

**ANNUAL INFORMATION FORM**

April 8, 2010

**MERITAS MUTUAL FUNDS**

**Meritas Money Market Fund  
Meritas Canadian Bond Fund  
Meritas Balanced Portfolio Fund  
Meritas Balanced Growth Portfolio Fund  
Meritas Monthly Dividend and Income Fund  
Meritas Jantzi Social Index<sup>®</sup> Fund  
Meritas U.S. Equity Fund  
Meritas International Equity Fund**

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

**The Funds and the securities offered under this Annual Information Form are not registered with the United States Securities and Exchange Commission and they are sold in the United States only in reliance on exemptions from registration.**

## TABLE OF CONTENTS

NAME AND FORMATION OF THE FUNDS .....	1
INVESTMENT RESTRICTIONS OF THE FUNDS .....	1
DESCRIPTION OF UNITS .....	2
CALCULATION OF NET ASSET VALUE AND VALUATION OF PORTFOLIO SECURITIES ....	3
CALCULATION OF UNIT PRICE .....	5
PURCHASE OF UNITS .....	5
SWITCHING PRIVILEGES .....	6
REDEMPTION OF UNITS .....	6
MANAGEMENT OF THE FUNDS .....	8
CONFLICTS OF INTEREST .....	13
AFFILIATED ENTITIES .....	13
FUND GOVERNANCE .....	13
FEES AND EXPENSES .....	16
INCOME TAX CONSIDERATIONS .....	16
REMUNERATION OF DIRECTORS, OFFICERS AND TRUSTEE .....	18
MATERIAL CONTRACTS .....	18
CERTIFICATE .....	20

## NAME AND FORMATION OF THE FUNDS

Meritas Money Market Fund, Meritas Canadian Bond Fund, Meritas Balanced Portfolio Fund, Meritas Balanced Growth Portfolio Fund, Meritas Monthly Dividend and Income Fund, Meritas Jantzi Social Index<sup>®</sup> Fund, Meritas U.S. Equity Fund and Meritas International Equity Fund (the "Funds") are mutual fund trusts governed by the laws of Ontario pursuant to declarations of trust (each a "Declaration") by the Funds' trustee, Qtrade Fund Management Inc. ("QFM"). The Declarations for each of the Funds other than Meritas Balanced Portfolio Fund, Meritas Balanced Growth Portfolio Fund and the Meritas Monthly Dividend and Income Fund are dated March 21, 2001. The Declaration for Meritas Balanced Portfolio Fund is dated January 29, 2004, for the Meritas Monthly Dividend and Income Fund is dated November 9, 2005 and for the Meritas Balanced Growth Portfolio Fund is dated February 24, 2010. The Funds have their offices at: 1265 Strasburg Road, Kitchener, Ontario N2R 1S6. A Fund may be terminated by QFM at any time upon at least 60 days' notice to investors.

Qtrade Fund Management Inc. (the "Manager" and sometimes referred to as "QFM") is the manager, trustee, and promoter of the Funds except for Meritas Balanced Growth Portfolio Fund.. Except for Meritas Balanced Growth Portfolio Fund, from inception to April 1, 2010, the portfolio adviser of the Funds was Meritas Financial Inc. ("Meritas"). From inception, the portfolio adviser of the Meritas Balanced Growth Portfolio Fund was QFM and the trustee was Meritas. On April 1, 2010, QFM, OceanRock Capital Partners Inc. and Meritas were amalgamated, with the successor entity continuing under the name Qtrade Fund Management Inc. As a result, effective April 1, 2010, the trustee, manager and portfolio adviser of all Funds is QFM.

## INVESTMENT RESTRICTIONS OF THE FUNDS

The Funds are subject to certain standard investment restrictions and practices contained in securities legislation, including National Instrument 81-102. This legislation is designed in part to ensure that the investments of the Funds are diversified and relatively liquid and to ensure the proper administration of the Funds. Each of the Funds adheres to these standard investment restrictions and practices.

Meritas Balanced Portfolio Fund has been granted an exemption in Quebec from certain provisions of National Instrument 81-102 permitting it to invest in its underlying funds as described in the Simplified Prospectus of the Fund. This exemption is subject to the conditions set out in the order dated January 29, 2004. Meritas Balanced Portfolio Fund does not require exemptive relief from the securities regulatory authority in any other province or territory of Canada to invest directly in its underlying funds as described in the Simplified Prospectus.

The fundamental investment objectives of each of the Funds are set out in the Simplified Prospectus of the Funds. Any change in the fundamental investment objectives of a Fund requires the approval of a majority of the votes cast at a meeting of investors called for that purpose. QFM may change a Fund's investment strategies from time to time at its discretion.

Meritas Money Market Fund, Meritas Canadian Bond Fund, Meritas Balanced Portfolio Fund, Meritas Balanced Growth Portfolio Fund, Meritas Jantzi Social Index<sup>®</sup> Fund, Meritas U.S. Equity Fund, Meritas International Equity Fund and Meritas Monthly Dividend and Income Fund are, or will be, registered investments under the *Income Tax Act* (Canada) (the "Tax Act"). A Fund that is a registered investment under the Tax Act is subject to special taxes under Part XI.1 of the Tax Act. Meritas Money Market Fund, Meritas Canadian Bond Fund, Meritas Balanced Portfolio

Fund, Meritas Balanced Growth Portfolio Fund, Meritas Jantzi Social Index<sup>®</sup> Fund, Meritas Monthly Dividend and Income Fund, Meritas U.S. Equity Fund and Meritas International Equity Fund will restrict their investments so that they will not be liable for tax under Part XI.I of the Tax Act.

The Funds have not sought either to vary any of their investment restrictions and practices or to implement a reorganization with, or transfer of assets to another mutual fund. Accordingly they have not had to rely on the advice of the independent review committee in any of these matters.

### **Change in Auditor**

The Manager appointed PricewaterhouseCoopers LLP as auditors of the Funds, replacing KPMG LLP. This change was effective for the Funds' December 31, 2009 audited financial statements. The Independent Review Committee for the Funds (the "IRC") approved the change.

### **Approval of Merger**

The Independent Review Committee approved a merger of the Manager, Meritas Financial Inc., with Qtrade Canada Inc. effective April 1, 2010.

## **DESCRIPTION OF UNITS**

### **General**

Each Fund is permitted to issue an unlimited number of units of one class. Units represent your ownership in a Fund. You will receive distributions of a Fund's net income and net capital gains attributable to your units. The distributions of a Fund's net income and net capital gains will be allocated among the units of the Fund based on their relative net asset value. Investors within each Fund will receive the same distribution per unit for all distributions of net income and net capital gains, excluding distributions relating to reduced management fees as described under "Fees and Expenses".

If a Fund is ever terminated, each unit that you own will share equally with each other unit in the assets of the Fund after all of the Fund's liabilities have been paid.

A unitholder in a Fund is entitled to one vote for each whole unit held in the event of a meeting of the unitholders of a Fund. All units of a Fund are fully paid and non-assessable when issued. Fractions of units may be issued. Fractional units carry the rights and privileges and are subject to the restrictions and conditions applicable to whole units in the proportions which they bear to one unit; however, the holder of a fractional unit is not entitled to vote in respect of such fractional unit. Unitholders can redeem all or any of their units as described under "Redemption of Units".

### **Meetings of Unitholders**

Unitholders of each Fund will be permitted to vote on all matters that require unitholder approval under National Instrument 81-102. These matters are:

- an increase in charges payable by the Fund to non-arm's length parties (such as QFM) above the maximum charges, if any, set out in the Simplified Prospectus;
- a change of the manager, unless the new manager is an affiliate of QFM;
- a change in the fundamental investment objectives of the Fund;
- a decrease in the frequency of the calculation of the net asset value per unit of the Fund; and
- certain material reorganizations of the Fund.

QFM may make other changes to a Declaration in its discretion, unless QFM reasonably believes that the proposed changes have the potential to adversely impact the financial interests or rights of unitholders, in which case QFM will not make such changes until it has given such prior notice to unitholders that it deems reasonable.

### **CALCULATION OF NET ASSET VALUE AND VALUATION OF PORTFOLIO SECURITIES**

The net asset value of each Fund is determined by QFM, or its agent, as at 4:00 p.m. (Eastern time) on each day that the Toronto Stock Exchange is open for a trading session (a "Valuation Date"). Each of the Funds is valued in Canadian dollars.

In determining the market value of the assets of a Fund, the following rules will apply, unless otherwise provided under applicable securities legislation:

- (a) the value of any cash on hand or on deposit, bills, demand notes, accounts receivable, prepaid expenses, cash dividends received (or to be received and declared to shareholders of record on a date before the date as of which the net asset value is being determined), and interest accrued and not yet received, shall be deemed to be the full amount thereof unless QFM determines that any such deposit, bill, demand note, account receivable, prepaid expense, cash dividend received or interest is not worth the full amount thereof, in which event the value thereof shall be deemed to be such value as QFM determines to be the reasonable value thereof;
- (b) the value of any security which is listed or dealt in upon a stock exchange shall be determined by (i) in the case of a security which was traded on the day as of which the net asset value is being determined, the closing sale price; (ii) in the case of a security which was not traded on the day as of which the net asset value is being determined, a price which shall be determined by QFM and shall be no higher than the closing ask price and no lower than the closing bid price; or (iii) if no bid or asked quotation is available, the price last determined for such security for the purpose of calculating the net asset value. The value of interlisted securities shall be computed in accordance with directions laid down from time to time by QFM.; and provided however that if, in the opinion of QFM, stock exchange or over the counter quotations do not properly reflect the prices which would be received by the Fund upon the disposal of shares or securities necessary to effect any redemptions of units, QFM may place such value upon

such shares or securities as appears to QFM to most closely reflect the fair value of such shares or securities;

- (c) the value of any security, the resale of which is restricted or limited by reason of a representation, undertaking or agreement by the Fund shall be the lesser of (i) the value based on reported quotations in common use and (ii) that percentage of the market value of the securities of the class or series of a class of which the security forms part that are not restricted securities, equal to the percentage that the Fund's acquisition cost was of the market value of such securities at the time of acquisition, but taking into account, if appropriate, the amount of the time remaining until the restricted securities will cease to be restricted securities;
- (d) for options written by the Fund, the premium received will be reflected as a deferred credit that shall be valued at an amount equal to the current market value of the option, which would have the effect of closing the position. Any difference resulting from revaluation shall be treated as an unrealized loss or gain on investment. The deferred credit will be deducted in calculating the net asset value. The securities, if any, which are the subject of a written option shall be valued at their current market value;
- (e) the value of any security or other property for which no price quotations are available as above provided, shall be the fair value thereof determined in such manner as QFM shall from time to time provide;
- (f) a long position in an option or a debt-like security shall be valued at the current market value thereof;
- (g) the value of a forward contract or swap shall be the gain or loss with respect thereto that would be realized if, on the Valuation Date, the position in the forward contract or swap, as the case may be, were to be closed out;
- (h) the value of a standardized future shall be the gain or loss on the standardized future that would be realized if, on the date that valuation is made, the position in the standardized future were to be closed out, unless daily limits imposed by the futures exchange through which the standardized future was issued are in effect, in which case the value of the standardized future shall be based on the current market value of the underlying interest;
- (i) the value of all assets of the Fund valued in terms of a currency other than Canadian currency and liabilities payable in a currency other than Canadian currency shall be translated to Canadian currency at the Bank of Canada noon rate of exchange on the Valuation Date;
- (j) margin paid or deposited in respect of future contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;
- (k) each transaction of purchase or sale of Fund securities shall be reflected in the computation of the net asset value not later than the first computation of the net asset value made after the date on which the transaction becomes binding; and

- (l) the issue or redemption of securities of the Fund shall be reflected in the computation of the net asset value not later than the next computation of the net asset value made after the time as at which the net asset value per unit is determined for the purpose of the issue or redemption of the securities of the Fund.

The Declarations contain details of the liabilities to be included by QFM, or its agent, in calculating the net asset value of each Fund.

### **CALCULATION OF UNIT PRICE**

As at 4:00 p.m. (Eastern time) on each Valuation Date, QFM, or its agent, will calculate a unit price for each Fund. The unit price of a Fund will be based on the market value of the assets of the Fund, less any liabilities of the Fund, divided by the total number of units of that Fund held by unitholders. The unit price is the basis for all purchases and redemptions and for the reinvestment of distributions.

For the Meritas Money Market Fund, we seek to maintain a fixed unit value of \$10.00 by crediting all income accumulated daily, with settlements being made monthly.

### **PURCHASE OF UNITS**

#### **General**

Units of each of the Funds are offered for sale on a continuous basis. Purchase orders must be placed with dealers or brokers registered in an investor's province or territory.

#### **Purchase Price**

Units of each of the Funds may be purchased at their unit price from time to time, computed as described under "Calculation of Unit Price". The purchase price per unit is the unit price next determined following receipt by the Fund of a completed subscription. Any subscription received on a Valuation Date after the cut-off time or on any day which is not a Valuation Date is deemed to have been received on the following Valuation Date. The purchase price per unit will then be the unit price established on the Valuation Date following the day of actual receipt of the subscription. If your purchase order is received by QFM, or its agent before 4:00 p.m. (Eastern time) on a Valuation Date, you will pay the unit price set on that Valuation Date or if received after 4:00 p.m. the unit price set on the next Valuation Date, subject to QFM receiving all necessary forms properly completed within three business days of receipt of your order.

#### **Purchase Options**

You may purchase units of the Funds under the fee based option, front end option, low load option or deferred charge option. Your choice of purchase option affects the sales charges you and we will pay to your dealer.

Under the front end option, you pay a commission to your dealer when you buy units of a Fund. This commission is negotiable between you and your dealer.

Under the low load option, we pay a commission to your dealer on your behalf when you buy units of a Fund, but you may be required to pay us a redemption fee if you redeem your units within the following three years. Not all dealers may offer the low load option. Some dealers may restrict purchases under the low load option to investors meeting certain account size thresholds.

Under the deferred charge option, we pay a commission to your dealer when you buy units of a Fund, but you may be required to pay us a redemption fee if you redeem your units within the following six years.

### **Processing Orders**

The procedures to be followed by investors who desire to purchase units of the Funds are described in the Funds' Simplified Prospectus.

QFM has an obligation to cancel a purchase by an investor who, after placing an order, fails to pay the purchase price on or before the settlement date. The settlement date is currently the third business day from the day the unit price for the units is determined.

Cancellation of a purchase will be effected by causing the units issued pursuant to the purchase to be redeemed at their unit price next calculated after the settlement date. If the redemption proceeds are greater than the purchase price, the Fund is required by securities regulation to keep the difference. If the redemption proceeds are less than the purchase price, your dealer will be required to pay such difference to the Fund. A dealer may require that you compensate them for any losses suffered by the dealer in connection with a failed settlement of a purchase of units of the Funds caused by you.

### **Certificates**

Certificates are not issued for units purchased.

## **SWITCHING PRIVILEGES**

An investor may switch units of a Fund by selling units and using the proceeds from the sale to purchase new units of another Fund by completing the appropriate switch form which may be obtained from a dealer or QFM. QFM will redeem the number of units of the Fund to be switched at the unit price determined immediately following the receipt of the switch request. The proceeds of that redemption will then be applied to the purchase of the new units at their unit price on that Valuation Date. QFM reserves the right to accept or reject any switch of securities.

This switch will be a disposition for tax purposes and may result in a capital gain or loss (see "Income Tax Considerations").

Your dealer may charge you a switch fee of up to 2% of the value of the securities being switched.

## REDEMPTION OF UNITS

### Price on Redemption

Units of a Fund may be redeemed at their unit price next determined after receipt at the registered office of the Funds of a redemption request. Redemption requests received on any day that is not a Valuation Date or received after the cut-off time on a Valuation Date are deemed to have been received on the following Valuation Date. In that case, the price on redemption will be the applicable unit price established on the Valuation Date following the day of actual receipt. If your sell order is received by QFM or its agent before 4:00 p.m. (Eastern time) on a Valuation Date, you will receive the unit price set on that Valuation Date or if received after 4:00 p.m. the unit price set on the next Valuation Date, subject to QFM or its agent receiving all necessary forms properly completed within ten business days of receipt of your sell order.

### Processing Redemptions

QFM encourages all investors to consult their dealer in connection with any redemption. However, applications for redemption may be forwarded directly to the Funds. Alternatively, applications for redemption may be forwarded to dealers for delivery to the Funds. Dealers must transmit the particulars of such application for redemption to the Fund without charge to the investor and must make such transmittal wherever practical by courier, priority post or telecommunications facility.

No payment of redemption proceeds will be made until a duly completed request for redemption has been received which is properly executed and, if required by QFM, with the signature guaranteed by a Canadian chartered bank, trust company, registered dealer or otherwise to the satisfaction of QFM .

Where a Fund has received a duly completed application for redemption, the Fund will pay the redemption proceeds within three business days of receipt of such documents. If an investor fails to provide the Fund with a duly completed redemption request within ten business days of the date on which the net asset value is determined for the purposes of the redemption, QFM , on behalf of the Fund, will purchase the units redeemed on that business day. The redemption proceeds which would have been paid on the failed transaction will be used to pay the purchase price. If the redemption proceeds exceed the purchase price, the Fund is required by securities regulation to keep the difference. If the sales proceeds are less than the repurchase amount you (if you submitted your redemption order directly to us) or your dealer will be required to pay the Fund the difference. Your dealer may wish to collect this amount plus the expenses of doing so from you.

Investors should refer to the Simplified Prospectus of the Funds for further details relating to the processing of redemptions. Investors should also refer to "Switching Privileges" above in connection with any redemption.

### Minimum Account Size

Due to the relatively high cost of maintaining accounts of less than \$500, each Fund reserves the right to redeem units in any account at their unit price if, at any time, the aggregate unit prices of such units is less than \$500. An investor will be notified that the value of the units held

in the investor's account is less than \$500 and allowed at least 30 days to make an additional investment to increase the aggregate net asset value of such units in the investor's account to not less than \$500 before the redemption is processed.

### **Suspension of Redemption Rights**

QFM reserves the right to suspend the right of redemption and to postpone the date of payment upon redemption for any period, but only in compliance with applicable securities regulatory policies. The right of redemption with respect to units of a Fund may be suspended during any period when normal trading is suspended on any exchange on which are traded portfolio securities or specified derivatives representing more than 50% by value of the total assets of that Fund without allowance for liabilities. In addition, the right of redemption may be suspended with the consent of securities regulatory authorities. During any period of suspension of redemption rights, orders for units will not be accepted and switching between Funds will likewise be suspended during such periods. In the case of suspension of the right of redemption, a holder of units may either withdraw an application for redemption or receive payment based on the applicable net asset value per unit next determined after the termination of such suspension.

## **MANAGEMENT OF THE FUNDS**

### **The Manager**

Qtrade Fund Management Inc., a corporation incorporated under the laws of Canada, has offices located at 1920 – One Bentall Centre, 505 Burrard Street, Box 85, Vancouver, British Columbia, V7X 1M6.

Tel: 1-866-MERITAS

QFM's website address pertaining to Meritas Mutual Funds is [www.meritas.ca](http://www.meritas.ca) and the e-mail address is [info@meritas.ca](mailto:info@meritas.ca). QFM is responsible for all management and administration services required for the day-to-day business of the Funds, including selecting the portfolio advisers and sub-advisers who will be responsible for managing the investment portfolios and arranging for the distribution of securities of the Funds. QFM furnishes the office space and facilities, clerical help, bookkeeping and the internal accounting services required by each of the Funds. Distribution crediting services and all unitholder servicing requirements are also furnished by or on behalf of QFM...

The names and municipalities of residence of the directors and officers of QFM, and their positions and offices, are as follows:

<b><u>Name and Municipality of Residence</u></b>	<b><u>Position with QFM</u></b>	<b><u>Principal Occupation in Preceding 5 Years</u></b>
Scott R. Gibner West Vancouver, BC	Director and Chief Executive Officer	Director and Chief Executive Officer, Qtrade Canada Inc.
J. Calvin MacInnis North Vancouver, BC	Director and Managing Partner	Director and Managing Partner of the Manager
Derek P. Barber	Chief Financial Officer	Chief Financial Officer/VP

<b><u>Name and Municipality of Residence</u></b>	<b><u>Position with QFM</u></b>	<b><u>Principal Occupation in Preceding 5 Years</u></b>
		Finance of Qtrade Canada Inc, since November, 2005; prior thereto, Director of Business Analytics, Assante Canada since January, 2000
Brent Zorgdrager	Director	Chief Executive Officer, Mennonite Savings and Credit Union (Ontario) Limited since January 1, 2010; Chief Financial Officer, Mennonite Savings and Credit Union (Ontario) Limited prior. Prior to April 1, 2010, Chief Executive Officer, Meritas Financial Inc.
Gary Hawton Carlisle, ON	Chief Investment Officer, Director	Vice President, Product Development of the Manager since October, 2004.
Manmeet S. Bhatia Vancouver, BC	Vice President, Product Development	

Each of the Funds other than Meritas Balanced Growth Portfolio Fund, Meritas Balanced Portfolio Fund and Meritas Monthly Dividend and Income Fund has appointed QFM as its manager pursuant to a management agreement dated March 21, 2001 and Meritas Balanced Growth Portfolio Fund has appointed QFM as its manager pursuant to a management agreement dated April 5, 2010, Meritas Balanced Portfolio Fund has appointed QFM as its manager pursuant to a management agreement dated January 29, 2004 and Meritas Monthly Dividend and Income Fund has appointed QFM Inc. as its manager pursuant to a management agreement dated December 16, 2005 (collectively, the "Management Agreements"). Each Management Agreement may be terminated by QFM. upon 90 days' prior written notice to the relevant Fund and its trustee, or upon such shorter notice as the Fund, the Fund's trustee and QFM may agree. Each Management Agreement may also be terminated by any party to the agreement upon written notice to the other parties if another party ceases to carry on business, becomes bankrupt or insolvent, resolves to wind up or liquidate, or if a receiver of any of its assets is appointed, or if another party commits a material breach of the agreement that is not remedied within 30 days.

As disclosed in the Funds' Simplified Prospectus, there may be additional fees for the services of QFM, payable directly by you.

### **Portfolio Adviser and Sub-advisers**

Pursuant to the Management Agreements, the Funds have engaged QFM to act as the Portfolio Adviser to each of the Funds. Pursuant to sub-advisory agreements (the "Sub-advisory Agreements"), the following have been appointed to act as Sub-advisers for the Funds:

<b><u>Fund</u></b>	<b><u>Sub-adviser</u></b>	<b><u>Head Office of Sub-adviser</u></b>	<b><u>Date of Agreement</u></b>
Meritas Money Market Fund	GWL Investment Management Ltd.	Winnipeg, Manitoba	January 26, 2009
Meritas Canadian Bond Fund	GWL Investment Management Ltd.	Winnipeg, Manitoba	January 26, 2009
Meritas Jantzi Social Index <sup>®</sup> Fund	State Street Global Advisors	Montreal, Quebec	March 1, 2001
Meritas U.S. Equity Fund	Davis Selected Advisors, LP	New York, New York	December 31, 2005
Meritas International Equity Fund	Thornburg Investment Management, Inc.	Santa Fe, New Mexico, U.S.A.	December 8, 2003
Meritas Monthly Dividend and Income Fund	Jarislowsky Fraser Limited	Montreal, Quebec	December 31, 2005

The Sub-advisory Agreements may be terminated by any party at any time upon 30 days' prior written notice except for the Sub-advisory Agreements with Thornburg Investment Management, Inc., Jarislowsky Fraser Limited and Davis Selected Advisors, LP which may be terminated by either party upon 60 days' notice.

The day-to-day investment decisions in respect of each Fund are made by the following individuals:

<b><u>Fund</u></b>	<b><u>Individual Portfolio Manager</u></b>	<b><u>Title and Company</u></b>	<b><u>Business Experience in last 5 Years</u></b>
Meritas Money Market Fund	Natalie Laden	Portfolio Manager, GWL Investment Management Ltd.	Current position.
Meritas Canadian Bond Fund	Terry Parsonage	Senior Vice-President, GWL Investment Management	Current position.
Meritas Balanced Portfolio Fund	Manmeet Bhatia	Portfolio Manager, Qtrade Fund Management Inc.	Current position.
Meritas Balanced Growth Portfolio Fund	Manmeet Bhatia	Portfolio Manager Qtrade Fund Management Inc.	Current position.
Meritas Jantzi Social Index <sup>®</sup> Fund	James Wittebol	Portfolio Manager, State Street Global Advisors	Current position.
Meritas U.S. Equity Fund	Christopher Davis	CEO and Portfolio Manager, Davis Selected Advisers, LP	Current position
	Kenneth Feinberg	Portfolio Manager, Davis Selected Advisers, LP	Current position
Meritas International Equity Fund	Wendy Trevisani	Co-Portfolio Manager and Managing Director, Thornburg Investment Management, Inc.	Current position.
	William Fries, CFA	Co-Portfolio Manager and Managing Director, Thornburg Investment Management, Inc.	Current position.
	Lei Wang	Co-Portfolio Manager and Managing Director, Thornburg Investment Management, Inc.	Current position.
Meritas Monthly Dividend and Income Fund	Blain Caverly	Partner, Jarislowsky Fraser Limited	Current position

<u>Fund</u>	<u>Individual Portfolio Manager</u>	<u>Title and Company</u>	<u>Business Experience in last 5 Years</u>
	Peter Angelou	Partner, Jarislowsky Fraser Limited	Current position

### **Brokerage Arrangements**

The Portfolio Manager makes decisions as to the purchase and sale of underlying fund securities, mutual funds and ETFs. Qtrade Securities Inc., an affiliate of the Manager, acts as dealer of record in connection with the purchase and sale of securities of the underlying funds. All purchases of such securities are made on a “no-load” basis (or with a front end load of zero).

The Portfolio Manager also makes decisions regarding the execution of portfolio transactions with respect to the cash and cash equivalent portions of the Funds, including, when applicable, the selection of markets, brokers and the negotiation of commissions. If and when effecting such portfolio transactions, the Portfolio Manager places brokerage business with investment dealers and brokers on the basis of the best price and service. To the extent that the execution offered by more than one dealer or broker are comparable, the Portfolio Manager may, in its discretion, determine to effect transactions with the dealers and brokers who provide research, statistical and other similar services to the Fund or to the Portfolio Manager at transaction prices which reflect those services. The Portfolio Manager may effect transactions with dealers or brokers who are affiliated with the Manager provided the terms are similar to those which could be obtained from unrelated dealers or brokers by the Funds.

### **Directors, Officers and Trustees of the Funds**

QFM Inc. is the trustee of the Funds. Please also refer to "Fund Governance".

### **Custodian**

The portfolio assets of the Funds are held under the custodianship of The CIBC Mellon Global Securities Services Company ("CIBC Mellon") of Toronto, Ontario pursuant to a custodian agreement (the "Custodian Agreement") dated December 31, 2005, as amended, between QFM, as trustee of the Funds, and CIBC Mellon. Under the Custodian Agreement, CIBC Mellon is responsible for the safekeeping of the property of the Funds. The Custodian Agreement may be terminated by either QFM or CIBC Mellon on at least 90 days' prior written notice to the other.

### **Auditors**

The auditor of the Funds is PricewaterhouseCoopers LLP of Waterloo, Ontario. Any change in the auditors of a Fund may be made with the approval of the Independent Review Committee. The unitholders do not approve the change but are sent a written notice at least 60 days before the effective date of the change.

### **Registrar and Transfer Agent**

Citigroup Fund Services Inc. of Mississauga, Ontario is the registrar and transfer agent of the Funds pursuant to a Unitholder Services Agreement dated February 21, 2005 between QFM

and Citigroup Fund Services Inc. Citigroup Fund Services Inc. maintains the register of units of the Funds at its principal office in Mississauga, Ontario. The Unitholder Services Agreement is for an initial term of five years.

### **Fund Accountant**

Citigroup Fund Services Inc. of Mississauga, Ontario has been appointed by QFM to provide fund accounting services and NAV calculations under a Fund Accounting Agreement dated February 21, 2005. The Fund Accounting Agreement is for an initial term of five years.

## **CONFLICTS OF INTEREST**

### **Principal Holders of Shares or Units**

As of March 31, 2010, the individuals or companies that own more than 10% of any Fund are as follows:

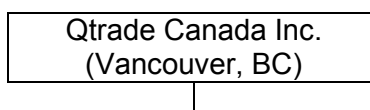
<u>Name of Shareholder</u>	<u>Number of Units Owned</u>	<u>Percent of Total Units Outstanding</u>	<u>Fund</u>
Group Retirement Services	424,222	25.5%	Meritas Balanced Portfolio Fund
	395,243	10.1%	Meritas International Equity Fund
	1,735,549	46.3%	Meritas Canadian Bond Fund
	773,790	32.0%	Meritas U.S. Equity Fund
	1,117,500	21.1%	Meritas Jantzi Social Index Fund
Meritas Balanced Portfolio Fund	718,144	19.2%	Meritas Canadian Bond Fund
	452,621	18.7%	Meritas U.S. Equity Fund
	88,500	19.6%	Meritas Money Market Fund

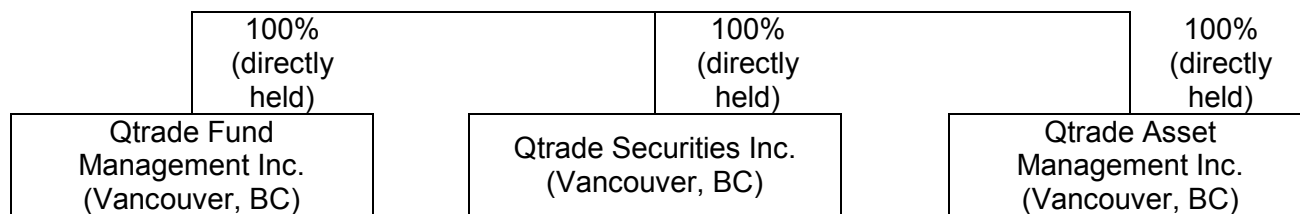
## **OWNERSHIP OF THE MANAGER**

As at March 31, 2010, the directors and senior officers of the Manager beneficially owned, in aggregate, approximately 9% of the outstanding shares on a fully diluted basis of QCI. One shareholder owns approximately 13.7% or 2,460,909 of the outstanding shares on a fully diluted basis of QCI. QCI owns 100% of the Manager.

### **AFFILIATED ENTITIES**

Qtrade Asset Management Inc. ("QAM") receives remuneration for its services as a distributor of Units of the Funds. Qtrade Securities Inc. ("QSI") provides brokerage services to the Funds and receives remuneration for its services as a distributor of the Funds. The following diagram depicts the relationship between the Manager and its affiliated entities:





Disclosure of the amounts paid to affiliated entities for services provided to the Funds is disclosed in the financial statements of the Funds.

Mr. Gibner also serves as an officer and director of QCI, QAM and QSI. Mr. MacInnis serves as a director of QCI. Mr. Barber is an officer of QCI, QAM and QSI.

The Funds are dealer-managed mutual funds as defined in applicable policies of securities regulatory authorities. As such, the Funds shall not knowingly make an investment in any class of securities of any issuer, other than those issued or guaranteed by the Government of Canada or by an agency thereof or by the Government of a Province of Canada or by an agency thereof:

- (a) for which any person or company who is a dealer-manager of the Funds or who is an associate or affiliate of such dealer-manager has acted as an underwriter in the distribution of such class of securities of the issuer (except as a member of the selling group distributing 5% or less of the securities underwritten) for a period of at least 60 days following the conclusion of the distribution of the underwritten securities to the public; or
- (b) of which any partner, director, officer or employee of a person or company who is a dealer-manager of the Funds or any partner, director, officer or employee of any affiliate or associate of such dealer manager is an officer or director, provided that this prohibition shall not apply where any such partner, director, officer or employee does not:
  - (i) participate in the formulation of investment decisions made on behalf of the Funds;
  - (ii) have access prior to implementation to investment decisions made on behalf of the Funds; and
  - (iii) influence (other than through research, statistical and other reports generally available to clients) the investment decisions made on behalf of the Funds.

## FUND GOVERNANCE

The board of directors of QFM is ultimately responsible for all aspects of Fund governance except those responsibilities that it is authorized by the relevant declaration of trust to delegate to other parties. The board of directors consists of four members. The names and municipalities of residence of the directors and officers of QFM are set out under "Management of the Funds".

As Manager, QFM has adopted certain policies as standard practice which complies with National Instrument 81-105. These policies relate to permitted compensation and trailing

commissions, internal dealer incentive practices, marketing and education practices, sales disclosures and portfolio transactions.

QFM has also adopted a compliance policy that covers insider trading, conflicts of interest, client confidentiality, acceptable outside activities, and private and personal investments. It also deals with online communication, record keeping and communication with media, regulators and others.

QFM has also adopted public disclosure policies and policies and procedures related to independent review committee as required under 81-107.

There are no additional policies, practices or guidelines relating to business practices, sales practices, risk management controls and internal conflicts of interest except as disclosed above.

### **Policies Regarding Derivatives**

In order to hedge against currency exchange rate risks, the Meritas International Equity Fund may enter into forward currency exchange contracts not exceeding one year in duration as described below.

The Meritas International Equity Fund may enter into forward currency exchange contracts ("forward contracts") to attempt to minimize the risk to the Fund from adverse changes in the relationship between the Canadian dollar and other currencies. A forward contract is an obligation to purchase or sell a specific currency for an agreed price at a future date which is individually negotiated and privately traded by currency traders and their customers. It may enter into a forward contract, for example, when it enters into a contract for the purchase or sale of a security denominated in a currency other than the Canadian dollar in order to "lock in" the Canadian dollar price of the security. When the Fund's Sub-adviser believes that a currency may suffer a substantial decline against the Canadian dollar, it may enter into a forward contract to sell an amount of that currency or another currency which acts as a proxy for that currency approximating the market value of some or all of the Fund's portfolio securities denominated in that currency, or when the Sub-adviser believes that the Canadian dollar may suffer a substantial decline against another currency, it may enter into a forward contract to buy that currency for a fixed Canadian dollar amount. Forward contracts may limit potential gain from a positive change in the relationship between the Canadian dollar and other currencies.

The Meritas International Equity Fund follows the investment restrictions and practices laid down in National Instrument 81-102 with respect to the use of derivatives for hedging purposes. QFM monitors trading activities in conjunction with the Sub-advisers and is responsible for applying trading limits, if any, and other controls if required.

Except as described above, there are no other written policies with respect to derivative use.

### **Independent Review Committee**

In accordance with National Instrument 81-107 – "Independent Review Committee for Mutual Funds", the Manager, on behalf of the Fund, has established an Independent Review Committee (the "IRC") to provide impartial judgement on issues of conflicts of interest that arise between the Manager and the Funds and to recommend a suitable course to achieve a fair and reasonable result with respect to conflicts of interest issues referred to it by QFM.. The IRC will prepare at least annually, a report of its activities for unitholders which will be available on our

website at [www.meritas.ca](http://www.meritas.ca) or by request at no cost by calling our toll free number at 1-866-924-6767 or by email at [info@meritas.ca](mailto:info@meritas.ca).

On April 1, 2010, as a result of the amalgamation (see Name and Formation of Funds), the members of the IRC for the Meritas Funds will be John Sibley, David Gregory and Barrie Sali. As at February 28, 2010, the members of the IRC beneficially owned, directly or indirectly, in aggregate, none of the Units of the Funds, and less than 3.5% of the outstanding shares on a fully diluted basis of Qtrade Canada Inc. ("QCI"), which provides certain technology and administrative services to the Manager.

### **Policies Regarding Proxy Voting**

The Manager is responsible for establishing, applying and monitoring the policies and procedures governing proxy voting with respect to the securities held by the Funds. Those policies and procedures have been designed so that proxies are voted in the best interests of the Funds and otherwise in a manner consistent with the Manager's investment principles.

The Manager has adopted written proxy voting guidelines (the "Proxy Guidelines") to assist in voting proxies received by the Funds on routine matters as well as on certain specific issues, including executive and director compensation, corporate governance issues, capital structure matters, corporate mergers and restructurings, shareholder proposals and social and environmental related resolutions. The Proxy Guidelines are available on the Funds' website, [www.meritas.ca](http://www.meritas.ca) or by contacting the Manager at the telephone number on the back cover of this document.

The Proxy Guidelines include:

- Director related issues: vote on a case by case basis with the focus on board independence, committee structuring, gender and racial diversity and record of board attendance.
- Executive and director compensation: vote on a case by case basis with the focus on non-salary compensation particularly, stock option and incentive plans.
- Corporate governance: vote on a case by case basis taking into account the impact on both shareholder value and shareholder rights.
- Capital structure: vote in favour of a one share, one vote policy and oppose mechanisms that skew voting rights or unreasonably dilute shareholders.
- Corporate mergers and restructuring: vote on a case by case basis with the consideration for the potential impact on share value, job loss and the environment.
- Shareholder proposals: evaluate these proposals from the point of view of their ability to improve board accountability to the shareholders and ensure the link between executive compensation and performance is reasonable.
- Social and environmental related resolutions: vote on a case by case basis requiring disclosure reports that adequately address social and environmental concerns.

The Manager considers each proxy vote on a case-by-case basis and exercises the Fund's voting rights in a manner consistent with its investment principles.

While the Proxy Guidelines are intended to reflect the Manager's general position on certain issues, it retains the discretion to depart from the Proxy Guidelines on any particular proxy vote depending on the facts and circumstances. The Manager reviews and revises the Proxy Guidelines on a periodic basis to ensure they remain consistent with its overall principles and investment philosophy.

The Manager has also retained a third party service provider to provide proxy analysis, vote recommendations and vote execution services on its behalf, in accordance with the Proxy Guidelines. Where a proxy vote raises a conflict of interest between either the Manager or the third party service provider and the unitholders of the Funds, the proxy will be voted in a manner consistent with the interests of the unitholders.

In certain cases, proxy votes may not be cast. For example, the Manager may determine that it is in the best interests of unitholders of the Fund to withhold a vote on certain matters or to not exercise its vote where, for example, there might be extraordinary costs to vote proxies or where it may not be possible to vote despite good faith efforts to do so where, for example, inadequate notice of the matter was provided.

The Manager will maintain and prepare an annual proxy voting record for each Fund. A Fund's annual proxy voting record for the most recent period ended June 30, is available free of charge to any investor upon request at any time after August 31 of the same year. Annual proxy voting records will also be available at that time on our internet website at [www.meritas.ca](http://www.meritas.ca).

## **FEES AND EXPENSES**

The annual consideration paid by the Funds to QFM under the Management Agreements is up to a maximum of:

- 1.15% from Meritas Money Market Fund,
- 1.60% from Meritas Canadian Bond Fund,
- 2.35% from Meritas Balanced Portfolio Fund,
- 1.90% from Meritas Jantzi Social Index<sup>®</sup> Fund,
- 2.25% from Meritas U.S. Equity Fund
- 2.90% from Meritas International Equity Fund,
- 2.45% from Meritas Monthly Income and Dividend Fund
- 2.50% from Meritas Balanced Growth Portfolio Fund

We may reduce or rebate the management fees to a Fund for certain investors in a Fund who pay or incur distribution or other expenses normally paid by the Fund or QFM, or to accommodate special situations such as investments by pension funds, institutional investors or large individual investors. Should we reduce or rebate the management fee to the Fund, the Fund will distribute to the investor an amount equal to the reduction or rebate which will be reinvested in the Fund.

Management fee distributions are made first out of net income and net realized capital gains of the Fund and then out of capital.

## **INCOME TAX CONSIDERATIONS**

The following summarizes the principal Canadian federal income tax considerations as of the date hereof generally applicable to the Funds and an individual unitholder (other than a trust) who, for the purposes of the Tax Act, is resident in Canada and holds units of a Fund as capital property. This summary is based on the current provisions of the Tax Act and the regulations made under the Tax Act (the "Regulations"), specific proposals to amend the Tax Act and the Regulations that have been publicly announced by the Minister of Finance (Canada) prior to the date hereof and the published administrative practices and assessing policies of the Canada Customs and Revenue Agency. This summary does not take into account or anticipate any other changes in law whether by legislative, regulatory, administrative or judicial action. This summary is not exhaustive of all possible federal income tax considerations and does not deal with foreign or provincial income tax legislation or considerations. This summary is of a general nature only and is not intended to constitute legal or tax advice to any particular investor. **Prospective purchasers of units are advised to consult their own tax adviser about their particular circumstances.**

Each of Meritas Money Market Fund, Meritas Canadian Bond Fund, Meritas Balanced Portfolio Fund, Meritas Balanced Growth Portfolio Fund, Meritas Monthly Dividend and Income Fund, Meritas Jantzi Social Index<sup>®</sup> Fund, Meritas U.S. Equity Fund and Meritas International Equity Fund has qualified as a mutual fund trust under the Tax Act throughout its current taxation year and each of these Funds is expected to qualify as a mutual fund trust under the Tax Act at all material times in the future. This summary is based on the assumption that the Funds have and will so qualify as mutual fund trusts under the Tax Act. This summary is also based on the assumption that Meritas Money Market Fund, Meritas Canadian Bond Fund, Meritas Balanced Portfolio Fund, Meritas Balanced Growth Portfolio Fund, Meritas Monthly Dividend and Income Fund, Meritas Jantzi Social Index<sup>®</sup> Fund, Meritas U.S. Equity Fund and Meritas International Equity Fund are registered investments under the Tax Act.

### **Taxation of the Funds**

Each Fund will distribute to its unitholders in each year its net income and net realized capital gains, if any, to such an extent that the Fund will not be liable in any taxation year for income tax under Part I of the Tax Act, after taking into account any capital gains refunds. In certain circumstances, capital losses realized by Meritas Balanced Portfolio Fund or Meritas Balanced Growth Portfolio Fund will effectively be denied and, therefore, will not be available to shelter capital gains.

Other provisions under Part I of the Tax Act also deny capital losses within a portfolio where during a specified time period before or after a disposition, the property is acquired or reacquired. These provisions apply to all of the Funds.

Meritas Money Market Fund, Meritas Canadian Bond Fund, Meritas Balanced Portfolio Fund, Meritas Monthly Dividend and Income Fund, Meritas Jantzi Social Index<sup>®</sup> Fund, Meritas U.S. Equity Fund and Meritas International Equity Fund are registered investments under the Tax Act.

### **Taxation of Unitholders**

A unitholder of a Fund must include in computing his or her income for tax purposes the amount of the net income and the taxable portion of the net realized capital gains paid or payable to him

or her in the year by a Fund (including management fee distributions). A unitholder must include such distributions in income whether they are paid in cash or they are reinvested in additional units of the Fund. Provided that each Fund makes the appropriate designations, to the extent permitted under the Tax Act, the amount of any net taxable capital gains, taxable dividends received on shares of taxable Canadian corporations and foreign source income of a Fund that is paid or payable to a unitholder will effectively retain its character in the hands of the unitholder for tax purposes. When a unitholder acquires units of a Fund, the net asset value of the units may reflect amounts on account of accrued but undistributed income, realized but undistributed capital gains, and unrealized capital gains. When these amounts are distributed to unitholders, they must be included in the unitholder's income even though they accrued to the Fund or were realized by the Fund prior to the time that the unitholder acquired units of the Fund.

To the extent that distributions (including management fee distributions) to a unitholder by a Fund in a year exceed the unitholder's share of the net income and net realized capital gains of the Fund allocated to the unitholder for the year, those distributions (except to the extent that they are proceeds of disposition) will be a return of capital and will not be taxable to the unitholder but will reduce the adjusted cost base of the unitholder's units in the Fund.

Upon a disposition of a unit (including a deemed disposition and a redemption to effect a switch to another Fund), the unitholder will realize a capital gain (or a capital loss) to the extent that the proceeds of disposition, less any costs of disposition, are greater (or less) than the adjusted cost base to the unitholder of the unit. In the case of a disposition of units, generally one-half of a capital gain is included in determining a unitholder's income.

Under the alternative minimum tax provisions of the Tax Act, capital gains realized and dividends earned by an individual may give rise to a liability for minimum tax.

### **Tax Sheltered Plans**

Subject to the statements under "Taxation of the Funds" above, and provided that each of the Funds qualifies at all material times as a mutual fund trust, units of each of the Funds will be qualified investments for Registered Retirement Savings Plans ("RRSPs"), Registered Retirement Income Funds ("RRIFs"), Deferred Profit Sharing Plans ("DPSPs"), Registered Education Savings Plans ("RESPs") (collectively "Registered Plans").

### **REMUNERATION OF DIRECTORS, OFFICERS AND TRUSTEE**

No payment or reimbursement has been made by a Fund to the directors and officers of QFM or to any member of the independent review committee either in their capacity as i) directors and officers or committee members, including any additional amounts for committee participation or special assignments, or as ii) a consultant or expert

### **MATERIAL CONTRACTS**

Except for the Declarations governing the Funds, the Management Agreements, the Custodian Agreement and contracts entered into in the ordinary course of business carried on by the Funds, no Fund has entered into any material contract.

Copies of the aforementioned documents are available and may be consulted during normal business hours at the offices of QFM at 1265 Strasburg Road, Kitchener, Ontario N2R 1S6.

## **OTHER MATERIAL INFORMATION**

### **AUDITORS' CONSENT**

Re: Meritas Money Market Fund  
Meritas Canadian Bond Fund  
Meritas Balanced Portfolio Fund  
Meritas U.S. Equity Fund  
Meritas Jantzi Social Index® Fund  
Meritas International Equity Fund  
Meritas Monthly Dividend and Income Fund  
(collectively referred to as the "Funds")

We have read the Simplified Prospectus and related Annual Information Form dated April 8, 2010 relating to the sale and issue of units of the Funds. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned Simplified Prospectus and Annual Information Form of our report to the unitholders of the Funds listed above, on the statement of investments of each of the Funds as at December 31, 2009 and the statements of net assets as at December 31, 2008 and 2009 and the statements of operations and changes in net assets for each of the years then ended..

"PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

London, Canada

April 8, 2010

**CERTIFICATE OF THE FUNDS**

**MANAGER AND PROMOTER**

Meritas Money Market Fund  
Meritas Canadian Bond Fund  
Meritas Balanced Portfolio Fund  
Meritas Balanced Growth Portfolio Fund  
Meritas Monthly Dividend and Income Fund  
Meritas Jantzi Social Index® Fund  
Meritas US Equity Fund  
Meritas International Equity Fund  
(the "Funds")

This annual information form together with the simplified prospectus required to be sent or delivered to a purchaser during the currency of this annual information form and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of all of the provinces and territories in Canada and do not contain any misrepresentations.

Dated the 8th day of April, 2010.

(signed) Scott R. Gibner  
Scott R. Gibner  
Chief Executive Officer  
of Qtrade Fund Management Inc.,  
Trustee and Manager of the Funds

(signed) Derek P. Barber  
Derek P. Barber  
Chief Financial Officer  
of Qtrade Fund Management Inc.,  
Trustee and Manager of the Funds

On behalf of the Board of Directors of Qtrade Fund Management Inc. as Trustee and Manager of the Funds.

(signed) J. Calvin MacInnis  
J. Calvin MacInnis  
Director

(signed) Gary Hawton  
Gary Hawton  
Director

QTRADE FUND MANAGEMENT INC. as Promoter of the Funds

(signed) Scott R. Gibner  
Scott R. Gibner  
Chief Executive Officer