

# **PIE Portfolio Index Evolution Corporation**

Final Simplified Prospectus dated December 15, 2011 relating to the offering of:

**Class A-1 Income\* (Series A, F and I)**

**Class B-1 Canadian Equity\* (Series A, F and I)**

**Class C-1 U.S. Equity\* (Series A, F and I)**

**Class D-1 International Equity\* (Series A, F and I)**

**Class E-1 Emerging Markets Equity\* (Series A, F and I)**

**Class F-1 Alternative Strategies\* (Series A, F and I)**

\* Classes of shares of PIE Portfolio Index Evolution Corporation

*No securities regulatory authority has expressed an opinion about these shares. It is an offence to claim otherwise.*

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## INTRODUCTION

This simplified prospectus contains selected important information about the Funds listed on the front cover to help you make an informed investment decision and to help you understand your rights as an investor in the Funds.

To make this document easier to read, we use the following terms throughout:

- ◆ *We, us, our* and *Croft* refer to R. N. Croft Financial Group Inc., the manager and investment advisor for the Funds
- ◆ *You* refers to an individual investor or everyone who invests in the Funds, as the context requires
- ◆ *Corporation* refers to PIE Portfolio Index Evolution Corporation
- ◆ *Dealer* refers to the registered dealer or broker where your Financial Advisor works
- ◆ *Financial Advisor* refers to the representative(s) in your province who advises you on your investments
- ◆ *Fund(s)* refers to one or more of the classes of shares of the Corporation listed on the front cover
- ◆ *NAV* refers to the net asset value of a Fund or the net asset value per share of a Fund as the context requires
- ◆ *Shares* refers to the shares of the Funds

This document is divided into two parts:

- ◆ Part A (from pages 3 to 30) contains general information about the Funds
- ◆ Part B (from pages 31 to 55) contains specific information – a Fund Profile – about each of the Funds.

Shares of our Funds are separate “classes” of shares of the Corporation. Each Fund is a separate class of shares of the Corporation and has its own separate portfolio of assets within the Corporation.

We can issue an unlimited number of shares for each of our Funds.

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

- ◆ the Funds' annual information form;
- ◆ the Funds' most recently filed annual financial statements;
- ◆ any interim financial statements of the Funds filed after those annual financial statements;
- ◆ the most recently filed annual management report of fund performance;
- ◆ any interim management report of fund performance filed after that annual management report of fund performance; and
- ◆ the most recently filed Fund Facts.

These documents are incorporated by reference into this document, which means they legally form part of this document just as if they had been printed as a part of this document. You can get copies of these documents at no cost by calling (905) 695-7777 or toll-free at 1-877-249-2884, or from your Dealer.

These documents are also available on our website at [www.piefunds.com](http://www.piefunds.com) or by contacting us at [info@croftgroup.com](mailto:info@croftgroup.com).

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

## **WHAT IS A MUTUAL FUND?**

A mutual fund is a pool of assets that is invested by a professional investment manager on behalf of a large group of people who have a common investment objective. The professional investment manager invests the assets in the securities of a variety of different issuers depending on the investment objectives of a fund. If the investments are profitable all members of the group share in the profits. If the investments made by the professional investment manager are not profitable, all members of the group share in the losses. The value of these investments will change from day to day, reflecting changes in interest rates, economic conditions and market and company news. As a result, the value of your investment in a mutual fund may be more or less when you redeem it than when you purchased it. A mutual fund provides the investing public with access to the services and expertise of a professional investment manager. It may also allow investors to diversify their investments to include a broader array of securities than they could purchase as individual investors.

Mutual funds invest in a variety of different securities which can include treasury bills, government bonds, commercial paper, corporate debt and the common shares of domestic and foreign companies. Each mutual fund has its own investment objective which dictates the types of securities that may be acquired by the mutual fund's investment manager. The values of these securities vary from day to day, reflecting changes in interest rates, economic conditions, stock market developments and individual company news. As a result, the value of a fund's shares (the "share price") will go up and down on a daily basis, and the value of your investment in a mutual fund may be more, or less, when you redeem it than when you purchased it.

In Canada, a mutual fund can be established either as a mutual fund trust or as a mutual fund corporation. The Corporation is a mutual fund corporation which currently offers six different Funds, each of which is offered under this simplified prospectus. Each Fund constitutes a separate class of shares of the Corporation and is divided into series of shares.

Please refer to the front cover of this simplified prospectus, or to the specific information about each of the Funds in Part B, for the series that are available for each Fund pursuant to this document.. The different series of shares are described on page 16 under "Purchases, Switches and Redemptions – Purchases". We may offer additional series of shares of the Funds in the future. We may also offer additional Funds within the Corporation structure in the future.

While the assets and liabilities of each Fund of the Corporation are accounted for separately, the Corporation as a whole is legally responsible for all of the financial obligations of the Funds combined. If the assets of a Fund are insufficient to satisfy the Fund's liabilities, then the remaining assets of the Corporation would be used to satisfy the shortfall. In such circumstances, the assets of the other Funds would decline by the amount of their proportionate share of the shortfall. We use our best efforts to manage the Funds to ensure that this does not happen.

Like other mutual fund corporations which use the multi-class structure, the tax consequences of an investment in a Fund will depend in part on the tax position of the Corporation as a whole and will differ from an investment in a mutual fund that does not utilize the multi-class structure, as described under "Income Tax Considerations for Investors" on page 25.

Under exceptional circumstances, mutual funds may suspend redemptions. Please see "Purchases, Switches and Redemptions - When you may not be allowed to redeem your shares" on page 16.

Your investment in any Fund is not guaranteed. Unlike bank accounts or GICs, mutual fund shares are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.

## **WHAT ARE THE RISKS OF INVESTING IN A MUTUAL FUND?**

The value of a mutual fund can change from day to day because the value of the securities in which it invests can be affected by numerous factors, including but not limited to, changes in interest rates, the economy and financial markets or company news. As a result, the value of a mutual fund's shares may fluctuate and when you sell your mutual fund shares, they may be worth more or less than when you bought them.

Some of the specific risks that can affect the value of your investment in a Fund are set out below. Refer to the Fund Profiles for the risks which apply to each Fund.

### ***Investment Risk***

The value of Shares and any income and gains associated with them can fluctuate significantly and may be quite volatile. Subscribers should be aware that they may not achieve their anticipated returns and may, in fact, suffer significant loss. It is therefore prudent and necessary to consider the use of such Funds within an appropriately balanced investment portfolio.

### ***Equity Risk***

The Funds invest in equity securities (also called stocks or shares). The value of the Funds will be affected by changes in the market price of those securities. The securities business is speculative, prices are volatile and market movements are difficult to predict. The price of a stock is affected by individual company developments and by general economic and financial conditions in those countries where the issuer of the stock is located or where the stock is listed for trading.

### ***Class Risk***

Mutual funds sometimes issue different classes of units or shares of the same mutual fund. Each class has its own fees and expenses, which the mutual fund tracks separately. However, if one class is unable to meet its financial obligations, the other classes are legally responsible for making up the difference.

### ***Foreign Security Risk***

Some Funds invest a substantial portion of their assets in foreign securities. The value of foreign securities may be influenced by foreign government policies, lack of information about foreign companies, political or social instability and the possible levy of foreign withholding tax. There may be lower standards of government supervision and regulation in foreign financial markets. Foreign stock markets may also be less liquid and more volatile. In addition, the securities markets of many countries have at

times in the past moved relatively independently of one another due to different economic, financial, political and social factors. This may reduce gains which a Fund has derived from movements in a particular market. A Fund that holds foreign securities may have difficulty enforcing legal rights in jurisdictions outside Canada.

### ***Foreign Currency Risk***

The Canadian dollar value of a Fund's investments in foreign securities is affected by changes in the value of the Canadian dollar relative to those securities. While we may employ currency hedging when we believe that currency exposure presents significant risk, there is no assurance that we will do so in any particular circumstance. Premiums paid for over-the-counter currency options purchased by a Fund may reduce a Fund's return.

### ***Industry and Geographic Concentration Risk***

Our investment philosophy may cause the Funds to focus on specific industries and to avoid others. Moreover, we will be authorized to allocate a Fund's assets without limitation among geographic regions and individual countries. As a result, a Fund may, from time to time, have greater exposure to particular industries, countries, or regions than other similar Funds.

### ***Use of Options Risk***

A Fund may purchase and write exchange-traded and over-the-counter put and call options on debt and equity securities, commodities, currencies and indices (both narrow-based and broad-based). A put option on securities or currencies gives the purchaser of the option, upon payment of premium, the right to deliver a specified amount of the securities or currencies to the writer of the option on or before a fixed date at a predetermined price. A put option on a securities index gives the purchaser of the option, upon payment of a premium, the right to a cash payment from the writer of the option if the index drops below a predetermined level on or before a fixed date.

A call option on securities or currencies gives the purchaser of the option, upon payment of a premium, the right to call upon the writer to deliver a specified amount of the securities or currencies on or before a fixed date at a predetermined price.

A call option on a securities index gives the purchaser of the option, upon payment of a premium, the right to a cash payment from the writer of the option if the index rises above a predetermined level on or before a fixed date.

A Fund's ability to close out its position as a purchaser or seller of a listed put or call option is dependent, in part, upon the liquidity of the option market. Over-the-counter ("OTC") options are purchased from or sold to securities dealers, financial institutions or

other parties (the “Counterparty”) through direct bilateral agreements with the Counterparty. In contrast to exchange listed options, which generally have standardized terms and performance mechanics, all the terms of an OTC option, including such terms as method of settlement, term, exercise price, premium, guarantees and security, are set by the negotiation of the parties. Unless the parties provide for it, there is no central clearing or guarantee function in an OTC option. As a result, if the Counterparty fails to make or take delivery of the security, currency or other instrument underlying an OTC option it has entered into with the Fund or fails to make a cash settlement payment due in accordance with the terms of that option, the Fund will lose any premium it paid for the option as well as any anticipated benefit of the transaction.

Call options may be purchased for speculative purposes or to provide exposure to increases in the market (e.g. with respect to temporary cash positions) or to hedge against an increase in the price of securities or other investments that a Fund intends to purchase. Similarly, put options may be purchased for speculative purposes or to hedge against a decrease in the market generally or in the price of securities or other investments held by the Fund. Buying options may reduce the Fund’s returns, but by no more than the amount of the premiums paid for the options. Writing covered call options (i.e. where the Fund owns the security or other investment that is subject to the call) may limit the Fund’s gain on portfolio investments if the option is exercised because the Fund will have to sell the underlying investments below the current market price.

Also, writing put options may require the Fund to buy the underlying investment at a disadvantageous price above the current market price. The risk of loss of uncovered put options written by the Fund is limited to the exercise price of the option less the premium received.

Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary market risks.

### ***Portfolio Turnover Risk***

The operation of a Fund may result in a high annual portfolio turnover rate. The Funds have not placed any limit on the rate of portfolio turnover and portfolio securities may be sold without regard to the time they have been held when, in our opinion, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate (e.g. greater transaction costs such as brokerage fees) and may involve different tax consequences.

### ***Counterparty Risk***

Due to the nature of some of the investments that a Fund may undertake, a Fund relies on the ability of the Counterparty to the transaction to perform its obligations. In the

event that a Counterparty fails to complete its obligations, the Fund bears the risk of loss of the amount expected to be received under options, forward contracts or securities lending agreements in the event of the default or bankruptcy of a Counterparty.

### ***Interest Rate Fluctuations Risk***

In the case of interest rate sensitive securities, the value of a security may change as the general level of interest rates fluctuates. When interest rates decline, the value of such securities can be expected to rise. Conversely, when interest rates rise, the value of such securities can be expected to decline.

### ***American Depository Securities and Receipts Risk***

In some cases, rather than directly holding securities of non-Canadian and non-U.S. companies, a Fund may hold these securities through an American Depository Security and Receipt (an “ADR”). An ADR is issued by a U.S. bank or trust company to evidence its ownership of securities of a non-U.S. corporation. The currency of an ADR may be U.S. dollars rather than the currency of the non-U.S. corporation to which it relates. The value of an ADR will not be equal to the value of the underlying non-U.S. securities to which the ADR relates as a result of a number of factors. These factors include the currency exchange rate relating to the conversion of foreign dividends and other foreign cash distributions into U.S. dollars, and tax considerations such as withholding tax and different tax rates between the jurisdictions. The foreign exchange risk will also affect the value of the ADR and, as a consequence, the performance of the Fund if it holds the ADR.

### ***Legal, Tax and Regulatory Risk***

Legal, tax and regulatory changes to laws or administrative practice could occur during the term of a Fund which may adversely affect the Fund. For example, the regulatory or tax environment for derivative instruments is evolving, and changes in the regulation or taxation of derivative instruments may adversely affect the value of derivative instruments held by a Fund and the ability of the Fund to pursue its investment strategies. Interpretation of the law or administrative practice may affect the characterization of a Fund’s earnings as capital gains or income which may increase the level of tax borne by investors as a result of increased dividends paid by the Fund.

### ***Conflicts of Interest Risk***

We may be subject to various conflicts of interest due to the fact that we and our advisors are engaged in a wide variety of management, advisory and other business activities unrelated to the Funds’ undertaking (some of which may compete with the Funds’ investment activities). Our investment decisions for a Fund will be made

independently of those made for our other clients and our advisors and independently of our own investments. However, on occasion, we may make the same investment for the Funds and one or more of our other clients or clients of our advisors. Where a Fund and one or more of our other clients or our advisors are engaged in the purchase or sale of the same security, the transaction will be effected on a fair basis. We will allocate opportunities to make and dispose of investments fairly among clients with similar investment objectives having regard to whether the security is currently held in any of the relevant investment portfolios, the relative size and rate of growth of the Fund and the other Funds under common management and such other factors as we consider relevant in the circumstances.

### ***Broad Authority of Croft Risk***

We have broad discretion over the conduct of a Fund's undertaking, selection of the specific companies in which a Fund invests and over the types of transactions in which a Fund engages.

### ***Regulatory Risk***

Some industries, such as financial services, healthcare and telecommunications, are heavily regulated and may receive government funding. Investments in these sectors may be substantially affected by changes in government policy, such as increased regulation, ownership restrictions, deregulation or reduced government funding. The value of a Fund that buys these investments may rise and fall substantially due to changes in these factors.

### ***Derivative Risk***

The Funds may use derivatives as permitted by the Canadian securities regulatory authorities. A derivative is an instrument, the value of which is derived from the value of other securities or from the movement of interest rates, exchange rates, or market indices. Derivatives are often used for hedging against the risk of potential losses, such as losses due to changes in interest or foreign exchange rates.

Derivatives also allow mutual funds to realize the benefits of changes in the value of a security without having to invest directly in that security. This is especially useful since it is often less expensive to purchase a derivative instrument than the actual security. There are also certain instances where holding a derivative is less risky than holding the underlying security.

Derivatives have their own special risks. Here are some of the common risks:

- ◆ Using derivatives to hedge against risk may not always work and while the use of derivatives may reduce losses, they could also limit potential gains.
- ◆ The price of a derivative may not accurately reflect the value of the underlying currency or security.
- ◆ There is no guarantee that a mutual fund can close a derivative contract when it wants to. If an exchange imposes trading limits, it could also affect the ability of a mutual fund to close out its positions in derivatives. These events could prevent a mutual fund from making a profit or limiting its losses.
- ◆ The other party to a derivative contract may not be able to live up to its agreement to complete the transaction.

### ***Securities Lending, Repurchase and Reverse Repurchase Transactions Risk***

The Funds may engage in securities lending, repurchase and reverse repurchase transactions in order to earn additional returns. Securities lending is an agreement whereby a Fund lends securities through an authorized agent in exchange for a fee and some form of acceptable collateral. Under a repurchase transaction, a Fund agrees to sell securities for cash while, at the same time, assumes an obligation to repurchase the same securities for cash (usually at a higher price) at a later date. A reverse repurchase transaction is an agreement whereby a Fund buys securities for cash while, at the same time, agrees to resell the same securities (usually at a higher price) at a later date.

The risks associated with securities lending, repurchase and reverse repurchase transactions arise when the counterparty to such transaction defaults under the investment agreement and the Fund is forced to make a claim in order to recover its investment.

In securities lending or a repurchase transaction, the Fund could incur a loss if the value of the securities loaned or sold by the Fund has increased in value relative to the value of the collateral held by the Fund. In the case of a reverse repurchase transaction, the Fund could incur a loss if the value of the securities purchased by the Fund decreases in value relative to the value of the collateral held by the Fund.

The Funds generally manage the risks associated with these types of investments by:

- ◆ holding collateral equal to a minimum of 102% of the market value of the securities loaned (for securities lending transactions), sold (for repurchase transactions) or purchased (for reverse repurchase transactions) as the case may be; adjusting the amount to the collateral each business day to ensure the

collateral's value relative to the market value of the securities loaned, sold or purchased remains within a 102% limit; and

- ◆ limiting the aggregate value of all securities loaned or sold through securities lending and repurchase transactions to under 50% of the total assets (without including the collateral) of the Fund.

### ***Other Accounts Risk***

We have other investment management clients with similar investment objectives to those of the Funds. In allocating investment opportunities, we seek to deal with all clients in a fair and equitable manner. All investment decisions for a Fund are made independently from those for other accounts managed by us, although the Funds and one or more of those accounts may employ similar or identical investment policies and strategies. Accordingly, at any time some or all of the investments of a Fund may not be identical to the investments of another account managed by us.

### **ABOUT THE PORTFOLIO INDEX EVOLUTION PROGRAM**

The Portfolio Index Evolution Program (the "Program") is a tax effective asset allocation program designed for investors who believe that strategic or tactical asset allocation strategies provide a foundation for their investment plan.

It is an investment management service offered by Croft through Dealers. The program enables investors working with their Financial Advisor to identify their investment objectives and preferences for investment risk and to acquire a customized asset allocation comprised of Shares. The Corporation has retained Croft to manage the investments of each of the Funds.

The Program can be implemented in one of two ways:

1. The first is through a referral program, whereby, a Dealer refers an investor to Croft. The investor would complete a risk questionnaire, and sign a managed investment account agreement ("MIAA") with the Manager. The investor would then be assigned an appropriate portfolio. Once developed and implemented, the weighting of each Fund in an investor's custom portfolio is monitored by Croft.

A reasonable range of weighting variations is permitted to take into account daily fluctuations in the value of the Shares but, from time to time, rebalancing is required. Rebalancing is the process of adjusting the components of an investor's custom portfolio as market conditions change so that the custom portfolio matches the investor's investment objectives over time. Croft will periodically rebalance the mix of Funds in an investor's custom portfolio to the

original designated levels by redeeming Shares of one or more Funds and applying the redemption price to purchase Shares of one or more other Funds. This may occur if one or more Funds exceed the desired weightings for an investor's custom portfolio through market fluctuations. Investors will not be contacted prior to a rebalancing, but will upon completion of the rebalancing, receive confirmations of the transactions.

Where the investor is referred to Croft by a Dealer, Croft may pay the Dealer a referral fee, the details of which will be disclosed in the MIAA.

2. With the second approach, the Dealer can purchase Shares for the investor based on the investor's objectives and risk tolerance. A reasonable range of weighting variations is permitted to take into account daily fluctuations in the value of the Shares but, from time to time, rebalancing is required. The Dealer must contact the investor and the investor must consent to the rebalancing, prior to executing the rebalancing.

The Dealer will, upon receiving approval from the investor, periodically rebalance the mix of Funds in an investor's custom portfolio to the original designated levels by redeeming Shares of one or more Funds and applying the redemption price to purchase Shares of one or more other Funds. This may occur if one or more Funds exceed the desired weightings for an investor's custom portfolio through market fluctuations.

## **ORGANIZATION AND MANAGEMENT OF THE FUNDS**

The table below tells you about the companies who are involved in managing or providing services to the Funds.

### **Manager and Investment Advisor**

R. N. Croft Financial Group Inc.  
218 Steeles Avenue East  
Thornhill, Ontario  
L3T 1A6  
Tel: (905) 695-7777  
Toll Free: 1-877-249-2884  
Fax: (905) 695-9777

website: [www.croftgroup.com](http://www.croftgroup.com)  
e-mail: [info@croftgroup.com](mailto:info@croftgroup.com)

As manager of the Funds, we provide, or arrange for, the Funds' day-to-day administration.

The Corporation has a board of directors. The board of directors supervises Croft in the management and administration of the Funds.

The investment advisor provides investment advice and portfolio management services for each of the Funds.

### **Registrar and Transfer Agent**

The Investment Administration Solution Inc.  
330 Bay Street, Suite 400  
Toronto, Ontario  
M5H 2S6

The registrar and transfer agent maintains all shareholder records for the Funds. The registrar and transfer agent is also responsible for calculating the NAV of a Fund's shares.

## **Custodian**

National Bank Correspondent Network (NBCN Inc.)  
250 Yonge Street, Suite 1900  
P.O. Box 19  
Toronto, Ontario, Canada  
M5B 2L7

The custodian is responsible for the safekeeping of the Funds' assets and may engage sub-custodians to assist it in performing this responsibility.

## **Independent Review Committee**

The Independent Review Committee (the "IRC") is comprised of three individuals who are independent of Croft. The IRC reviews all conflict of interest matters referred to it by Croft and makes recommendations on whether a course of action achieves a fair and reasonable result for each Fund.

The IRC will be required to conduct regular assessments of its members and provide reports, at least annually, to the Funds and to their shareholders in respect of its functions.

The report prepared by the IRC will be available at our website ([www.croftgroup.com](http://www.croftgroup.com)), or at a shareholder's request at no cost, by contacting the applicable Fund toll free at 1-877-249-2884 or by e-mail at [info@croftgroup.com](mailto:info@croftgroup.com).

Additional information about the IRC, including the names of its members, is available in the Funds' annual information form.

## **Auditor**

MSCM LLP  
701 Evans Ave.  
Etobicoke, Ontario, Canada  
M9C 1A3

The auditor is an independent firm of chartered accountants that audits each Fund annually and provides an opinion as to whether the annual financial statements of the Funds present fairly, in all material respects, the financial position of the Funds and their results of operations and changes in shareholders' equity in accordance with Canadian generally accepted accounting principles.

## **PURCHASES, SWITCHES AND REDEMPTIONS**

### **How the shares are valued**

When you buy shares of a Fund you pay the price or net asset value (“NAV”) per share, plus any applicable sales charges. When you redeem (sell) shares, you receive the NAV.

All transactions are based on the NAV of a Fund’s shares. The registrar and transfer agent usually calculates NAV for each Fund after the close of the Toronto Stock Exchange (the “TSX”) on each Valuation Date (as hereinafter defined). In this simplified prospectus, “Valuation Date” means each day that the TSX is open for business.

The registrar and transfer agent calculates the NAV per share of a Fund by adding up the market value of the Fund’s assets, subtracting the Fund’s liabilities and dividing this amount by the total number of Fund shares outstanding.

The NAV per share is the price for all sales of shares (including sales made on the reinvestment of dividends) and for redemptions. The issue or redemption of shares of a Fund is reflected in the next calculation of the NAV of the Fund following the time at which the NAV is determined for the purpose of the issue or redemption of Shares.

Common expenses of the Corporation are shared by all classes (i.e. each Fund) and are allocated on an equitable basis among the classes. These expenses include income taxes and refundable capital gains taxes. We have the right, however, to allocate expenses to a particular class (i.e. Fund) where it is reasonable to do so.

Each Fund will not make its first issue of shares under this simplified prospectus unless it has received and accepted subscriptions aggregating not less than \$500,000 as contemplated by Canadian securities laws.

### **About different types of shares**

Each Fund offers Series A, Series F and Series I shares. Series A shares are available to all investors and may only be purchased through your Dealer. Series F shares are available to investors who, through a referral arrangement or through a direct relationship, have entered into a MIAA with Croft. The MIAA will enable Croft to purchase and redeem Shares on an investor’s behalf in a manner consistent with the investor’s custom portfolio.

You can only buy Series F shares if your Financial Advisor and we approve it first. Your Financial Advisor’s participation in the Series F program is subject to our terms and conditions.

Series I shares are only available to institutional clients and investors who have been approved by us and have entered into a Series I account agreement with us. The criteria for approval may include the size of the investment, the expected level of account activity and the investor's total investment with us.

### **How to buy, redeem and switch**

You may require the Fund to redeem your Shares at the NAV by instructing your Dealer. Alternatively, you may request a redemption by delivering to Croft a request in writing that a specified number of Shares be redeemed and, if a share certificate has been issued representing the Shares to be redeemed, the certificate duly endorsed by the registered shareholder with his or her signature guaranteed by a Canadian chartered bank, a trust company or an investment dealer acceptable to Croft.

If the board of directors determines that NAV will be calculated at a time other than after the usual closing time of the TSX on a Valuation Date, the price paid or received will be determined relative to that time.

You will find more information about buying, redeeming and switching shares of the Funds in the annual information form.

Listed below are the rules for buying mutual fund shares. These rules were established by Canadian securities regulatory authorities:

- ◆ We must receive payment for the Shares within three business days of receiving your order for all Funds.
- ◆ If we do not receive payment within three business days, we are required to sell your Shares. If the proceeds are greater than the payment you owe, the Fund keeps the difference. If the proceeds are less than the payment you owe, we must pay the Fund the difference, and we will collect this amount from your Dealer, who may have the right to collect it from you.
- ◆ We have the right to reject any order to buy shares within one business day of receiving it. If we reject your order, we will return your money immediately without interest.

### **Purchases**

There may be a front-end sales charge when investing in Series A shares. Any front end charge will be negotiated by your financial advisor.

**Front-end sales charge** ("Front-end charge") Your financial advisor can negotiate a sales commission with you up to a maximum of 5%. Any Front-end charge is paid directly to

your Dealer. Your Dealer will generally deduct the sales commission and forward to us the net amount of the order to be invested in the Fund or Funds selected.

For example, assume you invested \$1,000 into a Fund or Funds on which your financial advisor has negotiated a 5% front-end charge. Of that \$1,000 investment, \$50 would be paid to your Dealer as the front-end charge. The Dealer would then forward the remaining \$950 to be invested in the Fund or Funds selected.

For more information of front end charges see **“Fees and expenses”** and **“Dealer compensation”**.

Unless requested by a shareholder in writing to Croft, we do not issue a certificate when you buy shares of a Fund, but your Dealer will send you a confirmation which is proof of your purchase. A record of the number of Shares you own and their value will appear on your next account statement.

### **Minimum amount you can invest**

Your first purchase of shares of any Fund must be at least \$500. Each purchase thereafter must be at least \$100.

### **Switches**

You can switch shares from one Fund with shares of another Fund. A switch is usually a transfer of your investment money from one Fund to another. You must maintain a minimum account balance of \$500, and you must switch at least \$100 worth of securities.

When we receive your order to switch, we will exchange, on a tax-deferred “rollover” basis, shares of the current Fund for shares of the new Fund.

The movement of your investment money from one class to another class within the Corporation, as described above, will not result in you realizing a capital gain or capital loss. In certain circumstances, the switch may accelerate the time at which the Corporation realizes gains and pays capital gains dividends.

If you switch your shares of a Fund to shares of another Fund or if you switch the type of account in which you hold your Shares (for example, switching from an investment account to a registered retirement savings plan) your Dealer may charge you the fees described under **“Fees and expenses”**.

## **Redemptions**

You may redeem (sell) your Shares on any Valuation Date. You or your Dealer must forward your redemption order to Croft. Unless your redemption order is received by us before 3:00 p.m. Eastern time on a Valuation Date, it will be processed for redemption on the next Valuation Date. However, all orders received after 3:00 p.m. but before 4:00 p.m. will be processed on a best efforts basis and accordingly, such orders may be processed on the Valuation Date they were submitted on.

If we do not receive all the documents we need to process your redemption request within three business days, we are required to notify you that your redemption order is incomplete. If, within 10 business days, we still have not received all the documentation, we are required to repurchase your Shares. If the repurchase amount is less than the redemption proceeds, the Fund will keep the difference. If the repurchase amount is greater than the redemption proceeds, we must pay the Fund the difference, and we will collect this amount from your Dealer. Your Dealer may have the right to collect it from you.

We will pay the redemption proceeds to you within three business days after the Valuation Date on which your redemption request is processed.

### **When you may not be allowed to redeem your shares**

Under exceptional circumstances we may be unable to process your redemption order. This would occur if Canadian securities regulators allow us to suspend your right to redeem, for example:

- ◆ if normal trading is suspended in any market where securities are traded which represent more than 50% of a Fund's total asset value if those securities are not traded on another market or exchange that represents a reasonable and practical alternative; or
- ◆ in other circumstances with the consent of the Canadian securities regulators.

If we suspend redemption rights before the redemption proceeds have been determined, you may either withdraw your redemption request or redeem your Shares at the NAV next determined after the suspension has been lifted.

Where a suspension occurs, you may either withdraw your redemption request by notice in writing to Croft or by so instructing your Dealer, or receive payment based on the NAV per share, as determined on the next Valuation Date following the termination of the suspension.

## Short-Term Trading

Short-term trading in shares of the Funds can have an adverse effect on the Funds. Such trading can increase brokerage and other administrative costs of the Funds and interfere with the long-term investment decisions of Croft. We have adopted certain restrictions to deter short-term trading.

For example, if an investor redeems or switches shares of a Fund within 90 days of purchase the investor may be subject to a short-term trading fee of 2% of the amount switched or redeemed. This amount will be retained by the subject Fund, and not by us or any distributor. This fee is in addition to any redemption or switch fees that may apply and will reduce the amount otherwise payable to an investor on the redemption or reduce the amount switched.

The short-term trading fees will not apply in the case of certain redemptions or switches including:

- ◆ those initiated by us (including as part of a fund reorganization or merger) or by a Fund or another investment fund or by a segregated fund or another investment product which has been approved by us;
- ◆ in the case of what we, in our discretion, consider a special circumstance, such as the death of an investor or a hardship situation; and
- ◆ those relating to shares received on the reinvestment of distributions.

While these restrictions and our monitoring attempt to deter short-term trading, we cannot ensure that such trading will be completely eliminated. We may reassess what is adverse short-term trading in the Funds at any time and may charge or exempt transactions from these fees in its discretion.

## FEES AND EXPENSES PAYABLE BY THE FUNDS

This table outlines the fees and expenses you may pay directly or indirectly when you invest in a Fund. The Funds pay some fees and expenses which reduce the value of your investment in the Fund.

### Management Fees

The management fee differs among Funds and among series of Shares as outlined in the table below. Each Fund pays Croft an aggregate management fee based on the total net assets of each Fund, calculated and accrued daily. The maximum annual rate of the management fee for each series are as follows:

Fund	Series A Shares	Series F Shares	Series I Shares
Class A-1 Income	Up to 1.80%	Up to 1.80%	Up to 0.30%
Class B-1 Canadian Equity	Up to 1.80%	Up to 1.80%	Up to 0.30%
Class C-1 U.S. Equity	Up to 1.80%	Up to 1.80%	Up to 0.30%
Class D-1 International Equity	Up to 1.80%	Up to 1.80%	Up to 0.30%
Class E-1 Emerging Market Equity	Up to 1.80%	Up to 1.80%	Up to 0.30%
Class F-1 Alternative Strategies	Up to 1.80%	Up to 1.80%	Up to 0.30%

### Management Fee Rebates

Croft may authorize a reduction in the management fee which we charge with respect to any individual investor's shares in a Fund. To effect such a reduction, Croft will reduce the management fee charged to the Fund with respect to the particular investor's Shares and the Fund will pay a corresponding amount to the investor as a special rebate (a "management fee rebate"). The level of reduction in the management fee rate is negotiable between the investor or the investor's dealer and Croft and will be based on the size of the investor's account, the number of transactions and the extent of the services required by the investor. Management fee rebates are paid first out of the net income and net realized capital gains and thereafter out of capital.

### Operating Expenses

Each Fund will pay for all routine and customary expenses relating to the Fund's operation, including registrar and transfer agency fees and expenses, custodian fees, auditing, legal and accounting fees, fees and expenses payable in connection with the independent review committee appointed pursuant to National Instrument 81-107 *Independent Review Committee for Investment Funds*, communication expenses, printing and mailing expenses, all interest expenses and all brokerage and other fees

relating to the purchase and sale of the assets of the Fund including costs associated with the allocation of securities to Fund accounts, all costs and expenses associated with the sale of Shares including fees and expenses related to providing financial and other reports to shareholders and convening and conducting meetings of shareholders, if any.

Croft will, or will arrange to, provide the services associated with such expenses. Croft may retain affiliated or third party service providers to provide some of these services to a Fund. Each Fund will be responsible for all taxes, assessments or other governmental charges levied against the Corporation on a pro rata basis based on the NAV of the Fund, interest expenses and all brokerage and other fees relating to the purchase and sale of the assets of the Fund.

### **Independent Review Committee**

Each member of the IRC, except the Chair, receives an annual retainer of \$5,000, payable in four quarterly installments. The Chair of the IRC will receive \$7,500 per annum, payable in four quarterly installments. These fees, plus associated legal and insurance costs, are allocated among all of the funds managed by Croft in a manner that is considered by Croft to be fair and reasonable.

Croft may, in its discretion, seek investment decision-making and order execution services from such dealers as it sees fit and such services may be paid through commissions on brokerage transactions executed on behalf of the Funds in accordance with applicable regulatory restrictions. Such services may include, but are not limited to, advice as to the value of securities, analyses and reports concerning securities, portfolio strategy or performance, issuers, industries, or economic or political factors and trends, and databases or software designed to support such services.

Taxes arising under Part IX of the *Excise Tax Act* (Canada) are payable on most operating expenses. No expenses are charged directly to shareholders. From time to time, we may reduce the management fees or pay some operating expenses directly, at our discretion.

### **Service Fees**

We pay Financial Advisors an annual service fee of up to 1.5% on Series A shares for ongoing services they provide to investors, including investment advice, account statements and newsletters. We do not pay service fees on Series F shares. Service fees may be negotiated for Series I shares.

## **Underlying fund fees and expenses**

There are fees and expenses payable by other mutual funds in which the Funds may invest their assets in addition to the fees and expenses payable by each Fund.

Management fees of the Funds are reduced by the aggregate amount of the management fees indirectly paid on the other mutual funds in which the Funds may invest.

No management fees payable by a Fund which, to a reasonable investor would duplicate a fee payable by another mutual fund in which a Fund invests for the same services, will be charged. No sales or redemption fees are payable by a Fund in relation to its purchases or redemptions of the securities of another mutual fund, if such mutual fund is managed by Croft or one of its affiliates or associates. No sales or redemption fees are payable by a Fund in relation to its purchases or redemptions of the securities of another mutual fund, which to a reasonable investor, would duplicate a fee payable by an investor in the Fund.

## **FEES AND EXPENSES PAYABLE BY YOU**

### **Front-end Sales Charges – Series A shares**

We do not charge a fee or commission when you purchase shares of the Funds. Your Dealer may charge a commission of up to 5% at the time of purchase of Series A shares which will reduce the amount of money you invest in the Funds. This is a separate agreement between you and your Dealer.

### **Switching Fees**

Your Dealer may charge you a fee of 0% to 2% of the purchase price of the Shares you acquire when you switch between Funds or transfer between types of accounts.

### **Short-term Trading Fees**

If a shareholder redeems or switches shares of a Fund within 90 days of purchase the shareholder may be subject to a short-term trading fee of 2% of the amount switched or redeemed. This amount will be retained by the subject Fund, and not by Croft. This fee is in addition to any redemption or switch fees that may apply and will reduce the amount otherwise payable to a shareholder on the redemption or reduce the amount switched.

## Other Fees and Expenses

NSF cheques. We charge \$35 (plus applicable taxes) on returned cheques.

## IMPACT OF SALES CHARGES

The following table shows the impact of sales charges you would pay under the different purchase options available to you if you made an investment of \$1,000 in a Fund, and if you held that investment for one, three, five, or ten years and redeemed your investment immediately before the end of that period.

This table assumes, in the case of the Front-end charge, that you pay the maximum sales commission. See the redemption schedule under “**Fees and expenses**” above.

	When you buy your shares	1 year	3 years	5 years	10 years
Front-end sales charge option Only applies to Series A shares	\$50.00	-	-	-	-
Deferred sales charge option	N/A	N/A	N/A	N/A	N/A
No load option Series F and Series I shares	N/A	N/A	N/A	N/A	N/A

## DEALER COMPENSATION

### Sales commissions

Your Dealer may receive a sales commission of up to 5% at the time you purchase securities.

Your Dealer may charge you a switch fee of 0% to 2% of the purchase price of the shares you acquire when you switch from one Fund to another or transfer between types of accounts in which you hold your Shares.

### Service fees

We pay Financial Advisors an annual service fee of up to 1.5% on Series A shares for ongoing services they provide to investors, including investment advice, account statements and newsletters. We do not pay service fees on Series F shares. Service fees may be negotiated for Series I shares.

The service fees are calculated monthly and payable monthly or quarterly based on the total client assets invested in Series A shares held by all of a Financial Advisor's clients throughout the month. We can change or cancel service fees at any time.

**Other forms of dealer support**

We provide a broad range of marketing and educational support programs to dealers and their financial advisors. These include providing financial support of investor seminars and conferences and providing financial advisors with research and marketing materials on the Funds and the benefits of mutual fund investing.

The cost of supporting such activities and providing such materials is determined on a case-by-case basis, but will not exceed 50% of the financial advisor's actual expenses.

## **INCOME TAX CONSIDERATIONS FOR INVESTORS**

This section provides a general summary of the federal income tax considerations for Canadian residents who hold shares of a Fund as capital property. It is not intended to be legal or tax advice. You should consult your own tax advisor about your own circumstances when you consider purchasing, switching or redeeming shares of a Fund.

### **General**

All income of the Corporation, including taxable capital gains net of allowable capital losses, will be subject to tax at normal corporate rates. Taxes payable on net realized capital gains are refundable on a formula basis when shares are redeemed or the Corporation elects to pay capital gains dividends. Dividends received by the Corporation on taxable dividends from taxable Canadian corporations are subject to a 33 1/3% tax which is refundable on payment of sufficient taxable dividends by the Corporation. Taxes payable by the Corporation on income from other sources (such as interest, foreign income and distributions of income from royalty trusts and exchange traded funds) are not refundable. Due to deductible expenses and to tax refunds available to the Corporation upon the payment of capital gains dividends and taxable dividends, the Corporation is not expected to have any material net income tax liability in any year.

Derivative transactions may be on income account or on capital account, depending upon the circumstances. Gains or losses on derivative transactions which hedge capital securities owned by the Corporation will generally be on capital account. Gains or losses from short sales will generally be on income account. Covered call options written by the Corporation will generally be on capital account if the securities in respect of which the call options are written are capital property of the Corporation. Premiums received on covered call options that are on capital account and which are not exercised prior to the end of the year will constitute realized capital gains of the Corporation in the year received. Premiums received by the Corporation on covered call options which are subsequently exercised will be added in computing the proceeds of disposition (or deducted in computing the adjusted cost base) to the Corporation of the securities disposed of by the Corporation upon the exercise of such call options. In addition, where the premium was in respect of an option granted in a previous year so that it constituted a capital gain of the Corporation in the previous year, such capital gain will be reversed.

The Corporation, like any other mutual fund corporation with a multi-class structure, must compute its earnings for tax purposes as a single entity. As a result, dividends paid to an investor in a Fund will differ from the dividends or distributions that would be paid to the investor if the investor invested in a mutual fund that made the same investments but did not have a multi-class corporate structure. For example, if a particular Fund has a net loss or net realized capital loss, that net loss or net realized

capital loss may be applied to reduce the income and net realized capital gains of the Corporation as a whole. This will generally benefit investors in other Funds if it reduces the amount of dividends that would otherwise be paid to them since their current income inclusions will be reduced but not the value of their shares in such other Funds. The amount of capital gains dividends paid by a Fund will be affected by the level of redemptions from all Funds as well as accrued gains and losses of the Corporation as a whole. A Fund may have to dispose of some of its investments because of investors switching to another Fund. As a result, more of its accrued gains and losses may be recognized at an earlier time compared with a mutual fund that does not allow for tax-deferred switching. In certain circumstances, this could accelerate the recognition of gains by investors as a consequence of the earlier payment of capital gains dividends.

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

In addition to income tax, the Corporation is also currently liable for provincial capital tax to the extent that its taxable capital exceeds its investment allowance at its tax year end. Units of trusts, including royalty trusts and certain exchange traded funds, do not qualify for the investment allowance.

The earnings and tax liability, if any, of the Corporation will be allocated among the Funds in the sole discretion of the Corporation acting reasonably.

### **Fund Shares Held outside a Registered Tax Plan**

#### ***Switches***

A switch of shares of one Fund to shares of another Fund will occur on a tax-deferred "rollover" basis so that you will not realize a capital gain or capital loss on the switch. The cost of the shares of the new Fund acquired on the switch will be equal to the adjusted cost base of the shares switched from the former Fund.

#### ***Dividends and other Distributions***

A dividend received by you on shares of a Fund must be taken into account in computing your income, whether it is reinvested in additional shares of a Fund or paid to you in cash.

A dividend will either be a capital gains dividend or a taxable dividend.

A capital gains dividend received by you on shares of a Fund will be treated as a capital gain realized by you, one-half of which will generally be included in calculating your income as a taxable capital gain. A "Canadian-controlled private corporation" may be

liable to pay an additional refundable tax of 6 2/3% on its “aggregate investment income” for the year which includes taxable capital gains.

If you are an individual, a taxable dividend received by you on shares of a Fund will be subject to the gross-up and dividend tax credit rules, including the enhanced gross-up and tax credit available for dividends designated as eligible dividends. If you are a corporation, other than a “specified financial institution”, an amount equal to the taxable dividend received will generally be deductible in computing your taxable income. “Specified financial institutions” should consult their own tax advisors. A private corporation or a corporation controlled by or for the benefit of an individual or a related group of individuals will be liable to pay a 33 1/3% refundable tax on taxable dividends. A corporation, other than a private corporation or a financial intermediary corporation, will generally be subject to a non-refundable 10% tax on taxable dividends.

When you purchase shares of a Fund, a portion of the price paid may reflect income and capital gains of the Fund for the year, as well as accrued income and capital gains. When dividends are paid out of these amounts, they must be included in your income for tax purposes, even though the Fund earned such amounts before you acquired the shares. This could occur if you buy shares just before a dividend is declared.

The share price of a Fund may include income and/or capital gains that the Fund has earned or realized, but not yet distributed. If you buy shares of a Fund just before a distribution date (such as late in the year in the case of many of the Funds), you will receive and be taxable on the entire taxable portion of that distribution, even though the Fund may have earned the income or realized the gains relating to the distribution before you owned the shares.

You are generally required to include in your income any management fee rebates paid to you by a Fund.

### ***Redemptions***

You must take into account in computing your income any capital gain or capital loss realized on the redemption of a share of a Fund.

Your capital gain will be the amount by which the redemption price exceeds the adjusted cost base of the share. One-half of the capital gain will be included in calculating income as a taxable capital gain.

A “Canadian-controlled private corporation” may be liable to pay an additional refundable tax of 6 2/3% on its “aggregate investment income” for the year which includes taxable capital gains.

The adjusted cost base of a share of a Fund will be the weighted average cost of all shares of the Fund owned by you, including shares purchased on the reinvestment of dividends. Shares received on the reinvestment of a dividend will have a cost equal to the amount of the dividend. Any sales charge paid in respect of a purchase of shares will be included in the cost of your shares for these purposes.

If the redemption price is less than the total of the adjusted cost base of the share, you will have a capital loss. Generally, one-half of your capital loss can be deducted against your taxable capital gains.

If you are a corporation, a trust of which a corporation is a beneficiary or a partnership of which a corporation is a member, in certain circumstances the amount of your capital loss on the redemption of a share may be reduced by taxable dividends previously received on the share (or on other shares of the Corporation switched for that share). These rules may also apply where a trust or partnership is a member of a partnership or a beneficiary of a trust that owns shares of a Fund.

In certain situations where you dispose of shares of a Fund and would otherwise realize a capital loss, the loss will be denied. This may occur if you, your spouse or another person affiliated with you (including a corporation controlled by you) has acquired shares of the same Fund within 30 days before or after you dispose of your shares, which are considered to be “substituted property”. In these circumstances, your capital loss may be deemed to be a “superficial loss” and denied. The amount of the denied capital loss will be added to the adjusted cost base to the owner of the shares which are substituted property. In certain circumstances where a trust, corporation or partnership disposes of shares of a Fund and would otherwise realize a capital loss, recognition of the capital loss may be “suspended”. This may occur if a person affiliated with the trust, corporation or partnership has acquired shares of the same Fund within 30 days before or after the shares are disposed of, which are considered to be “substituted property”.

### ***Alternative Minimum Tax***

Individuals may be subject to alternative minimum tax. Capital gains, capital gains dividends and taxable dividends may give rise to liability for such minimum tax.

### ***Other Considerations***

We will issue tax statements to you each year indicating the amount of taxable dividends and capital gains dividends paid by the Corporation to you. You should keep detailed records of the purchase cost, sales charges and dividends related to your Fund shares in order to calculate the adjusted cost base of those shares. You may wish to consult a tax advisor to help you with these calculations.

## **Fund Shares Held in a Registered Tax Plan**

The Corporation is a registered investment under the *Income Tax Act* (Canada) (the “ITA”) and shares of the Funds are qualified investments for registered tax plans, such as a registered retirement savings plans (“RRSPs”), registered retirement income funds (“RRIFs”), registered disability savings plans (“RDSPs”), registered education savings plans (“RESPs”), deferred profit sharing plans (“DPSPs”) and “tax free savings accounts” (“TFSA”), and together with the RRSPs, RRIFs, RDSPs, RESPs and DPSPs, the “Registered Plans”). Investors considering holding shares of a Fund in a TFSA should consult with their own advisors as to whether the shares will be a “prohibited investment” under the ITA.

## **WHAT ARE YOUR LEGAL RIGHTS?**

Securities legislation in some provinces gives you the right to withdraw from an agreement to buy mutual funds within two business days of receiving the simplified prospectus, or to cancel your purchase within 48 hours of receiving confirmation of your order.

Securities legislation in some provinces also allows you to cancel an agreement to buy mutual fund securities and get your money back, or to make a claim for damages, if the simplified prospectus, annual information form or financial statements misrepresent any facts about the Funds. These rights must usually be exercised within certain time limits.

For more information, refer to the securities legislation of your province or consult with your legal advisor.

## **SPECIFIC INFORMATION ABOUT EACH MUTUAL FUND**

### **Introduction**

The following information applies to each Fund and may be helpful when you are reviewing the Fund profiles.

### **Investments in derivative instruments**

The Funds may use derivative instruments, including debt-like securities, forward contracts, futures contracts, warrants, options or options on futures and swaps. A derivative is an investment whose value is based on the performance of other investments or on the movement of interest rates, exchange rates or market indexes. Derivatives are often used for hedging against potential losses because of changes in interest rates or foreign exchange rates. There are many different kinds of derivatives, but they usually take the form of an agreement or security, the price, value or payment obligations of which are derived from or based on an underlying interest. Derivatives are a cornerstone of sound portfolio management and can help a Fund to achieve its investment objectives.

### **Fund Risk Classification Methodology**

Each fund has been assigned an investment risk rating. This rating is provided to help you determine the appropriateness of the fund for your particular risk and return objectives. Each fund has been assigned a risk rating using the following categories: Low, low-to-medium, medium, medium-to-high, or high risk.

The methodology used to determine risk rating of each fund is based on historical volatility risk as measured by the standard deviation of fund performance. While it is important to note that past performance does not guarantee future performance, based only on this metric, the manager considers funds with a low risk profile to have a standard deviation of return of +/- 5%, funds with a low to medium risk profile of +/- 5% to 10%, funds with a medium risk profile of +/- 10% - 15%, funds with a medium to high risk profile of +/-15% - 20%, and funds with a high risk profile of 20% or more. The manager also considers other qualitative factors such as investment style and risk characteristics of constituent securities.

The risk rating is reviewed on an annual basis by the manager.

You can request a copy of our risk classification methodology, at no cost to you, by calling us at 1-800-755-2916, by writing to 218 Steeles Ave. East, Thornhill, ON, L3T 1A6, or by email at [info@piefunds.ca](mailto:info@piefunds.ca).

## CLASS A-1 INCOME

### Fund Details

<b>Type of Fund</b>	Dividend and income
<b>Inception Date</b>	November 4, 2008
<b>Securities Offered</b>	Series A, Series F and Series I mutual fund shares
<b>Registered tax plan status</b>	Eligible for RRSPs, RRIFs, RDSPs, RESPs, DPSPs and TSFAs
<b>Fees and expenses</b>	Series A shares - Management fee up to 1.80% plus a portion of the Fund's operating expense.  Series F shares - Management fee up to 1.80% plus a portion of the Fund's operating expense.  Series I shares - Management fee up to 0.30% plus a portion of the Fund's operating expense.

### What does the Fund invest in?

#### *Investment objectives*

The investment objectives of this Fund are to generate a stable stream of income by investing in (i) cash or cash equivalent positions, (ii) fixed income investments, (iii) dividend paying common shares, (iv) convertible preferred shares and preferred equity securities, and (v) a covered option writing program.

We may not change the fundamental investment objectives of the Fund without first obtaining approval of the shareholders at a meeting to consider the change.

#### *Investment strategies*

To achieve its investment objectives, the Fund will invest in five major income producing strategies in the financial markets. These include:

- ◆ cash or cash equivalent securities including treasury bills issued by the Government of Canada, money market exchange traded funds, or cash on deposit;

- ◆ fixed income securities, guaranteed investment certificates and mortgage-backed securities of all terms to maturity issued by Canadian federal or provincial governments, foreign governments, municipalities, chartered banks, trust and other issuers operating in and/or outside Canada;
- ◆ dividend paying common shares of Canadian and foreign issuers selected from a generally recognized index of Canadian equity markets and U.S. equity markets and may employ derivatives such as put and call options to hedge the equity positions or to provide additional income;
- ◆ convertible preferred securities or preferred equity securities of Canadian and foreign issuers selected from a generally recognized index of Canadian equity markets and U.S. equity markets and may employ derivatives such as put and call options to hedge or to provide additional income; and
- ◆ an option writing program, where Croft will write covered call options or cash secured put options on blue chip Canadian stocks or exchange traded funds listed on the TSX or blue chip U.S. companies or U.S. exchange traded funds listed on the New York Stock Exchange or Nasdaq.

This Fund may also invest in convertible fixed income securities of domestic or foreign corporations selected from a generally recognized index of U.S. and Canadian markets and in American depositary receipts trading on the New York Stock Exchange or NASDAQ.

This Fund also may enter into securities lending transactions, repurchase transactions and reverse repurchase transactions, to the extent permitted by securities regulations, to earn additional income.

This Fund may write covered call options in respect of all or part of the securities in its portfolio to the extent such securities are held directly, or in respect of securities that it has the right or obligation to acquire under forward contracts or other derivative instruments. This Fund may also, from time to time, buy puts to hedge against downside market movements, write puts to acquire shares, or buy calls as a stock replacement strategy.

### **What are the risks of investing in the Fund?**

This Fund is subject to following risks, each of which is described in detail under **“Investment Risks”**:

- ◆ investment risk;
- ◆ equity risk;
- ◆ class risk;
- ◆ foreign currency risk;
- ◆ use of options risk;
- ◆ portfolio turnover risk;
- ◆ counterparty risk;
- ◆ interest rate fluctuations risk;
- ◆ American depository securities and receipts risk;
- ◆ legal, tax and regulatory risk;
- ◆ conflicts of interest risk;
- ◆ broad authority of Croft risk;
- ◆ regulatory risk;
- ◆ derivative risk;
- ◆ securities lending, repurchase and reverse repurchase transactions risk; and
- ◆ other accounts risk.

### **Who should invest in this Fund?**

This Fund is not intended to be a complete investment program and may only be suitable if you:

- ◆ are seeking long-term capital appreciation; and
- ◆ can tolerate a low level of investment risk.

## Dividend policy

The board of directors of the Corporation may declare dividends at its discretion. The board of directors has adopted a policy of annually assessing the Corporation's net income and net realized capital gains and declaring, to the extent possible, sufficient taxable dividends and capital gains dividends in order to offset tax otherwise payable by the Corporation on taxable dividends received by it and on net realized capital gains. Additional dividends may be declared. We automatically reinvest all dividends in additional shares of the Fund unless you tell us in writing you want to receive cash. If you wish to receive dividends in cash, you must complete an appropriate written request in advance. The tax treatment of each type of dividend is described under **"Income tax considerations for investors"**.

## Fund expenses indirectly borne by investors

Mutual funds pay for some expenses out of fund assets. That means investors in a mutual fund indirectly pay for these expenses through lower returns.

The following example is intended to help an investor compare the cost of investing in Class A-1 Income with the cost of investing in other mutual funds. The example shows the amount of fees and expenses paid by the Fund that are indirectly borne by an investor. The example is based on the following assumptions:

- ◆ the initial investment is \$1,000;
- ◆ the total annual return of the Fund is 5% per year; and
- ◆ the management expense ratio (MER) of the Fund throughout the years below was equal to the MER (i.e. includes management fees plus operating costs) of the Fund last year.

Year	MER	Return	Total Fees paid by investor
1	3.27%	5.00%	\$34.34
3	3.27%	5.00%	\$36.05
5	3.27%	5.00%	\$37.85
10	3.27%	5.00%	\$39.75

See **"Fees and expenses"** (pages 21 through 25) for more information about the cost of investing in the Funds.

## **CLASS B-1 CANADIAN EQUITY**

### **Fund Details**

<b>Type of Fund</b>	Canadian Equity
<b>Inception Date</b>	November 4, 2008
<b>Securities Offered</b>	Series A, Series F and Series I mutual fund shares
<b>Registered tax plan status</b>	Eligible for RRSPs, RRIFs, RDSPs, RESPs, DPSPs and TSFAs
<b>Fees and expenses</b>	Series A shares - Management fee up to 1.80% plus a portion of the Fund's operating expense.  Series F shares - Management fee up to 1.80% plus a portion of the Fund's operating expense.  Series I shares - Management fee up to 0.30% plus a portion of the Fund's operating expense.

### **What does the Fund invest in?**

#### ***Investment objectives***

The investment objectives of this Fund are to provide long-term capital appreciation by investing in a broadly diversified portfolio of Canadian securities that would generally be part of the S&P TSX 60 Index, exchange traded funds representing broad based exposure to the Canadian stock market, and exchange traded funds or securities representing exposure to generally recognized sectors of the Canadian stock market.

We may not change the fundamental investment objectives of the Fund without first obtaining approval of the shareholders at a meeting to consider the change.

#### ***Investment strategies***

To achieve its investment objectives, this Fund will invest in a broadly diversified portfolio of Canadian securities that would generally be part of the S&P TSX 60 Index, exchange traded funds representing broad based exposure to the Canadian stock market, and exchange traded funds or securities representing exposure to generally recognized sectors of the Canadian stock market.

This Fund also may enter into securities lending transactions, repurchase transactions and reverse repurchase transactions, to the extent permitted by securities regulations, to earn additional income.

This Fund may write covered call options in respect of all or part of the securities in its portfolio to the extent such securities are held directly, or in respect of securities that it has the right or obligation to acquire under forward contracts or other derivative instruments. This Fund may also, from time to time, buy puts to hedge against downside market movements, write puts to acquire shares, or buy calls as a stock replacement strategy.

In the event of adverse market, economic and/or political conditions, the investment advisor may invest this Fund's assets in cash or fixed income securities.

### **What are the risks of investing in the Fund?**

This Fund is subject to following risks, each of which is described in detail under **"Investment Risks"**:

- ◆ investment risk;
- ◆ equity risk;
- ◆ class risk;
- ◆ foreign currency risk;
- ◆ use of options risk;
- ◆ portfolio turnover risk;
- ◆ counterparty risk;
- ◆ interest rate fluctuations risk;
- ◆ American depository securities and receipts risk;
- ◆ legal, tax and regulatory risk;
- ◆ conflicts of interest risk;
- ◆ broad authority of Croft risk;
- ◆ regulatory risk;
- ◆ derivative risk;
- ◆ securities lending, repurchase and reverse repurchase transactions risk; and
- ◆ other accounts risk.

## **Who should invest in this Fund?**

This Fund is not intended to be a complete investment program and may only be suitable if you:

- ◆ are seeking long-term capital appreciation; and
- ◆ can tolerate a medium level of investment risk.

## **Dividend policy**

The board of directors of the Corporation may declare dividends at its discretion. The board of directors has adopted a policy of annually assessing the Corporation's net income and net realized capital gains and declaring, to the extent possible, sufficient taxable dividends and capital gains dividends in order to offset tax otherwise payable by the Corporation on taxable dividends received by it and on net realized capital gains. Additional dividends may be declared. We automatically reinvest all dividends in additional shares of the Fund unless you tell us in writing you want to receive cash. If you wish to receive dividends in cash, you must complete an appropriate written request in advance. The tax treatment of each type of dividend is described under **"Income tax considerations for investors"**.

## **Fund expenses indirectly borne by investors**

Mutual funds pay for some expenses out of fund assets. That means investors in a mutual fund indirectly pay for these expenses through lower returns.

The following example is intended to help an investor compare the cost of investing in Class A-1 Income with the cost of investing in other mutual funds. The example shows the amount of fees and expenses paid by the Fund that are indirectly borne by an investor. The example is based on the following assumptions:

- ◆ the initial investment is \$1,000;
- ◆ the total annual return of the Fund is 5% per year; and
- ◆ the management expense ratio (MER) of the Fund throughout the years below was equal to the MER (i.e. includes management fees plus operating costs) of the Fund last year.

Year	MER	Return	Total Fees paid by investor
1	3.27%	5.00%	\$34.34
3	3.27%	5.00%	\$36.05
5	3.27%	5.00%	\$37.85
10	3.27%	5.00%	\$39.75

See “**Fees and expenses**” (pages 21 through 25) for more information about the cost of investing in the Funds.

## **CLASS C-1 U.S. EQUITY**

### **Fund Details**

<b>Type of Fund</b>	U.S. Equity
<b>Inception Date</b>	November 4, 2008
<b>Securities Offered</b>	Series A, Series F and Series I mutual fund shares
<b>Registered tax plan status</b>	Eligible for RRSPs, RRIFs, RDSPs, RESPs, DPSPs and TSFAs

<b>Fees and expenses</b>	Series A shares - Management fee up to 1.80% plus a portion of the Fund's operating expense.  Series F shares - Management fee up to 1.80% plus a portion of the Fund's operating expense.  Series I shares - Management fee up to 0.30% plus a portion of the Fund's operating expense.
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### **What does the Fund invest in?**

#### ***Investment objectives***

The investment objectives of this Fund are to provide long-term capital appreciation by investing in the U.S. equity market through the purchase of exchange traded funds that generally represent securities of small capitalization, mid capitalization and large capitalization U.S. issuers, as well as exchange traded funds or securities representing generally recognized sectors of the U.S. equity market.

We may not change the fundamental investment objectives of the Fund without first obtaining approval of the shareholders at a meeting to consider the change.

#### ***Investment strategies***

To achieve its investment objectives, this Fund will invest in the U.S. equity market through the purchase of exchange traded funds that generally represent securities of small capitalization, mid capitalization (the term "mid-capitalization" typically means companies with a market capitalization of at least \$1 billion U.S. and not more than \$5 billion U.S.) and large capitalization U.S. issuers, as well as exchange traded funds or securities representing generally recognized sectors of the U.S. equity market.

This Fund also may enter into securities lending transactions, repurchase transactions and reverse repurchase transactions, to the extent permitted by securities regulations, to earn additional income.

This Fund may write covered call options in respect of all or part of the securities in its portfolio to the extent such securities are held directly, or in respect of securities that it has the right or obligation to acquire under forward contracts or other derivative instruments. This Fund may also, from time to time, buy puts to hedge against downside market movements, write puts to acquire shares, or buy calls as a stock replacement strategy.

In the event of adverse market, economic and/or political conditions, the investment advisor may invest this Fund's assets in cash or fixed income securities.

### **What are the risks of investing in the Fund?**

This Fund is subject to following risks, each of which is described in detail under **"Investment Risks"**:

- ◆ investment risk;
- ◆ equity risk;
- ◆ class risk;
- ◆ foreign security risk;
- ◆ foreign currency risk;
- ◆ industry and geographic concentration risk;
- ◆ use of options risk;
- ◆ portfolio turnover risk;
- ◆ counterparty risk;
- ◆ interest rate fluctuations risk;
- ◆ legal, tax and regulatory risk;
- ◆ conflicts of interest risk;
- ◆ broad authority of Croft risk;
- ◆ regulatory risk;
- ◆ derivative risk;
- ◆ securities lending, repurchase and reverse repurchase transactions risk; and
- ◆ other accounts risk.

### **Who should invest in this Fund?**

This Fund is not intended to be a complete investment program and may only be suitable if you:

- ◆ are seeking long-term capital appreciation; and
- ◆ can tolerate a medium level of investment risk.

### **Dividend policy**

The board of directors of the Corporation may declare dividends at its discretion. The board of directors has adopted a policy of annually assessing the Corporation's net income and net realized capital gains and declaring, to the extent possible, sufficient taxable dividends and capital gains dividends in order to offset tax otherwise payable by the Corporation on taxable dividends received by it and on net realized capital gains. Additional dividends may be declared. We automatically reinvest all dividends in additional shares of the Fund unless you tell us in writing you want to receive cash. If you wish to receive dividends in cash, you must complete an appropriate written request in advance. The tax treatment of each type of dividend is described under **"Income tax considerations for investors"**.

### **Fund expenses indirectly borne by investors**

Mutual funds pay for some expenses out of fund assets. That means investors in a mutual fund indirectly pay for these expenses through lower returns.

The following example is intended to help an investor compare the cost of investing in Class A-1 Income with the cost of investing in other mutual funds. The example shows the amount of fees and expenses paid by the Fund that are indirectly borne by an investor. The example is based on the following assumptions:

- ◆ the initial investment is \$1,000;
- ◆ the total annual return of the Fund is 5% per year; and
- ◆ the management expense ratio (MER) of the Fund throughout the years below was equal to the MER (i.e. includes management fees plus operating costs) of the Fund last year.

Year	MER	Return	Total Fees paid by investor
1	3.27%	5.00%	\$34.34
3	3.27%	5.00%	\$36.05
5	3.27%	5.00%	\$37.85
10	3.27%	5.00%	\$39.75

See “**Fees and expenses**” (pages 21 through 25) for more information about the cost of investing in the Funds.

## **CLASS D-1 INTERNATIONAL EQUITY**

### **Fund Details**

<b>Type of Fund</b>	Foreign Equity
<b>Inception Date</b>	November 4, 2008
<b>Securities Offered</b>	Series A, Series F and Series I mutual fund shares
<b>Registered tax plan status</b>	Eligible for RRSPs, RRIFs, RDSPs, RESPs, DPSPs and TSFAs
<b>Fees and expenses</b>	Series A shares - Management fee up to 1.80% plus a portion of the Fund's operating expense.  Series F shares - Management fee up to 1.80% plus a portion of the Fund's operating expense.  Series I shares - Management fee up to 0.30% plus a portion of the Fund's operating expense.

### **What does the Fund invest in?**

#### ***Investment objectives***

The investment objectives of this Fund are to provide long-term capital appreciation by investing primarily in securities and exchange traded funds that generally represent shares in European, Australasian and the Far East equity markets.

We may not change the fundamental investment objectives of the Fund without first obtaining approval of the shareholders at a meeting to consider the change.

#### ***Investment strategies***

To achieve its investment objectives, this Fund will invest primarily in securities and exchange traded funds that generally represent shares in European, Australasian and the Far East equity markets.

This Fund also may enter into securities lending transactions, repurchase transactions and reverse repurchase transactions, to the extent permitted by securities regulations, to earn additional income.

This Fund may write covered call options in respect of all or part of the securities in its portfolio to the extent such securities are held directly, or in respect of securities that it has the right or obligation to acquire under forward contracts or other derivative instruments. This Fund may also, from time to time, buy puts to hedge against downside market movements, write puts to acquire shares, or buy calls as a stock replacement strategy.

This Fund may hold a portion of its assets in cash equivalents and utilize such cash equivalents to provide cover in respect of the writing of cash covered put options. In the event of adverse market, economic and/or political conditions, the investment advisor may invest this Fund's assets in cash or fixed income securities.

### **What are the risks of investing in the Fund?**

This Fund is subject to following risks, each of which is described in detail under **"Investment Risks"**:

- ◆ investment risk;
- ◆ equity risk;
- ◆ class risk;
- ◆ foreign security risk;
- ◆ foreign currency risk;
- ◆ use of options risk;
- ◆ portfolio turnover risk;
- ◆ counterparty risk;
- ◆ interest rate fluctuations risk;
- ◆ legal, tax and regulatory risk;
- ◆ conflicts of interest risk;
- ◆ broad authority of Croft risk;
- ◆ regulatory risk;
- ◆ derivative risk;
- ◆ securities lending, repurchase and reverse repurchase transactions risk; and
- ◆ other accounts risk.

## **Who should invest in this Fund?**

This Fund is not intended to be a complete investment program and may only be suitable if you:

- ◆ are seeking long-term capital appreciation; and
- ◆ can tolerate a medium level of investment risk.

## **Dividend policy**

The board of directors of the Corporation may declare dividends at its discretion. The board of directors has adopted a policy of annually assessing the Corporation's net income and net realized capital gains and declaring, to the extent possible, sufficient taxable dividends and capital gains dividends in order to offset tax otherwise payable by the Corporation on taxable dividends received by it and on net realized capital gains. Additional dividends may be declared. We automatically reinvest all dividends in additional shares of the Fund unless you tell us in writing you want to receive cash. If you wish to receive dividends in cash, you must complete an appropriate written request in advance. The tax treatment of each type of dividend is described under **"Income tax considerations for investors"**.

## **Fund expenses indirectly borne by investors**

Mutual funds pay for some expenses out of fund assets. That means investors in a mutual fund indirectly pay for these expenses through lower returns.

The following example is intended to help an investor compare the cost of investing in Class A-1 Income with the cost of investing in other mutual funds. The example shows the amount of fees and expenses paid by the Fund that are indirectly borne by an investor. The example is based on the following assumptions:

- ◆ the initial investment is \$1,000;
- ◆ the total annual return of the Fund is 5% per year; and
- ◆ the management expense ratio (MER) of the Fund throughout the years below was equal to the MER (i.e. includes management fees plus operating costs) of the Fund last year.

Year	MER	Return	Total Fees paid by investor
1	3.27%	5.00%	\$34.34
3	3.27%	5.00%	\$36.05
5	3.27%	5.00%	\$37.85
10	3.27%	5.00%	\$39.75

See “**Fees and expenses**” (pages 21 through 25) for more information about the cost of investing in the Funds.

## **CLASS E-1 EMERGING MARKETS EQUITY**

### **Fund Details**

<b>Type of Fund</b>	Foreign Equity
<b>Inception Date</b>	November 4, 2008
<b>Securities Offered</b>	Series A, Series F and Series I mutual fund shares
<b>Registered tax plan status</b>	Eligible for RRSPs, RRIFs, RDSPs, RESPs, DPSPs and TSFAs
<b>Fees and expenses</b>	Series A shares - Management fee up to 1.80% plus a portion of the Fund's operating expense.  Series F shares - Management fee up to 1.80% plus a portion of the Fund's operating expense.  Series I shares - Management fee up to 0.30% plus a portion of the Fund's operating expense.

### **What does the Fund invest in?**

#### ***Investment objectives***

The investment objectives of this Fund are to provide long-term capital appreciation by investing in exchange traded funds that generally represent exposure to emerging markets, including but not limited to: China, India, Brazil, Russia, Latin America and the Asia Pacific region.

We may not change the fundamental investment objectives of the Fund without first obtaining approval of the shareholders at a meeting to consider the change.

#### ***Investment strategies***

To achieve its investment objectives, this Fund will invest in exchange traded funds that generally represent exposure to emerging markets, including but not limited to: China, India, Brazil, Russia, Latin America and the Asia Pacific region.

This Fund also may enter into securities lending transactions, repurchase transactions and reverse repurchase transactions, to the extent permitted by securities regulations, to earn additional income.

This Fund may write covered call options in respect of all or part of the securities in its portfolio to the extent such securities are held directly, or in respect of securities that it has the right or obligation to acquire under forward contracts or other derivative instruments. This Fund may also, from time to time, buy puts to hedge against downside market movements, write puts to acquire shares, or buy calls as a stock replacement strategy.

In the event of adverse market, economic and/or political conditions, the investment advisor may invest this Fund's assets in cash or fixed income securities.

### **What are the risks of investing in the Fund?**

This Fund is subject to following risks, each of which is described in detail under **"Investment Risks"**:

- ◆ investment risk;
- ◆ equity risk;
- ◆ class risk;
- ◆ foreign security risk;
- ◆ foreign currency risk;
- ◆ use of options risk;
- ◆ portfolio turnover risk;
- ◆ counterparty risk;
- ◆ interest rate fluctuations risk;
- ◆ legal, tax and regulatory risk;
- ◆ conflicts of interest risk;
- ◆ broad authority of Croft risk;
- ◆ regulatory risk;
- ◆ derivative risk;
- ◆ securities lending, repurchase and reverse repurchase transactions risk; and
- ◆ other accounts risk.

## **Who should invest in this Fund?**

This Fund is not intended to be a complete investment program and may only be suitable if you:

- ◆ are seeking long-term capital appreciation; and
- ◆ can tolerate a medium to high level of investment risk; and
- ◆ can withstand high volatility in the value of the Fund's securities.

## **Dividend policy**

The board of directors of the Corporation may declare dividends at its discretion. The board of directors has adopted a policy of annually assessing the Corporation's net income and net realized capital gains and declaring, to the extent possible, sufficient taxable dividends and capital gains dividends in order to offset tax otherwise payable by the Corporation on taxable dividends received by it and on net realized capital gains. Additional dividends may be declared. We automatically reinvest all dividends in additional shares of the Fund unless you tell us in writing you want to receive cash. If you wish to receive dividends in cash, you must complete an appropriate written request in advance. The tax treatment of each type of dividend is described under **"Income tax considerations for investors"**.

## **Fund expenses indirectly borne by investors**

Mutual funds pay for some expenses out of fund assets. That means investors in a mutual fund indirectly pay for these expenses through lower returns.

The following example is intended to help an investor compare the cost of investing in Class A-1 Income with the cost of investing in other mutual funds. The example shows the amount of fees and expenses paid by the Fund that are indirectly borne by an investor. The example is based on the following assumptions:

- ◆ the initial investment is \$1,000;
- ◆ the total annual return of the Fund is 5% per year; and
- ◆ the management expense ratio (MER) of the Fund throughout the years below was equal to the MER (i.e. includes management fees plus operating costs) of the Fund last year.

Year	MER	Return	Total Fees paid by investor
1	3.27%	5.00%	\$34.34
3	3.27%	5.00%	\$36.05
5	3.27%	5.00%	\$37.85
10	3.27%	5.00%	\$39.75

See “**Fees and expenses**” (pages 21 through 25) for more information about the cost of investing in the Funds.

## **CLASS F-1 ALTERNATIVE STRATEGIES**

### **Fund Details**

<b>Type of Fund</b>	Alternative Strategies Fund
<b>Inception Date</b>	November 4, 2008
<b>Securities Offered</b>	Series A, Series F and Series I mutual fund shares
<b>Registered tax plan status</b>	Eligible for RRSPs, RRIFs, RDSPs, RESPs, DPSPs and TSFAs
<b>Fees and expenses</b>	Series A shares - Management fee up to 1.80% plus a portion of the Fund's operating expense.  Series F shares - Management fee up to 1.80% plus a portion of the Fund's operating expense.  Series I shares - Management fee up to 0.30% plus a portion of the Fund's operating expense.

### **What does the Fund invest in?**

#### ***Investment objectives***

The investment objectives of this Fund are to provide investors with long term capital appreciation by investing in a diversified portfolio of publicly listed issuers whose business or assets are exposed to real estate assets, precious metals, agricultural commodities, energy related assets, and exchange traded commodity funds and commodity index funds that hold gold bullion to a maximum of 10%.

We may not change the fundamental investment objectives of the Fund without first obtaining approval of the shareholders at a meeting to consider the change.

#### ***Investment strategies***

To achieve its investment objectives, this Fund will invest in a diversified portfolio of publicly listed issuers whose business or assets are exposed to real estate assets, precious metals (such as gold, silver, platinum, or palladium), agricultural commodities, energy related assets (including oil, natural gas, or heating oil), and exchange traded commodity funds and commodity index funds that hold gold bullion.

This Fund may also invest in certain structured products that generally have a low correlation to major equity stock market indices.

This Fund also may enter into securities lending transactions, repurchase transactions and reverse repurchase transactions, to the extent permitted by securities regulations, to earn additional income.

This Fund may write covered call options in respect of all or part of the securities in its portfolio to the extent such securities are held directly, or in respect of securities that it has the right or obligation to acquire under forward contracts or other derivative instruments. This Fund may also, from time to time, buy puts to hedge against downside market movements, write puts to acquire shares, or buy calls as a stock replacement strategy.

In the event of adverse market, economic and/or political conditions, the investment advisor may invest this Fund's assets in cash or fixed income securities.

#### **What are the risks of investing in the Fund?**

This Fund is subject to following risks, each of which is described in detail under **"Investment Risks"**:

- ◆ investment risk;
- ◆ equity risk;
- ◆ class risk;
- ◆ foreign security risk;
- ◆ foreign currency risk;
- ◆ industry and geographic concentration risk;
- ◆ use of options risk;
- ◆ portfolio turnover risk;
- ◆ counterparty risk;
- ◆ interest rate fluctuations risk;
- ◆ legal, tax and regulatory risk;
- ◆ conflicts of interest risk;
- ◆ broad authority of Croft risk;
- ◆ regulatory risk;
- ◆ derivative risk;

- ◆ securities lending, repurchase and reverse repurchase transactions risk; and
- ◆ other accounts risk.

## **Who should invest in this Fund?**

This Fund is not intended to be a complete investment program and may only be suitable if you:

- ◆ are seeking long-term capital appreciation; and
- ◆ can tolerate a medium level of investment risk.

## **Dividend policy**

The board of directors of the Corporation may declare dividends at its discretion. The board of directors has adopted a policy of annually assessing the Corporation's net income and net realized capital gains and declaring, to the extent possible, sufficient taxable dividends and capital gains dividends in order to offset tax otherwise payable by the Corporation on taxable dividends received by it and on net realized capital gains. Additional dividends may be declared. We automatically reinvest all dividends in additional shares of the Fund unless you tell us in writing you want to receive cash. If you wish to receive dividends in cash, you must complete an appropriate written request in advance. The tax treatment of each type of dividend is described under **"Income tax considerations for investors"**.

## **Fund expenses indirectly borne by investors**

Mutual funds pay for some expenses out of fund assets. That means investors in a mutual fund indirectly pay for these expenses through lower returns.

The following example is intended to help an investor compare the cost of investing in Class A-1 Income with the cost of investing in other mutual funds. The example shows the amount of fees and expenses paid by the Fund that are indirectly borne by an investor. The example is based on the following assumptions:

- ◆ the initial investment is \$1,000;
- ◆ the total annual return of the Fund is 5% per year; and
- ◆ the management expense ratio (MER) of the Fund throughout the years below was equal to the MER (i.e. includes management fees plus operating costs) of the Fund last year.

Year	MER	Return	Total Fees paid by investor
1	3.27%	5.00%	\$34.34
3	3.27%	5.00%	\$36.05
5	3.27%	5.00%	\$37.85
10	3.27%	5.00%	\$39.75

See “**Fees and expenses**” (pages 21 through 25) for more information about the cost of investing in the Funds.

## **PIE Portfolio Index Evolution Corporation**

Class A-1 Income  
Class B-1 Canadian Equity  
Class C-1 U.S. Equity  
Class D-1 International Equity  
Class E-1 Emerging Markets Equity  
Class F-1 Alternative Strategies

Additional information about the Funds is available in the annual information form, management reports of fund performance, financial statements, and the most recently filed Fund Facts. These documents are incorporated by reference into this simplified prospectus, which means that they legally form part of this document just as if they were printed as part of this document.

You can obtain the annual information form, management reports of fund performance and financial statements, including the statement of portfolio transactions, free of cost by calling (905) 695-7777 or toll-free at 1-877-249-2884, from your Dealer, or by e-mail at [info@croftgroup.com](mailto:info@croftgroup.com).

These documents and other information about the Funds, such as information circulars and material contracts are also available on our web site at [www.croftgroup.com](http://www.croftgroup.com) or at the website at [www.sedar.com](http://www.sedar.com).

### **MANAGER OF THE FUNDS:**

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