

AGF Master Limited Partnership

2005 ANNUAL REPORT



What are you doing after work?

AGF Master Limited Partnership

Market Value of Distributed Securities

(Unaudited)

As at December 31, 2005

	Market Value (in thousands)		Market Value (in thousands)
CANADIAN EQUITY FUNDS		CANADIAN FIXED INCOME FUNDS	
AGF Canadian Stock Fund	\$ 185,587	AGF Canadian Bond Fund	\$ 50,505
AGF Canadian Large Cap Dividend Fund	157,075	AGF Canadian Conservative Income Fund	28,861
AGF Canadian Growth Equity Fund Limited	139,679	AGF Canadian Money Market Fund	24,751
AGF Canadian Small Cap Fund	17,887	AGF Canadian High Yield Bond Fund	2,151
AGF Canadian Real Value Fund	3,389		<u>106,268</u>
AGF Canada Class	2,017		
AGF Dividend Income Fund	1,363	SPECIALTY EQUITY FUNDS	
AGF Monthly High Income Fund	1,028	AGF Canadian Resources Fund Limited	39,198
AGF Diversified Dividend Income Fund	495	AGF Precious Metals Fund	6,220
	<u>508,520</u>	AGF Global Health Sciences Class	670
		AGF Managed Futures Fund	456
INTERNATIONAL EQUITY FUNDS		AGF Global Financial Services Class	317
AGF International Value Fund	127,671	AGF Global Technology Class	209
AGF European Equity Class	44,442	AGF Global Resources Class	188
AGF International Stock Class	21,022	AGF Global Real Estate Equity Class	149
AGF Asian Growth Class	12,796		<u>47,407</u>
AGF Japan Class	8,510		
AGF World Companies Fund	7,543	U.S. EQUITY FUNDS	
AGF Global Equity Class	5,057	AGF American Growth Class	17,790
AGF Emerging Markets Fund	4,276	AGF Aggressive Growth Fund	8,843
AGF China Focus Class	2,627	AGF Special U.S. Class	3,172
AGF Aggressive Global Stock Fund	2,586	AGF U.S. Value Class	319
AGF Germany Class	1,338	AGF U.S. Risk Managed Class	25
AGF Global Perspective Class	1,096		<u>30,149</u>
AGF International Value Class	1,029		
AGF Aggressive Japan Class	142	INTERNATIONAL BALANCED AND ASSET ALLOCATION FUNDS	
AGF Elements Global Portfolio	109	AGF World Balanced Fund	24,389
AGF World Opportunities Fund	30	AGF Elements Growth Portfolio	120
	<u>240,274</u>		<u>24,509</u>
CANADIAN BALANCED AND ASSET ALLOCATION FUNDS		INTERNATIONAL FIXED INCOME FUNDS	
AGF Canadian Real Value Balanced Fund	72,059	AGF Global Government Bond Fund	7,231
AGF Canadian Balanced Fund	70,872	AGF RSP Global Bond Fund	3,195
AGF Elements Balanced Portfolio	522	AGF Global High Yield Bond Fund	1,172
AGF Elements Conservative Portfolio	48	AGF Short-Term Income Class	945
	<u>143,501</u>		<u>12,543</u>
		TOTAL DISTRIBUTED SECURITIES	\$ <u>1,113,171</u>

AGF Master Limited Partnership

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

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 Master Limited Partnership ("Master LP") 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 Master LP. 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 Master LP'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 MASTER LIMITED PARTNERSHIP

Master LP was formed through the mergers of eleven AGF and 20/20 limited partnerships (the "Merging Partnerships").

The Merging Partnerships were formed for the purpose of arranging for the distribution of securities of certain of the AGF and 20/20 mutual funds, which were sold on a contingent deferred sales charge basis ("Distributed Securities"). The Merging Partnerships paid selling commissions to registered dealers ranging from 4% to 6% of the purchase price of such securities.

As at December 31, 2005, Master LP has total issued and outstanding units of 8,568,159. These units of Master LP are listed for trading on the Toronto Stock Exchange (the "Exchange") under the symbol AFP.UN. The units also qualify for investments by registered tax plans such as RSP and RIF although they did constitute "foreign property" subject to the foreign content limitation for tax purposes. Bill C-43 was approved on June 29, 2005 and became law which eliminated the foreign content limit retroactive to January 2005.

REVENUE

Master LP's primary sources of revenue are distribution fees and deferred sales charges (also referred to as "redemption fees") earned from the Distributed Securities to which it has distribution rights.

The following table illustrates the breakdown of distribution fee revenue, deferred sales charge revenue and interest revenue for the years ended December 31, 2005 and December 31, 2004, respectively:

Years ended December 31	2005	2004	% Change
Distribution fees	\$ 6,298,842	\$ 7,984,157	(21.1)
Deferred sales charges	-	253,008	(100.0)
Interest	82,351	87,568	(6.0)

AGF Master Limited Partnership

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

DISTRIBUTION FEES

Master LP receives from AGF Funds Inc. ("AGFFI"), a subsidiary of AGF Management Limited ("AGF"), a monthly distribution fee calculated at annual rates ranging from 0.50% to 0.90% of the net asset value of the Distributed Securities which remain outstanding. The net asset value of Distributed Securities is primarily affected by the market performance and redemptions of Distributed Securities. Distribution fees accounted for 98.7% and 95.9% of Master LP's total revenue in the years 2005 and 2004, respectively.

Distribution fees amounted to \$6.3 million in 2005 as compared to \$8.0 million in 2004. The decrease of 21.1% in distribution fees was primarily attributable to the lower net asset value of Distributed Securities from \$1,354.7 million as at December 31, 2004 to \$1,113.2 million as at December 31, 2005.

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

(Unaudited)	(in millions)	
Years ended December 31	2005	2004
Market value of Distributed Securities, beginning of year	\$ 1,354.7	\$ 1,694.7
Increase in market value of Distributed Securities, including reinvested distributions	134.2	118.2
Redemption of Distributed Securities	(375.7)	(458.2)
Market value of Distributed Securities, end of year	\$ 1,113.2	\$ 1,354.7

The 2005 annual redemption rate based on the market value of Distributed Securities at the beginning of the year was 27.7% compared to 27.0% in 2004. Redemptions accounted for \$375.7 million of the decline in the value of Distributed Securities during 2005, offset by market appreciation and reinvested distributions totaling \$134.2 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)	2005	2004
	%	%
Canadian Equity Funds	46	39
International Equity Funds	22	26
Canadian Balanced and Asset Allocation Funds	13	13
Canadian Fixed Income Funds	9	11
International Fixed Income Funds and Others	7	7
U.S. Equity Funds	3	4
Total	100	100

AGF Master Limited Partnership

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

DEFERRED SALES CHARGES

As at January 1, 2005, all remaining assets were off the redemption schedule, accordingly no revenues were earned in 2005 from deferred sales charges and no further revenues will be earned in the future.

REVENUE TERMINATION DATES

Master LP is entitled to the same revenue streams, with the same termination dates, as the Merging Partnerships. The following table illustrates the expiry date applicable to the various pools of Distributed Securities in respect of which Master LP has the right to receive distribution fees:

Partnership	Distributed Securities		
	(Market Value as at December 31, 2005) (Unaudited) (in thousands)	Annual Distribution Fee Rate	Distribution Fee Expiry Date (December 31)
Sunset America	\$ 8,105	0.85%	2017
20/20 1989 LP	2,920	0.90%	2017
20/20 1991 LP	32,750	0.65%	2017
AGF LP No. 3	8,111	0.50%	2006
AGF LP 1992	73,074	0.50%	2007
AGF LP 1993	173,255	0.50%	2008
AGF LP 1994	167,544	0.50%	2009
AGF LP 1995	93,539	0.51%	2010
AGF LP No. 8	30,233	0.56%	2011
AGF LP 1996	237,647	0.55%	2011
AGF LP 1997	285,993	0.53%	2012
	\$ 1,113,171		

Master LP will continue until March 31, 2018 unless procedures as specified in the Master LP partnership agreement for the dissolution of Master LP are commenced earlier upon the occurrence of certain events stated in the Master LP partnership agreement.

INTEREST

Interest is earned on short-term investments held by Master LP during the year. The decrease of 6.0% in interest revenue in 2005 as compared to 2004 was due to the decrease in the average amount of cash available for investment throughout 2005.

As at December 31, 2005, cash and short-term investments held by Master LP amounted to \$6.3 million as compared to \$8.1 million in 2004. A significant portion of these investments have since been liquidated to fund the cash distribution made by Master LP to limited partners in January 2006.

AMORTIZATION OF SELLING COMMISSIONS

For accounting purposes, selling commissions paid on the sales of Distributed Securities are recorded at cost and are amortized on a straight-line basis over a period which corresponds with the applicable deferred sales charge schedule (which ranges from six to ten years). In addition, when the deferred sales charges from the redemption of Distributed Securities are earned, the related unamortized selling commissions are expensed. The selling commissions were fully amortized and expensed by December 31, 2004.

AGF Master Limited Partnership

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

OPERATING EXPENSES

Total operating expenses for the year ended December 31, 2005 were \$476,284, a decrease of 7.7% from \$515,789 in 2004. The decrease was primarily attributable to the decrease in administration fees.

FINANCIAL CONDITION AND LIQUIDITY

Total assets were \$6.3 million as at December 31, 2005 as compared to \$8.2 million as at December 31, 2004. Assets as at December 31, 2005 mainly consisted of cash and term-deposit totaling \$6.3 million. Assets as at December 31, 2005 were used primarily to finance the annual cash distributions of \$0.6891 per limited partnership unit paid on January 30, 2006 to limited partners of record on December 31, 2005.

The total amount of uncashed distribution cheques included in cash and distributions payable was \$359,480 as at December 31, 2005 as compared to \$353,791 as at December 31, 2004.

The Merging Partnerships were formed to finance selling commissions during a fixed period of time, after which the Merging Partnerships collect the fees to which they are entitled with no significant ongoing financial obligation other than the ordinary operating expenses. Master LP distributes its income to limited partners on an annual basis and does not retain permanent investment assets.

FINANCIAL INSTRUMENTS

Master LP'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 DISTRIBUTION AND TAXABLE INCOME

Master LP has adopted an annual distribution policy as a result of the adverse tax consequences which would have arisen for at least a significant majority of the limited partners who participated in the merger if distributions were made more frequently than annually. Master LP may reconsider the distribution frequency if changes in tax laws have the effect of eliminating such adverse tax consequences.

Master LP itself is not directly subject to income tax. Instead, Master LP's income or loss for tax purposes is calculated and flowed through to limited partners.

Cash distributions for 2005 were \$0.69 per limited partnership unit and \$0.91 per limited partnership unit in 2004. In January 2006, Master LP paid cash distributions to limited partners of record on December 31, 2005. Cash distributions per limited partnership unit for the three most recent years are shown on page 7.

Taxable income for 2005 was \$0.69 per limited partnership unit and \$0.91 per limited partnership unit in 2004. Reconciliation between net income per financial statements, cash distributions and income for tax purposes for fiscal years 2005 and 2004 are provided below.

Years ended December 31	2005		2004	
	Total	Per Unit	Total	Per Unit
Net income per financial statements	\$ 5,904,909	\$ 0.6891	\$ 5,209,020	\$ 0.6079
Add: Amortization of selling commissions	-	-	2,599,924	0.3034
Cash distribution	5,904,909	0.6891	7,808,944	0.9113
Deduct: Issue and merger expenses	-	-	(15,828)	(0.0018)
Income for tax purposes	\$ 5,904,909	\$ 0.6891	\$ 7,793,116	\$ 0.9095

AGF Master Limited Partnership

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

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.

RELATED PARTY TRANSACTIONS

AGF Partners No. Five Limited is the general partner and is responsible for the management of Master LP 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 Master LP. It also receives a fee equal to 15% of the operating expenses of Master LP and has engaged AGF, its parent company, to assist it in carrying out its management obligations to Master LP. 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 \$240,856 as compared to \$283,360 a year ago.

OUTLOOK AND RISKS

Master LP's only source of future revenue is distribution fees since all the redemption fee schedules for the Distributed Securities expired at the end of 2004. 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 Master LP 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 schedules, we do not expect the rate of redemptions to decline significantly in the future.

Market Risk

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

CORPORATE GOVERNANCE

Master LP's business operations are managed by the general partner, AGF Partners No. Five Limited, which is a wholly-owned subsidiary of AGF. The general partner carries out its duties and obligations pursuant to the terms of the Master LP's partnership agreement. Master LP's principal sources of revenue are the distribution fees and deferred sales charges in respect of the AGF mutual funds managed by AGFFI.

Master LP 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. Given the nature of the business, the general partner has determined that the corporate governance guidelines set out by the Exchange are not applicable to Master LP's operations.

AGF Master Limited Partnership

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

REGULATORY FILINGS

Master LP's annual and interim financial reports, Annual Information Form ("AIF") and MD&As are available at the AGF website, www.agf.com and at the Canadian Securities Administrators' website, www.sedar.com.

SELECTED QUARTERLY AND ANNUAL INFORMATION

(in thousands, except per unit amounts)

Year ended December 31, 2005	Total	Q4*	Q3*	Q2*	Q1*
Revenue	\$ 6,381.2	\$ 1,498.4	\$ 1,563.4	\$ 1,587.8	\$ 1,731.6
Net income for the period	5,904.9	1,379.3	1,443.2	1,467.6	1,614.8
Net income and cash distribution per limited partnership unit	0.69	0.16	0.17	0.17	0.19
Total assets	6,331.0				

(in thousands, except per unit amounts)

Year ended December 31, 2004	Total	Q4*	Q3*	Q2*	Q1*
Revenue	\$ 8,324.7	\$ 1,849.9	\$ 1,927.3	\$ 2,135.9	\$ 2,411.6
Net income for the period	5,209.0	1,233.4	1,315.1	1,521.5	1,139.0
Net income per unit	0.61	0.15	0.15	0.18	0.13
Cash distribution per limited partnership unit	0.91	0.20	0.21	0.23	0.27
Total assets	8,206.0				

(in thousands, except per unit amounts)

Year ended December 31, 2003	Total	Q4*	Q3*	Q2*	Q1*
Revenue	\$ 10,293.0	\$ 2,488.8	\$ 2,542.1	\$ 2,519.1	\$ 2,743.0
Net income for the period	4,193.4	980.1	1,021.4	984.0	1,207.9
Net income per unit	0.49	0.11	0.12	0.12	0.14
Cash distribution per limited partnership unit	1.14	0.28	0.28	0.28	0.30
Total assets	12,451.4				

*Unaudited

January 18, 2006

Auditors' Report

To the Partners of AGF Master Limited Partnership

We have audited the balance sheets of **AGF Master Limited Partnership** 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 Master Limited Partnership

Balance Sheets

As at December 31	2005	2004
Assets		
Current Assets:		
Cash and term-deposit	\$ 6,270,561	\$ 8,105,335
Distribution fees and interest receivable	60,457	100,623
	6,331,018	8,205,958
Selling commissions	-	202,432,555
Accumulated amortization and commissions expensed	-	(202,432,555)
	-	-
Total Assets	\$ 6,331,018	\$ 8,205,958
Liabilities and Partners' Equity		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 66,629	\$ 43,228
Distributions payable (note 5)	6,264,389	8,162,730
	6,331,018	8,205,958
Partners' Equity:		
General partner	2,510	2,510
Limited partners – 8,568,159 units	209,793,390	209,793,390
Issue and merger expenses	(18,069,356)	(18,069,356)
	191,726,544	191,726,544
Deficit	(191,726,544)	(191,726,544)
	-	-
Total Liabilities and Partners' Equity	\$ 6,331,018	\$ 8,205,958

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

Approved by the Board of Directors of
AGF Partners No. Five Limited, as General Partner

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

<Gregory Henderson>
Gregory Henderson, Director

AGF Master Limited Partnership

Statements of Operations and Deficit

For the years ended December 31	2005		2004	
Operations				
Revenue:				
Distribution fees	\$	6,298,842	\$	7,984,157
Deferred sales charges		-		253,008
Interest		82,351		87,568
		<u>6,381,193</u>		<u>8,324,733</u>
Expenses:				
Amortization of selling commissions		-		2,599,924
Administration fees (note 4)		240,856		283,360
Audit, legal and filing fees		105,435		97,342
Transfer agent fees		91,861		96,381
Printing, reporting and mailing		38,132		38,706
		<u>476,284</u>		<u>3,115,713</u>
Net income for the year	\$	5,904,909	\$	5,209,020
Net income per limited partnership unit	\$	0.69	\$	0.61
Deficit				
Balance beginning of year		(191,726,544)		(189,126,620)
Net income for the year		5,904,909		5,209,020
Distributions to partners		(5,904,909)		(7,808,944)
Balance end of year	\$	<u>(191,726,544)</u>	\$	<u>(191,726,544)</u>

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

AGF Master Limited Partnership

Statements of Cash Flow

For the years ended December 31	2005	2004
Operating Activities:		
Net income for the year	\$ 5,904,909	\$ 5,209,020
Items not affecting cash -		
Amortization of selling commissions	-	2,599,924
	5,904,909	7,808,944
Decrease in non-cash balances related to operations	63,567	6,196
	5,968,476	7,815,140
Financing Activities:		
Uncashed distribution cheques (note 5)	5,689	353,791
Distributions paid to partners	(7,808,939)	(9,784,102)
	(7,803,250)	(9,430,311)
Decrease in cash during the year	(1,834,774)	(1,615,171)
Cash beginning of year	8,105,335	9,720,506
Cash end of year	\$ 6,270,561	\$ 8,105,335

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

AGF Master Limited Partnership

Notes to Financial Statements

For the years ended December 31, 2005 and 2004

1. Formation of the Partnership

AGF Master Limited Partnership ("Master LP") was formed on January 23, 1998 through the merger (the "Initial Merger") of the following AGF and 20/20 limited partnerships (collectively, the "Initial Merging Partnerships"):

AGF Limited Partnership 1992 ("AGF LP 1992")
AGF Limited Partnership 1993 ("AGF LP 1993")
AGF Limited Partnership 1994 ("AGF LP 1994")
AGF Limited Partnership 1995 ("AGF LP 1995")
AGF Limited Partnership No. Three ("AGF LP No. 3")
AGF Limited Partnership No. Eight ("AGF LP No. 8")
20/20 Group 1989 Limited Partnership ("20/20 1989 LP")
20/20 Group 1991 Limited Partnership ("20/20 1991 LP")
The Sunset America Fund Limited Partnership ("Sunset America")

In addition, limited partners of the Initial Merging Partnerships approved subsequent mergers of Master LP with AGF Limited Partnership 1996 ("AGF LP 1996") and AGF Limited Partnership 1997 ("AGF LP 1997") on the same terms and conditions as the Initial Merger. The mergers of Master LP with AGF LP 1996 (the "LP 96 Merger") and AGF LP 1997 (the "LP 97 Merger") were completed on January 22, 1999 and January 21, 2000, respectively.

The Initial Merging Partnerships, AGF LP 1996 and AGF LP 1997 are collectively referred to as the "Merging Partnerships" in these financial statements.

The Initial Merger, LP 96 Merger and the LP 97 Merger have been accounted for using the pooling of interests method. This method reports the assets, liabilities and results of operations of each partnership as if the Merging Partnerships have always been combined. Accordingly, the assets and liabilities of Master LP are reflected at the values recorded by each of the Merging Partnerships, and the statements of operations and deficit, and cash flow are reflected on a combined basis for the period in which the mergers occurred and for all prior periods.

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

Selling commissions are recorded at cost and are amortized on a straight-line basis over periods which correspond with the applicable deferred sales charge schedule (which ranges from six to 10 years). When the contingent deferred sales charges from the redemption of Distributed Securities are earned, the related unamortized selling commissions are expensed. Selling commissions were fully amortized as at December 31, 2004.

Investment

Short-term investments are carried at the lower of cost and market.

Issue and Merger Expenses

Expenses related to the initial offerings of the Merging Partnerships and expenses resulting from the mergers have been recorded as a reduction of partners' equity.

AGF Master Limited Partnership

Notes to Financial Statements

Financial Instruments

Master LP'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 Master LP is not exposed to significant interest rate, 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. Partnership Operations

The Merging Partnerships were formed 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 Merging Partnerships paid selling commissions to registered dealers ranging from 4% to 6% of the purchase price of such securities.

In return for their services, the Merging Partnerships received from AGF Funds Inc. ("AGFFI"), a subsidiary of AGF Management Limited ("AGF"), a monthly distribution fee calculated at annual rates ranging from 0.50% to 0.90% of the net asset value of the Distributed Securities which remain outstanding. Distributed Securities include the mutual fund shares or units on which the Merging Partnerships paid the selling commissions, shares or units issued on subsequent transfers (except for Sunset America) and reinvested distributions or dividends. In addition, the Merging Partnerships receive any contingent deferred sales charges payable by an investor on the redemption of Distributed Securities.

Upon their mergers, each of the Merging Partnerships transferred its rights to distribution fees and deferred sales charges to Master LP.

In accordance with the Limited Partnership Agreement as amended by a special resolution, Master LP will be dissolved no later than March 31, 2018.

4. Related Party Transactions

AGF Partners No. Five Limited is the general partner and is responsible for the management of Master LP 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 Master LP. It also receives a fee equal to 15% of the operating expenses of Master LP and has engaged AGF to assist it in carrying out its management obligations to the Master LP. 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 \$240,856 (2004 - \$283,360).

5. Uncashed Distribution Cheques

The total amount of uncashed distribution cheques as at December 31, 2005 was \$359,480 (December 31, 2004 - \$353,791). For accounting purposes, this amount has been classified as cash and distributions payable on the balance sheet.

6. Taxation of the Partnership

These Financial statements only include the assets and liabilities of Master LP and do not include the other assets and liabilities, including income taxes, of the partners. Mater LP allocated its income for tax purposes for the year ended December 31, 2005 to partners of record on December 31, 2005.



What are you doing after work?

AGF Master Limited Partnership

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