

Global Strategy Master LP

SEMI-ANNUAL REPORT
ENDED JUNE 30, 2012
Unaudited



What are you doing after work?

Global Strategy Master LP

Market Value of Distributed Securities (Unaudited)

As at June 30, 2012 (in thousands)	Market Value		Market Value
CANADIAN BALANCED AND ASSET ALLOCATION FUND			INTERNATIONAL BALANCED AND ASSET ALLOCATION FUND
AGF Canadian Asset Allocation Fund	\$ 35,324	AGF High Yield Bond Fund	\$ 646
AGF Monthly High Income Fund	880	AGF World Balanced Fund	426
AGF Traditional Balanced Fund	710		1,072
AGF Traditional Income Fund	131	INTERNATIONAL EQUITY FUNDS	
AGF High Income Fund	6	AGF Global Equity Fund	8,117
AGF Canadian Asset Allocation Fund Series	91	AGF European Equity Class	4,338
AGF Monthly High Income Fund Series T	28	AGF Global Value Fund	1,113
	37,170	AGF Emerging Markets Fund	588
		AGF International Stock Class	302
CANADIAN EQUITY FUNDS		AGF China Focus Class	267
AGF Canadian Small Cap Fund	7,431	AGF Emerging Market Balanced Fund	23
AGF Canadian Stock Fund	14,341	AGF Global Equity Class	138
AGF Canadian Large Cap Dividend Fund Class	2,911	AGF Emerging Markets Class	145
AGF Dividend Income Fund	437	AGF Emerging Market Bond Fund	5
AGF Canadian Growth Equity Class	348	AGF Aggressive Global Stock Fund	61
AGF Canadian Large Cap Dividend Fund	232	AGF Global Value Class	41
AGF Canada Class	161	AGF Global Dividend Fund	54
AGF Canadian Large Cap Dividend Class	44	AGF Global Dividend Fund Series T	19
AGF All Cap 30 Canadian Equity Fund	15	AGF Asian Growth Class	14
AGF Canadian Stock Class Series T	18		15,225
AGF Canadian Large Cap Dividend Class	15		
AGF Canadian Large Cap Dividend Fund	11	INTERNATIONAL FIXED INCOME FUNDS	
	25,964	AGF Global Government Bond Fund	15,246
CANADIAN FIXED INCOME FUNDS		AGF Total Return Bond Fund	193
AGF Canadian Money Market Fund	1,679	AGF Global Aggregate Bond Fund	15
AGF Canadian Bond Fund	717		15,454
AGF Floating Rate Income Fund	101	SPECIALTY EQUITY FUNDS	
AGF Short-Term Income Class	35	AGF Precious Metals Fund	11,476
AGF Fixed Income Plus Fund	25	AGF Canadian Resources Class	709
AGF Inflation Plus Bond Fund	218	AGF Global Resources Class	72
	2,775	AGF Global Real Estate Equity Class	3
ELEMENTS PORTFOLIOS			12,260
AGF Elements Balanced Portfolio	1,042	U.S. EQUITY FUNDS	
AGF Elements Global Portfolio	242	AGF American Growth Class	483
AGF Elements Yield Portfolio	182	AGF Aggressive™ U.S. Growth Fund	309
AGF Elements Growth Portfolio	129		792
AGF Elements Conservative Portfolio	90		
AGF Elements Balanced Portfolio Class	24	TOTAL DISTRIBUTED SECURITIES	
AGF Elements Balanced Portfolio Class	8		\$ 112,436
AGF Elements Balanced Portfolio Series T	7		
	1,724		

Global Strategy Master LP

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

For the six months ended June 30, 2012 and June 30, 2011

This Management's Discussion and Analysis ("MD&A") is as of August 13, 2012 and presents an analysis of the financial condition of Global Strategy Master LP ("Master LP") as at June 30, 2012 compared to December 31, 2011, and the results of operations for the six months ended June 30, 2012 compared with the corresponding period of 2011. This MD&A should be read in conjunction with our unaudited interim financial statements and notes for the six months ended June 30, 2012 and our 2011 Annual MD&A and 2011 Annual Audited Financial Statements and Notes.

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 fees 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 fees caused by early redemption of Distributed Securities. Upon the merger, the Merging Partnerships transferred their rights to distribution fees and redemption fees to Master LP.

As at June 30, 2012, Master LP has issued and outstanding Limited Partner units of 10,972,272 (2011 – 10,972,272). These Limited Partner 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. As at June 30, 2012 and 2011, Master LP has also issued and outstanding one unit held by Global Strategy Master GP Inc. as General Partner.

DISTRIBUTION FEE RECEIVABLE

Master LP's primary source of income and cash flow relates to the collection of interest and principal on its distribution fee receivable in respect of the Distributed Securities to which it has distribution rights.

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

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Master LP receives interest and principal repayments on its distribution fee receivable through monthly distribution fees calculated as specified percentages of the market values of the Distributed Securities which remain outstanding based on various distribution fee rates which are shown in *Distributed Securities Composition*. Distribution fees are to be received until the earlier of the date of redemption of the Distributed Securities and the pre-determined expiry date. 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, 2012) (Unaudited) (in thousands)	Weighted Average Annual Distribution Fee Rate (%)	Distribution Fee Expiry Date (December 31)
LP 1990	\$ 2,386	0.58	2014
LP II	1,917	0.69	2015
LP III	10,310	0.66	2016
LP IV	1,714	0.70	2017
LP V	36,749	0.56	2017
LP VI	28,606	0.54	2018
LP VII	4,352	0.57	2019
LP VIII	8,622	0.57	2020
LP IX	17,780	0.46	2012
	\$ 112,436		

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.

On December 31, 2012, the distribution fee rights related to LP IX will expire. These distributed securities represent 15.8% of the outstanding securities which Master LP currently has the right to receive distribution fees. As a result, the cash flow related to the distribution fees is expected to reflect a similar decline.

Distribution fee rates vary depending on the original partnership which distributed them, and may also vary over time based on the composition of outstanding Distributed Securities. 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.

Distribution fees amounted to \$0.2 million as at June 30, 2012 compared to \$0.5 million in 2011. The decrease of 63% in distribution fees was primarily attributable to the decline in net asset value of Distributed Securities from \$152.8 million as at June 30, 2011 to \$112.4 million as at June 30, 2012.

Global Strategy Master LP

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The following is a summary of the changes in Distributed Securities for six months ended June 30, 2012 and 2011:

Six months ended June 30, 2012	(in thousands)	
	2012	2011
NAV of Distributed Securities, beginning of period	\$ 152,802	\$ 172,887
Change in NAV of Distributed Securities, including reinvested distributions	(27,224)	(2,785)
Redemption of Distributed Securities	(13,142)	(17,300)
NAV of Distributed Securities, end of period	\$ 112,436	\$ 152,802

The 2011 annual redemption rate based on the NAV of Distributed Securities at the beginning of the year was 17.2% compared to 20.7% in 2010. Redemptions of \$13.1 million and market depreciation of \$27.2 million accounted for the decrease in the NAV of Distributed Securities during 2012.

In accordance with the Distribution Agreement, Master LP was entitled to redemption fees if Distributed Securities were redeemed within a specified period. As at June 30, 2012 and 2011, the redemption fee schedule had expired and no further redemption fees were to be received.

DISTRIBUTED SECURITIES COMPOSITION

The composition of Distributed Securities as at June 30, 2012 and 2011 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 June 30:

	2012	2011
	%	%
Canadian Balanced and Asset Allocation Funds	33	32
International Fixed Income Funds and Others	27	25
Canadian Equity Funds	23	24
International Equity Funds	14	15
Canadian Fixed Income Funds	2	3
U.S. Equity Funds	1	1
Total	100	100

INTEREST ON CASH BALANCE

Interest earned on the bank account held by the Master LP was \$915 in six months ended June 30, 2012 as compared to \$727 in the comparable period in 2011. The increase was primarily due to the decrease in the average cash balance on hand during the year.

As at June 30, 2012, cash held by Master LP amounted to \$99,637 as compared to \$166,862 at June 30, 2011.

Global Strategy Master LP

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

EXPENSES

Total expenses for the six months ended June 30, 2012 were \$123,220, compared to a recovery of \$122,291 in the comparable period in 2011.

FINANCIAL CONDITION AND LIQUIDITY

Total assets were \$2,353,663 as at June 30, 2012 as compared to \$5,409,426 as at December 31, 2011. Assets as at June 30, 2012 consisted of cash totaling \$99,637 and distribution fee receivable of \$2,254,026. These assets are used primarily to finance the quarterly cash distributions payable to Limited Partners. Master LP distributes cash received from the collection of interest and principal on the distribution fee receivable, net of operating costs, to Limited Partners on an annual or quarterly basis, depending on each partner's election.

FINANCIAL INSTRUMENTS

Master LP's financial instruments consist of cash, distribution fee receivable, accounts payable and accrued liabilities, and the Limited Partner Liability.

CASH DISTRIBUTIONS AND TAXABLE INCOME

Effective January 1, 2011, the Master LP is subject to taxation on its "taxable non-portfolio earnings". Most of the income earned by the Master LP is taxable non-portfolio earnings.

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 six months ended June 30, 2012 were \$0.01 per Limited Partner unit and \$0.07 per Limited Partner unit for the six months ended June 30, 2011. Cash distributions per Limited Partner unit for the three most recent years are shown in *Selected Quarterly and Annual Information*.

Taxable income for the six months ended June 30, 2012 was \$0.01 per Limited Partner unit as compared to \$0.07 per Limited Partner unit for the six months ended June 30, 2011.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with IFRS 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, as defined by the Limited Partnership Agreement, and will also be reimbursed by Master LP

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for expenses incurred on behalf of Master LP. The General Partner has engaged AGF Investments Inc. ("AGFI"), its parent company, to assist it in carrying out its management obligations to Master LP. AGFI is entitled to receive an administrative fee as consideration for its management of the business and affairs of Master LP. AGFI 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 six months ended June 30, 2012 and 2011 amounted to:

Six months ended June 30		2012		2011
Administration fees	\$	56,508	\$	56,508
Investment management fee		288		288

OUTLOOK AND RISKS

Risk Factors and Risk Management

Master LP's only source of future cash flows from the distribution fee receivable 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 due to redemptions and the expiration of distribution rights. The fair value of the distribution fee receivable is 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.

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.

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 indirectly exposed to interest rate risk, currency risk and other price risk since changes in these variables will impact the NAVs of the Distributed Securities and result in changes in the fair value of the distribution fee receivable and Limited Partner liability. Any impact on net income from changes in the fair value of the distribution fee receivable, except to the extent of the General Partner's 0.01%, would be offset by the corresponding change in the Limited Partner liability upon revaluation to fair value and consequently, no reasonably possible changes in these variables would significantly impact net income.

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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. Master LP's liquidity risk is limited due to the fact that distributions to Limited Partners are only required to be made to the extent of distribution fees that are received and after expenses and liabilities related to Master LP are settled.

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 Master LP. Master LP's overall credit risk strategy and credit risk policy are developed, managed and controlled by the General Partner in accordance with the Limited Partnership Agreement. Master LP's maximum exposure to credit risk is represented by the carrying values of all financial assets as at June 30, 2012 and December 31, 2011. Master LP limits its credit risk exposure on cash balances by ensuring that such balances are held with large reputable Canadian banks with high credit ratings.

LIMITED PARTNER LIABILITY

As at June 30, 2012, Master LP had total issued and outstanding Limited Partner units of 10,972,272. The Limited Partner 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 distributions when declared.

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 AGFI 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 online at the AGF website, www.agf.com and at the Canadian Securities Administrators' website, www.sedar.com.

Global Strategy Master LP

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

SELECTED QUARTERLY AND ANNUAL INFORMATION (unaudited)

(in thousands, except per unit amounts) Three months ended (IFRS)	Jun. 30, 2012	Mar. 31	Dec. 31	Sep. 30
Interest on cash balances	\$ 0.4	\$ 0.5	\$ 0.5	\$ 0.5
Taxable income for the quarter	104.9	110.3	128.2	145.8
Taxable income and cash distribution per Limited Partner unit	.003	.004	0.01	0.01
Total assets	\$ 2,192.4			

(in thousands, except per unit (mounts)) Three months ended (IFRS)	Jun. 30, 2011	Mar. 31	Dec. 31	Sep. 30
Interest on cash balances	\$ 0.4	\$ 0.3	\$ 0.3	\$ 0.2
Taxable income for the quarter	166.8	167.9	166.8	178.9
Taxable income and cash distribution per per Limited Partner unit	0.02	0.02	0.01	0.02
Total assets	\$ 7,352.7			

Global Strategy Master LP

Statements of Financial Position

In Canadian dollars

Unaudited

	As at June 30, 2012	As at December 31, 2011
Assets		
Cash	\$ 99,637	\$ 165,511
Distribution fee receivable (note 5)	2,254,026	5,243,915
Total Assets	\$ 2,353,663	\$ 5,409,426
Liabilities and Partners' Equity		
Accounts payable and accrued Liabilities	\$ 322,879	\$ 97,646
Income taxes payable	57,039	171,965
Deferred income tax liabilities	536,781	1,305,973
Limited Partner liability (note 5)	1,088,975	3,181,959
	2,005,674	4,757,543
Partners' Equity attributable to:		
General Partner unit	1	1
Retained earnings	347,988	651,882
	347,989	651,883
Total Liabilities and Partner's Equity	\$ 2,353,663	\$ 5,409,426

Note 8 – Subsequent Event

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



Blake C. Goldring, Director



Robert J. Bogart, Director & Chief Financial Officer

Global Strategy Master LP

Statements of Comprehensive Loss

In Canadian dollars

Unaudited

For the six months ended June 30	2012	2011
Income		
Interest	\$ 915	\$ 727
	915	727
Expenses		
(Gain) loss on revaluation of distribution fee receivable (note 5)	2,820,439	(1,994,348)
(Gain) loss on revaluation of Limited Partner liability (note 5)	(1,926,698)	1,541,607
Administration and investment management fees	56,795	56,796
Audit, legal and filing fees	18,988	18,987
Transfer agent fees	34,389	34,389
Other costs	13,050	12,118
	1,016,963	(330,451)
Income (loss) before income taxes	(1,016,048)	331,178
Income tax expense (recovery):		
Current	57,039	94,549
Deferred)	(769,193)	370,472
	(712,154)	465,021
Net and comprehensive loss for the period attributable to General Partner	\$ (303,894)	\$ (133,843)
Basic and diluted loss per General Partner unit for the period	\$ (303,894)	\$ (133,843)

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

Global Strategy Master LP

Statements of Cash Flows

In Canadian dollars

Unaudited

For the six months ended June 30	2012	2011
Operating Activities:		
Net loss for the period	\$ (303,894)	\$ (133,843)
Revaluation of distribution fee receivable	2,820,439	(1,994,348)
Revaluation of Limited Partner liability	(1,926,698)	1,541,607
Deferred income tax liabilities	(769,193)	370,472
Adjustments for:		
Changes in items of working capital:		
Distribution fee receivable	169,450	467,618
Limited Partner liability	(166,286)	(334,657)
Income taxes payable	(114,926)	94,549
Accounts payable and accrued liabilities	225,234	18,855
Increase (decrease) in cash during the period	(65,874)	30,253
Cash beginning of period	165,511	136,609
Cash end of period	\$ 99,637	\$ 166,862
Income taxes paid for the period	\$ 171,965	\$ -

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

Global Strategy Master LP

Statements of Changes in Partner's Equity

In Canadian dollars

Unaudited

For the six months ended June 30	2012		2011	
Balance beginning of period	\$	651,883	\$	920,465
Loss for the period		(303,894)		(133,843)
Balance end of period	\$	347,989	\$	786,622

Global Strategy Master LP

Notes to Financial Statements

For the six months ended June 30, 2012 and 2011

1. Formation of the Partnership

Global Strategy Master LP (“Master LP”) is a Limited Partnership and was formed under the Limited Partnerships Act (Ontario) 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 registered address of Master LP is P.O. Box 50, Toronto Dominion Centre, Toronto, ON M5K 1E9.

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, and subsequent to its formation Master LP is, entitled to distribution fees on the specific mutual fund units that remain outstanding which were originally financed by the Merging Partnerships (“Distributed Securities”). The Merging Partnerships were also entitled to redemption fees for up to six years. As at June 30, 2012 and December 31, 2011, the redemption fee schedule had expired and no further redemption fees were to be received. Upon the formation of Master LP, 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 Policies

These unaudited interim condensed financial statements have been prepared on a going concern basis in accordance with International Reporting Financial Standards (IFRS), which assumes that the Company will be able to meet its liabilities as they fall due for the foreseeable future. These financial statements have been prepared on a consistent basis with the accounting policies disclosed in the annual audited financial statements for the year ended December 31, 2011. Refer to Note 5, Fair Value of Financial Instruments, for a discussion on changes in significant estimates.

Basis of measurement

The financial statements have been prepared under the historical cost convention, except for the distribution fee receivable and Limited Partner liability, which are measured at fair value.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

Global Strategy Master LP

Notes to Financial Statements

Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that Master LP has made in the preparation of the financial statements:

Classification and measurement of financial instruments

In classifying and measuring financial instruments held or issued by Master LP, management is required to make significant judgments about the cash flow characteristics of the instruments and the applicability of the fair value option for financial liabilities under IFRS 9. The most significant judgments made include the determination that the expected future cash flows associated with the distribution fee receivable do not relate solely to interest and principal. As a result, the distribution fee receivable is accounted for at fair value through profit or loss (FVTPL) in accordance with IFRS 9. Due to the fact that the majority of the returns associated with the distribution fee receivable are attributable to the holders of Limited Partner units, management has also determined that an accounting mismatch exists, permitting the designation of the Limited Partner liability at FVTPL.

Fair values of financial instruments

The preparation of Master LP's financial statements requires that management make significant estimates in respect of the fair values of the distribution fee receivable and the Limited Partner liability. Refer to note 6 for further information about the fair value measurement of Master LP's financial instruments.

Financial Instruments

Master LP has elected to adopt IFRS 9, *Financial Instruments* and IFRS 13, *Fair Value Measurement* (IFRS 13) prior to the dates of mandatory adoption. IFRS 9 and IFRS 13 have been adopted as of January 1, 2010, the date of Master LP's transition to IFRS. Accounting policies described in these financial statements reflect Master LP's accounting policies subsequent to the adoption of these standards.

Financial assets and liabilities are recognized when Master LP becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and Master LP has transferred substantially all risks and rewards of ownership. Regular way purchases and sales of financial assets are accounted for at the trade date.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Master LP's financial instruments include: cash, distribution fee receivable, accounts payable and accrued liability and Limited Partner liability. At initial recognition, Master LP classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

- a) Financial assets: A financial asset is carried at amortized cost using the effective interest rate method when the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and when the contractual terms of the financial asset give rise on specified

Global Strategy Master LP

Notes to Financial Statements

dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are carried at FVTPL. Master LP carries cash at amortized cost and the distribution fee receivable at FVTPL.

- b) **Financial liabilities:** A financial liability is measured at amortized cost using the effective interest rate method except for financial liabilities that are required to be treated as FVTPL or have been designated as such. Master LP carries accounts payable and accrued liabilities at amortized cost and has designated its Limited Partner liability at FVTPL.

Transaction costs are included in the initial carrying amount of financial assets and liabilities not at FVTPL, and are expensed as incurred for those at FVTPL.

Impairment of financial assets

At each reporting date, Master LP assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss) is impaired.

The criteria used to determine if objective evidence of an impairment loss include:

- (i) significant financial difficulty of the obligor;
- (ii) delinquencies in interest or principal payments; and
- (iii) it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

If such evidence exists, Master LP recognizes an impairment loss as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Partner's equity

Incremental costs directly attributable to the issuance of General Partner units are recognized as a deduction from equity.

Loss per General Partner unit

Basic earnings (loss) per General Partner unit ("EPS") is calculated by dividing the net income (loss) for the period attributable to equity owners of Master LP by the weighted average number of General Partner units outstanding during the period. Master LP has no securities outstanding which impose any dilutive effect on its EPS.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized directly in other comprehensive income or equity, respectively.

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Notes to Financial Statements

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Risk Management

Master LP's financial instruments consist of cash, distribution fee receivable, accounts payable and accrued liabilities, and Limited Partner liability. 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 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.

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.

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 indirectly exposed to interest rate risk, currency risk and other price risk since changes in these variables will impact the NAVs of the Distributed Securities and result in changes in the fair value of the distribution fee receivable and Limited Partner liability. Any impact on net income from changes in the fair value of the distribution fee receivable, except to the extent of the General Partner's 0.01%, would be offset by the change in the Limited Partner liability upon revaluation to fair value and consequently, no reasonably possible changes in these variables would significantly impact net income.

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. All of the partnership's financial liabilities are current and amounts due in respect of the Limited Partner liability are required to be paid upon collection of the distribution fee receivable. Master LP's liquidity risk is limited due to the fact that distributions to Limited Partners are only required to be made to the extent of distribution fees that are received and after expenses and liabilities of Master LP are settled.

Global Strategy Master LP

Notes to Financial Statements

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 Master LP. Master LP's overall credit risk strategy and credit risk policy are developed, managed and controlled by the General Partner in accordance with the Limited Partnership Agreement. Master LP's maximum exposure to credit risk is represented by the carrying values of all financial assets as at June 30, 2012 and December 31, 2011. Master LP limits its credit risk exposure on cash balances by ensuring that such balances are held with large reputable Canadian banks with high credit ratings.

4. 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, as defined by the Limited Partnership Agreement, and will be reimbursed by Master LP for expenses incurred on behalf of Master LP. The General Partner has engaged AGF Investments Inc. ("AGFI"), its parent company, to assist it in carrying out its management obligations to Master LP. AGFI is entitled to receive an administrative fee as consideration for its management of the business and affairs of Master LP. AGFI 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 six months ended June 30, 2012 and 2011 amounted to:

Six months ended June 30	2012		2011	
Administrative Service Fee	\$	56,507	\$	56,508
Investment Management Fee		288		288

Global Strategy Master LP

Notes to Financial Statements

Included in accounts payable and accrued liabilities are the following amounts due to related parties:

	June 30, 2012	December 31, 2011
Fees payable to Global Strategy Master GP Inc.	\$ -	\$ -
Fees payable to AGFI	155,855	9,125

5. Fair values of financial instruments

Master LP's financial instruments carried at fair value include its distribution fee receivable and Limited Partner liability. Fair value is measured in accordance with IFRS 13, *Fair Value Measurement* (IFRS 13), as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at each measurement date.

The Limited Partner units are traded on the Toronto Stock Exchange (TSX). In circumstances when the trading of these units is considered to be in an active market, the associated liability is measured based on the closing price of the units on the TSX. In cases where an observable price in an active market cannot be obtained, fair value is determined using valuation techniques which maximize the use of observable data, including the impact of changes in market conditions on expected future cash flows from distribution fees and recent transactions involving units of similar structures, adjusted for the composition of underlying distributed securities, terms of the distribution arrangements and distribution fee rates.

As at June 30, 2012, management determined, as a result of a reduction in volume associated with the Limited Partner units traded on the TSX, that the market for the limited partner units was not active. As at June 30, 2012, the measurement of the fair value of the limited partner liability was reclassified to a Level 3 measurement from a Level 2 measurement. The fair values of the limited partner liability and distribution fee receivable at June 30, 2012 have been determined using a discounted cash flow approach, which incorporates information about the fair values of distributed securities and management's expectations about the timing of future cash flows and redemptions of distributed securities as well as the expected levels and timing of expenses and liabilities.

The fair values of Master LP's cash and accounts payable and accrued liabilities approximate their carrying amounts due to their short-term nature.

Global Strategy Master LP

Notes to Financial Statements

Fair value hierarchy

The following table classifies financial assets and liabilities that are recognized on the balance sheet at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	June 30, 2012	December 31, 2011
Level 1	\$	\$
Limited Partner liability	-	3,181,959
Level 2		
Limited Partner liability	-	-
Level 3		
Distribution fee receivable	2,254,026	5,243,915
Limited Partner liability	1,088,975	-

The following is a reconciliation of Level 3 fair value measurements from December 31, 2011 to June 30, 2012:

	Distribution Fee Receivable	Limited Partner Liability
	\$	\$
Balance at December 31, 2011	5,243,915	3,181,959
Change in fair value	(2,820,439)	(1,926,698)
Distribution fees	(169,450)	(166,286)
Balance at June 30, 2012	2,254,026	1,088,975

Global Strategy Master LP

Notes to Financial Statements

6. Partner's equity

As at June 30, 2012 Master LP has issued and outstanding 1 General Partner unit.

7. Taxation

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The weighted average applicable tax rate for the six months ended June 30, 2012 was 26.5% (2011 – 28.3%).

8. Subsequent Event

On August 13, 2012, the Board of Directors of the General Partners approved a proposal to the limited partners of Master LP to approve the dissolution of the limited partnership. Pursuant to the limited partnership agreement, in connection with the dissolution of Master LP, the General Partner must first sell the assets of the LP to the extent appropriate. AGF Investments Inc. is willing to purchase from the Company the right to the Distribution Fees remaining payable to Master LP in respect of the period on and after October 31, 2012. A special meeting will be held on October 3, 2012. If the limited partners of Master LP pass a resolution approving the dissolution, by selling the distribution fees remaining payable to Master LP and by making a final payment to the limited partners, Master LP will be dissolved November 5, 2012.



What are you doing after work?

Global Strategy Master LP

Head Office
P.O. Box 50
Toronto Dominion Centre
Toronto, ON M5K 1E9
Telephone: 416 367-1900
Toll free: 1 800 268-8583

Transfer Agent and Registrar
Computershare Investor Services Inc.
100 University Avenue, 9th Floor
Toronto, ON M5J 2Y1
Telephone: 1 800 663-9097

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