX CONSIDERATIONS FOR INVESTORS .....  | 25 |
| PURCHASERS' STATUTORY RIGHTS .....   | 26 |
| SPECIFIC INFORMATION ABOUT EACH OF THE MUTUAL FUNDS DESCRIBED IN THIS DOCUMENT ..... | 26 |
| AGF DIVERSIFIED INCOME CLASS .....   | 29 |
| AGF HIGH INCOME CLASS.....   | 31 |

## INTRODUCTION

This document contains selected important information to help you make an informed investment decision and understand your rights as an investor. In this simplified prospectus:

- **we, us, our** and **AGF** refer to AGF Investments Inc.
- **you** refers to the registered or beneficial owner of a security of a Fund.
- **AGF Group of Funds** or **AGF Funds** refers to all of our AGF mutual funds offered to the public under a simplified prospectus and annual information form, including the Funds.
- **Board** refers to the board of directors of the Tax Advantage Group.
- **Class** or **Classes** refers to a class or classes of the Tax Advantage Group
- **DPSP** refers to a deferred profit sharing plan.
- **Fund** or **Funds** means AGF Diversified Income Class (formerly, Acuity Diversified Income Class) and/or AGF High Income Class (formerly, Acuity High Income Class).
- **Group RRSP** refers to a group registered retirement savings plan.
- **Group TFSA** refers to a group tax-free savings account.
- **LIF** refers to a life income fund.
- **LIRA** refers to a locked-in retirement account.
- **LRIF** refers to a locked-in retirement income fund.
- **LRSP** refers to a locked-in retirement savings plan.
- **MF Series** refers to the Mutual Fund Series securities offered in this simplified prospectus.
- **PRIF** refers to a prescribed retirement income fund in Saskatchewan and Manitoba.
- **RDSP** refers to a registered disability savings plan.
- **registered dealer** refers to the firm the registered representative works for.
- **registered representative** refers to an individual who is registered to sell mutual funds.
- **RESP** refers to a registered education savings plan
- **RLIF** refers to a restricted life income fund.
- **RLSP** refers to a restricted locked-in savings plan.
- **RRIF** refers to a registered retirement income fund.
- **RRSP** refers to a registered retirement savings plan.
- **securities** refer to units and/or shares, as applicable.
- **securityholders** refer to unitholders and/or shareholders, as applicable.
- **Series F** refers to the Series F securities offered in this simplified prospectus.
- **Series O** refers to the Series O securities offered in this simplified prospectus.
- **Tax Advantage Group** refers to AGF All World Tax Advantage Group Limited, the continuing mutual fund corporation resulting from the amalgamation of Acuity Corporate Class Ltd. and AGF All World Tax Advantage Group Limited on October 1, 2011. The Tax Advantage Group currently offers 24 different classes of securities and may offer more classes in the future. Each class is like a separate mutual fund with its own investment objective.
- **TFSA** refers to a tax-free savings account.
- **Trust Funds** refers to the AGF Funds that are structured as mutual funds and issue units.
- **underlying fund** refers to a mutual fund (either an AGF Fund or otherwise) in which a Fund invests.

Additional information about these securities can be found in the Funds' annual information form.

On February 1, 2011, AGF Management Limited and AGF Investments Inc. acquired all of the issued and outstanding shares of, and thus control of, Acuity Funds Ltd. Acuity Funds Ltd. is now a subsidiary of AGF Investments Inc. Notwithstanding, AGF Investments Inc. continues to be the investment fund manager of its group of funds, and Acuity Funds Ltd. continues to be the investment fund manager of its group of funds. Effective as of August 8, 2011, the back office systems of AGF Investments Inc. and Acuity Funds Ltd. were integrated, thereby resulting in an ease in operational switching between funds offered by the two investment fund managers. For instance, no deferred sales charges or low load sales charges apply to switches between the AGF and Acuity family of funds. All of the other consequences of switching described herein (for instance, the tax consequences of switching between funds) continue to apply notwithstanding the back office integration between the investment fund managers.

This simplified prospectus is divided into two parts. The first part, from pages 1 to 28 contains general information that applies to the Funds. The second part, from page 29 to 32 contains specific information about each Fund.

This simplified prospectus contains information about the Funds and the risks of investing in mutual funds generally, as well as the name of the firm responsible for the management of the Funds.

Additional information about each Fund is available in the following documents:

- the annual information form
- the most recently filed Fund Facts
- the most recently filed annual financial statements
- any interim financial statements filed after those annual financial statements
- the most recently filed annual management report of fund performance
- any interim management report of fund performance filed after the annual management report of fund performance.

These documents are incorporated by reference into this document, which means they legally form part of this document just as if they were printed in it.

Until the annual and interim financial statements and annual and interim management reports of fund performance for the amalgamated corporation and its funds are filed, the annual and interim financial

statements and annual and interim management reports of fund performance of the Funds when they were part of Acuity Corporate Class Ltd. (i.e. when they were known as Acuity Diversified Income Class and Acuity High Income Class, respectively) are incorporated by reference.

You can get a copy of these documents at no charge by contacting your registered representative, calling us toll free at 1-800-268-8583, e-mailing us at [tiger@agf.com](mailto:tiger@agf.com), or writing us at:

**AGF Investments Inc. – Client Services**

c/o 2920 Matheson Blvd. East

Mississauga, ON L4W 5J4

1-800-268-8583

905-214-8203

**[www.agf.com](http://www.agf.com)**

These documents and other information about the Funds are also available on the internet site of SEDAR at [www.sedar.com](http://www.sedar.com). For documents pre-dating the amalgamation of Acuity Corporate Class Ltd. with AGF All World Tax Advantage Group Limited on October 1, 2011, you can search under the Funds' former Acuity profiles on the SEDAR website.

## WHAT IS A MUTUAL FUND AND WHAT ARE THE RISKS OF INVESTING IN A MUTUAL FUND?

Mutual funds offer a simple and affordable way for investors seeking to meet financial goals, such as saving for retirement or a child's education. But what exactly is a mutual fund and what are the risks of investing in a mutual fund?

### What is a mutual fund?

A mutual fund is an investment that allows people with similar investment goals to pool their money in a diversified portfolio. A professional portfolio manager uses that money to buy securities, such as stocks, bonds, cash or a combination of these, depending on the mutual fund's investment objectives. The portfolio manager makes all the decisions about which securities to buy and when to buy and sell them. Sometimes, the portfolio manager receives advice from a portfolio advisor as well.

You invest in a mutual fund by buying securities of the fund. Each security represents a portion of the value of the investments of the fund. Mutual fund investors share in the fund's income and expenses, as well as in any gains or losses, in proportion to the number of securities they own, after taking into account any special dividends or distributions.

There are a number of advantages to investing in mutual funds over investing in securities on your own:

- **Professional money management.** Professional portfolio managers devote their time and expertise to research potential investments and to make the investment decisions. They have access to up-to-the-minute information on trends in the financial markets and other in-depth data that may not be readily available to individual investors.
- **Diversification.** Investment values can change at different times and for different reasons. Owning a variety of investments can help reduce the effect that a poorly performing investment may have on your portfolio and increase the potential for better returns over time.
- **Accessibility.** Mutual funds tend to have low investment minimums, making them accessible to most investors. It's easy to buy, switch and sell mutual funds through your registered representative.

### How mutual funds are structured

AGF has mutual fund trusts and a mutual fund corporation. The Trust Funds are mutual fund trusts which may invest in mutual funds, which are trusts or

corporations. The Tax Advantage Group is a mutual fund corporation which can invest in mutual funds, which are trusts or corporations. Both types allow you to pool your money with other investors, however, there are a few differences you should know about:

- You buy "units" of a mutual fund trust and "shares" of a mutual fund corporation. Units and shares both represent ownership.
- If a mutual fund corporation has more than one investment objective, each investment objective is represented by a separate class of shares. Each class works like a separate mutual fund. Shares are issued and redeemed on the basis of the net asset value of the class.
- A mutual fund trust has only one investment objective.
- Both classes of a mutual fund corporation and mutual fund trusts offer different series of securities, each of which has different features, including some that offer distributions of capital. You'll find more information about the different series of shares of the Funds under *Purchases, Switches and Redemptions*.
- When you switch between series of the same class of a mutual fund corporation, this is called a conversion. In general, a conversion is not considered a disposition for tax purposes so no taxes are payable solely as a result of the conversion. If you switch from one mutual fund trust to another mutual fund trust or to a mutual fund corporation, this is considered a disposition for tax purposes and may give rise to taxable capital gains.
- A mutual fund corporation is a single entity and taxpayer regardless of how many classes it offers. The mutual fund corporation must consolidate its income, capital gains, expenses and capital losses from all the investments made for all classes in order to determine the amount of tax payable. For example, capital gains of one class are offset by capital losses of another class. With mutual fund trusts, the capital losses of one mutual fund trust cannot be offset against the capital gains of another mutual fund trust. Mutual fund trusts are separate taxpayers.
- A mutual fund corporation pays dividends out of income or capital gains, while a mutual fund trust pays distributions out of income or capital gains. Unlike mutual fund trust distributions, dividends are not declared regularly by a mutual fund corporation. A mutual fund corporation will have to pay tax on all sources of income other than capital gains in the event that it pays capital gains

dividends. A mutual fund corporation typically pays out sufficient dividends to recover tax it pays on dividends received from taxable Canadian corporations. For this reason, the investment objective of a class of a mutual fund corporation is usually capital growth and not income. A mutual fund trust will not pay taxes on any source of income or capital gains as long as it distributes its net taxable income to securityholders. Both mutual fund corporations and mutual fund trusts may pay distributions out of capital.

- In some cases, the same investment objective and portfolio manager may be offered both by a mutual fund trust and a class of a multi-class mutual fund corporation, although not all the same series. In such circumstances, the investor has the additional option to select a fund based on the tax consequences most suitable to the investor's needs. A multi-class mutual fund corporation may offer tax advantages to both taxable investors and registered plans, depending on the investment program of the investor and the type of registered plan.
- While the investment objective of a mutual fund trust and a class of the mutual fund corporation may be identical, the performance of the respective funds may not be identical. While the portfolio manager will generally seek to fairly allocate portfolio investments between the funds, timing differences will occur in available cash flow to each fund. As a consequence, the price at which a portfolio investment may be bought or sold for one fund may differ from the other fund or some of the investments in the funds may not be the same.

## What are the risks?

Just like any investment, mutual funds have an element of risk. A mutual fund's portfolio is made up of many different investments, depending on its investment objectives. The value of these investments can change from day to day because of changes in interest rates, economic conditions, and market and company news. As a result, the price of the securities of a mutual fund may go up or down based on these changes. When you sell your investment in a mutual fund, you could receive less money than you invested.

The level of risk depends on the mutual fund's investment objectives and the kinds of securities it invests in. A general rule of investing is that the higher the potential for gains from a particular investment, the higher the risk and potential for losses associated with that investment. Mutual funds that invest in highly liquid, short-term securities, such as treasury bills, usually offer the lowest risk because their potential

returns are tied to short-term interest rates. Mutual funds that invest mainly in bonds typically have higher long-term returns, but they carry more risk because their prices can change when interest rates change. Mutual funds that invest in equity securities expose investors to the highest level of risk because the prices of these securities can rise and fall significantly in a short period of time.

You should keep in mind that mutual funds come with no guarantees. AGF doesn't guarantee that the full amount of your original investment in a fund will be returned to you. Unlike bank accounts or guaranteed investment certificates (GICs), your investment in a mutual fund isn't covered by the Canada Deposit Insurance Corporation (CDIC) or any other government deposit insurer. Under exceptional circumstances, we may temporarily suspend securityholders' rights to sell their securities. See *When you may not be able to buy, switch or sell securities* for details.

## Specific risks of the Funds

The value of a Fund's investments can change for many reasons. You'll find the specific risks of investing in each Fund under that Fund's description in this simplified prospectus. What follows is a description of these risks listed in alphabetical order.

### Changes in legislation risk

There can be no assurance that income tax, securities or other laws, or any administrative practice or interpretation thereof, will not be changed in a manner which adversely affects mutual funds or their securityholders.

### Class risk

Each Class of the Tax Advantage Group has its own investment objective and own fees and expenses, which are tracked separately. However, there is a risk that the expenses or liabilities of one Class may affect the value of the other Classes. If one Class is unable to pay its expenses, the mutual fund corporation as a whole is legally responsible for covering the shortfall.

### Concentration risk

A Fund may concentrate its investments in securities of a small number of issuers. The result is that the securities in which it invests may not be diversified across many sectors or they may be concentrated in specific regions or countries. A Fund may also have a significant portion of its portfolio invested in the securities of a single issuer. A relatively high concentration of assets in a single or small number of investments may reduce the diversification and liquidity of the Fund.

### Counterparty risk

The Funds may enter into derivatives with one or more counterparties. In entering into a derivative, the Funds

will be fully exposed to the credit risk associated with the counterparty. Securityholders will have no recourse or rights against the assets of the counterparty or any affiliate thereof in respect of the derivatives or arising out of the derivatives or in respect of any payments due to securityholders.

### **Credit risk**

Credit risk is the risk that an issuer of a bond or other fixed income security won't be able to pay interest or repay the principal when it's due. Credit risk is generally lowest among issuers that have a high credit rating from an independent credit rating agency. It is generally highest among issuers that have a low credit rating or no credit rating. Debt securities issued by companies or governments in emerging markets often have higher credit risk (lower rated debt), while debt securities issued by well-established companies or by governments of developed countries tend to have lower credit risk (higher rated debt). The prices of securities with a low rating or no rating tend to fluctuate more than securities with higher ratings. They usually offer higher interest rates, which may help to compensate for the higher credit risk.

### **Depository securities and receipts risk**

In some cases, rather than directly holding securities of non-Canadian and non-U.S. companies, a Fund may hold these securities through a depository security and receipt (an "ADR" -- American Depository Receipt, a "GDR" -- Global Depository Receipt, or an "EDR" -- European Depository Receipt). A depository receipt is issued by a bank or trust company to evidence its ownership of securities of a non-local corporation. The currency of a depository receipt may be different than the currency of the non-local corporation to which it relates. The value of a depository receipt will not be equal to the value of the underlying non-local securities to which the depository receipt relates as a result of a number of factors. These factors include the fees and expenses associated with holding a depository receipt, the currency exchange relating to the conversion of foreign dividends and other foreign cash distributions into local currencies, and tax considerations such as withholding tax and different tax rates between the jurisdictions. In addition, the rights of the Fund, as a holder of a depository receipt, may be different than the rights of holders of the underlying securities to which the depository receipt relates, and the market for a depository receipt may be less liquid than that of the underlying securities. The foreign exchange risk will also affect the value of the depository receipt and, as a consequence, the performance of the Fund holding the depository receipt. As the terms and timing with respect to the depository for a depository receipt are not within the control of a Fund or its portfolio manager and if the portfolio manager chooses only to hold depository receipts rather than the underlying security, the Fund

may be forced to dispose of the depository receipt, thereby eliminating its exposure to the non-local corporation, at a time not selected by the portfolio manager of the Fund, which may result in losses to the Fund or the recognition of gain at a time which is not opportune for the Fund.

### **Derivative risk**

A derivative is a contract between two parties. The value of the contract is based on or derived from an underlying asset, such as a stock, a market index, a currency, a commodity or a basket of securities. It's not a direct investment in the underlying asset itself. While derivatives can be useful for hedging against losses, making indirect investments and gaining exposure to financial markets and other assets, they have certain risks:

- There's no guarantee that hedging will be effective.
- There's no guarantee a market will exist for some derivatives. This could prevent the Fund from making a profit or limiting its losses.
- Exchanges can impose trading limits that could prevent us from carrying out the derivative contract.
- The price of a derivative may not accurately reflect the value of the underlying asset.
- The other party to a derivative contract may not be able to honour its obligations under the contract.
- If money has been deposited with a derivatives dealer and the dealer goes bankrupt, the mutual fund may lose its deposit.
- Derivatives don't prevent changes in the market value of the investments in a Fund's portfolio or prevent losses if the market value of the investments falls.
- Some exchange traded derivatives may lack liquidity when we try to complete the derivative contract.

### **Equity risk**

The prices of individual equity securities can rise and fall with the fortunes of the companies that issue them or with general stock market conditions. Changes in the price of individual equity securities held by a Fund will affect such Fund's price.

### **Foreign currency risk**

Securities that are priced in foreign currencies can lose value when the Canadian Dollar rises against the foreign currency. Foreign governments may impose currency exchange restrictions, which could limit a Fund's ability to buy and sell certain foreign investments and could reduce the value of the foreign securities such Fund holds.

**Foreign market risk**

Foreign investments involve additional risks because financial markets outside of Canada and the U.S. may be less liquid and companies may be less regulated and have lower standards of accounting and financial reporting. There may not be an established stock market or legal system that adequately protects the rights of investors. Foreign investments can also be affected by social, political, or economic instability. Foreign governments may impose investment restrictions. In general, securities issued by companies in more developed markets, such as the U.S. and Western Europe, have lower foreign market risk. Securities issued in emerging or developing markets, such as Southeast Asia or Latin America, tend to have a higher foreign market risk.

The Fund may trade in futures, forward and option contracts on exchanges located outside Canada and outside the United States where the regulations of Canadian or U.S. commodity futures regulators do not apply. Some foreign exchanges, in contrast to Canadian or U.S. exchanges, are “principals’ markets” in which performance with respect to a contract is the responsibility only of the individual member with whom the trader has entered into a contract and not of the exchange or clearinghouse, if any. In the case of trading on such foreign exchanges, the Fund will be subject to the risk of the inability of, or refusal by, the counterparty, to perform with respect to such contracts. The Fund also may not have the same access to certain trades as do various other participants in foreign markets. Due to the absence of a clearinghouse system on certain foreign markets, such markets are significantly more susceptible to disruptions than Canadian or U.S. exchanges.

**Interest rate risk**

Changes in interest rates have an impact on a whole range of investments. When interest rates rise, the prices of fixed-rate bonds or other securities like treasury bills tend to fall. When interest rates fall, the prices of the fixed-rate bonds or treasury bills tend to rise. Fixed income securities with longer terms to maturity are usually more sensitive to changes in interest rates. Changes in the prices of these securities will affect the price of the Fund.

**Liquidity risk**

Investors often describe the speed and ease with which an asset can be sold and converted into cash as its liquidity. Most of the investments owned by a Fund can usually be sold promptly at a fair price and therefore can be described as relatively liquid. But a Fund may also hold investments that are illiquid, which means they can't be sold quickly or easily. Some investments are illiquid because of legal restrictions, the nature of the investment itself, settlement terms, or for other

reasons. Sometimes, there may simply be a shortage of buyers. A Fund that has trouble selling an investment can lose value or incur extra costs. In addition, illiquid investments may be more difficult to value accurately and may experience larger price changes. This can cause greater fluctuations in a Fund's value.

**Repurchase agreement risk**

Through a repurchase agreement, a Fund sells a security at one price and agrees to buy it back from the buyer at a fixed price on a specified date. Repurchase agreements involve certain risks. In entering into repurchase agreements, the Fund is subject to the risk that the purchaser may not fulfill its obligations leaving the Fund holding cash in an amount that is less than the value of the sold securities at the relevant time. To limit this risk, a Fund must hold cash equal to not less than 102% of the value of the sold securities and the amount of the cash is adjusted daily to ensure this level is maintained. A Fund cannot lend more than 50% of the total value of its assets through securities lending or repurchase transactions. We also enter into repurchase agreements only with parties that have the approved credit ratings as mandated by the securities regulatory authorities.

**Reverse repurchase agreement risk**

Through a reverse repurchase agreement, a Fund buys securities for cash from a counterparty at a price set at the date of purchase and at the same time agrees to resell the same securities for cash to the counterparty at a price (usually higher) at a later date. Reverse repurchase agreements involve certain risks. The Fund is subject to the risk that the counterparty may not fulfill its obligation to repurchase the securities leaving the Fund holding securities which are trading at a price lower than the agreed repurchase price. Further, if the trading price decreases below the price at which the Fund initially bought the security, the Fund will suffer a loss. To limit these risks, the securities purchased must have a market value at the time of purchase equal to at least 102% of the cash paid for the securities purchased by the Fund and either the amount of the purchase price or the amount of purchased securities are adjusted to ensure this level is maintained. We also enter into reverse repurchase agreements only with parties that have the approved credit ratings as mandated by the securities regulatory authorities.

**Securities lending risk**

Securities lending involves lending for a fee portfolio securities held by a Fund for a set period of time to willing, qualified borrowers who have posted collateral. In lending its securities, a Fund is subject to the risk that the borrower may not fulfill its obligations or go bankrupt leaving the Fund holding collateral worth less than the securities it has lent,

resulting in a loss to the Fund. To limit this risk, a Fund must hold collateral worth no less than 102% of the value of the loaned securities and the amount of collateral is adjusted daily to ensure this level is maintained. The collateral may only consist of cash, qualified securities or securities that can be immediately converted into identical securities to those that have been loaned. A Fund will not lend more than 50% of the total value of its assets through securities lending or repurchase transactions unless the Fund is permitted in law to lend a greater amount. Pursuant to applicable securities laws, the securities lending agent is required to be the custodian or sub-custodian of the Funds.

#### **Substantial securityholder risk**

The purchase or redemption of a substantial number of securities of a Fund may require the portfolio manager to change the composition of the Fund's portfolio significantly or may force the portfolio manager to buy or sell investments at unfavourable prices, which can affect a Fund's returns. Therefore, the purchase or redemption of securities by a substantial securityholder may adversely affect the performance of a Fund.

#### **Tax and corporate law risk of returns of capital**

The articles of the Tax Advantage Group provide authority to make distributions out of capital and it intends both to calculate capital in the manner contemplated by the corporate statute for corporations that are not mutual fund corporations and only to declare distributions out of capital if there is sufficient capital attributable to a series. However, no definitive case law exists to confirm that a mutual fund corporation may make distributions of capital and how it is to be calculated. Further, no advance income tax ruling has been requested or obtained from Canada Revenue Agency ("CRA"), nor is AGF aware of any published advance income tax ruling or the possibility of obtaining such a ruling, regarding the characterization of such distributions or the calculation of capital for such purposes.

#### **Trust and partnership risk**

An income trust generally holds debt and/or equity securities of an underlying active business or is entitled to receive a royalty on revenues generated by such business. Distributions and returns on income trusts are neither fixed nor guaranteed. In addition, Funds that invest in income trusts such as oil, gas and other commodity-based royalty trusts, real estate investment trusts and pipeline and power trusts will have other varying degrees of risk depending on its sector and the underlying asset or business. These may include business developments such as a decision to expand into a new type of business, the entering into of an unfavourable supply contract, the cancellation by a major customer of its contract or significant litigation.

Many of the income trusts, including real estate investment trusts (REITs), that a Fund may invest in are governed by laws of a province of Canada or of a state of the United States which limit the liability of securityholders of the trust from a particular date. A Fund may also invest in income trusts, including REITs, in Canada, the U.S. and other countries that aren't governed by similar laws. There is a risk that securityholders of an income trust, including the Fund, could be held liable for any claims against the income trust that aren't covered under these laws. This could reduce the value of the Fund. Income trusts generally try to minimize this risk by including provisions in their agreements that their obligations won't be personally binding on securityholders, including the Fund. However, the income trust still has exposure to damage claims not arising from contracts, such as personal injury and environmental claims in the case of REITs.

The June 27, 2007 amendments to the *Income Tax Act* (Canada) (the "Tax Act") relating to Specified Investment Flow-Through ("SIFT") trusts and partnerships significantly changed the income tax treatment of certain publicly traded trusts and partnerships (referred to as SIFT trusts and SIFT partnerships), other than certain REITs, and distributions or allocations, as the case may be, from these entities to their investors. In particular, certain income earned by these entities is taxed at the entity level in a manner similar to income earned by a corporation, and distributions or allocations made by these entities to investors is taxed in a manner similar to dividends from taxable Canadian corporations.

This dividend will be deemed as an eligible dividend for the enhanced dividend tax credit if paid or allocated to a resident of Canada. As a result of these changes, many SIFT trusts and SIFT partnerships converted to corporate form in order to avoid the SIFT tax which took effect for grandfathered SIFTs on January 1, 2011. It is further anticipated that many of the remaining SIFT trusts and SIFT partnerships will take advantage of the special tax rules that allow SIFTs to convert to corporations without tax consequences before 2013. Such conversions could affect the return on investment in respect of the SIFT trusts and SIFT partnerships held through a Fund. In addition, the changes have had, and may continue to have, an effect on the trading price of such trusts and partnerships, which may affect the net asset value of the relevant Fund.

#### **Underlying fund risk**

The Funds may invest directly in underlying funds. If an underlying fund suspends redemptions or does not calculate its net asset value, the relevant Fund may not be able to value part of its assets or redeem its securities. As a result of adjustments to a Fund's

assets, significant redemptions or purchases of underlying fund securities may be made. An adjustment to a Fund's holdings of underlying funds may result in gains being distributed to securityholders of the relevant Fund. As a result of such adjustments, the underlying fund may have to make large purchases or sales of securities to meet the redemption or purchase requests of a Fund. The portfolio manager of the underlying fund may have to change the underlying fund's holdings significantly or may be forced to buy or sell investments at unfavourable prices, which can affect its performance and the performance of the relevant Fund.

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## ORGANIZATION AND MANAGEMENT OF THE AGF FUNDS

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### **Manager**

AGF Investments Inc  
Suite 3100, 66 Wellington Street West  
Toronto Dominion Bank Tower  
Toronto, Ontario M5K 1E9

The manager is responsible for the overall business and operation of each Fund. This includes providing or arranging for the day-to-day administration of the Funds.

### **Fund of funds**

The Funds have the ability to invest in securities of other mutual funds, subject to certain conditions. Where AGF or Acuity Funds Ltd., an affiliate of AGF, is the manager of the other mutual fund, AGF will not vote the securities of the other mutual fund. We may, at our discretion, choose to flow through the voting rights attached to securities of the other mutual fund to securityholders of the Fund.

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### **Board of Directors of AGF All World Tax Advantage Group Limited**

The Board is responsible for the oversight of the Tax Advantage Group.

The Board is currently comprised of 9 members, 5 of whom are independent of AGF and its affiliates. Additional information concerning the Board, including the names of its members, and governance of the Tax Advantage Group is available in the annual information form.

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### **Portfolio manager**

Acuity Investment Management Inc.  
Toronto, Ontario

The portfolio manager makes the investment decisions for a Fund, buys and sells the investments for the Fund's portfolio and manages the portfolio.

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### **Distributors**

Securities of the Funds are distributed through registered dealers.

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### **Registrar**

AGF Investments Inc.  
Toronto, Ontario

The registrar keeps a record of the owners of securities of each Fund.

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### **Auditors**

PricewaterhouseCoopers LLP  
Toronto, Ontario

The auditors conduct an audit of the financial statements of each of the Funds in accordance with generally accepted auditing standards.

PricewaterhouseCoopers LLP is an independent chartered accounting firm.<sup>1</sup> Corporate law requires that securityholder approval be sought for a change of auditor of the Tax Advantage Group. Securityholders will be sent a written notice at least 60 calendar days before the effective date of any such change.

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### **Custodian**

Citibank Canada  
Toronto, Ontario

The custodian receives and holds all of a Fund's securities and portfolio assets, including cash, for safekeeping. Each Fund has appointed Citibank Canada as its custodian.

Citibank Canada is independent of AGF.

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## ORGANIZATION AND MANAGEMENT OF THE AGF FUNDS

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### **Independent Review Committee**

In accordance with National Instrument 81-107, the mandate of the Independent Review Committee is to review and make recommendations with respect to, or in certain circumstances, approve, conflict of interest matters brought to it by AGF.

The Independent Review Committee is currently composed of three individuals, each of whom is independent of the manager and its affiliates.

The Independent Review Committee prepares at least annually a report of its activities for securityholders which is available on AGF's website at [www.agf.com](http://www.agf.com), or at the securityholder's request at no cost by contacting us at [tiger@agf.com](mailto:tiger@agf.com).

Additional information about the Independent Review Committee, including the names of the members, is available in the annual information form.

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<sup>1</sup> Deloitte & Touche LLP was the auditor for the Funds when they were classes of Acuity Corporate Class Ltd. until June 27, 2011. PricewaterhouseCoopers is the auditor for the amalgamated corporation and all of its Classes, including the Funds.

## PURCHASES, SWITCHES AND REDEMPTIONS

You can invest in the Funds through different accounts we offer, such as the registered plans described under *Optional Services*. You can also invest in the Funds through accounts or plans offered by other financial institutions. Ask your registered representative for details.

### Series of securities

Each series of securities is intended for different kinds of investors as follows:

#### MF Series:

MF Series securities are available to all investors and they can be purchased under this simplified prospectus.

#### Series F:

Series F securities are for investors who are:

- participants in a fee-for-service or wrap account program sponsored by certain registered dealers
- employees of AGF Management Limited and its Canadian subsidiaries

Series F securities can be purchased under this simplified prospectus only through your registered dealer who has obtained the consent of AGF to offer Series F securities. Participation in the offering of Series F securities by a registered dealer is subject to terms and conditions relating to the distribution of Series F securities including the requirement of your registered representative to notify AGF if you are no longer enrolled in the fee-for-service or wrap account program.

If AGF is notified that you no longer meet the eligibility criteria, we will sell or convert your Series F securities in accordance with the instructions from your registered representative. In the absence of instructions, we may automatically sell your Series F securities. There may be tax implications arising from any sale. See *Income Tax Considerations for Investors* for more details.

#### Series O:

Series O securities are intended for institutional investors, including funds, who meet the criteria established by AGF and who enter into an agreement whereby the Series O investor agrees to pay to AGF the management fees in Canadian Dollars for AGF's services. Series O securities may not be purchased by individuals. Series O securities are generally offered pursuant to this simplified prospectus. Series O investors should consult their own tax advisors

regarding the tax treatment of management fees paid directly by them.

### How we calculate the price of a security

You can buy and switch securities of the Funds through your registered dealer. You can sell your securities through your registered dealer or by writing to us directly. Selling your securities is also known as redeeming. All transactions are based on the Fund's security price per series next determined after we receive your purchase, switch, or sale request in good order. This price is also called the net asset value per security.

We usually calculate the security price of each series of a Fund at the end of each business day. A business day is any day that The Toronto Stock Exchange (TSX) is open. In unusual circumstances, we may suspend the calculation of a Fund's price. We calculate the net asset value per security of each series of a Fund by:

- adding up the assets of the Fund and determining the proportionate share of the series
- subtracting the liabilities of the Fund that are common to all series and determining the proportionate share of the series
- subtracting the liabilities of the Fund that are specific to the series
- dividing the balance by the number of Fund securities of the series held by securityholders

In general, we calculate the price of shares of Classes of the Tax Advantage Group in the way we've described above. However, common expenses of the Tax Advantage Group are shared by all Classes and are allocated based on the relative net asset values of each Class. We may allocate expenses to a particular Class when it's reasonable to do so.

The Funds are valued in Canadian Dollars. AGF may choose to offer the Funds in U.S. Dollars at any time.

### How we process orders

Your order must be in the proper form and include all necessary supporting documents. Your registered dealer is responsible for sending your order to us. If we receive your order to buy, switch or sell before 4 p.m. Toronto time on a business day, we'll process your order based on the price calculated that day. If we receive your order after 4 p.m. on a business day, we'll process your order based on the price calculated on the next business day. If the TSX's trading hours are shortened or changed for other regulatory reasons, we may change the 4 p.m. deadline. Your registered dealer or AGF will send you a confirmation of your order once we process it. With systematic investment or

withdrawal plans, you will receive a confirmation for your first order only.

## Buying Funds

### Minimum Investment

The minimum amount you can buy depends on the Fund and series you are purchasing:

| MINIMUM INVESTMENT REQUIREMENTS (PER FUND) |   |                     |                            |
|--|---|---------------------|----------------------------|
| Fund                                       | Initial Purchase  | Subsequent Purchase | Systematic Investment Plan |
| MF and F Series of the Funds               | \$500   | \$25                | \$25                       |
| Series O of the Funds                      | The minimum purchase amount will be agreed upon by you and AGF. |                     |                            |

We may waive the minimum investment amounts. You have to pay for your securities when you buy them. If we don't receive payment for your purchase within three business days of receiving your order, we'll sell your securities as of the close of business on the next business day. If the proceeds from the sale are more than the cost of buying the securities, the Fund will keep the difference. If the proceeds are less than the cost of buying the securities, your registered dealer must pay the shortfall and may in turn have the right to collect it from you.

We can reject all or part of your order within one business day of the Fund receiving it. If we reject your order, we'll return any money received, without interest.

If you switch the type of account you hold your securities in (for instance, switching from an investment account to an RRSP), you may pay a negotiable fee to your registered dealer of 0-2% of the net asset value in your account.

### If your investment falls below the minimum requirement

Because of the high cost of maintaining small accounts, we require that investors keep at least \$500 invested for each of the Funds. If the value of your investment falls below the minimum requirement, we may sell or convert your securities and send you the proceeds. We'll give you 30 calendar days notice before selling or converting, as applicable, so that you can buy more securities if you wish to raise the balance above the minimum.

For the purposes of determining whether or not an investor meets the minimum investment requirements, AGF will not aggregate investments from investors in the same household, from an investor's registered plan and non-registered accounts, or otherwise.

### Choosing a sales charge option

When you buy securities of a Fund, you can choose any one of the following different sales charge options available for that series. You and your registered representative will determine which sales charge option is suitable for you.

#### Front-end option

The front-end option is available for the Funds in all Series.

If you buy MF Series securities under this option, you may pay a sales commission at the time of purchase. Commissions are not applicable for Series F and Series O securities purchased under this option. The commission is a percentage of the amount you invest and is paid to your registered dealer. See *Dealer Compensation* for details. You and your registered representative negotiate the actual commission. See *Fees and expenses payable directly by you – Sales charges* for the front-end sales charge rates.

#### Deferred sales charge ("DSC") option

The DSC option is available for the Funds in MF Series securities only. If you buy under this option, you don't pay a sales commission when you invest in the Fund. Instead, we pay your registered dealer an up-front commission. See *Dealer Compensation* for details. However, under certain circumstances, if you sell or convert your MF Series securities within seven years of buying the original securities, you'll pay us a deferred sales charge at the time of your transaction.

In the case of a switch (including systematic switches) of your securities of a Fund (the "Original Fund") into securities of another AGF Fund, the seven-year time period will continue to run from your purchase of securities of the Original Fund (i.e. each switch will not result in a new seven-year timeframe being created).

See *Fees and expenses payable directly by you – Redemption fees* for the DSC rate schedule.

### **Low load option**

The low load option is available for the Funds in MF Series securities only, as applicable. If you buy under this option, you don't pay a sales commission when you invest in the Fund. Instead, we pay your registered dealer an upfront commission. See *Dealer Compensation* for details. However, under certain circumstances, if you sell or convert your MF Series securities within three years of buying the original securities, you'll pay us a deferred sales charge at the time of your transaction.

In the case of a switch (including systematic switches) of your securities of a Fund (the "Original Fund") into securities of another AGF Fund, the three-year time period will continue to run from your purchase of securities of the Original Fund (i.e. each switch will not result in a new three-year timeframe being created). See *Fees and expenses payable directly by you – Redemption fees* for the low load rate schedule.

### **Changing sales charge options**

If after buying your securities, you agree with your registered representative to change your sales charge option from low load or DSC to front-end, whether or not you also switch from one series of securities to another within the same Fund, you will have to pay any deferred sales charge that applies at the time of such change.

### **Selling Funds**

You may choose to sell securities of a Fund at any time.

When you sell securities of a Fund, you receive the proceeds of your sale in cash. If you have not arranged for electronic transaction services, you must give us written instructions to sell your securities. We may accept a faxed copy of your written instructions from your registered representative only if your registered dealer has made arrangements with us to accept faxed instructions.

The Fund may charge you a short-term or frequent trading fee if you sell your securities within 90 calendar days of buying them, or if you have made multiple sales within ten calendar days of purchase. See *Fees and Expenses* for details about these fees.

Unless AGF and your dealer have arranged otherwise, we'll send your payment to you or to someone else you choose by cheque or wire payment within three business days of receiving your properly completed order. You'll receive payment in the currency in which you purchased the securities, unless you request

payment in another currency through our currency exchange service. See *Optional Services* for details.

If you want the proceeds paid to someone else, or if you are selling more than \$25,000 of the Funds, your signature must be guaranteed by your bank, trust company or registered dealer. In some cases, we may require other documents or proof of signing authority. You can contact your registered representative or us to find out the documents that are required to complete the sale.

If we haven't received all required documents within ten business days of receiving your sell order, we'll buy back the securities as of the close of business on the tenth business day. If the purchase cost is less than the sale proceeds, the Fund will keep the difference. If the purchase cost is more than the sale proceeds, your registered dealer must pay the shortfall. Your registered dealer may have the right to collect the shortfall from you.

If you hold your securities in a non-registered account, you may realize a capital gain or loss when your securities are sold. Capital gains are taxable. For a discussion of the tax consequences, see *Income Tax Considerations for Investors*.

### **Selling securities under the DSC option**

If you invest in MF Series securities under the DSC option and, under certain circumstances, sell or convert those securities within seven years of buying the original securities, we will deduct the applicable deferred sales charge from your transaction.

Your MF Series securities will be sold in the order of purchase, with your oldest securities being sold first. For purposes of calculating the order of selling securities, both the purchased securities and securities issued on the reinvestment of distributions on such purchased securities are deemed to be issued on the same date. At the time of redemption, the purchased securities of the Fund outstanding at that time are redeemed in priority to the reinvested securities of such Fund deemed issued on the same date.

We'll deduct any deferred sales charge that applies when you sell your MF Series securities for cash or transfer them out of the AGF Funds.

You won't pay a deferred sales charge on:

- MF Series securities you hold for 7 years or more
- MF Series securities that qualify for the 10% free amount, provided you reinvest dividends you receive on such securities as explained under the 10% free amount section
- MF Series securities you receive from reinvested dividends

- Cash dividends paid by the Fund
- MF Series securities you switch from one Fund to another Fund, provided you remain in the same sales charge option

### **Selling securities under the low load option**

If you invest in MF Series securities under the low load option and, under certain circumstances, sell or convert those securities within three years of buying the original securities, we will deduct the applicable deferred sales charge from your transaction.

Your MF Series securities will be sold in the order of purchase, with your oldest securities being sold first. For purposes of calculating the order of selling securities, both the purchased securities and securities issued on the reinvestment of distributions on such purchased securities are deemed to be issued on the same date. At the time of redemption, the purchased securities of a Fund outstanding at that time are redeemed in priority to the reinvested securities of such Fund deemed issued on the same date.

We'll deduct any low load sales charge that applies when you sell your MF Series securities for cash or transfer them out of the AGF Funds.

You won't pay a low load sales charge on:

- MF Series securities you hold for 3 years or more
- MF Series securities that qualify for the 10% free amount, provided you reinvest dividends you receive on such securities as explained under the 10% free amount section
- MF Series securities you receive from reinvested dividends
- Cash dividends paid by the Fund
- MF Series securities you switch from one Fund to another Fund, provided you remain in the same sales charge option.

### **10% free amount**

Each calendar year, you can sell or switch up to 10% of the market value of the MF Series securities you bought without paying a deferred sales charge (provided you reinvest any dividends you receive on your securities). You may also sell or switch up to 10% of the market value of the MF Series securities you bought under the low load option in each calendar year without paying a deferred sales charge (provided you reinvest any dividends you receive on your securities). This is referred to as the 10% free amount. The 10% free amount for each year is equal to:

- 10% of the market value, measured as at December 31 of the previous year, of your MF

Series securities you bought under the DSC option and that you have held for less than 7 years, or 10% of the market value, measured as at December 31 of the previous year, of your MF Series securities you bought under the low load option and that you have held for less than 3 years; plus

- 10% of the market value of your MF Series securities you bought under the DSC option in the current year, or 10% of the market value of your MF Series securities bought under the low load option in the current year.

Any unused 10% free amount in a given year cannot be carried over to the next year.

If you choose to switch under the 10% free amount described in this section, such switches will result in the applicable securities being switched from the DSC or low load, as applicable, to front-end purchase option. While no sales charge will be applied, the trailing commission payable to your dealer will thereafter be that applicable to securities purchased under the front-end purchase option. See *Dealer Compensation – Trailing commission*.

We'll deduct any deferred sales charge that applies when you sell your MF Series securities for cash or transfer them out of the AGF Funds.

## **Switches**

### **Switching between AGF Funds**

A switch involves moving money from one Fund to another AGF Fund. Generally, a switch may be an order to sell and buy or to convert your securities. We describe these kinds of switches below. When we receive your order, we'll sell or convert your securities from the first Fund and use the proceeds to buy the second AGF Fund. The steps for buying and selling the Fund also apply to switches.

Your registered representative may charge you a fee for switching. You and your registered representative negotiate the fee. The Fund may also charge you a short-term or frequent trading fee if you switch your securities within 90 calendar days of buying them, or if you have made multiple switches within ten calendar days of purchase. See *Fees and expenses payable directly by you – Switch fees* for details about these fees.

### **Switching between Series of a Fund**

Switching between series of shares of the same Class is treated as a conversion. Therefore, you can convert shares of one series of a Class into shares of another series of the same Class if you are eligible for that series and the Class offers that series. When you

convert shares between series, the value of your investment won't change, but the number of shares you hold will change (except for any fees you pay to convert). This is because each series has a different share price. In general, a conversion between series of the same Class is not considered a disposition for tax purposes, so no capital gain or loss will result. However, any redemption of shares to pay for a switch fee charged by your registered dealer will be considered a disposition for tax purposes. For a further discussion of the tax consequences, see *Income Tax Considerations for Investors*.

### **Switching between Classes of the Tax Advantage Group**

When you switch shares between Classes within the Tax Advantage Group, it's called a *conversion*.

You can convert shares of a Class into shares of another Class. When you convert shares between Classes, the value of your investment won't change (except for any fees you pay to convert), but the number of shares you hold will change. This is because each series of each Class has a different share price. In general, a conversion is not considered a disposition for tax purposes, so no capital gain or loss will result. However, any redemption of shares to pay for a switch fee charged by your registered dealer will be considered a disposition for tax purposes. For a further discussion of the tax consequences, see *Income Tax Considerations for Investors*.

### **Taxable Switches**

Switching between the Funds (which are both Classes of the Tax Advantage Group) and Trust Funds is considered a disposition for tax purposes. If you hold your securities in a non-registered account, you may realize a capital gain or loss on the disposition. Capital gains are taxable. The following switch is an example of a taxable disposition:

- if you switch from a series of securities of a Fund to the same or another series of securities of a Trust Fund

For a further discussion of the tax consequences, see *Income Tax Considerations for Investors*.

### **Short-term or frequent trading fee**

Generally, short-term and frequent trading activities in mutual funds may adversely affect securityholders. Short-term and frequent trading has the potential to increase costs associated with the administration of the trades and potentially poses challenges to portfolio managers in generating optimum returns through long term portfolio investments.

AGF has in place procedures designed to detect, identify and deter inappropriate short-term and frequent trading and may alter them from time to time, without notice. AGF reviews, at the time an order is received and processed for an account, purchases and redemptions (including switches) of a Fund to determine whether a redemption or switch out is made within a 90 calendar day period from the date of purchase, or whether there have been multiple redemptions or switches made within ten calendar days of purchase. Such redemptions and switches are considered short-term or frequent trades. In considering whether the activity is inappropriate, AGF, in its discretion, reviews the value of the transaction and/or the frequency of activity to assess its potential impact to the Fund and other securityholders in the Fund.

If inappropriate short-term or frequent trading activity is detected, AGF will take such action as it considers appropriate to deter the continuance of such activity. Such action may include the charging of a short term or frequent trading fee on redemptions or switches and the rejection of future purchase orders where multiple instances of short-term or frequent trading activity is detected in an account or group of accounts.

The relevant Fund may charge you (and retain) a short-term or frequent trading fee of 2% of the amount you redeem, if the trade, as determined by AGF, is detrimental to the Fund or to other securityholders. The fee is deducted from the amount you redeem or switch, or it is charged to your account and is in addition to any other trading fees to which you would otherwise be subject under this simplified prospectus.

The fee will not be applied in circumstances which do not involve inappropriate trading activity, including redemptions or switches:

- from money market and short-term income funds
- that are systematic transactions available from AGF as optional services
- to access the 10% free redemption amount.

### **When you may not be able to buy, switch or sell securities**

Securities regulations allow us to temporarily suspend your right to sell your Fund securities and postpone payment of your sale proceeds when:

- normal trading is suspended on any exchange on which securities or derivatives that make up more than 50% of the Fund's value or its underlying market exposure are traded and there is no other exchange that is a reasonable alternative, or
- securities regulators give us permission.

While your right to sell securities is suspended, we won't accept orders to buy securities of the Fund. You may withdraw your sell order before the end of the suspension period. Otherwise, we'll sell your securities at the next price calculated after the suspension period ends.

For Funds that hold an underlying fund, the Fund may suspend the right to sell securities or postpone a redemption payment during any period when the right to sell securities of the underlying fund has been suspended or redemption payments from the underlying fund have been postponed.

## OPTIONAL SERVICES

This section tells you about the accounts, plans and services that are available to investors in the AGF Funds. Ask your registered representative to contact us at 1-800-268-8583 for full details.

### Currency exchange service

When you sell your securities, you can ask for the proceeds in a foreign currency, at the current rate of exchange.

We can also exchange currency when you buy securities. If you provide payment for your purchase in another currency we can convert it to Canadian Dollars. Please call us for further details.

### Electronic transaction services

You can arrange for your registered representative to place orders to buy, switch and sell securities of the Funds by telephone or electronically. You can also contact us by telephone to directly place orders to sell securities of the Funds. In addition, you can arrange for your registered representative to have money electronically transferred from or to your bank account when you buy or sell securities of the Funds in Canadian dollars. We don't offer this service for U.S. dollar investments.

### Registered Plans

We offer AGF RRSPs, RRIFs, LIRAs, LRSPs, RLSPs and Group RRSPs, LIFs, LRIFs, RLIFs, PRIFs, RESPs, TFSA's and Group TFSA's. You will find the minimum investment amounts for these plans under *Buying Funds*. We may waive the minimum investment amounts. There are no annual administration fees to open, maintain or close a plan charged by AGF.

You can also hold your securities in self-directed registered plans that you set up with other financial institutions. You may be charged a fee for these plans. You should consult your tax advisor for more information about the tax implications of registered plans.

## AGF Dollar Cost Averaging Fund Program

The Funds are available as designated funds under the AGF Dollar Cost Averaging Fund program. Investors who invest in AGF Dollar Cost Averaging Fund pre-select from a list of available mutual funds managed by AGF and Acuity Funds Ltd. The original investment is systematically switched over time. Within 12 months from the initial systematic switch, an investment in this fund will be completely switched into the investor's designated funds. See the AGF Group of Funds prospectus and annual information form for further details.

### Systematic dividend switches

We'll automatically switch your reinvested dividends from one Fund to another AGF Fund within the same series and under the same sales charge option. The switch will be processed and trade dated on the next business day immediately after a dividend has been reinvested.

The securities will be switched in the order of purchase, with your oldest securities being switched first. For purposes of calculating the order of switching securities, both the purchased securities and securities issued on the reinvestment of dividends on such purchased securities are deemed to be issued on the same date. At the time of a switch, the purchased securities of the Fund outstanding at that time are switched in priority to the reinvested securities of such AGF Fund deemed issued on the same date.

### Systematic investment plan

You can make regular investments in the Funds weekly, biweekly, monthly, bimonthly, quarterly, every four months, semi-annually or annually, on any business day of the month, in the Funds for as little as \$25 a Fund. We'll automatically transfer money from your Canadian dollar chequing account and invest it in the Funds you choose. If the frequency or start date is not included in your instructions, we will default the frequency to monthly and the start date to the first day of the following month. We don't offer this service for, AGF RRIFs or Locked-in plans.

When you enrol in our systematic investment plan, you will receive a copy of the Funds' current simplified prospectus and any amendments to that prospectus. Thereafter, you will be sent an annual renewal prospectus and amendments solely upon request.

You can request that a copy of the Fund's annual renewal prospectus and any amendments be sent to you by calling us toll free at 1-800-268-8583, by emailing us at [tiger@agf.com](mailto:tiger@agf.com) or by asking your registered representative. You can also find the annual

renewal prospectus and any amendments at [www.sedar.com](http://www.sedar.com) or on our website at [www.agf.com](http://www.agf.com).

You have a statutory right to withdraw from an initial purchase of the Funds under the systematic investment plan but you do not have a statutory right to withdraw from subsequent purchases of the Funds under the systematic investment plan where you do not request a current prospectus. However, you continue to have all other statutory rights under securities law, including a misrepresentation right as described under *Purchasers' Statutory Rights* whether or not you have requested a current prospectus.

### **Systematic switching plan**

You can make regular switches between the AGF Funds weekly, monthly, bimonthly, quarterly, every four months, semi-annually or annually on any business day of the month. We'll automatically convert shares of one Class to another Class or sell securities of one Fund and use the proceeds to buy another AGF Fund within the same series and under the same sales charge option. The short-term or frequent trading fee does not apply to securities sold through this service. You may have to pay a negotiable fee to your registered dealer. You and your registered representative negotiate the fee. See *Fees and Expenses* for details. If you hold your securities in a non-registered account, you may realize a capital gain or loss. Capital gains are taxable.

### **Systematic withdrawal plan**

You can receive regular Canadian dollar payments from your Funds through our systematic withdrawal plan. We'll sell the number of securities needed to make the payment and send the proceeds to you by cheque or deposit to your bank account. You can choose to receive payments weekly, biweekly, monthly, bimonthly, quarterly, every four months, semi-annually or annually, on any business day. If the frequency or start date is not included in your instructions, we will default the frequency to monthly and the start date to the first day of the following month. The short-term or frequent trading fee does not apply to securities sold through this service. If you hold your securities in a non-registered account, you may realize a capital gain or loss when your securities are sold. Capital gains are taxable.

If the value of the investment in your account falls below \$500 in a Fund, we may sell your securities and send you the proceeds. If you withdraw more money than your Fund securities are earning, you'll eventually use up your investment. If your investment in a Fund is eventually used up, whereby a percentage allocated to a Fund under the relevant systematic withdrawal plan is no longer applicable, we will allocate the percentage otherwise allocable to the depleted Fund to an AGF Fund with the next highest asset value size remaining under the systematic withdrawal plan, unless we receive written instructions from you otherwise.

## FEES AND EXPENSES

The following table lists the fees and expenses that you may have to pay if you invest in the Funds. You may have to pay some of these fees and expenses directly. The Funds pay some of these fees and expenses, which reduces the value of your investment. All amounts payable by investors referred to herein, including those listed on the table, are expressed exclusive of applicable Canadian sales and use taxes.

Prior to July 1, 2010, the predecessor of the Tax Advantage Group paid federal goods and services tax ("GST") on management fees and most operating expenses. Effective July 1, 2010, the Provinces of Ontario and British Columbia harmonized their provincial sales tax with the federal GST, resulting in a harmonized sales tax ("HST"). The Tax Advantage Group is required to pay HST on management fees and operating expenses in respect of each series of a Class, based on the residence for tax purposes of the investors of the particular series. Changes in existing HST rates, the adoption of HST by additional provinces, the repeal of HST by HST-participating provinces and changes in the breakdown of the residence of the Fund's investors may therefore have an impact on the Funds year over year.

For fees and expenses payable directly by investors, the new place of supply rules state that the applicable rate of GST/HST will be determined based on the investor's place of residence. As a result, investors who are residents of HST-participating provinces (British Columbia, Ontario, Nova Scotia, New Brunswick and Newfoundland & Labrador) will be charged HST on fees and expenses payable directly by them as compared to investors who are residents of non-participating provinces who will continue to have GST and not HST charged on such fees and expenses. Investors who are resident in the Province of Quebec will continue to be charged Quebec Sales Tax ("QST") on fees and expenses payable directly by them.

We require securityholder approval to introduce a fee or expense or change the basis on which a fee or expense is charged to a Fund or its securityholders if the change results in a higher charge. Securityholder approval isn't required if the Fund is independent of the person or company charging the fee or expense and if securityholders are notified in writing at least 60 calendar days before the day the change becomes effective.

### Fees and expenses payable by the Funds

|                        |  |                  |                 |  |
|------------------------|--|------------------|-----------------|--|
| <b>Management fees</b> | These fees are calculated and accrued daily and paid monthly. The table below shows the total annual rate of the management and advisory fees for the MF Series and Series F securities payable by each Fund, as applicable. |                  |                 |  |
|                        | <b>Management and Advisory Fees<br/>Total Annual Rate (%)</b>  |                  |                 |  |
|                        |  | <b>MF Series</b> | <b>Series F</b> | <b>Series O<br/><u>maximum rates</u></b> |
|                        | AGF Diversified Income Class   | 2.35%            | 1.35%           | 1.35%                                    |
|                        | AGF High Income Class  | 2.00%            | 1.25%           | 1.25%                                    |

## Fees and expenses payable by the Funds

The management and advisory fees for Series O securities, as applicable, are negotiable by the investor and are payable directly to AGF and advisors, respectively. The maximum amount will not exceed the Series F total annual rate.

### **Management fee reductions**

We sometimes negotiate a lower management fee for investors with very large holdings in a Fund.

For the Tax Advantage Group, you will receive the amount of the reduction. This is called a *management fee rebate*.

Grandfathered management fee rebates from prior fund reorganizations will continue to be reinvested annually.

### **Fund of funds**

If a Fund managed by AGF invests in or exposes all or a portion of its assets to securities of another mutual fund, including an AGF Fund, the aggregate management and advisory fees payable in respect of the AGF Fund and another mutual fund, including an AGF Fund, cannot be duplicated. As a result, AGF will waive fees payable to AGF by such Fund and/or by another underlying fund managed by AGF. See *Specific information about each of the mutual funds in this document – Investing in other mutual funds*.

## Fees and expenses payable by the Funds

### Operating expenses

In addition to the management and advisory fees which may apply, each series of a Fund pays its own expenses and its share of the Fund's expenses that are common to all series. Common expenses include legal fees, custodian fees, audit fees, administrative costs, fees and expenses of the Independent Review Committee\* and certain other costs. Expenses that are specific to a series include filing fees, management and advisory fees (as applicable) and securityholder servicing costs. Each Class pays its own expenses and its share of the Tax Advantage Group's general expenses. We may waive or absorb any of these expenses. AGF has agreed with investors in Series O securities that AGF will reimburse the Fund for operating expenses (other than brokerage commissions, counterparty fees, fees and expenses of the Independent Review Committee or extraordinary items) that would otherwise be charged to that series of a Fund. As a result, the Series O net asset value will not be reduced by such expenses.

\* As at the date of this simplified prospectus, each member of the Independent Review Committee receives an annual retainer of \$25,000 (\$30,000 for the Chairman) and \$1,000 for each meeting of the Independent Review Committee that the member attends, plus reimbursement of expenses, if any, for attending each meeting. These fees and expenses are allocated among all of the funds managed by AGF to which NI 81-107 applies, in a manner that is considered by AGF to be fair and reasonable.

## Fees and expenses payable directly by you

| <p><b>Sales charges</b></p>               | <p><b>Front-end sales charge</b></p> <p>The front-end sales charge is available for the Funds in MF Series only. You and your registered representative negotiate the sales charge. The sales charge is up to 6% of the amount you invest in the Fund and is deducted from the amount you invest in the Fund.</p>  |                     |                            |                                      |      |  |      |  |      |   |      |   |      |   |      |                                  |      |
|---|--|---------------------|----------------------------|--------------------------------------|------|--|------|--|------|---|------|---|------|---|------|----------------------------------|------|
| <p><b>Switch fees</b></p>                 | <p>If you switch a series of securities of a Fund to the same series of securities of another AGF Fund or Class, you may pay a fee to your registered dealer of 0-2% of the net asset value being switched.</p> <p><b>Conversion fee</b></p> <p>If you convert MF Series securities you bought under the DSC option or low load option to another sales charge option, you'll also have to pay any deferred sales charge that applies. See below for details about the deferred sales charge. If you convert securities from Series F or Series O to MF Series, you can choose the front-end sales charge option or the DSC option or the low load option. See <i>Choosing a sales charge option</i> for details.</p> <p>You'll find more information about converting under <i>Switches</i>.</p>  |                     |                            |                                      |      |  |      |  |      |   |      |   |      |   |      |                                  |      |
| <p><b>Redemption fees</b></p>             | <p><b>DSC</b></p> <p>The DSC option is available for the Funds in the MF Series securities only. You may have to pay a deferred sales charge if you buy MF Series securities under the DSC option and then sell or convert them to another purchase option within 7 years of buying the original securities. Some exceptions apply. See <i>Selling Funds – Selling securities under the DSC option</i> for details. The deferred sales charge is based on the value of the securities when you bought them and is deducted from the value of the securities you sell or convert. The rate depends on how long you held your securities:</p> <table border="0" data-bbox="381 1024 1201 1291"> <thead> <tr> <th style="text-align: left;">Securities you sell</th> <th style="text-align: right;">DSC rate</th> </tr> </thead> <tbody> <tr> <td>within two years of buying them</td> <td style="text-align: right;">5.5%</td> </tr> <tr> <td>during the third year after buying them</td> <td style="text-align: right;">5.0%</td> </tr> <tr> <td>during the fourth year after buying them</td> <td style="text-align: right;">4.5%</td> </tr> <tr> <td>during the fifth year after buying them</td> <td style="text-align: right;">4.0%</td> </tr> <tr> <td>during the sixth year after buying them</td> <td style="text-align: right;">3.0%</td> </tr> <tr> <td>during the seventh year after buying them</td> <td style="text-align: right;">1.5%</td> </tr> <tr> <td>after seven years of buying them</td> <td style="text-align: right;">Zero</td> </tr> </tbody> </table> | Securities you sell | DSC rate                   | within two years of buying them      | 5.5% | during the third year after buying them  | 5.0% | during the fourth year after buying them | 4.5% | during the fifth year after buying them | 4.0% | during the sixth year after buying them | 3.0% | during the seventh year after buying them | 1.5% | after seven years of buying them | Zero |
| Securities you sell                       | DSC rate   |                     |                            |                                      |      |  |      |  |      |   |      |   |      |   |      |                                  |      |
| within two years of buying them           | 5.5%   |                     |                            |                                      |      |  |      |  |      |   |      |   |      |   |      |                                  |      |
| during the third year after buying them   | 5.0%   |                     |                            |                                      |      |  |      |  |      |   |      |   |      |   |      |                                  |      |
| during the fourth year after buying them  | 4.5%   |                     |                            |                                      |      |  |      |  |      |   |      |   |      |   |      |                                  |      |
| during the fifth year after buying them   | 4.0%   |                     |                            |                                      |      |  |      |  |      |   |      |   |      |   |      |                                  |      |
| during the sixth year after buying them   | 3.0%   |                     |                            |                                      |      |  |      |  |      |   |      |   |      |   |      |                                  |      |
| during the seventh year after buying them | 1.5%   |                     |                            |                                      |      |  |      |  |      |   |      |   |      |   |      |                                  |      |
| after seven years of buying them          | Zero   |                     |                            |                                      |      |  |      |  |      |   |      |   |      |   |      |                                  |      |
|   | <p><b>Low load</b></p> <p>The low load option is available for the Funds in the MF Series securities only. You may have to pay a deferred sales charge if you buy MF Series securities under the low load option and then sell or convert them to another purchase option within 3 years of buying the original securities. Some exceptions apply. See <i>Selling Funds – Selling securities under the low load option</i> for details. The deferred sales charge is based on the value of the securities when you bought them and is deducted from the value of the securities you sell or convert. The rate depends on how long you held your securities:</p> <table border="0" data-bbox="381 1585 1291 1745"> <thead> <tr> <th style="text-align: left;">Securities you sell</th> <th style="text-align: right;">Low load sales charge rate</th> </tr> </thead> <tbody> <tr> <td>within the first year of buying them</td> <td style="text-align: right;">3.0%</td> </tr> <tr> <td>during the second year after buying them</td> <td style="text-align: right;">2.5%</td> </tr> <tr> <td>during the third year after buying them</td> <td style="text-align: right;">2.0%</td> </tr> <tr> <td>after 3 years of buying them</td> <td style="text-align: right;">Zero</td> </tr> </tbody> </table>   | Securities you sell | Low load sales charge rate | within the first year of buying them | 3.0% | during the second year after buying them | 2.5% | during the third year after buying them  | 2.0% | after 3 years of buying them            | Zero |   |      |   |      |                                  |      |
| Securities you sell                       | Low load sales charge rate   |                     |                            |                                      |      |  |      |  |      |   |      |   |      |   |      |                                  |      |
| within the first year of buying them      | 3.0%   |                     |                            |                                      |      |  |      |  |      |   |      |   |      |   |      |                                  |      |
| during the second year after buying them  | 2.5%   |                     |                            |                                      |      |  |      |  |      |   |      |   |      |   |      |                                  |      |
| during the third year after buying them   | 2.0%   |                     |                            |                                      |      |  |      |  |      |   |      |   |      |   |      |                                  |      |
| after 3 years of buying them              | Zero   |                     |                            |                                      |      |  |      |  |      |   |      |   |      |   |      |                                  |      |

## Fees and expenses payable directly by you

|   |   |
|---|---|
| <b>Short-term or frequent trading fee</b> | A Fund may charge you a short-term trading fee of up to 2% of the net asset value if you sell or switch securities of a Fund within 90 calendar days of buying them. You may also have to pay a frequent trading fee of 2% if you sell or switch securities within ten calendar days of buying them. We deduct the fee from the value of the securities you're selling or switching, subject to certain exceptions, and pay it to the Fund. This fee is in addition to any other redemption fees. See <i>Purchases, Switches and Redemptions – Short-term or frequent trading fee</i> . |
| <b>Registered plan fees</b>               | None  |
| <b>Other fees</b>                         | Systematic investment plan: None<br>Systematic withdrawal plan: None<br>Dishonoured cheques or insufficient funds: \$25 for each bank transaction   |

## IMPACT OF SALES CHARGES

The table below shows the fees that you would have to pay while invested in securities of a Fund under our different sales charge options. It assumes that:

- you invest \$1,000 in securities of the Fund for each period and sell all of your securities immediately before the end of the period.
- the sales charge under the front-end sales charge option is 6%. See *Fees and expenses payable directly by you – Sales charges* for the front-end sales charge rates.
- the deferred sales charge under the DSC option applies only if you sell your MF Series securities within seven years of buying them. See *Fees and*

*expenses payable directly by you – Redemption fees* for the DSC rate schedule.

- the deferred sales charge under the low load option applies only if you sell your MF Series securities within three years of buying them. See *Fees and expenses payable directly by you – Redemption fees* for the low load rate schedule.
- you haven't used your 10% free amount under the DSC or low load option.

| Sales Charge Options          | At Time of Purchase | 1 Year | 3 Years | 5 Years | 10 Years |
|-------------------------------|---------------------|--------|---------|---------|----------|
| Front-end sales charge option | \$60                | n/a    | n/a     | n/a     | n/a      |
| DSC option <sup>1</sup>       | n/a                 | \$55   | \$50    | \$40    | n/a      |
| Low load option <sup>2</sup>  | n/a                 | \$30   | \$20    | n/a     | n/a      |

<sup>1</sup> Series F and Series O securities cannot be purchased under the DSC option.

<sup>2</sup> Series F and Series O securities cannot be purchased under the low load option.

## DEALER COMPENSATION

### Sales commissions

Your registered dealer usually receives a sales commission when you invest in the MF Series securities of a Fund. You can choose any one of the following different sales charge options available for that series. You and your registered representative will determine which sales charge option is suitable for you.

#### Front-end sales charge option

The front-end sales charge option is available for the Funds in all Series. When you buy under this option, you and your registered representative negotiate the sales charge. We deduct the sales charge from your investment and pay it to your registered dealer. The sales charge is up to 6% for the Funds.

#### DSC option

The DSC option is available for the Funds in the MF Series securities only. When you buy MF Series securities under this option, we pay your registered dealer a sales commission of 5% of the amount you invest. You may have to pay us a fee if you sell or convert your MF Series securities to a different purchase option within 7 years of buying the original

securities. See *Fees and expenses payable directly by you – Redemption fees* for details on the DSC redemption schedule.

#### Low load option

The low load option is available for the Funds in the MF Series securities only. When you buy MF Series securities under this option, we pay your registered dealer a sales commission of 2.5% of the amount you invest. You may have to pay us a fee if you sell or convert your MF Series securities to a different purchase option within 3 years of buying the original securities. See *Fees and expenses payable directly by you – Redemption fees* for details on the low load redemption schedule.

#### Trailing commission

For MF Series securities, we pay your registered dealer a trailing commission on the securities purchased or issued on the reinvestment of any distributions, subject to certain eligibility requirements. Your registered dealer may choose to receive the trailing commission either on a monthly or quarterly basis.

Trailing commissions payable to your registered dealer in connection with securities either purchased or issued

on the reinvestment of any distribution commencing April 18, 2006 are set out in the following table.

For all MF Series securities purchased prior to April 18, 2006 on a low load or DSC basis or issued on the reinvestment of distributions on such purchased securities, trailing commissions in accordance with the following chart will also be payable commencing April 18, 2006 to your registered dealer if, on or after this date, you:

- change the type of account you hold your MF Series securities in (for instance, changing from an investment account to an RRSP)
- transfer your account from one registered dealer to another account at a different registered dealer

- transfer beneficial ownership of your MF Series securities to another person, or
- switch your MF Series securities (whether a switch between Funds or a conversion).

For purchases of Series F or Series O securities, we do not pay any trailing commission to your registered dealer. Your registered dealer is paid a fee in respect of Series F securities under the terms of your arrangement with your registered dealer.

Generally, the trailing commission is a percentage of the total value of MF Series securities held by a registered representative's clients. The maximum annual rate of the trailing commission depends upon the sales charge option chosen, the type of fund and the purchase date. See the following table for details.

| Fund                         | Maximum Annual Trailing Commission Rate <sup>1</sup> |   |   |
|------------------------------|--|---|---|
|                              | Front End  | DSC   | Low Load                                      |
|                              | MF Series  | MF Series                                     | MF Series                                     |
| AGF Diversified Income Class | 1.00%  | 0.50% for the first 7 years, 1.00% thereafter | 0.50% for the first 3 years, 1.00% thereafter |
| AGF High Income Class        | 1.00%  | 0.50% for the first 7 years, 1.00% thereafter | 0.50% for the first 3 years, 1.00% thereafter |

<sup>1</sup> DSC and Low Load options are not available for Series F or Series O

Where an investor purchases a fund which invests in an AGF Fund and AGF has agreed to be responsible for the payment of sales commission and trailing commissions to the registered dealer on such fund on fund purchases, AGF will pay the same sales commission and trailing commissions to the dealer selling the top fund as if the investor purchased MF Series securities directly in the AGF Fund, regardless of what series of securities the top fund purchases in the underlying AGF Fund.

### Other kinds of dealer compensation

In addition to the commissions described above, we may also provide educational conferences and events, marketing support programs and other programs to registered dealers or financial advisors and their registered representatives. These include:

- materials describing the benefits of mutual fund investing
- conferences sponsored by registered dealers, for which we pay up to 10% of the cost
- audio and video materials for dealer seminars
- co-operative dealer advertising, for which we pay up to 50% of the cost

- national media advertising

We may change the terms and conditions of these commissions and programs or discontinue them, at any time.

### Dealer compensation from management fees

During our financial year ended November 30, 2010, the amount we paid to registered dealers in sales and trailing commissions, service fees and other kinds of dealer compensation for all mutual funds managed by AGF was approximately 53% of the total management fees that we received from investors or the AGF Funds we managed in that year.

## INCOME TAX CONSIDERATIONS FOR INVESTORS

This section is a summary of how investing in the Funds can affect your taxes. It assumes that you are a Canadian resident that deals at arm's length with and holds securities of the Funds as capital property. This information may or may not apply to you. We recommend that you consult your tax advisor about your own situation.

More detailed information is available in the annual information form.

### How your investment can make money

Your investment in a Fund can make money from:

- any earnings the Fund makes or realizes on its investments which are allocated to you in the form of dividends
- any capital gains that you realize when you switch or sell your securities of the Fund at a profit. If you switch or sell your investment at a loss, it is called a capital loss

### How your investment is taxed

The tax you pay on your mutual fund investment depends on whether you hold your securities in a non-registered account or in a registered plan, such as an RRSP or a TFSA.

#### Securities held in a registered plan

If you hold securities of a Fund in a registered plan, you generally pay no tax on dividends you receive or on any capital gains that your registered plan makes from selling or switching or otherwise disposing of these securities. Generally, any withdrawals from registered plans are subject to tax. However, withdrawals from a TFSA are not subject to tax, and RESPs and RDSPs are subject to special rules.

#### Securities held in a non-registered account

The Tax Advantage Group may pay ordinary dividends and/or capital gains dividends. The Board determines when dividends are paid based upon the recommendation of AGF.

Dividends from the Classes are taxable in the year you receive them, whether you receive them in cash or have them reinvested in additional shares.

Dividends may include ordinary dividends and capital gains dividends. Ordinary dividends you receive from the Classes are treated as taxable dividends, eligible or non-eligible, and are subject to the applicable gross-up

and dividend tax credit rules that apply to taxable dividends received from taxable Canadian corporations.

Capital gains dividends are treated as realized capital gains. In general, you must include one-half of the amount of a capital gain in your income for tax purposes.

The Tax Advantage Group may pay capital gains dividends in order to obtain a refund of capital gains taxes paid by the Tax Advantage Group. Generally, these would be payable on a proportional basis to each Class but the Board has the right to distribute capital gains dividends to a particular Class if the Board believes it reasonable to do so based upon the recommendation of AGF. The dividend to be paid to a Class will be paid proportionately amongst the series of such Class, after adjusting for series expenses. In general, you must include any management fee rebates you receive in your income. However, in some circumstances, you may instead elect to reduce the adjusted cost base of your securities by the amount of the rebate.

We will issue a tax slip to you each year that shows the amount and type of dividends you received.

If you sell your shares for cash or switch shares outside of the Tax Advantage Group, you will realize a capital gain (or loss). One-half of a capital gain realized must be included in income for tax purposes. A capital loss can be applied against capital gains.

### Calculating adjusted cost base

You must calculate the adjusted cost base of your securities separately for each series of securities of the Fund that you own. In general, the aggregate adjusted cost base of your investment in a series of a Fund equals:

- your initial investment, including any applicable sales charges you paid, *plus*
- any additional investments, including any applicable sales charges you paid, *plus*
- any reinvested dividends, including management fee rebates, *minus*
- the adjusted cost base of any securities previously disposed of

You should keep detailed records of the cost of your investments and dividends you receive on those securities so you can calculate their adjusted cost base. You may wish to consult a tax advisor to help you with these calculations.

### Buying Securities Late in the Year

If you buy securities of the Tax Advantage Group just before a dividend record date, you will be taxed on the

entire dividend even though the Fund may have earned the income or realized the gain giving rise to the dividend before you owned the securities. That means you may have to pay tax on your proportionate share of the net income or net realized capital gains the Fund earned for the whole year, even though you were not invested in the Fund during the whole year.

### **Portfolio Turnover**

A Fund's portfolio turnover rate usually indicates how actively the portfolio manager manages the portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling each security in its portfolio once in the course of its financial year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance that you will receive an income or taxable capital gains dividend from the Tax Advantage Group.

### **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in some provinces gives you the right to withdraw from an agreement to buy mutual funds within two business days of receiving the simplified prospectus, or to cancel your purchase within 48 hours of receiving confirmation of your order.

Securities legislation in some provinces and territories also allows you to cancel an agreement to buy your securities and get your money back, or to make a claim for damages, if the simplified prospectus, annual information form or financial statements misrepresent any facts about the Fund. These rights must usually be exercised within certain time limits. For more information, refer to the securities legislation of your province or territory or consult your lawyer.

### **SPECIFIC INFORMATION ABOUT EACH OF THE MUTUAL FUNDS DESCRIBED IN THIS DOCUMENT**

On the following pages, you'll find detailed descriptions of each Fund in this simplified prospectus to help you make your investment decisions. Here's what each section of the Fund descriptions tells you:

#### **Fund details**

This is a summary of some basic information about the Fund, such as when it was started and the type of securities it offers. The Tax Advantage Group is a mutual fund corporation. When you invest in the Funds, you buy shares of the corporation.

This section also tells you if the securities of the Fund are eligible for registered plans, such as RRSPs, Group RRSPs, LRSPs, RRIFs, LRIFs, LIRAs, LIFs, RESPs, RLIFs, RLSPs, PRIFs, TFSA's or Group TFSA's, money

purchase pension plans and defined contribution pension plans. See *Income Tax Considerations for Investors – Securities held in a registered plan*.

On October 1, 2011, the Tax Advantage Group and Acuity Corporate Class Ltd. and each of their respective outstanding classes amalgamated under the *Business Corporations Act* (Ontario) and each of their respective outstanding classes became Classes of an amalgamated multi-class mutual fund corporation under the name AGF All World Tax Advantage Group Limited. AGF is the manager of each AGF Fund comprising a Class, including the Funds. The amalgamated Tax Advantage Group has 24 Classes and offers investors the ability to switch their investments between the different mutual funds within the Tax Advantage Group on a tax deferred basis.

### **What does the Fund invest in?**

This section describes the Fund's fundamental investment objectives and the strategies the portfolio manager uses in trying to achieve those objectives. You'll find out the types of securities the Fund can invest in and how the portfolio manager chooses investments and manages the portfolio. Here are details about some special types of investments the Funds can make:

#### **Derivatives**

A Fund can use derivatives as long as the use of derivatives is consistent with the Fund's objectives and is permitted in law. A derivative is a contract between two parties. The value of the contract is based on or derived from an underlying asset, such as a stock, a market index, a currency, a commodity or a basket of securities. It's not a direct investment in the underlying asset itself. Examples of derivatives are options, forward contracts and futures contracts.

- An option is the right, but not the obligation, to buy or sell a security, currency, commodity, or market index at an agreed upon price by a certain date. The buyer of the option makes a payment - called a premium - to the seller for this right.
- A forward contract is an agreement to buy or sell an asset, such as a security or currency, at an agreed upon price at a future date or to pay the difference in value between the contract date and the settlement date. Forward contracts are generally not traded on organized exchanges and aren't subject to standardized terms and conditions.
- Like a forward contract, a futures contract is an agreement between two parties to buy or sell an asset at an agreed upon price at a future date or to pay the difference in value between the contract

date and the settlement date. Futures contracts are normally traded on a registered futures exchange. The exchange usually specifies certain standardized features of the contract including the basket of securities.

### **Investing in other mutual funds**

A Fund may invest in securities of another mutual fund, including other mutual funds managed by AGF, if, among other things,

- the other mutual fund is subject to National Instrument 81-102
- the investment objective of the other mutual fund is consistent with the Fund's investment objective
- where AGF or Acuity Funds Ltd., an affiliate of AGF, is the manager of the other mutual fund, AGF does not vote the Fund's holdings in the other mutual fund, or, if it chooses at its discretion, flows through the voting rights to securityholders of the Fund
- at the time the Fund purchases securities of the other mutual fund, the other mutual fund holds no more than 10% of the market value of its net assets in securities of another mutual fund
- the securities of the other mutual fund are qualified for distribution in the same jurisdiction as the Fund
- no management fees or portfolio management fees are payable by the Fund that would duplicate a fee payable by the other mutual fund
- where AGF is the manager of the other mutual fund, no sales fees or redemption fees are payable by the Fund in relation to its purchases or redemptions of the securities of the other mutual fund
- no sales fees or redemption fees are payable by the Fund in relation to its purchases or redemptions of the securities of the other mutual fund that would duplicate a fee payable by the other mutual fund

### **Repurchase agreements and securities lending**

Through a repurchase agreement, a mutual fund sells a security at one price and concurrently agrees to buy it back from the buyer at a fixed price on a specified date. The buyer may be a broker-dealer or other buyer. Securities lending involves lending for a fee portfolio securities held by the Fund for a set period of time to willing, qualified borrowers who have posted collateral. A Fund may enter into repurchase agreements and securities lending transactions if no more than 50% of its net assets are at risk under repurchase transactions

and securities lending agreements, unless the Fund is permitted in law to invest in a greater amount. The Funds have appointed a securities lending agent for purposes of entering into securities lending transactions with suitable counterparties. Pursuant to applicable securities laws, the securities lending agent is required to be the custodian or sub-custodian of the Funds.

### **Reverse repurchase agreements**

Through a reverse repurchase agreement, a mutual fund buys securities for cash from a counterparty at a price set at the date of purchase and at the same time agrees to resell the same securities for cash to the counterparty at a price (usually higher) at a later date. The counterparty may be a broker-dealer or other buyer. In the event the counterparty defaults, since the types of securities purchased by the mutual fund are restricted to certain higher quality debt instruments of certain governments and other issuers, the mutual fund should be able to reduce or eliminate its losses.

### **What are the risks of investing in the Fund?**

This section tells you some of the risks of investing in the Fund. You'll find a description of each risk in *Specific risks of the Funds*. For a more complete discussion about the risks of investing in the Fund, you should consult your registered representative.

### **Investment Risk Classification Methodology**

A risk classification rating is assigned to each Fund to provide you with information to help you determine whether the investment is appropriate for you. We review the risk rating for each Fund on an annual basis.

The methodology used to determine the risk ratings of the Funds for purposes of disclosure in this simplified prospectus and in the Funds' Fund Facts is the methodology recommended by the Fund Risk Classification Task Force (the "Task Force") of The Investment Funds Institute of Canada. The Task Force concluded that the most comprehensive, easily understood form of risk in this context is historical volatility risk as measured by the standard deviation of performance by the Fund. However, the Task Force and AGF recognize that other types of risk, both measurable and non-measurable, may exist and that historical performance may not be indicative of future returns and that a Fund's historical volatility may not be indicative of its future volatility.

Accordingly, while AGF generally assigns a risk rating to each Fund based on the historical standard deviation of the Fund's performance during the past

three to five years on an average rolling basis, we may adjust a Fund's risk rating for various reasons. These include, but are not limited to, whether the Fund's standard deviation is affected by unusual market volatility, whether the Fund has been in existence for less than three years, or whether the Fund invests all of its assets in an underlying fund. Under these circumstances, we may modify the risk rating or assign a risk rating based on other considerations like the historical standard deviation of the performance of a similar investment fund, a similar investment mandate or an underlying fund.

A more detailed explanation of standard deviation and the methodology AGF uses to determine the risk rating of the Funds is available on request, at no cost, by calling us toll-free at 1-800-268-8583, emailing us at tiger@agf.com or writing to us at AGF Investments Inc. – Client Services, c/o 2920 Matheson Blvd. East, Mississauga ON L4W 5J4.

### **Who Should Invest in this Fund?**

This section can help you decide if the Fund might be suitable for your account. It includes information about the level of investor risk tolerance that would be appropriate for each Fund. This section is meant as a general guide only. For advice about your account, you should consult your registered representative.

### **Dividend policy**

This section tells you when the Tax Advantage Group pays dividends. The Fund may change its dividend policy at any time.

The Tax Advantage Group does not pay dividends at regular intervals but may pay capital gains dividends from time to time. Any dividends would generally be allocated amongst all Classes on a proportional basis to each Class, but the Board has the right to pay dividends only to a particular Class if they believe it is appropriate to do so based upon the recommendation of AGF. Lastly, any dividend payable will be shared proportionately amongst all series of the Class, after adjusting for series specific expenses. As a result, dividends will likely be different for each series.

Dividends on securities held in AGF registered plans are always reinvested in additional securities of the relevant Class. Dividends on securities held in other series or in other registered plans or non-registered accounts are reinvested in additional securities of the relevant Class, unless you tell us that you want cash payments instead.

Dividends on securities held in other registered plans or non-registered accounts are reinvested in additional securities of the Funds, unless you tell us that you want cash payments instead.

For information on how dividends can affect your taxes, see *Income Tax Considerations for Investors*.

### **Fund expenses indirectly borne by investors**

This information is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. While you do not pay these costs directly, they have the effect of reducing the Fund's returns. The information is based on an initial investment of \$1,000 and a total annual return of 5% and assumes that the management expense ratio of the Fund was the same throughout each period shown as it was during the last completed financial year. HST was introduced and applied to management fees and operating expenses beginning on July 1, 2010. For additional information refer to *Fees and Expenses* earlier in this document. Information is shown only for series of securities of a Fund that were outstanding and operational at the end of the last completed financial year.

## AGF DIVERSIFIED INCOME CLASS

### Fund details

|                                     |  |
|-------------------------------------|--|
| <b>Type of fund:</b>                | Global Fixed Income Balanced   |
| <b>Date Fund started:</b>           | August 13, 2007 (Fund continued in the Tax Advantage Group through the amalgamation of AGF All World Tax Advantage Group Limited and Acuity Corporate Class Ltd.)  |
| <b>Securities offered:</b>          | Shares of a mutual fund corporation:<br>MF Series<br>Series F<br>Series O<br>(The start date for each series of the Fund is the start date of the corresponding series of former Acuity Diversified Income Class. The start date of Series O is August 2, 2011.) |
| <b>Registered plan eligibility:</b> | Yes  |
| <b>Portfolio manager:</b>           | Acuity Investment Management Inc.  |
| <b>Custodian:</b>                   | Citibank Canada (Toronto, Canada)  |

### What does the Fund invest in?

#### Investment Objectives

The Fund's objective is to achieve a high level of current income and long-term growth of capital by investing primarily in units of the Acuity Diversified Income Fund.

The fundamental investment objective may only be changed with the approval of shareholders at a meeting called for that purpose.

#### Investment Strategies

The Fund invests primarily in the Acuity Diversified Income Fund (the "underlying fund"), which is managed by Acuity Funds Ltd., an affiliate of AGF. As of the date of this simplified prospectus, the Fund invests approximately 100% of its net assets in the underlying fund. The underlying fund aims to provide a high level of current income and long-term growth of capital by investing primarily in a diversified portfolio of income, dividend and distribution paying Canadian securities including common shares, income trusts and other types of equity and fixed income securities. The strategies below relate to the underlying fund.

The portfolio manager of the underlying fund invests primarily in high yield, investment grade and convertible corporate bonds, government and real return bonds and other income producing securities such as income trusts, dividend-paying equity securities and money market instruments. The portfolio manager looks for securities with a history of steady interest, dividend or distribution payouts and whether such securities have the ability to sustain payouts for a reasonable period of time and are favourably priced with respect to these payout expectations.

The underlying fund may invest up to 49% of its assets (at market value at time of purchase) in foreign (non-Canadian) securities.

The Fund may use derivatives like options, futures and forward contracts, as permitted by Canadian securities regulators.

The Fund may enter into repurchase agreements to enhance the Fund's returns, similar to securities lending transactions. It may also enter into reverse repurchase agreements to enhance the Fund's returns or invest in cash or cash equivalents. The Fund may choose to deviate from its investment objectives by temporarily investing most or all of its assets in cash or fixed income securities during periods of market downturn or for other reasons. You'll find more information about derivatives, repurchase agreements and investing in other mutual funds under *What does the Fund invest in?*

Securities lending transactions may be used in conjunction with the Fund's other investment strategies in a manner considered most appropriate to achieve the Fund's investment objectives and to enhance the Fund's return. You'll find more information about securities lending and the strategies used by the Fund under *What is a mutual fund and what are the risks of investing in a mutual fund?* and *Specific information about each of the mutual funds described in this document.*

Trading costs may increase depending upon the portfolio manager's buying and selling activities of the Fund's investments. This may in turn lower the Fund's returns. It also increases the possibility that you'll receive dividends. Generally, dividends are taxable if you hold the Fund in a non-registered account.

## What are the risks of investing in the Fund?

In addition to the risks of investing in the Fund directly, the Fund indirectly has the same risks in proportion to its investment in the underlying fund. The direct and indirect risks of this Fund are as follows. For an explanation of each risk, see *Specific risks of the Funds* under *What are the risks?*

- changes in legislation risk
- class risk
- concentration risk
- counterparty risk
- credit risk
- depository securities and receipts risk
- derivative risk
- equity risk
- foreign currency risk
- foreign market risk
- interest rate risk
- liquidity risk
- repurchase agreement risk
- reverse repurchase agreement risk
- securities lending risk
- substantial securityholder risk
- tax and corporate law risk of returns of capital
- trust and partnership risk
- underlying fund risk

## Who should invest in this Fund?

Consider this Fund if:

- you're an income-oriented investor
- you have medium to long term investment time horizons
- you have low to medium tolerance for risk

## Dividend policy

The Fund has no policy to pay regular dividends to its securityholders. The Fund's board of directors determines when and if a dividend is paid based upon the recommendation of AGF. The Fund may pay ordinary dividends or capital gains dividends. For information about how dividends can affect your taxes, see *Income Tax Considerations for Investors*.

## Fund expenses indirectly borne by investors

This example shows how much the Fund would pay in expenses on a \$1,000 investment with a 5% annual return and assumes reinvestment of the 5% return.

| Fees and expenses payable over (\$) | 1<br>year | 3<br>years | 5<br>years | 10<br>years |
|-------------------------------------|-----------|------------|------------|-------------|
| MF Series                           | 30.02     | 94.65      | 165.89     | 377.62      |
| Series F                            | 20.93     | 65.99      | 115.66     | 263.28      |

## AGF HIGH INCOME CLASS

### Fund details

|                                     |   |
|-------------------------------------|---|
| <b>Type of fund:</b>                | Canadian Equity Balanced  |
| <b>Date Fund started:</b>           | August 13, 2007 (Fund continued in the Tax Advantage Group through the amalgamation of AGF All World Tax Advantage Group Limited and Acuity Corporate Class Ltd.)   |
| <b>Securities offered:</b>          | Shares of a mutual fund corporation:<br>MF Series<br>Series F<br>Series O<br>(The start date for each series of the Fund is the start date of the corresponding series of former Acuity High Income Class. The start date of Series O is August 2, 2011.) |
| <b>Registered plan eligibility:</b> | Yes   |
| <b>Portfolio manager:</b>           | Acuity Investment Management Inc.   |
| <b>Custodian:</b>                   | Citibank Canada (Toronto, Canada)   |

### What does the Fund invest in?

#### Investment Objectives

The Fund's objective is to provide growth and a high level of current interest and dividend income by investing primarily in units of the Acuity High Income Fund.

The fundamental investment objective may only be changed with the approval of shareholders at a meeting called for that purpose.

#### Investment Strategies

The Fund invests primarily in the Acuity High Income Fund (the "underlying fund"), which is managed by Acuity Funds Ltd., an affiliate of AGF. As of the date of this simplified prospectus, the Fund invests approximately 100% of its net assets in the underlying fund. The underlying fund aims to provide a high level of current interest and dividend income by investing primarily in a diversified portfolio of interest-bearing, dividend-paying or distribution-paying securities. The strategies below relate to the underlying fund.

The portfolio manager of the underlying fund will invest primarily in high-quality Canadian federal, provincial and corporate bonds, convertibles, income trusts, mortgage securities, as well as dividend paying common and preferred shares and money market instruments. The portfolio manager looks for government or corporate securities with a history of steady interest, dividend or distribution payouts. In the portfolio manager's opinion, these securities have the ability to sustain the payouts for a reasonable period of time and are favourably priced with respect to these payout expectations.

The underlying fund may invest up to 49% of its assets (at market value at time of purchase) in foreign (non-Canadian) securities.

The Fund may use derivatives like options, futures and forward contracts, as permitted by Canadian securities regulators.

The Fund may enter into repurchase agreements to enhance the Fund's returns, similar to securities lending transactions. It may also invest in cash or cash equivalents. The Fund may enter into reverse repurchase agreements to enhance the Fund's returns, or choose to deviate from its investment objectives by temporarily investing most or all of its assets in cash or fixed income securities during periods of market downturn or for other reasons. You'll find more information about derivatives, repurchase agreements and investing in other mutual funds under *What does the Fund invest in?*

Securities lending transactions may be used in conjunction with the Fund's other investment strategies in a manner considered most appropriate to achieve the Fund's investment objectives and to enhance the Fund's return. You'll find more information about securities lending and the strategies used by the Fund under *What is a mutual fund and what are the risks of investing in a mutual fund?* and *Specific information about each of the mutual funds described in this document.*

Trading costs may increase depending upon the portfolio manager's buying and selling activities of the Fund's investments. This may in turn lower the Fund's returns. It also increases the possibility that you'll receive dividends. Generally, dividends are taxable if you hold the Fund in a non-registered account.

## What are the risks of investing in the Fund?

In addition to the risks of investing in the Fund directly, the Fund indirectly has the same risks in proportion to its investment in the underlying fund. The direct and indirect risks of this Fund are as follows. For an explanation of each risk, see *Specific risks of the Funds* under *What are the risks?*

- changes in legislation risk
- class risk
- counterparty risk
- credit risk
- depository securities and receipts risk
- derivative risk
- equity risk
- foreign currency risk
- foreign market risk
- interest rate risk
- liquidity risk
- repurchase agreement risk
- reverse repurchase agreement risk
- securities lending risk
- substantial securityholder risk
- tax and corporate law risk of returns of capital
- trust and partnership risk
- underlying fund risk

## Who should invest in this Fund?

Consider this Fund if:

- you are an income oriented investor
- you have medium-term investment time horizons
- you have low to medium tolerance for risk
- you prefer monthly distributions of capital

## Dividend policy

The Fund has no policy to pay regular dividends to its securityholders. The Fund's board of directors determines when and if a dividend is paid based upon the recommendation of AGF. The Fund may pay ordinary dividends or capital gains dividends. For information about how dividends can affect your taxes, see *Income Tax Considerations for Investors*.

## Fund expenses indirectly borne by investors

This example shows how much the Fund would pay in expenses on a \$1,000 investment with a 5% annual return and assumes reinvestment of the 5% return.

| Fees and expenses payable over (\$) | 1<br>year | 3<br>years | 5<br>years | 10<br>years |
|-------------------------------------|-----------|------------|------------|-------------|
| MF Series                           | 25.91     | 81.68      | 143.17     | 325.90      |
| Series F                            | 18.39     | 57.96      | 101.59     | 231.26      |



What are you doing after work?®

## **AGF GROUP OF FUNDS**

### **Simplified Prospectus**

#### **AGF DIVERSIFIED INCOME CLASS\***

#### **AGF HIGH INCOME CLASS\***

**\* Class of AGF All World Tax Advantage Group Limited.**

You can find additional information about each Fund in the annual information form, the most recently filed Fund Facts, the most recently filed annual and interim financial statements, and the most recently filed annual and interim management report of fund performance. These documents are incorporated by reference into this simplified prospectus, which means they legally form part of this document just as if they were printed in it.

You can get a copy of these documents at no charge by contacting your registered representative, calling us toll-free 1-800-268-8583, e-mailing us at [tiger@AGF.com](mailto:tiger@AGF.com) or writing to us at the address below. These documents and other information about the Funds are also available at [www.sedar.com](http://www.sedar.com).

Unless otherwise indicated herein, information about the Funds which may otherwise be obtained on the AGF website is not, and shall not be deemed to be, incorporated by reference in this simplified prospectus.

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