

# AGF Master Limited Partnership

2006 ANNUAL REPORT



What are you doing after work?

# AGF Master Limited Partnership

## Market Value of Distributed Securities

(Unaudited)

As at December 31, 2006

	Market Value (in thousands)		Market Value (in thousands)
<b>CANADIAN EQUITY FUNDS</b>		<b>CANADIAN FIXED INCOME FUNDS</b>	
AGF Canadian Large Cap Dividend Fund	\$ 147,153	AGF Canadian Money Market Fund	\$ 51,417
AGF Canadian Stock Fund	139,701	AGF Canadian Bond Fund	36,347
AGF Canadian Growth Equity Fund Limited	131,050	AGF Canadian Conservative Income Fund	19,358
AGF Canadian Small Cap Fund	18,958	AGF Canadian High Yield Bond Fund	1,550
AGF Dividend Income Fund	3,537		<u>108,672</u>
AGF Canadian Real Value Fund	3,536		
AGF Canada Class	1,757	<b>SPECIALTY EQUITY FUNDS</b>	
AGF Monthly High Income Fund	1,208	AGF Canadian Resources Fund Limited	38,787
AGF Diversified Dividend Income Fund	525	AGF Precious Metals Fund	7,992
	<u>447,425</u>	AGF Global Health Sciences Class	563
		AGF Global Financial Services Class	398
		AGF Global Resources Class	282
<b>INTERNATIONAL EQUITY FUNDS</b>		AGF Managed Futures Fund	224
AGF International Value Fund	103,376	AGF Global Real Estate Equity Class	218
AGF European Equity Class	51,799	AGF Global Technology Class	180
AGF International Stock Class	26,529		<u>48,644</u>
AGF Asian Growth Class	13,113		
AGF Japan Class	6,980	<b>U.S. EQUITY FUNDS</b>	
AGF World Companies Fund	6,814	AGF American Growth Class	14,329
AGF Emerging Markets Fund	5,245	AGF Aggressive Growth Fund	6,793
AGF Global Equity Class	4,803	AGF Special U.S. Class	2,683
AGF China Focus Class	3,784	AGF U.S. Value Class	335
AGF Elements Global Portfolio	3,067	AGF U.S. Risk Managed Class	61
AGF Aggressive Global Stock Fund	2,646		<u>24,201</u>
AGF Global Perspective Class	2,545		
AGF Germany Class	1,454	<b>INTERNATIONAL BALANCED AND ASSET ALLOCATION FUNDS</b>	
AGF International Value Class	835	AGF World Balanced Fund	25,706
AGF Aggressive Japan Class	123	AGF Elements Growth Portfolio	2,091
AGF World Opportunities Fund	24		<u>27,797</u>
	<u>233,137</u>		
		<b>INTERNATIONAL FIXED INCOME FUNDS</b>	
<b>CANADIAN BALANCED AND ASSET ALLOCATION FUNDS</b>		AGF Global Government Bond Fund	5,447
AGF Canadian Balanced Fund	63,249	AGF RSP Global Bond Fund	2,234
AGF Canadian Real Value Balanced Fund	59,296	AGF Short-Term Income Class	1,123
AGF Elements Balanced Portfolio	4,366	AGF Global High Yield Bond Fund	948
AGF Elements Conservative Portfolio	791		<u>9,752</u>
AGF Elements Yield Portfolio	390		
	<u>128,092</u>		
		<b>TOTAL DISTRIBUTED SECURITIES</b>	<b>\$ <u>1,027,720</u></b>

# AGF Master Limited Partnership Management's Discussion and Analysis of Financial Condition and Results of Operations

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For the years ended December 31, 2006 and December 31, 2005

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, 2006 compared with December 31, 2005, and the results of operations for the year ended December 31, 2006 compared with the corresponding periods of 2005. This discussion should be read in conjunction with our audited financial statements and notes for 2006. The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP"). Certain figures are rounded to the nearest two decimal places and 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, 2006, 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.

## **REVENUE**

Master LP's primary source of revenue is distribution fees earned from the Distributed Securities to which it has distribution rights. 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.

The redemption fee schedule applicable to the Distributed Securities has expired and the Master LP no longer receives any redemption fee revenue.

# AGF Master Limited Partnership

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

The following table illustrates the breakdown of distribution fee revenue and interest revenue for the years ended December 31, 2006 and December 31, 2005, respectively:

Years ended December 31	2006	2005	% Change
Distribution fees	\$ 5,498,237	\$ 6,298,842	(12.7)
Interest	151,346	82,351	83.8
<b>Total</b>	<b>\$ 5,649,583</b>	<b>\$ 6,381,193</b>	<b>(11.5)</b>

### DISTRIBUTION FEES

Master LP receives 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 97.3% and 98.7% of Master LP's total revenue in the years 2006 and 2005, respectively.

Distribution fees amounted to \$5.5 million in 2006 as compared to \$6.3 million in 2005. The decrease of 12.7% in distribution fees was primarily attributable to the decline in net asset value of Distributed Securities from \$1.11 billion as at December 31, 2005 to \$1.03 billion as at December 31, 2006.

The following is a summary of the changes in Distributed Securities for 2006 and 2005:

(Unaudited)	(in millions)	
Years ended December 31	2006	2005
Market value of Distributed Securities, beginning of year	\$ 1,113.2	\$ 1,354.7
Increase in market value of Distributed Securities, including reinvested distributions	175.6	134.2
Redemption of Distributed Securities	(261.1)	(375.7)
<b>Market value of Distributed Securities, end of year</b>	<b>\$ 1,027.7</b>	<b>\$ 1,113.2</b>

The 2006 annual redemption rate based on the market value of Distributed Securities at the beginning of the year was 23.5% compared to 27.7% in 2005. Redemptions accounted for \$261.1 million of the decline in the value of Distributed Securities during 2006, offset by market appreciation and reinvested distributions totaling \$175.6 million.

### DISTRIBUTED SECURITIES COMPOSITION

The composition of Distributed Securities as at December 31, 2006 and 2005 are shown in the table on page 4. The relative weighting of each asset class will change over time, based on performance, redemptions and unitholder switches between funds.

# AGF Master Limited Partnership Management's Discussion and Analysis of Financial Condition and Results of Operations

## Composition of Distributed Securities based on market value as at December 31:

(Unaudited)	2006	2005
	%	%
Canadian Equity Funds	44	46
International Equity Funds	23	22
Canadian Balanced and Asset Allocation Funds	12	13
Canadian Fixed Income Funds	11	9
International Fixed Income Funds and Others	8	7
U.S. Equity Funds	2	3
<b>Total</b>	<b>100</b>	<b>100</b>

## 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, 2006) (Unaudited) (in thousands)	Annual Distribution Fee Rate	Distribution Fee Expiry Date (December 31)
Sunset America	\$ 8,763	0.85%	2017
20/20 1989 LP	2,651	0.90%	2017
20/20 1991 LP	30,675	0.65%	2017
AGF LP No. 3	7,900	0.50%	2006
AGF LP 1992	69,417	0.50%	2007
AGF LP 1993	160,790	0.50%	2008
AGF LP 1994	155,312	0.50%	2009
AGF LP 1995	82,928	0.51%	2010
AGF LP No. 8	27,805	0.56%	2011
AGF LP 1996	211,643	0.55%	2011
AGF LP 1997	269,836	0.53%	2012
	<b>\$ 1,027,720</b>		

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 increase of 83.8% in interest revenue in 2006 as compared to 2005 was due to the recognition of interest revenue earned on unclaimed cheques.

# AGF Master Limited Partnership

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

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As at December 31, 2006, cash and short-term investments held by Master LP amounted to \$5.6 million as compared to \$6.3 million at December 31, 2005. A significant portion of these investments have since been liquidated to fund the cash distribution made by Master LP to limited partners in January 2007.

### **OPERATING EXPENSES**

Total operating expenses for the year ended December 31, 2006 were \$438,764, a decrease of 7.9% from \$476,284 in 2005. The decrease was primarily attributable to the decrease in administration fees.

### **FINANCIAL CONDITION AND LIQUIDITY**

Total assets were \$5.6 million as at December 31, 2006 as compared to \$6.3 million as at December 31, 2005. Assets as at December 31, 2006 were used primarily to finance the annual cash distributions of \$0.61 per limited partnership unit paid on January 31, 2007 to limited partners of record on December 31, 2006.

The total amount of uncashed distribution cheques included in cash and distributions payable was \$335,904 as at December 31, 2006 as compared to \$359,480 as at December 31, 2005.

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 2006 were \$0.61 per limited partnership unit and \$0.69 per limited partnership unit in 2005. In January 2007, Master LP paid cash distributions to limited partners of record on December 31, 2006. Cash distributions per limited partnership unit for the three most recent years are shown on page 7.

Taxable income for 2006 was \$0.61 per limited partnership unit and \$0.69 per limited partnership unit in 2005.

### **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 Master Limited Partnership

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

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### **EXEMPTIVE RELIEF**

On June 12, 2006, the Ontario Securities Commission granted Master LP exemptive relief from the requirements for the preparation, approval, filing and delivery of interim financial statements for the first and third quarters of each financial year, disclosure controls and procedures pursuant to Multilateral Instrument 52-109, and disclosure of corporate governance practices pursuant to Multilateral Instrument 52-110.

### **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 and will be reimbursed by Master LP for expenses incurred on behalf of Master LP. It also receives a fee equal to 15% of the operating expenses of Master LP and has engaged AGF Management Limited ("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, 2006 amounted to \$192,685 as compared to \$240,856 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 redemptions from Distributed Securities continue. The annual rate of redemptions decreased 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 declines decrease 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 Master LP's partnership agreement. Master LP's principal source of revenue is the distribution fees in respect of the AGF mutual funds managed by AGF Funds Inc. which comprise the Distributed Securities.

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](http://www.agf.com) and at the Canadian Securities Administrators' website, [www.sedar.com](http://www.sedar.com).

### SELECTED QUARTERLY AND ANNUAL INFORMATION

(in thousands, except per unit amounts)

Year ended December 31, 2006	Total	Q4*	Q3*	Q2*	Q1*
Revenue	\$ 5,649.6	\$ 1,423.0	\$ 1,345.2	\$ 1,388.8	\$ 1,492.6
Net income for the period	5,210.8	1,320.4	1,231.2	1,275.7	1,383.5
Net income and cash distribution per limited partnership unit	0.61	0.16	0.14	0.15	0.16
Total assets	5,612.9				

(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 limited partnership 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				

\*Unaudited



February 12, 2007

## **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, 2006 and 2005 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, 2006 and 2005 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

**Chartered Accountants**

Toronto, Ontario

# AGF Master Limited Partnership

## Balance Sheets

As at December 31	2006	2005
<b>Assets</b>		
Current Assets:		
Cash and term-deposit	\$ 5,555,868	\$ 6,270,561
Distribution fees and interest receivable	57,027	60,457
<b>Total Assets</b>	<b>\$ 5,612,895</b>	<b>\$ 6,331,018</b>
<b>Liabilities and Partners' Equity</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 66,172	\$ 66,629
Distributions payable (note 5)	5,546,723	6,264,389
	5,612,895	6,331,018
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)
	-	-
<b>Total Liabilities and Partners' Equity</b>	<b>\$ 5,612,895</b>	<b>\$ 6,331,018</b>

*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

<W. Robert Farquharson>  
W. Robert Farquharson, Director

<Greg Henderson>  
Greg Henderson, Director

# AGF Master Limited Partnership

## Statements of Operations and Deficit

For the years ended December 31	2006	2005
<b>Operations</b>		
Revenue:		
Distribution fees	\$ 5,498,237	\$ 6,298,842
Interest	151,346	82,351
	<u>5,649,583</u>	<u>6,381,193</u>
Expenses (note 7):		
Administration fees (note 4)	192,685	240,856
Audit, legal and filing fees	105,147	105,435
Transfer agent fees	114,571	91,861
Other costs	26,361	38,132
	<u>438,764</u>	<u>476,284</u>
Net income for the year	\$ 5,210,819	\$ 5,904,909
Net income per limited partnership unit	\$ 0.61	\$ 0.69
<b>Deficit</b>		
Balance beginning of year	(191,726,544)	(191,726,544)
Net income for the year	5,210,819	5,904,909
Distributions to partners	(5,210,819)	(5,904,909)
Balance end of year	\$ (191,726,544)	\$ (191,726,544)

*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	2006	2005
<b>Operating Activities:</b>		
Net income for the year	\$ 5,210,819	\$ 5,904,909
Net decrease in non-cash balances related to operations	2,973	63,567
	5,213,792	5,968,476
<b>Financing Activities:</b>		
Uncashed distribution cheques (note 5)	(23,576)	5,689
Distributions paid to partners	(5,904,909)	(7,808,939)
	(5,928,485)	(7,803,250)
<b>Decrease in cash during the year</b>	<b>(714,693)</b>	<b>(1,834,774)</b>
Cash beginning of year	6,270,561	8,105,335
Cash end of year	\$ 5,555,868	\$ 6,270,561

*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

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For the years ended December 31, 2006 and 2005

### 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.

# AGF Master Limited Partnership

## Notes to Financial Statements

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### **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.

### **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 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 and will be reimbursed by Master LP for expenses incurred on behalf of Master LP. It also receives a fee equal to 15% of the operating expenses of Master LP and has engaged AGF Management Limited 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 2006 amounted to \$192,685 (2005 - \$240,856).

# AGF Master Limited Partnership

## Notes to Financial Statements

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### **5. Uncashed Distribution Cheques**

The total amount of uncashed distribution cheques as at December 31, 2006 was \$335,904 (December 31, 2005 - \$359,480). 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. Master LP allocated its income for tax purposes for the year ended December 31, 2006 to partners of record on December 31, 2006.

### **7. Comparative Figures**

Certain 2005 and 2006 figures have been reclassified to conform to the presentation adopted in 2006.



What are you doing after work?

**AGF Master Limited Partnership**

**Head Office**

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**Transfer Agent**

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Website: [www.cibcmellon.com](http://www.cibcmellon.com)

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