

# Prospectus

*Continuous Offering*

## Futures Index Fund

Class D Units  
Class E Units  
Class F Units  
Class I Units  
Class O Units  
Class P Units  
Class R Units

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

**July 28, 2011**

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## PROSPECTUS

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**Class E Units**  
**Class F Units**  
**Class I Units**  
**Class O Units**  
**Class P Units**  
**Class R Units**

Futures Index Fund (the “Fund”) is a commodity pool unit trust. The Fund has been established under the laws of Ontario. The fundamental investment objective of the Fund is to achieve long-term capital appreciation through unleveraged investments exclusively in the futures contracts which comprise the MLM Index™, a broadly based index of futures prices developed by Mount Lucas Management LP. See “Investment Objectives” and “Investment Strategies”.

SEI Investments Canada Company (the “Manager”) is the manager of the Fund. The Manager has appointed Mount Lucas Management LP (the “Portfolio Manager”) to manage the investment portfolio of the Fund. See “Organization and Management Details of the Fund”.

Class D Units, Class E Units, Class F Units, Class I Units, Class O Units, Class P Units and Class R Units (individually a “Unit” and collectively the “Units”) are identical in all respects, except with respect to the method of payment of management fees and expenses and the amount of distributions. As a result, there is a separate net asset value per Unit for each class of Units of the Fund.

Class D Units and E Units are intended primarily for investment clients of qualified dealers who have entered into eligibility agreements with the Manager. Class F Units are intended primarily for investors who have fee-based accounts with dealers who have signed eligibility agreements with the Manager. Class I Units are intended primarily for corporate sponsored retirement and savings plans. Class O Units are intended primarily for sophisticated investors or clients of qualified registered dealers who have entered into purchase agreements or contracts with the Manager for management services. Class P Units are intended primarily for individual investors. Class R Units are intended primarily for corporate sponsored retirement and savings plans in which corporate sponsors may agree to pay certain fees on behalf of investors and other investors in the Manager’s discretion. To make an investment in the Fund, an investor who is an individual must meet certain requirements.

**Prospective investors should carefully consider whether their financial condition permits them to participate in the Fund. The securities of the Fund are highly speculative and involve a high degree of risk. Investors may lose a substantial portion or even all of the money they invest in the Fund. The risk of loss in trading futures contracts can be substantial. In considering whether to invest in the Fund, an investor should be aware that trading futures contracts can quickly lead to large losses as well as gains. Such trading losses can sharply reduce the net asset value of the Fund and consequently the value of an investment in the Fund. Also, market conditions may make it difficult or impossible for the Fund to liquidate a position. The Fund, the Manager and the Portfolio Manager may be subject to certain conflicts of interest. See “Organization and Management**

**Details of the Fund – Conflicts of Interest”. The Fund will be subject to the charges payable by it as described in this prospectus that must be offset by revenues and trading gains before an investor is entitled to a return on his or her investment. It may be necessary for the Fund to make substantial trading profits to avoid depletion or exhaustion of its assets before an investor is entitled to a return on his or her investment.**

Participation in transactions in futures contracts may involve the execution and clearing of trades on or subject to the rules of foreign markets. None of the Canadian securities regulatory authorities or Canadian exchanges regulate activities of any foreign markets, including the execution, delivery and clearing of transactions, or have the power to compel enforcement of the rules of a foreign market or any applicable foreign laws. Generally, any foreign transaction will be governed by applicable foreign law. This is true even if the foreign market is formally linked to a Canadian market so that a position taken on the market may be liquidated by a transaction on another market. Moreover, such laws or regulations vary depending on the foreign country in which the transaction occurs. For these reasons, entities such as the Fund that trade futures contracts may not be afforded certain of the protective measures provided by Canadian legislation and the rules of Canadian exchanges. In particular, funds received from customers for transactions may not be provided the same protection as funds received in respect of transactions on Canadian exchanges.

The Fund is a mutual fund under securities legislation in certain provinces and territories of Canada, but certain provisions of securities legislation and policies of the Canadian Securities Administrators applicable to conventional mutual funds and designed to protect investors who purchase securities of mutual funds, do not apply. Investment in Units of the Fund is not insured by the Canada Deposit Insurance Corporation or under any other insurance program.

These brief statements do not disclose all the risks and other significant aspects of investing in the Fund. Investors should carefully study this prospectus, including the principal risk factors which are described under “Risk Factors” on page 13 before deciding to invest in the Fund.

The minimum subscription for an initial and subsequent investment in Class D Units, Class E Units, Class F Units, Class P Units and Class R Units is currently \$2,000 and \$1,000, respectively. The minimum subscription for Class I Units and Class O Units is \$150,000.

Units of the Fund are offered through the Manager and other authorized brokers and dealers registered in the province or territory of purchase on a continuous basis at a subscription price equal to the net asset value per Unit on the Valuation Day upon which such Units are purchased. As such, the subscription price may vary from purchaser to purchaser. A Valuation Day is each day on which the Toronto Stock Exchange is open for trading. There are no sales commissions or other charges payable by investors on the purchase of Units of the Fund. See “Purchases of Units”.

Additional information about the Fund is available in the following documents:

- the most recently filed annual financial statements;
- any interim financial statements filed after those annual financial statements;
- the most recently filed annual management report of fund performance; and
- any interim management report of fund performance filed after that annual management report of fund performance.

These documents are incorporated by reference into this prospectus which means that they legally form part of this prospectus. See the “Documents Incorporated by Reference” section for further details.

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## TABLE OF CONTENTS

PROSPECTUS SUMMARY .....	1
OVERVIEW OF THE LEGAL STRUCTURE OF THE FUND .....	6
Legal Structure of the Fund .....	6
Rationale for the Fund .....	6
INVESTMENT OBJECTIVES .....	7
INVESTMENT STRATEGIES .....	7
Investment Strategies .....	7
Overview of the Investment Structure .....	8
OVERVIEW OF THE SECTOR THAT THE FUND INVESTS IN .....	11
INVESTMENT RESTRICTIONS .....	11
FEES AND EXPENSES .....	12
Management Fee .....	12
Expenses of the Fund .....	12
Class and Fund Expenses .....	13
Sales, Switch and Redemption Fees .....	13
Trailing Commissions .....	13
ANNUAL RETURNS AND MANAGEMENT EXPENSE RATIO .....	13
RISK FACTORS .....	14
DISTRIBUTION POLICY .....	19
PURCHASES OF UNITS .....	19
Investing in the Fund .....	20
Subscriptions for Units .....	20
REDEMPTION OF UNITS .....	20
Reclassification and Transfers of Units .....	21
Short-Term Trading .....	22
DEALER COMPENSATION .....	22
DEALER COMPENSATION FROM MANAGEMENT FEES .....	22
INCOME TAX CONSIDERATIONS .....	23
Status of the Fund .....	23
Taxation of the Fund .....	23
Taxation of Unitholders .....	24
Taxation of Registered Plans .....	26
Tax Implications of the Fund’s Distribution Policy .....	26
ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND .....	27
Manager of the Fund .....	27
Officers and Directors of the Manager .....	28
Portfolio Manager .....	28
Brokerage Arrangements .....	29
Conflicts of Interest .....	29
Independent Review Committee .....	30
Trustee .....	30
Custodian .....	31
Clearing Broker .....	31
Auditors .....	31
Registrar .....	31
CALCULATION OF NET ASSET VALUE .....	31

Valuation Policies and Procedures of the Fund .....	32
Reporting of Net Asset Value .....	33
ATTRIBUTES OF UNITS.....	34
Description of the Units Distributed.....	34
UNITHOLDER MATTERS.....	34
Meetings of Unitholders .....	34
Matters Requiring Unitholder Approval .....	34
Amendments to the Trust Agreement.....	35
Reporting to Unitholders.....	35
TERMINATION OF THE FUND .....	36
PRINCIPAL HOLDERS OF UNITS OF THE FUND .....	37
INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	37
PROXY VOTING DISCLOSURE .....	37
MATERIAL CONTRACTS.....	37
EXPERTS.....	37
PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION.....	38
DOCUMENTS INCORPORATED BY REFERENCE.....	38
AUDITORS' CONSENT .....	39
CERTIFICATE OF THE FUND, THE MANAGER AND THE PROMOTER OF THE FUND .....	40

## 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 or incorporated by reference in the prospectus.*

<b>The Fund:</b>	<p>Futures Index Fund (the "Fund")</p> <p>The Fund is a commodity pool unit trust established under the laws of Ontario.</p>
<b>Investment Objectives and Strategies:</b>	<p>The fundamental investment objective of the Fund is to achieve long-term capital appreciation exclusively through unleveraged investments exclusively in the futures contracts which comprise the MLM Index™, a broadly based index of futures prices developed by Mount Lucas Management LP. Futures Index Fund is non-actively managed and the total underlying interest represented by all of its net futures positions will not exceed its net asset value.</p> <p>See "Investment Objectives" and "Investment Strategies".</p>
<b>Units:</b>	<p>The Class D Units, Class E Units, Class F Units, Class I Units, Class O Units, Class P Units and Class R Units (individually a "Unit" and collectively the "Units") are identical in all respects except with respect to the method of payment of management fees and expenses and the amount of distributions. As a result, there is a separate net asset value per Unit for each class of Units of the Fund. See "Attributes of Units - Description of the Units Distributed" and "Calculation of Net Asset Value".</p>
<b>Eligibility:</b>	<p>Class D Units and E Units are intended primarily for investment clients of qualified dealers who have entered into eligibility agreements with the Manager. Class F Units are intended primarily for investors who have fee-based accounts with dealers who have signed eligibility agreements with the Manager. Class I Units are intended primarily for corporate sponsored retirement and savings plans. Class O Units are intended primarily for sophisticated investors or clients of qualified registered dealers who have entered into purchase agreements or contracts with the Manager for management services. Class P Units are intended primarily for individual investors. Class R Units are intended primarily for corporate-sponsored retirement and savings plans in which corporate sponsors may agree to pay certain fees on behalf of investors and other investors in the Manager's discretion. See "Purchases of Units".</p>
<b>Minimum Subscriptions:</b>	<p>The minimum subscription for an initial and subsequent investment in Class D Units, Class E Units, Class F Units, Class P Units and Class R Units is currently \$2,000 and \$1,000, respectively. The minimum subscription for Class I Units and Class O Units is \$150,000.</p>
<b>Valuation Date:</b>	<p>A Valuation Day is each day on which the Toronto Stock Exchange is open for trading.</p>
<b>Price of Units:</b>	<p>Units of the Fund are offered through the Manager and other authorized brokers and dealers registered in the province or territory of purchase. Units of the Fund are offered on a continuous basis at a subscription price equal to the net asset value per Unit on the Valuation Day upon which such Units are purchased. There are no sales commissions or other charges payable by investors on the purchase of Units of the Fund. See "Purchases of Units".</p>
<b>Subscription Procedures:</b>	<p>There are no subscription fees or other charges payable by investors on the subscription for Units of the Fund. Subscriptions for Units of the Fund must be received not later than 4:00 p.m., Toronto time, on the Valuation Day upon which the Units subscribed for are to be purchased. Subscriptions for Units of the Fund may be paid for by certified cheque, bank draft, money order, or such other form of payment as may be acceptable to the Manager. See "Purchases of Units - Investing in the Fund".</p>
<b>Reclassifications and Transfers:</b>	<p>Switching Units from one class of Units of the Fund to another class of Units of the Fund is called a reclassification. At the request of a Unitholder, the Units of the Fund held by the Unitholder may be reclassified into Units of another class of the Fund, with the consent of the Manager. Upon reclassification of Units from one class to another, the number of Units held will generally change since each class of Units has a different net asset value per Unit. In general, a reclassification has no tax consequences. See "Income Tax Considerations".</p> <p>Units of the Fund are not transferable.</p>
<b>Distributions and Automatic Reinvestment:</b>	<p>Under the Trust Agreement governing the Fund, the net income and net realized capital gains in respect of each taxation year of the Fund are to be paid or payable to the Unitholders of the</p>

Fund to the extent necessary to reduce the Fund's net income tax liability under the *Income Tax Act* (Canada), as amended, (the "Tax Act") to nil. Management Fee Distributions (as defined below) may be made to particular Unitholders for the purpose of reducing the management fees that would otherwise be payable by such Unitholders. All distributions will, unless the Manager is otherwise directed in writing by a Unitholder, be automatically reinvested in Units at the net asset value per Unit of the Fund on the date of distribution. See "Distribution Policy".

**Redemption:**

A Unitholder is entitled, by giving written notice to the Manager, to request redemption of all or any portion of Units held by such Unitholder. The notice must be received not later than 4:00 p.m., Toronto time, on the Valuation Day on which the Units are to be redeemed. Payment will be made within five trading days following the day as of which the redemption of the Units is effected. There are no redemption fees or other charges payable by Unitholders on the redemption of Units of the Fund. A redemption penalty may be charged by the Manager and paid to the Fund in circumstances where Units are redeemed within 18 months of the date upon which such Units were purchased. The penalty is 1% of the net asset value of the Units being redeemed during the first 12 months and 0.5% of such net asset value during the next six months. The penalty is paid to the Fund and not to the Manager. See "Redemption of Units". The redemption of Units may have tax implications for a Unitholder. See "Income Tax Considerations".

**Income Tax Considerations:**

The Fund currently qualifies and is expected to continue to qualify as a "mutual fund trust" within the meaning of the Tax Act, and provided that it so qualifies, its Units will be qualified investments for trusts governed by registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), registered education savings plans ("RESPs"), deferred profit sharing plans ("DPSPs"), registered disability savings plans ("RDSPs") and tax-free savings accounts ("TFSA") (collectively, the "Registered Plans").

Unitholders who are not exempt from tax will generally be required to include, in computing income, the amount of the Fund's net income and net taxable capital gains paid or payable to them by the Fund in a year, even though reinvested in additional Units. A redemption of a Unit offered by this prospectus, if held as capital property by the Unitholder, will give rise to a capital gain (or loss) to the extent that the proceeds of disposition, net of costs of disposition, exceed the adjusted cost base of the Unit.

Investors considering acquiring Units of the Fund should consult their own professional advisors regarding the income tax consequences of acquiring or holding Units of the Fund.

See "Income Tax Considerations".

**Risk Factors:**

Prospective investors should carefully consider whether their financial condition permits them to participate in the Fund. The securities of the Fund are speculative and involve a high degree of risk. Investors may lose a substantial portion or even all of the money they invest in the Fund. The risk of loss in trading futures contracts can be substantial. In considering whether to invest in the Fund, an investor should be aware that trading futures contracts can quickly lead to large losses as well as gains. Such trading losses can sharply reduce the net asset value of the Fund and consequently the value of an investment in the Fund. Also, market conditions may make it difficult or impossible for the Fund to liquidate a position. Participation in transactions in futures contracts to be traded by the Fund may involve the execution and clearing of trades on or subject to the rules of foreign markets. None of the Canadian securities regulatory authorities or Canadian exchanges regulate activities of any foreign markets, including the execution, delivery and clearing of transactions, or have the power to compel enforcement of the rules of a foreign market or any applicable foreign laws. Generally, any foreign transaction will be governed by applicable foreign law. This is true even if the foreign market is formally linked to a Canadian market so that a position taken on the market may be liquidated by a transaction on another market. Moreover, such laws or regulations vary depending on the foreign country in which the transaction occurs. For these reasons, entities such as the Fund that trade futures contracts may not be afforded certain of the protective measures provided by Canadian legislation and the rules of Canadian exchanges. In particular, funds received from customers for transactions may not be provided the same protection as funds received in respect of transactions on Canadian exchanges. These brief statements do not disclose all the risks and other significant aspects of investing in the Fund. Investors should carefully study this prospectus, including the principal risk factors which are described under "Risk Factors" before deciding to invest in the Fund.

The additional risks of investing in the Fund include the following: (i) the trading decisions by

the Fund will be dictated primarily by “technical” factors intended to identify price trends; (ii) the profitability of any trading approach generally depends upon the occurrence of major price moves or trends; (iii) the futures prices of commodities, financial instruments and foreign currencies are highly volatile; (iv) the low margin deposits normally required in trading futures contracts result in a high degree of leverage; (v) the Fund will engage in selling short which exposes the seller to unlimited risk from price increases; (vi) the Fund may trade on foreign commodity exchanges which may involve risks not applicable to trading on Canadian or United States exchanges; (vii) the Fund may trade swap contracts which are not traded on exchanges and are not subject to the same type of government regulations as exchange markets; (viii) futures contracts may be illiquid because of “daily limits”; (ix) “position limits” may limit the positions which the Fund may hold; (x) investors must rely upon the judgment of the Portfolio Manager; (xi) Units of the Fund are not transferable; (xii) inherent and potential conflicts of interest exist in the nature and operations of the Fund’s business; (xiii) the Fund may not be fully protected in the event of the bankruptcy of a clearing broker; (xiv) it is possible that Unitholders may be liable for losses incurred by the Fund in excess of its net assets; (xv) past results are no assurance of future performance; (xvi) investors do not have the full protection of mutual fund regulations; and (xvii) there can be no assurance that changes will not be made to the rules affecting the taxation of the Fund or the Fund’s investments or the administration of such tax rules.

See “Risk Factors”.

**Termination of the Fund:**

Unless the Manager enters into an amendment to the Trust Agreement providing for the continuation of the Fund for a further period, the Fund will terminate on the date that is the 50th anniversary of the date as of which the Fund was created. In addition, the Manager, with approval of the Unitholders of the Fund, may terminate the Fund at any time by giving to the Trustee and each Unitholder at least 60 days’ written notice. During this 60 day period, the right of Unitholders of the Fund to require payment for their Units is suspended. The Unitholders may, however, reject the Manager’s desire to terminate the Fund by appointing a successor to the Manager whereupon the Manager is required to resign immediately and transfer its interest under the Trust Agreement to the new manager.

See “Termination of the Fund” and “Unitholder Matters – Meetings of Unitholders”.

**Organization and Management of the Fund**

**Manager:**

SEI Investments Canada Company (the “Manager”), Suite 1600, 70 York Street, Toronto, Ontario M5J 1S9 is the manager of the Fund. The Manager is responsible for the management of the overall business and operations of the Fund.

**Portfolio Manager:**

The Manager has appointed Mount Lucas Management LP (the “Portfolio Manager”), Princeton, New Jersey to serve as portfolio manager, with responsibility to manage the investment portfolio of the Fund.

The Portfolio Manager has its offices, and is likely to have all or substantially all of its assets, located outside of Canada and in such circumstances there may be difficulty enforcing any legal rights against the Portfolio Manager.

The Portfolio Manager is registered as a commodity trading manager under the *Commodity Futures Act* (Ontario) and as an adviser under the *Securities Act* (Ontario) in a category that does not require that the Portfolio Manager comply with the same requirements that a portfolio manager that is so registered would be subject to, such as those concerning proficiency, capital, insurance and other matters.

**Clearing Broker:**

The Portfolio Manager is responsible for making the brokerage arrangements for the Fund and has engaged Newedge Canada Inc., Montréal, Québec as the clearing broker (the “Clearing Broker”) to act on its behalf for the Fund.

**Trustee:**

CIBC Mellon Trust Company (the “Trustee”), Toronto, Ontario is the trustee of the Fund and has the legal responsibility for holding and implementing the investment decisions of the Portfolio Manager or the Manager with respect to the property of the Fund on behalf of their Unitholders. The Fund is established as a trust.

**Custodian:**

Canadian Imperial Bank of Commerce (the “Custodian”), Toronto, Ontario is the custodian of the Fund. The assets of the Fund are held under the custodianship of the Custodian. The principal

**Independent Review Committee (“IRC”):**

custodian has a qualified foreign sub-custodian in each jurisdiction in which the Fund has assets.

In accordance with the requirements of National Instrument 81-107 – *Independent Review Committee for Investment Funds* (“NI 81-107”), the Manager has appointed a three member IRC to deal with the matters applicable to such a committee as set out in NI 81-107. The IRC reviews and provides input on the Manager’s written policies and procedures for dealing with matters that involve some element of potential conflict of interest, at such time, if any, that such matters may arise. NI 81-107 confirms that such matters are required to achieve a result that is fair and reasonable for the Fund. The IRC will be notified of any such matter that may arise and will provide the Manager with the IRC’s recommendations or approval, as the case may be, pursuant to the terms of NI 81-107. In addition, the IRC may also approve the Fund’s reorganization with, or transfer of assets to, another Fund managed by the Manager, or an affiliate, and any change of the auditors of the Fund. In such circumstances, the approval of Unitholders will not be required if Unitholders are sent a notice at least 60 days before the effective date of any such transaction or change of auditor.

Each member of the IRC is independent of the Manager. The IRC will prepare, at least annually, a report for Unitholders of its activities. This report will be available on the Manager’s website at [www.seic.com](http://www.seic.com), or at the Unitholder’s request at no cost, by contacting the Manager at 1-800-567-1565 or by email at [infocanada@seic.com](mailto:infocanada@seic.com).

**Registrar:**

International Financial Data Services (Canada) Limited, Toronto, Ontario is the registrar of the Fund and is responsible for maintaining Unitholder records.

**Auditors:**

PricewaterhouseCoopers LLP, Chartered Accountants, Licensed Public Accountants, Toronto, Ontario are the auditors of the Fund. They are responsible for auditing the annual financial statements of the Fund.

### Summary of Fees and Expenses

This table lists the fees and expenses which you may have to pay if you invest in the Fund. You may have to pay some of these fees and expenses directly. The Fund may have to pay some of these fees and expenses, which will therefore reduce the value of your investment in the Fund.

#### Fees and Expenses Payable by the Fund

<u>Type of Fee</u>	<u>Amount and Description</u>
<b>Management Fees:</b>	<p>The Fund will pay to the Manager a management fee at the annual rate of 2.50% on the portion of its net asset value represented by Class D Units; 2.0% on the portion of its net asset value represented by Class E Units; 1.25% on the portion of its net asset value represented by Class F Units (which amount, in the case of the Class F Units only, is inclusive of HST); 1% on the portion of its net asset value represented by Class I Units; and 1.5% on the portion of its net asset value represented by Class P Units.</p> <p>Class F Units are usually only available to investors who have fee-based accounts with dealers who have signed eligibility agreements with the Manager. Instead of paying sales charges, a holder of Class F Units pays their dealer for investment advice and other services they provide. The Manager does not pay fees or commissions to dealers who sell Class F Units which means that the Manager can charge lower management fees in respect of Class F Units.</p> <p>The Fund does not pay management fees to the Manager in respect of the Class O Units and the Class R Units as all compensation for the Manager’s services will be paid pursuant to separate management agreements entered into with each holder of Class O Units; and, in the case of Class R Units, with the holder or the corporate sponsor of the group retirement and savings plans in which the holder of the Class R Units participates.</p> <p>The Manager may agree to a reduced management fee to be payable by particular unitholders (“Unitholders”) of the Fund. This is achieved by the Fund making individual distribution payments referred to as “Management Fee Distributions” to those Unitholders. See “Fees and Expenses - Management Fees”.</p>
<b>Fund Expenses:</b>	<p>The Manager will be responsible for payment of fees to the Portfolio Manager. The Fund will pay all other expenses related to its management and administration, including legal, audit, independent review committee, reporting, securities regulatory filing and transfer agency costs that are attributable to the Class D Units, Class</p>

E Units, Class I Units, Class O Units and Class P Units. The Manager is responsible for the proportionate share of these expenses that are attributable to the Class F Units. In the case of Class R Units, the Fund is responsible for five basis points of operating expenses that are attributable to such Units and the Manager is responsible for the balance of these operating expenses. See "Fees and Expenses - Expenses of the Fund".

**Trailing Commissions:**

The Manager may, where negotiated with a particular dealer on a case by case basis, pay trailing commissions on the Class I and Class P Units if the clients of that dealer have assets in the Fund amounting, in aggregate, to at least a specified amount through the calendar quarter. Trailing commissions could be up to a maximum of 0.5% and 1% per annum for Class I Units and Class P Units, respectively, and are calculated based upon the average net asset value of the Units of the Fund held in the accounts of clients of a participating dealer during a particular calendar quarter. Trailing commissions can vary according to the minimum amount of assets held during the quarter by clients of such dealer. See "Purchases of Units".

**Fees and Expenses Payable Directly by You**

**Sales Charges:**

No sales charges are payable for purchases made directly through the Manager or authorized brokers and dealers.

**Service Fees:**

No service fees are payable for switches made directly through the Manager or authorized brokers and dealers.

**Redemption Fees:**

No redemption fees are payable for redemptions made directly through the Manager or authorized brokers and dealers.

**Redemption Penalty:**

A redemption penalty may be charged by the Manager and paid to the Fund in circumstances where Units are redeemed within 18 months of the date upon which such Units were purchased. The penalty is 1% of the net asset value of the Units being redeemed during the first 12 months and 0.5% of such net asset value during the next six months. See "Redemption of Units".

**Other Fees and Expenses:**

Holders of Class O Units pay all compensation for the Manager's services pursuant to separate management agreements entered into with each holder of Class O Units. Class R Units are intended primarily for participants in corporate-sponsored group retirement and savings plans in which the corporate sponsors desire to subsidize all Unitholder costs. If a corporate sponsor enters into an agreement with the Manager to pay management fees to the Manager, on behalf of a holder of Class R Units, the holder will not bear any costs. In the case of holders of Class R Units, all compensation for the Manager's services would be paid pursuant to the separate management agreement entered into with the corporate sponsor of the group retirement and savings plans in which the holder of the Class R Units participates.

**Annual Returns and Management Expense Ratio**

The following table sets forth the management expense ratio ("MER") and annual returns for each of the classes of the Fund that were outstanding for the full periods indicated:

Twelve Months Ended December 31

Class	2010			2009			2008			2007			2006	
	F	O	P	F	O	P	F	O	P	F	O	P	O	P
Annual Returns	2.36	3.48	1.81	-2.12%	-1.07%	-2.62%	14.79%	15.90%	14.00%	0.68%	1.75%	0.14%	-1.31%	-2.86%
MER	1.25	0.16	1.78	1.25%	0.19% <sup>(1)</sup>	1.68%	1.25%	1.34% <sup>(1)</sup>	1.86%	1.25%	1.26% <sup>(1)</sup>	1.77%	1.36% <sup>(1)</sup>	1.90%

<sup>(1)</sup> For all financial periods shown, all management fees were charged outside the Fund. The figures provided above are based upon two components: (i) the assumption that the maximum management fee of 1% for the Fund, plus HST, was charged to all Unitholders, and (ii) all other direct and indirect fees and expenses paid by Unitholders.

*The foregoing is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this prospectus.*

## OVERVIEW OF THE LEGAL STRUCTURE OF THE FUND

### Legal Structure of the Fund

The Futures Index Fund is a unit trust established and existing under the laws of Ontario. The Fund is governed by an amended and restated trust agreement dated as of February 10, 2006, as amended by amending agreements dated June 16, 2006 and August 31, 2010 (the "Trust Agreement") between CIBC Mellon Trust Company (the "Trustee"), as trustee, SEI Investments Canada Company (the "Manager"), as manager, and Canadian Imperial Bank of Commerce (the "Custodian"), as custodian. The Fund was initially established on March 17, 1995. However, the Class D Units and Class E Units were established as of August 31, 2010. The name of Futures Index Fund was changed to its current form and the class Unit structure was established as of April 7, 2000. The Fund is considered to be a mutual fund under applicable securities legislation.

The principal office of the Fund is the same as the Manager's principal office, Suite 1600, 70 York Street, Toronto, Ontario M5J 1S9. Other information about the Fund is available at [www.sedar.com](http://www.sedar.com) or [www.seic.com](http://www.seic.com).

### Rationale for the Fund

The structure and operation of the Fund is designed to provide investors with certain investment advantages including the following:

#### *Investment Diversification*

The Fund will provide investors with the opportunity to further diversify their investment portfolios (for example, traditional stock/bond/real estate portfolios) by adding a futures component. The Manager believes that diversification through an investment in the Fund may be advantageous because the profit potential of the Fund will not depend upon favourable general economic conditions and may be as great during periods of declining stock, bond and real estate markets as at any other time.

#### *Return on Investment*

The Manager believes that the Fund will provide investors with the potential to earn attractive returns on their investment; although there can be no assurance that such returns will be achieved.

#### *Market Diversification*

The investments of the Fund will be held in a diversified portfolio of futures markets.

#### *Cash Management*

Assets of the Fund will be held in Canadian government securities, futures contracts and other marketable securities, demand deposits or cash.

#### *Professional Management*

Trading decisions for the Fund will be made by the Portfolio Manager.

#### *Administrative Convenience*

The Fund will provide to or obtain for their Unitholders services designed to alleviate the administrative details involved in investing directly in the markets, including maintaining the books and accounts of trading activities, preparing account statements for Unitholders and supplying Unitholders with information necessary to enable them to prepare their federal income tax returns.

## INVESTMENT OBJECTIVES

The following is a description of the fundamental investment objective of the Fund. Pursuant to National Instrument 81-102 - *Mutual Funds* (the "National Instrument") of the Canadian Securities Administrators, any change in the fundamental investment objective of the Fund will require the approval of Unitholders (see "Unitholder Matters - Meetings of Unitholders").

The fundamental investment objective of the Fund is to achieve long-term capital appreciation exclusively through unleveraged investments in the futures contracts which comprise the MLM Index™. The Fund is non-actively managed and the total underlying interest represented by all of its net futures positions will not exceed its net asset value.

## INVESTMENT STRATEGIES

### Investment Strategies

The Fund invests in a manner intended to achieve a return similar to the MLM Index™, an index of futures prices developed by Mount Lucas Management LP (the "Portfolio Manager"). The futures markets that are currently included in the MLM Index™ are as follows:

<u>Global Bonds</u>	<u>Currencies</u>	<u>Commodities</u>
Canadian Government Bond	Australian Dollar	Wheat
Euro Bond	British Pound	Corn
British Long Gilt	Canadian Dollar	Soybeans
Japanese 10-year Government Bonds	Euro	Crude Oil
U.S. 10-Year Treasury Notes	Japanese Yen	Unleaded Gas
	Swiss Franc	Heating Oil
		Natural Gas
		Sugar
		Gold
		Copper
		Live Cattle

The assets held as margins for interests in futures contracts for the purchase and sale of commodities in the Fund are Government of Canada treasury bills with a term not exceeding one year.

The MLM Index™ is based on daily closing prices of the nearby contract month of a portfolio chosen from among the most active futures markets. The choice of markets for a calendar year is made in the December preceding the start of the year by the Index Committee of the Portfolio Manager. Except in unusual circumstances, markets are not normally added to or deleted from the MLM Index™ during a year. If a commodity is traded on more than one futures exchange, only the one with the largest open interest is included in the MLM Index™. For example, Chicago Board of Trade wheat has larger open interest than

Kansas City Board of Trade wheat; consequently, Chicago Board of Trade wheat is included in the MLM Index™ but Kansas City Board of Trade wheat is not.

Currently, the MLM Index™ invests in three broad categories of futures contracts: 1) interest rate futures contracts on U.S. and foreign government notes and bonds, 2) currency futures contracts versus the U.S. dollar and 3) commodity futures contracts. Each broad category is allocated a fixed weighting in the MLM Index™ based on historical volatility (the category with the lowest volatility is accorded the highest weighting). The futures contracts within each category are equally weighted.

In attempting to replicate the MLM Index™, the Manager will invest in the same markets as the MLM Index™; use the same algorithm to determine long versus short positions; make the same allocations to each market; and generally execute positions at almost the same time. The Manager may also use swaps in attempting to replicate the MLM Index™. To date, no swaps have been used.

### **Overview of the Investment Structure**

*The following is a general discussion of (i) the more common derivatives likely to be traded by the Fund, but is not an exhaustive discussion of all derivatives in which the Fund may invest, and (ii) certain key concepts in futures trading.*

Derivatives are instruments that derive their value from the market price, value or level of an underlying security, commodity, economic indicator, index or financial instrument and which enable investors to speculate on or hedge against future changes in the price or value of the underlying interest of the derivative. The underlying interests of derivatives include a wide variety of assets or financial instruments, such as agricultural products, energy products and base or precious metals (commonly called commodities), interest rates, currencies and stock indices.

#### *Futures Contracts*

Futures contracts are standardized contracts entered into on domestic or foreign exchanges which call for the future delivery of specified quantities of various agricultural commodities, industrial commodities, currencies, financial instruments, energy products or metals at a specified time and place. The terms and conditions of futures contracts of a particular commodity are standardized and as such are not subject to any negotiation between the buyer and seller. The contractual obligations, depending upon whether one is a buyer or a seller, may be satisfied either by taking or making, as the case may be, physical delivery of an approved quantity and grade of commodity or by making an offsetting sale or purchase of an equivalent but opposite futures contract on the same exchange prior to the designated date of delivery. The difference between the price at which the futures contract is sold or purchased and the price paid for the offsetting purchase or sale, after allowance for brokerage commissions, constitutes the profit or loss to the trader. In market terminology, a trader who purchases a futures contract is “long” in the market and a trader who sells a futures contract is “short” in the market. Before a trader closes out a long or short position by an offsetting sale or purchase, the trader’s outstanding contracts are known as “open trades” or “open positions”. The aggregate number of open long or short positions held by traders in a particular contract is referred to as the “open interest” in such contract.

#### *Options on Futures*

An option on a futures contract gives the buyer of the option the right to take a position at a specified price (the “striking”, “strike” or “exercise” price) in the underlying futures contract. The buyer of a “call” option acquires the right to take a long position in the underlying futures contract, and the buyer of a “put” option acquires the right to take a short position in the underlying futures contract.

The purchase price of an option is referred to as its “premium”. The seller (or “writer”) of an option is

obligated to take a futures position at a specified price opposite to the option buyer if the option is exercised. Thus, the seller of a call option must stand ready to take a short position in the underlying futures contract at the striking price if the buyer should exercise the option. The seller of a put option, on the other hand, must stand ready to take a long position in the underlying futures contract at the striking price.

A call option on a futures contract is said to be “in-the-money” if the striking price is below current market levels, and “out-of-the-money” if the striking price is above current market levels. Similarly, a put option on a futures contract is said to be “in-the-money” if the striking price is above current market levels, and “out-of-the-money” if the striking price is below current market levels.

Options have limited life spans. In certain cases, such as an option on a futures contract, the option is usually tied to the delivery or settlement date of the underlying futures contract. An option that is out-of-the-money and not offset by the time it expires becomes worthless. Options usually trade at a premium (referred to as the “time value” of the option) to their intrinsic value (the difference between the market price for the underlying futures contract and the striking price). Increased volatility increases the time value of options. As an option nears its expiration date the market value and the intrinsic value move into parity as the time value diminishes.

The use of interrelated options and futures positions can provide an additional means of risk management and permit a trader to retain a futures position in the hope of additional appreciation in that position, while at the same time allowing the trader to limit the possible adverse effects of a decline in the position’s value.

Selling options may create additional risks. The seller of a call option who does not have a long position in the underlying futures contract could be subject to a substantial risk of loss should the price of the futures contract be higher than the striking price prior to expiration of the option by an amount greater than the premium received for selling the option. The seller of a call option who has a long position in the underlying futures contract is subject to the full risk of a decline in price of the futures contract, reduced by the premium received for selling the option. In exchange for the premium received for selling a call option on a futures contract, the option seller gives up all of the potential gain resulting from an increase in the price of the underlying futures contract above the striking price prior to expiration of the call option.

The seller of a put option who does not have a short position in the underlying futures contract could be subject to substantial risk of loss should the price of the futures contract or forward contract decrease below the striking price prior to expiration of the option by an amount in excess of the premium received for selling the option. The seller of a put option on a futures contract who has a short position in the underlying futures contract is subject to the full risk of a rise in the price in the futures contract, reduced by the premium received for selling the option. In exchange for the premium received for selling a put option on a futures contract, the option seller gives up all of the potential gain resulting from a decrease in the price of the underlying futures contract below the striking price prior to expiration of the put option.

Buyers and sellers of options are subject to risks of loss from changes in the implied volatility of an option which may occur even if the price of the underlying futures contract remains unchanged.

### *Swaps*

The Fund may enter into swap agreements. These transactions are entered into in an attempt to obtain a particular return when it is considered desirable to do so, possibly at a lower cost than if the Fund had invested directly in the asset that yielded the desired return. Swap agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than a year. In a standard swap transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments, which may be adjusted for an interest factor. The gross returns to be exchanged or “swapped” between the parties are generally calculated with respect to a “notional amount” (i.e., the return on or increase in value of a particular dollar amount invested at a particular

interest rate, in a particular foreign currency, or in a “basket” of securities representing a particular index).

### *Hedgers And Speculators*

The two broad classifications of persons who trade in futures contracts are “hedgers” and “speculators”. Hedging is a protective procedure designed to lock in profits that may otherwise be eroded. The usual objective of a hedger is to protect the profit or costs which the hedger expects to earn or incur rather than to profit from trading in futures contracts. The speculator, unlike the hedger, risks capital with the hope of making profits from price fluctuations.

### *Futures Exchanges*

Futures exchanges provide centralized market facilities for trading futures contracts and options relating to specified commodities. Members of, and trades executed on, a particular exchange are subject to the rules of that exchange. Among the principal exchanges in Canada are The Montreal Exchange and ICE Futures Canada® (formerly, the Winnipeg Commodity Exchange) and in the United States are the Chicago Board of Trade, the Chicago Mercantile Exchange (including the International Monetary Market), the New York Mercantile Exchange, the Coffee, Sugar and Cocoa Exchange, Inc., the New York Futures Exchange, Inc., the New York Cotton Exchange, Inc. and the Commodity Exchange, Inc.

Most of the exchanges have an associated “clearinghouse”. Once trades between members of an exchange have been confirmed, the clearinghouse becomes a substitute for each buyer and each seller of contracts traded on the exchange and, in effect, becomes the other party to each trader’s open position in the market. Thereafter, each party to a trade looks only to the clearinghouse for performance.

### *Speculative Position Limits*

Certain futures exchanges have established limits, referred to as “speculative position limits” or “position limits”, on the maximum net long or net short speculative positions which any person or group of persons (other than a hedger) may hold, own or control in futures contracts and options thereon. Among the purposes of speculative position limits is to prevent a “corner” on a market or undue influence on prices by any single trader or group of traders.

### *Daily Limits*

Most futures exchanges (but generally not those outside Canada and the United States) normally limit the amount of fluctuation in contract prices during a single trading day. These regulations specify what are referred to as “daily price fluctuation limits” or more commonly “daily limits”. The daily limits establish the maximum amount that the price of a futures contract may vary either up or down from the previous day’s settlement price. Once the daily limit has been reached in a particular contract, no trades may be made at a price beyond the limit. Daily limits are not present on all contracts and often not on spot months (i.e. nearest trading futures month). In addition, trading in contracts may be suspended during periods of significant volatility. This can create certain liquidity problems.

### *Margins*

“Initial” or “original” margin is the minimum amount of funds that must be deposited by a futures trader with a broker in order to initiate futures trading or to maintain an open position in futures contracts. “Maintenance” margin is the amount (generally less than initial margin) to which a trader’s account may decline before the trader must deliver additional margin. A margin deposit is like a cash performance bond. It helps assure the trader’s performance of the futures contracts the trader purchases or sells. Futures contracts are customarily bought and sold on margins that represent a very small percentage of the purchase price of the underlying

commodity being traded. Because of such low margins, price fluctuations occurring in the futures markets may create profits and losses that are greater, in relation to the amount invested, than are customary in other forms of investment or speculation. The minimum amount of margin required in connection with a particular futures contract is set from time to time by the exchange on which such contract is traded, and may be modified from time to time by the exchange during the term of the contract.

Brokerage firms carrying accounts for traders in futures contracts may not accept lower, and generally require higher, amounts of margin as a matter of policy in order to afford further protection for their customers and themselves.

When a trader purchases an option, there is generally no margin requirement, although the option price, or premium, must be paid in full. When a trader sells an option, on the other hand, the trader is required to deposit margin in an amount determined by the margin requirements established for the futures contract underlying the option and, in addition, an amount substantially equal to the current premium for the option. The margin requirements imposed on the writing of options, although adjusted to reflect the probability that out-of-the-money options will not be exercised, can in fact be higher than those imposed in dealing in the futures markets directly. Complicated margin requirements apply to "spreads" and "conversions", which are complex trading strategies in which a trader acquires a mixture of related futures and options positions.

Margin requirements are computed each day by a trader's broker. When the market value of a particular open futures contract position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a margin call is made by the broker. If the margin call is not met within a reasonable time, the broker may close out the trader's position.

## OVERVIEW OF THE SECTOR THAT THE FUND INVESTS IN

The Fund invests in a manner intended to achieve a return similar to the MLM Index™, an index of futures prices developed by the Portfolio Manager. The futures markets that are currently included in the MLM Index™ are as follows: 1) interest rate futures contracts on U.S. and foreign government notes and bonds, 2) currency futures contracts versus the U.S. dollar and 3) commodity futures contracts. Each broad category is allocated a fixed weighting in the MLM Index™ based on historical volatility (the category with the lowest volatility is accorded the highest weighting). The futures contracts within each category are equally weighted. For further details see "Investment Strategies".

Interest rates, currencies and commodity prices can change significantly as a result of supply and demand, speculation, international monetary and political factors, government and central bank activity, and changes in interest rates and currency values. In addition, the demand for commodities can be affected by new uses for a commodity or the introduction of a substitute for the commodity. For additional risks, see "Risk Factors".

## INVESTMENT RESTRICTIONS

The Fund is subject to certain restrictions and practices contained in securities legislation, including the National Instrument, and will comply with the investment restrictions and practices set forth in Part 2 thereof, except as otherwise permitted by National Instrument 81-104 - *Commodity Pools*, and subject to receipt of any exemptions therefrom obtained by the Fund. In addition, the Fund will be subject to the following prohibitions:

- No loans will be made by the Fund.
- The funds of the Fund will not be commingled with the funds of any other person or company (provided that funds used to satisfy margin requirements will not be considered commingled).
- No rebates or give-ups may be received by the Manager nor may the Manager participate in any

reciprocal business arrangements which would circumvent such prohibitions.

- The Portfolio Manager will not share or participate, directly or indirectly, in any brokerage commissions generated by the Fund.

Any change in the fundamental investment objective of the Fund will require the approval of Unitholders.

The Fund is a unit trust for the purposes of the *Income Tax Act* (Canada) as amended (the "Tax Act"). On the basis that the Fund is a "mutual fund trust" and/or "registered investment" as such terms are defined under the Tax Act and will continue to be a "mutual fund trust" and/or a "registered investment" at all times, units of the Fund are "qualified investments" for trusts governed by Registered Plans.

While the Fund is a "registered investment" for the purposes of the Tax Act, the Fund will not acquire or hold any investment, if, as a result of acquiring or holding that investment, the Fund would become subject to tax under Part X.2 of the Tax Act.

## FEES AND EXPENSES

### Management Fee

The Fund does not pay management fees to the Manager in respect of the Class O Units and the Class R Units as all compensation for the Manager's services will be paid pursuant to separate management agreements entered into with each holder of Class O Units; and, in the case of Class R Units, with the holder or the corporate sponsor of the group retirement and savings plans in which the holder of the Class R Units participates. The Fund will pay to the Manager a management fee at the annual rate of 2.50% on the portion of its net asset value represented by Class D Units; 2.0% on the portion of its net asset value represented by Class E Units; 1.25% on the portion of its net asset value represented by Class F Units (which amount, in the case of the Class F Units only, is inclusive of HST); 1% on the portion of its net asset value represented by Class I Units; and 1.5% on the portion of its net asset value represented by Class P Units. Class F Units are usually only available to investors who have fee-based accounts with dealers who have signed eligibility agreements with the Manager. Instead of paying sales charges, a holder of Class F Units pays their dealer for investment advice and other services they provide. The Manager does not pay fees or commissions to dealers who sell Class F Units, which means that the Manager can charge lower management fees in respect of Class F Units.

The Manager may agree to a reduced management fee to be payable by particular Unitholders of the Fund. This is achieved by the Fund making individual distribution payments referred to as "Management Fee Distributions" to those Unitholders.

In 2010, the Fund paid \$24,891.73 (including HST) in management fees.

### Expenses of the Fund

The Fund will bear the proportionate share of the operating expenses of the Fund attributable to Class D Units, Class E Units, Class I Units, Class O Units and Class P Units, including (i) expenses, including securities regulatory filings, relating to the offering of Units of the Fund; (ii) taxes of all kinds to which the Fund is or might be subject; (iii) all amounts in respect of charges made for bookkeeping, accounting and registry and transfer agency services; (iv) services required in connection with the provision of information to Unitholders or the holding of meetings of Unitholders; (v) interest expenses; (vi) Trustee fees and expenses; (vii) custodial, audit and legal fees and expenses, interest, printing and translation; (viii) fees and expenses of the Fund's IRC; and (ix) costs of submitting all financial reports to Unitholders and of all amendments to or renewals of any disclosure document of the Fund. The proportionate share of such operating expenses will be based on the net asset value of the respective Classes. The Manager will bear the proportionate share of such operating expenses

of the Fund attributable to Class F Units and Class R Units. The Manager will also be responsible for the payment of fees to the Portfolio Manager. The Fund pays its own brokerage commissions and trading fees and includes this in the cost of its investments for income tax purposes.

### **Class and Fund Expenses**

As described above, differing amounts of management fees will be payable by the Fund on Class D Units, Class E Units, Class F Units, Class I Units and Class P Units and no management fees will be payable by the Fund on Class O Units and Class R Units. While those management fees charged within the Fund on the Class D Units, Class E Units, Class F Units, Class I Units and Class P Units and the operating expenses attributable to the Class D Units, Class E Units, Class I Units, Class O Units and Class P Units will constitute liabilities of the Fund as a whole and the assets of the Fund as a whole could be called upon to satisfy those liabilities, under the Trust Agreement governing the Fund the allocation will be done fairly among the classes of Units of the Fund such that Unitholders of one class of the Fund will not bear the management fees or expenses of another class.

The management fees attributable to the Class D Units, Class E Units, Class F Units, Class I Units and Class P Units and the proportionate share of operating expenses attributable to the Class D Units, Class E Units, Class I Units, Class O Units and Class P Units will be deducted from the portion of the income of the Fund that is attributable to those respective classes of Units in each fiscal period.

### **Sales, Switch and Redemption Fees**

No sales charges are payable for purchases made directly through the Manager or authorized brokers and dealers. No service fees are payable for switches made directly through the Manager or authorized brokers and dealers. No redemption fees are payable for redemptions made directly through the Manager or authorized brokers and dealers.

A redemption penalty may be charged by the Manager and paid to the Fund in circumstances where Units are redeemed within 18 months of the date upon which such Units were purchased. The penalty is 1% of the net asset value of the Units being redeemed during the first 12 months and 0.5% of such net asset value during the next six months. The penalty is paid to the Fund and not to the Manager. See "Redemption of Units".

### **Trailing Commissions**

The Manager may, where negotiated with a particular dealer on a case by case basis, pay trailing commissions on the Class I and Class P Units if the clients of that dealer have assets in the Fund amounting, in aggregate, to at least a specified amount through the calendar quarter. Trailing commissions could be up to a maximum of 0.5% and 1% per annum for Class I Units and Class P Units, respectively, and are calculated based upon the average net asset value of the Units of the Fund held in the accounts of clients of a participating dealer during a particular calendar quarter. Trailing commissions can vary according to the minimum amount of assets held during the quarter by clients of such dealer. See "Purchases of Units".

## **ANNUAL RETURNS AND MANAGEMENT EXPENSE RATIO**

The management expense ratio ("MER") of a mutual fund is the total expenses of the mutual fund (excluding commissions and other portfolio transaction costs) for a financial year as a percentage of the average net assets of the mutual fund for such financial year. Average net assets is calculated by (i) adding the net asset value of the mutual fund on each day during a financial year on which the net asset value of the mutual fund has been calculated and (ii) dividing the total by the number of days during the financial year on which the net asset

value of the mutual fund was calculated.

The following table sets forth the MER and annual returns for each of the classes of the Fund that were outstanding for the full periods indicated:

		Twelve Months Ended December 31													
		2010			2009			2008			2007			2006	
Class		F	O	P	F	O	P	F	O	P	F	O	P	O	P
Annual Returns		2.36	3.48	1.81	-2.12%	-1.07%	-2.62%	14.79%	15.90%	14.00%	0.68%	1.75%	0.14%	-1.31%	-2.86%
MER		1.25	0.16	1.78	1.25%	0.19% <sup>(1)</sup>	1.68%	1.25%	1.34% <sup>(1)</sup>	1.86%	1.25%	1.26% <sup>(1)</sup>	1.77%	1.36% <sup>(1)</sup>	1.90%

<sup>(1)</sup> For all financial periods shown, all management fees were charged outside the Fund. The figures provided above are based upon two components: (i) the assumption that the maximum management fee of 1% for the Fund, plus HST, was charged to all Unitholders, and (ii) all other direct and indirect fees and expenses paid by Unitholders.

## RISK FACTORS

Prospective investors should carefully consider whether their financial condition permits them to participate in the Fund. The securities of the Fund are speculative and involve a high degree of risk. Investors may lose a substantial portion or even all of the money they invest in the Fund. The risk of loss in trading futures contracts can be substantial.

In considering whether to invest in the Fund, an investor should be aware that trading futures contracts can quickly lead to large losses as well as gains. Such trading losses can sharply reduce the net asset value of the Fund and consequently the value of an investment in the Fund. Also, market conditions may make it difficult or impossible for the Fund to liquidate a position.

Participation in transactions in futures contracts to be traded by the Fund may involve the execution and clearing of trades on or subject to the rules of foreign markets. None of the Canadian securities regulatory authorities or Canadian exchanges regulate activities of any foreign markets, including the execution, delivery and clearing of transactions, or has the power to compel enforcement of the rules of a foreign market or any applicable foreign laws. Generally, any foreign transaction will be governed by applicable foreign law. This is true even if the foreign market is formally linked to a Canadian market so that a position taken on the market may be liquidated by a transaction on another market. Moreover, such laws or regulations vary depending on the foreign country in which the transaction occurs. For these reasons, entities such as the Fund that trade futures contracts may not be afforded certain of the protective measures provided by Canadian legislation and the rules of Canadian exchanges. In particular, funds received from customers for transactions may not be provided the same protection as funds received in respect of transactions on Canadian exchanges.

The foregoing statements do not disclose all the risks and other significant aspects of investing in the Fund. Investors should carefully study this prospectus, including the principal risk factors which are described below before deciding to invest in the Fund.

Investors should be aware that the value of the Units of the Fund depends upon the market value of its investments. Fluctuations in the market values of such investments will cause the value of such Units to fluctuate. Accordingly, such value at any time may be higher or lower than at the time such Units were subscribed for; there is no assurance of a positive return on the amount invested.

Other risk factors applicable to the Fund are as follows.

*Trading Decisions Based on Technical Analysis*

The timing, implementation and placement of orders for futures contracts by the Fund are based on the positions dictated by the MLM Index™. As such, the success of the Fund in achieving its investment objective depends upon the reliability of the MLM Index™ to provide the appropriate directions for the trading of futures contracts.

*Importance of Price Trends to Profitability*

The profitability of any fundamental or technical trading approach generally depends upon the occurrence of major price moves or trends. In the past there have been periods without discernible trends and presumably similar periods will occur in the future. The best trading approach, whatever elements it contains, is unlikely to be profitable if there are no trends of the kind it seeks to identify. Furthermore, an approach that is successful in the cases of upward price trends may not be successful in downward trends and vice versa. Any factor that may lessen the prospect of major trends in the future (such as increased governmental control of, or participation in, the markets) may reduce the prospect that any trend following strategy will be profitable in the future.

*Futures Trading Is Speculative*

Futures prices of commodities, financial instruments and foreign currencies are highly volatile. Price movements of futures contracts are influenced by, among other things, changing supply and demand relationships, governmental, agricultural and trade programs and policies, and national and international political and economic events. Changing crop prospects occasioned by unexpected weather or damage by insects and plant diseases make it difficult to forecast future supplies of agricultural commodities. Similarly, demand is also difficult to forecast due to such factors as variable world production patterns, expected purchases by or disruptions of trade with foreign countries and continued changes in domestic needs. Financial instrument futures prices are influenced primarily by changes in interest rates. Foreign currency futures prices are influenced by, among other things, changes in balances of payments and trade, domestic and international rates of inflation, international trade restrictions and currency devaluations and revaluations.

*Futures Trading Is Highly Leveraged*

The low margin deposits normally required in trading futures contracts result in a high degree of leverage. A relatively small price movement in an unfavourable direction in a futures contract could result in immediate and substantial losses to the investor. Like other leveraged investments, any purchase or sale of a futures contract may result in losses in excess of the amount invested in that contract. The Fund may lose more than its initial margin deposit on a trade.

*Short Selling*

The Fund will be permitted to enter into and maintain short positions in futures contracts. Short selling exposes the seller to unlimited risk due to the lack of an upper limit on the price to which a futures contract can rise.

*Trading on Foreign Commodity Exchanges*

The Fund may engage in trading on commodity exchanges outside Canada and the United States. Trading on such exchanges is not regulated by any Canadian or United States governmental agency and may involve

certain risks not applicable to trading on Canadian or United States exchanges. For example, some foreign exchanges, in contrast to Canadian and United States exchanges, are “principals’ markets” in which performance is the responsibility only of the individual member with whom the trader has entered into a futures contract. Moreover, such trading may be subject to whatever regulatory provisions are applicable to transactions effected outside Canada and the United States, whether on foreign exchanges or otherwise. Trading on foreign exchanges involves the additional risks of expropriation, burdensome or confiscatory taxation, moratoriums, and investment controls or political or diplomatic events which might adversely affect the Fund’s trading activities. Trading on foreign exchanges is also subject to the risk of changes in the exchange rate between the Canadian and United States dollar and the currencies in which contracts traded on such exchanges are settled. Some foreign futures exchanges require margin for open positions to be converted to the home currency of the contract. Additionally, some brokerage firms have imposed this requirement for all foreign futures markets traded, whether or not it is required by a particular exchange. Whenever margin is held in a foreign currency, the client is exposed to potential gains and losses if exchange rates fluctuate.

#### *Trading of Swaps*

Swap contracts are not traded on exchanges and are not subject to the same type of government regulations as exchange markets. As a result, many of the protections afforded to participants on organized exchanges and in a regulated environment are not available in connection with such transactions. The swap markets are “principals’ markets,” in which performance with respect to a swap contract is the responsibility only of the counterparty with which the participant has entered into a contract, and not of any exchange or clearinghouse. As a result, the Fund is subject to the risk of the inability or refusal to perform with respect to such contracts on the part of the counterparties with which the Fund trade. Any such failure or refusal, whether due to insolvency, bankruptcy, default, or other cause, could subject the Fund to substantial losses. There are no limitations on daily price movements in swap transactions. Speculative position limits are not applicable to swap transactions, although the counterparties with which the Fund deal may limit the size or duration of positions available to the Fund as a consequence of credit considerations. Participants in the swap markets are not required to make continuous markets in the swap contracts they trade. Participants could refuse to quote prices for swap contracts or quote prices with an unusually wide spread between the price at which they are prepared to buy and the price at which they are prepared to sell.

#### *Futures Trading May Be Illiquid*

Commodity exchanges limit fluctuations in certain futures contract prices during a single day by daily limits. Under such daily limits, during a single trading day no trades can be executed at prices beyond the daily limit. Once the price of a futures contract has increased or decreased by an amount equal to the daily limit, positions in that futures contract can be neither taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices occasionally have reached the daily limit for several consecutive days with little or no trading. Such market conditions could cause the Fund to be unable to liquidate its positions in the futures market.

#### *Speculative Position Limits*

The United States Commodities Futures Trading Commission (“CFTC”) and certain commodity exchanges have established “position limits” on the maximum long or net short position which any person or group of persons may own, hold, or control in particular futures contracts. The CFTC has jurisdiction to establish, or cause exchanges to establish, position limits with respect to all items traded on exchanges located in the United States and any exchange may impose additional limits on positions on that exchange. Such limits can affect the ability of the Fund to acquire certain positions which would otherwise be desirable for the Fund.

With certain exceptions, the CFTC requires that all positions established for a trader be aggregated for purposes of determining that trader’s compliance with applicable position limits. CFTC regulations provide, however, that positions will not be so aggregated where all trading decisions are made by “independent

account controllers” (as defined in CFTC regulations) and certain other tests are met. Several of the major futures exchanges have adopted rules that permit an application for an exemption from the speculative position limits established by those exchanges. There can be no assurance that the Fund will be able to obtain exemptive relief should they make an application therefor or that any such relief will not thereafter be modified or revoked.

Position limits may prevent the Fund from acquiring positions which might otherwise have been highly profitable. Any violation of speculative position limits would lead to mandatory liquidation of positions, possibly on unfavourable terms, and could result in adverse regulatory action against the Fund. Were the Portfolio Manager to violate applicable position limits in its own trading, mandatory liquidation of the Fund’s positions would also result and the Portfolio Manager could be subject to regulatory action restricting or prohibiting the Portfolio Manager from providing further services to the Fund. The Portfolio Manager monitors the Fund’s compliance with position limits in accordance with procedures the Portfolio Manager has established. No attempt, however, is made to make allocations on any basis which attempts to optimize the Fund’s overall prospects for profitability (i.e., by allotting more positions to the Fund which the Portfolio Manager believes will make the best use of such positions). Furthermore, any allocations of speculative limits by the Portfolio Manager may under certain circumstances impede the Fund’s ability to trade even though no such limits are, in fact, violated.

Whether or not the Fund obtains relief from being subject to speculative position limits, there is a possibility that the positions held by the Portfolio Manager and its principals could be aggregated either under the Commodity Exchange Act or applicable exchange regulations for purposes of determining compliance with speculative position limits. If the CFTC or an exchange or any other regulatory body were to aggregate all or a substantial portion of the accounts traded by the Portfolio Manager, it could have a materially adverse effect on the Fund.

Some exchanges no longer have speculative positions limits for certain futures contracts. In lieu of speculative positions limits, those exchanges have adopted “position accountability” requirements that, in general, require a person whose positions in a contract exceed a specified level to provide information to the exchange relating to such matters as the nature of the trading strategy that is being employed by or on behalf of that person. Although position accountability requirements do not place an absolute limit on the size of the futures positions that can be maintained by the Fund, the Fund could be ordered by an exchange to reduce the size of their positions in one or more contracts that are the subject of position accountability requirements. Any such reduction could be on terms that are not favourable to the Fund.

#### *Reliance on the Portfolio Manager*

The Portfolio Manager and its principals and affiliates have substantial prior experience in the investment and futures markets and in the evaluation and development of investment and futures products and investment strategies. However, the Portfolio Manager and its principals and affiliates are not required to devote substantially all their business time to the Fund’s business. See “Conflicts of Interest”. The Portfolio Manager makes all trading decisions on behalf of the Fund. Investors must rely on the judgment of the Portfolio Manager in interpreting the directions for trading in derivatives provided by the MLM Index™ and in implementing these trading directions.

#### *Limited Ability to Liquidate Investment in the Fund*

Units of the Fund are not transferable. See “Redemption of Units”.

#### *Conflicts of Interest*

Inherent and potential conflicts of interest exist in the nature and operation of the Fund’s business. See

“Conflicts of Interest”.

*Insolvency Risks*

The Commodity Exchange Act requires a clearing broker to segregate the funds received from customers from such broker’s proprietary funds. If a clearing broker were not, in fact, to do so to the full extent required by law, the assets of the Fund might not be fully protected in the event of the bankruptcy of such clearing broker. Furthermore, in the event of the bankruptcy of a clearing broker, the Fund could be limited to recovering only a *pro rata* share of all available funds segregated on behalf of such clearing broker’s combined customer accounts, even though certain property specifically traceable to the Fund (for example, treasury bills deposited by the Fund with the clearing broker as margin) was held by the clearing broker.

*Liability of Unitholders*

The Trust Agreement provides that no Unitholder of the Fund shall be subject to any liability whatsoever, in tort, contract or otherwise, to any person in connection with the Fund’s property or the obligations or the affairs of the Fund and all such persons shall look solely to the Fund’s property for satisfaction of claims of any nature arising out of or in connection therewith and the Fund’s property only shall be subject to levy or execution. The law relating to investment trusts such as the Fund is not certain. Consequently, there is a risk, although remote in the circumstances, that a Unitholder could be held personally liable, notwithstanding the foregoing statement in the Trust Agreement, for obligations of the Fund (to the extent that claims are not satisfied by the Fund). The Manager, the Portfolio Manager and the Clearing Broker will expressly disavow any liability on the part of the Unitholders. Unitholders should be aware, however, that due to the operations of the futures markets, there is a risk, that obligations incurred by the Portfolio Manager or the Clearing Broker on behalf of the Fund which the Clearing Broker or Portfolio Manager are incapable of satisfying may result in liability of the Fund and, failing that, liability of Unitholders. This risk is based on U.S. jurisprudence which has held that beneficiaries of a business trust who are given rights such that the beneficiaries are deemed to exert control over the assets of the trust will be considered to be acting as principals through the trustee as their agent. The Manager believes that the U.S. jurisprudence is unlikely to be applicable in Canada and, even if U.S. jurisprudence were applicable, the Unitholders do not have sufficient rights or powers in respect of the Fund to be considered to be exercising control thereof.

*Past Results Are No Assurance of Future Performance*

The Manager cautions prospective investors to take seriously the warning that **PAST RESULTS ARE NO ASSURANCE OF FUTURE PERFORMANCE**. The Manager believes that such past performance may be of interest to prospective investors, but encourages investors to look at such information more as a statement of the Fund’s objectives than as any indication that such objectives will, in fact, be achieved.

*Investors Do Not Have Full Protection of Mutual Fund Regulation*

The Fund is a mutual fund under securities legislation in certain provinces and territories of Canada, but certain provisions of securities legislation and policies of the Canadian Securities Administrators applicable to conventional mutual funds and designed to protect investors who purchase securities of mutual funds, do not apply. Investment in Units of the Fund is not insured by the Canada Deposit Insurance Corporation or under any other insurance program.

*Tax Changes Risk*

There can be no assurance that changes will not be made to the rules affecting the taxation of the Fund or the Fund's investments, or in the administration of such tax rules.

*Regulatory Risk*

Some industries are heavily regulated and may receive government funding. Investments in these sectors may be substantially affected by changes in government policy, such as deregulation or reduced government funding. The value of the Fund may rise and fall substantially.

**DISTRIBUTION POLICY**

The Fund is required by the terms of the Trust Agreement governing the Fund to pay its net income and sufficient capital gains to Unitholders in each year so that no income tax will be payable by the Fund.

Distributions of both capital gains and income by the Fund generally will be made by the end of each calendar year to Unitholders of record on the business day preceding the payment date. Management Fee Distributions may also be made to particular Unitholders for the purpose of reducing the management fees that would otherwise be payable by such Unitholders. All distributions by the Fund will, unless the Manager is otherwise directed in writing by a Unitholder, be automatically reinvested in additional Units of the Fund at the net asset value per Unit on the date of distribution.

Because no management fees will be attributable to the Class O Units and Class R Units and the amount of management fees paid by a Fund and attributable to the Class D Units, Class E Units, Class F Units, Class I Units and Class P Units will differ, the amount of net income and net capital gains that will be distributed will differ from class to class within a Fund.

Prospective purchasers of Units of the Fund should take into account that, to the extent that the Fund has not distributed income or gains, the value of the undistributed income or gains will generally be reflected in the net asset value per Unit.

If the aggregate amount of all distributions in respect of the year made by the Fund exceeds its net income and net realized capital gains, the excess will be considered to have been paid out of capital of the Fund. For income tax purposes, the net income and net realized capital gains of the Fund for a fiscal year will be allocated among the recipients of the annual distribution and occasional additional distributions in respect of the year *pro rata* to the amount distributed to each recipient.

**PURCHASES OF UNITS**

Class D Units and E Units are intended primarily for investment clients of qualified dealers who have entered into eligibility agreements with the Manager. Class F Units are intended primarily for investors who have fee-based accounts with dealers who have signed eligibility agreements with the Manager. Class I Units are intended primarily for corporate sponsored retirement and savings plans. Class O Units are intended primarily for sophisticated investors or clients of qualified registered dealers who have entered into purchase agreements or contracts with the Manager for management services. Class P Units are intended primarily for individual investors. Class R Units are intended primarily for corporate-sponsored retirement and savings plans in which corporate sponsors may agree to pay certain fees on behalf of investors and other investors who may participate at the Manager's discretion.

## **Investing in the Fund**

There are no sales commissions payable by investors to the Fund or the Manager on the purchase of Units of the Fund. Units of the Fund can be acquired by qualified investors through the Manager in each of the provinces of Canada and in the Yukon Territory. Units of the Fund may also be acquired through registered dealers who are duly registered to sell securities of mutual funds which are subject to National Instrument 81-104 *Commodity Pools* and with which the Manager has established distribution arrangements. The minimum subscription for an initial and subsequent investment in Class D Units, Class E Units, Class F Units, Class P Units and Class R Units is currently \$2,000 and \$1,000, respectively. The minimum subscription for Class I Units and Class O Units is \$150,000.

## **Subscriptions for Units**

In order to subscribe for Units of a Fund, an investor must complete, execute and date a subscription and deliver or mail it to the Manager, Suite 1600, 70 York Street, Toronto, Ontario M5J 1S9 or to an authorized broker or dealer. Subscriptions for Units of a Fund may be paid for by certified cheque or bank draft payable to the Trustee, or by such other form of payment as may be acceptable to the Manager.

The offering price of the Units is the net asset value per Unit calculated on the Valuation Day upon which the Manager has received both an investor's subscription and payment. If a subscription for Units and payment are received by the Manager by no later than 4:00 p.m., Toronto time, on a Valuation Day, the Units subscribed for will be priced at the net asset value per Unit on that Valuation Day. If a subscription is received by the Manager after that time, Units will be priced at the net asset value per Unit on the next Valuation Day. Units are priced in Canadian dollars.

Unitholders will receive confirmation of each transaction involving the purchase or sale of Units by that Unitholder. The notice will indicate the number and class of Units, the price per Unit and a summary of the Units held after giving effect to the transaction. Certificates representing Units will not be issued. Unitholders may receive written confirmation of the number and class of Units held by the Unitholder at any time upon written request to the Manager.

The Manager reserves the right to accept or reject subscriptions. A decision to reject a subscription will be made within one business day of receipt of the subscription and any monies received with that subscription will be refunded immediately. The Manager has the right at any time to reject subscriptions for failure to make timely payment. Under the National Instrument, if payment of the subscription price of the Units of the Fund has not been received on or before the third business day following the Valuation Day as of which the subscription price was determined, the Fund will be deemed to have received and accepted, on the next Valuation Day, an order for the redemption of such Units and the redemption amount shall be applied to reduce the subscription price owing. The Fund will be entitled to retain any excess, the dealer, if any, placing the order will be required to pay forthwith the amount of any deficiency and the investor who has failed to settle will be liable to reimburse the dealer or the Manager for such amount, together with costs and interest.

## **REDEMPTION OF UNITS**

A Unitholder of the Fund is entitled by giving written notice to the Manager to request redemption of all or any portion of Units of the Fund held by such Unitholder for a redemption price per Unit equal to the net asset value per Unit. Such notice must be received not later than 4:00 p.m., Toronto time, on the Valuation Day on which the Units are to be redeemed. The notice must be irrevocable and the signature thereon must be guaranteed by a Canadian chartered bank, a trust company or an investment dealer acceptable to the Manager. Payment of the redemption proceeds will be made within five trading days following the Valuation Day as of which the redemption of Units is effected. Payment of redeemed Units will be made by cheque, by bank draft

or electronically. Payment by cheque or bank draft will be made by first class mail to the last address of the redeeming Unitholder appearing on the register of Unitholders, unless other arrangements are made. There are no redemption fees or other charges payable by Unitholders to the Manager on the redemption of Units. However, a redemption penalty may be charged by the Manager and paid to the Fund in circumstances where Units are redeemed within 18 months of the date upon which such Units were purchased. The penalty is 1% of the net asset value of the Units being redeemed during the first 12 months and 0.5% of such net asset value during the next six months.

Under applicable securities regulations and policies, securities dealers which receive redemption requests are required to forward them on the day of receipt to the Manager by courier, priority post or telecommunications facility without charge to the investor. A dealer may make provision in arrangements that it has with an investor that will require the investor to compensate the dealer for any losses suffered by the dealer in connection with any failure of the investor to satisfy the requirements of the Fund or securities legislation for a redemption of Units of the Fund.

The Manager reserves the right to suspend the right of redemption or to postpone the date of payment upon redemption: (i) for any period during which normal trading is suspended in securities and derivatives which represent more than 50% by value or underlying market exposure of the total assets of the Fund; or (ii) with the consent of the Ontario Securities Commission. In case of suspension of the right of redemption, a holder of Units may either withdraw the redemption request or receive payment based on the net asset value per Unit next determined after the termination of the suspension. In such circumstances the Fund may effect payment of redeemed Units by allocating to the redeeming Unitholders a *pro rata* undivided portion of the Fund's assets and paying the net proceeds of disposition thereof to such Unitholders or, where permitted by applicable law, transferring specific assets to them. The redemption of Units may have tax implications for a Unitholder. See "Income Tax Considerations".

Payment of redeemed Units may be made by way of good delivery of portfolio securities provided that such portfolio securities are valued for purposes of the redemption price at an amount equal to the amount at which such portfolio securities were valued for the purpose of determining the net asset value of the Fund. In such event, the statement of portfolio transactions next prepared by the Fund will include a note describing the portfolio securities delivered and the value assigned to these portfolio securities.

Under the National Instrument, if all of the requirements of a Fund that must be complied with in respect of the payment of the redemption amount for redeemed Units have not been complied with on or before the tenth business day following the Valuation Day as of which the redemption amount was determined, the Fund will be deemed to have received and accepted, on such tenth business day, an order for the purchase of an equivalent number of Units and the redemption amount will be applied to reduce the subscription price of the Units so purchased. The Fund will be entitled to retain any excess, the dealer, if any, placing the order will be required to pay forthwith the amount of any deficiency and the investor who has failed to settle will be liable to reimburse the dealer for such amount, together with costs and interest. The redemption of Units may have tax implications for a Unitholder. See "Income Tax Considerations".

### **Reclassification and Transfers of Units**

Switching Units from one class of Units of the Fund to another class of Units of the Fund is called a reclassification. Upon a Unitholder's written request to the Manager, and with the consent of the Manager, the Units of the Fund held by the Unitholder may be reclassified into Units of another class of the Fund. Upon reclassification of Units from one class to another, the number of Units held will generally change since each class of Units has a different net asset value per Unit. In general, a reclassification of Units of one class of Units of the Fund to another class of Units of the Fund will not be considered a disposition for tax purposes. See "Income Tax Considerations".

The Units of the Fund are not transferable.

### **Short-Term Trading**

The Manager may refuse an investor's order to buy units or any future orders to buy Units if the investor trades excessively, which is explained below. If the Manager refuses an Investor's order to buy, the Manager will immediately return all the money the Manager received with the investor's order.

Mutual funds are generally considered long-term investments, so the Manager discourages investors from buying or redeeming Units frequently.

The Manager discourages investors from excessive short-term trading because it generates significant costs for the Fund. This can reduce the Fund's returns, which affects all Unitholders. As a result, the Manager may refuse an investor's order to buy Units if:

- the investor tries to buy Units of the Fund within 90 days of redeeming Units of the Fund; or
- the investor's order to buy would disrupt the efficient and cost-effective management of the Fund.

Whether an investor's trading is considered to be excessive will be determined by the Manager in its sole discretion.

The Manager may waive the redemption penalty charged by the Fund if the size of the trade is small enough or the short-term trade does not otherwise harm the investors in the Fund. The Fund does not have any arrangement, formal or informal, with any person or company to permit short-term trading.

### **DEALER COMPENSATION**

No sales commissions, service fees or sales incentives are payable by the Manager to securities brokers and investment dealers in respect of sales of Units of the Fund. The Manager may participate in cooperative marketing, education conferences or other promotional activities and may cancel or change any such programs at any time. The Manager may pay up to half the costs of the foregoing programs in accordance with securities regulations. The Manager may, where negotiated with a particular dealer on a case by case basis, pay trailing commissions on the Class I and Class P Units if the clients of that dealer have assets in the Fund amounting, in aggregate, to at least a specified amount through the calendar quarter. Trailing commissions could be up to a maximum of 0.5% and 1% per annum for Class I Units and Class P Units, respectively, and are calculated based upon the average net asset value of the Units of the Fund held in the accounts of clients of a participating dealer during a particular calendar quarter. Trailing commissions can vary according to the minimum amount of assets held during the quarter by clients of such dealer. To date, the Manager has paid trailing commissions aggregating approximately \$17,973.21 in respect of the Fund in the financial year ended December 31, 2010.

The Manager may provide certain marketing and support programs to assist dealers in business promotional activities relating to the sale of Units of the Fund, all in accordance with securities regulations. The Manager may provide research and marketing materials, including brochures, reports or commentaries; and may pay permitted marketing expenses of dealers held on a cooperative basis or certain expenses of dealers in holding educational conferences for sales representatives, all in accordance with securities regulations.

### **DEALER COMPENSATION FROM MANAGEMENT FEES**

The Manager paid to participating dealers trailing commissions (being the only commissions payable) and for marketing educational activity and fund promotion, an amount aggregating approximately \$17,973.21 in the

calendar year 2010, which equals approximately 0.04% of the total management fees received by the Manager of the Fund during the financial year ended December 31, 2010.

## INCOME TAX CONSIDERATIONS

The following is a summary of the principal Canadian federal income tax considerations applicable to an investor who is an individual (other than a trust) who for the purposes of the Tax Act, is resident in Canada, holds Units of the Fund as capital property, deals with the Fund at arm's length and is not affiliated with the Fund. Generally, Units will be capital property unless the investor is considered to be trading or dealing in securities or has acquired the Units in a transaction considered to be an adventure in the nature of trade.

This summary is of a general nature only and is not exhaustive of all possible income tax considerations. This summary is based on the current provisions of the Tax Act, the regulations thereunder, the proposals for specific amendments thereto that have been publicly announced by the Minister of Finance (Canada) prior to the date hereof (the "Tax Proposals") and counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency ("CRA"). Modification or amendments of the Tax Act or the regulations thereunder or of the Tax Proposals or published administrative positions of CRA could significantly alter the tax status of the Fund or the tax consequences of investing in Units. This summary does not consider the laws of any province or territory or any foreign jurisdiction and, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action. Investors are advised to consult their own tax advisors about their particular tax situations.

### **Status of the Fund**

The Fund currently qualifies and is expected to continue to qualify as a "mutual fund trust", as defined under the Tax Act, at all material times. This summary is based on the assumption that the Fund is and will continue to qualify as a "mutual fund trust" at all material times. If the Fund was not to so qualify, the income tax considerations as described below would, in some respects, be materially different.

The Units are currently qualified investments for trusts governed by RRSPs, RRIFs, RESPs, DPSPs, RDSPs AND TFSA's.

### **Taxation of the Fund**

The Fund will not be liable for income tax under Part I of the Tax Act in respect of its income and net realized capital gains for a taxation year to the extent that it distributes such income and net realized capital gains to its Unitholders. Under the Trust Agreement, the net income for tax purposes including net taxable capital gains of the Fund are to be paid or payable to the Unitholders of the Fund in respect of each taxation year, to the extent necessary to reduce the Fund's net income tax liability under Part I of the Tax Act to nil. This summary is based on the assumption that the Fund will make distributions (including Management Fee Distributions) as described under "Distribution Policy" to so comply. Further, under the Trust Agreement, the Fund is required to make the appropriate designations in its tax return so that taxable capital gains, dividends from taxable Canadian corporations and foreign source income will generally retain their character and be taxed in the hands of Unitholders as described below.

Based on the foregoing (i) the Fund will not be liable to pay net income tax under the Tax Act on its net income and net realized capital gains; (ii) whether or not distributions from the Fund are reinvested in additional Units, net taxable capital gains and dividends from taxable Canadian Corporations (including "eligible dividends") paid or payable to Unitholders will generally be taxable as if such income had been received by them directly, and (iii) other net income paid or payable to Unitholders will be included in their income as income from a trust whether distributed in cash or reinvested in Units. If the Fund derives income or gains

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

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

If allowable capital losses of the Fund exceed taxable capital gains in any taxation year, the excess may not be allocated to Unitholders but may be deducted by the Fund from taxable capital gains in future taxation years. If the Fund has a non-capital loss in any taxation year, the loss may not be allocated to Unitholders but may be deducted by the Fund from income and taxable capital gains in up to 20 future taxation years. In certain circumstances a capital loss realized by the Fund may be suspended under the "suspended loss" rules in the Tax Act and may not be available to reduce the amount of net realized capital gains of the Fund payable to Unitholders.

Generally, gains and losses realized by the Fund from the investment in futures contracts and other derivatives will be treated as being on income account and not as capital gains or capital losses. As a result, gains from these investments will be distributed as income rather than capital gains.

The Fund is required to compute its income and capital gains in Canadian dollars for the purposes of the Tax Act and may, as a consequence, realize foreign exchange gains or losses by virtue of changes in the value of other currencies relative to the Canadian dollar.

A Fund may be subject to the "offshore investment fund property rules" in section 94.1 of the Tax Act (as modified by Tax Proposals released on August 27, 2010) if it holds or has an interest in "offshore investment fund property". In order for section 94.1 of the Tax Act to apply to the Fund, the value of the interests in such property must reasonably be considered to be derived, directly or indirectly, primarily from portfolio investments of the offshore investment fund property. If applicable, these rules can result in the Fund including an amount in its income based on the cost of the Fund's offshore investment fund property multiplied by a prescribed interest rate. These rules would apply in a taxation year to the Fund if it could reasonably be concluded, having regard to all the circumstances, that one of the main reasons for the Fund acquiring, holding or having the interest in the offshore investment fund property, was to benefit from the portfolio investments of the entity in such a manner that the taxes on the income, profits and gains therefrom for any particular year were significantly less than the tax that would have been applicable if such income, profits and gains had been earned directly by the Fund.

The higher the Fund's portfolio turnover rate in a year, the greater the chance the Fund will generate gains or losses in the year.

## **Taxation of Unitholders**

### *Distributions*

Income and taxable capital gains paid or payable to a Unitholder will be included in the income of that Unitholder (whether or not these amounts are reinvested in Units of the Fund). The non-taxable portion of the

Fund's net realized capital gains that is paid or payable to a Unitholder will not be included in the Unitholder's income. Amounts paid or payable to Unitholders that exceed the net income and net capital gains of the Fund for a taxation year will generally be treated as a return of capital and generally will not be included in the income of the Unitholders but will reduce the adjusted cost base of the Units held. 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 of the Unit will be increased by the amount of such deemed capital gain.

Provided that appropriate designations are made by the Fund, such portion of the net taxable capital gains, dividends from taxable Canadian corporations, and foreign source income of the Fund that is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules will apply, including the enhanced gross-up and tax credit for eligible dividends.

#### *Redeeming Units*

Upon the redemption or other disposition of Units not held in a Registered Plan, a capital gain (or a capital loss) will generally be realized by the Unitholder to the extent that the proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base to the Unitholder of the Units and any costs of disposition. If Units of the Fund are held in a Registered Plan, no tax will be payable on capital gains realized on the redemption or exchange provided the proceeds remain in the Registered Plan.

#### *Reclassification of Units of the Fund*

In general, the reclassification of Units of a class of the Fund as Units of another class of the Fund will not be considered a disposition for tax purposes and, accordingly, the Unitholder will realize neither a gain nor a loss as a result of the reclassification.

#### *Adjusted Cost Base of Units*

In general, the adjusted cost base of a Unit of the Fund at a particular time is determined by dividing the total of: (i) the amount the Unitholder paid for the Units; plus (ii) any reinvested distributions (including management fee distributions); minus (iii) any distributions that were a return of capital; and minus (iv) the adjusted cost base of redeemed Units, by the number of Units of the Fund owned by the Unitholder at the particular time. The cost to a Unitholder of Units received on the reinvestment of distributions will be the amount reinvested.

Unitholders should keep detailed records of the purchase cost of their Units and distributions received so that the Unitholder can calculate the adjusted cost base of Units of the Fund.

#### *Taxation of Capital Gains/Losses*

One-half of any capital gain will be a taxable capital gain which is included in computing income. One-half of any capital loss will be an allowable capital loss which may normally be deducted in computing income for the year of disposition to the extent of taxable capital gains realized in that year. Allowable capital losses for a taxation year in excess of taxable capital gains realized in the year may generally be carried back and deducted in computing taxable income in any of the three preceding or all future years to the extent and in the circumstances prescribed in the Tax Act.

#### *Management Fees Paid Directly to the Manager*

Unitholders holding Class O Units and Class R Units and Corporate sponsors who pay management fees on behalf of a Unitholder should consult their own tax advisors with respect to the deductibility of management fees paid outside the Fund to the Manager and, if applicable in their particular circumstances, the tax treatment of management fees paid on their behalf.

#### *Tax Information*

Each Unitholder will be provided with the necessary information in respect of the Unitholder's investment in the Fund during a year, including the amount and type of income distributed, the amount of capital that was returned, if any, and the amount of any dividend tax credit or foreign tax credit available to such Unitholder, to enable him or her to complete his or her income tax return in respect of that year.

#### *Alternative Minimum Tax*

Individuals and certain trusts and estates may be subject to alternative minimum tax under the Tax Act. In general, distributions designated as taxable dividends and net realized capital gains paid or payable to Unitholders by the Fund or realized on a disposition of Units may increase the Unitholder's liability for such tax.

#### **Taxation of Registered Plans**

Provided that the Fund is a "mutual fund trust" and is maintained at all material times as a "mutual fund trust" within the meaning of the Tax Act, the Units of the Fund will be qualified investments for Registered Plans. The Fund is and is expected to continue to qualify as a "mutual fund trust" for purposes of the Tax Act and as such, Units of the Fund are "qualified investments" for Registered Plans. Notwithstanding that Units of the Fund are qualified investments for a TFSA, a Unitholder will be subject to a penalty tax if the Units held in a TFSA are a "prohibited investment" under the Tax Act. The Units of the Fund will generally not be a "prohibited investment" unless the holder of the TFSA does not deal at "arm's length" with the Fund or the holder has a "significant interest" (within the meaning of the Tax Act) in the Fund or in a corporation, partnership, or trust that does not deal with the Fund at arm's length for the purposes of the Tax Act. Tax Proposals contain similar rules with respect to annuitants of RRSPs and RRIFs.

Payments by a corporate sponsor of management fees for Class R Units held by an RRSP may have tax implications for the annuitant of the RRSP.

In general, the amount of a distribution by the Fund to a Registered Plan will not be taxable under the Tax Act.

Investors are responsible for determining the income tax consequences to them of acquiring Units of the Fund through a Registered Plan and neither the Fund nor the Manager assumes any liability to such persons as a result of making the Units of the Fund available for investment.

**If an investor chooses to purchase Units of the Fund through a Registered Plan, the investor should consult his or her own professional advisor regarding the tax treatment of contributions to, withdrawals from and acquisitions of property by such a Registered Plan.**

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

The net asset value at which Units of the Fund may have been acquired by a Unitholder will reflect any accrued but unrealized gains in respect of the assets of the Fund, realized but undistributed capital gains, and any income that has been earned by the Fund but not yet realized or distributed at the time the Units are acquired. When gains and income are distributed to the Unitholder, these amounts will be included in the

computation of the Unitholder's income as described above even though the Fund earned those amounts before the Unitholder acquired the Units. As the amount of such accrued income and gains will typically increase during the year, this issue will typically be more significant the later in the year the investor acquires Units. If these distributions are reinvested in additional Units of the Fund, the amount of such distributions will be added to the Unitholder's adjusted cost base of the Units.

## **ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND**

### **Manager of the Fund**

SEI Investments Canada Company was established in 1993 and has its head office at Suite 1600, 70 York Street, Toronto, Ontario M5J 1S9. In addition to managing multi-manager funds, the firm offers comprehensive investment management, strategic advice, and business solutions to large institutional clients, including pension plan sponsors, endowments, foundations, and unions. SEI Investments Canada Company is an indirect wholly-owned subsidiary of SEI Investments Company, a leading global provider of outsourced asset management, investment processing and investment operations solutions. Headquartered in Oaks, Pennsylvania, U.S.A., SEI Investment Company's innovative solutions have helped corporations, financial institutions, financial advisors, and affluent families create and manage wealth since 1968. As of March 31, 2011, through its subsidiaries and partnerships in which the company has a significant interest, SEI Investments Company administers US\$429 billion in mutual fund and pooled assets and manages US\$179 billion in assets. SEI Investments Company serves clients, conducts or is registered to conduct business and/or operations from numerous offices worldwide. SEI Investments Company supports its global operations with a team of over 100 investment professionals who are dedicated to evaluating more than 2000 manager firms worldwide. Apart from its head office in Toronto, SEI Investments Canada Company, the Manager, also has an office in Montréal. For more information, visit [www.seic.com](http://www.seic.com).

### **Duties and Services to be Provided by the Manager**

Under the Trust Agreement, the Manager is the manager of the Fund with full authority and responsibility to perform and carry out all of the duties and functions required or contemplated by the Trust Agreement to be performed and carried out by the Manager. In the performance of its responsibilities, the Manager is required, among other things, to serve as or supervise the investments and portfolio manager of the Fund, manage or supervise the management of the investment portfolio of the Fund, provide or cause to be provided research to the Fund, administer or cause to be administered the day-to-day business and affairs of the Fund, including in relation to valuation services, accounting and Unitholder records, and provide or cause to be provided to the Fund office facilities and personnel. In exercising the powers granted to it, the Manager is required to act in the best interests of the Fund and, in connection therewith, to exercise the degree of care, diligence and skill of a reasonably prudent manager in the circumstances.

### **Details of the Trust Agreement**

The Manager may resign as manager of the Fund at any time upon not less than 90 days' written notice to the Trustee. If the Manager resigns, or upon the bankruptcy or insolvency of the Manager, the Trust Agreement will terminate unless within 90 days the Manager appoints a new manager of the Fund. If the Manager resigns, it is obliged to appoint a successor manager for the Fund and, unless the successor is an affiliate of the Manager, the appointment must be approved by the Unitholders of the Fund (see "Unitholder Matters - Meetings of Unitholders").

The Manager and each officer, employee or agent of the Manager shall at all times be indemnified and saved harmless by the Fund from and against all claims whatsoever, including costs, charges and expenses in connection therewith, brought against it in relation to the execution of its duties as Manager and also from and

against all other costs, charges, and expenses it may sustain or incur in or about or in relation to the affairs of the Fund. The Manager and each officer, employee or agent of the Manager will not be liable to the Fund for any loss or damage relating to any matter regarding the Fund, including any loss or diminution in the net asset value of the Fund provided that the Manager will not be protected against any liability to the Fund and its Unitholders in any circumstance where there has been a failure by the Manager to satisfy the standard of care set forth in the Trust Agreement or there is a misrepresentation contained herein.

### Officers and Directors of the Manager

The following table sets forth certain information regarding the directors and executive officers of the Manager:

<u>Name and Municipality of Residence</u>	<u>Position(s) Held</u>	<u>Principal Occupation</u>	<u>Director Since</u>
Edward D. Loughlin Newtown Square, Pennsylvania	Director	Executive Vice President, SEI Investments Company	2000
Joseph P. Ujobai London, England	Director and President	Executive Vice President, SEI Investments Company	2006
Dennis J. McGonigle Chester Springs, Pennsylvania	Director	Executive Vice President and Chief Financial Officer, SEI Investments Company	2006
N. Jeffrey Klauder Lower Gwynedd, Pennsylvania	Director and Secretary	Executive Vice President and General Counsel, SEI Investments Company	2006
Roy P. Borzellino Woodbridge, Ontario	General Manager	General Manager, SEI Investments Canada Company	N/A

Each of the foregoing individuals has been engaged in the principal occupation indicated above (or a similar position with the same employer) for more than five years. The Manager is an indirect wholly-owned subsidiary of SEI Investments Company.

The Fund pays no remuneration to the directors and officers of the Manager.

### Portfolio Manager

The Manager has retained Mount Lucas Management LP (the "Portfolio Manager") to serve as portfolio manager, with responsibility to manage the investment portfolio of the Fund. The Portfolio Manager is a Delaware corporation established in 1986 and is owned by its employees. The principal office of the Portfolio Manager is located at 47 Hulfish Street, Princeton, New Jersey 08542, U.S.A. Since its inception, the Portfolio Manager has provided alternative asset investments to clients. The Portfolio Manager's principals created and oversee three proprietary investment vehicles, including the MLM Index™, a price-based futures index, which is a widely recognized benchmark for evaluating managed futures performance.

The Fund invests in a manner intended to achieve a return similar to the MLM Index™. The MLM Index™ was designed by Mr. Tim Rudderow in 1988, and is based on a computer algorithm. Mr. Tim Rudderow, President

of the Portfolio Manager since 1998, is the senior portfolio manager responsible for the management of the Fund. The components of the strategy are reviewed each December by the Investment Committee of the Portfolio Manager chaired by Mr. Tim Rudderow. The Portfolio Manager must follow the policies and restrictions set by the Manager for the Fund. The Manager does not direct the individual investment selections for the Portfolio Manager. The Manager may change the Portfolio Manager, or the amount of assets allocated to the Portfolio Manager, from time to time, without Unitholder approval and without notification to Unitholders of the Fund.

The Portfolio Manager is registered as a commodity trading manager under the *Commodity Futures Act* (Ontario), as an adviser under the *Securities Act* (Ontario) in a category that does not require that the Portfolio Manager comply with the same requirements that a portfolio manager that is so registered would be subject to, such as those concerning proficiency, capital, insurance and other matters, as a commodity trading adviser and a commodity pool operator with the United States Commodity Futures Trading Commission, as a registered investment adviser under the *Investment Advisers Act* (United States) and as a commodity trading advisor and commodity pool operator under the *Commodities Exchange Act* (United States). The Portfolio Manager is located outside of Canada, which may make it difficult to enforce any legal rights against the Portfolio Manager because all or a substantial portion of its assets are situated outside Canada.

### **Details of the Portfolio Management Agreement**

Pursuant to an agreement (the "Portfolio Management Agreement") dated as of October 1, 1999, the Manager has appointed the Portfolio Manager to serve as portfolio manager, with responsibility to manage the investment portfolio of the Fund. The Portfolio Management Agreement will continue in effect until terminated in one of the following manners: (a) by either party effective as of any anniversary of the agreement, provided that one party has given the other party at least six months' prior written notice of such termination; (b) by the Portfolio Manager, on 30 days' prior written notice to the Manager, with respect to the Fund if the assets of the Fund are less than US\$1,000,000; and (c) immediately by the Manager, if the Portfolio Manager ceases to maintain certain prescribed registrations. The Portfolio Manager has no liability to the Manager under the Portfolio Management Agreement for any action taken or not taken except for any loss arising from its gross negligence or willful misconduct. The Portfolio Manager indemnifies the Manager in respect of costs incurred by reason of the Portfolio Manager's gross negligence or willful misconduct and the Manager generally indemnifies the Portfolio Manager, its officers, employees and agents in all other events.

### **Brokerage Arrangements**

The Fund currently has no soft dollar arrangements in place.

### **Conflicts of Interest**

The Manager, the Portfolio Manager and their respective principals and affiliates do not devote their time exclusively to the management of the Fund. In addition, such persons perform similar or different services for others and may sponsor or establish other investment funds (public and private) during the same period that they act on behalf of the Fund. Such persons therefore will have conflicts of interest in allocating management time, services and functions to the Fund and the other persons for which they provide services.

The Manager, the Portfolio Manager and their respective principals and affiliates may trade and make investments for their own accounts, and such persons currently trade and manage and will continue to trade and manage accounts other than the Fund's accounts utilizing trading and investment strategies which are the same or different from the ones to be utilized in making trading decisions for the Fund. In addition, in proprietary trading and investment, the Manager, the Portfolio Manager and their respective principals and affiliates may take positions the same as, different than or opposite to those of the Fund. Furthermore, all of the

positions held by accounts owned, managed or controlled by the Portfolio Manager will be aggregated for purposes of applying certain exchange position limits. As a result, the Fund might not be able to enter into or maintain certain positions if such positions, when added to the positions already held by the Fund and such other accounts, would exceed the applicable limits. All of such trading and investment activities may also increase the level of competition experienced with respect to priorities of order entry and allocations of executed trades. See "Risk Factors".

In evaluating these conflicts of interest, potential investors should be aware that the Manager has a responsibility to the Unitholders to exercise good faith and fairness in all dealings affecting the Fund. In the event that a Unitholder believes that the Manager has violated its duty to the Unitholders, it may seek legal relief for itself or on behalf of the Fund to recover damages from or require an accounting by the Manager. Unitholders should be aware that the performance by the Manager of its responsibilities to the Fund will be measured by the terms of the Trust Agreement and applicable law.

### **Independent Review Committee**

In accordance with the requirements of NI 81-107, the Manager has appointed a three-member IRC to deal with the matters applicable to such a committee as set out in NI 81-107. The IRC reviews and provides input on the Manager's written policies and procedures for dealing with matters that involve some element of potential conflict of interest, at such time, if any, that such matters may arise. NI 81-107 confirms that such matters are required to achieve a result that is fair and reasonable for the Fund. The IRC will be notified of any such matter that may arise and will provide the Manager with the IRC's recommendations or approval, pursuant to the terms of NI 81-107. The IRC commenced operation by November 1, 2007, in accordance with NI 81-107.

Each member of the IRC is independent of the Manager. The IRC will prepare, at least annually, a report for Unitholders of its activities. This report will be available on the Manager's website at [www.seic.com](http://www.seic.com), or at the Unitholder's request at no cost, by contacting the Manager at 1-800-567-1565 or 416-777-9700 or [infocanada@seic.com](mailto:infocanada@seic.com).

The Fund's IRC is composed of the following members: George J. Sullivan, Jr., Peabody, Massachusetts; Christopher J. Davis, Plymouth Meeting, Pennsylvania; and James W. Jennings, Radnor, Pennsylvania.

The following is the mandate of the IRC, as required under NI 81-107:

- to review a conflict of interest matter, referred to it by the Manager, and make recommendations to the Manager regarding whether the proposed action of the Manager in respect of the conflict of interest matter achieves a fair and reasonable result for the Fund;
- to consider and approve, if deemed appropriate, the Manager's proposed action on a conflict of interest matter that the Manager refers to the IRC for approval; and
- to perform such other duties, recommendations and approvals as may be required of the IRC under applicable securities laws.

Each IRC member is entitled to an annual retainer fee of US\$10,000 and US\$2,000 for each meeting of the IRC that the member attends, plus expenses for each meeting. These fees were allocated among the funds managed by the Manager in a manner that was fair and reasonable. The Fund and other mutual funds managed by the Manager collectively pay the fees and expenses of the IRC. The proportionate amount of the fees and expenses of the IRC paid by the Fund for the calendar year ended December 31, 2010 was approximately US \$1,755.95.

### **Trustee**

CIBC Mellon Trust Company, (the "Trustee"), Toronto, Ontario, is currently the trustee of the Fund under the

Trust Agreement. The Trustee is a trust company incorporated under the laws of Canada. Pursuant to the Trust Agreement, the Trustee is responsible for keeping records of the assets of the Fund and to cause the custodianship of the assets of the Fund to be held by the custodian for the Fund. The Trustee may resign by giving 90 days' notice to the Manager. The Manager may remove the Trustee by giving 90 days' notice to the Trustee, provided a successor trustee is appointed or the relevant Fund is terminated.

### **Custodian**

The Canadian Imperial Bank of Commerce, Toronto, Ontario, is the custodian of the portfolio assets of the Fund. The assets of the Fund are held under the custodianship of the Custodian. The responsibilities of the Custodian are further set out in the Trust Agreement. The principal custodian has a qualified foreign sub-custodian in each jurisdiction in which the Fund has assets, which will provide its services pursuant to the terms of a sub-custodian agreement entered into with the Custodian.

### **Clearing Broker**

The Portfolio Manager is responsible for making the brokerage arrangements for the Fund and has engaged Newedge Canada Inc., Montréal, Québec as the clearing broker to act on its behalf for the Fund.

### **Auditors**

The auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Accountants, Licensed Public Accountants, Suite 3000, Royal Trust Tower, Toronto-Dominion Centre, Toronto, Ontario M5K 1G8.

### **Registrar**

International Financial Data Services (Canada) Limited, Toronto, Ontario, is the registrar of the Fund.

### **Other Service Providers**

The Trustee of the Fund provides fund accounting services.

## **CALCULATION OF NET ASSET VALUE**

There is a separate net asset value per Unit for each class of Units of the Fund. The net asset value per Unit of each class of the Fund is determined by the Trustee at 4:00 p.m., Toronto time on each day on which the Toronto Stock Exchange is open for business (each of such days is called a "Valuation Day"). The net asset value of a Fund is the aggregate value of its assets minus the aggregate value of its liabilities. The net asset value per Unit of each class of the Fund is calculated by dividing the portion of the net asset value of the Fund represented by the Units of such class on the relevant Valuation Day by the total number of Units of such class of the Fund outstanding immediately preceding the determination of such net asset value.

For the purposes of calculating the net asset value per Unit of any class, any management fees payable by the Fund in respect of such class are deemed to be liabilities attributable only to the portion of the net asset value of the Fund represented by the Units of such class. See "Fees and Expenses - Class and Fund Expenses". All references to net asset value per Unit in this prospectus mean the net asset value per Unit of a particular class.

### Valuation Policies and Procedures of the Fund

The net asset value of the Fund is computed by the Trustee on each Valuation Day by subtracting the aggregate value of the liabilities of the Fund from the aggregate value of the assets of the Fund. The net asset value of the Fund is calculated in such manner as the Trustee and the Manager determine from time to time provided that the value of the assets of the Fund shall be determined in accordance with the following:

- (1) the value of any cash on hand, on deposit or on call, bills, demand note and accounts receivable, prepaid expenses, cash dividends and interest accrued and not yet received, shall be deemed to be the full amount thereof unless the Trustee has determined that any such deposit, bill, demand note or account receivable is not worth the full 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;
- (2) all open securities or futures contracts positions will be valued at their market value on the applicable Valuation Day which means with respect to open futures contracts positions, the settlement price for that particular futures interest position as determined by the exchange on which the transaction is effected on the applicable Valuation Day; provided, that if a market quotation is not available for any particular futures interest position, the value thereof will be deemed to be such value as the Trustee determines to be the fair value thereof;
- (3) the value of any security which is listed on a stock exchange shall be the last available sale price at 4:00 p.m., Toronto time, on the Valuation Day of such security on such stock exchange or, if there is no such sale price, the average of the closing bid and the closing asked price on that day of such security on such stock exchange, all as reported by any report in common use or authorized as official by such stock exchange;
- (4) the value of any security which is traded on an over-the-counter market shall be the last available sale price at 4:00 p.m., Toronto time, on the Valuation Day of such security on such over-the-counter market or, if there is no sale price, the average of the closing bid and the closing asked price on that day of such security on such stock exchange, all as reported by any report in common use or authorized as official by such stock exchange;
- (5) the value of any security which is traded on an over-the-counter market shall be the last available sale price at 4:00 p.m., Toronto time, on the Valuation Day of such security on such over-the-counter market or, if there is no sale price, the average of the closing bid and the closing asked price on that day of such security on such over-the-counter market, all as reported by the financial press;
- (6) the value of any futures contract will be the market value thereof and any difference resulting from a change in the market value will be treated as an unrealized gain or loss on the investment; and
- (7) the value of any other investment or asset for which a market quotation is not readily available or to which, in the opinion of the Trustee or the Manager, the above principles cannot be applied will be the fair value thereof determined in such manner as the Trustee and the Manager from time to time determine; provided that
- (8) for the purposes of paragraphs (3) and (4), if on any Valuation Date a stock exchange or over-the-counter market is closed for business, the value of any security which is listed or traded solely on that exchange or over-the-counter market shall be its value on such exchange or over-the-counter market at the close of business on the immediately preceding day upon which such exchange or over-the-counter market was open for business;

and provided that, notwithstanding the foregoing:

- (9) the value of any asset will be determined in accordance with applicable securities legislation;
- (10) the Trustee or its agent may employ one or more independent pricing services to assist with the valuation of the assets of the Fund and all values assigned to the assets of the Fund by the Trustee, its agent or such independent pricing services employed by the Trustee shall be final; and
- (11) all liquid assets and securities of the Fund valued in terms of foreign currency, funds on deposit and contractual obligations payable to the Fund in foreign currency will be translated into Canadian currency at the exchange rate as quoted on the Valuation Date by customary banking sources selected by the Trustee, which may include its affiliates.

The above principles are used to calculate the net asset value of the Fund for all purposes, other than for financial statements. Pursuant to National Instrument 81-106 - *Investment Fund Continuous Disclosure*, the Fund is required to calculate the net assets per Unit for the purposes of the financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The valuation principles and practices established by the Manager differ from Canadian GAAP with respect to fair valuation of listed securities. Under Canadian GAAP, financial instruments that are quoted in active markets shall be measured based on the bid price for long positions and the ask price for short positions while under the Manager's valuation principles such securities shall be valued using the last sale price, if available. As a result, the net assets per Unit presented in the financial statements may differ from the net asset value per Unit for the purpose of redemption and purchase of Units of the Fund.

The liabilities of the Fund for the purposes of calculating the net asset value of the Fund are equal to the book value thereof. In addition,

- (1) interest, if any, will be accrued daily;
- (2) fees and expenses will be accrued daily even if, in certain cases, paid on a less frequent basis; and
- (3) the amount of any distribution will be a liability of the Fund from the day upon which the distribution is declared to the day upon which such distribution is paid.

### **Reporting of Net Asset Value**

The net asset value per Unit of each class of the Fund is determined by the Trustee each Valuation Day on which Units of the Fund are to be purchased or redeemed and promptly supplied in writing to any Unitholder, at no cost, after a request in writing to such effect from such Unitholder.

The Manager will provide notice to the Unitholders of the Fund within seven business days from the date of any decline in the net asset value per Unit of any class of the Fund to less than either:

- (1) 50% of the net asset value per Unit of such class at the beginning of the year; or
- (2) 50% of the net asset value per Unit on the last Valuation Day.

## ATTRIBUTES OF UNITS

### Description of the Units Distributed

The Fund is authorized to issue an unlimited number of Class D Units, Class E Units, Class F Units, Class I Units, Class O Units, Class P Units, Class R Units, Class S Units and Class T Units and such other classes as may be designated by the Manager. Class S Units and Class T Units are offered by private placement to accredited investors pursuant to prospectus exemptions. Each Unit of the Fund is entitled to one vote at any meeting of Unitholders of the Fund. Meetings of one or more classes of Units may be held where an approval or consent for a proposed change affects such class or classes. Units of one or more classes of the Fund will vote separately at a meeting if the Manager determines that such class or classes would be affected by a matter to be voted upon in a manner materially different from Unitholders of the Fund as a whole. Holders of Units of each class of the Fund are entitled to participate equally in the distributions payable by the Fund to such class except for Management Fee Distributions made for the purpose of reducing the management fees that would otherwise be payable by particular Unitholders (see "Distribution Policy"). Each Unit of the Fund is entitled on liquidation of the Fund, after satisfaction of outstanding liabilities and a distribution (to equalize the net asset value per Unit of each class of Units of the Fund), to participate equally in the remaining net assets of the Fund. Unitholders of the Fund are entitled to require the Fund to redeem their Units as described under "Redemption of Units".

Fractions of Units may be issued. Fractional Units shall not, except to the extent that they may represent in the aggregate one or more whole Units, entitle the holders thereof to notice of, or to attend or to vote at, meetings of Unitholders of the Fund. Subject to the foregoing, a fractional Unit of any class has attached thereto the rights, restrictions, conditions and limitations attaching to a whole Unit of such class in the proportion that the fractional Unit bears to a whole Unit.

A Unitholder will receive confirmation of each transaction involving the purchase or sale of Units by that Unitholder. Such notice will indicate the number and class of Units and the price per Unit and a summary of the Units held after giving effect to the transaction. Certificates representing Units will not be issued, but a Unitholder may receive written confirmation of the number and class of Units held by that Unitholder at any time upon written request to the Manager.

## UNITHOLDER MATTERS

### Meetings of Unitholders

Meetings of the Unitholders of the Fund will be held if called by the Manager or the Trustee or upon the written request to the Manager or the Trustee of Unitholders holding not less than 25% of the then outstanding Units. Approval of the Unitholders of the Fund will be deemed to be given if expressed by resolution passed at a meeting of the Unitholders of the Fund, duly called on at least 21 days' notice and held for the purpose of considering the same, by at least a majority of the votes cast.

### Matters Requiring Unitholder Approval

The Trust Agreement may be amended as it applies to the Fund or to a particular class or classes of Units of the Fund by the Manager, with the consent of the Unitholders and the trustee of the Fund in certain circumstances. These circumstances are a material change in the Trust Agreement, a change that requires Unitholder consent under the Trust Agreement or a change required by the National Instrument to be approved by Unitholders. The National Instrument requires prior approval of Unitholders before: (i) the basis of the calculation of a fee or expense that is charged to the Fund is changed in a way that could result in an increase in charges to the

Fund or Unitholders; (ii) a new fee or expense that is charged to the Fund, or directly to Unitholders by the Fund or the Manager in connection with the holding of Units of the Fund, that could result in an increase in charges to the Fund or Unitholders, is introduced; (iii) the manager of the Fund is changed, unless the new manager is an affiliate of the Manager; (iv) the fundamental investment objectives of the Fund are changed; (v) the Fund decreases the frequency of the calculation of its net asset value per Unit; (vi) the Fund undertakes a reorganization with, or transfers its assets to, another mutual fund, if the Fund ceases to continue after the reorganization or transfer of assets and the transaction results in the Unitholders of the Fund becoming securityholders in the other mutual fund; or (vii) the Fund undertakes a reorganization with, or acquires assets from, another mutual fund, if the Fund continues after the reorganization or acquisition of assets, the transaction results in the securityholders of the other mutual fund becoming Unitholders in the Fund, and the transaction would be a significant change to the Fund. Approval of Unitholders is not required to amend the Trust Agreement if the amendment does not adversely affect the pecuniary value of the interest of any Unitholder in a Fund or restrict any protection of the trustee of the Fund or increase its responsibilities. In addition, approval of Unitholders is not required with respect to paragraph (i) or (ii) of the matters included in the National Instrument if (a) the Fund is at arm's length to the person or company charging the fee or expense that is to have its basis of calculation changed and if Unitholders are sent a notice at least 60 days before the effective date of a change that could result in an increase in charges to the Fund, or (b) the Fund is permitted by the National Instrument to be described as a "no-load" fund and if Unitholders are sent a written notice at least 60 days before the effective date of a change that could result in an increase in charges to the Fund. In addition, approval of Unitholders is not required with respect to paragraph (vi) of the matters included in the National Instrument if, among other things, the Fund's IRC has approved the Fund's reorganization with, or transfers of assets to, another mutual fund managed by the Manager or an affiliate and if Unitholders are sent a notice at least 60 days before the effective date of any such transaction. The Manager may change the auditor with the approval of the IRC if Unitholders are sent a notice at least 60 days before the effective date.

Unitholder approvals may be given by a resolution passed by not less than a majority of the votes cast at a meeting of Unitholders called for the purpose or by written consent of the holders of a majority of the Units then outstanding.

### **Amendments to the Trust Agreement**

The Trust Agreement as it applies to the Fund may be amended with the approval of Unitholders. See "Unitholder Matters – Meetings of Unitholders". The Manager is entitled to amend the Trust Agreement, with the consent of the Trustee but without the consent of the Unitholders, if the amendment does not require Unitholder approval and does not adversely affect the pecuniary value of the interest of the Unitholders or restrict any protection for the Trustee or increase its responsibilities. Notwithstanding the foregoing, no amendment can be made to the Trust Agreement which, in the opinion of the Trustee, may jeopardize or adversely affect in any manner whatsoever, the limitation of liability of the Unitholders of the Fund and no Unitholder of the Fund shall be permitted to effect, consent to or approve, in any manner whatsoever, such amendment, whether such amendment is required by law or the policies of applicable securities regulatory authorities in effect from time to time. See "Attributes of Units – Description of the Units Distributed".

### **Reporting to Unitholders**

The Fund will prepare and file with all securities regulatory authorities interim financial statements within 60 days following its most recently completed interim financial period. Such statements will contain:

- (1) a statement of net assets as at the end of the interim period and statement of net assets as at the end of the immediately preceding financial year;
- (2) a statement of operations for that interim period and a statement of operations for the corresponding period in the immediately preceding financial year;

- (3) a statement of changes in net assets for the interim period and a statement of changes in net assets for the corresponding period in the immediately preceding financial year;
- (4) a statement of investment portfolio as at the end of the interim period; and
- (5) notes to the interim financial statements.

The Fund will prepare and file with all securities regulatory authorities audited annual financial statements within 90 days following its most recently completed fiscal year. Such statements will contain:

- (1) a statement of net assets as at the end of the financial year and statement of net assets as at the end of the immediately preceding financial year;
- (2) a statement of operations for that financial year and a statement of operations for the immediately preceding financial year;
- (3) a statement of changes in net assets for the financial year and a statement of changes in net assets for the immediately preceding financial year;
- (4) a statement of investment portfolio as at the end of the financial year; and
- (5) notes to the annual financial statements.

The tax information necessary for Unitholders to prepare their annual federal income tax returns will be distributed by March 15 of each year with respect to the previous year. See "Income Tax Considerations".

The net asset value per Unit of each class of the Fund is determined by the Trustee each Valuation Day on which Units of the Fund are to be purchased or redeemed and promptly supplied in writing to any Unitholder, at no cost, after a request in writing to such effect from such Unitholder.

The Manager will provide notice to the Unitholders of the Fund within seven business days from the date of any decline in the net asset value per Unit of any class of the Fund to less than either:

- (1) 50% of the net asset value per Unit of such class at the beginning of the year; or
- (2) 50% of the net asset value per Unit on the last Valuation Day.

#### **TERMINATION OF THE FUND**

Unless the Manager enters into an amendment to the Trust Agreement providing for the continuation of any Fund for a further period, the Fund will terminate on the date that is the 50th anniversary of the date as of which the Fund was created. In addition, the Manager, with approval of the Unitholders of the Fund (see "Unitholder Matters - Meetings of Unitholders"), may terminate the Fund at any time by giving to the Trustee and each Unitholder at least 60 days' written notice. During this 60 day period, the right of Unitholders of the Fund to require payment for their Units is suspended. The Unitholders may, however, reject the Manager's desire to terminate the Fund by appointing a successor to the Manager whereupon the Manager is required to resign immediately and transfer its interest under the Trust Agreement to the new manager.

After payment of the liabilities of the Fund of a distribution to equalize the net asset value per Unit of each class of Units of the Fund, Unitholders shall be entitled to receive the proportionate share of such Unitholder of the remaining net assets of the Fund in accordance with the number of Units then held. Each Unitholder shall

be paid the amount of such proportionate share and, with the consent of the Unitholder, the payment of such proportionate share may be satisfied by delivery of assets owned by the Fund, if the assets have a value not in excess of the cash to which the Unitholder would otherwise be entitled.

The Trust Agreement does not provide for the Fund to be automatically wound up if the net asset value per Unit falls below a predetermined level.

#### **PRINCIPAL HOLDERS OF UNITS OF THE FUND**

As of June 30, 2011, to the knowledge of the Manager, the only Unitholders holding more than 10% of the outstanding Units of the Fund were Sheet Metal Workers, which held both of record and beneficially 612,431.99 Class O Units, representing approximately 22.05% of the Units of the Fund, HSBC Financial Corporation, which held both of record and beneficially 499,469.72 Class O Units, representing approximately 17.98% of the Units of the Fund and Brinks Group of Companies, which held both of record and beneficially 442,874.66 Class O Units, representing approximately 15.95% of the Units of the Fund.

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

The Manager will receive the fees and will be reimbursed for the expenses as described under "Fees and Expenses".

#### **PROXY VOTING DISCLOSURE**

As required by National Instrument 81-106 – *Investment Fund Continuous Disclosure*, the Manager has policies and procedures in place to govern the voting of proxy materials received by the Fund in connection with holdings of securities in securities issuers and the maintenance of proxy voting records. Since the Fund invests exclusively in futures contracts and do not own securities with voting rights, these policies and procedures are not applicable to the Fund.

#### **MATERIAL CONTRACTS**

The only material contracts affecting the Fund are the Trust Agreement and the Portfolio Management Agreement. See "Unitholder Matters – Amendments to the Trust Agreement", "Termination of the Fund" and "Organization and Management Details of the Fund – Portfolio Manager – Details of the Portfolio Management Agreement". A copy of these agreements may be examined at the office of the Fund at Suite 1600, 70 York Street, Toronto, Ontario M5J 1S9 during ordinary business hours.

#### **EXPERTS**

The Fund's auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have prepared an independent auditors' report dated March 28, 2011 in respect of the Fund's statement of investment portfolio as at December 31, 2010, the statements of net assets as at December 31, 2010 and 2009 and the statements of operations and changes in net assets for the years then ended. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

## PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt of a prospectus and any amendment or within 48 hours after the receipt of a confirmation of a purchase of such securities. If the agreement is to purchase such securities under a contractual plan, the time period during which withdrawal may be made may be longer. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price 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 the applicable provisions of the securities legislation of the province or territory for the particulars of these rights or should consult with a legal adviser.

## DOCUMENTS INCORPORATED BY REFERENCE

Additional information about the Fund is available in the following documents:

- The most recently filed comparative annual financial statements of the Fund, together with the accompanying report of the auditor.
- Any interim financial statements of the Fund filed after those annual financial statements.
- The most recently filed annual management report of fund performance of the Fund.
- Any interim management report of fund performance of the Fund filed after that annual management report of fund performance.

These documents, and any documents of the same type that are filed after the date of this prospectus and before the end of the distribution of Units of the Fund, are incorporated by reference into this prospectus, which means that they legally form part of this document just as if they were printed as part of this document. You can get a copy of these documents, at your request, and at no cost, by calling the Manager at the toll-free number 1-800-567-1565 or from your dealer.

These documents are available on the Manager's website at [www.seic.com](http://www.seic.com), or by contacting the Manager at [infocanada@seic.com](mailto:infocanada@seic.com).

These documents and other information about the Fund are available on the Internet at [www.sedar.com](http://www.sedar.com).

## AUDITORS' CONSENT

We have read the Prospectus dated July 28, 2011 of Futures Index Fund (the Fund) relating to the continuous offering of Class D, Class E, Class F, Class I, Class O, Class P and Class R Units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference, in the above-mentioned Prospectus of our report dated March 28, 2011, to the unitholders of the Fund on the financial statements of the Fund comprising the statement of investment portfolio as at December 31, 2010, the statements of net assets as at December 31, 2010 and 2009, the statements of operations and changes in net assets for the years then ended and the related notes including a summary of significant accounting policies.

(signed) *"PricewaterhouseCoopers LLP"*

July 28, 2011

Toronto, Ontario

Chartered Accountants  
Licensed Public Accountants

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

Dated: July 28, 2011

This prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each province and territory of Canada.

(signed) "Roy P. Borzellino"

Roy P. Borzellino  
General Manager (and signing as  
chief executive officer)  
SEI Investments Canada Company  
As Manager and on behalf of the Fund

(signed) "Dennis J. McGonigle"

Dennis J. McGonigle  
Director (and signing as  
chief financial officer)  
SEI Investments Canada Company  
As Manager and on behalf of the Fund

On behalf of the Board of Directors of  
SEI Investments Canada Company,  
on behalf of the Fund and as Manager of the Fund

(signed) "N. (Norman) Jeffrey Klauder"

N. (Norman) Jeffrey Klauder  
Director  
SEI Investments Canada Company

(signed) "Edward D. Loughlin"

Edward D. Loughlin  
Director  
SEI Investments Canada Company

(signed) "Roy P. Borzellino"

Roy P. Borzellino  
General Manager  
SEI Investments Canada Company as Promoter