

PROSPECTUS

Initial Public Offering

January 27, 2005



**Premier Value Income Trust**

**Maximum: \$300,000,000 (30,000,000 Units)**

This prospectus qualifies the issuance of transferable, redeemable units (the “Units”) of Premier Value Income Trust (the “Trust”), an investment trust established under the laws of Ontario.

The Trust’s investment objectives are to:

- (i) provide the holders of Units (the “Unitholders”) with a stable stream of monthly distributions targeted to be \$0.05833 per Unit (\$0.70 per annum or 7.0% of the original issue price);
- (ii) return to Unitholders upon the termination of the Trust at least the original issue price (\$10.00 per Unit) of the Units; and
- (iii) enhance long-term total return through capital appreciation of the Portfolio (defined below).

The net proceeds of this offering (the “Offering”), together with any borrowings under the Trust’s loan facility, will be invested in a diversified portfolio of securities (the “Portfolio”) which will consist of units of commercial and industrial income trusts, real estate investment trusts and oil and gas royalty and income trusts.

Sentry Select Capital Corp. (the “Manager”) will be responsible for managing the Trust. Cash distributions over the life of the Trust will be derived primarily from cash distributions received on the Portfolio and net realized capital gains from the Portfolio. The Trust will also borrow funds, when circumstances are appropriate, to attempt to increase the potential returns from the Portfolio. This would be achieved by taking advantage of the spread between the total return on an additional security within the Portfolio and the cost of borrowing to acquire such security. The Trust may have the ability to increase the potential cash distributions to Unitholders over the term of the Trust. See “Investments of the Trust — Borrowing”.

**Price: \$10.00 per Unit**

**Minimum Purchase: 200 Units**

	Price to the Public <sup>(1)</sup>	Agents’ Fees	Net Proceeds to the Trust <sup>(2)</sup>
Per Unit . . . . .	\$10.00	\$0.525	\$9.475
Total Minimum Offering <sup>(3)</sup> . . . . .	\$100,000,000	\$5,250,000	\$94,750,000
Total Maximum Offering <sup>(4)</sup> . . . . .	\$300,000,000	\$15,750,000	\$284,250,000

Notes:

- (1) The offering price was established by negotiation between the Agents (defined below) and the Manager.
- (2) Before deducting the Offering and organizational expenses (estimated at \$900,000) which, together with the Agents’ fees, will be paid out of the proceeds of the Offering.
- (3) There will be no closing unless a minimum of 10,000,000 Units are sold. If subscriptions for a minimum of 10,000,000 Units have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the Offering may not continue without the consent of the securities authorities and those who have subscribed on or before such date.
- (4) The Trust has granted the Agents an option (the “Over-Allotment Option”), exercisable for a period of 30 days following the closing of the Offering, to purchase up to 15% of the aggregate number of Units issued at the closing of the Offering on the same terms set forth above. This prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Units issuable on the exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the total price to the public under the maximum offering will be \$345,000,000, the Agents’ fees will be \$18,112,500 and the net proceeds to the Trust will be \$326,887,500. See “Plan of Distribution”.

**There is currently no market through which the Units may be sold.**

The Toronto Stock Exchange (the “TSX”) has conditionally approved the listing of the Units, subject to the Trust fulfilling all of the requirements of the TSX on or before April 20, 2005. The Units will be listed for trading under the symbol “PVN.UN”.

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Provided that the Trust qualifies as a mutual fund trust, or is a registered investment, the Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans or registered education savings plans. Provided that the Trust qualifies as a mutual fund trust and complies with its investment restrictions related to the holding of foreign property, or is itself a registered investment, the Units will not constitute foreign property for the purposes of the Income Tax Act (Canada). See “Eligibility for Investment”.

**See “Risk Factors” for a discussion of certain factors that should be considered by prospective investors in Units. There can be no assurance that the Trust will be able to achieve its monthly distribution and capital preservation and enhancement objectives.**

**The Trust is not a trust company and, accordingly, the Trust is not registered under the trust company legislation of any jurisdiction as it does not carry on business as a trust company. Units are not “deposits” within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under provisions of that Act or any other legislation.**

The Trust will terminate on February 28, 2015, and its net assets will be distributed to Unitholders unless the Unitholders determine to continue the Trust by a majority vote at a meeting of Unitholders called for such purpose. See “Termination of the Trust”.

RBC Dominion Securities Inc., CIBC World Markets Inc., National Bank Financial Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc., TD Securities Inc., Canaccord Capital Corporation, HSBC Securities (Canada) Inc., Raymond James Ltd., Berkshire Securities Inc., Dundee Securities Corporation, First Associates Investments Inc., Desjardins Securities Inc., Richardson Partners Financial Limited and Wellington West Capital Inc. (collectively, the “Agents”) conditionally offer the Units, subject to prior sale, on a best efforts basis, if, as and when issued by the Trust and accepted by the Agents in accordance with the conditions contained in the Agency Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters by Borden Ladner Gervais LLP, on behalf of the Trust, and Blake, Cassels & Graydon LLP on behalf of the Agents. The Agents may over-allot and may effect transactions to cover their over-allotted position. See “Plan of Distribution”.

Subscriptions will be received for the Units offered hereby, subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time. Closing of the Offering is expected to occur on or about February 15, 2005, but no later than March 14, 2005. Registrations and transfers of Units will be effected only through the book-based system administered by The Canadian Depository for Securities Limited. Beneficial owners of Units will not have the right to receive physical certificates evidencing their ownership. See “Description of Units — Book-Based System”.

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## GLOSSARY OF TERMS

In this prospectus, the following terms shall have the meanings set forth below, unless otherwise indicated.

“**Agency Agreement**” means the agency agreement dated as of January 27, 2005 among the Trust, the Manager and the Agents.

“**Agents**” means, collectively, RBC Dominion Securities Inc., CIBC World Markets Inc., National Bank Financial Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc., TD Securities Inc., Canaccord Capital Corporation, HSBC Securities (Canada) Inc., Raymond James Ltd., Berkshire Securities Inc., Dundee Securities Corporation, First Associates Investments Inc., Desjardins Securities Inc., Richardson Partners Financial Limited and Wellington West Capital Inc.

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

“**CCRA**” means the Canada Customs and Revenue Agency.

“**CDS**” means The Canadian Depository for Securities Limited.

“**CDS Participants**” means participants in CDS.

“**C&I income trusts**” means commercial and industrial income trusts.

“**Closing**” means the closing of the Offering on the Closing Date.

“**Closing Date**” means the date of the Closing, which is expected to be on or about February 15, 2005, or such later date as the Trust and the Agents may agree, but in any event not later than March 14, 2005.

“**Custodian**” means State Street Trust Company Canada, in its capacity as custodian under the Custodian Agreement.

“**Declaration of Trust**” means the declaration of trust dated as of January 27, 2005 as it may be amended from time to time.

“**Income Fund**” means a trust, limited partnership, corporation or other similar entity, the units of which are listed and posted for trading on a North American 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, REITs, certain limited partnerships and other income vehicles including, without limitation, Income Participating Securities and Income Deposit Securities and 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.

“**Income Participating Securities**” or “**Income Deposit Securities**” means securities of an issuer which are typically issued in units comprised of a dividend-bearing common share and a promissory note, the two components of which, after an initial period during which separation is prohibited, can be split and traded separately.

“**Loan Facility**” means the loan facility of the Trust as described under “Investments of the Trust — Borrowing”.

“**Manager**” means the manager of the Trust, Sentry Select Capital Corp.

“**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.

“**NI 81-102**” means National Instrument 81-102 Mutual Funds of the Canadian Securities Administrators, as it may be amended from time to time.

“**Notice Period**” means the period from the first day of February until 5:00 p.m. (Toronto time) on the tenth Business Day before the last Business Day in February (starting in 2006).

“**Offering**” means the offering of a minimum of 10,000,000 Units and a maximum of 30,000,000 Units at the Offering Price, as contemplated in this prospectus.

“**Offering Price**” means a price of \$10.00 per Trust Unit.

“**O&G trusts**” means oil and gas income trusts and royalty trusts, including certain long-life oil sand trusts.

“**Over-Allotment Option**” means the option granted by the Trust to the Agents, exercisable for a period of 30 days following Closing, to purchase an aggregate of up to 15% of the aggregate number of Units issued at Closing at the Offering Price, solely to cover over-allotments, if any.

“**Portfolio**” means the securities held by the Trust from time to time as described under “Investments of the Trust — The Portfolio”.

“**Portfolio Securities**” means the securities of C&I income trusts, REITs, and O&G trusts.

“**Redemption Payment Date**” means the date on or before the 15th Business Day following the applicable Valuation Date.

“**Registrar and Transfer Agent**” means Computershare Investor Services Inc.

“**REIT**” means a real estate investment trust.

“**Sentry Select**” means Sentry Select Capital Corp.

“**Servicing Fee**” means the servicing fee the Manager will pay the investment dealers equal to 0.40% annually of the NAV per Unit for each Unit held by the clients of the registered dealer.

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

“**Termination Date**” means the date the Trust is terminated as more fully described under “Termination of the Trust”.

“**Trust**” means Premier Value Income Trust, a closed-end investment trust established under the laws of Ontario pursuant to the Declaration of Trust.

“**Trustee**” means initially Sentry Select, in its capacity as Trustee under the Declaration of Trust, and thereafter such successor as may be appointed Trustee in accordance with the provisions of the Declaration of Trust.

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

“**Unit**” means a transferable, redeemable unit of the Trust.

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

“**Valuation Date**” means the last Business Day in February.

“**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 February, March, June, September and December.

## INFORMATION REGARDING PUBLIC ISSUERS

*Certain information contained in this prospectus relating to publicly traded securities and the issuers of those securities is taken from and based solely upon information published by those issuers. Neither the Manager, the Trust nor the Agents have independently verified the accuracy or completeness of any such information or assume any responsibility for the completeness or accuracy of such information.*

## FORWARD LOOKING STATEMENTS

*Certain statements included in this prospectus constitute forward looking statements, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend” and similar expressions to the extent they relate to the Trust or the Manager. The forward looking statements are not historical facts but reflect the Trust’s current expectations regarding future results or events. These forward looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed under “Risk Factors” and in other sections of this prospectus.*

## PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.

### THE TRUST

The Trust is an investment trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust. It has been created with the intention of providing targeted monthly distributions and preserving and potentially enhancing the value of the Portfolio in order to return at least the original issue price (\$10.00 per Unit) to the Unitholders upon termination of the Trust.

### THE OFFERING

**Offering:** The Offering consists of Units.

**Amount:** Minimum: \$100,000,000 (10,000,000 Units)  
Maximum: \$300,000,000 (30,000,000 Units)

**Offering Price:** \$10.00 per Unit

**Minimum Purchase:** 200 Units (\$2,000)

**Investment Objectives:** The Trust's investment objectives are to:

- (i) provide the Unitholders with a stable stream of monthly distributions targeted to be \$0.05833 per Unit (\$0.70 per annum or 7.0% of the original issue price);
- (ii) return to Unitholders upon the termination of the Trust at least the original issue price (\$10.00 per Unit) of the Units; and
- (iii) enhance long-term total return through capital appreciation of the Portfolio.

**Investment Strategy:** To achieve the monthly distribution and capital preservation and enhancement objectives, the net proceeds from the Offering, together with any borrowings under the Loan Facility, will be invested in a diversified portfolio of securities which will consist of Income Funds. The Manager will actively manage the Trust's investments which will include rotation of weightings within the various Income Fund sectors.

The Manager will use substantially the same investment strategy for the Trust as it does for two other Sentry Select closed-end trusts, Sentry Select Diversified Income Trust and Diversified Income Trust II.

**Historical Performance of Similarly-Managed Funds:** The following shows the historical annualized total returns for Sentry Select Diversified Income Trust and Diversified Income Trust II as at November 30, 2004 (which does not take into account the reinvestment of distributions):

#### Total Return as at November 30, 2004

Closed-End Trust <sup>(1)</sup>		1 year	2 year	3 year	5 year	Since Inception <sup>(1)</sup>
Sentry Select Diversified Income Trust	at market <sup>(2)</sup> . . . . .	39.2%	32.6%	25.4%	23.5%	12.5%
	at NAV . . . . .	28.9%	28.1%	23.3%	18.5%	11.7%
Diversified Income Trust II	at market <sup>(2)</sup> . . . . .	45.0%	29.2%	—	—	29.2%
	at NAV . . . . .	38.4%	34.6%	—	—	33.7%

(1) The inception date for Sentry Select Diversified Income Trust was February 1997 and for Diversified Income Trust II was November 2002.

(2) Includes no value for rights & warrants. Source: Bloomberg  
Past Performance may not be repeated.

**Portfolio:**

The following table sets out for the expected approximate allocation of investments within the Portfolio.

**Approximate Allocation of Investments Within the Portfolio**

	Initial Target	S&P/TSX Capped Income Trust Index <sup>(1)</sup>
Commercial & Industrial Income Trusts . . . . .	60%	47.8%
Industrials . . . . .	16%	10.9%
Consumer . . . . .	20%	5.1%
Utilities & Infrastructure . . . . .	13%	12.2%
Resources . . . . .	5%	14.5%
Power . . . . .	6%	5.1%
REITs . . . . .	20%	15.2%
Oil & Gas Trusts . . . . .	20%	37.0%
Total Portfolio . . . . .	<u>100%</u>	<u>100%</u>

(1) As of December 3, 2004.

**Manager:**

Sentry Select is the manager of the Trust. Sentry Select is also responsible for providing or arranging for the provision of administrative services required by the Trust. See “Management of the Trust — The Manager”.

Sentry Select has taken the initiative in organizing the Trust and accordingly, may be a “promoter” of the Trust within the meaning of applicable securities legislation. See “Promoter”.

**Monthly Distributions:**

The Trust intends to make monthly cash distributions to Unitholders of record on the last business day of each month and pay such cash distributions on or about the 15th day following the month end. The monthly cash distributions are targeted to be \$0.05833 per Unit (\$0.70 per annum or 7.0% of the original issue price). The initial cash distribution is anticipated to be payable on March 15, 2005 for Unitholders of record on February 28, 2005 which will be pro rated for the month of February. The amount of the monthly distributions may fluctuate from month to month and there can be no assurance that the Trust will make any distributions in any particular month or months. See “Monthly Distributions”, “Investments of the Trust — Investment Methodology and Strategy” and “Risk Factors”.

If, in any year after such distributions, there would otherwise remain in the Trust additional net income or net realized capital gains, a special distribution of such portion of the net income and net realized capital gains as is necessary to ensure that the Trust will not be liable for income tax under the Tax Act will be automatically payable on December 31 of that year to Unitholders of record on that date.

**Redemption Right:**

Units may be surrendered for redemption during the period from the first day of February to 5:00 p.m. (Toronto time) on the tenth Business Day before the last Business Day in February in each year, beginning in 2006, subject to the Trust’s right to suspend redemptions. Units surrendered for redemption during this period will be redeemed on the Valuation Date and the Unitholder will receive payment on or before the 15th Business Day following such Valuation Date. Unitholders will receive a redemption price

per Unit equal to 100% of the NAV per Unit determined as of such Valuation Date in the manner set out under “Calculation of Net Asset Value”. See “Redemption of Units — Redemptions”.

**Mandatory Market Purchase Program:**

The Trust will undertake a mandatory market purchase program pursuant to which the Trust will purchase any Units offered in the market at prices that are less than 95% of the latest determined NAV per Unit, up to a maximum amount in any calendar quarter of 1.25% of the number of Units outstanding at the beginning of such calendar quarter if on any Business Day following the Closing, the closing price of the Unit is less than 95% of the latest determined NAV per Unit.

**Termination:**

The Trust will terminate on February 28, 2015 unless Unitholders determine to continue the Trust by a majority of the votes cast at a meeting of Unitholders called for such purpose.

**Borrowing:**

The Trust is authorized to borrow 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. After Closing, the Trust intends to enter into a Loan Facility with one or more Canadian chartered banks. The Loan Facility will permit the Trust to borrow an amount not exceeding 25% of the value of the total assets of the Trust. The interest rate, fees and expenses under the Loan Facility are expected to be typical of similar credit facilities. The Manager expects to operate the Trust using a range of borrowing from 0% to 20% of the value of the total assets of the Trust. Initially, the Manager intends to draw down under the Loan Facility an amount equal to approximately 15% of the value of the total assets of the Trust.

The use of leverage to enhance returns to the Unitholders may result in capital losses or a decrease in distributions to Unitholders. It may also require liquidation of investments to comply with the terms of the Loan Facility, which may adversely affect the returns earned by the Trust. See “Investments of the Trust — Borrowing”.

**Use of Proceeds:**

The Trust will use the proceeds from the sale of Units as follows:

	<u>Minimum Offering</u>	<u>Maximum Offering</u>
Gross proceeds to the Trust . . . . .	\$100,000,000	\$300,000,000
Agents’ fees . . . . .	\$ 5,250,000	\$ 15,750,000
Expenses of issue . . . . .	\$ 900,000	\$ 900,000
Net proceeds to Trust . . . . .	<u>\$ 93,850,000</u>	<u>\$283,350,000</u>

**Trustee:**

Sentry Select is the trustee of the Trust and is responsible for certain aspects of the day-to-day administration of the Trust. See “Management of the Trust — The Trustee”.

**Custodian:**

State Street Trust Company Canada will be the custodian of the assets of the Trust. See “Management of the Trust — The Custodian”.

**Eligibility for Investment:**

Provided that the Trust qualifies as a mutual fund trust, or is a registered investment, the Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans or registered education savings plans. Provided

that the Trust qualifies as a mutual fund trust and complies with its investment restrictions related to the holding of foreign property, or is itself a registered investment, the Units will not constitute foreign property for the purposes of the Tax Act. See “Eligibility for Investment”.

### CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

A Unitholder will generally be required to include, in computing the Unitholder’s income for the year, the amount of the net income, and the taxable portion of the net realized capital gains of the Trust, that is paid or payable to the Unitholder in the year whether in cash or in Units. Distributions by the Trust to a Unitholder in excess of the Unitholder’s share of the Trust’s net income and net realized capital gains will not result in an inclusion in income but will reduce the adjusted cost base of the Unitholder’s Units. To the extent that the adjusted cost base of a Unit held as capital property would otherwise be less than zero, the Unitholder will be deemed to have realized a capital gain equal to the negative amount. A Unitholder who disposes of Units held as capital property (on redemption or otherwise) will realize a capital gain to the extent that the proceeds of disposition exceed the adjusted cost base of Units and any reasonable costs of disposition. See “Canadian Federal Income Tax Considerations”. **Each investor should satisfy himself or herself as to the federal and provincial tax consequences of an investment in Units by obtaining advice from his or her tax advisor.**

### RISK FACTORS

An investment in the Units is subject to certain risk factors, including the following:

1. the NAV per Unit will vary according to the value of the securities in which the Trust invests;
2. no guaranteed return;
3. the NAV per Unit will be sensitive to interest rate fluctuations;
4. Units may trade in the market at a premium or a discount to the NAV per Unit and there can be no guarantee that Units will trade at a price equal to the NAV per Unit;
5. the use of the Loan Facility to enhance returns to Unitholders may result in losses or a decrease in net cash distributions to Unitholders or may require the Trust to sell investments in order to comply with the terms of the Loan Facility which may have an adverse impact on the returns earned by the Trust;
6. the possibility that some of the interest paid on the Loan Facility may not be deductible by the Trust for tax purposes;
7. there can be no assurance that the Trust will be able to achieve its monthly distribution or capital preservation and enhancement objectives;
8. the Portfolio may be less diversified than anticipated;
9. investments in REITs are subject to the general risks associated with real property investments;
10. the NAV per Unit will be sensitive to commodity price and currency fluctuations;
11. reliance on management of the Trust;
12. the Trust’s lack of operating history and the current absence of a public trading market for the Units;
13. Unitholders may receive distributions of securities in specie upon the termination of the Trust, for which there may be an illiquid market;
14. no market existing for the Units;
15. the Trust is not subject to regulation as a mutual fund or trust company;
16. the potential for conflicts of interest;

17. there is no assurance that the Manager will be able to invest the net proceeds of the Offering to reach the proposed initial weightings in a timely manner, which may negatively affect the Trust's ability to fulfil its investment objectives;
18. aspects of the structures of Income Funds that hold assets in the U.S. may be subject to challenge by the U.S. Internal Revenue Service or may prevent advisers to these trusts from continuing to provide audit and other opinions relating to the operations of these Income Funds;
19. risks associated with taxation of the Trust;
20. there can be no assurance that income tax laws and government incentive programs relating to the resource industry and the treatment of mutual fund trusts 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; and
21. Unitholders will not have statutory rights normally associated with ownership of shares of a corporation. See "Risk Factors".

### SUMMARY OF FEES AND EXPENSES PAYABLE BY THE TRUST

The following table contains a summary of the fees and expenses payable by the Trust. All fees and expenses of the Trust will be paid in cash. For further particulars, see “Fees and Expenses”.

<u>Type of Charge</u>	<u>Description</u>
<b>Fees payable to the Agents for selling Units</b>	\$0.525 per Unit (5.25% of the Unit price)
<b>Expenses of Issue</b>	The Trust will pay the expenses incurred in connection with the Offering of Units by the Trust, estimated to be \$900,000.
<b>Fee payable to the Manager</b>	An annual fee of 1.10% of NAV, calculated and payable monthly, plus an amount equal to the Servicing Fee payable to registered dealers of 0.40% of NAV as described below plus applicable taxes.
<b>Operating expenses of the Trust</b>	The Trust will pay all ordinary expenses incurred in connection with the operation and administration of the Trust estimated to be \$250,000 per annum. The Trust will also be responsible for commissions and other costs of portfolio transactions and any extraordinary expenses of the Trust which may be incurred from time to time.

### SUMMARY OF FEES PAYABLE BY THE MANAGER

<b>Servicing Fee</b>	The Manager will pay to registered dealers a Servicing Fee (calculated and paid at the end of each calendar quarter) equal to 0.40% annually of the NAV per Unit for each Unit held by clients of the registered dealer.
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## THE TRUST

The Trust is an investment trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust. See “Management of the Trust”. The undertaking of the Trust is to own a portfolio of securities and to derive income and capital gains from these securities.

The principal office of the Trust and Sentry Select is located at 130 King Street West, Suite 2850, Toronto, Ontario M5X 1A4.

## INVESTMENTS OF THE TRUST

### Investment Objectives

The Trust’s investment objectives are to:

- (i) provide the Unitholders with a stable stream of monthly distributions targeted to be \$0.05833 per Unit (\$0.70 per annum or 7.0% of the original issue price);
- (ii) return to Unitholders upon the termination of the Trust at least the original issue price (\$10.00 per Unit) of the Units; and
- (iii) enhance long-term total return through capital appreciation of the Portfolio.

### Investment Methodology and Strategy

The net proceeds from the Offering, together with any borrowings under the Loan Facility, will be invested in a diversified portfolio of securities which will consist of Income Funds. The Manager will actively manage the Trust’s investments which will include rotation of weightings within the various Income Fund sectors.

The Manager currently has approximately \$2.2 billion in diversified Income Fund portfolios under management and has been managing in this sector since 1997, having established the first Canadian closed-end investment fund dedicated to investing in Income Funds, Sentry Select Diversified Income Trust. The Manager will use substantially the same investment strategy for the Trust as it does for two other Sentry Select closed-end trusts, Sentry Select Diversified Income Trust and Diversified Income Trust II. The Manager will use a disciplined investment approach utilizing an intensive research process to identify undervalued and overvalued Income Funds. This process will incorporate and rate a number of general factors including profitability, liquidity, operating and administrative costs, cash flow and management, in addition to specific measures to evaluate certain sub-sectors of Income Funds.

In its analysis of Income Funds, the Manager will consider, among other things, management experience, sales and volume trends, distribution payout ratios, debt to cash flow ratios, capital expenditures and taxability of distributions. In its analysis of REITs, the Manager will consider, among other things, occupancy levels, direction of rental rates and management experience. In the case of O&G trusts, the Manager’s research process will also include the performance of specific resource property analysis. The Manager will draw from expertise in the oil and gas industry available to it to assist in the evaluation of the underlying properties held by oil and gas investments.

If any issuer included in the Portfolio makes a special distribution to its security holders, a take-over bid is made for any such securities or any other similar event occurs which will affect the Portfolio, the Manager will take such action as it considers advisable and consistent with the Trust’s investment objectives.

## Historical Performance of Similarly-Managed Funds

The following shows the historical annualized total returns information for Sentry Select Diversified Income Trust and Diversified Income Trust II as at November 30, 2004 (which does not take into account the reinvestment of distributions):

### Total Return as at November 30, 2004

<u>Closed-End Trust<sup>(1)</sup></u>	<u>1 year</u>	<u>2 year</u>	<u>3 year</u>	<u>5 year</u>	<u>Since Inception<sup>(1)</sup></u>
Sentry Select Diversified Income Trust at market <sup>(2)</sup> . . . . .	39.2%	32.6%	25.4%	23.5%	12.5%
at NAV . . . . .	28.9%	28.1%	23.3%	18.5%	11.7%
Diversified Income Trust II at market <sup>(2)</sup> . . . . .	45.0%	29.2%	—	—	29.2%
at NAV . . . . .	38.4%	34.6%	—	—	33.7%

(1) The inception date for Sentry Select Diversified Income Trust was February 1997 and for Diversified Income Trust II was November 2002.

(2) Includes no value for rights & warrants. Source: Bloomberg

Past performance may not be repeated.

## The Portfolio

The Portfolio will consist primarily of Income Funds. The following table sets out the expected approximate allocation of investments within the Portfolio.

### Approximate Allocation of Investments Within the Portfolio

	<u>Initial Target</u>	<u>S&amp;P/TSX Capped Income Trust Index<sup>(1)</sup></u>
Commercial & Industrial Income Trusts . . . . .	60%	47.8%
Industrials . . . . .	16%	10.9%
Consumer . . . . .	20%	5.1%
Utilities & Infrastructure . . . . .	13%	12.2%
Resources . . . . .	5%	14.5%
Power . . . . .	6%	5.1%
REITs . . . . .	20%	15.2%
Oil & Gas Trusts . . . . .	20%	37%
Total Portfolio . . . . .	<u>100%</u>	<u>100%</u>

(1) As of December 3, 2004.

The Manager anticipates that this initial asset mix will assist it in achieving the monthly distribution objectives of the Trust. The initial asset mix of the portfolio will be modified strategically over time based upon capital market conditions, prospects and relative valuations of various sectors. Certain of the Income Fund sectors in the Portfolio respond differently to similar economic factors, which may assist in stabilizing the performance of the Trust over the long run.

## The Income Trust Universe

### Overview of Income Funds

The Income Fund structure was developed to facilitate distributions to investors on a tax efficient basis. An Income Fund that is structured as a trust pays no income tax if it allocates all of its taxable income to unitholders, thus eliminating a layer of taxation associated with corporations. Although most Income Funds are established as trusts, others are established as limited partnerships. Limited partnerships are not subject to income tax, because their taxable income is automatically allocated to their partners, again eliminating a layer of

taxation associated with corporations. The Income Fund structure is typically adopted by businesses that require a limited amount of capital to maintain their property, plant and equipment and that generate relatively stable cash flows.

Investor demand for these financings is generally attributed to the following: (i) the expected yield from cash distributions compares favourably with many fixed income investment alternatives, and (ii) the performance of Canadian equity markets has been volatile over the past five years and, as a result, income funds are attractive due to their relatively high levels of targeted cash distributions. From November 30, 1999 to November 30, 2004, the total return of the S&P/TSX Composite Index was 30.3% while the total return of the Scotia Capital Markets Income Trust Index was 210.3% for the same period.

The increased use of the income fund structure can also be attributed to the fact that: (i) it may enable a corporation to realize a better price for a business that it wishes to dispose of than could be achieved from a divestiture, and (ii) it provides businesses with an after-tax cost of capital that is attractive relative to a corporation that pays income tax and capital tax.

### ***Commercial and Industrial Income Trusts***

In recent years, the Canadian capital markets have supported the launch of many new commercial and industrial businesses structured as Income Funds. Based on publicly available information, as at November 30, 2004, the float capitalization for Canadian C&I income trusts was approximately \$47.1 billion.

The range of businesses that have adopted the income fund structure is very diverse and encompasses many industries, such as: consumer (e.g., fast food, sardines, cheque printing), industrials (e.g., waste disposal, recycling, port terminals), energy infrastructure (e.g., oil pipelines, heating oil distribution), materials (e.g. iron ore, pulp, peat moss) and power (e.g., electricity generation). These funds have a variety of capital expenditure requirements, capital structures and economic cycles.

### ***Real Estate Investment Trusts***

A REIT is a trust that invests in various forms of real estate, usually income producing assets that are structured to generate regular distributions of cash.

Canadian REITs are closed-end investment trusts designed to acquire real estate assets for the benefit of their unitholders. REITs offer a wide variety of real estate investment choices either by way of a focused investment strategy (REITs which invest only in apartment buildings, for instance) or a more diversified approach (REITs which focus on a mixture of commercial and industrial properties). As REITs have grown in popularity among investors, the range of sector specific REITs has increased, including those focused on the hotel industry, the health care/nursing industries and on commercial and residential properties. Based on publicly available information, as at November 30, 2004 the float capitalization for Canadian REITs was approximately \$15 billion.

REITs are attractive to those investors who wish to participate in the real estate sector without the illiquidity of direct ownership of real property. Since a REIT may indirectly pass on the benefit of a capital cost allowance to unitholders, a portion of the REITs distributions are received by unitholders on a tax-deferred basis. In addition to providing relatively stable income, REITs may provide an inflation hedge as rental rates tend to move with inflation over the long term.

### ***Oil & Gas Trusts***

O&G trusts are well established in the Canadian marketplace and receive much more analytical research than those in the commercial and industrial Income Fund sector. Based on publicly available information, as at November 30, 2004, the float capitalization of Canadian O&G trusts was approximately \$38.6 billion.

O&G trusts are special purpose entities created to provide holders of their units with distributions on a tax efficient basis. There are two types of O&G trusts: oil and gas royalty trusts which have the right to receive royalty income from oil and gas properties; and oil and gas income trusts which typically have a direct or indirect interest in oil and gas properties. By their terms, these trusts pay out to unitholders substantially all of the cash flow they receive from the production and sale of underlying crude oil and natural gas reserves. The amount of

distributions paid on O&G trust units will vary from time to time based on production levels, commodity prices, royalty rates and certain expenses, deductions and costs and accordingly, can be highly volatile.

Moreover, as the underlying oil and gas reserves are produced, the remaining reserves available to the royalty trust are depleted. Successfully replacing reserves enables an O&G trust to maintain distribution levels and unit prices over time. O&G trusts typically replace reserves through reserve additions resulting from internal capital development activities or through acquisitions. Because they distribute the bulk of their cash flow to unitholders, O&G trusts are effectively precluded from exploring for and developing new oil and gas prospects internally. Therefore, O&G trusts typically grow through acquisition of producing companies or those with proven reserves of oil and gas, funded through the issuance of additional equity or, where the trust is able, the issuance of debt.

O&G trusts are considered less exposed to the uncertainties faced by a traditional exploration and production company. However, they are still exposed to commodity risk, reserve risk as well as operating risk. Hedging strategies can provide partial mitigation against commodity risk, while reserve risk can only be addressed through appropriate investments.

The oil and gas industry has an economic cycle that is different from the economic cycle of many businesses within the commercial and industrial and REIT sectors. Sentry Select believes that exposure to oil and gas income and royalty trusts may reduce the variability in underlying cash distributions for the Trust and, accordingly, enhance the performance of the Trust.

Sentry Select and its affiliates have considerable experience at managing oil and gas assets and portfolios of O&G trusts. They have undertaken proprietary research on the sector for over 3 years and currently actively manage approximately \$1 billion of oil and gas assets.

### **Borrowing**

The Declaration of Trust authorizes the Trust to borrow 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. After Closing, the Trust intends to enter into a Loan Facility with one or more Canadian chartered banks. The Loan Facility will permit the Trust to borrow an amount not exceeding 25% of the value of the total assets of the Trust. The interest rates, fees and expenses under the Loan Facility will be typical of credit facilities of this nature.

### **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 25% of the Trust's total assets after giving effect to the borrowing;
- (c) purchase or sell commodities or commodity contracts;
- (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) participate in oil and gas or similar ventures, other than through the ownership of securities issued by income or royalty trusts;
- (f) purchase securities on margin or sell securities short;
- (g) invest for the purpose of exercising control over management of any issuer;
- (h) purchase or sell derivatives;
- (i) invest more than 10% of its total assets in securities for which a market quotation is not readily available, other than cash equivalents;

- (j) invest in mutual funds (within the meaning of NI 81-102) (as if the Trust were subject to NI 81-102);
- (k) make any investment or conduct any activity that would result in the Trust failing to qualify as a “unit trust” within the meaning of the Tax Act; 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;
- (l) invest in or hold “foreign property” if the “cost amount” (as those terms are defined in the Tax Act) to the Trust of all foreign property held by it would cause the Trust to be subject to tax under Part XI of the Tax Act or would cause Units to be foreign property under the Tax Act, or engage in any other transaction that could give rise to tax liability under Part XI of the Tax Act;
- (m) invest in or 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 amounts in income pursuant to proposed section 94.1 of the Tax Act, as set forth in the proposed amendments to the Tax Act dealing with foreign investment entities released on October 30, 2003 (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 paragraphs (k), (l) and (m) 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. See “Unitholder Matters”.

## MANAGEMENT OF THE TRUST

### The Manager

Sentry Select is a mutual fund manager and dealer that is engaged in the business of sponsoring and managing investment funds in Canada. Sentry Select provides investment, administrative and marketing services to Sentry Select mutual funds. In its capacity as manager, Sentry Select is responsible for the investment policies of Sentry Select mutual funds and providing administrative services to such funds. In addition, Sentry Select provides investment services to the Sentry Select Diversified Income Trust, Sentry Select Blue-Chip Income Trust, Sentry Select Global Index Income Trust, Sentry Select Focused Growth & Income Trust, Commercial and Industrial Securities Income Trust, Diversified Income Trust II, Mortgage Backed Securities Trust, Select 50 S-1 Income Trust, Select 50 S-1 Income Trust II, Pro-Vest Growth & Income Fund, Alliance Split Income Trust, Multi Select Income Trust, MBS Adjustable Rate Income Fund, Strategic Energy Fund and the NCE Flow-Through Limited Partnerships. As at November 30, 2004, Sentry Select had approximately \$4 billion in gross assets under management.

Pursuant to the Declaration of Trust, Sentry Select is the manager of the Trust and, as such, is responsible for making all investment decisions of the Trust in accordance with the investment objectives, strategy and criteria 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 quarterly and 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.

Sentry Select 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.

Sentry Select 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 Select, 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.

Sentry Select 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 Select on behalf of the Trust. In addition, Sentry Select 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 Select or any of its officers, directors, employees or agents in the exercise of its duties as Manager, if they do not result from Sentry Select'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 Select under the Declaration of Trust are not exclusive and nothing in the Declaration of Trust prevents Sentry Select 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 following three Portfolio Managers will initially be responsible for managing the Portfolio:

***J. A. (Sandy) McIntyre, Vice-President and Senior Portfolio Manager***

Mr. McIntyre has over 28 years of investment management experience and he specializes in oil and gas royalty trusts, commercial and industrial income trusts and REITs. Mr. McIntyre and his team of analysts manage approximately \$2.2 billion in Income Fund assets. Prior to joining Sentry Select, Mr. McIntyre spent 20 years with Jones Heward Investment Management Inc., a wholly owned subsidiary of the Bank of Montreal, where he was a member of the Investment Policy Committee with responsibility for high yield investments including royalty and income trusts. He received a Bachelor of Arts from the University of Toronto in 1974, where he majored in English and Philosophy.

***Michael Simpson, Portfolio Manager***

Mr. Simpson is a portfolio manager for Sentry Select, where he provides investment analysis for several of Sentry Select’s investment funds, including Sentry Select Diversified Income Trust, Commercial and Industrial Securities Trust and the Select 50 S-1 Income Trust series. He has more than 11 years of experience in the financial industry. Prior to joining Sentry Select in 2002, he worked for an investment firm providing analytical expertise and specializing in building material stocks and REITs. Mr. Simpson earned a Bachelor of Arts from York University and he holds the Chartered Financial Analyst designation. He specializes in commercial and industrial income trusts as well as resource-based income trusts other than O&G trusts.

***Eric Dzuba, Portfolio Manager***

Mr. Dzuba is a portfolio manager for Sentry Select, where he provides investment analysis for several of Sentry Select’s investment funds, including Sentry Select Diversified Income Trust, Sentry Select Focused Growth & Income Trust and Diversified Income Trust II. He has nine years of financial industry experience and joined Sentry Select in 2001 after working for a leading Canadian investment management company where he provided performance attribution and statistical analysis. Mr. Dzuba earned a Bachelor of Arts from the University of Toronto and he holds the Chartered Financial Analyst designation. He specializes in REITs, power income trusts and O&G trusts.

The name and municipality of residence of each of the directors, applicable officers of Sentry Select and their principal occupation are as follows:

<u>Name and Municipality of Residence</u>	<u>Office</u>	<u>Principal Occupation</u>
JOHN F. DRISCOLL . . . . . Toronto, Ontario	Chairman, President, Chief Executive Officer and Director	Chairman, President, Chief Executive Officer and Director, Sentry Select
HON. MICHAEL A. MEIGHEN . . . . Toronto, Ontario	Director	Counsel to Ogilvy Renault (law firm) and Member of the Senate of Canada
DONALD J. WORTH . . . . . Willowdale, Ontario	Director	Independent businessman
SIMON B. SCOTT . . . . . Oakville, Ontario	Director	Partner, Borden Ladner Gervais LLP (law firm)
FRANK POTTER . . . . . Toronto, Ontario	Director	Chairman, Emerging Market Advisors Inc. (consulting firm)
DAVID M. SCHWARTZ . . . . . Toronto, Ontario	Senior Vice-President and Chief Operating Officer	Senior Vice-President and Chief Operating Officer, Sentry Select
JOHN VOUGLAID . . . . . King City, Ontario	Vice-President, Chief Financial Office and Treasurer	Vice-President, Chief Financial Officer and Treasurer, Sentry Select

<u>Name and Municipality of Residence</u>	<u>Office</u>	<u>Principal Occupation</u>
GLENN G. MACNEILL . . . . . Unionville, Ontario	Vice-President, Investments	Vice-President, Investments, Sentry Select
J.A. (SANDY) MCINTYRE . . . . . Toronto, Ontario	Vice-President and Senior Portfolio Manager	Vice-President and Senior Portfolio Manager, Sentry Select
GORDON R. HIGGINS . . . . . Toronto, Ontario	Vice-President, Equities	Vice-President, Equities, Sentry Select
GORDON M. THOMPSON . . . . . Toronto, Ontario	Senior Vice-President, Corporate Development	Senior Vice-President, Corporate Development, Sentry Select
AL CANALE . . . . . Vancouver, British Columbia	Senior Vice-President	Senior Vice-President, Sentry Select
MICHAEL KOVACS . . . . . Ancaster, Ontario	Senior Vice-President, Sales	Senior Vice-President, Sales, Sentry Select
RANIERO CORSINI . . . . . Mississauga, Ontario	Vice-President, International Business Development	Vice-President, International Business Development, Sentry Select
BRIAN J. MCOSTRICH . . . . . Oakville, Ontario	Vice-President, Marketing	Vice-President, Marketing, Sentry Select
P. JILL FRICK . . . . . Toronto, Ontario	Secretary	Secretary, Sentry Select

The following is a brief description of the background of the key management of Sentry Select.

***John F. Driscoll, Chairman, President, Chief Executive Officer and Director***

Mr. Driscoll is the founding President, Chairman and Chief Executive Officer of Sentry Select. He also founded and has been Chairman of NCE Resources Group since 1984, and Chairman and Founder of Petrofund Energy Trust since 1988. He has been Chairman of Inter Pipeline Fund and Strategic Energy Fund since October 2002 and May 2002 respectively. Mr. Driscoll has been president, since 1981, of J.F. Driscoll Investment Corp., a company specializing in investment management and related advisory and consulting services. Mr. Driscoll received his Bachelor of Science degree from the Boston College Business School and attended the New York Institute of Finance for advanced business studies. He has more than 30 years of diversified business experience. He is a member of the CFA Institute (formerly the Association for Investment Management and Research) and also attained the professional manager designation with the Canadian Institute of Management. He has founded numerous public partnerships as well as public and private energy and investment related companies. During the last 20 years, issuers of which Mr. Driscoll was chairman or CEO have invested or managed the investment of more than \$5 billion. He is Vice-Chair of the Royal Ontario Museum Foundation Board of Directors.

***Honourable Michael A. Meighen, Q.C., Director***

Mr. Meighen is a director of Sentry Select. He is currently a Director of Paribas Participations Limited, Toronto and of J.C. Clark Ltd., Toronto. Senator Meighen was appointed to the Senate of Canada in 1990 where he serves on the Senate Standing Committees of Fisheries, Banking Trade and Commerce, and of National Security and Defence, and chairs the Subcommittee on Veterans Affairs. He is counsel to the law firm Ogilvy Renault and has practised litigation and commercial law in Montreal and Toronto. Senator Meighen is a graduate of McGill University and Université Laval and has been awarded an Honorary Doctorate of Laws from both Mount Allison University and the University of New Brunswick.

***Donald J. Worth, Director***

Mr. Worth held the position of Vice-President, Global Mining Group at the Canadian Imperial Bank of Commerce prior to his retirement in August 1997 following over 30 years at such bank. Earlier in his career, Mr. Worth held various positions in the mining operations of Asarco Mexicana, Lake Asbestos of Québec and Canadian Gypsum. He is a past President of the Canadian Institute of Mining, Metallurgy and Petroleum and holds a Masters of Applied Science degree in Mining Engineering from the University of Toronto. Mr. Worth is presently a director of several resource companies and is also a trustee of Labrador Iron Ore Royalty Income Fund from 1995 to present.

***Simon B. Scott, Q.C., Director***

Mr. Scott has been a partner of Borden Ladner Gervais LLP or a predecessor firm since 1972 where he practices corporate law with a primary focus on merger and acquisitions transactions and reorganizations. Mr. Scott received his Bachelor of Laws degree from Osgoode Hall Law School, Toronto, in 1964 and was appointed Queen's Counsel in 1984.

***Frank Potter, Director***

Frank Potter is Chairman of Emerging Markets Advisors Inc. in Toronto. He has an extensive background in international banking and is a former Executive Director of The World Bank. More recently he was senior advisor at the Department of Finance in Ottawa. He sits on a number of boards, both corporate and not-for-profit, including Canadian Tire Corporation, Brascan Financial Corporation and the Ontario Financing Authority.

***David M. Schwartz, Senior Vice-President and Chief Operating Officer***

Mr. Schwartz received his Bachelor of Arts degree in Economics from McGill University. He has over 25 years of experience in the mutual fund industry. He served as Vice-President, Sales, Spectrum United Mutual Funds from January 1991 to December 1994. Prior to that he was President, The Guardian Group of Funds Ltd., and Senior Vice-President, Investors Group. In April 1995 he joined NCE Resources Group as Vice-President. He is Senior Vice-President and Chief Operating Officer of Sentry Select. Mr. Schwartz made an assignment into bankruptcy on June 15, 1995 in Ontario. On April 16, 1996 he received an absolute order of discharge from bankruptcy.

***John Vooglaid, Vice-President, Chief Financial Officer and Treasurer***

Mr. Vooglaid received his Chartered Accountant's diploma in 1982. Since 1997, he has been Vice-President, Chief Financial Officer and Treasurer of Sentry Select. Since June 1988 he has been a Vice-President and Treasurer of the NCE Resources Group. From 1978 to June 1986, he was with the resource audit group of a major public accounting firm. He earned a Bachelor of Arts (Honours) Degree in Economics from the University of Toronto in 1977.

***Glenn G. MacNeill, Vice-President, Investments***

Mr. MacNeill joined Sentry Select in April 1999 as Vice-President, Investments. He has more than 25 years of financial experience including portfolio management, corporate finance and equity/debt analysis. In 1998, he joined HSBC Securities as an oil and gas research analyst. In 1997, Mr. MacNeill served as Energy Equity Analyst with Scotia Capital Markets, where he covered integrated oil companies and a selection of petroleum companies. From January 1997 to April 1997 Mr. MacNeill was Vice-President Deutsche Bank Canada. His prior experience includes six years as a portfolio manager with Imperial Life/Laurentian Financial Inc. He is a Professional Engineer and received a Bachelor of Science Degree in Mechanical Engineering from Queen's University in Kingston, Ontario.

***Gordon R. Higgins, Vice President, Equities***

Mr. Higgins, Vice-President, Equities joined Sentry Select Capital Corp. in May 2004. Previously Mr. Higgins was Vice-President, North American Equities at Howson Tattersall/Lancet Asset Management in June 2001 as Vice-President, North American Equities. Previously he was Vice-President, Canadian Equities of Elliott & Page/Manulife Insurance. He graduated from the University of Toronto in 1983 with a Bachelor of Commerce degree and received his Masters in Business Management from York University in 1987. Mr. Higgins also holds both the Chartered Accountant and Chartered Financial Analyst designations.

***Gordon M. Thompson, Senior Vice-President, Corporate Development***

Mr. Thompson, FICB, is the Senior Vice-President, Corporate Development of Sentry Select. He has 35 years experience in the financial services sector. From 1997 to 2000, Mr. Thompson was a Director of the CIT Group (formerly Newcourt Capital Inc.) where he was responsible for developing asset financing opportunities in the public and private sectors across Canada. From 1995 to 1997, Mr. Thompson was a key executive in the successful growth of Newcourt Credit Group as Vice-President Business Development. He is the former President and Chief Executive Officer of the Canadian Finance and Leasing Association and was Vice-President, Toronto District, with a Canadian chartered bank. He is also a director of a number of non-profit organizations, and recently served as co-chair of the Toronto Waterfront Revitalization Task Force. He was appointed the President of Strategic Energy Management Corp. in May 2003.

***Al Canale, Senior Vice-President***

Mr. Canale brings over 20 years of experience in finance and marketing to his current position of Senior Vice-President, Corporate Development for Sentry Select. A graduate of Douglas College in 1980, Mr. Canale was active in sales and marketing early in his career. In 1990-1994, as President of Canale, Keyes and Associates, he specialized in corporate restructuring and business development. In 1992, he authored and published: A Consumer Guide to Credit and Debt. In 1995, Mr. Canale joined NCE Resources Group as Vice-President, Business Development. After five years with NCE, he assumed his present senior management position with Sentry Select.

***Michael Kovacs, Senior Vice-President, Sales***

Mr. Kovacs joined Sentry Select's sales management team in 2002 as Senior Vice-President, Sales. Mr. Kovacs has more than 20 years experience in the industry and he has held national sales leadership roles at two leading financial institutions. Prior to joining Sentry Select, Mr. Kovacs was Senior Vice-President, National Sales and Distribution for ING Funds from November 2000 to November 2002. Prior to that, he was Vice President National Sales Manager for The AIC Group of Funds from April 1995 to 2000. In 1985 he obtained his Bachelor of Arts in Economics from York University and since then has received a number of awards and certificates related to financial services including IFIC's "Officer, Partners and Director's" in 1994. He has also completed the Canadian Securities Course, Canadian Options Course, Canadian Branch Managers Course and the Officers, Partners and Directors Exam.

***Raniero Corsini, Vice-President, International Business Development***

Mr. Corsini received his Bachelor of Science degree in Business Administration from United States International University. He joined Sentry Select in 2001 as Vice-President of International Business Development. Prior to joining Sentry Select, he was the Managing Director, National Sales for Bonham & Co. Asset Management and before that, he was Managing Director, National Sales for SVC O'Donnell from 1999 to 2001. Prior to this, Mr. Corsini was Vice President, Sales with BPI Mutual Funds from 1994 to 1999.

***Brian J. McOstrich, Vice-President, Marketing***

Mr. McOstrich joined Sentry Select in March 2004 as Vice-President, Marketing. He has over 10 years experience within the financial services industry developing national marketing and advertising programs for some of Canada's leading financial services companies including AGF Management Ltd., AIM Funds Management Inc. and AIC Limited. Prior to joining Sentry Select he was Vice-President, Brand Management

and Advertising and before that Vice-President, Advisor and Client Communications for Assante Asset Management Ltd. from August 2000 to March 2004. Prior to that he was Associate Vice-President, Marketing for AIC Limited from March 1999 to July 2000. He received an Honours Bachelor of Arts degree in English Literature from the University of Toronto.

***P. Jill Frick, Secretary***

Ms. Frick received her Bachelor of Laws degree from the University of Toronto in 1996 and was designated an Associate of The Institute of Chartered Secretaries and Administrators in 1999. Ms. Frick joined NCE Resources Group in 1996 and has been the Corporate Secretary of both the NCE Resources Group and Sentry Select Capital Corp. since 2001, providing various legal and administrative services to each of these entities.

**The Trustee**

Sentry Select will act 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.

**The Custodian**

State Street Trust Company Canada will act 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 will also carry out, on behalf of the Trustee, certain aspects of the day-to-day administration of the Trust, including calculating 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. State Street Fund Services Toronto Inc. will calculate NAV, on behalf of the Trustee, pursuant to an accounting services agreement with the Trustee.

**CONFLICTS OF INTEREST**

The management services of Sentry Select under the Declaration of Trust are not exclusive and nothing in the Declaration of Trust prevents Sentry Select 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 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, Income Funds, including Income Funds in which the Trust has invested or may invest.

Certain directors of the Manager are insiders of certain Income Funds and, as such, may from time to time have knowledge of undisclosed material information with respect to such Income Funds. If required by applicable legislation, the Trustee will consent to investments in such Income Funds. The Manager has implemented and maintains policies and procedures to prevent any such director from making or influencing investment decisions made by the Manager and to prevent the transmission of such information to those officers and employees of the Manager who make or participate in making such investment decisions including those made on behalf of the Trust.

### **MONTHLY DISTRIBUTIONS**

The Trust intends to make monthly cash distributions targeted to be \$0.05833 per Unit (\$0.70 per annum or 7.0% on the original issue price) to Unitholders of record on the last business day of each month. Such cash distributions will be made on approximately the 15th day following month end. The initial cash distribution is anticipated to be payable on March 15, 2005 for the Unitholders of record on February 28, 2005 which will be pro rated for the month of February. The amount of the monthly distributions may fluctuate from month to month and there can be no assurance that the Trust will make any distributions in any particular month or months.

If, in any year after such distributions, there would otherwise remain in the Trust additional net income or net realized capital gains, a special distribution of such portion of the net income and net realized capital gains as is necessary to ensure that the Trust will not be liable for income tax under the Tax Act will be automatically payable on December 31 of that year to Unitholders of record on that date. See "Canadian Federal Income Tax Considerations".

Cash distributions will be payable in Canadian dollars to Unitholders of record at 5:00 p.m. (Toronto time) on the last Business Day of each month. All cash distributions will be paid by cheque to CDS or paid in such other manner as may be agreed to by the Trustee. See "Description of the Units — Book-Based System".

Each Unitholder will be mailed annually, no later than March 31, information necessary to enable such Unitholder to complete an income tax return with respect to amounts paid or payable by the Trust in respect of the preceding taxation year of the Trust. See "Canadian Federal Income Tax Considerations".

### **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. Units will only be issued through the book-based system administered by CDS as described below.

The Declaration of Trust will provide that the Trust will not issue additional Units following completion of the Offering, except: (i) where the net proceeds per Unit is not less than the NAV per Unit calculated on the date immediately prior to the pricing of the offering; or (ii) by way of Unit distributions. Immediately after a pro-rata distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution. Subject to the foregoing, the Trust may

also allot and issue other securities at such time or times and in such manner as the Manager in its sole discretion shall determine, provided that such issuance is not dilutive to the Unitholders.

### **Book-Based System**

Registration of interests in and transfers of the Units will be made only through the book-entry only system of CDS. On the date of Closing, the Trust will deliver to CDS a certificate evidencing the aggregate number of Units subscribed for under the Offering. Units must be purchased, transferred and surrendered for retraction 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 and the CDS Participant through which the owner holds such Units. Upon purchase of any Units, the owner will receive only the customary confirmation. References in this prospectus to a holder of Units means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

Neither the Trust, the Trustee, the Custodian, the Manager nor the Agents will have any liability for (i) records maintained by CDS relating to the beneficial interests in the Units or the book entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such owner's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Trust has the option to terminate registration of the Units through the book-entry only system in which case certificates for Units in fully registered form would be issued to beneficial owners of such securities or to their nominees.

### **Mandatory Market Purchase Program**

The Trust will undertake a mandatory market purchase program pursuant to which, subject to "Redemption of Units — Suspension of Redemptions and Purchases", the Trust will purchase any Units offered in the market at prices that are less than 95% of the latest determined NAV per Unit, up to a maximum amount in any calendar quarter of 1.25% of the number of Units outstanding at the beginning of such calendar quarter if on any Business Day following the Closing, the closing price of the Unit is less than 95% of the latest determined NAV per Unit. The Manager believes that such a program will be effective in decreasing any potential spread between the NAV per Unit and the market price of the Units and will enhance the liquidity of the Units. Also, it is anticipated that the program will increase NAV per Unit held by Unitholders who remain invested in the Trust because Units will be repurchased for cancellation at market prices that are less than 95% of the NAV per Unit.

### **Purchase for Cancellation**

Subject to applicable law, the Trust may at any time or times purchase Units for cancellation at prices not exceeding the most recently calculated NAV per Unit.

## **REDEMPTION OF UNITS**

### **Redemptions**

Starting in February 2006, 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 Valuation 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 100% of the NAV per Unit determined as of the Valuation Date in the manner set out under "Calculation of Net Asset Value". Any unpaid distribution payable on or before the Valuation Date in respect of Units tendered for redemption on such Valuation Date will also be paid on the Redemption Payment Date. The NAV per Unit will vary depending

on a number of market factors including interest rates, volatility in the equity markets and changes in the market price of Portfolio Securities. If the Trust is extended beyond the Termination Date, Unitholders may redeem their Units on February 28, 2015 for the NAV per Unit as of that date. See “Termination of the Trust”.

### **Exercise of Redemption Right**

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 or her intention to exercise his or her 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 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 or her Units for redemption and appointed such CDS Participant to act as his or her 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 Purchases**

The Manager may direct the Trustee to suspend the redemption of Units and mandatory 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.

### **Purchase for Cancellation**

Subject to applicable law, the Trust may at any time or times purchase Units for cancellation at prices not exceeding the most recently calculated NAV per Unit.

## 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 of the Trust on such day by the number of Units then outstanding.

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 Select to Unitholders on request by calling toll-free 1-888-739-4623 or through the Internet at [www.sentryselect.com](http://www.sentryselect.com).

In determining the NAV of the Trust, 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) on any day other than the Valuation Date, 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) on the Valuation Date, any security that is listed or dealt in on a stock exchange shall be valued at the volume weighted average trading price of that security during the three consecutive trading days ending on the Valuation Date on the principal stock exchange on which such security is traded on such dates or, if no trading takes place on such dates, the last closing price quoted for the security, but if bid and ask quotes are available, at the average of the last bid and ask price rather than the last quoted closing 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.

## **UNITHOLDER MATTERS**

### **Meetings of Unitholders**

A meeting of Unitholders may be convened by Sentry Select at any time and must be convened if requisitioned by the holders of not less than 10% of the Units then outstanding by a written requisition specifying the purpose of the meeting. Not less than 21 days' and not more than 50 days' notice will be given of any meeting of Unitholders. The quorum at any such meeting is two Unitholders present in person or by proxy except for the purpose of any meeting called to consider item (d) under "Unitholder Matters — Acts Requiring Unitholder Approval" in which case the quorum shall be Unitholders holding 15% of the outstanding Units. If no quorum is present at such meeting when called, the meeting, if called on the requisition of Unitholders or for the purpose of item (d), will be terminated and otherwise will be adjourned for not less than 10 days and at the adjourned meeting the Unitholders then present in person or represented by proxy will form the necessary quorum. At any such meeting, each Unitholder will be entitled to one vote for each whole Unit registered in the Unitholder's name.

The Trust does not intend to hold annual meetings of Unitholders.

### **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), (i) and (k) 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 "Investments of the Trust — Investment Objectives";
- (b) a change in the investment restrictions of the Trust as described under "Investments of the Trust — 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 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 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 significant change to the Trust;
- (h) a termination of the Trust prior to the Termination Date;
- (i) an extension of the Trust beyond the Termination Date;
- (j) an amendment, modification or variation in the provisions or rights attaching to the Units; and
- (k) a reduction in the frequency of calculating the NAV per Unit.

Sentry Select may, without the approval of or notice to Unitholders, amend the Declaration of Trust for certain limited purposes specified therein, including to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law or regulation applicable to or affecting the Trust;
- (b) 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;
- (c) reflect changes to the Tax Act or bring the Declaration of Trust into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities industry, in each case provided that any such amendment does not adversely affect the rights, privileges or interests of the Unitholders;
- (d) maintain, or permit the Trustee to take such steps as may be desirable or necessary to maintain, the status of the Trust as a “mutual fund trust” and a “registered investment” for the purposes of the Tax Act; or
- (e) provide added protection to Unitholders.

Except for changes to the Declaration of Trust which require the approval of Unitholders or changes described above which do not require approval of or prior notice to Unitholders, the Declaration of Trust may be amended from time to time by Sentry Select upon not less than 30 days' prior written notice to Unitholders.

### **Reporting to Unitholders**

The Trust will deliver to Unitholders unaudited quarterly and audited annual financial statements of the Trust.

### **Non-Resident Unitholders**

The Trust was not established and shall not be maintained for the benefit of one or more non-resident persons within the meaning of the Tax Act. At no time may non-residents of Canada and partnerships (other than “Canadian partnerships” as defined in the Tax Act) be the beneficial owners of more than 50% of the Units and the Trustee shall inform the Registrar and Transfer Agent of this restriction. The Trustee may require a declaration as to the jurisdiction in which a beneficial owner of Units is resident and, if a partnership, as to its status as a “Canadian partnership”. If the Trustee becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% or more of the Units then outstanding are, or may be, non-residents and/or partnerships (other than “Canadian partnerships”), or that such a situation is imminent, the Trustee may make a public announcement thereof and the Trustee may send a notice to such non-resident Unitholders and partnerships, chosen in inverse order to the order of acquisition or in such manner as the Trustee 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 less than 30 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Trustee with satisfactory evidence that they are not non-residents or partnerships (other than “Canadian partnerships”) within such period, the Trustee may redeem or, on behalf of such Unitholders, sell such Units. Upon such redemption or sale, the affected Unitholders shall cease to be beneficial Unitholders of Units and their rights shall be limited to receiving the redemption price or the net proceeds of sale of such Units.

## TERMINATION OF THE TRUST

The Trust will terminate on February 28, 2015, unless Unitholders determine to continue the Trust by a majority of the votes cast at a meeting of Unitholders called for such purpose. Immediately prior to the Termination Date, or unless Unitholders have approved or are deemed to have approved an earlier termination of the Trust, Sentry Select will, to the extent practicable, convert the assets of the Trust to cash and the Trustee shall, after paying or making adequate provision for all of the Trust's liabilities, distribute the net assets of the Trust to Unitholders as soon as practicable after the Termination Date.

If the term of the Trust is extended beyond the Termination Date, Unitholders may redeem their Units on the Termination Date for the NAV per Unit.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Borden Ladner Gervais LLP, counsel to the Trust, and Blake, Cassels & Graydon LLP, counsel to the Agents, 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 acquires Units pursuant to the Offering and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length with the Trust and the Agents and holds the Units as capital property.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the "Regulations"), all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance prior to the date hereof (the "Proposed Amendments"), and counsel's understanding of the current administrative practices of the CCRA. On October 31, 2003, the Department of Finance released, for public consultation, draft proposed amendments (the "October 31 Proposals") to the Tax Act that would require, for taxation years commencing after 2004, that there be a "reasonable expectation of profit" from a business or property for a taxpayer to realize a loss from such business or property, and that makes it clear that profit in this sense does not include capital gains. The October 31 Proposals could, among other things, adversely affect a Unitholder who has borrowed funds in connection with the acquisition of Units. This summary does not address any special considerations for such Unitholders and any such Unitholders should consult their own tax advisors. This summary assumes that the Proposed Amendments will be enacted as currently proposed although no assurance can be given in that regard. 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" within the meaning of the Tax Act. In order to so qualify, the Trust must comply on a continuous basis with certain investment criteria referred to under "Investments of the Trust — Investment Restrictions" and certain minimum distribution requirements relating to the Units. In addition, the Trust may not reasonably at any time be considered to be established or maintained primarily for the benefit of non-resident persons, unless, at all times, all or substantially all of its property is property other than taxable Canadian property as defined in the Tax Act. On September 16, 2004, the Minister of Finance (Canada) released Proposed Amendments that propose that a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not Canadian partnerships, or any combination thereof, is more than 50% of the aggregate fair market value of all units issued by the trust where, at that time or any previous time, more than 10% (based on fair market value) of the trust's property is taxable Canadian property or certain other specified property. The Manager has informed counsel that, taking into consideration the anticipated investors in the Trust and the restrictions on ownership of Units by non-residents, the Manager does not believe that the Trust will be adversely affected by this proposal. On December 6, 2004, the Minister of Finance (Canada) suspended implementation of this proposal pending further discussions with the private sector concerning the appropriate Canadian tax treatment of non-residents investing in certain property through Canadian mutual funds. The Manager has advised counsel that the Trust intends to make an election so that it will qualify under the Tax Act as a mutual fund trust from the commencement of its first taxation year. If the Trust were not to qualify as a mutual fund trust at all times, the income tax consequences described below would in some respects be materially different.

This summary also assumes that none of the issuers of the securities in the Portfolio will be foreign affiliates of the Trust or of any Unitholder and that none of the securities in the Portfolio will be “tax shelter investments” within the meaning of section 143.2, or will be tracking interests or participating interests, other than exempt interests, in foreign investment entities under the proposals to amend the Tax Act released October 30, 2003 (or such proposals as amended or enacted or successor provisions thereto).

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. 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. Accordingly, the following description of income tax matters is of a general nature only and is not intended to constitute advice to any particular investor. **Prospective investors should consult their own tax advisors with respect to the income tax consequences of investing in Units, based upon the investor’s 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.

With respect to an Income Fund that is a trust resident in Canada whose securities are included in the Portfolio, the Trust will be required to include in the calculation of its income such portion of the net income and the taxable portion of net realized capital gains of such Income Fund as is paid or becomes payable to the Trust in the year, notwithstanding that certain of such amounts may be reinvested in additional securities of the Income Fund. Provided appropriate designations are made by the Income Fund, any net taxable capital gains realized by the Income Fund and taxable dividends received by the Income Fund from taxable Canadian corporations that are paid or become payable to the Trust and are designated by the Income Fund will effectively retain their character as such in the hands of the Trust.

In addition, the Trust will be required to include in the calculation of its income any amount designated under subsection 104(29) of the Tax Act by such Income Fund in respect of certain Crown royalties and charges in excess of the resource allowance deductible in computing the Income Fund’s income. The Manager has advised counsel that any such deemed income will be made payable by the Trust to Unitholders. The Trust may deduct the amount it designates as payable to the Unitholders, who will be required to include their share of such amount in their income.

The Trust will generally be required to reduce the adjusted cost base of the securities of such Income Fund to the extent that all amounts paid or payable in a year by the Income Fund to the Trust exceed the amounts included in the income of the Trust for the year plus the Trust’s share of the non-taxable portion of capital gains of such Income Fund for the year, the taxable portion of which was designated in respect of the Trust. To the extent that the adjusted cost base of those securities would otherwise become negative, the amount by which such adjusted cost base would otherwise become negative will be deemed to be a capital gain realized by the Trust and the Trust’s adjusted cost base of such securities will be increased by the same amount.

With respect to an Income Fund that is a limited partnership whose securities are included in the Portfolio, the Trust will be required to include or, subject to certain restrictions, will be entitled to deduct, in computing its income, its share of the net income or loss for tax purposes of the Income Fund allocated to the Trust for the fiscal period of the Income Fund ending in the Trust’s taxation year, whether or not a distribution is received. In general, the adjusted cost base to the Trust of the securities of such an Income Fund at a particular time will be equal to the actual cost of such securities plus the share of the income of the Income Fund allocated to the Trust for fiscal years of the Income Fund ending before the particular time less the share of losses of the Income Fund allocated to the Trust for fiscal years of the Income Fund ending before the particular time, and less the Trust’s share of any distributions received from the Income Fund before the particular time. If the adjusted cost base to the Trust of the securities of such an Income Fund is negative, the amount by which it is negative will be deemed

to be a capital gain realized by the Trust and the Trust's adjusted cost base of such securities will be increased by the amount of such deemed capital gain.

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 Trailer Fees paid or payable to 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 the Offering paid by the Trust and not reimbursed. The Manager has advised counsel that it does not believe that the October 31 Proposals will have a material impact on its tax position.

CCRA has expressed a view that the amount of interest on money borrowed and used to invest in units of an income fund may not be fully deductible in certain circumstances. Counsel is of the view that, based on the jurisprudence, CCRA's published administrative positions and the anticipated Portfolio, the situation described in this view will not have an impact on the ability of the Trust to fully deduct the amount of any interest expenses incurred in connection with the acquisition and holding of the Portfolio for the foreseeable future.

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 Manager has advised counsel that the Trust will apply to be registered as a registered investment under the Tax Act effective from the date of the Closing. As a registered investment, the Trust will be liable for tax under Part XI of the Tax Act if it invests in foreign property in excess of the limits provided in Part XI of the Tax Act or if it invests in certain options to acquire shares. Under the Trust's investment restrictions referred to under "Investment of the Trust — Investment Restrictions", the Trust is required to restrict its investments in foreign property and options such that the Trust will not be liable for tax under Part XI 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 for the Trust and foreign taxes eligible for the foreign tax credit 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 amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit rules will apply. 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. 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, or is a registered investment, the Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans or registered education savings plans. Provided that the Trust qualifies as a mutual fund trust and complies with its investment restrictions related to the holding of foreign property, or is itself a registered investment, the Units will not constitute foreign property for the purposes of the Tax Act.

On March 23, 2004, the Minister of Finance (Canada) proposed amendments to the Tax Act to restrict direct and indirect holdings by registered pension plans and tax exempt registered pension plan corporations in certain “business income trusts” (as defined in the proposals). On May 18, 2004, the Minister announced that the implementation of these proposed amendments was suspended pending further consultation with interested parties, following which further legislative proposals will be announced. Such investors should consult their own tax advisors before purchasing Units.

### **USE OF PROCEEDS**

The Trust will use the proceeds from the sale of Units as follows:

	<b>Minimum Offering</b>	<b>Maximum Offering</b>
Gross proceeds to the Trust . . . . .	\$100,000,000	\$300,000,000
Agents’ fees . . . . .	\$ 5,250,000	\$ 15,750,000
Expenses of issue . . . . .	\$ 900,000	\$ 900,000
Net proceeds to the Trust . . . . .	<u>\$ 93,850,000</u>	<u>\$283,350,000</u>

The Trust will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option) to invest in securities in accordance with the investment objectives and restrictions of the Portfolio as described herein. See “Investments of the Trust”. The Manager anticipates that the net proceeds of the Offering will be substantially invested within 60 days from the Closing Date. Pending such investment, the cash portion of the net proceeds will be invested in money market instruments.

## **PLAN OF DISTRIBUTION**

Pursuant to the Agency Agreement between the Agents, Sentry Select and the Trust, the Agents have agreed to offer the Units for sale, as agents of the Trust, on a best efforts basis, if, as and when issued by the Trust. The Agents will receive a fee equal to \$0.525 for each Unit sold and will be reimbursed for out-of-pocket expenses incurred by them. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Units offered hereby, the Agents will not be obligated to purchase Units that are not sold.

The Trust has granted the Agents an Over-Allotment Option, exercisable in whole or in part at any time and from time to time during the period of 30 days following the Closing, to purchase up to 15% of the aggregate number of Units issued at the Closing on the same terms set forth above, which additional Units are qualified for sale hereunder. To the extent that the Over-Allotment Option is exercised, the additional Units will be purchased at the Offering Price and the Agents will be entitled to a fee of \$0.525 per Unit in respect of each Unit purchased.

If subscriptions for a minimum of 10,000,000 Units have not been received within 90 days following the date of issuance of a final receipt for the prospectus, the Offering may not continue without the consent of the securities authorities and those who have subscribed for Units on or before such date. Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. Cash proceeds from subscriptions will be held by the Agents until Closing. If the minimum Offering is not achieved and the necessary consents are not obtained or if the Closing does not occur for any reason, subscription proceeds received from prospective purchasers will be returned to such purchasers promptly without interest or deduction and Eligible Securities of Issuers deposited pursuant to the Exchange Option and not withdrawn will be re-credited to such purchasers' accounts through CDS. Subscriptions for Units will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. Closing is expected to take place on or about February 15, 2005, or such later date that is on or before March 14, 2005, as may be agreed upon by the Trust and the Agents.

Pursuant to policy statements of certain Canadian securities regulators, the Agents may not, throughout the period of distribution, bid for or purchase Units. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. Such exceptions include a bid or purchase permitted under applicable by-laws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with the Offering, the Agents may over-allot and may effect transactions to cover their over-allotted position. Such transactions, if commenced, may be discontinued at any time.

## **FEES AND EXPENSES**

### **Initial Expenses**

The expenses of the Offering (including the costs of creating the Trust, the costs of printing and preparing this prospectus, legal expenses of the Trust, marketing expenses and legal and other out-of-pocket expenses incurred by the Agents and certain other expenses) will, together with the Agents' fees, be paid from the gross proceeds of the Offering. The Offering expenses are estimated to be \$900,000.

### **Fees and Other Expenses**

Pursuant to the terms of the Declaration of Trust, Sentry Select is entitled to a fee at an annual rate 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 Select will be calculated and payable monthly based on the average NAV calculated at each Valuation Time during that month. The Manager will pay to registered dealers the

Servicing Fee (calculated and paid at the end of each calendar quarter) equal to 0.40% annually of the NAV per Unit for each Unit held by clients of the dealers.

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; (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 under the Loan Facility; (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 Select, or the Trustee, is entitled to indemnity by the Trust. See “Management of the Trust”. The aggregate annual amount of these fees and expenses is estimated to be \$250,000, excluding any banking fees and interest which will increase with the Trust’s utilization of the Loan Facility. 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.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Sentry Select will receive the fees described under “Fees and Expenses” for its services to the Trust and will be reimbursed by the Trust for all expenses incurred in connection with the operation and administration of the Trust.

### **MATERIAL CONTRACTS**

The following contracts can reasonably be regarded as material to purchasers of Units:

- (a) the Declaration of Trust described under “The Trust”;
- (b) the Agency Agreement described under “Plan of Distribution”; and
- (c) the Custodian Agreement described under “Management of the Trust — The Custodian”.

Copies of the foregoing agreements, after the execution thereof, may be inspected during business hours at the principal office of the Trust during the course of distribution of the Units offered hereby. Any of the foregoing contracts that are not executed prior to the filing of this prospectus will be filed with the securities regulatory authorities forthwith after such contract is entered into.

### **RISK FACTORS**

The following are certain considerations relating to an investment in Units which prospective investors should consider before purchasing such securities:

#### **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. Additionally, external economic forces can affect the competitive strength and profitability of the businesses represented by these securities which would significantly affect the value of such securities. The amount of distributions available for payment to Unitholders will depend in part on the amount of distributions paid by the issuers of the securities held by the Trust in the Portfolio. The Trust cannot predict whether the securities of issuers held by it will trade at a discount from, a premium to, or at the net asset values of the issuers of such securities or when or if distributions on such securities will be made.

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

The market value of Income Funds in which the Trust invests may deteriorate materially if such Income Funds are unable to meet their cash distribution targets in the future.

### **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.

### **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 the Trust's NAV.

### **Borrowing**

One element of the Trust's investment strategy is the utilization of borrowings 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 under the Loan Facility exceeds 25% 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 Loan Facility. 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 the Loan Facility 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 renew the Loan Facility on acceptable terms. There can be no assurance that the borrowing strategy employed by the Trust will enhance returns.

There is a possibility that some of the interest paid on the Loan Facility may not be deductible by the Trust for tax purposes.

### **No Assurances on Achieving Objectives**

There is no assurance that the Trust will be able to achieve its monthly distribution and capital preservation and enhancement objectives.

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 and may be concentrated by type of security, commodity, industry or geography, resulting in the Portfolio being less diversified than anticipated.

### **Real Estate Investments**

Investments in REITs are subject to the general risks associated with real property investments. Real property investments are affected by various factors including changes in general economic conditions (such as the availability of long term mortgage funds) and in local conditions (such as oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to tenants, competition from other available space and various other factors.

The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants. A REIT's income and funds available for distributions to its unitholders would be adversely affected if a significant number of tenants were to become unable to meet their obligations to the REIT or if the REIT were unable to lease a significant amount of available space in its properties on economically favourable lease terms.

### **Commodity Price and Currency Fluctuations**

The operations and financial condition of resource based Income Funds in which the Trust will invest and, accordingly, the amount of distributions paid on their securities will be dependent on prices applicable to the commodities sold by such Income Funds. Prices for commodities may vary and are determined by supply and demand factors, including weather and general economic and political conditions and other conditions or circumstances beyond the control of the issuers of these securities. A decline in commodity prices could have an adverse effect on the operations and financial condition of such issuers and the value of, and amount of distributions paid on, their securities. In addition, energy 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.

### **Reliance on Management**

Unitholders will be 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.

### **Operating History**

The Trust is a newly organized investment trust with no previous operating history. There is currently no public market for the Units, and there can be no assurance that an active public market will develop or be sustained after completion of the Offering.

### **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. Also, there is no assurance that the Manager will be able to invest the net proceeds of the Offering to reach the proposed initial weightings in a timely manner, which may negatively affect the Trust's investment objectives.

### **Marketability of Units**

There is currently no market through which the Units may be sold and no assurance can be given that such a market will develop.

### **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 that Act 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 royalty trusts, income funds, REITs, limited partnerships, debt instruments and equity instruments.

## **Cross Border Income Funds**

Based on publicly available information, it is the understanding of the Trust that no U.S. Internal Revenue Service rulings were sought in connection with the establishment of a number of Income Funds that have significant operations in the United States. No assurance can be given that the U.S. Internal Revenue Service will not successfully challenge various aspects of the structures adopted by these Income Funds or that advisers to these Income Funds will continue to provide audit and other opinions relating to the operations of these Income Funds. Any successful challenge by the U.S. Internal Revenue Service or a withdrawal of such services by advisers may have a material and adverse affect on the after-tax income available for distribution by such Income Funds. To the extent that such Income Funds are held by the Trust at that time, the distributions of the Trust and the value of the Units may be adversely affected.

## **Taxation of the Trust**

CCRA has expressed a view that the amount of interest on money borrowed and used to invest in units of an income fund may not be fully deductible in certain circumstances. Counsel is of the view that, based on the jurisprudence and CCRA's published administrative positions, the situation described in this view will not have an impact on the ability of the Trust to fully deduct the amount of any interest expenses incurred in connection with the acquisition and holding of the Portfolio for the foreseeable future.

If the Trust ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading "Canadian Federal Income Tax Considerations" would be materially and adversely different in certain respects.

## **Changes in Legislation**

There can be no assurance that income tax laws and government incentive programs relating to the businesses of Income Funds and the treatment of mutual fund trusts 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.

## **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.

## **LEGAL OPINIONS**

The matters referred to under “Eligibility for Investment” and “Canadian Federal Income Tax Considerations” and certain other legal matters relating to the securities offered hereby will be passed upon by Borden Ladner Gervais LLP, on behalf of the Trust, and Blake, Cassels & Graydon LLP on behalf of the Agents.

### **PROMOTER**

Sentry Select has taken the initiative in organizing the Trust and accordingly may be considered to be a “promoter” of the Trust within the meaning of the securities legislation of certain provinces of Canada. Sentry Select will receive fees from the Trust and will be entitled to reimbursement of expenses incurred in relation to the Trust as described under “Fees and Expenses”.

### **AUDITORS**

The auditors of the Trust are Deloitte & Touche LLP, Suite 1400, BCE Place, 181 Bay Street, Toronto, Ontario.

### **REGISTRAR AND TRANSFER AGENT**

Computershare Investor Services Inc. will be appointed the registrar and transfer agent for the Units.

### **PURCHASERS’ STATUTORY RIGHTS**

Securities legislation in several of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two Business Days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights or consult with a legal adviser.

### **AUDITORS' CONSENT**

We have read the prospectus (the "Prospectus") of Premier Value Income Trust (the "Trust") dated January 27, 2005 relating to the issue and sale of units of the Trust. We have complied with Canadian generally accepted standards for an auditor's involvement with an offering document.

We consent to the use in the above mentioned Prospectus of our report to the Trustee of the Trust on the statement of financial position of the Trust as at January 27, 2005. Our report is dated January 27, 2005.

Toronto, Canada  
January 27, 2005

(Signed) DELOITTE & TOUCHE LLP  
Chartered Accountants

## AUDITORS' REPORT

To the Trustee of  
Premier Value Income Trust

We have audited the statement of financial position of Premier Value Income Trust (the "Trust") as at January 27, 2005. This financial statement is the responsibility of the Trust's management. Our responsibility is to express an opinion on this statement of financial position based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, this financial statement presents fairly, in all material respects, the financial position of the Trust as at January 27, 2005 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada  
January 27, 2005

(Signed) DELOITTE & TOUCHE LLP  
Chartered Accountants

**PREMIER VALUE INCOME TRUST**  
**STATEMENT OF FINANCIAL POSITION**  
**January 27, 2005**

	<u>Actual</u>
<b>ASSETS</b>	
Cash . . . . .	\$ 10
Investment in portfolio securities . . . . .	\$ —
Total . . . . .	<u>\$ 10</u>
<b>UNITHOLDER'S EQUITY</b>	
Unitholder's Equity (Notes 1 and 2): 1 Unit . . . . .	<u>\$ 10</u>

**Approved by the Manager:**

(Signed) JOHN F. DRISCOLL  
 Director

(Signed) SIMON B. SCOTT  
 Director

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

**PREMIER VALUE INCOME TRUST**  
**NOTES TO STATEMENT OF FINANCIAL POSITION**

**1. NATURE OF OPERATIONS**

Premier Value Income Trust (the “Trust”) is an investment trust established under the laws of the Province of Ontario pursuant to a declaration of trust (the “Declaration of Trust”) dated January 27, 2005, by Sentry Select Capital Corp. (“Sentry Select” or the “Manager”), as manager and trustee of the Trust. The Trust is authorized to issue an unlimited number of transferable, redeemable trust units of one class (the “Units”), each of which represents an equal, undivided interest in the net assets of the Trust.

The net asset value (the “NAV”) per Unit will be calculated as of 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 February, March, June, September and December (the “Valuation Time”). 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 of the Trust on such day by the number of Units then outstanding.

The Trust’s investment objectives are to: (i) provide the holders of Units (the “Unitholders”) with a stable stream of monthly distributions targeted to be \$0.05833 per Unit (\$0.70 per annum or 7.0% of the original issue price); (ii) return to Unitholders upon the termination of the Trust at least the original issue price (\$10.00 per Unit) of the Units; and (iii) enhance long-term total return through capital appreciation of the Trust’s portfolio.

The NAV per Unit will vary depending on a number of market factors, including interest rates, volatility in the equity markets and changes in the market price of the portfolio securities.

**2. MANAGEMENT FEES AND OTHER EXPENSES**

Pursuant to the Declaration of Trust, Sentry Select is the manager of the Trust and, as such, is responsible for providing or arranging for required general and administrative services to the Trust including the management of its portfolio investments.

Pursuant to the Declaration of Trust, Sentry Select is entitled to a fee of 1.10% of NAV, plus an amount equal to the Servicing Fee (described below) payable to the registered dealers of 0.40% of NAV plus applicable taxes. Fees payable to Sentry Select will be calculated and payable monthly based on the average NAV calculated at each Valuation Time during that month.

The Manager will pay to the registered dealers the Servicing Fee (calculated and paid at the end of each calendar quarter) equal to 0.40% annually of the NAV per Unit for each Unit held by clients of the registered dealers.

State Street Trust Company Canada (the “Custodian”) acts as custodian of the assets of the Trust and is also responsible for certain aspects of the Trust’s day-to-day operations. In consideration for the services provided by the Custodian, the Trust will pay a monthly fee to be agreed upon between the Custodian and Sentry Select.

In consideration for the services provided by the trustee of the Trust (except when the Manager is the trustee of the Trust), the Trust will pay a monthly fee to be agreed upon between the trustee of the Trust and Sentry Select.

Pursuant to the Declaration of Trust, the Trust is responsible 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. Sentry Select will be reimbursed by the Trust for all expenses incurred in connection with the operation and administration of the Trust.

**CERTIFICATE OF THE ISSUER, THE MANAGER AND THE PROMOTER**

Dated: January 27, 2005

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 63 of the *Securities Act* (Nova Scotia), by Section 13 of the *Securities Act* (New Brunswick), by Part XIV of *The Securities Act* (Newfoundland and Labrador), by Part II of the *Securities Act* (Prince Edward Island), by Part 3 of the *Securities Act* (Yukon Territory), by the *Securities Act* (Northwest Territories) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

**SENTRY SELECT CAPITAL CORP.**  
(as Manager, Promoter and on behalf of the Trust)

(Signed) JOHN F. DRISCOLL  
Chief Executive Officer and President

(Signed) JOHN VOGLAID  
Chief Financial Officer and Treasurer

On behalf of the Board of Directors of Sentry Select Capital Corp.

(Signed) SIMON B. SCOTT  
Director

(Signed) DONALD J. WORTH  
Director

## CERTIFICATE OF THE AGENTS

Dated: January 27, 2005

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of *The Securities Act 1988*, (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 64 of the *Securities Act* (Nova Scotia), by Section 13 of the *Securities Act* (New Brunswick), by Part XIV of *The Securities Act* (Newfoundland and Labrador), by Part II of the *Securities Act* (Prince Edward Island), by Part 3 of the *Securities Act* (Yukon Territory), by the *Securities Act* (Northwest Territories) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. To the best of our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

RBC DOMINION SECURITIES INC.      CIBC WORLD MARKETS INC.      NATIONAL BANK FINANCIAL INC.

(Signed) EDWARD V. JACKSON      (Signed) RONALD W.A. MITCHELL      (Signed) MICHAEL D. SHUH

BMO NESBITT BURNS INC.      SCOTIA CAPITAL INC.      TD SECURITIES INC.

(Signed) DAVID R. THOMAS      (Signed) BRIAN D. MCCHESENEY      (Signed) J. DAVID BEATTIE

CANACCORD CAPITAL CORPORATION      HSBC SECURITIES (CANADA) INC.      RAYMOND JAMES LTD.

(Signed) DOUGLAS A. DOIRON      (Signed) CATHERINE J. CODE      (Signed) SARA MINATEL

BERKSHIRE SECURITIES INC.      DUNDEE SECURITIES CORPORATION      FIRST ASSOCIATES INVESTMENTS INC.

(Signed) L. WARREN PIMM      (Signed) DAVID P. STYLES      (Signed) CHARLES A.V. PENNOCK

DESJARDINS SECURITIES INC.      RICHARDSON PARTNERS FINANCIAL LIMITED      WELLINGTON WEST CAPITAL INC.

(Signed) JACQUES LEMAY      (Signed) CLANCY ETHANS      (Signed) KEVIN M. HOOKE



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