

**PRECIOUS METALS AND MINING TRUST**

**2010 ANNUAL INFORMATION FORM**

**March 25, 2011**

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## **PRECIOUS METALS AND MINING TRUST**

*Note that certain terms used in this Annual Information Form are defined in the Glossary found at the end of this Annual Information Form.*

### **1. SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION**

This Annual Information Form may contain forward-looking information relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. Forward-looking information can often be identified by forward-looking words such as “anticipate”, “believe”, “expect”, “goal”, “plan”, “intend”, “estimate”, “may” and “will” or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. By its nature, forward-looking information requires us to make assumptions which include, among other things that (i) Precious Metals and Mining Trust (the “Trust”) will have sufficient capital under management to effect its investment strategies, (ii) the investment strategies will produce the results intended by Sentry Select Capital Inc. (“Sentry” or “Sentry Investments”), and (iii) the markets will react and perform in a manner consistent with the investment strategies. Forward-looking information is subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking information will not prove to be accurate. We caution readers of this Annual Information Form not to place undue reliance on our forward-looking information as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking information.

Actual results may differ materially from management’s expectations as projected in such forward-looking information for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Trust may invest and the risks detailed from time to time in the Trust’s prospectus. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking information to make decisions with respect to investing in the Trust, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking information. Due to the potential impact of these factors, Sentry does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable law.

### **2. NAME, FORMATION AND HISTORY OF THE TRUST**

The Trust is an investment trust established under the laws of Ontario pursuant to a declaration of trust dated May 29, 2006, amended and restated on September 3, 2007 and further amended and restated on March 11, 2009 with effect as of January 1, 2009 (the “Declaration of Trust”). Prior to January 1, 2009 the manager and trustee of the Trust was Sentry Select Capital Corp. (“SSCC”). Effective January 1, 2009, Sentry became the trustee (the “Trustee”) and manager (the “Manager”) of the Trust.

The custodian of the Trust's assets is State Street Trust Company Canada (the "Custodian"). The Trust's head office is 130 King Street West, The Exchange Tower, Suite 2850, Toronto, Ontario, M5X 1A4. The fiscal year end of the Trust is December 31.

The Trust completed its initial public offering on June 20, 2006 with the placement of 9,500,000 units (individually, a "Unit") for gross proceeds of \$95,000,000, an additional 285,000 Units were issued pursuant to the exercise of an over-allotment option on July 11, 2006 for total gross proceeds of \$2,850,000 (the initial public offering and the over-allotment option, collectively, the "Offering").

On April 30, 2007, the Declaration of Trust was amended and restated to establish an Independent Review Committee for the Trust ("IRC") and appoint its first members in accordance with National Instrument 81-107 - *Independent Review Committee for Investment Funds* ("NI 81-107").

On July 17, 2007, the Declaration of Trust was amended in order to clarify disclosure in respect of the Annual Redemption.

On October 22, 2007, the manager announced that the Trust intended to purchase up to 973,661 Units for cancellation by way of a normal course issuer bid through the facilities of the TSX. The 973,661 Units represented approximately 10% of the public float of the Trust. The purchases commenced on October 24, 2007, and terminated on October 23, 2008.

On February 19, 2008, the Trust filed a final prospectus in connection with an offering (the "Rights Offering") of transferrable rights ("Rights") to its Unitholders to subscribe for additional Units ("Additional Units"). Each Unitholder of record on February 28, 2008 received one Right for each Unit held. Two Rights entitled the holder to purchase one Additional Unit at a price of \$10.28 per Additional Unit until 4:00 p.m. Toronto time on March 24, 2008 (the "Basic Subscription Privilege"). Holders of Rights who fully exercised their Rights under the Basic Subscription Privilege were entitled to subscribe *pro rata* for Additional Units, if available, that were not subscribed for initially. The Rights Offering closed on March 28, 2008, issuing 2,065,398 Additional Units and raising aggregate gross proceeds of \$21,232,291.

On March 11, 2009 with effect as of January 1, 2009, the Declaration of Trust was further amended and restated to reflect the change in the manager and trustee of the Trust from SSCC to Sentry.

On March 15, 2010, the Trust filed a final prospectus in connection with an offering (the "Warrant Offering") of transferable warrants ("Warrants") to its Unitholders to subscribe for additional Units. Each Unitholder of record on March 30, 2010 received one Warrant for each Unit held. One Warrant entitles the holder to purchase one additional Unit at a price of \$7.42 beginning on March 31, 2010 until 4:00 p.m. (Toronto time) on July 23, 2010. Holders of Warrants who fully exercise their Warrants were also entitled to subscribe *pro rata* for additional Units, if available, that were not subscribed for initially. The Warrant Offering closed on July 27, 2010, issuing the maximum 9,717,733 additional Units, for gross proceeds of \$72,105,579.

On December 2, 2010, the Trust completed a treasury offering of Units pursuant to a short form prospectus with the issuance of 7,095,553 Units for gross proceeds of \$75,000,000, and an

additional 1,064,333 Units pursuant to the exercise of an over-allotment option on December 17, 2010 for gross proceeds of \$11,250,000.

### **3. INVESTMENT OBJECTIVES, STRATEGIES AND RESTRICTIONS**

#### **Investment Objectives**

The Trust's investment objectives are to provide Unitholders with:

- (i) long-term capital appreciation; and
- (ii) monthly cash distributions.

#### **Investment Methodology and Strategy**

The Trust invests in a Portfolio consisting primarily of equity securities of Mining Issuers that are listed on a North American stock exchange. The Manager actively manages the Trust's investments which includes a rotation of weightings within the metals and minerals sectors.

The Manager uses a combination of a top-down and value-driven, bottom-up analysis to identify Mining Issuers for the Portfolio. This approach involves the use of computer based research incorporating and rating a number of factors including profitability, liquidity, operating and administrative costs, cash flow and management. The Manager's research process also includes the performance of specific resource property analysis. The Manager draws from expertise in the metals and minerals mining industry available to it to assist in the evaluation of the underlying properties held by Mining Issuers. The Manager focuses on equities:

- with high cash flow and free cash flow yields on invested capital;
- with low multiples to net asset value based on below market metal price assumptions;
- that have undervalued, in-development metal and mineral deposits that are expected to grow in value as they advance to production;
- with advanced exploration deposits that the Manager considers to have a high probability of commercial viability and substantial potential for expansion prior to commencement of feasibility studies and production financing;
- that represent trading opportunities driven by financing needs and liquidity events related to capital structure; and
- that represent discounted financing opportunities, particularly those with additional leverage from warrants.

#### **Investment Restrictions**

The Declaration of Trust contains investment restrictions to the effect that the Trust may not:

- (a) purchase any security issued by any issuer (other than short-term debt securities issued or guaranteed by the Government of Canada or any Canadian province or municipality) if as a result more than 10% of the Trust's total assets would consist of securities issued by such issuer;
- (b) borrow money in excess of 15% of the Trust's total assets after giving effect to the borrowing;
- (c) purchase or sell commodities or commodity contracts except as permitted by NI 81-102 (as if the Trust were subject to NI 81-102);
- (d) make loans or guarantee obligations, except that the Trust may purchase and hold debt obligations (including bonds, debentures or other obligations and certificates of deposit, bankers' acceptances and fixed time deposits) in accordance with its investment objectives;
- (e) purchase securities on margin or sell securities short;
- (f) invest for the purpose of exercising control over management of any issuer;
- (g) purchase or sell derivatives;
- (h) invest more than 10% of its total assets in securities of Private Issuers;
- (i) invest in mutual funds (within the meaning of NI 81-102) (as if the Trust were subject to NI 81-102);
- (j) make any investment or conduct any activity that would result in the Trust failing to qualify as a "unit trust" and a "mutual fund trust" within the meaning of the Tax Act under the then current definition of "unit trust" or "mutual fund trust"; in order for the Trust to qualify under the current definition of "unit trust", among other requirements:
  - (i) at least 80% of the property of the Trust at all times must consist of any combination of (a) shares, (b) any property that, under the terms or conditions of which or under an agreement, is convertible into, is exchangeable for or confers a right to acquire shares, (c) cash, (d) bonds, debentures, mortgages, hypothecary claims, notes and other similar obligations, (e) marketable securities, (f) real property situated in Canada and interests in such property and (g) rights to and interests in any rental or royalty computed by reference to the amount or value of production from a natural accumulation of petroleum or natural gas in Canada, from an oil or gas well in Canada or from a mineral resource in Canada;
  - (ii) not less than 95% of the income from the Trust (determined without reference to subsections 49(2.1) and 104(6) of the Tax Act) for each year must be derived from, or from the disposition of, investments described in (i) above; and

- (iii) not more than 10% of the Trust's property may consist of bonds, securities or shares in the capital stock of any one corporation or debtor other than Her Majesty in Right of Canada or a province or a Canadian municipality;
- (k) invest in any securities of an entity that would be a controlled foreign affiliate of the Trust for purposes of the Tax Act;
- (l) invest in any security that is a tax shelter investment within the meaning of the Tax Act;
- (m) hold securities of any non-resident corporation or trust or other entity if the Trust would be required to mark its investment in such securities to market in accordance with proposed section 94.2 of the Tax Act or to include any significant amounts in income pursuant to proposed section 94.1 or 94.3 of the Tax Act, or invest in any interest in a non-resident trust other than an "exempt trust" as defined in proposed section 94 of the Tax Act, as set forth in the proposed amendments to the Tax Act dealing with foreign investment entities and non-resident trusts released on July 18, 2005 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto);
- (n) lend Portfolio assets except as permitted by NI 81-102 (as if the Trust were subject to NI 81-102);
- (o) purchase real estate or real estate mortgage loans (other than securities issued by issuers that invest in real estate); or
- (p) act as an underwriter except to the extent that the Trust may be deemed to be an underwriter in connection with the sale of securities in its Portfolio.

If a percentage restriction on investment or use of assets set forth above is adhered to at the time of the transaction, later changes to the market value of the investment or the total assets of the Trust will not be considered a violation of the restriction (except for the restrictions in paragraph (j) which must be complied with at all times and which may necessitate the selling of securities from time to time). If the Trust receives from an issuer subscription rights to purchase securities of that issuer, and if the Trust exercises such subscription rights at a time when the Trust's Portfolio holdings of securities of that issuer would otherwise exceed the limits set forth above, it will not constitute a violation if, prior to receipt of securities upon exercise of such rights, the Trust has sold at least as many securities of the same class and value as would result in the restriction being complied with.

The foregoing investment restrictions may not be changed without the approval of the Unitholders, by a resolution passed by two-thirds of the votes cast at a meeting of Unitholders called for such purpose, unless such changes are necessary to ensure compliance with all applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time.

## **Borrowing**

The Declaration of Trust authorizes the Trust to borrow from an arm's length financial institution an amount not exceeding 15% of the value of the total assets of the Trust for the purpose of making investments in accordance with its investment objectives and restrictions, for working capital purposes and to pledge its assets to secure the borrowings. The Trust currently has no debt obligations.

## **4. DESCRIPTION OF THE UNITS**

The Trust is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Trust.

All Units have equal rights and privileges. Each whole Unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with respect to any and all distributions made by the Trust, including distributions of net income and net realized capital gains, and distributions upon the termination of the Trust. Units are issued only as fully paid and are non-assessable.

### **Redemption Privileges**

Units may be surrendered during the Notice Period for redemption by the registered Unitholder to the Registrar and Transfer Agent subject to the Trust's right to suspend redemptions (described below). Units surrendered for redemption by a Unitholder during the Notice Period will be redeemed on the Redemption Date and the Unitholder will receive payment on the Redemption Payment Date.

### **Payments on Termination**

Immediately prior to the termination of the Trust, the Trust will, to the extent possible, convert the assets of the Trust to cash and will pay or make adequate provision for all of the Trust's liabilities. The Trust will, to the extent possible, after receipt of the net cash proceeds of the liquidation of its assets, distribute as soon as possible the remaining Trust property among Unitholders on a *pro rata* basis against surrender of certificates representing the Units.

### **Acts Requiring Unitholder Approval**

Pursuant to the Declaration of Trust, the following matters require the approval of two-thirds of the votes cast by Unitholders voting thereon (other than items (e), (h) and (j) which require approval by a simple majority vote) at a meeting called and held for such purpose:

- (a) a change in the fundamental investment objectives of the Trust as described under "Investment Objectives, Strategies and Restrictions — Investment Objectives";
- (b) a change in the investment restrictions of the Trust as described under "Investment Objectives, Strategies and Restrictions — Investment Restrictions";
- (c) any change in the basis of calculating fees or other expenses that are charged to the Trust which could result in an increase in charges to the Trust other than a fee

or expense charged by a person or company that is at arm's length to the Trust and for which Unitholders are sent a written notice of such change at least 60 days before the effective date of such change;

- (d) a change of the manager of the Trust, other than a change resulting in an affiliate of such person assuming such position or, except as described herein, a change in the trustee of the Trust, other than a change resulting in an affiliate of such person assuming such position;
- (e) a change of the auditors of the Trust;
- (f) a reorganization (other than a permitted merger) with, or transfer of assets to, a mutual fund trust, if
  - (i) the Trust ceases to continue after the reorganization or transfer of assets; and
  - (ii) the transaction results in Unitholders becoming securityholders in the mutual fund trust;
- (g) a reorganization (other than a Permitted Merger) with, or acquisition of assets of, a mutual fund trust, if
  - (i) the Trust continues after the reorganization or acquisition of assets;
  - (ii) the transaction results in the securityholders of the mutual fund trust becoming Unitholders of the Trust; and
  - (iii) the transaction would be a material change to the Trust;
- (h) except in certain circumstances as described under "Other Material Information – Termination of the Trust";
- (i) an amendment, modification or variation in the provisions or rights attaching to the Units; and
- (j) a reduction in the frequency of calculating the NAV per Unit.

## **Distributions**

The Trust shall, consistent with its investment objectives set forth above, endeavour to make monthly cash distributions to be paid on, or before, the 15<sup>th</sup> day following month end. The Trust will annually determine and announce each July an indicative distribution amount for the following 12 months based upon prevailing market conditions and the Manager's estimate of distributable cash flow for the year. Each monthly cash distribution shall be in such amount as the Manager determines and shall be payable on the last Business Day of each month, unless a Unitholder has through his, her or its CDS Participant requested to participate in the DRIP, to Unitholders of record at 5:00 p.m. (Toronto time) on that day (but before giving effect to redemptions and issuances to be implemented as of such day). Such monthly distributions shall

be paid out of income and net realized capital gains of the Trust for the relevant Taxation Year and, if necessary, out of the capital of the Trust. As at December 31, 2010, the monthly distributions are being paid out of the capital of the Trust. Paying distributions out of the capital of the Trust will reduce the NAV per Unit.

On June 22, 2010, the Manager announced that for the next 12 months from that date, the indicative monthly distribution amount for the Trust would be \$0.10 per Unit. However, the Manager provided that if the make-up of the Portfolio changed, or if the Portfolio holdings made distributions other than in accordance with their indicated guidance, distributions might differ.

## **5. CALCULATION OF NET ASSET VALUE**

The NAV on a particular date will be equal to the aggregate value of the assets of the Trust less the aggregate value of the liabilities of the Trust, including any income, net realized capital gains or other amounts payable to Unitholders on or before such date, expressed in Canadian dollars at the applicable exchange rate on such date. The NAV per Unit on any day will be obtained by dividing the NAV on such day by the number of Units then outstanding prior to any redemptions effected on that date.

The NAV per Unit will be calculated as of each Valuation Time. If the Trust elects to have a December 15 year end for tax purposes as permitted by the Tax Act, the NAV per Unit will also be calculated on December 15. Such information will be provided by Sentry to Unitholders on request by calling toll-free 1-888-730-4623 or to the public at no cost through its Internet site at [www.sentry.ca](http://www.sentry.ca).

Unless otherwise required by law, in determining the NAV, the Trustee will take into account:

- (a) the value of any cash on hand or on deposit, prepaid expenses, cash distributions declared and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless the Trustee determines that any such asset is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Trustee determines to be the fair value thereof;
- (b) bonds, debentures, notes, money market instruments and other debt securities shall be valued by taking the bid price at the Valuation Time;
- (c) any security that is listed or dealt in on a stock exchange shall be valued at the sale price applicable to a board lot last reported at the Valuation Time on the principal stock exchange on which such security is traded, or if no sale price is available at that time, the last closing price quoted for the security, but if bid and ask quotes are available, at the average of the latest bid and ask price rather than the last quoted closing price;
- (d) the value of any security of Private Issuers, will be determined by the Manager in accordance with the following:
  - (i) such securities or other assets will normally be carried at cost unless:

- (a) there is an arm's length transaction which in the Manager's reasonable opinion establishes a different value, or
  - (b) a material change in the value of an issuer occurs, including as a result of a write-down of its assets on its audited balance sheet or the preparation of a valuation of the issuer or of a substantial portion of its assets by a qualified independent person, in which event the value will be increased or decreased, as appropriate, to the resulting fair value; and
- (ii) if there is an arm's length *bona fide* enforceable offer to purchase all or a substantial portion of an issuer's outstanding securities or its assets, the Trust's securities will be valued based upon the proposed transaction price;
- (e) any security purchased, the purchase price of which has not been paid, shall be included for valuation purposes as a security held, and the purchase price, including brokers' commissions and other expenses, shall be treated as a liability of the Trust;
- (f) any security sold but not delivered, pending receipt of the proceeds, shall be valued at the net sale price;
- (g) Restricted Securities (as that term is defined in NI 81-102) shall be valued at the lesser of:
  - (i) the value thereof based on reported quotations of such Restricted Securities in common use; and
  - (ii) that percentage of the market value of securities of the class or series of a class of which the Restricted Securities form part that are not Restricted Securities equal to the percentage that the Trust's acquisition cost was of the market value of such securities at the time of acquisition, but taking into account, if appropriate, the amount of time remaining until the Restricted Securities will cease to be Restricted Securities;
- (h) if any date on which NAV is determined is not a Business Day, then the securities comprising the Portfolio and other property of the Trust will be valued as if such date were the preceding Business Day;
- (i) if any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Trustee to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Trustee shall make such valuation as it considers fair and reasonable;
- (j) the value of all assets of the Trust quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable to the Trust in foreign currency and the value of all liabilities and contractual obligations

payable by the Trust in foreign currency shall be determined using the applicable rate of exchange current at, or as nearly as practicable to, the applicable date on which NAV is determined; and

- (k) estimated operating expenses of the Trust shall be accrued to the date as of which NAV is being determined.

## **6. PURCHASES AND TRANSFERS OF UNITS**

The Units of the Trust are listed on the TSX and trade under the symbol “MMP.UN”. Registration of interests in and transfers of the Units are made only through the book-entry only system of CDS. Units must be purchased, transferred and surrendered for retraction or redemption only through a CDS Participant. All rights of an owner of Units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Units. Upon purchase of any Units, the owner will receive only the customary confirmation.

## **7. MARKET PURCHASES AND REDEMPTIONS**

### **Market Purchases**

During any twelve month period, the Trust has the right (but not the obligation), exercisable in its sole discretion, to purchase in the market for cancellation up to 10% of the Units outstanding at the beginning of such period at prices not exceeding the NAV per Unit.

If Units are offered on the TSX at prices that are less than 95% of the latest determined NAV per Unit the Manager will offer to purchase such Units if it determines that such purchases are in the best interest of Unitholders, subject to a maximum amount in any three month period of 1.25% of the number of Units outstanding at the beginning of such period.

Purchases of Units by the Trust will be subject to compliance with any applicable regulatory requirements and limitations.

### **Exercise of Redemption Right**

Units may be surrendered during the Notice Period for redemption by the registered Unitholder to the Registrar and Transfer Agent subject to the Trust’s right to suspend redemptions (described below). Units surrendered for redemption by a Unitholder during the Notice Period will be redeemed on the Redemption Date and the Unitholder will receive payment on the Redemption Payment Date.

Redeeming Unitholders will be entitled to receive a redemption price per Unit equal to the Net Realized Proceeds per Unit determined as at such Redemption Date.

The redemption right must be exercised by causing written notice to be given within the Notice Period and in the manner described below. Such surrender will be irrevocable upon the delivery of notice to CDS through a CDS Participant, except with respect to those Units which are not paid for by the Trust on the relevant Redemption Payment Date.

An owner of Units who desires to exercise redemption privileges must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto), on behalf of the owner, a written notice of the owner's intention to redeem Units. An owner who desires to redeem Units should ensure that the CDS Participant is provided with notice (the "Redemption Notice") of his, her or its intention to exercise his, her or its redemption privilege sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS and so as to permit CDS to deliver notice to the Registrar and Transfer Agent, in advance of the required time. Any expense associated with the preparation and delivery of Redemption Notices will be for the account of the owner exercising the redemption privilege.

Except as provided under "Suspension of Redemptions and Market Purchases" below, by causing a CDS Participant to deliver to CDS a notice of the owner's intention to redeem Units, an owner shall be deemed to have irrevocably surrendered his, her or its Units for redemption and appointed such CDS Participant to act as his, her or its exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any Redemption Notice delivered by a CDS Participant regarding an owner's intent to redeem which CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with the owner's instructions will not give rise to any obligations or liability on the part of the Trust to the CDS Participant or to the owner.

### **Suspension of Redemptions and Market Purchases**

The Manager may direct the Trustee to suspend the redemption of Units and market purchases of Units by the Trust or payment of redemption proceeds for any period not exceeding 30 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Trust. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first Business Day following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption, as applicable. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Trust, any declaration of suspension made by the Manager shall be conclusive.

## **8. RESPONSIBILITY FOR TRUST OPERATIONS**

### **The Manager**

Pursuant to the Declaration of Trust, Sentry is the manager of the Trust. The Manager was incorporated on May 5, 2008. Prior to January 1, 2009, SSCC was the manager of the Trust.

SSCC was incorporated on March 20, 1986. The Manager is presently engaged in the business of sponsoring and managing investment funds in Canada. The Manager is responsible for managing the Portfolio, including providing or arranging for the provision of investment analysis and making decisions relating to the investment of assets of the Trust.

The Manager's principal address is 130 King Street West, The Exchange Tower, Suite 2850, Toronto, Ontario, M5X 1A4. The Manager's telephone number is 1-888-730-4623, its e-mail address is info@sentry.ca and its Internet site is www.sentry.ca.

As manager of the Trust, the Manager is responsible for making all investment decisions of the Trust in accordance with the investment objectives, strategy and restrictions and for arranging for the execution of all Portfolio transactions. The Manager is also responsible for providing or arranging for required administrative services to the Trust including, without limitation: authorizing the payment of operating expenses incurred on behalf of the Trust; preparing financial statements and financial and accounting information as required by the Trust; ensuring that Unitholders are provided with financial statements (including unaudited interim and audited annual financial statements) and other reports as are required by applicable law from time to time; ensuring that the Trust complies with regulatory requirements and applicable stock exchange listing requirements; preparing the Trust's reports to Unitholders and the Canadian securities regulatory authorities; determining the amount of distributions to be made by the Trust; and negotiating contractual agreements with third party providers of services, including registrars, transfer agents, auditors and printers.

The Manager is required to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of Unitholders, and in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise in similar circumstances.

The Manager may resign as manager of the Trust upon 60 days' notice to the Unitholders. If the Manager resigns it may appoint its successor but, unless its successor is an affiliate of Sentry, its successor must be approved by the Unitholders. If the Manager is in material default of its obligations under the Declaration of Trust and such default has not been cured within 30 days after notice of same has been given to the Manager, the Unitholders may remove the Manager and appoint a successor manager.

The Manager is entitled to fees for its services under the Declaration of Trust as described under "Fees and Expenses" and will be reimbursed for all reasonable costs and expenses incurred by Sentry on behalf of the Trust. In addition, Sentry and each of its directors, officers, employees and agents will be indemnified by the Trust for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against Sentry or any of its officers, directors, employees or agents in the exercise of its duties as manager, if they do not result from Sentry's wilful misconduct, bad faith, negligence or breach of its obligations under the Declaration of Trust and the Trust has reasonable grounds to believe that the action or inaction that gave rise to the claim was in the best interests of the Trust.

The management services of Sentry under the Declaration of Trust are not exclusive and nothing in the Declaration of Trust prevents Sentry from providing similar management services to other

investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Trust) or from engaging in other activities. See “Conflicts of Interest”.

The name, municipality and province of residence of each of the directors, applicable officers and senior management of the Manager and their principal occupations at, and within the five years preceding the date of this Annual Information Form, are as follows:

<b>Name, Municipality and Province of Residence</b>	<b>Position held with Manager</b>	<b>Principal Occupation for the Last Five Years</b>
JOHN F. DRISCOLL Toronto, Ontario	Chairman, Chief Executive Officer and Director	<p>Chairman, Chief Executive Officer and Director, Sentry since January, 2011.</p> <p>Chairman, President, Chief Executive Officer and Director, Sentry from May, 2008 to January, 2011.</p> <p>Chairman, President, Chief Executive Officer and Director, SSCC since January, 2004.</p> <p>President and Chief Executive Officer, NCE Resources Group since September, 1990.</p>
J.A. (SANDY) McINTYRE Toronto, Ontario	Director, President and Chief Investment Officer	<p>President and Chief Investment Officer, Sentry since January, 2011.</p> <p>Director, Sentry since December, 2009.</p> <p>Senior Vice-President and Chief Investment Officer, Sentry from May, 2008 to January, 2011.</p> <p>Senior Portfolio Manager, Sentry from May, 2008 to June, 2008.</p> <p>Senior Vice-President and Chief Investment Officer, SSCC from April, 2008 to January, 2009.</p> <p>Senior Vice-President and Senior Portfolio Manager, SSCC from June, 2006 to March, 2008.</p> <p>Senior Portfolio Manager, SSCC from August, 2000 to June, 2006.</p>

<p>SEAN DRISCOLL Toronto, Ontario</p>	<p>Director and Executive Vice-President</p>	<p>Executive Vice-President, since January, 2011.</p> <p>Director, Sentry since December, 2009.</p> <p>Vice-President, Corporate Development, Sentry from January, 2009 to January, 2011.</p> <p>Manager, Corporate Development, SSCC from November, 2007 to January, 2009.</p>
<p>RICHARD D'ARCHIVIO Vaughan, Ontario</p>	<p>Chief Financial Officer, Vice-President and Treasurer</p>	<p>Chief Financial Officer, Vice-President and Treasurer, Sentry since May, 2008.</p> <p>Chief Financial Officer, Vice-President and Treasurer, SSCC since January, 2008.</p> <p>Vice-President, Finance, SSCC from July, 2005 to December, 2007.</p>
<p>PHILIP YUZPE Toronto, Ontario</p>	<p>Chief Operating Officer</p>	<p>Chief Operating Officer, Sentry since January, 2011.</p> <p>Vice-President, Operations and Strategy, Sentry from April, 2010 to January, 2011.</p> <p>Vice-President, Product Development &amp; Corporate Strategy, Sentry from May, 2008 to April, 2010.</p> <p>Vice-President, Product Development &amp; Corporate Strategy, SSCC from January, 2008 to January, 2009.</p> <p>Manager, Strategic Planning and Research, SSCC from October, 2006 to December, 2007.</p>

<p>RYAN CAUGHEY Toronto, Ontario</p>	<p>General Counsel and Corporate Secretary</p>	<p>General Counsel and Corporate Secretary, Sentry since January, 2009.</p> <p>Associate General Counsel and Corporate Secretary, Sentry from May, 2008 to January, 2009.</p> <p>Corporate Secretary, SSCC since January, 2009.</p> <p>Associate General Counsel and Corporate Secretary, SSCC from January, 2008 to January, 2009.</p> <p>Corporate Secretary and Legal Counsel, SSCC from December, 2006 to January, 2008.</p> <p>Legal Counsel, SSCC from July, 2006 to December, 2006.</p> <p>Lawyer, Osler, Hoskin &amp; Harcourt LLP (law firm) from September, 2003 to June, 2006.</p>
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<p>ANDREW GUY Toronto, Ontario</p>	<p>Vice-President, Chief Risk and Compliance Officer</p>	<p>Vice-President, Chief Risk and Compliance Officer, Sentry since July, 2010.</p> <p>Vice-President, Sentry from November, 2009 to July, 2010.</p> <p>Chief Compliance Officer, Sentry from January, 2009 to July, 2010.</p> <p>Portfolio Manager, Sentry from May, 2008 to November, 2009.</p> <p>Portfolio Manager, SSCC from July, 2006 to January, 2009.</p> <p>Senior Investment Analyst, SSCC from January, 2006 to June, 2006.</p>
<p>DENNIS MITCHELL Brampton, Ontario</p>	<p>Deputy Chief Investment Officer and Senior Portfolio Manager</p>	<p>Deputy Chief Investment Officer and Senior Portfolio Manager, Sentry, since January, 2011.</p> <p>Vice-President and Senior Portfolio Manager, Sentry from January, 2010 to January, 2011.</p> <p>Portfolio Manager, Sentry from May, 2008 to January, 2010.</p> <p>Portfolio Manager, SSCC from February, 2007 to January, 2009.</p> <p>Senior Research Analyst, SSCC from September, 2006 to January, 2007.</p> <p>Research Analyst, SSCC from May, 2005 to August, 2006.</p>
<p>RHONDA KLATIK Vancouver, British Columbia</p>	<p>Vice President, National Sales and Managing Director, Sentry Mutual Funds</p>	<p>Vice-President, National Sales and Managing Director, Sentry Mutual Funds, Sentry since March, 2009.</p> <p>Vice-President, Western Canada Sales, Sentry from January, 2009 to March, 2009.</p> <p>Vice-President, Western Canada Sales, SSCC from May, 2007 to January, 2009.</p> <p>Regional Vice-President, Western Canada Sales, SSCC from June, 2003 to May, 2007.</p>

<p>BRIAN MCOSTRICH Oakville, Ontario</p>	<p>Vice-President, Marketing and Investor Relations</p>	<p>Vice-President, Marketing and Investor Relations, Sentry since May, 2008.</p> <p>Vice-President, Marketing and Investor Relations, SSCC from May, 2008 to January, 2009.</p> <p>Vice-President, Marketing, SSCC from March, 2004 to May, 2008.</p>
<p>WOLFGANG KRUNING Toronto, Ontario</p>	<p>Vice-President, Dealer Relations</p>	<p>Vice-President, Dealer Relations, Sentry since December, 2010.</p> <p>Vice-President, International Dealer Relations, Sentry from May, 2008 to December, 2010.</p> <p>Vice-President, International Dealer Relations, SSCC from June, 2006 to January, 2009.</p> <p>Vice-President, Dealer Relations, SSCC from December, 2005 to May, 2006.</p>
<p>BRUCE TUCKER Toronto, Ontario</p>	<p>Vice-President, Trading</p>	<p>Vice-President, Trading, Sentry since August, 2008.</p> <p>Vice-President, Trading, SSCC from February, 2007 to January, 2009.</p> <p>Senior Trader, SSCC from January, 2005 to January, 2007.</p>
<p>GRAEME LLEWELLYN Toronto, Ontario</p>	<p>Vice-President, Finance</p>	<p>Vice-President, Finance, Sentry since July, 2010.</p> <p>Director, Investment Finance, Sentry from May, 2008 to July, 2010.</p> <p>Director, Investment Finance, SSCC from December, 2007 to January, 2009.</p> <p>Senior Manager, Investment Finance, SSCC from March, 2006 to December, 2007.</p>

<p>KEVIN MacLEAN Oakville, Ontario</p>	<p>Vice-President and Senior Portfolio Manager</p>	<p>Vice-President and Senior Portfolio Manager, Sentry since May, 2008.</p> <p>Vice-President and Senior Portfolio Manager, SSCC from July, 2006 to January, 2009.</p> <p>Senior Portfolio Manager, SSCC from August, 2004 to June, 2006.</p>
<p>MICHAEL SIMPSON Markham, Ontario</p>	<p>Vice-President and Senior Portfolio Manager</p>	<p>Vice-President and Senior Portfolio Manager, Sentry since May, 2008.</p> <p>Vice-President and Senior Portfolio Manager, SSCC from February, 2008 to January, 2009.</p> <p>Senior Portfolio Manager, SSCC from January, 2006 to January, 2008.</p>
<p>SHANE STUCK Toronto, Ontario</p>	<p>Vice-President and Senior Portfolio Manager</p>	<p>Vice-President and Senior Portfolio Manager, Sentry since January, 2010.</p> <p>Director, Fixed Income Derivatives and Currency, Scotia Asset Management from February, 2007 to January, 2010.</p>
<p>LAURA LAU Toronto, Ontario</p>	<p>Senior Portfolio Manager</p>	<p>Senior Portfolio Manager, Sentry since May, 2008.</p> <p>Senior Portfolio Manager, SSCC from July, 2006 to January, 2009.</p> <p>Portfolio Manager, SSCC from May, 2004 to June, 2006.</p>
<p>ANDREW MCCREATH Toronto, Ontario</p>	<p>Senior Portfolio Manager</p>	<p>Senior Portfolio Manager, Sentry since February, 2009.</p> <p>Senior Portfolio Manager, Sentry Investments Inc. since August, 2008.</p> <p>President &amp; Chief Executive Officer, Waterfall Investments Inc. from April, 2004 to July, 2008.</p>

MASON GRANGER Toronto, Ontario	Portfolio Manager	Portfolio Manager, Sentry since February, 2009.  Portfolio Manager, SSCC from June, 2008 to January, 2009.  Executive Director, Resource Group of Middlefield Capital Corp. from January, 2005 to June, 2008.
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Certain individuals are charged with the responsibility of making investment decisions relating to the Portfolio. The name, municipality and province of residence, title and business experience, for the last five years, of the individuals responsible for the day-to-day management of a material portion of the Portfolio is as follows:

<b>Name, Municipality and Province of Residence</b>	<b>Position held with Manager</b>	<b>Principal Occupation for the Last Five Years</b>	<b>Length of Time of Service</b>
KEVIN MacLEAN Oakville, Ontario	Vice-President and Senior Portfolio Manager	Vice-President and Senior Portfolio Manager, Sentry since May, 2008.  Vice-President and Senior Portfolio Manager, SSCC from July, 2006 to January, 2009.  Senior Portfolio Manager, SSCC from August, 2004 to June, 2006.	6 years, 7 months
PETER BURES	Associate Portfolio Manager	Associate Portfolio Manager, Sentry since November, 2009.  Investment Analyst, Sentry from May, 2008 to November, 2009.  Investment Analyst, SSCC from December, 2007 to November, 2009.	3 years, 4 months

### **Trustee**

Sentry acts as trustee of the Trust and is responsible for certain aspects of the day-to-day administration of the Trust as described in the Declaration of Trust, including calculating NAV, net income and net realized capital gains of the Trust, and executing instruments on behalf of the Trust.

The Trustee may resign upon 60 days' notice to Unitholders. The Trustee may be removed with the approval of a two-thirds majority vote cast at a meeting of Unitholders called for such purpose or by the Manager (if the Manager is then not the trustee) if the Trustee has committed

certain events of bankruptcy or insolvency or is in material breach or default of its obligations under the Declaration of Trust which breach has not been cured within 30 days after notice thereof has been given to the Trustee. Any such resignation or removal shall become effective only upon the acceptance of appointment by a successor. If the Trustee resigns, its successor may be appointed by the Manager. The successor must be approved by Unitholders if the Trustee is removed by Unitholders. If no successor has been appointed within 60 days, the Trustee or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor.

The Declaration of Trust provides that the Trustee shall not be liable in carrying out its duties under the Declaration of Trust except where it is in breach of its obligations under the Declaration of Trust or where the Trustee fails to act honestly and in good faith, and in the best interests of Unitholders to the extent required by laws applicable to corporate trustees, or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the Declaration of Trust contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee, or any of its officers, directors, employees or agents, in respect of certain liabilities incurred by it in carrying out its duties.

The Trustee is entitled to receive fees from the Trust as described under “Fees and Expenses”. The Trustee is entitled to be reimbursed for all expenses and liabilities which are properly incurred by the Trustee in connection with the activities of the Trust.

### **Custodian**

State Street Trust Company Canada, a trust company organized under the laws of Canada, acts as custodian of the assets of the Trust pursuant to a custodian agreement (the “Custodian Agreement”) and has the power to appoint sub-custodians. The Custodian also provides certain accounting services to the Trust pursuant to an accounting services agreement (the “Accounting Services Agreement”). Pursuant to the Custodian Agreement and the Accounting Services Agreement, the Custodian also carries out, on behalf of the Trustee, certain aspects of the day-to-day administrations of the Trust, including calculating NAV, net income and net realized capital gains of the Trust and maintaining the books and records of the Trust concerning the assets of the Trust that are under its custodianship. Both the Accounting Services Agreement and the Custodian Agreement may be terminated by either Sentry or the Custodian by an instrument in writing delivered or mailed, such termination to take effect not sooner than 90 days after the date of such delivery, unless a different period is agreed to in writing by the parties.

The Custodian’s principal office is located in Toronto, Ontario.

### **Brokerage Arrangements**

Decisions on the purchase or sale of Portfolio Securities and decisions as to the execution of all Portfolio transactions, including selection of market, dealer or broker and the negotiation, where applicable, of commissions are made by the Manager. In effecting Portfolio transactions, overall service and prompt execution of orders on favourable terms will be a primary consideration. To the extent that the executions and prices offered by more than one dealer are comparable, the Manager may, in its discretion, choose to effect Portfolio transactions with dealers who provide

“order execution goods and services” and/or “research goods and services” (as defined by National Instrument 23-102 — *Use of Client Brokerage Commissions*) to the Trust.

The Manager may be provided with order execution goods and services and/or research goods and services in return for the allocation of Portfolio transactions. Research goods and services may include advice relating to the value of a security or the advisability of effecting a transaction in a security, an analysis or report, concerning a security, portfolio strategy, issuer, industry, or an economic or political factor or trends; and a database or software, to the extent that it supports these services: news service, equity research publications, investment strategy research, newsletters, company and industry databases, technology research, commodities newsletters and opinions data. Order execution goods and services may include any good or service designed to enhance the speed or accuracy of executing a Portfolio transaction.

The Manager must ensure that in selecting a registered dealer and in using commissions it achieves a fair and reasonable result for the Trust and is acting in the best interest of the Trust. Senior management of the Manager will use a good faith determination as to whether the Trust receives a reasonable benefit considering both the use of the research goods and services and/or order execution goods and services and the amount of the commission payable, using best execution as the primary factor.

The following lists the persons who have provided any material amount of investment decision-making services to the Manager in return for the allocation of Portfolio transactions in 2010:

Name of Service Provider	Summary of Services
Browning Newsletter	E-Mail Sub Browning Newsletter
Bloomberg	Research
BCA Research	Global Investment Strategy

### **Auditor**

The auditors of the Trust are Deloitte & Touche LLP, Toronto, Ontario.

### **Registrar and Transfer Agent**

Computershare Trust Company of Canada provides registrar and transfer agency services for the Units. The register of securities is kept in Toronto, Ontario.

### **Other Services Providers**

SSCC provides certain day-to-day administrative services to the Manager pursuant to an administrative services agreement dated January 1, 2009. The members of the board of directors of SSCC are John F. Driscoll (Chairman), H. Garfield Emerson, Hon. Michael A. Meighen, N. Frank Potter, Simon B. Scott and Donald J. Worth.

## **9. CONFLICTS OF INTEREST**

### **Principal Unitholders**

As at March 25, 2011, CDS was the holder of record of 100% of the outstanding Units.

To the knowledge of the Manager, as at March 25, 2011, no person beneficially owned, either directly or indirectly, or exercised control or direction over, more than 10% of the outstanding Units.

To the knowledge of the Manager, as at March 25, 2011, the directors and senior officers of the Manager beneficially owned, in the aggregate, directly or indirectly, less than 10% of the outstanding Units.

To the knowledge of the Manager, as at March 25, 2011, the members of the Trust's IRC beneficially owned, in the aggregate, directly or indirectly, less than 10% of the outstanding Units.

### **Conflicts of Interest**

The management services of Sentry under the Declaration of Trust are not exclusive and nothing in the Declaration of Trust prevents Sentry from providing similar management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Trust) or from engaging in other activities. Investments in securities purchased by the Manager on behalf of the Trust and other investment funds or trusts managed by the Manager will be allocated to the Trust and such other investment funds or trusts on a *pro rata* basis according to the size of the order and the applicable investment restrictions and policies of the Trust and the other investment funds or trusts.

The Declaration of Trust acknowledges that the trustee and the manager may provide services to the Trust in other capacities, provided that the terms of any such arrangements are no less favourable to the Trust than those which would be obtained from parties which are at arm's length for comparable services. The Trustee may act as trustee of, and provide services to, issuers of securities, including issuers of securities in which the Trust has invested or may invest.

Any question or matter arising before the Trustee that may involve or create a conflict of interest or potential conflict of interest, or a related party transaction with Sentry, or any of its affiliates, as determined solely by the board of directors of Sentry, shall only be passed by a resolution of the board of directors. Notwithstanding the foregoing, if any securities laws come into effect dealing with the independent review of conflicts of interest for investment funds then the Trust will conform to such securities laws instead of the foregoing.

### **Independent Review Committee**

The Trust's IRC, established pursuant to NI 81-107, has three members. The IRC reviews conflict of interest matters referred to it by the Manager, including any related policies and procedures, and provides recommendations or approvals, as applicable, to the Manager regarding whether the proposed action of the Manager in respect of a conflict of interest matter achieves a

fair and reasonable result for the Trust. With respect to certain conflict of interest matters, the IRC may also issue standing instructions. The Manager is not required to refer a conflict of interest matter nor its proposed action to the IRC if the Manager complies with the terms of a standing instruction that is in effect.

The Trust's IRC is currently comprised of the following members: Michael Gourley (Chair), David Gavsie and Marie Rounding. The Chair of the IRC receives \$50,000 per annum, and each other member of the IRC receives \$40,000 per annum, as compensation for their services. In addition, each member of the IRC is paid \$1,500 for each IRC meeting that he or she attends. This compensation is in connection with their services for all investment funds managed by Sentry, including the Trust. For the financial year of the Trust ended December 31, 2010, the aggregate amount of fees and expenses paid to members of the IRC for all investment funds managed by Sentry was \$188,524.56.

## **10. GOVERNANCE OF THE TRUST**

As the Trust is organized as an investment trust, the Trustee has the ultimate and overriding authority to manage and direct the business and affairs of the Trust, subject to applicable law and the Declaration of Trust. In its capacity as manager, Sentry manages the overall business and operations of the Trust.

Responsibility for the oversight of the Trust and ensuring the implementation of appropriate policies, procedures and guidelines rests with the board of directors of the Manager. The Manager has adopted a Code of Ethics for Personal Investing to ensure the fair treatment of the Trust and their investors when applicable "access persons" make personal trades.

Senior management and internal compliance staff monitor compliance with all internal policies and procedures which are reviewed and updated at least annually.

Senior management ensures that the investment management activities of the Trust comply with the Trust's investment objectives and restrictions at quarterly meetings with portfolio managers. At these meetings, portfolio holdings, performance, concentration and other risk measures are discussed in addition to the compliance with objectives and restrictions. Day-to-day monitoring of the Trust is undertaken by the Risk and Compliance team in conjunction with Sentry's Investment Committee (the "Investment Committee", which consists of the Chief Investment Officer, the senior portfolio managers and representatives of the compliance and legal departments). Derivative transactions on behalf of the Trust may be initiated only by authorized investment personnel approved by the Investment Committee who ensure that these individuals have the necessary proficiency to use derivatives. Derivative positions will be monitored daily to ensure compliance with all regulatory requirements, including cash cover requirements. As any use of derivatives by the Trust will be limited, the Manager will not conduct simulations to test the portfolio under stress conditions. Senior management will also review any use of derivatives at the quarterly meetings with the Investment Department.

The Trust has no policies to monitor, detect, or deter short-term trades in the Units.

## **Proxy Voting Guidelines**

The Manager's proxy voting guidelines can be summarized as follows:

Sentry believes the right to vote is one of the most effective tools for promoting good corporate governance. Promoting sound corporate governance policies in the companies in which Sentry invests is a responsibility it takes very seriously. Sentry sees strong corporate governance as an essential element in the realization of growth potential of companies which, ultimately, increases shareholder value.

Sentry has developed guidelines to illustrate how it intends to vote on both routine issues and on issues that are not routine and, in fact, may be potentially contentious. Generally, Sentry attempts to vote all proxies:

- on routine, or commonly raised issues, the portfolio manager for the investment fund will usually vote according to management's recommendations. This standing policy will be deviated from if Sentry believes there is sufficient and worthy reason to suspect that the management recommendation should not be supported in that it is not in the best interests of the shareholders of that particular company.
- on non-routine issues, and issues which may be potentially contentious, the matter is delegated to the portfolio manager for the investment fund for further consideration and, if necessary, the matter will be directed to the Investment Committee. At that time, the issue is reviewed in detail. It is then the Investment Committee's decision on whether to consult with, and obtain the opinion of, external industry experts or independent proxy research services. Ultimately, the Investment Committee is responsible for making the judgment as to how to vote or to refrain from voting.

Sentry's proxy voting guidelines are not viewed by it as a strict set of rules but, rather, are utilized as guidance regarding Sentry's treatment of most issues that result in a vote. Ultimately, these guidelines communicate Sentry's general voting practice on most matters.

The policies and procedures that the Manager follows when voting proxies relating to securities in the Portfolio are available on request, at no cost, by calling 1-888-730-4623 or by writing to Sentry Investments, 130 King Street West, The Exchange Tower, Suite 2850, Toronto, Ontario, M5X 1A4.

The Manager's proxy voting record for the most recent period ended June 30, 2010 is available free of charge to any Unitholder upon request at any time. The information is also available on the Manager's Internet site at [www.sentry.ca](http://www.sentry.ca).

## **11. FEES AND EXPENSES**

Pursuant to the terms of the Declaration of Trust, the Trust pays the Manager an annual management fee of 1.10% of NAV, plus an amount equal to the servicing fee payable to registered dealers of 0.40% of NAV plus applicable taxes. Fees payable to Sentry are calculated

and payable monthly based on the average NAV calculated at each Valuation Time during that month.

The Trustee is entitled to be reimbursed for all expenses and liabilities which are properly incurred by the Trustee in connection with the activities of the Trust.

The Trust will pay for all expenses incurred in connection with the operation and administration of the Trust. All fees and expenses of the Trust will be paid in cash. It is expected that these expenses will include, without limitation: (a) mailing and printing expenses for periodic reports to Unitholders; (b) fees payable to the Trustee for acting as trustee (except when the Manager is the Trustee); (c) fees payable to the Registrar and Transfer Agent and DRIP agent; (d) fees payable to the Custodian for acting as custodian of the assets of the Trust; (e) banking fees and interest with respect to any borrowing; (f) fees payable to the auditors and legal advisors of the Trust; (g) regulatory filing, stock exchange and licensing fees; and (h) expenditures incurred upon the termination of the Trust. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which Sentry, or the Trustee, is entitled to indemnity by the Trust. The Trust will also be responsible for all commissions and other costs of Portfolio transactions and any extraordinary expenses of the Trust which may be incurred from time to time.

## **12. INCOME TAX CONSIDERATIONS**

### **Canadian Federal Income Tax Considerations**

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a person who is an individual (other than a trust), who is a holder of Units and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length with the Trust and holds the Units as capital property. This summary is based upon the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance prior to the date hereof (the "Proposed Amendments") and the current administrative practices of the CRA. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in the law or administrative practice, whether by way of legislative, governmental or judicial decision or action, nor does it take into account provincial or foreign tax legislation or considerations.

This summary assumes that the Trust will qualify at all times as a "mutual fund trust" from the effective date of its creation and at all times thereafter.

This summary is also based on the assumption that the Trust will at no time be subject to the tax on distributions from a "SIFT trust" as defined in the SIFT Rules that apply to Specified Investment Flow Through Entities ("SIFTs"). The SIFT Rules are the provisions of the Tax Act providing for a tax on certain income earned by a SIFT Trust. Provided that the Trust does not hold "non-portfolio property" as defined in the SIFT Rules, it will not be a SIFT Trust. Based upon its investment objectives and investment restrictions, as described above, the Trust should not hold any "non-portfolio properties".

This summary is also based on the assumption that none of the issuers of the securities comprising the Portfolio will be foreign affiliates of the Trust or of any Unitholder and that none of the securities comprising the Portfolio will be a “tax shelter investment” within the meaning of section 143.2 of the Tax Act, or an “offshore investment fund property” that would require the Trust to include amounts in income in respect of such securities pursuant to section 94.1 of the Tax Act, or an interest in a trust which would require the Trust to report income in connection with such securities pursuant to the rules in proposed section 94.2 of the Tax Act, or an interest in a non-resident trust other than an “exempt foreign trust” for the purposes of proposed section 94 of the Tax Act, each as set forth in the proposed amendments to the Tax Act dated August 27, 2010 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto).

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units of the Trust. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary according to the status of the investor, the province or provinces in which the investor resides or carries on business and, generally, the investor’s own particular circumstances. This summary is of a general nature only and is not intended to constitute legal or tax advice to any particular investor. Investors should consult their own tax advisor for advice with respect to the income tax consequences of an investment in Units, based on their particular circumstances.

### **Taxation of the Trust**

The Trust will be subject to tax under Part I of the Tax Act on the amount of its income for tax purposes for the year, including net taxable capital gains, less the portion thereof that it claims in respect of the amounts paid or payable to Unitholders in the year. Provided the net income and net realized capital gains of the Trust are paid or payable to the Unitholders in each year, and provided the Trust deducts in computing its income the full amount available for deduction in each year, the Trust will not generally be liable for income tax under Part I of the Tax Act.

The Trust will also be required to include in its income for each taxation year, all interest that accrues to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year, together with any dividends received by it in such year.

In computing its income for tax purposes, the Trust may deduct reasonable administrative, interest and other expenses incurred to earn income and may deduct over a five-year period the costs and expenses of any offering of its Units paid by the Trust and not reimbursed.

Upon the actual or deemed disposition of a Portfolio Security held by the Trust as capital property, the Trust will realize a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are exceeded by) the adjusted cost base of such asset and any reasonable costs of disposition. The Manager has advised counsel that the Trust intends to make an election under subsection 39(4) of the Tax Act so that all Portfolio Securities that are “Canadian securities” for the purposes of the Tax Act will be deemed to be capital property.

The Portfolio may include securities that are not denominated in Canadian dollars. Proceeds of disposition of securities, distributions, interest and all other amounts will be determined for the

purposes of the Tax Act in Canadian dollars at the exchange rate prevailing at the time of the transaction. The Trust may realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars.

The Trust may derive income or gains from investments in countries other than Canada and, as a result, may be liable to pay income or profits tax to such countries. To the extent that such foreign tax paid does not exceed 15% of such amount and has not been deducted in computing the Trust's income, the Trust may designate a portion of its foreign source income in respect of a Unitholder so that such income and a portion of the foreign tax paid by the Trust may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Tax Act. To the extent that such foreign tax paid by the Trust exceeds 15% of the amount included in the Trust's income from such investments, such excess may generally be deducted by the Trust in computing its income for the purposes of the Tax Act.

### **Taxation of Unitholders**

A Unitholder will generally be required to include in computing income for a particular taxation year of the Unitholder such portion of the net income, and the taxable portion of the net realized capital gains, of the Trust for a taxation year as is paid or becomes payable to the Unitholder in that particular taxation year whether in cash or in additional Units. Provided that appropriate designations are made by the Trust, such portion of (a) the net realized taxable capital gains of the Trust, (b) the foreign source income of the Trust, and (c) the taxable dividends received by the Trust on shares of taxable Canadian corporations as is paid or becomes payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder. To the extent that the Trust so designates in accordance with the Tax Act, Unitholders will, for the purpose of computing their foreign tax credits, be entitled to treat their proportionate share of foreign taxes paid by the Trust as foreign taxes paid by the Unitholders. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules will apply. An enhanced dividend gross-up and tax credit is available for certain eligible dividends paid by public corporations resident in Canada. Any loss of the Trust for the purpose of the Tax Act cannot be allocated to, and cannot be claimed as a loss by, a Unitholder.

The non-taxable portion of net realized capital gains of the Trust that are paid or become payable to a Unitholder in a year will not be included in computing the Unitholder's income for the year. Any amount in excess of a Unitholder's share of the net income and the net realized capital gains of the Trust for a taxation year that is paid or becomes payable to the Unitholder in such year will not generally be included in computing the Unitholder's income for the year. However, the payment by the Trust of such excess amount will reduce the adjusted cost base of Units to the Unitholder. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain.

Upon the disposition or deemed disposition by a Unitholder of a Unit, whether on a sale, redemption, repurchase or otherwise, a capital gain (or capital loss) will be realized by the Unitholder to the extent that the proceeds of disposition, net of any reasonable costs of

disposition, exceed (or are less than) the adjusted cost base of the Unit to the Unitholder immediately before the disposition. For the purposes of determining the adjusted cost base to a Unitholder of Units, when Units are acquired, the cost of the newly acquired Units will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property before that time. The cost of Units acquired as a distribution of income or capital gains or on a reinvestment of distributions from the Trust will be equal to the amount of the distribution, less any portion of the distribution made in cash under the DRIP in satisfaction of what would otherwise be fractional Units. A Unitholder participating in the DRIP who receives a Unit from the Trust for a price that is less than the fair market value of the Unit will be considered by the CRA as having to include the difference in the Unitholder's income and to add the difference to the cost of the Units. A consolidation of Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Units and will not affect the aggregate adjusted cost base to a Unitholder of Units. See "Description of the Units".

Generally, one-half of any capital gain (a "taxable capital gain") realized by a Unitholder in a taxation year must be included in computing the income of the Unitholder for that year and one-half of any capital loss (an "allowable capital loss") realized by a Unitholder in a taxation year may be deducted from taxable capital gains realized by the Unitholder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year, against taxable capital gains realized in those years, including taxable capital gains realized on the disposition of Units or amounts designated by the Trust to a Unitholder as taxable capital gains.

Amounts designated as taxable dividends from taxable Canadian corporations and net realized capital gains paid or payable to a Unitholder by the Trust or realized on the disposition of Units may give rise to a liability for alternative minimum tax.

### **Eligibility for Investment**

Provided that the Trust qualifies as a mutual fund trust within the meaning of the Tax Act or the Units are listed on the TSX (or other designated stock exchange), the Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts.

Provided that the holder of a tax-free savings account does not hold a significant interest (as defined in the Tax Act) in the Trust or any person or partnership that does not deal at arm's length with the Trust within the meaning of the Tax Act, and provided that such holder deals at arm's length with the Trust within the meaning of the Tax Act, the Units will not be prohibited investments for a trust governed by such tax-free savings account. Unitholders should consult their own tax advisors in this regard.

### **Tax Implications of the Trust's Distribution Policy**

The NAV per Unit will reflect any income and gains of the Trust that have accrued or have been realized but have not been made payable at the time Units are acquired. A Unitholder who acquires Units may become taxable on the Unitholder's share of income and gains of the Trust

that accrued before the Units were acquired notwithstanding that such amounts may have been reflected in the price paid by the Unitholder for the Units. Since the Trust intends to make monthly distributions, the consequences of acquiring Units late in a calendar year will generally depend on the amount of monthly distributions throughout the year and whether an additional distribution to Unitholders is necessary to ensure that the Trust will not be liable for income tax (other than any refundable taxes) on such amounts under the Tax Act.

### **13. MATERIAL CONTRACTS**

The following material contracts have been entered into by the Trust:

- (a) the amended and restated Declaration of Trust dated March 11, 2009 with effect as of January 1, 2009; and
- (b) the amended and restated Custodian Agreement dated as of January 1, 2009.

Copies of the foregoing agreements may be inspected during business hours on any Business Day at the head office of the Trust upon reasonable prior notice and are available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **14. LEGAL AND ADMINISTRATIVE PROCEEDINGS**

The Manager is not aware of any material litigation outstanding, threatened or pending by or against the Trust or the Manager.

#### **Penalties or Sanctions**

No director, officer or promoter of the Trust or the Manager, within the last 10 years, has been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion or management of a publicly traded issuer or theft or fraud.

### **15. OTHER MATERIAL INFORMATION**

#### **Termination of the Trust**

The Trust does not have a fixed termination date (“Termination Date”) but may be terminated at any time upon not less than 90 days’ written notice with the prior approval of Unitholders by a resolution passed by holders of more than 50% of the Units voting thereon at a meeting duly convened for the consideration of such termination, provided that Unitholders holding at least 10% of the Units outstanding on the record date for voting at such meeting vote in favour of such resolution. In addition, as set out below, the Manager may, in its discretion, terminate the Trust without the approval of Unitholders if, in its opinion, it is no longer economically practical to continue the Trust or the Manager determines that it would be in the best interest of Unitholders to terminate the Trust, or to terminate the Trust in connection with a Permitted Merger. If the Trust is terminated, the Manager will, to the extent possible, convert the assets of the Trust to cash and the Trustee shall, after paying or making adequate provisions for all of the Trust’s liabilities, distribute the net assets of the Trust to Unitholders either as soon as practicable after the Termination Date or, should the termination occur in connection with a merger as contemplated in the preceding sentence, such unliquidated assets *in specie* rather than in cash,

subject to compliance with any securities or other laws applicable to such distributions. The Manager may, in its discretion and upon not less than 30 days' prior written notice to Unitholders, extend the Termination Date by a maximum of 180 days if the Manager would be unable to convert all the assets of the Trust to cash and the Manager determines that it would be in the best interests of the Unitholders to do so.

## **16. RISK FACTORS**

### **Performance of Issuers**

The NAV per Unit will vary according to the value of the securities in which the Trust invests, which will depend, in part, upon the performance of the issuers of such securities. The value of the securities acquired by the Trust will be affected by business factors and risks that are beyond the control of the Manager or the Trust.

In addition, the performance of certain of the Portfolio securities may be affected by business factors and risks other than their exposure to metal and mineral prices, which may be more determinative of such Portfolio performance. Some of these factors and risks are: (i) some of the issuers in which the Trust invests may have limited operating histories; (ii) operational risks related to specific business activities of the respective issuers; (iii) quality of underlying assets; (iv) financial performance of the respective issuers and their competitors; (v) volatility in the price of metal and mineral prices; (vi) environmental risks; (vii) political risks; (viii) fluctuations in exchange rates; (ix) fluctuations in interest rates; and (x) government regulations, including regulations to prices, taxes, royalties, land tenure, land use, importing and exporting of materials and environmental protection. The amount of distributions available for payment to Unitholders will depend in part on the amount of distributions paid by the issuers of the Portfolio securities.

The Trust may make investments in securities that have low trading volumes. Accordingly, it may be difficult for the Trust to make trades in these securities without adversely affecting the price of such securities and consequently the NAV.

The NAV per Unit, as calculated by the Manager, may not reflect the price for which the Units can actually be sold.

### **Loss of Investment**

An investment in the Trust is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment and who can withstand the effect of no distribution being paid in any period.

### **No Guaranteed Return**

There is no guarantee that an investment in the Trust will earn any positive return in the short term or long term. The distributions, if any, may significantly vary from year to year. The Manager, on behalf of the Trust, may at any time re-evaluate the amount of the distribution.

## **No Assurances on Achieving Objectives**

There is no assurance that the Trust will be able to achieve its investment objectives or that the Portfolio will earn any return. There is no assurance that the Trust will be able to pay monthly distributions. The funds available for distribution to Unitholders will vary according to, among other things, the levels of distributions and interest paid on the securities held in the Portfolio and the value of those securities.

## **Composition of Portfolio**

The composition of the Portfolio taken as a whole may vary widely from time to time but will be concentrated by geography and may be concentrated by type of security, commodity or industry. Therefore, the Portfolio may be considered less diversified.

## **High Turnover**

The Portfolio has a high turnover rate. This increases trading costs, which lower the Trust's return. It also increases the possibility that a Unitholder will receive taxable capital gains.

## **Commodity Price and Currency Fluctuations**

The operations and financial condition of the majority of issuers in which the Trust will invest and, accordingly, the amount of distributions paid on, and the value of, such securities, will be dependent significantly on commodity prices applicable to such issuers. Prices for commodities may vary and are determined by supply and demand factors including weather and general economic and political conditions. A decline in commodity prices could have an adverse effect on the operations and financial condition of the issuers of such securities and the amount of distributions paid on, and the value of, such securities. Such a decline may also adversely impact the dividends which may be paid on such securities.

In particular, the operational results and financial condition of issuers included in the Portfolio are especially sensitive to metal and mineral prices. Metal and mineral prices have fluctuated widely during recent years and are affected by supply and demand factors, political events, weather and general economic conditions, among other things. Any decline in metal or mineral prices could have an adverse effect on the distributions received from the issuers included in the Portfolio and the value of such issuers' securities.

In addition, metal and mineral prices are denominated generally in U.S. dollars. Accordingly, a decrease in the value of the U.S. dollar against the Canadian dollar could reduce the amount of distributions paid on such securities.

As the Portfolio may include securities traded in U.S. dollars or other foreign currencies, the NAV of the Trust and distributable cash, when measured in Canadian dollars, will be affected by changes in the value of the U.S. dollar or other foreign currencies relative to the Canadian dollar.

## **Exploration and Mining Risks**

The business of exploration for metals and minerals involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At the time of

investment in a Mining Issuer by the Trust, it may not be known if such Mining Issuer's properties have a known body of ore of commercial grade.

Unusual or unexpected formations, formation pressures, fires, explosions, rock bursts, power outages, labour disruptions, flooding, cave-ins, landslides and the inability of the Mining Issuer to obtain suitable machinery, equipment or labour are all risks which may occur during exploration for and development of mineral deposits.

Substantial expenditures are required in order to establish reserves through drilling, to develop metallurgical processes to extract the metal from the ore, to develop the mining, production, gathering or processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineral deposit, no assurance can be given that minerals, as applicable, will be discovered in sufficient quantities by the Mining Issuers in which the Trust may invest to justify commercial operations or that such issuers will be able to obtain the funds required for development on a timely basis or at all. The economics of developing mining properties is affected by many factors, including the cost of operations, variations in the grade of ore mined, fluctuations in the prices of ore which can be obtained on the metal markets, and such other factors as land claims and government regulations, including regulations relating to royalties, allowable production, importing and exporting and environmental protection. There is no certainty that the expenditures to be made by the Mining Issuer in the exploration and development of the interests described herein will result in discoveries of commercial quantities of a resource.

### **Uninsurable Risks**

Mining operations generally involve a high degree of risk. Hazards such as unusual or unexpected formations, rock bursts, cave-ins, fires, explosions, blow-outs, formations of abnormal pressure, flooding or other conditions may occur from time to time. A Mining Issuer may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material adverse effect on such Mining Issuer's financial position.

### **No Assurance of Title or Boundaries, or of Access**

While a Mining Issuer may have registered its mining claims, as applicable, with the appropriate authorities and filed all pertinent information to industry standards, this can not be construed as a guarantee of title. In addition, a Mining Issuer's properties may consist of recorded mineral claims or licences which have not been legally surveyed, and therefore, the precise boundaries and locations of such claims or leases may be in doubt and may be challenged. A Mining Issuer's properties may also be subject to prior unregistered agreements or transfers or land claims, and a Mining Issuer's title may be affected by these and other undetected defects.

### **Foreign Country Risk**

A Mining Issuer's mining property interests may be located in foreign jurisdictions, and its exploration operations in such jurisdictions may be affected in varying degrees by the extent of political and economic stability, and by changes in regulations or shifts in political or economic conditions that are beyond the control of the Mining Issuer.

## **Government Regulation**

A Mining Issuer's operations are subject to government legislation, policies and controls relating to prospecting, land use, trade, environmental protection, taxation, rate of exchange, return of capital and labour relations. Such factors may adversely affect the Mining Issuer's business and/or its mining property holdings.

Although a Mining Issuer's exploration activities may be carried out in accordance with all applicable rules and regulations at any point in time, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of the Mining Issuer's operations. Amendments to current laws and regulations governing the operations of a Mining Issuer or more stringent enforcement of such laws and regulations could have a substantial adverse impact on the financial results of the Mining Issuer.

## **Environmental Regulation**

A Mining Issuer's operations may be subject to environmental regulations enacted by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas which would result in environmental pollution. Legislation may also provide for restrictions and obligations regarding the reclamation of sites. A breach of such legislation may result in the imposition on the Mining Issuer of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which has led to stricter standards and enforcement and greater fines and penalties for non-compliance. The cost of compliance with government regulations may reduce the profitability of a Mining Issuer's operations.

## **Financial Investor Demand and Exchange Traded Funds of Mining Issuers**

Increased financial investor demand and exchange traded funds may inflate demand for Mining Issuers which may contribute to increased volatility and in certain circumstances may contribute to significant reductions in the value of Mining Issuers.

## **Private Issuers**

Investments in Private Issuers cannot be resold without a prospectus, an available exemption or an appropriate ruling under relevant securities legislation and there may not be any market for such securities. This may impair the Trust's ability to react quickly to market conditions or negotiate the most favourable terms for exiting such investments. Investments in Private Issuers may offer relatively high potential returns, but will also be subject to a relatively high degree of risk.

The value attributed to securities of Private Issuers for the purposes of the calculation of the NAV will be the cost thereof, subject to adjustment in limited circumstances, and therefore may not reflect the amount for which they can actually be sold. The process of valuing investments in Private Issuers will inevitably be based on inherent uncertainties and the resulting values may

differ from values that would have been used had a ready market existed for the investments. The valuation process is subjective to a degree and, to the extent that these valuations are too high, Unitholders who elect to redeem their Units will obtain a benefit to the detriment of Unitholders who do not redeem their Units at the same time. Similarly, to the extent these valuations are too low, Unitholders that elect to redeem their Units at such time will receive a lesser amount than they would have received had the valuation been higher.

### **Interest Rate Fluctuations**

It is anticipated that the market price for the Units at any given time will be affected by the level of interest rates prevailing at such time. A rise in interest rates may have a negative effect on the market price of the Units.

### **Trading Price of the Units Relative to Net Asset Value**

Units of certain closed-end trusts in Canada have traded at a discount from their net asset values. This risk associated with units of a closed-end trust is a risk separate and distinct from the risk that the Trust's NAV may decrease. The Trust cannot predict whether the Units will trade at a discount from, a premium to, or at NAV.

### **Borrowing**

The Trust may borrow to invest in securities. The risk to Unitholders may increase if securities purchased with borrowed funds decline in value. The use of leverage may result in capital losses or a decrease in distributions to Unitholders. If the value of the Portfolio decreases such that the amount borrowed exceeds 15% of the value of the assets within the Portfolio, the Trust may be required to sell investments in order to comply with the terms of such borrowing. Such sales may be required to be done at prices which may adversely affect the value of the Portfolio and the return to the Trust. The interest expense and banking fees incurred in respect of any borrowing may exceed the incremental capital gains/losses and income generated by the incremental investment of Portfolio Securities. In addition, the Trust may not be able to establish any borrowing facility on acceptable terms. There can be no assurance that the borrowing strategy employed by the Trust will enhance returns.

### **Reliance on Management**

Unitholders are dependent on the management of the Manager. Investors who are not willing to rely on the management of the Manager should not invest in the Units.

There is no certainty that Sentry will not be terminated as manager prior to the termination of the Trust or that Kevin MacLean will not leave the employ of Sentry.

### **Illiquid Securities**

If the Manager is unable or determines that it is inappropriate to dispose of some or all of the Portfolio securities prior to the Termination Date, Unitholders may, subject to applicable laws, receive distributions of securities *in specie* upon the termination of the Trust, for which there may be an illiquid market or which may be subject to resale restrictions. In addition, if the

Manager determines that it is appropriate to acquire certain securities for the Portfolio, the Manager may be unable to acquire such securities in quantities or at prices which are acceptable to the Manager, if the market for such securities is particularly illiquid.

### **Liquidity of Units**

Units may represent a less liquid investment than securities of issuers in which the Trust invests.

### **Status of the Trust**

As the Trust is not a mutual fund as defined under Canadian securities laws, the Trust is not subject to the Canadian policies and regulations that apply to open end mutual funds.

The Trust is not a trust company and is not registered under legislation of any jurisdiction governing trust companies as it does not carry on, nor does it intend to carry on, the business of a trust company. The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of the *Canada Deposit Insurance Corporation Act* (Canada) or any other legislation.

### **Conflict of Interest**

The directors and officers of the Manager and its affiliates and associates may engage in the promotion, management or investment management of any other fund or trust which invests primarily in Mining Issuers.

### **Taxation of the Trust**

If the Trust ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading “Income Tax Considerations” would be materially and adversely different in certain respects. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects Unitholders.

The scope of the October 31, 2003 tax proposals announced by the Department of Finance and the announcement made by the Minister of Finance on February 23, 2005 that the Department of Finance would be developing an alternative proposal, both of which are intended to address the deductibility of losses, is uncertain. There can be no assurance that once the legislation is finalized that losses of the Trust may be denied with the result that the taxable amount of distributions to Unitholders could be increased.

In determining its income for tax purposes, the Trust will treat gains or losses on the disposition of securities as capital gains and losses. If these dispositions are not on capital account, the net income of the Trust for tax purposes and the amounts allocated to Unitholders could increase.

### **Changes in Legislation**

There can be no assurance that income tax laws and government incentive programs relating to the businesses of the issuers of securities under the Tax Act will not be changed in a manner

which adversely affects the distributions received by the Trust and the Unitholders and/or the value of the Units or the securities in which the Trust invests.

### **Annual Redemptions**

If holders of a substantial number of Units exercise their Annual Redemption right, the number of Units outstanding and the Net Asset Value of the Trust could be significantly reduced with the effect of decreasing the liquidity of the Units in the market and increasing the management expense ratio of the Trust.

### **Nature of Units**

The Units share certain attributes common to both equity securities and debt instruments. The Units are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. The Units represent a fractional interest in the assets of the Trust. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions.

## GLOSSARY

“**Annual Redemption**” means Units surrendered for redemption by a Unitholder during a Notice Period in accordance with the relevant provisions of the Declaration of Trust.

“**Business Day**” means any day on which the TSX is open for business.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**CDS Participant**” means a participant in the CDS book-entry only system.

“**CRA**” means the Canada Revenue Agency.

“**DRIP**” means the Trust’s distribution reinvestment plan.

“**Income Fund**” means a trust, limited partnership or other similar entity, the units of which are listed and posted for trading on a Canadian stock exchange, structured to own debt and/or equity of an underlying company or limited partnership, or a royalty in revenues generated by such entity, including royalty trusts, income funds, real estate investment trusts, certain limited partnerships and other income vehicles excluding, for greater certainty, mutual funds and other investment funds; provided that the determination by the Manager that an issuer of securities is an Income Fund shall be conclusive for all purposes herein.

“**Mining Issuers**” means metal and mineral mining and exploration issuers, including those that mine and/or explore for precious metals, base metals, precious minerals and base minerals.

“**Net Asset Value**” or “**NAV**” means the net asset value of the Trust, as determined by subtracting the aggregate amount of the liabilities of the Trust from the total assets and as more particularly set forth in the Declaration of Trust.

“**Net Realized Proceeds per Unit**” with respect to an Annual Redemption means the amount obtained by dividing either:

- (i) unless the Manager has made the determination referred to in clause (ii)
  - (A) the aggregate proceeds received or receivable by the Trust on the disposition of the Redeeming Percentage of the Portfolio Securities (excluding securities of Private Issuers) held at the applicable Redemption Time, less brokerage fees, commissions and all other transaction costs relating to such disposition; plus
  - (B) the Redeeming Percentage of the value of all assets of the Trust, other than Portfolio Securities, held at the Redemption Time as determined for the purpose of calculating Net Asset Value on the Redemption Date; minus
  - (C) the Redeeming Percentage of the liabilities of the Trust at the Redemption Time as determined for the purpose of calculating NAV on the Redemption Date; or

- (ii) if for any reason the Manager determines that it is not practicable for the Trust to effect such disposition, the Redeeming Percentage of the NAV on the applicable Redemption Date, less the brokerage fees, commissions and all other transaction costs that the Manager believes would have resulted from such disposition;

by the number of Units surrendered for such Annual Redemption.

“**NI 81-102**” means National Instrument 81-102 - *Mutual Funds* of the Canadian Securities Administrators (or any successor policy, rule or national instrument), as it may be amended from time to time.

“**Notice Period**” means the period from the first day of September until 5:00 p.m. (Toronto time) on the tenth Business Day before the last Business Day in September.

“**Permitted Merger**” means a merger or other combination or consolidation of the Trust with any one or more other investment funds with similar investment objectives administered or managed by the Manager or an affiliate of the Manager or its successors provided that (i) the merger is done on a relative NAV Per Unit basis and (ii) it is capable of being accomplished on a tax-deferred rollover basis for Unitholders of the Trust and (iii) Unitholders are permitted to redeem their Units at a redemption price equal to 100% of NAV, less any costs of funding such redemptions, prior to the effective date of the merger.

“**Portfolio**” means the portfolio of the Trust.

“**Portfolio Securities**” means the securities that are in the Portfolio.

“**Private Issuer**” means an issuer with securities for which a market quotation is not readily available, other than cash equivalents.

“**Redemption Date**” means the last Business Day in September.

“**Redeeming Percentage**” with respect to an Annual Redemption means (i) except for the purposes of clause (ii) of the definition of “Net Realized Proceeds per Unit”, the percentage that the aggregate NAV of the Units that have been surrendered for such Annual Redemption is of the NAV of the Trust minus that portion of the NAV of the Trust attributed to securities of Private Issuers; or (ii) for the purposes of clause (ii) of such definition, the percentage that the number of Units that have been surrendered for such Annual Redemption are of the total number of Units outstanding on the applicable Redemption Date.

“**Redemption Payment Date**” means the date on or before the 15<sup>th</sup> Business Day following the applicable Redemption Date.

“**Redemption Time**” means 4:15 p.m. (Toronto time) on a Redemption Date.

“**Registrar and Transfer Agent**” means Computershare Trust Company of Canada.

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder.

“**Taxation Year**” means the taxation year of the trust as determined, from time to time, by the Manager subject to the provisions of the Tax Act.

“**TSX**” means the Toronto Stock Exchange.

“**Unitholders**” means holders of Units.

“**Valuation Time**” means 4:15 p.m. (Toronto time) on each Thursday during the year (or, if a Thursday is not a Business Day, the Business Day following such Thursday) and on the last Business Days of March, June, September and December.

## **PRECIOUS METALS AND MINING TRUST**

- Additional Information about the Trust is available in the Trust's management reports of fund performance and financial statements.
- You can get a copy of these documents, including a statement of portfolio transactions, at no cost by calling 1-888-730-4623, or from your dealer or by e-mail at [info@sentry.ca](mailto:info@sentry.ca).
- These documents and other information about the Trust, such as information circulars and material contracts, are also available on the Manager's Internet site at [www.sentry.ca](http://www.sentry.ca) or at [www.sedar.com](http://www.sedar.com).

### **Sentry Select Capital Inc.**

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