

**SEF PRIVATE ISSUERS TRUST**

**2010 ANNUAL INFORMATION FORM**

**March 25, 2011**

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# SEF PRIVATE ISSUERS TRUST

## 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 based on historical fact but instead represent our beliefs regarding future events. Forward-looking information can often be identified by forward-looking words such as “anticipate”, “believe”, “expect”, “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: (i) SEF Private Issuers Trust’s (the “Fund”) ability to liquidate its position in its investments within its Portfolio (as defined below under “*General Development of the Business*”) at estimated and/or expected levels and prices, (ii) any distributions paid and/or revenues generated by the issuers in which the Fund invests being at or above current and/or expected levels, and (iii) the investment of the Fund Property (as defined below under “*Narrative Description of the Business - Investment Restrictions*”) will produce the results intended by Sentry Select Capital Inc. (“Sentry” or “Sentry Investments”). Forward-looking information is subject to inherent risks and uncertainties. There is significant risk that forward-looking information will not prove to be accurate. We caution readers of this Annual Information Form not to place undue reliance on the forward-looking information contained herein 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 such forward-looking information.

Actual results may differ materially from the expectations 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 Fund Property is invested. We caution that the foregoing list of factors is not exhaustive and that 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.

## FUND STRUCTURE

The Fund is a closed-end investment trust established under the laws of the Province of Ontario pursuant to a declaration of trust made on February 13, 2009 (the “Declaration of Trust”). Sentry is the Fund’s trustee (the “Trustee”) and manager (the “Manager”). The custodian of the Fund’s assets is State Street Trust Company Canada (the “Custodian”). The head and registered office of the Fund is located at 130 King Street W., Suite 2850, Toronto, Ontario M5X 1A4. The fiscal year end of the Fund is December 31.

See “*Responsibility for Fund Operations - The Manager*” for information concerning the Manager.

## GENERAL DEVELOPMENT OF THE BUSINESS

The Fund was created for the purposes of facilitating the conversion of Strategic Energy Fund (“SEF”) from a closed-end investment trust to an open-end mutual fund (the “Mutual Fund Conversion”). Prior to the implementation of the Mutual Fund Conversion, SEF’s sole undertaking was to invest in

securities of issuers within the Canadian energy sector and to distribute the income and capital gains generated from such securities to the holders of its units. On February 24, 2009, SEF completed the Mutual Fund Conversion. In connection with the Mutual Fund Conversion, SEF transferred all of the securities of private issuers held by it (the “Portfolio”) and \$3,000,000 cash (together with the Portfolio collectively, the “Initial Fund Property”) to the Fund in exchange for 22,884,019 units of the Fund (“Units”) pursuant to an asset transfer agreement dated February 24, 2009 between SEF and the Fund (the “Asset Transfer Agreement”), which Units were subsequently distributed to the unitholders of SEF by way of return of capital on the basis of one Unit for every trust unit of SEF held, and the assumption by the Fund of the Assumed Indemnification Obligations (as defined under “*Narrative Description of the Business - Assumed Indemnification Obligations*”) pursuant to an assumption agreement dated February 24, 2009 among the Fund, SEF, the Manager, Sentry Select Capital Corp. (“SSCC”, the previous investment advisor of SEF) and Strategic Energy Management Corp. (the “Assumption Agreement”). SEF also changed its name to Sentry Select Energy Income Fund (“SSEIF”) in connection with the Mutual Fund Conversion.

## **NARRATIVE DESCRIPTION OF THE BUSINESS**

### **Assets & Objective**

The Fund’s objective and primary purpose (the “Objective”) is to liquidate the Portfolio in an effective and efficient manner. The Fund will not carry on any active business, other than in connection with the liquidation of the assets (including the Portfolio) and the payment or other satisfaction of the liabilities of the Fund (including the Assumed Indemnification Obligations) in an orderly manner until the Termination Date (as defined below).

The Objective cannot be changed without the prior approval of holders of Units of the Fund (the “Unitholders”) by an Extraordinary Resolution (as defined below under “*Modification of Declaration of Trust and Meetings of Unitholders*”).

### **Investment Restrictions**

In addition to any restrictions which may from time to time be imposed by applicable securities law, in the course of holding and liquidating the property and assets of the Fund held in trust by the Trustee pursuant to the Declaration of Trust (the “Fund Property”), the Manager shall not:

1. borrow money;
2. purchase or sell commodities, commodity contracts or derivatives;
3. sell securities short;
4. invest in any assets other than money market instruments which are accorded the highest rating category by Canadian Bond Rating Service (“A-1”) or by Dominion Bond Rating Service (“R-1”), banker’s acceptances and debt instruments issued or guaranteed by the Government of Canada or a province of Canada, all with a term of one year or less, and interest bearing deposits with Canadian chartered banks or trust companies;
5. make any investment or take any other action that would result in the Fund failing to qualify as a “unit trust” within the meaning of paragraph 108(2)(b) of the *Income Tax Act* (Canada) (the “Tax Act”). The current definition of “unit trust” requires, among other things, that:

- (a) at all times at least 80% of the property of the Fund must consist of a combination of shares; property that, under the terms or conditions of which or under an agreement, is convertible into, exchangeable for, or confers a right to acquire shares; bonds, debentures, mortgages, hypothecary claims, notes and other similar obligations; marketable securities; cash; real property situated in Canada and interests in real property situated in Canada; or 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 natural gas well in Canada or from a mineral resource in Canada;
  - (b) not less than 95% of the Fund's income for each year must be derived from, or from the disposition of, investments described in (a) above; and
  - (c) at no time may more than 10% of the Fund Property 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;
6. act as underwriter except to the extent that the Fund may be deemed to be an underwriter in connection with the sale of securities in the Portfolio; or
7. take any action that adversely affects, or may adversely affect, the SEF Indemnified Parties' (as defined under "*Narrative Description of the Business - Assumed Indemnification Obligations*") rights under the SEF Indemnification Obligations (as defined under "*Narrative Description of the Business - Assumed Indemnification Obligations*") without the prior written consent of the affected SEF Indemnified Parties, including using the Litigation Reserve (as defined under "*Narrative Description of the Business - Assumed Indemnification Obligations*") other than for the purposes of making payments required or permitted under the Assumed Indemnification Obligations

(collectively, the "Investment Restrictions").

If a percentage restriction on investment or use of assets set forth above is adhered to at the time of a transaction, but later fails to adhere to such restriction as a result of a change in the market value of the investment or the aggregate value of the assets of the Fund, as determined pursuant to the Declaration of Trust, such change will not be considered a violation of the restriction (except in respect of the restrictions in paragraph 5 above which must be complied with at all times and which may necessitate the selling of securities from time to time).

### **Modification of Declaration of Trust and Meetings of Unitholders**

Pursuant to the Declaration of Trust, the following matters require the approval of Unitholders by a resolution passed by the affirmative vote of at least 66 2/3% of the votes cast at a meeting of Unitholders called for such purpose at which a quorum of two or more Unitholders is present in person or by proxy (an "Extraordinary Resolution") (other than items (e), (f) and (g), which require approval by a simple majority vote) at a meeting called and held for such purpose:

- (a) a change in the Objective;
- (b) a change in Investment Restrictions, unless such change is necessary to ensure compliance with all applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;

- (c) any change in the basis of calculating fees or other expenses that are charged to the Fund, including the Management Fee (as defined under “*Fees and Expenses - Management Fees*”) which could result in an increase in charges to the Fund other than a fee or expense charged by a person or company that is at arm’s length to the Fund;
- (d) a change of the Manager, other than a change resulting in an affiliate of the Manager assuming such position, provided that the Manager may only be removed in the event that:
  - (i) the Manager is in breach of or in default of a material provision of the management agreement between the Fund and the Manager made as of February 13, 2009 (the “Management Agreement”), and, if capable of being cured, the same has not been cured within 20 business days following the giving by the Fund of notice of such breach or default to the Manager; or
  - (ii) the Manager becomes bankrupt or insolvent, a resolution is passed for the winding-up, dissolution or other liquidation of the Manager or the Manager has been ordered dissolved or has made a general assignment for the benefit of creditors;and in each case, a successor Manager is appointed by the Unitholders;
- (e) the removal of the Trustee other than as a result of any of the following events:
  - (i) the Trustee is in material default of its obligations under the Declaration of Trust and such default continues for (a) (if the Trustee is not also the Manager) 30 days from the date that the Trustee receives notice from the Manager, requiring it to cure such material default or (b) (if the Trustee is also the Manager) 30 days from the date that the Trustee becomes aware of, or reasonably ought to have become aware of, the material default;
  - (ii) the Trustee has been declared bankrupt or insolvent or has entered into liquidation or winding up, whether compulsory or voluntary (and not merely a voluntary liquidation for the purposes of amalgamation or reconstruction);
  - (iii) the Trustee makes a general assignment for the benefit of its creditors or otherwise acknowledges its insolvency; or
  - (iv) the assets of the Trustee have become subject to seizure or confiscation by any public or governmental authority;
- (f) unless within the power and responsibility of the independent review committee of the Fund (the “IRC”), a change of the auditors of the Fund;
- (g) subject to the terms of the Declaration of Trust, a termination of the Fund prior to the Termination Date; and
- (h) an amendment, modification or variation in the provisions or rights attaching to the Units.

The Trustee may, with the prior written consent of the Manager and without notice to, or approval of, the Unitholders, amend, expand, vary and/or restate the Declaration of Trust in order to:

- (a) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (b) ensure compliance with applicable laws, regulations or requirements of any governmental authority having jurisdiction over the Fund;
- (c) maintain the status of the Fund as a “mutual fund trust” for the purposes of the Tax Act; or
- (d) provide added protection to Unitholders upon the advice of counsel to the Fund,

provided that any such amendment does not adversely affect the rights, privileges or interests of the Unitholders or reduce or restrict any protection in favour of the Trustee or the Manager or increase their respective obligations.

Subject to the foregoing, any amendment to the Declaration of Trust that does not require approval of Unitholders may be made by the Manager and the Trustee upon 30 days’ written notice to all Unitholders.

### **Termination of the Fund**

The Fund will continue until the later of (a) February 24, 2012, and (b) the date on which the Assumed Indemnification Obligations are no longer outstanding, subject to extension or acceleration in accordance with the Declaration of Trust (the “Termination Date”).

The Manager may, in its discretion and without approval of Unitholders, terminate the Fund prior to the Termination Date if 75% of the Portfolio has been liquidated (based on the value of the Portfolio on the date the Portfolio was acquired by the Fund) and the Assumed Indemnification Obligations are no longer outstanding. In any event, the Manager may terminate the Fund prior to the Termination Date with the approval of a simple majority vote at a meeting of Unitholders.

Prior to the Termination Date, the Manager will sell and convert into cash, to the extent possible, the Fund Property. Prior to the Termination Date, the Trustee and the Manager shall proceed to wind-up the affairs of the Fund as soon as may be reasonably practicable in their sole discretion.

Subject to applicable legal and regulatory requirements and approvals, if on the tenth business day prior to the anticipated Termination Date the Portfolio is not fully liquidated, then the Manager will be entitled to sell the securities comprising the Portfolio it holds (the “Remaining Securities”) at the highest offer to (i) SSEIF or any successor of SSEIF; (ii) any other fund managed by Sentry; (iii) the issuer(s) of the Remaining Securities; and/or (iv) any third party. If the liquidation of the Remaining Securities is not practicable, as determined by the Manager in its sole discretion, or if the Manager considers in its sole discretion that such liquidation is not appropriate prior to the Termination Date, such securities may be distributed to Unitholders *in specie*, rather than in cash, subject to compliance with any contractual obligations and applicable securities or other laws.

### **Assumed Indemnification Obligations**

In connection with, and as partial consideration for, its acquisition of the Initial Fund Property pursuant to the Asset Transfer Agreement, the Fund agreed to: (i) assume the obligations of SEF to Strategic Energy Management Corp., as SEF’s manager, SSCC and Sentry, as SEF’s investment advisors

from time to time, and Computershare Trust Company of Canada, as SEF's trustee, (each, a "SEF Indemnified Party" and collectively, the "SEF Indemnified Parties") pursuant to the obligations of SEF to indemnify and reimburse the applicable SEF Indemnified Party from and against all liabilities and expenses (including judgments, fines, penalties, interest, amounts paid in settlement with the consent of the trustee of SEF, and counsel fees and disbursements on a solicitor and client basis) reasonably incurred in connection with each such SEF Indemnified Party being or having been the trustee, manager or investment advisor of SEF, including in connection with any action, suit or proceeding to which any SEF Indemnified Party may be made a party by reason of being or having been such trustee, manager or investment advisor of SEF, subject to certain exclusions (including, without limitation, any liabilities and expenses which a court of competent jurisdiction in a decision which is not appealable has determined resulted from the SEF Indemnified Party's wilful misconduct, bad faith, negligence, disregard of its duties or standard of care, material breach or default of the SEF Indemnified Party's obligations under the applicable agreement between such SEF Indemnified Party and SEF or, in the case of an investment advisor, breach of statutory duties to deal fairly, honestly and in good faith that are from time to time applicable to registered investment advisors in the Province of Ontario) (the "SEF Indemnification Exclusions"), as provided in the applicable agreement between such SEF Indemnified Party and SEF (the "SEF Indemnification Obligations") which existed immediately prior to the date on which the Fund acquired the Initial Fund Property, including the obligations associated with the Claim (as defined under "Legal Proceedings"); and (ii) indemnify SEF if SEF incurs any costs, liabilities and/or expenses with respect to the SEF Indemnification Obligations, in each case subject to the SEF Indemnification Exclusions (collectively, the "Assumed Indemnification Obligations").

A portion of the Fund Property, determined from time to time by the Manager (the "Litigation Reserve"), shall only be used to fund any payments required to be made pursuant to the Assumed Indemnification Obligations and, until such time as the amount of the Litigation Reserve is reduced to nil, shall be invested at all times in accordance with Investment Restrictions.

## **DESCRIPTION OF SECURITIES**

### **Units**

The Fund is authorized to issue an unlimited number of Units of one class, each of which represents an equal, undivided beneficial interest in the net assets of the Fund. The Units are not listed for trading on any marketplace or stock exchange.

Each Unit ranks equally with every other Unit and is entitled to participate equally with respect to all payments made to Unitholders out of the Fund's assets including in the event of termination or winding-up of the Fund. All Units are issued as fully paid and are non-assessable.

### **Information and Reports to Unitholders**

The financial statements of the Fund are audited annually by an independent recognized firm of chartered accountants. The audited financial statements of the Fund, together with the report of such chartered accountants, and the Fund's annual Management Report of Fund Performance are mailed by the Trustee to Unitholders and the unaudited interim financial statements of the Fund and the Fund's interim Management Report of Fund Performance are mailed to Unitholders as prescribed by securities legislation. The year end of the Fund is December 31.

The Fund is subject to the continuous disclosure obligations under all applicable securities legislation, including in respect of all portfolio transactions. Unitholders are entitled to inspect, during normal business hours, at the offices of the Trustee, and, upon payment of reasonable reproduction costs, to receive photocopies of the Declaration of Trust and the Management Agreement. The Declaration of

Trust and the Management Agreement are also available under the Fund's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Meetings and Voting**

Meetings of Unitholders will be called at such time as the Manager, in its sole discretion, determines. Unitholders do not have the right to call a meeting of Unitholders.

Unitholders may attend and vote at all meetings of such holders either in person or by proxy and a proxyholder need not be a Unitholder. At least two or more Unitholders present in person or represented by proxy constitute a quorum for the transaction of business at all such meetings. If no quorum is present at a meeting when called, the meeting shall be adjourned to such day being not less than 14 days later. If at such adjourned meeting a quorum as described above is not present, the Unitholders present in person or represented by proxy at such meeting will form the necessary quorum.

Unitholders are entitled to one vote per Unit at all meetings of Unitholders.

### **Limitation on Non-Resident Ownership**

At no time may non-residents of Canada (at all times in this paragraph for purposes of the Tax Act) be the beneficial owners of a majority of the Units. If the Manager determines that a majority of the Units are beneficially held by non-residents of Canada, the registrar of the Fund will, upon receiving a direction from the Manager, send a notice to non-resident Unitholders, chosen in inverse order to the order of acquisition or registration or in such manner as the Manager may consider equitable and practicable, requiring them to sell their Units or a portion thereof to residents of Canada within a specified period of not more than 30 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the registrar or Manager with satisfactory evidence that they are not non-residents of Canada within such period, the Manager may arrange for the sale, on behalf of such Unitholders, of such Units and in the interim, shall direct the Trustee to suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be beneficial Unitholders and their rights shall be limited to receiving the net proceeds of the sale of such Units.

## **VALUATION OF PORTFOLIO SECURITIES**

### **Calculation of Total Asset Value and Net Asset Value**

The aggregate value of the assets of the Fund as determined pursuant to the Declaration of Trust less the aggregate amount of the liabilities of the Fund (the "Net Asset Value") and the Net Asset Value per Unit are calculated by the Manager as of 4:15 p.m. (Toronto time) on each "Valuation Date" (i.e., at a minimum the last business day of each month and December 31 of each year), and any other day on which the Manager elects, in its discretion, to calculate the Net Asset Value per Unit. The Net Asset Value per Unit is made available to the public at no cost on a monthly basis on the Manager's Internet site at [www.sentry.ca](http://www.sentry.ca) and as otherwise required under applicable securities laws or as the Manager may otherwise determine.

In calculating the Net Asset Value at any time:

1. the value of any cash on hand or on deposit, bills, demand notes, accounts receivable, prepaid expenses, cash received (or declared to holders of record on a date before the date as of which the Net Asset Value is being determined and to be received) and interest accrued and not yet received, shall be deemed to be the full amount thereof; provided that (i) the value of any security

which is a debt obligation which, at the time of acquisition, had a remaining term to maturity of one year or less shall be the amount paid to acquire the obligation plus the amount of any interest accrued on such obligation since the time of acquisition (for the purposes of the foregoing, interest accrued will include amortization over the remaining term to maturity of any discount or premium from the face value of an obligation at the time of its acquisition); and (ii) if the Manager has determined, acting reasonably, that any such deposit, bill, demand note or account receivable is not worth the full amount thereof, the value thereof shall be deemed to be such value as the Manager determines to be the fair value thereof;

2. the value of any security which is listed on a stock exchange or traded on an over-the-counter market will be the last sale price applicable to a board lot prior to the time of determination of Net Asset Value or if no such sale price is available at that time, but if bid and ask quotations are available, at the average of the bid and the ask price, rather than the quoted sale price;
3. if a security is interlisted or trades on more than one exchange or market the Manager shall use the last sale price or quoted or average price (as described in paragraph 2 above), as the case may be, reported on the exchange or market determined by the Manager to be the principal exchange or market for the security;
4. any value of a security or other asset reported in currency other than Canadian dollars will be translated into Canadian currency at the prevailing rate of exchange, as determined by the Manager, at or as nearly practicable to the time of valuation;
5. securities which are listed on a stock exchange or traded over-the-counter and which are subject to a hold period or other trading restrictions will be valued as described above, with an appropriate discount as determined by the Manager, acting reasonably;
6. the value of any security or other asset for which no published market exists will be determined by the Manager in accordance with the following:
  - (a) such securities or other assets will be carried at cost unless:
    - (i) there is an arm's length transaction which in the Manager's reasonable opinion establishes a different value,
    - (ii) 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, or
    - (iii) there is an occurrence of a specified event or the delivery of financial statements or a formal valuation,  
  
in which event the value will be increased or decreased, as appropriate, to the resulting fair value; and
  - (b) 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 Fund's securities will be valued based upon the proposed transaction price;

7. estimated operating expenses of the Fund shall be accrued to the date as of which Net Asset Value is being determined; and
8. the value of any security or asset to which, in the opinion of the Manager, the above principles cannot be applied (whether because no price or yield equivalent quotations are available or for any other reason) shall be the fair value thereof determined in good faith in such manner as the Manager from time to time adopts.

Units may be issued from time to time on such terms and conditions and for such consideration as the Manager shall determine. Units can only be issued as fully paid and non-assessable. Units issuable in connection with a Special Distribution (as defined below) shall be issued as described below under “*Distributions of Capital Gains and Income*”.

The process of valuing investments for which no published market exists is 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 and may differ from the prices at which the investments may be sold.

### **REDEMPTION OF UNITS**

The Units are not subject to redemption, other than in connection with the termination of the Fund. See “*Termination*” above for additional information.

### **DISTRIBUTIONS OF CAPITAL GAINS AND INCOME**

The Fund does not pay regular distributions. If on December 31 of any taxation year of the Fund, the aggregate of the net income and net capital gains (less any net capital gains subject to tax under Part I of the Tax Act that would be fully refundable to the Fund in such taxation year) exceeds the aggregate distributions otherwise paid or payable by the Fund for such taxation year, such excess amount shall be payable to the Unitholders of record as at the close of business on that date. Such amount will be paid by way of a distribution (a “Special Distribution”) on or before January 31 of the next year by the issuance of additional Units and/or the payment of cash, at the discretion of the Manager. Where the Special Distribution is paid in whole or in part in additional Units, the Units will be consolidated immediately following the payment of the Special Distribution, such that the number of Units outstanding after the consolidation will be equal to the number of Units outstanding immediately prior to the payment of the Special Distribution.

Any Special Distributions payable to Unitholders who are Non-Resident Holders (as defined below under “*Certain Canadian Federal Income Tax Considerations - Non-Resident Unitholders*”) will be paid in cash, subject to deduction or withholding of all amounts required by law to be deducted or withheld from such distribution, as determined by the Manager.

If a distribution is paid by the Fund in a particular taxation year, each Unitholder will be mailed, on or about March 31 of the following year, the information necessary to enable such Unitholder to complete an income tax return with respect to any amounts paid or payable by the Fund in the preceding taxation year. See “*Certain Canadian Federal Income Tax Considerations*”.

Other than as described herein, the Fund will not be required to make distributions, including cash proceeds from the transfer of all or any part of the Portfolio, until the Termination Date.

The Fund may, in the discretion of the Manager, return capital and/or distribute capital gains and/or income at any time in addition to Special Distributions if it considers such additional

distribution(s) appropriate. On June 3, 2010 and January 14, 2011, the Fund made a special cash distribution of \$0.20 per Unit to Unitholders of record at the close of business on June 29 and December 31, 2010.

## **FEES AND EXPENSES**

### **Management Fee**

Pursuant to the terms of the Management Agreement, the Fund pays the Manager an annual management fee (the “Management Fee”) for the services provided by the Manager in the amount of 1.10% of the average monthly Net Asset Value less the Litigation Reserve. The Management Fee accrues daily and is payable monthly in arrears. Sentry does not receive any fee for its duties as the trustee of the Fund.

### **Ongoing Expenses**

The Fund is responsible for payment of all expenses incurred by the Fund and the Manager relating to the operation and administration of the Fund. These expenses include: (a) mailing and printing expenses for periodic reports to Unitholders; (b) fees payable to the Trustee for acting as trustee of the Fund, if applicable; (c) fees payable to, and out-of-pocket expenses of the Manager; (d) banking fees; (e) fees payable to the transfer agent; (f) brokerage fees and commissions payable in connection with managing the Fund Property; (g) fees payable to the auditors and legal advisors of the Fund; (h) regulatory filing and licensing fees; (i) expenditures incurred upon the termination of the Fund; (j) expenses incurred and other payments made pursuant to the Assumed Indemnification Obligations; (k) expenses of indemnification of the Trustee, Unitholders and the Manager; and (l) compensation payable to, and the expenses of, the IRC Members (as defined under “*Conflicts of Interest - Independent Review Committee*”) and payment of any amount necessary to indemnify the IRC Members. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager or the Trustee is entitled to indemnity by the Fund. The Fund is also responsible for any extraordinary expenses of the Fund which may be incurred from time to time.

The expenses incurred by the Manager related to the provision of management and investment advisory services, including the cost of employing management and staff and the related general and administrative expenses, are for the account of the Manager and not for the account of the Fund.

## **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The following summary describes the principal Canadian federal income tax considerations generally applicable, as of the date hereof, to Unitholders who, for the purposes of the Tax Act, deal at arm’s length, and are not affiliated, with the Fund and hold their Units as capital property. Generally, the Units will be considered to be capital property to a holder provided that the holder does not hold the Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain holders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have the Units, and all other “Canadian securities” as defined by the Tax Act that are held by such holders, be treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary is restricted to Unitholders that (i) are individuals other than trusts; and (ii) certain tax-exempt Unitholders. This summary is not applicable to a holder whose Units are a “tax shelter investment” (as defined in the Tax Act).

This summary is based on the current provisions of the Tax Act, the current published administrative practices and policies of the Canada Revenue Agency (“CRA”), and all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “Tax Proposals”). This summary assumes that the Tax Proposals will be enacted as proposed. There can be no assurance that any of the Tax Proposals will be implemented in their current form or at all. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in the law whether by legislative, regulatory, administrative or judicial action. Furthermore, this summary does not take into account provincial or foreign income tax legislation or considerations.

This summary assumes that the Fund will qualify at all times as a “mutual fund trust” within the meaning of the Tax Act. The Manager expects the Fund to so qualify. In the event the Fund were not to qualify as a mutual fund trust, the income tax consequences described below would in some respects be materially different.

A number of conditions must be met in order for the Fund to qualify as a mutual fund trust, including the following:

- (i) its only undertaking must be the investing of its funds in property other than real property;
- (ii) at least 80% of its property must consist of shares, cash, bonds, debentures and certain other permitted properties;
- (iii) at least 95% of its income must be from or from dispositions of property referred to in (ii);
- (iv) not more than 10% of its property may consist of property of any one issuer, other than the Government of Canada or a province; and
- (v) there must be at least 150 holders of a particular class of Fund each holding at least 100 Units of that class, having a value of at least \$500.

The income and other tax consequences of acquiring, holding or disposing of Units will vary according to the status of the Unitholder, the province or provinces in which the Unitholder resides or carries on business and, generally, the Unitholder’s own particular circumstances. The following description of income tax matters is, therefore, of a general nature only and is not intended to constitute advice to any particular Unitholder. The income tax consequences described in this summary are based on the assumption that a Unitholder does not undertake or arrange a transaction relating to the Unitholder’s Units primarily to obtain a tax benefit other than those specifically described herein. **Unitholders should consult their own tax advisors regarding the tax consequences of investing in Units, based upon their particular circumstances.**

### **Taxation of the Fund**

The Fund is subject to tax under Part I of the Tax Act in each taxation year on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amounts paid or payable to Unitholders in such year. The Fund intends to deduct in computing its income such amount as will be sufficient to ensure that the Fund will not be liable for tax under Part I of the Tax Act for each year (other than such tax on net realized capital gains as could be recoverable by the Fund by reason of the capital gains refund mechanism). Therefore, provided that the Fund makes sufficient distributions in each year of its net income and net realized capital gains, it will not generally be liable in such year for income tax under Part I of the Tax Act (other than such tax on net realized capital gains that would be recoverable by the Fund by reason of the capital gains refund

mechanism). Losses incurred by the Fund cannot be allocated to Unitholders but may be deducted by the Fund in future years under the Tax Act.

In computing its income under Part I of the Tax Act, the Fund may generally deduct reasonable administrative, interest and other expenses incurred to earn income.

On the actual or deemed disposition of a security held by the Fund as capital property, the Fund will generally realize a capital gain (capital loss) to the extent that the proceeds of disposition exceed (or are less than) the adjusted cost base of such security and any reasonable costs of disposition.

The Fund will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (“capital gains refund”). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale of securities in connection with redemptions of Units.

#### *Tax Rules for SIFT Trusts*

Under recent amendments to the Tax Act, certain trusts (“SIFT trusts”) are subject to a new tax in respect of certain distributions attributable to their non-portfolio earnings beginning at the latest in 2011. Provided that investments in the Fund are not listed or traded on a stock exchange or other public market, the Fund will not be a SIFT trust for the purposes of these amendments.

### **Taxation of Unitholders**

#### *Unitholders Resident in Canada*

This portion of the summary is applicable only in respect of Unitholders that are resident in Canada for the purposes of the Tax Act and any relevant income tax convention between Canada and another country.

#### *Amounts Paid or Payable to 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 of the Fund for a taxation year of the Fund that ended in that year, including net realized taxable capital gains (whether or not accrued or realized by the Fund prior to the acquisition of the Units by the Unitholder), as is paid or payable to the Unitholder in the taxation year, whether or not any such amount is reinvested in additional Units. Provided that appropriate designations are made by the Fund, such portion of: (a) the net realized taxable capital gains of the Fund; and (b) the taxable dividends received, or deemed to be received, by the Fund on shares of taxable Canadian corporations, as is paid or payable to a Unitholder will effectively retain their character and be treated as such in the hands of the Unitholder for the purposes of the Tax Act.

Distributions by the Fund to a Unitholder will reduce the adjusted cost base of the Unitholder’s Units, except to the extent that such distributions are included in the Unitholder’s income or constitute the Unitholder’s share of the non-taxable portion of taxable capital gains of the Fund. Where at any time in a taxation year 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 a deemed disposition at that time of the Unit and the Unitholder’s adjusted cost base will be reset to nil. Amounts which retain their character in the hands of a Unitholder as taxable dividends on shares of taxable Canadian corporations will be eligible

for the gross-up and dividend tax credit rules under the Tax Act. An enhanced gross-up and dividend tax credit is available for eligible dividends in limited cases. Dividends received or deemed to be received by a Unitholder may give rise to a liability for alternative minimum tax.

Units that are acquired as payment of or on the reinvestment of amounts payable to Unitholders will be acquired at an initial cost equal to the amount so reinvested. If such Units are so acquired at a price that is less than their fair market value at such time, it is the administrative position of the CRA that the Unitholder must include the difference in income and that the cost of the Units will be correspondingly increased. The Tax Act requires a Unitholder to average the cost of all Units held by the Unitholder at any particular time as capital property, in order to determine their adjusted cost base.

### *Capital Gains and Capital Losses*

Upon the disposition or deemed disposition of Units by a Unitholder whether on a sale, repurchase or otherwise, a capital gain (or capital loss) will be realized by the Unitholder to the extent that the net proceeds of disposition (excluding, in the case of a redemption, any amount payable by the Fund which represents an amount that must otherwise be included in a Unitholder's income as described above), exceed (or are less than) the adjusted cost base of the Units to the Unitholder immediately before the disposition.

Generally, taxable capital gains realized by a Unitholder in a taxation year must be included in its income for the year, and an allowable capital loss realized by a Unitholder in a taxation year may be deducted from taxable capital gains realized by it in that year. Subject to detailed rules in the Tax Act, any remaining allowable capital losses for a taxation 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 net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

Capital gains realized on the disposition of Units by, or amounts designated by the Fund as taxable capital gains to, a Unitholder who is an individual may give rise to a liability for alternative minimum tax.

### *Certain Tax-Exempt Unitholders*

Provided that the Fund qualifies and continues at all times to qualify as a mutual fund trust within the meaning of the Tax Act, Units will be qualified investments under the Tax Act 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. The Units will not be a prohibited investment for a trust governed by a tax-free savings account provided that the holder of the account deals at arm's length with the Fund for the purposes of the Tax Act and does not have a "significant interest" (within the meaning of the Tax Act) in the Fund or in any person or partnership with which the Fund does not deal at arm's lengths for purposes of the Tax Act.

### **Non-Resident Unitholders**

This portion of the summary is applicable only to a Unitholder who, for the purposes of the Tax Act and at all relevant times, is not resident in Canada and is not deemed to be resident in Canada, and will not use or hold or be deemed to use or hold the Units in, or in the course of, carrying on business in Canada, and is not an insurer who carries on an insurance business in Canada and elsewhere (a "Non-Resident Holder").

Any distribution of income of the Fund to a Non-Resident Holder, including a distribution of taxable capital gains from property that is “taxable Canadian property”, will generally be subject to Canadian withholding tax at the rate of 25%, unless such rate is reduced under the provisions of a tax treaty between Canada and the Non-Resident Holder’s jurisdiction of residence. A Unitholder resident in the United States who is entitled to claim the benefit of the Canada-U.S. Income Tax Convention will be entitled to have the rate of such withholding reduced to 15%.

A disposition or deemed disposition of a Unit, whether on a redemption or otherwise, will not give rise to any capital gains subject to tax under the Tax Act to a Non-Resident Holder provided that the Units are not “taxable Canadian property” of the Non-Resident Holder for the purposes of the Tax Act. The Units will not be considered taxable Canadian property to such Non-Resident Holder provided that: (i) the Non-Resident Holder does not hold or use, and is not deemed to hold or use the Units in the course of carrying on business in Canada; (ii) the Units are not “designated insurance property” of the Non-Resident Holder for the purposes of the Tax Act; (iii) at no time during the 60 month period immediately preceding the disposition of the Units did the Non-Resident Holder, or persons with whom such Non-Resident Holder did not deal at arm’s length or any combination thereof, hold 25% or more of the issued Units; and (iv) the Units are not deemed to be taxable Canadian property under a special provision of the Tax Act applicable to the Non-Resident Holder.

### **REMUNERATION OF TRUSTEE**

In accordance with the Declaration of Trust, the Trustee does not receive any fees for its duties as trustee of the Fund since it also acts in the capacity of the Manager.

Total management fees paid to the Manager for the fiscal year ended December 31, 2010 were \$213,702.

### **RESPONSIBILITY FOR FUND OPERATIONS**

#### **Introduction**

The general affairs of the Fund, including the management of the Fund Property, are managed by the Manager pursuant to the Management Agreement.

The ownership of all Fund Property is vested exclusively in the Trustee and the right to conduct the affairs of the Fund is vested exclusively in the Trustee and the Manager, as provided in the Declaration of Trust, and the Unitholders have no rights or interests therein or with respect thereto, other than those which are expressly provided for in the Declaration of Trust. Unitholders have no right to call for any partition or division of any portion of the Fund Property; nor can they be called upon to share or assume any losses of the Fund or be liable for any assessment or further payments to the Fund or the Trustee of any kind by virtue of their ownership of Units.

#### **The Manager**

Pursuant to the Declaration of Trust, Sentry is the manager of the Fund. The Manager was incorporated on May 5, 2008. The Manager is presently engaged in the business of sponsoring and managing investment funds in Canada. The Manager is responsible for managing the investment portfolio of the Fund, including providing or arranging for the provision of any investment analysis and making decisions relating to the investment of assets of the Fund.

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 (416) 861-8729 or toll free 1-888-730-4623, its email address is info@sentry.ca and its Internet site is www.sentry.ca.

As manager of the Fund, the Manager is responsible for providing or arranging for required administrative services to the Fund including, without limitation: authorizing the payment of operating expenses incurred on behalf of the Fund; arranging for the preparation of financial statements as required by applicable securities law or the Declaration of Trust; arranging for the delivery of financial statements (including semi-annual and annual financial statements) and other reports to Unitholders as required by applicable securities law or the Declaration of Trust; ensuring that the Fund complies with regulatory requirements; preparing the Fund's reports to Unitholders and the Canadian securities regulatory authorities; if the Manager is not also the Trustee, providing the Trustee with information and reports necessary for it to carry out its duties under the Declaration of Trust; determining the amount of distributions to be made by the Fund (if any); and negotiating contractual agreements with third-party providers of services, including registrars, transfer agents, auditors and printers.

Sentry is required to exercise its powers and discharge its duties under the Management Agreement honestly, in good faith and in the best interests of the Fund, and in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise in similar circumstances.

The term of the Management Agreement ends on the Termination Date. The Manager may be removed by the Fund by an Extraordinary Resolution if the Manager is in breach or default of any material provision of the Management Agreement and such breach has not been cured within 20 business days following notice thereof to the Manager. In addition, the Management Agreement may be terminated if the Manager becomes bankrupt or insolvent, a resolution is passed for the winding-up, dissolution or other liquidation of the Manager or the Manager has been ordered dissolved or has made a general assignment for the benefit of creditors.

The Manager may resign upon giving no less than 120 business days' written notice to the Trustee. During such notice period, the Manager shall use its reasonable efforts to assist in the appointment of a suitable replacement.

Sentry is entitled to fees for its services under the Management Agreement as described under "*Fees and Expenses*" and will be reimbursed for all costs and expenses incurred by Sentry on behalf of the Fund. In addition, Sentry and each of its directors, officers, employees and agents will be indemnified by the Fund for certain liabilities and expenses as described under "*Responsibility for Fund Operation – Indemnification of the Manager*".

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>
<p>JOHN F. DRISCOLL Toronto, Ontario</p>	<p>Chairman, Chief Executive Officer and Director</p>	<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>
<p>J.A. (SANDY) McINTYRE Toronto, Ontario</p>	<p>Director, President and Chief Investment Officer</p>	<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>

<b>Name, Municipality and Province of Residence</b>	<b>Position held with Manager</b>	<b>Principal Occupation for the Last Five Years</b>
SEAN DRISCOLL Toronto, Ontario	Director and Executive Vice-President	<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>
RICHARD D'ARCHIVIO Vaughan, Ontario	Chief Financial Officer, Vice-President and Treasurer	<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>
PHILIP YUZPE Toronto, Ontario	Chief Operating Officer	<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>

<b>Name, Municipality and Province of Residence</b>	<b>Position held with Manager</b>	<b>Principal Occupation for the Last Five Years</b>
<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>

<b>Name, Municipality and Province of Residence</b>	<b>Position held with Manager</b>	<b>Principal Occupation for the Last Five Years</b>
<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>

<b>Name, Municipality and Province of Residence</b>	<b>Position held with Manager</b>	<b>Principal Occupation for the Last Five Years</b>
<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>

<b>Name, Municipality and Province of Residence</b>	<b>Position held with Manager</b>	<b>Principal Occupation for the Last Five Years</b>
BRUCE TUCKER Toronto, Ontario	Vice-President, Trading	<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>
GRAEME LLEWELLYN Toronto, Ontario	Vice-President, Finance	<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>
KEVIN MacLEAN Oakville, Ontario	Vice-President and Senior Portfolio Manager	<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>
MICHAEL SIMPSON Markham, Ontario	Vice-President and Senior Portfolio Manager	<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>

<b>Name, Municipality and Province of Residence</b>	<b>Position held with Manager</b>	<b>Principal Occupation for the Last Five Years</b>
SHANE STUCK Toronto, Ontario	Vice-President and Senior Portfolio Manager	Vice-President and Senior Portfolio Manager, Sentry since January, 2010.  Director, Fixed Income Derivatives and Currency, Scotia Asset Management from February, 2007 to January, 2010.
LAURA LAU Toronto, Ontario	Senior Portfolio Manager	Senior Portfolio Manager, Sentry since May, 2008.  Senior Portfolio Manager, SSCC from July, 2006 to January, 2009.  Portfolio Manager, SSCC from May, 2004 to June, 2006.
ANDREW McCREATH Toronto, Ontario	Senior Portfolio Manager	Senior Portfolio Manager, Sentry since February, 2009.  Senior Portfolio Manager, Sentry Investments Inc. since August, 2008.  President & Chief Executive Officer, Waterfall Investments Inc. from April, 2004 to July, 2008.
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.

Certain individuals have been charged with the responsibility of making investment decisions relating to the Fund Property. The names, municipalities and provinces of residence, titles and business experience, for the last five years, of the individuals responsible for the day-to-day management of a material portion of the Fund Property 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>	<b>Length of Time of Service</b>
LAURA LAU Toronto, Ontario	Senior Portfolio Manager	Senior Portfolio Manager, Sentry since May, 2008.  Senior Portfolio Manager, SSCC from July, 2006 to January, 2009.  Portfolio Manager, SSCC from May, 2004 to June, 2006.	6 years, 10 months
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.	6 years, 3 months

### **Penalties or Sanctions**

None of the Manager or the directors or officers of the Manager have in the ten years preceding the date of this Annual Information Form been subject to any penalties or sanctions imposed by a court or securities regulator relating to trading in securities, promotion or management of a publicly-traded mutual fund, or theft or fraud, or any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in determining whether to purchase securities of the Fund or entered into a settlement agreement with a court, securities regulatory or other regulatory body, in relation to any of the foregoing matters.

### **Indemnification of the Manager**

The Fund shall indemnify the Manager and its officers, directors, employees, consultants and agents (collectively, "Indemnified Persons") only out of the assets of the Fund, from and against all liabilities and expenses reasonably incurred by any of them in connection with any matter relating to the Fund, unless such Indemnified Person is finally adjudged to have committed an act or omission involving wilful misconduct, bad faith, negligence, disregard of its duties or standard of care, diligence and skill, a material breach or default of its obligations.

### **Trustee**

Sentry is the trustee of the Fund under the Declaration of Trust.

The Trustee may resign upon 60 days' notice to Unitholders. The Trustee may be removed by Extraordinary Resolution or by the Manager 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 or within 30 days from the Trustee becoming aware of, or reasonably ought to have become aware of the material default. 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, the Manager 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 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.

If the trustee of the Fund and the manager of the Fund are the same entity then the trustee of the Fund will not be entitled to receive any fees for its duties as the trustee of the Fund. Otherwise the trustee of the Fund 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 Fund.

### **Custodian**

State Street Trust Company Canada, a trust company organized under the laws of Canada, acts as custodian of the securities comprising part of the Fund Property 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 Fund 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 administration of the Fund, including calculating Net Asset Value, net income and net realized capital gains of the Fund and maintaining the books and records of the Fund concerning the assets of the Fund that are under its custodianship. Both the Accounting Services Agreement and the Custodian Agreement may be terminated by either the Manager or the Custodian in writing, 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.

### **Auditor**

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

### **Registrar and Transfer Agent**

Computershare Trust Company of Canada at 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1 has been appointed the registrar and transfer agent for the Units.

## **Other Service 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. Sentry is a wholly-owned subsidiary of SSCC.

## **CONFLICTS OF INTEREST**

The Fund may be subject to various conflicts of interest due to the fact that the Trustee and Manager and its affiliates are engaged in other business activities, including acquiring and managing interests in oil and natural gas properties and/or issuers, and providing investment and related management services. The Manager's decisions respecting the liquidation of the Portfolio will be made independently of those made for other clients of the Manager. On occasion, however, the Manager may hold securities of the same issuers for the Fund and one or more of its other clients. The Manager will allocate opportunities to dispose of investments among clients, including the Fund, as the Manager deems appropriate using its best good faith judgment and discretion and in accordance with the duty of care owed to each of its clients.

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

Any question or matter arising before the Trustee and/or Manager 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 approved 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 Fund will conform to such securities laws instead of the foregoing.

The Manager is responsible for valuing unlisted securities and other assets of the Fund for which market quotations are not readily available. The valuation of these assets will likely constitute a significant proportion of the assets of the Fund upon which the calculations of the Net Asset Value and the Management Fee are based. See "*Fees and Expenses – Management Fee*" and "*Valuation of Portfolio Securities - Calculation of Total Asset Value and Net Asset Value*".

## **Independent Review Committee**

The IRC, established pursuant to National Instrument 81-107, has three members (collectively, the "IRC 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 Fund. 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 current IRC Members are: Michael Gourley (Chair), David Gavsie and Marie Rounding. The Chair of the IRC receives \$50,000 per annum, and each other IRC Member receives \$40,000 per

annum, as compensation for their services. In addition, each IRC Member is paid \$1,500 for each IRC meeting that he or she attends. This compensation is paid in respect of their services for all investment funds managed by Sentry, including the Fund. For the financial year of the Fund ended December 31, 2010, the aggregate amount of fees and expenses paid to IRC Members for all investment funds managed by Sentry was \$188,524.56.

### **Principal Unitholders**

All outstanding Units are issued in book-entry only form registered in the name of CDS & Co.

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 other than John F. Driscoll, who beneficially owns approximately 15.08% 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, approximately 15.14% of the outstanding Units.

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

### **Principal Securityholders and Affiliated Entities of the Manager**

The sole shareholder of the Manager, as of the date hereof, is SSCC. SSCC, as of the date hereof, is beneficially owned by the Driscoll Family Trust, a trust established for the family of John F. Driscoll, an officer and director of the Trustee and Manager.

The amount of fees received by the foregoing persons and companies from the Fund is contained in the audited financial statements of the Fund.

## **FUND GOVERNANCE**

As the Fund is organized as an investment trust, the Trustee has the ultimate and overriding authority to manage and direct the business and affairs of the Fund, subject to applicable law and the Declaration of Trust. In its capacity as manager, the Manager manages the portfolio of the Fund and provides or arranges for required administrative services to the Fund.

Responsibility for the oversight of the Fund and ensuring the implementation of appropriate policies, procedures and guidelines therefore 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 Fund and its Unitholders 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 Fund has no policies to monitor, detect or deter short-term trades in 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 Unitholder 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 as follows:

- on routine, or commonly raised issues, the portfolio manager for the 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; and
- on non-routine issues, and issues which may be potentially contentious, the matter is delegated to the portfolio manager for the 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 Fund Property 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).

## **MATERIAL CONTRACTS**

The following contracts entered into by the Fund or the Manager can reasonably be regarded as material to Unitholders:

- (a) the Declaration of Trust;
- (b) the Management Agreement;
- (c) the Asset Transfer Agreement; and
- (d) the Assumption Agreement.

Copies of the above agreements, and any amendments thereto, may be examined by prospective or existing Unitholders during normal business hours at the principal office of the Fund and are also available under the Fund's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Copies of the Declaration of Trust and the Management Agreement may be obtained at any time free of charge from the Trustee upon written request.

## **LEGAL PROCEEDINGS**

The SEF Indemnified Parties are co-defendants in an action for \$2,500,000 commenced in the Ontario Superior Court of Justice by a unitholder of SEF on February 12, 2008 for alleged failure of SEF to purchase trust units of SEF in accordance with SEF's mandatory market purchase program during the first half of 2007 as well as the dilution in the net asset value per trust unit of SEF in connection with an exchange offer in June 2007 (the "Claim"). In connection with the Mutual Fund Conversion, the Fund assumed the Assumed Indemnification Obligations and is responsible for all of the expenses reasonably incurred in connection with the Claim. The Litigation Reserve is being maintained to satisfy any obligations arising from the Claim. Examinations for discovery have been completed and the matter is expected to go to trial in June, 2011. Sentry is vigorously defending against the Claim and believes that the Claim is without merit.

### **Penalties or Sanctions**

No director, officer or promoter of the Fund 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.

## **SEF PRIVATE ISSUERS TRUST**

- Additional information about the Fund is available in the Fund'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 Fund, such as 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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