AGF Master Limited Partnership

2009 ANNUAL REPORT

AGF

What are you doing after work?

AGF Master Limited Partnership
Market Value of Distributed Securities
(Unaudited)

As at December 31, 2009

	Market Value (in thousands)
CANADIAN EQUITY FUNDS	
AGF Canadian Large Cap Dividend Fund Class	$ 69,767
AGF Canadian Stock Fund	57,062
AGF Canadian Growth Equity Fund Limited	44,879
AGF Canadian Small Cap Fund	11,296
AGF Dividend Income Fund	1,539
AGF Monthly High Income Fund	1,254
AGF Canadian Value Fund	1,030
AGF Canada Class	884
AGF Canadian Large Cap Dividend Fund	594
AGF Large Cap Dividend Class	170
AGF Canadian Stock Class	107
AGF Canadian All Cap Equity Fund	83
	188,665
INTERNATIONAL EQUITY FUNDS	
AGF Global Value Fund	24,015
AGF European Equity Class	13,260
AGF International Stock Class	6,676
AGF Emerging Markets Fund	4,618
AGF Asian Growth Class	4,138
AGF Global Equity Fund	2,499
AGF China Focus Class	1,823
AGF Global Equity Class	1,657
AGF Global Value Class	1,558
AGF Japan Class	1,118
AGF Aggressive Global Stock Fund	1,109
AGF Global Dividend Fund	98
	62,568
CANADIAN BALANCED AND ASSET ALLOCATION FUNDS	
AGF Canadian Balanced Fund	29,313
AGF Canadian Value Balanced Fund	22,714
	52,027

	Market Value (in thousands)
CANADIAN FIXED INCOME FUNDS	
AGF Canadian Bond Fund	$ 21,839
AGF Canadian Money Market Fund	6,825
AGF Canadian Conservative Income Fund	5,914
AGF Canadian High Yield Bond Fund	994
	35,572
SPECIALTY EQUITY FUNDS	
AGF Canadian Resources Fund Limited	13,873
AGF Precious Metals Fund	3,568
AGF Global Resources Class	479
AGF Global Real Estate Equity Class	100
	18,020
INTERNATIONAL BALANCED AND ASSET ALLOCATION FUND	
AGF World Balanced Fund	9,708
ELEMENTS PORTFOLIOS	
AGF Elements Balanced Portfolio	4,523
AGF Elements Growth Portfolio	2,125
AGF Elements Global Portfolio	1,343
AGF Elements Conservative Portfolio	650
AGF Elements Yield Portfolio	235
	8,876
U.S. EQUITY FUNDS	
AGF American Growth Class	4,355
AGF Aggressive U.S. Growth Fund	3,268
AGF U.S. Risk Managed Class	18
	7,641
INTERNATIONAL FIXED INCOME FUNDS	
AGF Global Government Bond Fund	2,077
AGF Global High Yield Bond Fund	715
AGF Short-Term Income Class	569
	3,361
TOTAL DISTRIBUTED SECURITIES	**$ 386,438**

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

For the years ended December 31, 2009 and December 31, 2008

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, 2009 compared with December 31, 2008, and the results of operations for the year ended December 31, 2009 compared with the corresponding period of 2008. This discussion should be read in conjunction with our audited financial statements and notes for 2009. 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, or future or conditional verbs such as 'may', 'will', 'should', 'would' and 'could'. 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. Other than specifically required by applicable laws, 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, 2009, Master LP has total issued and outstanding units of 8,568,159 (2008 – 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 RSPs and RIFs.

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.

The following table illustrates the breakdown of distribution fee revenue and interest revenue for the years ended December 31, 2009 and December 31, 2008, respectively:

Years ended December 31	2009	2008	% Change
Distribution fees	$ 1,995,125	$ 3,361,169	(40.6)
Interest	6,861	65,011	(89.4)
Total	$ 2,001,986	$ 3,426,180	(41.6)

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 99.7% and 98.1% of Master LP's total revenue in the years 2009 and 2008, respectively.

Distribution fees amounted to $2.0 million in 2009 as compared to $3.4 million in 2008. The decrease of 40.6% in distribution fees was primarily attributable to the decline in net asset value of Distributed Securities from $0.5 billion as at December 31, 2008 to $0.4 billion as at December 31, 2009.

The following is a summary of the changes in Distributed Securities for 2009 and 2008:

(Unaudited)	(in thousands)	
Years ended December 31	2009	2008
Market value of Distributed Securities, beginning of year	$ 459,014	$ 853,090
Change in market value of Distributed Securities, Including reinvested distributions	5,175	(279,429)
Redemption of Distributed Securities	(77,751)	(114,647)
Market value of Distributed Securities, end of year	$ 386,438	$ 459,014

The 2009 annual redemption rate based on the market value of Distributed Securities at the beginning of the year was 16.9% compared to 13.4% in 2008. Redemptions of $77.8 million accounted for the decline in the value of Distributed Securities during 2009, offset by market appreciation of $5.2 million.

DISTRIBUTED SECURITIES COMPOSITION
The composition of Distributed Securities as at December 31, 2009 and 2008 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.

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

(Unaudited)	2009	2008
	%	%
Canadian Equity Funds	49	46
International Equity Funds	16	18
Canadian Balanced and Asset Allocation Funds	14	14
International Fixed Income Funds and Others	10	10
Canadian Fixed Income Funds	9	10
U.S. Equity Funds	2	2
Total	**100**	**100**

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, 2009) (Unaudited) (in thousands)	Annual Distribution Fee Rate	Distribution Fee Expiry Date (December 31)
Sunset America	$ 4,369	0.85%	2017
20/20 1989 LP	1,423	0.90%	2017
20/20 1991 LP	14,990	0.65%	2017
AGF LP 1994	76,919	0.50%	2009
AGF LP 1995	37,755	0.51%	2010
AGF LP No. 8	12,800	0.56%	2011
AGF LP 1996	97,781	0.55%	2011
AGF LP 1997	140,401	0.53%	2012
	$ 386,438		

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 earned on the regular bank account held by the Master LP in 2009 was $6,861 as compared to $65,011 in 2008. The decrease was primarily due to the decrease of distribution fee revenue earned and a decrease in interest rates during the current year.

As at December 31, 2009, cash held by Master LP amounted to $2.0 million as compared to $3.5 million at December 31, 2008.

OPERATING EXPENSES

Total operating expenses for the year ended December 31, 2009 were $290,286 compared to $289,063 in 2008.

FINANCIAL CONDITION AND LIQUIDITY

Total assets were $2.1 million as at December 31, 2009 as compared to $3.7 million as at December 31, 2008. Assets as at December 31, 2009 were used primarily to finance the annual cash distributions of $0.20 per limited partnership unit paid on January 29, 2010 to limited partners of record on December 31, 2009.

The total amount of uncashed distribution cheques included in cash and distributions payable was $335,904 as at December 31, 2009 which remain unchanged compared to a year ago.

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, distribution fees and interest receivable, accounts payable and accrued liabilities, and distributions payable.

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 2009 were $0.20 per limited partnership unit and $0.37 per limited partnership unit in 2008. In January 2010, Master LP paid cash distributions to limited partners of record on December 31, 2009. Cash distributions per limited partnership unit for the three most recent years are shown on page 8.

Taxable income for 2009 was $0.20 per limited partnership unit and $0.37 per limited partnership unit in 2008.

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 and will be reimbursed by Master LP for expenses incurred on behalf of Master LP. It also receives an administration fee as consideration for its management of the business and affairs 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, 2009 amounted to $110,986 as compared to $123,318 a year ago.

OUTLOOK AND RISKS

Conversion to International Financial Reporting Standards in Fiscal 2011

The CICA Accounting Standards Board requires all Canadian publicly accountable enterprises to adopt International Financial Reporting Standards (IFRS) for years beginning on or after January 1, 2011. Master LP will adopt IFRS for the fiscal year 2011 starting January 1, 2011. The fiscal 2011 Financial Statement will include comparative 2010 financial results under IFRS.

Although much of Canadian GAAP is similar to IFRS, there are some GAAP differences that may significantly impact the Partnership's processes and financial results. Master LP is currently in the planning phase of the conversion. This include identifying the differences between existing Canadian GAAP and IFRS, identifying potential business impacts, developing the project plan, assessing resource requirements and training staff. Currently, it is not possible to fully determine the impact to the financial statements and any potential business impacts, as accounting standards and the interpretations of those standards are changing.

Risk Factors and Risk Management

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 and Master LP distribution fee period expires. Distribution fees are impacted by the following risks:

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks which are interest rate risk, currency risk, and other price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Master LP is not exposed to significant interest rate risk

The distribution fees earned by the Master LP were deposited with the bank and this cash balance is exposed to interest rate risk due to interest rate volatility.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Master LP is not exposed to significant currency risk arising from its financial instruments.

Other Price Risk
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. Master LP is not exposed to other price risk however, is indirectly exposed to market risk based on its revenue earned from the market value of Distributed Securities.

Redemption Rate Risk
Each Distributed Security is subject to potential cash redemptions of redeemable units. The units of Distributed Security are issued and redeemed on demand at the option of the mutual fund investor at the then current Net Asset Value per unit of the Distributed Securities. The amount of distribution fees to be earned by Master LP will decrease as redemptions of Distributed Securities continue.

The annual rate of redemptions increased from the past year. Based on the combination of the age of the Fund Units and the expiration of the redemption fee schedules, we do not expect the rate of redemptions to increase significantly in the future.

Liquidity Risk
Liquidity risk is defined as the risk that Master LP may not be able to settle or meet its obligation on time. Master LP manages its liquidity risk through maintaining sufficient cash deposits to pay its annual cash distributions through prompt collection of its earned distribution fees. Distributions payable are due within one month.

Credit Risk
Credit risk is the potential of financial loss arising from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Master LP. The Master LP's over-all credit risk strategy and credit risk policy are developed, managed and controlled by the general partner in accordance with the Master LP's partnership agreement. The over-all risk strategy and credit risk policy are further refined though the use of policies, processes and internal controls in order to ensure that business activities are within the standards of risk tolerance levels. As at December 31, 2009, the financial assets of $2.1 million, consisting of cash of $2.0 million and distribution fees and interest receivable of $0.1 million were exposed to credit risk up to the maximum of their respective carrying value.

PARTNERS' EQUITY
As at December 31, 2009, Master LP has total issued and outstanding units of 8,568,159. The units of Master LP may be transferred by a limited partner or his agent duly authorized in writing to any person in accordance with the provisions of the Master LP's partnership agreement. The units also qualify for investments by registered tax plans such as RSPs and RIFs. Limited partners are entitled to cash distributions when declared. The annual cash distribution is calculated is based on the Master LP's net income for the year.

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 Investments 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 pertinent to Master LP's 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.

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

SELECTED QUARTERLY AND ANNUAL INFORMATION

(in thousands, except per unit amounts) Year ended December 31, 2009	Total	Q4*	Q3*	Q2*	Q1*
Revenue	$ 2,002.0	$ 528.9	$ 525.8	$ 507.7	$ 439.6
Net income for the year	1,711.7	469.3	457.1	426.6	358.7
Net income and cash distribution per limited partnership unit	0.20				
Total assets	$ 2,143.2				

(in thousands, except per unit amounts) Year ended December 31, 2008	Total	Q4*	Q3*	Q2*	Q1*
Revenue	$ 3,426.2	$ 611.4	$ 853.0	$ 973.1	$ 988.7
Net income for the year	3,137.1	547.7	778.6	900.6	910.2
Net income and cash distribution per limited partnership unit	0.37				
Total assets	$ 3,702.3				

(in thousands, except per unit amounts) Year ended December 31, 2007	Total	Q4*	Q3*	Q2*	Q1*
Revenue	$ 5,141.7	$ 1,202.1	$ 1,256.1	$ 1,319.2	$ 1,364.3
Net income for the year	4,758.4	1,104.7	1,162.6	1,223.0	1,268.1
Net income and cash distribution per limited partnership unit	0.56				
Total assets	$ 5,224.4				

*Unaudited

PRICEWATERHOUSECOOPERS

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March 1, 2010

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, 2009 and 2008 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, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

AGF Master Limited Partnership
Balance Sheets

As at December 31	2009	2008
Assets		
Current Assets:		
Cash	$ 1,969,840	$ 3,506,776
Distribution fees and interest receivable	173,403	195,546
Total Assets	$ 2,143,243	$ 3,702,322
Liabilities and Partners' Equity		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 95,640	$ 229,302
Distributions payable (note 6)	2,047,603	3,473,020
	2,143,243	3,702,322
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	$ 2,143,243	$ 3,702,322

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, Director

Greg Henderson, Director

AGF Master Limited Partnership
Statements of Operations and Deficit

For the years ended December 31		2009		2008
Operations				
Revenue:				
Distribution fees	$	1,995,125	$	3,361,169
Interest		6,861		65,011
		2,001,986		3,426,180
Expenses:				
Administration fees (note 5)		110,986		123,318
Audit, legal and filing fees		72,687		63,374
Transfer agent fees		86,173		87,965
Other costs		20,440		14,406
		290,286		289,063
Net income for the year	$	1,711,700	$	3,137,117
Net income per limited partnership unit	$	0.20	$	0.37
Deficit				
Balance beginning of year		(191,726,544)		(191,726,544)
Net income for the year		1,711,700		3,137,117
Distributions to partners		(1,711,700)		(3,137,117)
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		2009		2008
Operating Activities:				
Net income for the year	$	1,711,700	$	3,137,117
Net change in non-cash balances related to operations		(111,519)		280,993
		1,600,181		3,418,110
Financing Activities:				
Distributions paid to partners		(3,137,117)		(4,758,375)
Decrease in cash during the year		(1,536,936)		(1,340,265)
Cash beginning of year		3,506,776		4,847,041
Cash end of year	$	1,969,840	$	3,506,776

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

For the years ended December 31, 2009 and 2008

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 Changes

Financial Instrument of Financial Assets

During 2009, CICA "Handbook Section 3862, Financial Instruments – Disclosures" was amended to include enhanced disclosures about inputs to fair value measurement, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2	Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3	Inputs that are not based on observable market data.

If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.
The amendment only impacted our disclosures in the financial statements.

Risk Management

Master LP's financial instruments consist of cash, distribution fees and interest receivable, accounts payable and accrued liabilities, and distributions payable. In the normal course of business, Master LP manages risks that arise as a result of its use of financial instruments. These risks include market, redemption rate, liquidity and credit risk.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks which are interest rate risk, currency risk and other price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Master LP is not exposed to significant interest rate risk.

The distribution fees earned by the Master LP were deposited with the bank and this cash balance is exposed to interest rate risk.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Master LP is not exposed to significant currency risk arising from its financial instruments.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. Master LP is not exposed to other price risk however, is indirectly exposed to market risk based on its revenue earned from the market value of Distributed Securities.

Liquidity Risk

Liquidity risk is defined as the risk that Master LP may not be able to settle or meet its obligations on time. Master LP manages its liquidity risk through maintaining sufficient cash deposits to pay its annual cash distributions through prompt collection of its earned distribution fees. Distributions payable are due within one month.

Credit Risk

Credit risk is the potential of financial loss arising from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Master LP. The Master LP's over-all credit risk strategy and credit risk policy are developed, managed and controlled by the General Partner. The over-all risk strategy and credit risk policy are further refined though the use of policies, processes and internal controls in order to ensure that business activities are within the standards of risk tolerance levels. As at December 31, 2009, the financial assets of $2.1 million consisting of cash of $2.0 million and distribution fees and interest receivable of $0.1 million were exposed to credit risk up to the maximum of their respective carrying value.

3. Significant Accounting Policies

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

Financial Instruments

In accordance with Section 3855, financial assets and financial liabilities are initially recognized at fair value. Measurement in subsequent periods is dependent upon the classification of each instrument. The standard requires that all financial assets be classified as either available for sale (AFS), held for trading (HFT), held to maturity (HTM) or loans and receivables. Financial liabilities are classified as trading or other.

The company does not have any AFS assets.

HFT assets are initially recorded at fair value on the settlement date in the balance sheet and are remeasured at fair value, with the changes in fair value reported in earnings. Transaction costs related to HFT securities are expensed as incurred. The company has $1,969,840 (2008 – $3,506,776) in cash classified as HFT.

The Company has not classified any financial assets as HTM.

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.

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.

4. 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.

5. **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 an administration fee as consideration for its management of the business and affairs of Master LP and has engaged AGF Management Limited 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 during the year 2009 amounted to $110,986 (2008 - $123,318).

6. **Uncashed Distribution Cheques**
The total amount of uncashed distribution cheques as at December 31, 2009 was $335,904 (December 31, 2008 - $335,904). For accounting purposes, this amount has been classified as cash and distributions payable on the balance sheet.

7. **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, 2009 to partners of record on December 31, 2009.

8. **Subsequent Event**
Master LP is entitled to the same revenue streams, with the same termination dates, as the Merging Partnerships. The net asset value of the Distributed Securities of Merging Partnership AGF LP 1994 which remain outstanding as at December 31, 2009 was $76.9 million. The monthly distribution fee calculated at an annual rate of 0.50% of the net asset value of the outstanding Distributed Securities of AGF LP 1994 expired on December 31, 2009.

AGF Master Limited Partnership

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