

NEWCASTLE

**ANNUAL INFORMATION FORM
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998**

NEWCASTLE MARKET-NEUTRAL TRUST

MARCH 31, 1999

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INFORMATION INCORPORATED BY REFERENCE

The Annual Report, which includes the audited financial statements of the Newcastle Market-Neutral Trust for the year ended December 31, 1998 and the notes thereto (collectively referred to as the “Financial Statements”).

GENERAL

The information contained in this Annual Information Form is given as of March 31, 1999 and all dollar amounts are stated in Canadian currency unless otherwise indicated.

- ITEM 1: NAME AND INCORPORATION**
ITEM 2: BACKGROUND AND DEVELOPMENT OF BUSINESS
ITEM 3: DESCRIPTION OF BUSINESS

THE TRUST

Newcastle Market-Neutral Trust (the “Trust”) is a closed-end investment trust established under the laws of Ontario pursuant to a Declaration of Trust dated as of July 18, 1997 (the “Trust Agreement”). The Canada Trust Company was appointed the trustee (the “Trustee”). Effective March 1, 1999, the trustee was changed to CIBC Mellon Trust Company. This change resulted from the acquisition of the pension and institutional trust business of The Canada Trust Company by CIBC Mellon Trust Company. Newcastle Fund Management Inc. is the manager of the Trust (the “Manager”) and it has appointed Newcastle Capital Management Inc. as the advisor to the Trust (the “Advisor”).

The address of the Trust’s principal and head office is Suite 3300, Scotia Plaza, P.O. Box 1008, 40 King Street West, Toronto, Ontario, M5H 3Y2.

The beneficial interest in the net assets and net income of the Trust is divided into trust units of equal value (the “Units”). Holders of Units are referred to herein as Unitholders.

DESCRIPTION OF THE UNITS

The Trust is a closed-end investment trust created pursuant to the Trust Agreement and governed by the laws of the Province of Ontario. The Trust is authorized to issue transferable units of beneficial interest, each of which represents an equal, undivided interest in the net assets of the Trust.

Each Unit entitles the holder to the same rights and obligations as a holder of any other Unit and no Unitholder is entitled to any privilege, priority or preference in relation to any other Unitholders. Each Unitholder is entitled to one vote for each Unit held and is entitled to participate equally with respect to any and all distributions made by the Trust, including

distributions of net income and net realized capital gains. On termination, the Unitholders of record holding outstanding Units are entitled to receive all of the assets of the Trust remaining after payment of all debts, liabilities and liquidation expenses of the Trust.

INVESTMENT OBJECTIVES, STRATEGY AND RESTRICTIONS

Investment Objectives

The Trust's investment objectives are to: 1) distribute at least \$0.40 per Unit at each quarter end (\$1.60 per Unit per annum); 2) steadily grow the net asset value (the "Net Asset Value") per Unit; 3) ensure that the performance of the Trust is substantially independent of the major fixed income and equity markets; and 4) achieve a low volatility, which is expected to be less than that of a mid-term bond portfolio and less than one-half that of major North American stock markets.

Investment Strategy

In order to meet its investment objectives, the Trust is invested in a diversified portfolio of high-performance hedge funds that are either purely market-neutral or well-hedged with respect to major fixed income and equity markets. Pursuant to the final prospectus dated July 18, 1998 (the "Prospectus") and in accordance with the Trust Agreement, the Trust is required to invest in at least 10 such funds. The Trust may also make investments that, although they may not be fully hedged, are in markets that, in the Advisor's opinion, have expected returns that have a very low correlation with these markets. In addition, to ensure that the Trust achieves relatively low volatility, the Advisor looks for hedge funds that have a low correlation with one another. The Advisor utilizes a Proprietary Selection Process that it has developed in managing similar portfolios to construct this portfolio of hedge funds.

The Trust focuses its investments in hedge funds that invest in sectors of the capital markets that are relatively inefficient. The Advisor believes that such sectors are poorly researched and imperfectly arbitrated and as such will reward insightful investment analysis. The following are examples of hedged, non-traditional investments that may be included in the Trust:

- Merger arbitrage
- Distressed securities
- Fixed income arbitrage
- Market-neutral equity strategy
- Convertible arbitrage
- Mortgage-backed securities arbitrage
- Loan Origination

Each of the strategies included in the Trust affords a certain amount of risk. However, these strategies are highly uncorrelated with one another. It is this absence of correlation that allows the dramatic lowering of the overall risk of the Trust. The Advisor believes, based on experience with similar portfolios, that the volatility of investment returns for the Trust will be substantially reduced by the enhanced level of diversification achieved by investing in hedge funds that have a very low level of statistical correlation with one another. As a result, the risk of the Trust, as measured by standard deviation, is expected to be lower than the risk of a mid-term bond fund and less than one-half that of the major North American equity markets.

In order to optimize the Trust's investment performance, the Advisor regularly monitors and reviews the investment strategies of the hedge funds in which the Trust is invested as well as the performance of the managers of each fund. In particular, the Advisor reviews organizational changes made to the hedge funds in which the Trust is invested and changes in policy relative to investment objectives, hedging strategy, degree of diversification, leverage and costs. In addition, the Advisor also monitors the hedge fund industry and reviews new types of hedge funds being offered. Based on the regular application of its proprietary process, the Advisor may from time to time reallocate the Trust's assets among funds with different investment strategies or among different fund managers or invest in hedge funds with new investment strategies.

The Advisor will ensure that the Trust maintains the level of liquidity reasonably required to satisfy its obligations to Unitholders. As many of the hedge funds in which the Trust invests will have restrictions that will limit the liquidity of the Trust's investment, the Advisor will maintain an appropriate level of liquidity by ensuring that it also invests in hedge funds that have greater liquidity. This will involve investing in hedge funds that provide for more frequent redemptions or hedge funds whose shares are listed on an organized market that facilitates secondary trading of such shares.

The Trust has incurred indebtedness to enhance the investment return. The Trust makes use of derivatives to moderate or eliminate foreign currency risk associated with the underlying investments.

Proprietary Selection Process

The Advisor has developed a Proprietary Selection Process that it uses to select potential hedge fund investments to be made by the Trust. This process includes:

1. A broad ongoing search for hedge funds that have exceptional return/risk profiles.
2. Rigorous quantitative analysis of the historical performance of the hedge funds identified as candidates that focuses on consistency and sustainability of return. The Advisor screens possible investments in order to assess whether the manager of the candidate hedge fund is adding value to the investment process.
3. Correlation analysis to determine the effect on the Trust as a whole of adding a particular hedge fund to, or deleting a particular hedge fund from, the Trust's investment portfolio.
4. Qualitative judgments on the strength of the management of a candidate hedge fund. The Advisor obtains industry peer and client references to assist it in making this determination.

5. Use of mathematical optimization techniques to select the weightings of each hedge fund within the Trust's portfolio.

The due diligence process to be completed before the Trust makes an investment also includes review of the offering documentation of the hedge fund, an analysis of the hedge fund's financial statements, an assessment of the level of fees charged by the manager to the hedge fund and an examination of any administrative or other costs associated with making the investment. Finally, site visits are arranged to complete the selection review. The hedge fund selection process is ongoing.

Ongoing Review

The hedge funds selected for investment by the Trust are subject to regular review. Investments selected are monitored in order to ensure the decision to invest in a particular hedge fund strategy continues to be suitable for the Trust's portfolio. Special attention is paid to organizational changes made by the hedge fund managers selected and to changes in policy relative to their investment objectives, hedging strategy, degree of diversification, leverage and costs. During the year ended December 1998, the Trust added eight new funds to the portfolio and redeemed its investment in seven funds. As at December 31, 1998, the trust was invested in 22 market-neutral hedge funds.

Investment Restrictions

The activities of the Trust are subject to certain investment restrictions contained in the Trust Agreement, which investment restrictions may be changed only in the manner described in the Prospectus and set out in the Trust Agreement. For purposes of the restrictions listed below, all percentage limitations apply only immediately after a transaction and any subsequent change in any applicable percentage resulting from changing values will not require elimination of any security from the Trust's portfolio (except for the restrictions in paragraph 4 which must be complied with at all times and which may necessitate the selling of and reinvesting in securities from time to time). These investment restrictions provide, among other things, the following:

1. **Sole Undertaking.** The Trust will not engage in any undertaking other than the investment of the Trust's assets in accordance with the Investment Objectives and the Investment Strategy.
2. **Fixed Price.** The Trust will not purchase any security that by its terms requires the Trust to make a contribution in addition to the payment of the purchase price, other than a permitted derivative pursuant to a transaction described below (see "Limit on Derivatives" below), provided that this restriction shall not apply to the purchase of securities that are paid for on an instalment basis where the total purchase price and the amount of all such instalments is fixed at the time the first instalment is paid.
3. **No Material Interest.** The Trust will not purchase securities from, sell securities to, or otherwise contract for the acquisition and disposition of securities with the Advisor or any of its respective affiliates, any officer, director or shareholder of any of them, any person, trust, firm or corporation managed by the Advisor or any of its respective affiliates or any firm or corporation in which any officer, director or shareholder of the Advisor may have a material interest (which, for these purposes, includes beneficial ownership of more than 10% of the

voting securities of such entity) unless, with respect to any purchase or sale of securities, any such transaction is effected through normal market facilities and the purchase price approximates the prevailing market price.

4. **Unit Trust Qualification.** The Advisor will manage the assets of the Trust so as to ensure that the Trust qualifies as a "unit trust" within the meaning of the *Income Tax Act* (Canada) (the "Tax Act"). As a result:
 - (i) at least 80% of the property of the Trust at all times must consist of any combination of shares, bonds, marketable securities, cash, notes or other similar obligations, or other investments permitted to be held by "unit trusts", as defined by the Tax Act from time to time;
 - (ii) at least 95% of its income for each year must be derived from, or from the disposition of, investments described in (i) above; and
 - (iii) at no time may more than 10% of its property consist of shares, bonds or securities of any one corporation or debtor other than Her Majesty in right of Canada or a province or a Canadian municipality.
5. **Limit on Derivatives.** The Trust will not purchase or sell derivatives other than for the purpose of off-setting or reducing foreign currency risk associated with an investment or group of investments. The Trust may use futures, forward or option contracts for currency hedging purposes.
6. **Restriction on Underwriting.** The Trust will not act as an underwriter except to the extent that the Trust may be deemed to be an underwriter in connection with the sale of securities in its investment portfolio.
7. **No Commodities.** The Trust will not purchase or sell physical commodities with the intention to make or take physical delivery.
8. **Related Party Transactions.** The Trust shall not knowingly make an investment in any class of securities of any issuer, other than those issued or guaranteed by Canadian governments,
 - (a) for which the Advisor (a related party of the Trust) or any associate or affiliate of the Advisor (individually a "manager") has acted as an underwriter in the distribution of such class of securities (except as a member of a 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 manager or any partner, director, officer or employee of any affiliate or associate of such manager is an officer or director, provided that this prohibition will not apply where any such person does not:
 - (i) participate in the formulation of investment decisions made on behalf of the Trust;

- (ii) have access to the investment decision-making process of the Trust prior to the implementation of investment decisions made on behalf of the Trust; and
 - (iii) influence (other than through research, statistical and other reports generally available to clients) the investment decisions made on behalf of the Trust; or
- (c) in which a manager or any partner, director, officer or employee of a manager had a material interest (which for these purposes includes beneficial ownership of more than 10% of the voting securities of the issuer).
9. **Limit on Indebtedness.** The Trust may borrow up to an amount not exceeding 25% of the Net Asset Value (as defined under "Net Asset Value") of the Trust, for the purpose of purchasing additional investments in accordance with the Investment Objectives. In addition, the Trust may borrow on a temporary basis up to an amount not exceeding 10% of the Net Asset Value of the Trust for the purpose of (i) effecting market purchases of Units; (ii) maintaining liquidity to effect cash distributions; and (iii) settling currency hedging transactions.
10. **Restriction on Experience of Underlying Fund Managers.** The Trust will not purchase securities of any underlying hedge fund unless either: (i) the hedge fund has been in operation for at least 2 years or (ii) the manager of the hedge fund has been engaged in the hedge fund management business for at least 2 years.
11. **Liquidity of Investment on Termination of the Trust.** The Trust will not invest in securities that by their terms will not be redeemable prior to the termination of the Trust.

MANAGEMENT OF THE TRUST

The Manager

Pursuant to the Management Agreement the Manager has exclusive authority to manage the operations and affairs of the Trust, to make all decisions regarding the business of the Trust and has authority to contract on behalf of the Trust. The Manager may, pursuant to the terms of the Trust Agreement, delegate its powers to third parties at no additional cost to the Trust where, in the discretion of the Manager, it would be in the best interests of the Trust to do so. The Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Trust and to exercise the care, diligence and skill of a prudent and qualified manager. Among other restrictions imposed on the Manager, it may not dissolve the Trust or wind up the Trust's affairs except in accordance with the provisions of the Trust Agreement.

The Manager's duties include, without limitation: maintaining accounting records for the Trust; authorizing the payment of operating expenses incurred on behalf of the Trust; calculating the amount of distributions by the Trust; preparing financial statements, income tax returns and financial and accounting information as required by the Trust; ensuring that the Unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the Trust complies with regulatory requirements; preparing the Trust's reports to Unitholders and to the Canadian securities regulatory authorities; providing the Trustee with certain information and reports; and negotiating contracts with third-party providers of services, including, but not limited to, custodians, transfer agents, auditors and printers. The

Manager provides office facilities and personnel to carry out these services, together with clerical services that are not furnished by the Trust's custodian or transfer agent.

The Management Agreement entitles the Manager, in payment for the services noted above, to receive a monthly management fee equal to one twelfth of 1.25% of the Net Asset Value of the Trust at month end calculated and paid quarterly in arrears; provided that distributions to Unitholders are not in arrears. If distributions to Unitholders are in arrears, management fees are not paid or payable until any shortfall has been made up to Unitholders. The Manager is entitled to be reimbursed for all expenses and liabilities properly incurred by it in connection with the activities of the Trust.

The Management Agreement, unless terminated as described below, will continue in effect until the termination of the Trust. The Trust may terminate the Management Agreement: (i) in the event that the Manager is in breach or default of the provisions thereof and, if capable of being cured, such breach or default has not been cured within 20 business days' notice of such breach or default to the Manager, (ii) if the Manager becomes bankrupt or insolvent, (iii) if any of the licences or registrations necessary for the Advisor to perform its duties under the Investment Management Agreement are no longer in full force and effect, or (iv) at any time upon six months' prior written notice following the approval of the Unitholders of such termination by Extraordinary Resolution.

In the event of the termination of the Management Agreement by the Trust as described in (iv) above, the Manager will be entitled to a termination payment in an amount equal to the annual fees, paid or payable to the Manager in the most recently completed 12-month period including any management fees that have been deferred as described under "Fees and Expenses".

The Manager does not currently engage in activities unrelated to the Trust. It may be utilized in the future to provide similar services to other investment products.

The Advisor

The Advisor, an affiliate of the Manager, has been retained by the Manager to provide investment advisory and portfolio management services to the Manager for the benefit of the Trust pursuant to an investment management agreement (the "Investment Management Agreement") dated as of July 18, 1997.

The Advisor was formed in 1989. The Advisor provides investment advisory and management services to a wide range of clients including pension funds, financial institutions, corporations and individuals and as at March 31, 1999 had approximately of \$5.7 billion under management. The Advisor specializes in bringing sophisticated derivatives and other investment strategies to Canadian pension funds and retail investors. The Advisor is a North American pioneer in the development of synthetic investment strategies and market-neutral hedge fund portfolios. The Advisor is indirectly wholly owned by its professional staff.

The Advisor is engaged in a wide range of investment management, investment advisory and other business activities. The services of the Advisor under the Investment Management Agreement are not exclusive and nothing in the Investment Management Agreement prevents the Advisor or any of its affiliates from providing similar services to other investment funds and other clients (whether or not their investment objectives, strategies and restrictions are similar to

those of the Trust) or from engaging in other activities. The Advisor's investment decisions for the Trust will be made independently of those made for its other clients and independently of its own investments. However, on occasion, the Advisor may make the same investment for the Trust and for one or more of its other clients. If the Trust and one or more of the other clients of the Advisor are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

The Investment Management Agreement, unless terminated as described below, will continue until the termination of the Trust. The Manager in certain circumstances may, and the Manager upon the direction of the Unitholders authorized by an Extraordinary Resolution will, terminate the Investment Management Agreement upon six months' prior written notice. In the event of the termination of the Investment Management Agreement as a result of the passing of a resolution by the Unitholders as described above, no payments need be made by the Manager to the Advisor or by the Advisor to the Manager, except for amounts owing as of the date of termination. The Advisor may terminate the Investment Management Agreement upon at least twenty business days written notice given by the Advisor to the Manager if the Manager is in breach or default of any material provision of the Investment Management Agreement and, if capable of being cured, the breach or default has not been cured within twenty business days of written notice of such breach or default given by the Advisor to the Manager. In the event of such termination, no payments need be made by the Manager to the Advisor or by the Advisor to the Manager, except for amounts owing as of the date of termination.

In the Investment Management Agreement, the Advisor covenants to act at all times on a basis that is fair and reasonable to the Manager, to act honestly and in good faith with a view to the best interests of the Manager and, in connection therewith, shall exercise the degree of care, diligence and skill that a reasonably prudent portfolio manager would exercise in comparable circumstances. The Investment Management Agreement provides that the Advisor will not be liable in any way for any default, failure or defect in any of the securities comprising the investment portfolio of the Trust if it has exercised the degree of care, diligence and skill set forth above. The Advisor will incur liability, however, in cases of wilful misconduct, bad faith, gross negligence or disregard of its duties or the standard of care, diligence and skill set forth above.

In the event that the Investment Management Agreement is terminated as provided above, the Manager will appoint a successor investment advisor to carry out the activities of the Advisor until a meeting of the Unitholders is held to confirm such appointment.

The Advisor will receive a portion of the fee payable by the Trust to the Manager in consideration of the Advisor's services to the Trust.

FEES AND OTHER EXPENSES

The Manager is responsible for the ongoing business of the Trust and monitoring the investment portfolio of the Trust. In consideration for these and other services and pursuant to the terms of the Trust Agreement and the Management Agreement, the Trust will pay to the Manager a quarterly management fee equal to one-quarter of 1.25% of the Net Asset Value at quarter end, paid quarterly in arrears, plus applicable taxes, provided that distributions to Unitholders are not in arrears. If distributions to Unitholders are in arrears, management fees are not paid or payable until any shortfall has been made up to Unitholders. The Manager pays a portion of the foregoing fee to the Advisor in consideration of the Advisor's services to the Trust.

The Trust will pay for all expenses incurred in connection with the operation and administration of the Trust. It is expected that these expenses will include, without limitation: mailing and printing expenses for periodic reports to Unitholders; fees payable to the Trustee for acting as trustee of the Trust; fees payable to the Custodian (as hereinafter defined) for acting as custodian of the assets of the Trust; fees payable to the registrar and transfer agent for performing certain financial, record-keeping, Unitholder reporting and general administrative services; fees payable to the auditors, valuers, and legal advisors of the Trust; debt service fees (including set-up and commitment fees); ongoing regulatory filing fees and listing and other fees; any reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their ongoing obligations to the Trust; and any expenditures that may be incurred upon the termination of the Trust.

The Trustee will be entitled to receive an annual fee equal to 0.0175% of the Net Asset Value calculated and paid quarterly in arrears.

DISTRIBUTIONS

The Trust will endeavor to pay to Unitholders at the end of each quarter (the "Declaration Date") commencing December 31, 1997 cash distributions of at least \$0.40 per Unit (\$1.60 per Unit per annum) to the extent that the Net Asset Value per Unit (as of the month end preceding the Declaration Date) after giving effect to such distribution is greater than the Net Asset Value per Unit on the Closing Date (\$18.79).

If less than \$0.40 per Unit is distributed in any quarter, the amount of the shortfall shall be carried forward and paid in the next quarter, or quarters, to the extent that the Net Asset Value per Unit (as of the month end preceding the Declaration Date) after giving effect to such distribution is greater than \$18.79, the Net Asset Value per Unit on the Closing Date.

The Trust will distribute in respect of each Unit on a quarterly basis a pro rata share of the net income of the Trust including any amount the Trust is required to include in computing its income as a result of its ownership of an offshore investment property. Such net income will be included in the per Unit distribution, to the extent possible, and will be paid to Unitholders regardless of the amount of the increase in the Net Asset Value per Unit of the Trust.

There can be no assurance that the Trust will be able to pay the minimum quarterly distributions of \$0.40. Unitholders will be entitled to receive declared distributions if they were Unitholders

of record as of 5:00 p.m. (Toronto time) on the relevant Declaration Date. Distributions will be made within 20 business days after the Declaration Date (a "Distribution Date").

Holders of Units who are non-residents of Canada will be required to pay all withholding taxes payable in respect of any distributions of income by the Trust. The Trust will withhold from the distributions and remit to the relevant tax authority all amounts required by law to be withheld and remitted. Non-residents should consult their tax advisors regarding the tax consequences of investing in Units.

DISTRIBUTION REINVESTMENT PLAN

If a Unitholder so elects, quarterly distributions will be automatically reinvested in further Units of the Trust. A Unitholder must elect to receive distributions in additional Units by notifying his or her dealer.

Distributions payable to participants in the Plan (the "Participants") will be paid to CIBC Mellon Trust Company in its capacity as agent under the Plan (the "Plan Agent") and applied to purchase Units. Such purchases will either be made through the purchase of new Units from the Trust or in the market. If the closing market price plus applicable commissions or brokerage charges (collectively, the "Market Price") of the Units on the Declaration Date is less than the Net Asset Value (as defined below under "Net Asset Value") per Unit as at that date, the Plan Agent will apply the distribution to purchase Units in the market. If the Market Price of the Units on the applicable Declaration Date is greater than the Net Asset Value per Unit, the Plan Agent will apply the distribution to purchase Units from the Trust through the issue of new whole Units at a price per Unit equal to the greater of (i) Net Asset Value per Unit on the Declaration Date; and (ii) 95% of the weighted average of the trading prices of the Units for the five trading days preceding the Declaration Date.

Purchases in the market will be made during the 15 business day period next following the Declaration Date at such times as the Market Price of the Units is less than the Net Asset Value per Unit as at the Declaration Date. Upon the expiration of such period, the unused part, if any, of the distribution attributable to the Plan Participants will be used to purchase Units from the Trust on the basis set forth above. The Units purchased in the market or from the Trust will be allocated to the Plan Participants in proportion to their share of the distribution. The Plan Agent will furnish to each Plan Participant a report of the Units purchased for the Plan Participant's account in respect of each distribution and the cumulative total of all Units purchased for that account. The Trust will not issue fractional Units. A Plan Participant's *pro rata* entitlement to Units purchased under the Plan may include a fraction of a Unit in lieu of which a cash payment will be made by the Plan Agent. No certificates representing Units issued or purchased pursuant to the Plan will be issued. The Plan Agent's charges for administering the Plan will be paid by the Trust. The reinvestment of distributions under the Plan will not relieve Participants of any income tax applicable to such distributions.

Plan Participants may terminate their participation in the Plan at any time by written notice to the Plan Agent through his or her dealer and thereafter distributions payable to such Plan Participants will be made in cash. The Trustee may terminate the Plan, in its sole discretion, upon not less than thirty days' notice to the Plan Participants.

NET ASSET VALUE

The Manager, as of the last business day of each month (each, a "Valuation Date"), calculates the value of the Trust's assets as set forth below.

The net asset value of the Trust (the "Net Asset Value") will be calculated by the Manager on each Valuation Date by subtracting the aggregate amount of the Trust's liabilities from the aggregate value of the Trust's assets (the "Total Assets"). The Total Assets will be valued as follows:

- (i) the value of cash, receivables, prepaid expenses, dividends and interest declared or accrued and not yet received, will be deemed to be the face value unless the Manager considers otherwise;
- (ii) the value of futures, options, or securities traded on a public exchange will be the settlement price as published by the clearing house of the exchange;
- (iii) the value of over-the-counter options shall be the current market price thereof and the value of forward contracts shall be the gain or loss that would be realized if on such date the forward contract were "closed out";
- (iv) the value of treasury bills and other money market instruments will be the bid price for such instruments at the Toronto closing time on the Valuation Date;
- (v) the value of any unit or share of a private investment fund will be the definitive net asset value reported by the fund manager of such fund on the Valuation Date or, if not available, the most recent provisional net asset value reported by the fund manager;
- (vi) the value of all other property of the Trust, and any property for which a third party valuation is not available, will be the value as the Manager determines in its reasonable discretion most accurately reflects its fair value; and
- (vii) the value of any asset of the Trust measured in a foreign currency will be valued at the rate of exchange current on the Valuation Date as determined by the Manager.

In valuing the liabilities of the Trust, the following will be included: bills, amounts owing under the loan facility, accounts payable, fees and administrative expenses payable, contractual obligations for the payment of money or property, allowances for tax or contingencies and all other liabilities of the Trust of any kind and nature. The value of the liabilities of the Trust will be determined as follows:

- (i) the value of all liabilities and contractual obligations will be the value determined by the Manager to most accurately reflect fair value; and
- (ii) liabilities and contractual obligations payable in a foreign currency will be valued at the rate of exchange current on the Valuation Date as determined by the Manager.

The value of any security or property to which, in the opinion of the Manager, the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair value thereof determined in good faith in such manner as the Manager from time to time adopts.

The Net Asset Value per Unit is the amount obtained by dividing the Net Asset Value as of a particular date by the total number of Units outstanding on that date. The Trust makes available to the financial press for publication in the weekend edition of a national newspaper the Net Asset Value per Unit as of the last business day of the previous month on the 15th business day of the month. At any time, a Unitholder may call 1-888-429-8774 to obtain the most recently published Net Asset Value per Unit.

Some hedge funds in which the Trust will be invested value weekly, the balance value monthly. Managers conventionally communicate the net asset value per share within 10 business days thereafter. The Trust will not invest in hedge funds that will not commit to these terms.

The process of valuing investments for which no published market exists is based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments and may differ from the prices at which the investments may be sold.

PURCHASES FOR CANCELLATION

Units of listed investment trusts may trade at a discount from net asset value. In recognition of the possibility that the Units may trade at a discount, the terms and conditions attaching to the Units have been designed to attempt to reduce or eliminate a market value discount from Net Asset Value.

To that end, the Trust Agreement provides that if at any time following the Closing Date the price at which Unitholders are then offering their Units for sale on The Toronto Stock Exchange and The Montreal Exchange (or such other exchange or market on which the Units are then listed) is less than 92.5% of the Net Asset Value per Unit determined as at the close of business on the preceding Valuation Date, then subject to certain exceptions described herein and compliance with any applicable regulatory requirements, the Trust will be obligated to purchase any such Units offered in the market at the then prevailing market price up to a maximum amount in any calendar quarter of 2% of the number of Units outstanding at the beginning of such calendar quarter.

In addition, the Trust will have the right (but not the obligation) at any time, exercisable in its sole discretion, to purchase Units in the market whenever Unitholders offer their Units for sale at less than Net Asset Value, subject to any applicable regulatory requirements and limitations. It is expected that these purchases will be made as normal course issuer bids through the facilities and under the rules of The Toronto Stock Exchange and The Montreal Exchange or such other exchange or market on which the Units are then listed.

Notwithstanding the foregoing, purchases will not be effected if: (a) in the opinion of the Manager such transactions, if consummated, could result in the marketability of the Units being severely impaired to the detriment of the Unitholders; (b) in order to fund the purchase, the Trust is not able to liquidate portfolio securities in an orderly manner consistent with the Trust's Investment Strategy or, alternatively, it is not in the best interest of the Unitholders to do so; or (c) there is, in the judgment of the Manager (i) any material legal action or proceeding instituted or threatened challenging such transactions or otherwise materially adversely affecting the Trust, or (ii) a suspension of or limitation on prices for trading securities generally on any exchange on which portfolio securities of the Trust are traded.

Units that have been purchased by the Trust will be cancelled thereby reducing the Total Assets of the Trust but increasing the Net Asset Value per Unit for the Unitholders. If the Trust must liquidate portfolio securities in order to purchase Units, the Trust may realize gains and losses, which gains will be made paid or payable to Unitholders in the year they are realized.

There can be no assurance that purchases of Units by the Trust will result in the Units trading at a price that is equal to the Net Asset Value of the Units. The Trust anticipates that the market price of the Units will in any event vary from Net Asset Value. The market price of the Units will, among other things, be determined by the relative demand for and supply of Units in the market, the Trust's investment performance, the Unit's yield and investor perception of the Trust's overall attractiveness as an investment as compared with other investment alternatives. Nevertheless, the fact that the Units may be purchased by the Trust may reduce the potential spread between market price and Net Asset Value that might otherwise exist.

Although it is anticipated that actual Unit purchases generally may have a favourable effect on the market price of the Units, it should be recognized that the acquisition of Units by the Trust will decrease the Total Assets of the Trust and therefore have the effect of increasing the Trust's expense ratio.

In December, 1998 the Trust made application to make normal course purchases of its Units in accordance with the Prospectus and the Trust Agreement. The Trust received approval to purchase up to 740,845 of the Units of the Trust representing 10% of the public float of the Trust. Purchases of Units commenced on December 11, 1998 and will terminate on December 10, 1999, or on such earlier date as the Trust may complete its purchases pursuant to the notices of intention to make a normal course issuer bid filed with the Toronto and Montreal stock exchanges. Purchases will be made in the open market by RBC Dominion Securities Inc., on behalf of the Trust, through the facilities of such stock exchanges in accordance with their rules and by-laws. The price that the Trust is required to pay for any Units so purchased will be the market price of such Units at the time of acquisition. Units purchased are cancelled.

UNITHOLDER MATTERS

Meetings of Unitholders

The Trustee may, at any time, convene a meeting of the Unitholders and will be required to convene a meeting on receipt of a request in writing of the Manager or of Unitholders holding, in aggregate, 10% or more of the Units outstanding.

Any matter to be considered at a meeting of Unitholders, other than certain matters requiring the approval of Unitholders by extraordinary resolution (an "Extraordinary Resolution") as discussed below, will require the approval of Unitholders by a resolution passed by holders of not less than 50% of the Units voting thereon at a meeting duly convened for the consideration of such matter. A quorum for any meeting convened to consider such matter will consist of two or more Unitholders present in person or by proxy and representing not less than 10% of the Units outstanding. If a quorum is not present at a meeting within 30 minutes after the time fixed for the meeting, the meeting, if convened pursuant to a request of Unitholders, will be cancelled, but otherwise will be adjourned to another day, not less than 10 days nor more than 21 days later, selected by the Manager and notice will be given to the Unitholders of such adjourned meeting. The Unitholders present at any adjourned meeting will constitute a quorum. Each Unitholder is entitled to one vote per Unit held.

Notwithstanding the foregoing, certain matters will require the approval of Unitholders by Extraordinary Resolution. An Extraordinary Resolution is a resolution passed by holders of not less than 66²/₃% of the Units voting thereon at a meeting duly convened for the consideration of such matter. A quorum for any meeting convened to consider a matter requiring the approval of Unitholders by Extraordinary Resolution will consist of two or more Unitholders present in person or by proxy and representing not less than 50% of the Units then outstanding except, in the case of a meeting convened to extend the term of the Trust which will require the approval of Unitholders by Extraordinary Resolution consisting of two or more Unitholders present in person or by proxy representing not less than 10% of the Units then outstanding. See "Termination of the Trust".

In December 1998, the Manager sought Unitholder approval to make certain changes to the Trust Agreement as follows:

- (a) to facilitate the making of distributions:
 - (i) by reducing the minimum net asset value per Unit required for the payment of distributions to the net asset value per Unit at the time the amendments were approved, less \$1; and
 - (ii) by reducing the minimum scheduled cumulative distribution from \$0.40 to \$0.30 per Unit;
- (b) to enable the sale of units at a level closer to the then current net asset value of the Units:
 - (i) by allowing Unitholders, beginning on June 30, 1999, to redeem Units on a semi-annual basis (to a maximum of 8% of the Units outstanding on the same date) at a redemption price equal to 92 ½% of the net asset value per Unit; and
 - (ii) by terminating the Trust's obligation to purchase Units in the market;
- (c) with respect to Newcastle's management fee, providing that Newcastle's management fee would be paid as long as the scheduled cumulative distributions, had been made;
- (d) with respect to distributions and fees in arrears at the time of the meeting:

- (i) by providing that distributions in arrears on the date that the amendments were approved would not be paid until the net asset value per Unit reached \$18.79 (the present minimum net asset value per Unit); and
- (ii) by providing that Newcastle's fees in arrears at the time of the amendment would be payable only upon full payment of distributions in arrears.

The proposals were defeated by votes cast by Unitholders at a meeting of Unitholders held February 9, 1999.

No changes were made to the Trust Agreement as a result of the Unitholder meeting. Accordingly, the Trust will not be providing a limited right of redemption. The minimum targeted quarterly distributions of 40¢ per Unit, as described above, will be paid as long as the net asset value per Unit is above the initial net asset value of \$18.79.

Acts Requiring Unitholder Approval

The Trust Agreement may be amended with the consent of the Unitholders given by Extraordinary Resolution. However, unless all of the Unitholders consent thereto, no amendment can be made to the Trust Agreement that would have the effect of reducing the interest in the Trust of the Unitholders, increasing the liability of any Unitholder or changing the right of a Unitholder to vote at any meeting. No amendment can be made to the Trust Agreement that would have the effect of reducing the fees payable to the Manager or the terms for terminating the Manager unless the Manager, in its sole discretion, consents.

Notwithstanding the foregoing, the Manager is entitled, without the consent of the Unitholders, to make certain amendments to the Trust Agreement that are for the purpose of adding any provisions that, in the opinion of the Manager, are for the protection or benefit of the Unitholders or the Trust, for the purpose of curing an ambiguity or for the purpose of supplementing any provision that may be defective or inconsistent with another provision, including without limitation, for the purpose of ensuring that the Trust Agreement and this prospectus are not inconsistent. The Manager must disclose such change in the next regularly scheduled report to Unitholders. Such amendments may be made only if they will not materially adversely affect the interest of any Unitholder or the Trustee.

Reporting to Unitholders

The Trust's fiscal year will be the calendar year. A copy of the Trust's audited annual financial statements will be mailed by the Manager to each Unitholder within 140 days following the end of each fiscal year. Within 60 days following March 31, June 30 and September 30 of each year, an unaudited income and cash flow statement and balance sheet for the period then ended and the corresponding period of the preceding year will be forwarded by the Manager to Unitholders. Each statement will be accompanied by a narrative report describing the affairs and operations of the Trust.

In addition, the Manager shall, on or before March 31 of each year, forward to each Unitholder of record on any Declaration Date of the preceding year information in a suitable form to enable the Unitholder to comply with his or her income tax reporting obligations relating to his or her interest in the Trust.

The Manager will keep adequate books and records reflecting the activities of the Trust. A Unitholder or his or her duly authorized representative will have the right to examine the books and records of the Trust during normal business hours at the offices of the Manager. Notwithstanding the foregoing, a Unitholder shall not have access to any information which, in the opinion of the Manager, should be kept confidential in the interests of the Trust.

TERMINATION OF THE TRUST

The Trust will continue until December 31, 2007 (subject to extension as described below, the "Termination Date") and thereupon will terminate and the net assets of the Trust will be distributed to the Unitholders unless an alternative to termination is approved by the Unitholders as described below. Prior to the Termination Date, the Advisor will, to the extent practicable, convert the assets of the Trust to cash. The Manager may, in its discretion and upon not less than 30 days prior written notice to the Unitholders, extend the Termination Date to March 31, 2008 if the Advisor will be unable to convert all of the portfolio assets to cash and the Manager determines that it would be in the best interests of the Unitholders to do so.

Not less than 12 months nor more than 18 months prior to the Termination Date, the Manager may present a proposal to Unitholders providing an alternative to the dissolution of the Trust on the Termination Date. Such proposal could include, without limitation: (i) continuing the Trust; or (ii) exchanging the Units for units in one or more mutual funds or closed-end investment funds on or after the Termination Date. A meeting of Unitholders to consider such a proposal must be held at least 12 months prior to the Termination Date in order to give the Manager the opportunity to conduct an orderly liquidation of the assets of the Trust in the event that the Unitholders do not approve the proposal. In order to be implemented, such proposal would require the approval of Unitholders by Extraordinary Resolution (and for any such Extraordinary Resolution a quorum even at an adjourned meeting will consist of two or more Unitholders present in person or by proxy and representing not less than 10% of the Units then outstanding). Any such proposal may be conditional on such matters as the Manager considers are appropriate including, without limitation, obtaining any necessary regulatory approvals.

LOAN FACILITY

The Manager, on behalf of the Trust, has entered into a loan agreement (the "Loan Agreement") with a financial institution (the "Bank") and has a loan facility in place. The loan facility entitles the Trust to borrow funds in Canadian or U.S. dollars. It is expected that the Loan Agreement will contain terms and conditions customary for agreements of this nature.

The Loan Agreement permits the Trust to borrow up to an amount not exceeding 25% of the Net Asset Value of the Trust, for the purpose of purchasing additional investments in accordance with the Investment Objectives. In addition, the Trust may borrow on a temporary basis up to an amount not exceeding 10% of the Net Asset Value of the Trust for the purpose of (i) effecting market purchases of Units; (ii) maintaining liquidity to effect cash distributions; and (iii) settling currency hedging transactions.

The Trust has provided a security interest in its assets in favour of the Bank to secure such borrowings. Indebtedness of the Trust may consist of amounts borrowed under the Loan Agreement. In the event that the total amount borrowed by the Trust exceeds at any time 35% of the Net Asset Value of the Trust, the Manager will take appropriate steps with the Trust's investment portfolio in order that the amount of the indebtedness does not exceed 35% of the Net Asset Value of the Trust, including liquidating certain of the Trust's investments and using the proceeds thereof to reduce the Trust's indebtedness.

In the event of a default by the Trust under the Loan Agreement, the Loan Agreement will provide that the Bank's recourse will be limited solely to the assets of the Trust.

RISK FACTORS

There are certain risks associated with an investment in the Units. Investors should consider the following risk factors before subscribing for Units:

Reliance on the Advisor

The Trust is a newly organized closed-end investment trust with no previous operating history. The Trust will be dependent on the knowledge and expertise of the Advisor for investment advisory and portfolio management services under the Investment Management Agreement. There is no certainty that the persons who are currently officers and directors of the Advisor will continue to be officers and directors of the Advisor throughout the term of the Trust.

Performance and Marketability of Underlying Securities

The Net Asset Value per Unit will vary in accordance with the value of the securities acquired by the Trust. The value of securities owned by the Trust will be affected by factors beyond the control of the Advisor or the Trust. The process of valuing investments for which no published market exists is based upon the value of the underlying holdings of the hedge funds supplied by sponsors of the underlying hedge funds. These values may differ from values that would have been by used by the Manager had a ready market existed for such investments and may differ from the prices at which such investments may be sold. It is likely that no adequate market will exist for securities acquired by the Trust.

Borrowing

The Trust will be entitled to, and may, incur indebtedness secured by the assets of the Trust. The ability of the Trust to borrow will increase the risk to Unitholders in the event that the securities purchased with the borrowed funds decline in value. There can be no assurance that such a strategy will enhance returns and in fact the strategy may reduce returns.

No Guaranteed Return

There is no guarantee that an investment in Units will earn any positive return in the short or long term.

No Guarantee of Market Neutrality

There is no guarantee that an investment in the Units will in fact demonstrate returns and volatility associated with a market-neutral strategy.

International Investments

The Trust expects to invest most of its assets in securities of foreign issuers. The risk of loss on foreign investments may be greater than risks associated with Canadian investments as often there is less available information about foreign companies due to the fact that many companies are not subject to the uniform and extensive accounting, auditing and financial reporting standards and practices, government supervision and regulation and other disclosure requirements which apply to companies in Canada. Additionally, foreign investments made by the Trust may be subject to political risks, risks associated with changes in foreign exchange rates and foreign exchange control risks.

Trading at a Discount

Securities of investment trusts may not trade at net asset value and the Trust cannot predict whether Units will trade above, at or below Net Asset Value per Unit.

Loss of Investment

An investment in the Trust is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Changes in Legislation

There can be no assurance that income tax laws will not be changed in a manner that adversely affects the distributions received by the Trust or by the Unitholders.

Investments by the Trust

The Trust may be investing in Units of other Trusts and there is a risk that such investments may cause the Trust to incur liabilities derived from ownership of such Units.

Fluctuations in Quarterly Distributions

There can be no assurance that the quarterly distributions to be made by the Trust will not vary from quarter to quarter or that in certain quarters they will be paid at all.

Conflict of Interest

The Advisor, its respective directors and officers and its respective affiliates and associates may engage in the promotion, management or investment management of any other fund that invests primarily in hedge fund securities.

Although none of the directors or officers of the Manager will devote his or her full time to the business and affairs of the Trust or the Manager, each will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage (in the case of the officers) the business and affairs of the Manager and the Trust.

Unitholder Liability

The Trust Agreement provides that no Unitholder shall be subject to any liability whatsoever, in tort, contract or otherwise, to any person in connection with Trust property or the obligations or the affairs of the Trust and all such persons shall look solely to the Trust property for satisfaction of claims of any nature arising out of or in connection therewith and the Trust property only shall be subject to levy or execution. Notwithstanding the foregoing statement in the Trust Agreement, because of uncertainties in the law relating to investment trusts such as the Trust, there is a risk that a Unitholder could be held personally liable for obligations of the Trust. It is intended that the Trust's operations be conducted in such a way as to minimize any such risk. In particular, the Advisor will follow the Investment Objectives and the Investment Strategy of the Trust and, where feasible, will use its best efforts to cause every written contract or commitment of the Trust, including any agreement related to the borrowing of money, to contain an express disavowal of liability upon the Unitholders. It is considered that the risk of any personal liability of Unitholders is minimal in view of the anticipated equity of the Trust, the nature of its activities, the intention of the Manager, where feasible, to require that any agreement which is related to the borrowing of money by the Trust include an express disavowal of liability of Unitholders and the limit of the indebtedness which may be incurred by the Trust. In the event that a Unitholder should be required to satisfy any obligation of the Trust, such Unitholder will be entitled to reimbursement from any available assets of the Trust. To the extent that the Trust invests in units of other trust vehicles, the Trust may be subject to the same risk described herein.

MATERIAL CONTRACTS

Material contracts that have been, or will be, entered into by the Trust since its formation or prior to Closing, other than contracts entered into in the ordinary course of business, are as follows:

1. the Trust Agreement between the Trustee and the Manager referred to under "Management of the Trust — The Trustee";
2. the Management Agreement between the Manager on behalf of the Trust and the Manager referred to under "Management of the Trust — the Manager";
3. the Agency Agreement made among the Manager on behalf of the Trust, the Manager, the Advisor and the Agents referred to under "Plan of Distribution";
4. the custody agreement (the "Custody Agreement") made among the Manager on behalf of the Trust, the Manager and The Canada Trust Company (the "Custodian") referred to under "Trustee and Custodian". Since its appointment as Custodian, The Canada Trust Company

sold its pension and institutional trust business to CIBC Mellon Trust Company ("CIBC Mellon"). CIBC Mellon has succeeded The Canada Trust Company as Custodian as a result of this transaction;

5. the registrar and transfer agency agreement among the Manager on behalf of the Trust, and CIBC Mellon Trust Company referred to under "Registrar and Transfer Agent";
6. the escrow agreement among the Manager on behalf of the Trust, the Manager, the Agents and CIBC Mellon Trust Company referred to under "Plan of Distribution"; and
7. the Loan Agreement among the Manager on behalf of the Trust and the Bank referred to under "Loan Facility".

Copies of the contracts referred to above may be inspected during normal business hours at the offices of the Manager at Suite 3300, Scotia Plaza, P.O. Box 1008, 40 King Street West, Toronto, Ontario M5H 3Y2 throughout the Offering period and for a period of 30 days thereafter.

THE TRUSTEE

The Canada Trust Company ("Canada Trust") was appointed a trustee of the Trust pursuant to the Trust Agreement. Since its appointment as trustee, Canada Trust has sold its pension and institutional trust business to CIBC Mellon Trust Company ("CIBC Mellon"). CIBC Mellon has acted as trustee to the Trust as a result of this transaction since March 1, 1999. The address of the Trustee is 320 Bay Street, 6th Floor, Toronto, Ontario M5H 4A6.

The Trustee or any successor trustee may resign upon 90 days written notice to Unitholders and to the Manager or may be removed with the approval of a majority of the votes cast at a meeting of Unitholders called for such purpose with two or more persons present in person or by proxy representing not less than 10% of the Units then outstanding. Any such resignation or removal shall become effective only on the appointment of a successor trustee. If, after the resignation of the Trustee, no successor has been appointed within 90 days, the Trustee, the Manager or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor trustee.

The Trust Agreement provides that the Trustee will not be liable in carrying out its duties under the Trust Agreement except in cases of wilful misconduct, bad faith, negligence or disregard of its obligations and duties that are not delegated to the Manager under the Trust Agreement or in cases where the Trustee fails to act honestly and in good faith with a view to the best interests of the Unitholders or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the Trust Agreement contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The Trustee is entitled to receive fees from the Trust as described under "Fees and Expenses" and to be reimbursed for all expenses and liabilities which are properly incurred by the Trustee in connection with the activities of the Trust.

CUSTODIAN

The Canada Trust Company (“Canada Trust”) was appointed as custodian of the securities comprising the investment portfolio of the Trust pursuant to an agreement made as of July 18, 1997. Since its appointment as custodian, Canada Trust has sold its pension and institutional trust business to CIBC Mellon Trust Company. CIBC Mellon has acted as custodian to the Trust as a result of this transaction since March 1, 1999.

REGISTRAR AND TRANSFER AGENT

CIBC Mellon Trust Company will act as transfer agent and registrar for the Trust at 320 University Avenue, 5th Floor Toronto, Ontario, M5H 4A6. In addition to performing registrar and transfer agency services, CIBC Mellon Trust Company will provide certain record-keeping, Unitholder reporting and general administrative services pursuant to the registrar and transfer agency agreement made as of July 18, 1997.

AUDITORS

The auditors of the Trust are PricewaterhouseCoopers LLP, 145 King Street West, Toronto, Ontario, M5H 1V8.

ITEM 4: SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following summary of financial information has been derived from the financial statements of the Trust. This information should be read in conjunction with the Financial Statements specifically incorporated herein by reference. There have been no changes in accounting policies and no changes in the investment strategy of the Trust. The Trust commenced operations on July 30, 1997. No distributions were paid during the period ended December 31, 1997. Aggregate distribution of \$5,909,858 (\$0.69 per unit) was paid during the year ended December 31, 1998. For a full discussion of the distribution policy please see page 9.

For the Period from July 30, 1997
(date of commencement of operation) to

	<u>December 31, 1997</u>	<u>September 30, 1997</u>
Total income	\$ 380,635	\$ 79,089
Net income from operations	1,853,576	2,657,233
Net income per unit*	0.21	0.30
Total assets	206,023,611	195,293,312
Bank loan	39,002,517	27,292,815
Net assets and unitholders' equity	166,674,246	167,495,233

*based on average number of units outstanding for the period

(All figures in Canadian dollars)	For the year ended <u>December 31, 1998</u>	For the quarter ended <u>September 30, 1998</u>	For the quarter ended <u>June 30, 1998</u>	<u>March 31, 1998</u>
	Total income	3,188,333	633,563	1,076,842
Net income from operations	(17,264,732)	(21,544,848)	(1,717,077)	4,037,377
Net income per unit *	(2.11)	(2.67)	(0.20)	0.46
Total assets	153,254,621	171,511,456	201,582,198	215,682,917
Bank loan	30,129,151	44,024,705	41,582,287	44,945,326
Net assets and unitholders' equity	123,031,606	126,169,715	156,513,387	167,517,044

* based on average number of units outstanding for the period

The monthly net asset value per unit for the Trust was as follows:

Net Asset Value Per Unit (since inception)

(in Canadian dollars)

	Jan. 31st	Feb. 28th	Mar. 31st	Apr. 30th	May 31st	June 30th	July 31st	Aug. 31st	Sept. 30th	Oct. 31st	Nov. 30th	Dec. 31st
1997							18.79	18.78	19.09	18.64	18.71	19.00
1998	18.98	19.11	19.15	19.33	19.16	18.62	18.64	16.44	16.08	15.93	16.47	16.63

ITEM 5: MANAGEMENT'S DISCUSSION AND ANALYSIS

Reference is made to the heading Management's Discussion and Analysis on pages 2-9 of the Annual Report of the Trust which information is incorporated herein by reference.

ITEM 6: MARKET FOR SECURITIES

The Units are listed and posted for trading on The Toronto Stock Exchange and The Montreal Exchange. The Trust has no other outstanding class of securities apart from the Units.

ITEM 7: DIRECTORS AND OFFICERS

The Trust is a closed end investment trust and, as such, has no officers or directors. Disclosure under this item is for the Manager and for the Advisor.

Officers and Directors of the Manager

The name, municipality of residence, position with the Manager and principal occupation of each of the directors and officers of the Manager are as follows:

<u>Name and Municipality</u>	<u>Position with the Manager</u>	<u>Principal Occupation</u>
DAVID G. PATTERSON, M.B.A. Toronto, Ontario	Chairman and Director	President, Newcastle Capital Management Inc.
ROBERT R. RAFOS, PH.D. Toronto, Ontario	President and Director	Vice-President, Newcastle Capital Management Inc.
JAMES D. SINCLAIR, LL.B. Markham, Ontario	Secretary and Director	Vice-President, Newcastle Capital Management Inc.
BENITA M. WARMBOLD, C.A. Scarborough, Ontario	Treasurer and Director	Vice-President and Chief Financial Officer, Newcastle Capital Management Inc.

All of the directors and officers of the Manager have held their current offices or other executive offices with the above companies or their affiliates for at least five years except for: Mr. Sinclair who prior to March, 1996 was Senior Counsel, Derivatives, Ontario Securities Commission and Ms. Warmbold who prior to March, 1997 was Executive Vice-President, Canada Development Investment Corporation.

Officers and Directors of the Advisor

The name, municipality of residence, position with the Advisor and principal occupation of each of the directors and officers of the Advisor are as follows:

<u>Name and Municipality</u>	<u>Position with the Advisor</u>	<u>Principal Occupation</u>
DAVID G. PATTERSON, M.B.A. Toronto, Ontario	President and Director	President
ROBERT R. RAFOS, PH.D. Toronto, Ontario	Vice-President and Director	Vice-President
GEORGE I. MAIN, M.B.A., C.F.A.	Vice-President, Chief	Vice-President and

<u>Name and Municipality</u>	<u>Position with the Advisor</u>	<u>Principal Occupation</u>
Toronto, Ontario HEATHER L. BROUGHTON, M.B.A., C.F.A. Toronto, Ontario	Investment Officer and Director Vice-President	Chief Investment Officer Vice-President
JAMES D. SINCLAIR, LL.B. Markham, Ontario	Vice-President	Vice-President
BENITA M. WARMBOLD, C.A. Scarborough, Ontario	Vice-President and Chief Financial Officer	Vice President and Chief Financial Officer
R. ANNE PATTERSON, M.B.A., C.M.C. Toronto, Ontario	Vice-President and Director	Vice-President
SHIRLEY A. HOPE Toronto, Ontario	Vice-President	Vice-President
PAUL W. ROBSON, C.F.A. Mississauga, Ontario	Vice-President	Vice-President
DAVID SIMONS Toronto, Ontario	Vice-President	Vice-President, Systems
DAN MILLS, C.F.A. Oakville, Ontario	Vice-President	Vice-President
SHAUNA L. CASSIDY Toronto, Ontario	Vice-President	Vice-President
SIMON J. GRIFFITHS Toronto, Ontario	Vice-President	Vice-President
SALIM SHARIFF, FIA, FCIA, C.F.A. Toronto, Ontario	Vice-President	Vice-President
WARREN A. WRIGHT, C.F.A. Toronto, Ontario	Vice-President	Vice-President

All of the directors and officers of the Advisor have held their current offices or other executive offices with the above companies or their affiliates for at least five years except for: Mr. Simons who prior to April 1995 was Vice President at Cititbank Canada; Mr. Sinclair who prior to March 1996 was Senior Counsel, Derivatives, Ontario Securities Commission; Ms. Warmbold who prior to March 1997 was Executive Vice-President, Canada Development Investment Corporation; Mr. Robson who prior to September 1996 was Senior Analyst at the Ontario Municipal Employees Retirement System; Mr. Mills who prior to October 1997 was Portfolio Manager at the Ontario Municipal Employees Retirement System; Mr. Warren Wright who prior to November 1995 was enrolled at Bishop's University, Quebec; Ms. Shauna Cassidy who between December 1994 and December 1996 was Performance Measurement Associate, Royal Trust, and was Accounts Officer, Canada Trust prior to December 1994; Mr. Simon Griffiths who prior to September 1995 was Analyst/Developer, University of Guelph; and Mr. Salim Shariff who between October 1996 and October 1998 was Managing Consultant and Actuary and was Consulting Actuary, Watson Wyatt Worldwide prior to October 1996.

ITEM 8: ADDITIONAL INFORMATION

Copies of the Annual Report may be obtained upon request from the Secretary of the Manager, James D. Sinclair, at the offices of the Trust.

