

# AGF Limited Partnership 1990

2005 ANNUAL REPORT



What are you doing after work?

# AGF Limited Partnership 1990

## Market Value of Distributed Securities

(Unaudited)

As at December 31, 2005

	<b>Market Value (in thousands)</b>		<b>Market Value (in thousands)</b>
AGF Canadian Stock Fund	\$ 5,831	AGF Aggressive Growth Fund	\$ 159
AGF Canadian Bond Fund	4,337	AGF World Companies Fund	123
AGF Canadian Growth Equity Fund Limited	2,280	AGF Canada Class	104
AGF Canadian Large Cap Dividend Fund	2,108	AGF Canadian High Yield Bond Fund	84
AGF International Value Fund	2,041	AGF RSP Global Bond Fund	82
AGF Canadian Money Market Fund	1,614	AGF China Focus Class	65
AGF Canadian Real Value Balanced Fund	1,407	AGF Aggressive Global Stock Fund	43
AGF Canadian Balanced Fund	1,054	AGF Canadian Small Cap Fund	32
AGF European Equity Class	679	AGF Precious Metals Fund	20
AGF Canadian Resources Fund Limited	615	AGF Global Equity Class	16
AGF Canadian Conservative Income Fund	469	AGF Global Perspective Class	14
AGF American Growth Class	464	AGF Global Financial Services Class	13
AGF International Stock Class	346	AGF Germany Class	12
AGF Global Government Bond Fund	294	AGF Dividend Income Fund	9
AGF World Balanced Fund	251	AGF Global Real Estate Equity Class	7
AGF Emerging Markets Fund	223	AGF Canadian Real Value Fund	7
AGF Special U.S. Class	219	AGF U.S. Value Class	6
AGF Asian Growth Class	169	AGF Managed Futures Fund	6
AGF Japan Class	168	Others	7
			<b>\$ 25,378</b>

# AGF Limited Partnership 1990

## Management's Discussion and Analysis of Financial Condition and Results of Operations

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For the years ended December 31, 2005 and December 31, 2004

Management's Discussion and Analysis ("MD&A") presents an analysis of the financial condition of AGF Limited Partnership 1990 (the "Partnership") as at December 31, 2005 compared with December 31, 2004, and the results of operations for the year ended December 31, 2005 compared with the corresponding periods of 2004. This discussion should be read in conjunction with our audited financial statements and notes for 2005. The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP"). All dollar amounts are in Canadian dollars.

The MD&A includes forward-looking statements about the Partnership. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "intends", "plans", "believes", or negative versions thereof and similar expressions. The MD&A contains forward-looking statements that are based on current expectations and projections about future events and are inherently subject to, among other things, risks and uncertainties beyond the Partnership's control. These risks and uncertainties include economic conditions, market fluctuations, interest rate and foreign exchange movements, political events, regulatory change and competitive developments. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. We are under no obligation (and expressly disclaim any such obligation) to update or alter the forward-looking statements whether as a result of new information, future events or otherwise. Actual results could differ materially from those contemplated by the forward-looking statements.

### **FORMATION AND BUSINESS OF AGF LIMITED PARTNERSHIP 1990**

The Partnership was formed on January 3, 1990 for the purpose of arranging for the distribution of securities of certain mutual funds ("Distributed Securities"), which form part of the AGF Group of Funds, which were sold on a contingent deferred sales charge basis. The Partnership paid the selling commissions on such securities.

As at December 31, 2005, the Partnership has total issued and outstanding units of 85,001. The units do not qualify as investments for registered tax plans such as RSP, DPSP and RIF.

### **REVENUE**

The Partnership's primary sources of revenue are distribution fees and deferred sales charges earned from the Distributed Securities to which it has distribution rights. The redemption fee schedule applicable to the Distributed Securities has expired. As a result, the Partnership will no longer receive any deferred sales charges. The future stream of revenues is a function of the market value of these assets and the rate and timing of the redemptions of the underlying assets.

### **DISTRIBUTION FEES**

The Partnership receives from AGF Funds Inc. ("AGFFI"), a subsidiary of AGF Management Limited ("AGF"), a monthly distribution fee calculated on an annual basis of 0.50% of the net asset value of the remaining Distributed Securities, which remain outstanding.

Distribution fees amounted to \$135,758 in 2005 as compared to \$168,769 in 2004. The decrease of 19.6% in distribution fees was primarily attributable to the lower net asset value of Distributed Securities from \$30.4 million as at December 31, 2004 to \$25.4 million as at December 31, 2005.

# AGF Limited Partnership 1990

## Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a summary of the changes in Distributed Securities for 2005 and 2004:

(Unaudited)	(in thousands)	
Years ended December 31	<b>2005</b>	<b>2004</b>
Market value of Distributed Securities, beginning of year	\$ 30,442	\$ 38,418
Increase in market value of Distributed Securities, including reinvested distributions	3,029	2,597
Redemption of Distributed Securities	(8,093)	(10,573)
<b>Market value of Distributed Securities, end of year</b>	<b>\$ 25,378</b>	<b>\$ 30,442</b>

The 2005 annual redemption rate based on the market value of Distributed Securities at the beginning of the year was 26.6% compared to 27.5% in 2004. Redemptions accounted for \$8.1 million of the decline in the value of Distributed Securities during 2005, offset by market appreciation and reinvested distributions totaling \$3.0 million.

### **DISTRIBUTED SECURITIES COMPOSITION**

The composition of Distributed Securities as at December 31, 2005 and 2004 are shown in the table below. The relative weighting of each asset class will change over time, based on performance, redemptions, and unitholder switches between funds.

#### **Composition of Distributed Securities based on Market Value as at December 31:**

(Unaudited)	<b>2005</b>	<b>2004</b>
	<u>%</u>	<u>%</u>
Canadian Equity Funds	41	35
Canadian Fixed Income Funds	26	26
International Equity Funds	15	19
Canadian Balanced and Asset Allocation Funds	10	11
International Fixed Income Funds and Others	5	5
U.S. Equity Funds	3	4
<b>Total</b>	<b>100</b>	<b>100</b>

### **REVENUE TERMINATION DATES**

The Partnership will continue to receive distribution fee revenue as long as Distributed Securities remain outstanding or until the Partnership is dissolved, whichever is earlier. The distribution fee in respect of such Distributed Securities will continue to be payable to the Partnership notwithstanding the expiry or earlier termination of the Partnership's distribution right.

The redemption fee schedule applicable to the Distributed Securities has expired.

### **OPERATING EXPENSES**

Total operating expenses for the year ended December 31, 2005 were \$56,064, a decrease of 5.2% from \$59,138 in 2004. The decrease was primarily attributable to the decrease in administration fees.

# AGF Limited Partnership 1990

## Management's Discussion and Analysis of Financial Condition and Results of Operations

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### **FINANCIAL CONDITION AND LIQUIDITY**

Total assets were \$66,833 as at December 31, 2005 as compared to \$70,300 as at December 31, 2004. Assets as at December 31, 2005 consisted of cash and term-deposit totaling \$56,259 and receivables of \$10,574. These assets were used primarily to finance the quarterly distributions payable to limited partners.

The total amount of uncashed distribution cheques included in cash and distributions payable was \$37,245 as at December 31, 2005 as compared to \$37,034 as at December 31, 2004.

The Partnership was formed to finance selling commissions during a fixed period of time, after which the Partnership collects the fees to which they are entitled with no significant ongoing financial obligation other than the ordinary operating expenses. The Partnership distributes its income to limited partners on a quarterly basis and does not retain permanent investment assets.

### **FINANCIAL INSTRUMENTS**

The Partnership's financial instruments consist of cash and term-deposit, distribution fees and interest receivable, accounts payable and accrued liabilities, and distributions payable. Unless otherwise noted, it is management's opinion that the Partnership is not exposed to significant interest rate, credit, or currency risks arising from these financial instruments.

### **CASH DISTRIBUTIONS AND TAXABLE INCOME**

The Partnership itself is not directly subject to income tax. Instead, the Partnership's income or loss for tax purposes is calculated and flowed through to limited partners. Limited partners who beneficially hold the Partnership units on December 31 of any year are allocated income or loss for tax purposes based on the entire year's income or loss. This means that any limited partner who purchases units part way through the year and holds these units at year end is allocated taxable income or loss for the entire year, regardless of the cash distributions actually paid to them. In other words, taxable investors who purchase the Partnership units that generate taxable income part way through the year and hold these units at year-end would have a tax liability based on the taxable income of the entire year and not just on the cash distributions they have received.

Cash distributions are paid quarterly to limited partners of record on March 31, June 30, September 30 and December 31.

Cash distributions and taxable income for the year ended December 31, 2005 were \$0.95 per limited partnership unit as compared to \$1.30 per limited partnership unit in 2004. Cash distributions per limited partnership unit for the three most recent years are shown on page 6.

### **SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. A summary of significant accounting policies is presented in note 2 to the financial statements.

# AGF Limited Partnership 1990

## Management's Discussion and Analysis of Financial Condition and Results of Operations

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### **RELATED PARTY TRANSACTIONS**

AGF Partners Limited is the general partner and is responsible for the management of the Partnership on a day-to-day basis. In consideration for its services, the general partner is entitled to 0.01% of the net distributable income of the Partnership. It also receives a fee equal to 15% of the operating expenses of the Partnership and has engaged AGF, its parent company, to assist it in carrying out its management obligations to the Partnership. These services are in the normal course of operations and are recorded at the amount of consideration agreed to by the parties. Administration fees for the year ended December 31, 2005 amounted to \$24,086 as compared to \$28,336 a year ago.

### **OUTLOOK AND RISKS**

The Partnership's only source of future revenue is distribution fees since the redemption fee schedule for the Distributed Securities expired at the end of 1999. Distribution fees are expected to continue to decline in the future as the level of Distributed Securities declines. Distribution fees are impacted by the following risks:

#### **Redemption Rate Risk**

The amount of distribution fees to be earned by the Partnership will decrease as the level of redemptions from the Distributed Securities increases. The annual rate of redemptions remained relatively constant over the past two years. Based on the combination of the age of Distributed Securities and the expiration of the redemption fee schedule, we do not expect the rate of redemptions to decline significantly in the future.

#### **Market Risk**

The Partnership's revenue stream is subject to equity market risk. Market appreciation increases the value of Distributed Securities which increases the distribution fees of the Partnership. Conversely, market depreciation decreases the value of Distributed Securities which decreases the distribution fees of the Partnership. Market value of Distributed Securities including reinvested distributions increased over the past two years.

### **CORPORATE GOVERNANCE**

The Partnership's business operations are managed by the general partner, AGF Partners Limited, which is a wholly-owned subsidiary of AGF. The general partner carries out its duties and obligations pursuant to the terms of the Partnership agreement. The Partnership's principal sources of revenue are the distribution fees and deferred sales charges in respect of the AGF mutual funds managed by AGFFI.

The Partnership is responsible for the existence of appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable. The Board of Directors of the general partner has been charged with the oversight role to ensure the integrity and fair presentation of the reported information.

### **REGULATORY FILINGS**

The Partnership's annual and interim financial statements are available at the AGF website, [www.agf.com](http://www.agf.com) and at the Canadian Securities Administrators' website, [www.sedar.com](http://www.sedar.com).

# AGF Limited Partnership 1990

## Management's Discussion and Analysis of Financial Condition and Results of Operations

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### SELECTED QUARTERLY AND ANNUAL INFORMATION

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Year ended December 31, 2005	Total	Q4*	Q3*	Q2*	Q1*
Revenue	\$ 136,466	\$ 31,686	\$ 33,773	\$ 34,288	\$ 36,719
Net income for the period	80,402	16,568	19,986	20,530	23,318
Net income and cash distribution per limited partnership unit	0.95	0.20	0.24	0.24	0.27
<b>Total assets</b>	<b>66,833</b>				

Year ended December 31, 2004	Total	Q4*	Q3*	Q2*	Q1*
Revenue	\$ 169,225	\$ 38,206	\$ 40,370	\$ 43,578	\$ 47,071
Net income for the period	110,087	23,649	24,670	28,597	33,171
Net income and cash distribution per limited partnership unit	1.30	0.28	0.29	0.34	0.39
<b>Total assets</b>	<b>70,300</b>				

Year ended December 31, 2003	Total	Q4*	Q3*	Q2*	Q1*
Revenue	\$ 195,586	\$ 48,051	\$ 49,039	\$ 48,823	\$ 49,673
Net income for the period	133,228	32,976	34,029	32,686	33,537
Net income and cash distribution per limited partnership unit	1.57	0.39	0.40	0.39	0.39
<b>Total assets</b>	<b>42,201</b>				

\*Unaudited

January 18, 2006

## **Auditors' Report**

### **To the Partners of AGF Limited Partnership 1990**

We have audited the balance sheets of **AGF Limited Partnership 1990** as at December 31, 2005 and 2004 and the statements of operations and deficit and cash flow for the years then ended. These financial statements are the responsibility of the general partner. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the partnership as at December 31, 2005 and 2004 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

**(Signed) "PricewaterhouseCoopers LLP"**

**Chartered Accountants**

Toronto, Ontario

# AGF Limited Partnership 1990 Balance Sheets

As at December 31	2005	2004
<b>Assets</b>		
Current Assets:		
Cash and term-deposit	\$ 56,259	\$ 57,594
Distribution fees and interest receivable	10,574	12,706
<b>Total Assets</b>	<b>\$ 66,833</b>	<b>\$ 70,300</b>
<b>Liabilities and Partners' Equity</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 13,020	\$ 9,616
Distributions payable (note 4)	53,813	60,684
	66,833	70,300
Partners' Equity:		
General partner	100	100
Limited partners – 85,001 units	8,500,100	8,500,100
Less: Issue expenses	(1,000,331)	(1,000,331)
	7,499,869	7,499,869
Deficit	(7,499,869)	(7,499,869)
	-	-
<b>Total Liabilities and Partners' Equity</b>	<b>\$ 66,833</b>	<b>\$ 70,300</b>

*The accompanying notes are an integral part of the financial statements.*

Approved by the Board of Directors of  
AGF Partners Limited, as General Partner

<Blake C. Goldring>  
Blake C. Goldring, Director

< C. Warren Goldring >  
C. Warren Goldring, Director

# AGF Limited Partnership 1990

## Statements of Operations and Deficit

For the years ended December 31	2005	2004
<b>Operations</b>		
Revenue:		
Distribution fees	\$ 135,758	\$ 168,769
Interest	708	456
	<u>136,466</u>	<u>169,225</u>
Expenses:		
Administration fees (note 3)	24,086	28,336
Audit, legal and filing fees	19,911	18,665
Transfer agent fees	9,177	8,323
Printing, reporting and mailing	2,890	3,814
	<u>56,064</u>	<u>59,138</u>
Net income for the year	\$ 80,402	\$ 110,087
Net income per limited partnership unit	\$ 0.95	\$ 1.30
<b>Deficit</b>		
Balance beginning of year	\$ (7,499,869)	\$ (7,499,869)
Net income for the year	80,402	110,087
Distributions to partners	(80,402)	(110,087)
Balance end of year	\$ (7,499,869)	\$ (7,499,869)

*The accompanying notes are an integral part of the financial statements*

# AGF Limited Partnership 1990

## Statements of Cash Flow

For the years ended December 31	<b>2005</b>	<b>2004</b>
<b>Operating Activities:</b>		
Net income for the year	\$ 80,402	\$ 110,087
Decrease in non-cash balances related to operations	5,536	3,720
	<b>85,938</b>	<b>113,807</b>
<b>Financing Activities:</b>		
Uncashed distribution cheques (note 4)	211	37,034
Distributions paid to partners	(87,484)	(119,412)
	<b>(87,273)</b>	<b>(82,378)</b>
<b>Increase (decrease) in cash during the year</b>	<b>(1,335)</b>	<b>31,429</b>
Cash beginning of year	57,594	26,165
Cash end of year	\$ 56,259	\$ 57,594

*Note: Cash is defined as cash and term-deposit.  
The accompanying notes are an integral part of the financial statements.*

# AGF Limited Partnership 1990

## Notes to Financial Statements

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For the years ended December 31, 2005 and 2004

### 1. Partnership Operations

AGF Limited Partnership 1990 (the "Partnership") was formed on January 3, 1990 for the purpose of arranging for the distribution of securities of certain mutual funds ("Distributed Securities"), which form part of the AGF Group of Funds, which were sold on a contingent deferred sales charge basis. The Partnership paid the selling commissions on such securities.

In return for its services, the Partnership receives from AGF Funds Inc., a subsidiary of AGF Management Limited ("AGF"), a monthly distribution fee calculated on an annual basis of 0.50% of the net asset value of the remaining Distributed Securities. Distributed Securities are the mutual fund shares or units on which the Partnership paid the selling commissions, shares or units issued on subsequent transfers and reinvested distributions. In addition, the Partnership receives any contingent deferred sales charges payable by an investor on the redemption of Distributed Securities. The redemption fee schedule applicable to the Distributed Securities has expired.

### 2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

#### Selling Commissions

The selling commissions were fully amortized and expensed.

#### Financial Instruments

The Partnership's financial instruments consist of cash and term-deposit, distribution fees and interest receivable, accounts payable and accrued liabilities, and distributions payable. Unless otherwise noted, it is management's opinion that the Partnership is not exposed to significant interest, credit or currency risks arising from these financial instruments.

#### Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

### 3. Related Party Transactions

AGF Partners Limited is the general partner and is responsible for the management of the Partnership on a day-to-day basis. In consideration for its services, the general partner is entitled to 0.01% of the net distributable income of the Partnership. It also receives a fee equal to 15% of the operating expenses of the Partnership and has engaged AGF to assist it in carrying out its management obligations to the Partnership. These services are in the normal course of operations and are recorded at the amount of consideration agreed to by the parties. Administration fees during the year 2005 amounted to \$24,086 (2004 - \$28,336).

# AGF Limited Partnership 1990

## Notes to Financial Statements

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#### **4. Uncashed Distribution Cheques**

The total amount of uncashed distribution cheques as at December 31, 2005 was \$37,245 (December 31, 2004 - \$37,034). For accounting purposes, this amount has been classified as cash and distributions payable on the balance sheet.

#### **5. Taxation of the Partnership**

These financial statements include only the assets and liabilities of the Partnership and do not include the other assets and liabilities, including income taxes, of the partners.

The Partnership is not taxable. An individual who is a limited partner on December 31 of each year will be allocated a pro-rata share of the income or loss for tax purposes for the whole year of the Partnership.



What are you doing after work?

**AGF Limited Partnership 1990**

**Head Office**

P.O. Box 50  
Toronto Dominion Centre  
Toronto, ON M5K 1E9  
Toll free: 1 800 268-8583

**Transfer Agent**

CIBC MELLON TRUST COMPANY  
P.O. Box 7010, Adelaide Street Postal Station  
Toronto, ON M5C 2W9  
Telephone: 416 643-5500  
Toll free: 1 800 387-0825  
E-Mail: [inquiries@cibcmellon.com](mailto:inquiries@cibcmellon.com)  
Website: [www.cibcmellon.com](http://www.cibcmellon.com)

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