

# Global Strategy Master LP

2009 ANNUAL REPORT



What are you doing after work?

# Global Strategy Master LP

## Market Value of Distributed Securities

(Unaudited)

As at December 31, 2009

	Market Value (in thousands)		Market Value (in thousands)
<b>CANADIAN BALANCED AND ASSET ALLOCATION FUNDS</b>		<b>INTERNATIONAL FIXED INCOME FUNDS</b>	
AGF Canadian Balanced Fund	\$ 63,833	AGF Global Government Bond Fund	\$ 20,284
AGF Canadian Balanced Value Fund	1,880	AGF Global High Yield Bond Fund	232
	<u>65,713</u>		<u>20,516</u>
<b>CANADIAN EQUITY FUNDS</b>		<b>SPECIALTY EQUITY FUNDS</b>	
AGF Canadian Value Fund	18,815	AGF Precious Metals Fund	17,076
AGF Canadian Small Cap Fund	10,911	AGF Canadian Resources Fund Limited	1,291
AGF Canadian Stock Fund	8,427	AGF Global Resources Class	127
AGF Canadian Large Cap Dividend Fund	5,125	AGF Global Real Estate Equity Class	10
AGF Canadian Growth Equity Fund Limited	759		<u>18,504</u>
AGF Dividend Income Fund	604	<b>CANADIAN FIXED INCOME FUNDS</b>	
AGF Monthly High Income Fund	553	AGF Canadian Money Market Fund	3,267
AGF Canada Class	209	AGF Canadian High Yield Bond Fund	1,344
AGF Canadian All Cap Equity Fund	25	AGF Canadian Bond Fund	957
	<u>45,428</u>	AGF Canadian Conservative Income Fund	224
<b>INTERNATIONAL EQUITY FUNDS</b>		AGF Short-Term Income Class	129
AGF European Equity Class	14,865		<u>5,921</u>
AGF Global Equity Fund	13,234	<b>ELEMENTS PORTFOLIOS</b>	
AGF Global Value Fund	3,474	AGF Elements Balanced Portfolio	1,622
AGF International Stock Class	1,623	AGF Elements Global Portfolio	630
AGF Emerging Markets Fund	715	AGF Elements Growth Portfolio	335
AGF China Focus Class	662	AGF Elements Conservative Portfolio	216
AGF Global Value Class	337	AGF Elements Yield Portfolio	123
AGF Japan Class	302		<u>2,926</u>
AGF Global Equity Class	177	<b>INTERNATIONAL BALANCED AND ASSET ALLOCATION FUNDS</b>	
AGF Aggressive Global Stock Fund	150	AGF World Balanced Fund	1,243
AGF Emerging Markets Class	80		<u>1,243</u>
AGF Asian Growth Class	53	<b>U.S. EQUITY FUNDS</b>	
AGF Global Dividend Fund	5	AGF American Growth Class	664
	<u>35,677</u>	AGF Aggressive U.S. Growth Fund	470
		AGF U.S. Risk Managed Class	3
			<u>1,137</u>
		<b>TOTAL DISTRIBUTED SECURITIES</b>	<b>\$ <u>197,065</u></b>

# Global Strategy Master LP

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

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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 Global Strategy Master LP ("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 GLOBAL STRATEGY MASTER LP**

Master LP was formed in January 1999 when eight of the nine Global Strategy Limited Partnerships (the "Merging Partnerships") merged to form the Master LP. Global Strategy Partners LP IX ("LP IX") merged with Master LP on February 18, 2000 after it had fully deducted its sales commissions for tax purposes. Master LP consists of the aggregate assets of the Merging Partnerships and is carrying on with the business activities previously carried on by those partnerships.

The Merging Partnerships were formed to pay sales commissions to registered dealers who sold Global Strategy mutual funds on a back-end-load (redemption charge) basis. In return for paying sales commissions, the Merging Partnerships were entitled to ongoing distribution fee revenue on specific mutual funds units that remain outstanding and that were originally financed by that partnership ("Distributed Securities"). The Merging Partnerships were also entitled to redemption fees for up to six years, which provided some protection against a reduction in distribution fee revenue caused by early redemption of Distributed Securities. Upon merger, the Merging Partnerships transferred their rights to distribution fees and redemption fees to Master LP.

As at December 31, 2009, Master LP has total issued and outstanding units of 10,972,272 (2008 – 10,972,272). These units of Master LP are listed for trading on the Toronto Stock Exchange (the "Exchange") under the symbol LPV.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.

# Global Strategy Master LP

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

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

### DISTRIBUTION FEES

Master LP receives a monthly distribution fee calculated as a percentage of the daily net asset value of the Distributed Securities which remain outstanding based on various distribution fee rates which are shown on page 4. Distribution fees are earned at various rates per annum. These distribution fee rates vary by partnership and can also vary over time, based on the composition of outstanding Distributed Securities of a partnership. In general, Distributed Securities that were sold for a higher sales commission carry a higher distribution fee rate than those that were sold for a lower sales commission. The weighted average annual distribution fee rate for the year ended December 31, 2009 was 0.56% compared to 0.55% for the year ended Dec 31, 2008.

Distribution fees amounted to \$1.1 million in 2009 as compared to \$1.4 million in 2008. The decrease of 23.4% in distribution fees was primarily attributable to the decline in net asset value of Distributed Securities from \$203.4 million as at December 31, 2008 to \$197.1 million 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	\$ 203,429	\$ 309,277
Change in market value of Distributed Securities, including reinvested distributions	25,536	(57,243)
Redemption of Distributed Securities	(31,900)	(48,605)
Market value of Distributed Securities, end of year	\$ 197,065	\$ 203,429

The 2009 annual redemption rate based on the market value of Distributed Securities at the beginning of the year was 15.7% which was the same as a year ago. Redemptions of \$31.9 million offset by market appreciation of \$25.5 million accounted for the decrease in the value of Distributed Securities during 2009.

### DISTRIBUTED SECURITIES COMPOSITION

The composition of Distributed Securities as at December 31, 2009 and 2008 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)	2009	2008
	%	%
Canadian Balanced and Asset Allocation Funds	33	38
Canadian Equity Funds	23	19
International Fixed Income Funds and Others	22	20
International Equity Funds	18	19
Canadian Fixed Income Funds	3	3
U.S. Equity Funds	1	1
<b>Total</b>	<b>100</b>	<b>100</b>

# Global Strategy Master LP

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

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### REVENUE TERMINATION DATES

Master LP is entitled to the same revenue streams, with the same termination dates, as the Merging Partnerships. The entitlement to redemption fee revenue for all the Merging Partnerships has expired. 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)	Weighted Average Annual Distribution Fee Rate	Distribution Fee Expiry Date (December 31)
LP 1990	\$ 4,355	0.60%	2014
LP II	3,163	0.69%	2015
LP III	17,429	0.66%	2016
LP IV	2,474	0.69%	2017
LP V	62,200	0.56%	2017
LP VI	49,746	0.56%	2018
LP VII	8,791	0.59%	2019
LP VIII	15,877	0.60%	2020
LP IX	33,030	0.47%	2012
	<b>\$ 197,065</b>		

Master LP will continue until December 31, 2020 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 bank account held by the Master LP was \$963 in 2009 as compared to \$7,116 in 2008. The decrease was primarily due to the decrease of distribution fee revenue earned and a decrease in interest rates during 2009.

As at December 31, 2009, cash held by Master LP amounted to \$167,453 as compared to \$174,548 at December 31, 2008.

### GENERAL AND ADMINISTRATION EXPENSES

General and administration expenses for the year ended December 31, 2009 were \$269,928, an increase of 5.6% from \$255,693 in 2008. The increase was primarily attributable to the increase in transfer agent fees. AGFII provides administrative services to Master LP pursuant to an administrative services agreement. These services are in the normal course of operations and are recorded at the amount of consideration agreed to by the parties.

# Global Strategy Master LP

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

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### **FINANCIAL CONDITION AND LIQUIDITY**

Total assets were \$261,596 as at December 31, 2009 as compared to \$268,161 as at December 31, 2008. Assets as at December 31, 2009 consisted of cash totaling \$167,453 and receivables of \$94,143. These assets were used primarily to finance the quarterly cash distributions payable to limited partners. 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 ordinary operating expenses. Master LP distributes all its net income to limited partners on an annual or quarterly basis, depending on each partner's election. As a result, Master LP does not have long-term 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 DISTRIBUTIONS AND TAXABLE INCOME**

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

Cash distributions are paid either quarterly to limited partners of record on March 31, June 30, September 30 and December 31, or annually to limited partners of record at December 31 who have elected to receive annual distributions.

Cash distributions for 2009 were \$0.08 per limited partnership unit and \$0.11 per limited partnership unit in 2008. Cash distributions per limited partnership unit for the three most recent years are shown on page 8.

Taxable income for 2009 was \$0.08 per limited partnership unit as compared to \$0.11 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 3 to the financial statements.

### **RELATED PARTY TRANSACTIONS**

Global Strategy Master GP Inc. 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. The general partner has engaged AGF Investments Inc. ("AGFII"), its parent company, to assist it in carrying out its management obligations to Master LP. AGFII is entitled to receive an administrative fee as consideration for its management of the business and affairs of Master LP. AGFII

# Global Strategy Master LP

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

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also receives an investment management fee as consideration for its investment management services. These services are in the normal course of operations and are recorded at the amount of consideration agreed to by the parties.

Administration fees and investment management fees for the year ended December 31, 2009 and 2008 amounted to:

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Years ended December 31	2009	2008
Administration fees	\$ 139,526	\$ 155,029
Investment management fee	1,986	1,500

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### 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 the redemption fee schedule for the Distributed Securities expired in 2003. 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:

##### 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 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.

# Global Strategy Master LP

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

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### **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 remained the same over the past two years. 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 decrease 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 or at a reasonable price. Master LP manages its liquidity risk through maintaining sufficient cash deposits to pay its quarterly or 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 through 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 \$261,596, consisting of cash of \$167,453 and distribution fees and interest receivable of \$94,143 are 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 10,972,272. 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 agreement. The units also qualify for investments by registered tax plans such as RSPs and RIFs. Limited partners are entitled to cash distribution when declared. Depending on the payout frequency, the cash distribution is calculated based on Master LP's net quarterly or annual income.



# Global Strategy Master LP

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

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### **CORPORATE GOVERNANCE**

Master LP's business operations are managed by the general partner, Global Strategy Master GP Inc., which is a wholly-owned subsidiary of AGFI. 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 AGFII 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](http://www.agf.com) and at the Canadian Securities Administrators' website, [www.sedar.com](http://www.sedar.com).

# Global Strategy Master LP 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	\$ 1,106.0	\$ 283.1	\$ 281.9	\$ 275.3	\$ 265.7
Net income for the year	836.1	215.0	216.2	204.1	200.8
Net income and cash distribution per limited partnership unit	0.08	0.02	0.02	0.02	0.02
Total assets	\$ 261.6				

(in thousands, except per unit amounts)

Year ended December 31, 2008	Total	Q4*	Q3*	Q2*	Q1*
Revenue	\$ 1,449.6	\$ 284.5	\$ 356.6	\$ 400.5	\$ 407.9
Net income for the year	1,193.9	220.5	290.8	340.2	342.4
Net income and cash distribution per limited partnership unit	0.11	0.02	0.03	0.03	0.03
Total assets	\$ 268.2				

(in thousands, except per unit amounts)

Year ended December 31, 2007	Total	Q4*	Q3*	Q2*	Q1*
Revenue	\$ 1,968.4	\$ 452.3	\$ 475.3	\$ 504.6	\$ 536.2
Net income for the year	1,660.7	375.7	399.4	426.9	458.7
Cash distribution per limited partnership unit	0.15	0.03	0.04	0.04	0.04
Total assets	\$ 423.8				

\*Unaudited

March 1, 2010

**Auditors' Report**

**To the Partners of  
Global Strategy Master LP**

We have audited the balance sheets of **Global Strategy Master LP** 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**

# Global Strategy Master LP Balance Sheets

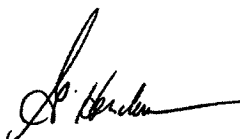
As at December 31	2009	2008
<b>Assets</b>		
Current Assets:		
Cash	\$ 167,453	\$ 174,548
Distribution fees and interest receivable	94,143	93,613
<b>Total Assets</b>	<b>\$ 261,596</b>	<b>\$ 268,161</b>
<b>Liabilities and Partners' Equity</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 46,619	\$ 47,596
Distributions payable	214,977	220,565
	261,596	268,161
Partners' Equity (notes 1 and 2):		
Limited partners – 10,972,272 units	185,083,600	185,083,600
Issue and merger expenses	(16,676,916)	(16,676,916)
	168,406,684	168,406,684
Deficit	(168,406,684)	(168,406,684)
	-	-
<b>Total Liabilities and Partners' Equity</b>	<b>\$ 261,596</b>	<b>\$ 268,161</b>

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

Approved by the Board of Directors of  
Global Strategy Master GP Inc., as General Partner



W. Robert Farquharson, Director



Greg Henderson, Director

# Global Strategy Master LP

## Statements of Operations and Deficit

For the years ended December 31	2009	2008
<b>Income</b>		
Revenue:		
Distribution fees	\$ 1,105,057	\$ 1,442,480
Interest	963	7,116
	1,106,020	1,449,596
Expenses:		
Administration and investment management fees (note 5)	141,512	156,529
Audit, legal and filing fees	40,085	36,695
Transfer agent fees	70,004	49,505
Other costs	18,327	12,964
	269,928	255,693
Net income for the year	\$ 836,092	1,193,903
Net income per limited partnership unit	\$ 0.08	\$ 0.11
<b>Deficit</b>		
Balance beginning of year	\$ (168,406,684)	\$ (168,406,684)
Net income for the year	836,092	1,193,903
Distributions to partners	(836,092)	(1,193,903)
Balance end of year	\$ (168,406,684)	\$ (168,406,684)

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

# Global Strategy Master LP

## Statements of Cash Flow

For the years ended December 31	2009	2008
<b>Operating Activities:</b>		
Net income for the year	\$ 836,092	\$ 1,193,903
Net change in non-cash balances related to operations	(1,507)	54,205
	834,585	1,248,108
<b>Financing Activities:</b>		
Distributions paid to partners	(841,680)	(1,349,082)
<b>Decrease in cash during the year</b>	(7,095)	(100,974)
Cash beginning of year	174,548	275,522
Cash end of year	\$ 167,453	\$ 174,548

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

# Global Strategy Master LP

## Notes to Financial Statements

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For the years ended December 31, 2009 and 2008

### 1. Formation of the Partnership

Global Strategy Master LP (“Master LP”) was formed on January 29, 1999 through the merger of the following Global Strategy Limited Partnerships (except for the merger of Global Strategy LP IX which took effect on February 18, 2000) (collectively, the “Merging Partnerships”):

Global Strategy Limited Partnership 1990 (“LP 1990”)  
Global Strategy Limited Partnership II (“LP II”)  
Global Strategy Limited Partnership III (“LP III”)  
Global Strategy Partners LP IV (“LP IV”)  
Global Strategy Partners LP V (“LP V”)  
Global Strategy Partners LP VI (“LP VI”)  
Global Strategy Partners LP VII (“LP VII”)  
Global Strategy Partners LP VIII (“LP VIII”)  
Global Strategy Partners LP IX (“LP IX”)

The mergers have been accounted for using the pooling of interests method. The effect of the pooling of interests method on the balance sheets and the statements of income, deficit, and cash flow is to reflect the book values recorded by each of the Merging Partnerships on a combined basis for the periods in which the consolidation occurred and for all prior periods.

### 2. Partnership Operations

The Merging Partnerships were formed to pay sales commissions to registered dealers who sold Global Strategy mutual funds on a back-end-load (redemption charge) basis. In return for paying sales commissions, the Merging Partnerships were entitled to ongoing distribution fee revenue on specific mutual funds units that remain outstanding and that were originally financed by that partnership (“Distributed Securities”). The Merging Partnerships were also entitled to redemption fees for up to six years, which provided some protection against a reduction in distribution fee revenue caused by early redemption of Distributed Securities. Upon merger, the Merging Partnerships transferred their rights to distribution fees and redemption fees to Master LP.

In accordance with the Limited Partnership Agreement, as amended by a special resolution, Master LP will be dissolved no later than December 31, 2020.

### 3. 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.

# Global Strategy Master LP

## Notes to Financial Statements

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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, 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 quarterly or 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 through 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 \$261,596, consisting of cash of \$167,453 and distribution fees and interest receivable of \$94,143 exposed to credit risk up to the maximum of their respective carrying value.



# Global Strategy Master LP

## Notes to Financial Statements

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#### 4. 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 \$167,453 (2008 – \$174,548) in cash classified as HFT.

The Company has not classified any financial assets as HTM.

##### Offering and Merger Expenses

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

##### Revenue Recognition

Distribution fees of Master LP are calculated based on the net asset values of the Distributed Securities which remain outstanding and are recognized on an accrual basis.

##### 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.

#### 5. Related Party Transactions

Global Strategy Master GP Inc. 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. The general partner has engaged AGF Investments Inc. ("AGFII"), its parent company, to assist it in carrying out its management obligations to Master LP. AGFII is entitled to receive an administrative fee as consideration for its management of the business and affairs of Master LP. AGFII also receives an investment management fee as consideration for its investment management services. These services are in the normal course of operations and are recorded at the amount of consideration agreed to by the parties.

# Global Strategy Master LP

## Notes to Financial Statements

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Administration fees and investment management fees for the years ended December 31, 2009 and 2008 amounted to:

<u>Years ended December 31</u>	<u>2009</u>	<u>2008</u>
Administrative Service Fee	\$ 139,526	\$ 155,029
Investment Management Fee	1,986	1,500

### 6. Taxation of the Partnership

These financial statements include only 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 income tax purposes for the year ended December 31, 2009 to partners of record on December 31, 2009.

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