

# Global Strategy Master LP

SECOND QUARTER REPORT  
FOR THE SIX MONTHS  
ENDED JUNE 30, 2005



What are you doing after work?

# Global Strategy Master LP

## Market Value of Distributed Securities

(Unaudited)

As at June 30, 2005

	<b>Market Value</b> <b>(in thousands)</b>		<b>Market Value</b> <b>(in thousands)</b>
<b>CANADIAN BALANCED AND ASSET ALLOCATION FUNDS</b>		<b>INTERNATIONAL FIXED INCOME FUNDS</b>	
AGF Canadian Balanced Fund	\$ 131,808	AGF RSP Global Bond Fund	\$ 32,826
AGF Canadian Real Value Balanced Fund	<u>5,363</u>	AGF Global Government Bond Fund	18,243
	137,171	AGF Global High Yield Bond Fund	327
		AGF Short-Term Income Class	<u>104</u>
			51,500
<b>INTERNATIONAL EQUITY FUNDS</b>		<b>SPECIALTY EQUITY FUNDS</b>	
AGF World Companies Fund	23,474	AGF Precious Metals Fund	17,638
AGF European Equity Class	21,413	AGF Canadian Resources Fund Limited	2,490
AGF International Value Fund	19,036	AGF Managed Futures Fund	382
AGF RSP European Equity Fund	15,117	AGF Global Health Sciences Class	111
AGF RSP World Companies Fund	14,815	AGF Global Technology Class	82
AGF RSP International Value Fund	5,629	AGF Global Resources Class	54
AGF International Stock Class	3,123	AGF Global Real Estate Equity Class	50
AGF RSP Japan Fund	1,530	AGF Global Financial Services Class	<u>45</u>
AGF China Focus Class	960		20,852
AGF Aggressive Global Stock Fund	349	<b>CANADIAN FIXED INCOME FUNDS</b>	
AGF Japan Class	216	AGF Canadian Money Market Fund	8,567
AGF Asian Growth Class	163	AGF Canadian High Yield Bond Fund	2,970
AGF International Value Class	161	AGF Canadian Bond Fund	2,025
AGF Emerging Markets Value Fund	157	AGF Canadian Conservative Income Fund	<u>1,069</u>
AGF RSP Global Perspective Fund	128		14,631
AGF Global Equity Class	128	<b>U.S. EQUITY FUNDS</b>	
AGF World Opportunities Fund	123	AGF Aggressive Growth Fund	1,470
AGF Global Perspective Class	94	AGF U.S. Value Class	1,181
AGF Aggressive Japan Class	17	AGF American Growth Class	1,117
AGF Germany Class	<u>14</u>	AGF RSP American Growth Fund	396
	106,647	AGF Special U.S. Class	<u>13</u>
			4,177
<b>CANADIAN EQUITY FUNDS</b>		<b>INTERNATIONAL BALANCED AND ASSET ALLOCATION FUNDS</b>	
AGF Canadian Real Value Fund	41,068	AGF World Balanced Fund	2,898
AGF Canadian Stock Fund	19,198	AGF RSP World Balanced Fund	<u>697</u>
AGF Canadian Small Cap Fund	18,440		3,595
AGF Canadian Large Cap Dividend Fund	9,412		
AGF Canadian Growth Equity Fund Limited	1,822		
AGF Canada Class	627		
AGF Monthly High Income Fund	268		
AGF Diversified Dividend Income Fund	<u>30</u>		
	90,865		
		<b>TOTAL DISTRIBUTED SECURITIES</b>	<b>\$ <u>429,438</u></b>

# Global Strategy Master LP

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

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For the three and six months ended June 30, 2005

Management's Discussion and Analysis ("MD&A") presents an analysis of the financial condition of Global Strategy Master LP ("Master LP") as at June 30, 2005 compared with December 31, 2004, and the results of operations for the three and six months ended June 30, 2005 compared with the corresponding periods of 2004. This discussion should be read in conjunction with our 2004 annual MD&A and 2004 annual audited financial statements and notes. The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP"). All dollar amounts are in Canadian dollars.

There have been no material changes to the information discussed in the following sections of the 2004 annual MD&A: 'Significant Accounting Policies', 'Corporate Governance' and 'Regulatory Filings'. Accordingly, readers should refer to our 2004 annual MD&A to gain an understanding of how these matters may impact the Master LP's operating results.

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 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 June 30, 2005, Master LP has total issued and outstanding units of 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 investment by registered tax plans such as RSP and RIF although they did constitute "foreign property" subject to the foreign content limitation for tax purposes. Bill C-43 was approved on June 29, 2005 and became law which eliminated the foreign content limit retroactive to January 2005.

# Global Strategy Master LP

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

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### REVENUE

Master LP's primary sources of revenue are distribution fees and redemption 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.

### DISTRIBUTION FEES

Master LP receives from AGF Funds Inc. ("AGFFI"), a subsidiary of AGF Management Limited ("AGF"), 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 three and six months ended June 30, 2005 was 0.56% compared to 0.55% in the comparable period in 2004.

Distribution fees amounted to \$0.6 million for the three months ended June 30, 2005, a decrease of 24.0% from the comparable period in 2004. During the six months ended June 30, 2005, distribution fees declined 24.4% to \$1.3 million from \$1.7 million in the same period last year. The decreases in distribution fees were primarily attributable to the lower net asset value of Distributed Securities for the three and six months ended June 30, 2005 as compared to the respective year-ago periods.

The following is a summary of the changes in Distributed Securities during the three and six months ended June 30, 2005 and 2004:

(in millions) (Unaudited)	Three months ended		Six months ended	
	2005	June 30 2004	2005	June 30 2004
Market value of Distributed Securities, beginning of period	\$ 458.2	\$ 616.4	\$ 502.1	\$ 649.1
Change in market value of Distributed Securities, including reinvested distributions	7.4	(7.5)	10.4	18.0
Redemption of Distributed Securities	(36.2)	(44.4)	(83.1)	(102.6)
Market value of Distributed Securities, end of period	\$ 429.4	\$ 564.5	\$ 429.4	\$ 564.5

The annualized redemption rate during the six months ended June 30, 2005 based on the market value of Distributed Securities at the beginning of the period was 33.1% compared to 31.6% in 2004. Redemptions accounted for \$83.1 million of the decline in the value of Distributed Securities during the six months ended June 30, 2005, offset by market appreciation and reinvested distributions totaling \$10.4 million.

### DISTRIBUTED SECURITIES COMPOSITION

The composition of Distributed Securities as at June 30, 2005 and 2004 are shown in the following table. The relative weighting of each asset class will change over time, based on performance, redemptions, and unitholder switches between funds.

# Global Strategy Master LP Management's Discussion and Analysis of Financial Condition and Results of Operations

## Composition of Distributed Securities based on market value as at June 30:

(Unaudited)	2005	2004
	%	%
Canadian Balanced and Asset Allocation Funds	32	31
International Equity Funds	25	28
Canadian Equity Funds	21	19
International Fixed Income Funds and Others	18	17
Canadian Fixed Income Funds	3	4
U.S. Equity Funds	1	1
<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 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 June 30, 2005) (Unaudited) (in thousands)	Weighted Average Annual Distribution Fee Rate	Distribution Fee Expiry Date (December 31)
LP 1990	\$ 8,593	0.60%	2014
LP II	6,773	0.68%	2015
LP III	36,266	0.65%	2016
LP IV	4,933	0.66%	2017
LP V	134,158	0.56%	2017
LP VI	103,989	0.56%	2018
LP VII	19,554	0.60%	2019
LP VIII	35,665	0.59%	2020
LP IX	79,507	0.47%	2012
	<b>\$ 429,438</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.

# Global Strategy Master LP

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

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### **GENERAL AND ADMINISTRATION EXPENSES**

General and administration expenses for the three months ended June 30, 2005 were \$107,097, a decrease of 15.0% from \$125,954 in 2004. During the six months ended June 30, 2005, general and administration expenses amounted to \$216,192, a decrease of 12.6% from \$247,251 in the same period in 2004. The decreases were primarily attributable to the decrease in administration fees.

### **FINANCIAL CONDITION AND LIQUIDITY**

Total assets were \$576,999 as at June 30, 2005 as compared to \$615,275 as at December 31, 2004. Assets as at June 30, 2005 consisted of cash and term-deposit totaling \$376,893 and receivables of \$200,106. These assets were used primarily to finance the quarterly 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 and term-deposit, distribution fees and interest receivable, accounts payable and accrued liabilities, and distributions payable. Unless otherwise noted, it is management's opinion that the Partnership is not exposed to significant interest, credit or currency risks arising from these financial instruments.

### **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 the three months ended June 30, 2005 were \$0.0465 per limited partnership unit and \$0.0622 per limited partnership unit for the same period in 2004. Cash distributions for the six months ended June 30, 2005 amounted to \$0.0974 per limited partnership unit and \$0.1317 per limited partnership unit for the same period in 2004. Cash distributions were paid on July 29, 2005 to limited partners of record on June 30, 2005 who did not elect to receive distributions on an annual basis. Cash distributions per limited partnership unit for the eight most recent quarters are shown on page 6.

Estimated taxable income for the three months ended June 30, 2005 was \$0.0465 per limited partnership unit as compared to \$0.0622 per limited partnership unit in the comparable period in 2004. For the six months ended June 30, 2005, estimated taxable income was \$0.0974 per limited partnership unit as compared to \$0.1317 per limited partnership in the comparable period in 2004. Taxable income is allocated on an annual basis to limited partners of record on December 31 of a fiscal year.

# Global Strategy Master LP

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

### 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 the partnership. The general partner has engaged AGFFI, its parent company, to assist it in carrying out its management obligations to the partnership. AGFFI provides administrative services to Master LP and receives a fee equal to 15% of the operating expenses of the partnership. AGFFI also receives 0.75% per annum of the value of the assets of Master LP invested as investment management fee. 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 three and six months ended June 30, 2005 and 2004 amounted to:

(Unaudited)	Three months ended		Six months ended	
	2005	2004	2005	2004
Administration fees	\$ 75,697	\$ 89,056	\$ 151,395	\$ 178,112
Investment management fee	500	999	1,000	1,999

### SELECTED QUARTERLY INFORMATION

(in thousands, except per unit amounts)

Three months ended (Unaudited)	Jun. 30, 2005	Mar. 31, 2005	Dec. 31, 2004	Sep. 30, 2004
Revenue	\$ 617.4	\$ 667.6	\$ 713.4	\$ 750.3
Net income for the period	510.3	558.5	565.1	624.4
Net income and cash distribution per limited partnership unit	0.05	0.05	0.05	0.06

(in thousands, except per unit amounts)

Three months ended (Unaudited)	Jun. 30, 2004	Mar. 31, 2004	Dec. 31, 2003	Sep. 30, 2003
Revenue	\$ 811.8	\$ 887.6	\$ 903.5	\$ 933.9
Net income for the period	685.8	766.3	782.4	815.3
Net income per limited partnership unit	0.06	0.07	0.07	0.07
Cash distribution per limited partnership unit	0.06	0.08	0.07	0.07

### ADDITIONAL INFORMATION

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

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The following interim financial statements of Global Strategy Master LP for the three and six months ended June 30, 2005 have not been reviewed or audited by an auditor.



# Global Strategy Master LP Balance Sheets

	As at <b>June 30, 2005</b> (Unaudited)	As at <b>December 31, 2004</b> (Audited)
<b>Assets</b>		
Current assets:		
Cash and term-deposit	\$ 376,893	\$ 377,412
Distribution fees and interest receivable	200,106	237,863
<b>Total assets</b>	<b>\$ 576,999</b>	<b>\$ 615,275</b>
<b>Liabilities and Partners' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 66,737	\$ 50,146
Distributions payable	510,262	565,129
	576,999	615,275
Partners' equity:		
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>\$ 576,999</b>	<b>\$ 615,275</b>

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

Global Strategy Master LP  
 Statements of Operations and Deficit  
 (Unaudited)

	Three months ended June 30		Six months ended June 30	
	2005	2004	2005	2004
<b>Operations</b>				
Revenue:				
Distribution fees	\$ 616,056	\$ 810,179	\$ 1,282,159	\$ 1,695,513
Interest	1,303	1,611	2,839	3,861
	617,359	811,790	1,284,998	1,699,374
Expenses:				
General and administration	107,097	125,954	216,192	247,251
Net income for the period	\$ 510,262	\$ 685,836	\$ 1,068,806	\$ 1,452,123
Net income per limited partnership unit	\$ 0.05	\$ 0.06	\$ 0.10	\$ 0.13
<b>Deficit</b>				
Balance beginning of period	\$ (168,406,684)	\$ (168,406,684)	\$ (168,406,684)	\$ (168,289,615)
Net income for the period	510,262	685,836	1,068,806	1,452,123
Distributions to partners	(510,262)	(685,836)	(1,068,806)	(1,569,192)
Balance end of period	\$ (168,406,684)	\$ (168,406,684)	\$ (168,406,684)	\$ (168,406,684)

*The accompanying note is an integral part of the financial statements.*

Global Strategy Master LP  
 Statements of Cash Flow  
 (Unaudited)

	Three months ended		Six months ended	
	June 30		June 30	
	2005	2004	2005	2004
<b>Operating Activities:</b>				
Net income for the period	\$ 510,262	\$ 685,836	\$ 1,068,806	\$ 1,452,123
Decrease in non-cash balances related to operations	10,406	27,746	54,348	31,051
	520,668	713,582	1,123,154	1,483,174
<b>Financing Activities:</b>				
Distribution paid to partners	(558,544)	(883,356)	(1,123,673)	(1,665,757)
<b>Decrease in cash</b>				
<b>during the period</b>	(37,876)	(169,774)	(519)	(182,583)
Cash beginning of period	414,769	647,881	377,412	660,690
Cash end of period	\$ 376,893	\$ 478,107	\$ 376,893	\$ 478,107

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

# Global Strategy Master LP Note to Financial Statements (Unaudited)

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For the three and six months ended June 30, 2005 and 2004

These unaudited interim financial statements of Global Strategy Master LP ("Master LP") have been prepared in accordance with Canadian generally accepted accounting principles using the same significant accounting policies as Master LP's financial statements for the year ended December 31, 2004. These financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles for annual financial statements and should be read in conjunction with the financial statements for the year ended December 31, 2004, as set out in Master LP's 2004 Annual Report.



What are you doing after work?

## Global Strategy Master LP

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