PROSPECTUS

Initial Public Offering September 30, 2004

SKYLON

SKYLON ALL ASSET TRUST

$200,000,000 (MAXIMUM)

8,000,000 UNITS

Skylon All Asset Trust (the ''Trust''), an investment trust established under the laws of the Province of Ontario, proposes to issue redeemable, transferable units (the ''Units'') of the Trust (the ''Offering'').

The Trust's investment objectives are to:

(i) seek a maximum inflation-adjusted real return, consistent with preservation of capital; and

(ii) provide holders of Units (''Holders'') with tax efficient quarterly distributions consisting primarily of capital gains and returns of capital, initially targeted to be $0.375 per Unit ($1.50 per annum to yield 6% on the subscription price of $25.00 per Unit).

The Trust will annually determine and announce each October an indicative distribution amount for the following twelve months based upon the prevailing market conditions and the estimate of distributable cash flow for the year. The Trust's distributions are intended to benefit Holders as returns of capital are generally not subject to tax (returns of capital reduce the adjusted cost base of Units) and distributions that are designated as capital gains will generally be taxed at a lower rate than distributions of interest, dividend and/or other investment income. Accordingly, Units are intended to be tax efficient when compared to units of a trust that depends solely on such other sources of income to pay distributions. See ''Canadian Federal Income Tax Considerations''.

The return to the Holders and the Trust will be dependent upon the return on the Institutional Class shares (''Fund Shares'') of the PIMCO All Asset Fund (the ''Fund'') by virtue of the Forward Agreement (as defined below). The Fund is a separate investment portfolio within PIMCO Funds, an open-end management investment company registered with the U.S. Securities and Exchange Commission. PIMCO Funds is managed by Pacific Investment Management Company LLC (''PIMCO''). PIMCO is one of the largest active bond managers in the United States with approximately US$392 billion in assets under management as of June 30, 2004. The Fund is sub-advised by Research Affiliates, LLC. Research Affiliates, LLC was established in 2002 and provides investment sub-advisory services to the Fund as well as tax-advantaged trading strategies to clients. As of June 30, 2004, Research Affiliates, LLC had assets under management aggregating approximately US$3.02 billion. Under normal circumstances, the Fund invests substantially all of its assets in Institutional Class shares of other funds within PIMCO Funds with the objective of seeking maximum real return, consistent with preservation of real capital and prudent investment management. To provide the Trust with the means to meet its investment objectives, the Trust will, after drawing down an amount under the Loan Facility (as defined herein), invest an amount equal to the gross proceeds of the Offering in a portfolio of common shares of Canadian public companies (the ''Common Share Portfolio''). The Trust will then enter into one or more forward purchase and sale agreements (collectively, the ''Forward Agreement'') with TD Global Finance (the ''Counterparty''), a member of the TD Bank Financial Group, pursuant to which the Counterparty will agree to pay to the Trust on or about December 31, 2014 (the ''Termination Date'') as the purchase price for the Common Share Portfolio an amount equal to 100% of the redemption proceeds of the Reference Number (as defined below) of Fund Shares. The ''Reference Number'' initially is such number of Fund Shares as would have an aggregate net asset value on the closing of the Offering equal to the U.S. dollar equivalent of the gross proceeds of the Offering. The Reference Number may be adjusted from time to time to reflect changes in the number of outstanding Units and certain other events. The Trust will partially settle the Forward Agreement prior to the Termination Date in order to fund quarterly distributions as well as redemptions of Units by Holders from time to time, payment for purchases of Units in the market and expenses of the Trust. The obligations of the Counterparty under the Forward Agreement will be guaranteed by The Toronto-Dominion Bank. TD Securities Inc. (''TDSI'') is an affiliate of the Counterparty and also an Agent for the Offering. See ''Investment Guidelines of the Trust''.

Skylon Advisors Inc. (the ''Manager'') is the trustee of the Trust and will perform the management functions for the Trust. The Manager will provide all administrative and portfolio management services required by the Trust. The Manager will be responsible for execution of the Trust's investment strategy, which includes acquiring the Common Share Portfolio and entering into the Forward Agreement. See ''Management of the Trust''.

Price: $25.00 per Unit
Minimum Purchase: 100 Units

	Price to Public(1)	Agents' Fee	Net Proceeds to the Trust(2)
Per Unit	$ 25.00	$ 1.3125	$ 23.6875
Maximum Offering(3)(4)	$200,000,000	$10,500,000	$189,500,000
Minimum Offering(4)	$ 50,000,000	$ 2,625,000	$ 47,375,000

(1) The offering price was established by negotiation between the Manager and the Agents.

(2) Before deducting the expenses of issue which are estimated to be $700,000 which, together with the Agents' fee, will be paid out of the proceeds of the Offering.

(3) There will be no closing unless at least 2,000,000 Units are sold. The maximum offering assumes that 8,000,000 Units are sold.

(4) The Trust has granted the Agents an option (the ''Over-Allotment Option'') exercisable for a period of 30 days from the closing of the Offering, to offer up to 1,200,000 additional Units on the same terms as set forth above, which additional Units are qualified for sale hereunder. If the Over-Allotment Option is exercised in full, the proceeds raised under the maximum offering will be $230,000,000, the Agents' fee will be $12,075,000 and the net proceeds to the Trust will be $217,925,000. See ''Plan of Distribution''.

The Toronto Stock Exchange has conditionally approved the listing of the Units, subject to fulfillment by the Trust of the requirements of the Toronto Stock Exchange on or before December 22, 2004, including the distribution of Units to a minimum number of Holders.

See ''Risk Factors'' for a discussion of certain factors that should be considered by prospective investors in Units. There can be no assurance that the Trust will be able to achieve its investment objectives.

Units may be surrendered for redemption not more than 60 days, and at least 30 days, prior to the second last Business Day (any day on which the Toronto Stock Exchange is open for trading being hereinafter referred to as a ''Business Day'') of December in any year commencing in December 2007 for a redemption price per Unit equal to the net asset value per Unit of the Trust (the ''NAV per Unit''). The NAV per Unit will vary depending on the performance of the Fund by virtue of the Forward Agreement. Purchasers may not be able to resell securities purchased under this prospectus. The Agents may over-allot or effect transactions as described under ''Plan of Distribution''.

In the opinion of McCarthy Tétrault LLP, counsel to the Trust, and McMillan Binch LLP, counsel to the Agents, provided that the Trust qualifies as a ''mutual fund trust'' for the purposes of the *Income Tax Act* (Canada) (the ''Tax Act''), Units offered hereby will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans. Based on the Trust's proposed investments and provided the Trust is a ''mutual fund trust'' within the meaning of the Tax Act, Units will not constitute ''foreign property'' for purposes of the tax imposed under Part XI of the Tax Act.

The Trust is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. The Trust is not a ''mutual fund'' as defined in the securities legislation applicable in certain provinces and does not operate in accordance with the requirements of Canadian securities regulation applicable to mutual funds. Units are not ''deposits'' within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation.

TDSI, CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., HSBC Securities (Canada) Inc., Raymond James Ltd., Canaccord Capital Corporation, Desjardins Securities Inc., Dundee Securities Corporation, First Associates Investments Inc., Richardson Partners Financial Limited and Wellington West Capital Inc. (the ''Agents''), as agents, conditionally offer Units for sale on a best efforts basis, subject to prior sale, if, as and when issued by the Trust and accepted by the Agents in accordance with the conditions contained in the Agency Agreement referred to under ''Plan of Distribution'' and subject to approval of certain legal matters on behalf of the Trust and the Manager by McCarthy Tétrault LLP and on behalf of the Agents by McMillan Binch LLP.

Prior to the closing of the Offering, it is intended that the Trust will enter into a Loan Facility with a lender that is an affiliate of one of the Agents. Consequently, the Trust may be considered a ''connected issuer'' under applicable securities legislation. The Agent will receive no benefit in connection with the Offering other than receiving a portion of the Agents' fee described under ''Fees and Expenses''. See ''Plan of Distribution''.

Subscriptions for Units will be received subject to acceptance or rejection in whole or in part and the right is reserved to close the subscription books at any time without notice. Closing of the Offering is expected to occur on or about October 15, 2004, but no later than December 29, 2004. Registrations and transfers of Units will be effected only through the book-entry only system administered by The Canadian Depository for Securities Limited (''CDS''). A purchaser of Units will receive only a customer confirmation from the registered dealer which is a CDS participant and from or through which Units are purchased. See ''Plan of Distribution'' and ''Declaration of Trust and Description of Units – Book-Entry Only System''.

TABLE OF CONTENTS

	Page
PROSPECTUS SUMMARY	4
SUMMARY OF FEES AND EXPENSES	14
THE TRUST	15
Status of the Trust	15
INVESTMENT GUIDELINES OF THE TRUST	15
Investment Objectives and Strategy of the Trust	15
Investment Restrictions of the Trust	16
Loan Facility	16
Securities Lending	17
Foreign Currency Hedging	17
MARKET OUTLOOK	17
THE FUND	17
Investment Objective of the Fund	17
Principal Investments and Strategies of the Fund	17
Past Performance of the Fund	18
Description of the Underlying Funds	19
Investment Policies of the Underlying Funds	21
Certain Characteristics of Securities and Investment Techniques of the Underlying Funds	25
Status of the Fund and Underlying Funds	34
MANAGEMENT OF THE TRUST	34
The Manager	34
Forward Agreement	34
Duties and Services to be Provided by the Manager	35
The Advisory Board	36
Accounting and Reporting	37
Officers and Directors of the Manager	37
Conflict of Interest	38
MANAGEMENT OF THE FUND	38
PIMCO	38
Research Affiliates, LLC	38
THE TRUSTEE	39
DECLARATION OF TRUST AND DESCRIPTION OF UNITS	40
General	40
Units	40
Non-Resident Holders	41
Book-Entry Only System	41
HOLDER MATTERS	42
Meetings of Holders and Extraordinary Resolutions	42
Amendments to the Declaration of Trust	42
Information and Reports to Holders	42
TERMINATION OF THE TRUST	43
DISTRIBUTIONS	43
Distribution Policy	43
REDEMPTION OF UNITS	44
Resale of Units Tendered for Redemption	45
Purchase for Cancellation	45
VALUATION	46
Valuation of Assets	46
Net Asset Value of the Trust	46
Net Asset Value of the Fund	46
Audit of Financial Statements	47
CANADIAN FEDERAL INCOME TAX CONSIDERATIONS	47
Status of the Trust	48
Taxation of the Trust	48
Taxation of Holders	49
ELIGIBILITY FOR INVESTMENT	50
USE OF PROCEEDS	50
PLAN OF DISTRIBUTION	50
FEES AND EXPENSES	51
Initial Fees and Expenses	51
Management Fees	51
On-Going Expenses	51
Fund Expenses	52
Service Fee	52
INTEREST OF MANAGEMENT IN MATERIAL TRANSACTIONS	52
RISK FACTORS	52
No Assurance of Achieving Investment Objectives and No Guaranteed Rate of Return	52
Fluctuations in Net Asset Value	52
Counterparty Risk	53
Securities Lending	53
Leverage by the Trust	53
Operating History and Marketability of Units	53
Treatment of Proceeds of Disposition	53
Stop Loss Rules	54
Reliance on Manager, PIMCO, Research Affiliates, LLC and Key Personnel	54
Foreign Currency Exposure	54
Conflicts of Interest	54
Status of the Trust, the Fund and the Underlying Funds	54
Changes in Legislation	55
Liability of Holders	55
Tax Proposals Regarding Deductions	55
OSC Review of Mutual Fund Trading Practices	55
Underlying Fund Risk	56
Allocation Risk	56
Termination of the Fund	56
Interest Rate Risk	56
Credit Risk	56
High Yield Risk	56
Market Risk	57
Issuer Risk	57
Liquidity Risk	57
Derivatives Risk	57
Equity Risk	57
Commodity Risk	57
Mortgage Risk	58
Foreign Securities Risk	58
European Concentration Risk	58
Real Estate Risk	58
Emerging Markets Risk	58
Currency Risk	58
Issuer Non-Diversification Risk	59
Leveraging Risk	59
Smaller Company Risk	59
Management Risk	59
California State-Specific Risk	59
New York State-Specific Risk	59
Short Sale Risk	60
MATERIAL CONTRACTS	60
PROMOTER	60
LEGAL MATTERS	60
AUDITORS, TRANSFER AGENT, REGISTRAR AND CUSTODIAN	60
PURCHASERS' STATUTORY RIGHTS	61
AUDITORS' CONSENT	62
AUDITORS' REPORT	63
SKYLON ALL ASSET TRUST STATEMENT OF FINANCIAL POSITION	64
CERTIFICATE OF THE TRUSTEE	65
CERTIFICATE OF THE PROMOTER	66
CERTIFICATE OF THE AGENTS	67

Unless otherwise indicated, all references to dollar amounts in this prospectus are to Canadian dollars.

PROSPECTUS SUMMARY

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

Issuer: Skylon All Asset Trust (the ''Trust''), an investment trust established under the laws of the Province of Ontario which invests its assets in accordance with the investment objectives and strategy described under ''Investment Guidelines of the Trust''.

Offering: The offering consists of redeemable, transferable units (the ''Units'') of the Trust (the ''Offering'').

Maximum Issue: $200,000,000 (8,000,000 Units).

Minimum Issue: $50,000,000 (2,000,000 Units).

Price: $25.00 per Unit.

Minimum Subscription: $2,500 (100 Units).

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

(i) seek a maximum inflation-adjusted real return, consistent with preservation of capital; and

(ii) provide holders of Units (''Holders'') with tax efficient quarterly distributions consisting primarily of capital gains and returns of capital, initially targeted to be $0.375 per Unit ($1.50 per annum to yield 6% on the subscription price of $25.00 per Unit).

The Trust's distributions are intended to benefit Holders as returns of capital are generally not subject to tax (returns of capital reduce the adjusted cost base of Units) and distributions that are designated as capital gains will generally be taxed at a lower rate than distributions of interest, dividend and/or other investment income. Accordingly, Units are intended to be tax efficient when compared to units of a trust that depends solely on such other sources of income to pay distributions. See ''Canadian Federal Income Tax Considerations''.

The return to the Holders and the Trust will be dependent upon the return on the Institutional Class shares (''Fund Shares'') of the PIMCO All Asset Fund (the ''Fund'') by virtue of the Forward Agreement (as defined below). However, neither the Trust nor the Holders will have any ownership interest in the Fund.

Forward Agreement: To provide the Trust with the means to meet its investment objectives, the Trust will, after drawing down an amount under the Loan Facility (as defined below), invest an amount equal to the gross proceeds of the Offering in a portfolio of common shares of Canadian public companies (the ''Common Share Portfolio''). The Trust will then enter into one or more forward purchase and sale agreements (collectively, the ''Forward Agreement'') with TD Global Finance (the ''Counterparty''), a member of the TD Bank Financial Group, pursuant to which the Counterparty will agree to pay to the Trust on or about December 31, 2014 (the ''Termination Date'') as the purchase price for the Common Share Portfolio an amount equal to 100% of the redemption proceeds of the Reference Number (as defined below) of Fund Shares. This amount may be more or less than the original subscription price of the Units. The ''Reference Number'' initially is such number of Fund Shares as would have an aggregate net asset value on the closing of the Offering equal to the U.S. dollar equivalent of the gross proceeds of the Offering.

The Reference Number may be adjusted from time to time to reflect changes in the number of outstanding Units and certain other events. The Trust will partially settle the Forward Agreement prior to the Termination Date in order to fund quarterly distributions as well as redemptions of Units by Holders from time to time, payment for purchases of Units in the market and expenses of the Trust. The long-term debt of the Counterparty or any guarantor will be rated at least A by Standard & Poor's, a division of The McGraw-Hill Companies, Inc., or have an equivalent rating from Dominion Bond Rating Service Limited or other ''approved credit rating organization'' as defined in National Instrument 81-102 – Mutual Funds. The obligations of the Counterparty under the Forward Agreement will be guaranteed by The Toronto-Dominion Bank. TD Securities Inc. is an affiliate of the Counterparty and also an Agent for the Offering.

Market Outlook: In any given market environment, there are undervalued asset classes and sectors which may outperform others. Active allocation between asset classes and sectors may be an effective strategy in a market environment where no single asset class or sector is likely to continually dominate returns. The Manager believes that we have entered a period of modest returns from both stocks and traditional bonds (such as government treasury bills) and there are undervalued assets which are poised to outperform. By expanding their investment universe through exposure to the Fund, investors may improve their potential for long-term growth.

The Fund: PIMCO All Asset Fund is a separate investment portfolio within PIMCO Funds, an open-end management investment company managed under the direction of its board of trustees. The Fund seeks maximum real return, consistent with preservation of real capital and prudent investment management. The Fund seeks to achieve its investment objective by investing under normal circumstances substantially all of its assets in Institutional Class shares of other funds (''Underlying Funds'') within PIMCO Funds. The Underlying Funds offer diversification potential across asset classes and sectors, including both traditional sectors such as stock and bond markets, as well as other classes such as treasury inflation protected securities and commodities. See ''The Fund – Certain Characteristics of Securities and Investment Techniques of the Underlying Funds – Securities Selection''.

In selecting securities for an Underlying Fund, Pacific Investment Management Company LLC (''PIMCO'') develops an outlook for interest rates, currency exchange rates and the economy; analyzes credit and call risks, and uses other security selection techniques. The proportion of an Underlying Fund's assets committed to investment in securities with particular characteristics (such as quality, sector, interest rate or maturity) varies based on PIMCO's outlook for the U.S. economy and the economies of other countries in the world, the financial markets and other factors.

PIMCO attempts to identify areas of the bond market that are undervalued relative to the rest of the market. PIMCO identifies these areas by grouping bonds into sectors such as money markets, governments, corporates, mortgages, asset-backed and international. Sophisticated proprietary software then assists in evaluating sectors and pricing specific securities. Once investment opportunities are identified, PIMCO will shift assets among sectors depending upon changes in relative valuations and credit spreads. There is no guarantee that PIMCO's security selection techniques will produce the desired results.

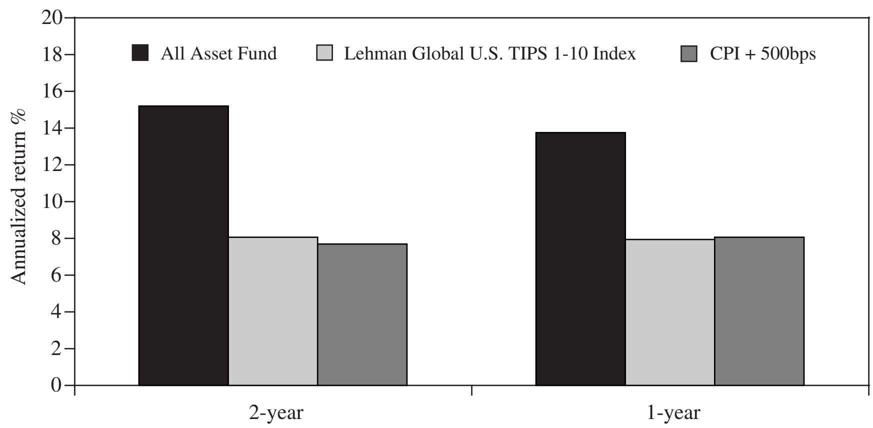
The Fund uses a dynamic asset allocation strategy and seeks to identify those asset classes and sectors that offer the most value at any particular point in the market cycle. As of July 31, 2004, the Fund had net assets in excess of US$2.8 billion.

Past Performance of the Fund:

The Fund measures its performance against two benchmarks. The Fund's primary benchmark is the Lehman Global Real: U.S. TIPS: 1-10 Year Index, which is an unmanaged market index comprised of all U.S. inflation-linked indexed securities with maturities of 1 to 10 years. The Fund's secondary benchmark is created by adding 5% to the annual percentage change in the U.S. Consumer Price Index (''CPI'') (specifically, the CPI for All Urban Consumers). The CPI measures inflation as experienced by U.S. consumers in their day-to-day living expenses. Specifically, the CPI is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The CPI is periodically determined by the U.S. Department of Labour, Bureau of Labour Statistics.

The bar chart below shows summary performance information for the Institutional Class shares of the Fund. The information provides some indication of the risks of investing in the Fund by showing changes in its performance from year to year and by showing how the Fund's average annual returns compare with the returns of the Fund's benchmarks. The Fund's past performance is not necessarily an indication of how the Fund will perform in the future.

All Asset Fund Performance
(Institutional Share Class, Net of Fees)
as of 7/31/04



* The 2-year return information has been annualized and also corresponds with the past performance of the Fund since its inception on July 31, 2002.

Note: Lehman Global Real: U.S. TIPS: 1-10 Year Index is an unmanaged market index comprised of U.S. Treasury Inflation Linked Indexed securities with maturities of 1 to 10 years. The CPI + 500 Basis Points benchmark is created by adding 5% to the annual percentage change in the U.S. Consumer Price Index (''CPI''). This index reflects seasonally adjusted returns. The CPI is an unmanaged index representing the rate of inflation of the U.S. consumer prices as determined by the U.S. Department of Labour, Bureau of Labour Statistics. There can be no guarantee that the CPI or other indexes will reflect the exact level of inflation at any given time. It is not possible to invest directly in either index and neither index reflects deductions for fees, expenses or taxes.

See ''The Fund – Past Performance of the Fund''.

PIMCO:

Pacific Investment Management Company LLC serves as investment advisor and administrator to the Fund and the Underlying Funds. PIMCO is one of the largest active bond managers in the United States with approximately US$392 billion in assets under management as of June 30, 2004. PIMCO is a majority owned subsidiary of Allianz Dresdner Asset Management of America L.P. (''ADAM'') with a minority interest held indirectly by the current managing directors and executive management of PIMCO. Allianz Aktiengesellschaft (''Allianz AG''), a European-based, multi-national insurance and financial services holding company, indirectly owns a controlling interest in ADAM. As of June 30, 2004, the Allianz Group (including PIMCO) had assets under management of approximately €1,066 billion.

Research Affiliates, LLC:

PIMCO has engaged Research Affiliates, LLC, a California limited liability company, to serve as the asset allocation sub-advisor to the Fund. Research Affiliates, LLC is responsible for the management of the Fund and determining how the assets of the Fund are allocated and reallocated from time to time among the Underlying Funds. The asset allocation sub-advisor attempts to diversify the Fund's assets broadly among the Underlying Funds. In determining the Fund's allocations to the Underlying Funds, Research Affiliates, LLC considers a number of factors, including the long-term return potential of each asset class and sector, equity and bond risk premiums, potential value-added of the Underlying Funds, and proprietary asset allocation models. Key personnel from PIMCO and Research Affiliates, LLC regularly engage in substantive dialogue, formulating strategy that is then incorporated into the final allocation decisions. The asset allocation criteria are then monitored on an ongoing basis and, when appropriate, adjusted accordingly. Mr. Robert D. Arnott, the Chairman and Chief Executive Officer of Research Affiliates, LLC, is primarily responsible for determining how the assets of the Fund are allocated and reallocated from time to time among the Underlying Funds. Mr. Arnott has over 25 years of investment management experience, has published numerous articles of original research and is a member of advisory committees to the Chicago Board Options Exchange, the Chicago Mercantile Exchange and the Toronto Stock Exchange. He previously developed quantitative asset management products and teams as Chairman of First Quadrant, LP, as global equity strategist at Salomon (now Salomon Smith Barney), as President of TSA Capital Management (now TSA/Analytic) and as Vice-President at The Boston Company (now PanAgora). Research Affiliates, LLC was established in 2002 and provides investment sub-advisory services to the Fund as well as tax-advantaged trading strategies to clients. As of June 30, 2004, Research Affiliates, LLC had assets under management aggregating approximately US$3.02 billion.

Additional Fund Information:

Additional information concerning the Fund and the Underlying Funds is available on the Internet at www.sec.gov and www.pimcofunds.com. The financial statements of the Fund also will be filed by the Trust and available on the Internet at www.sedar.com and at the Trust's Internet website: at www.skylonadvisors.com and free of charge by contacting the Manager. None of the Trust, the Agents nor any of their respective affiliates makes any representation or warranty as to the accuracy or completeness of any such information.

See ''The Fund''.

Foreign Currency Hedging:

The return to the Holders and the Trust will be dependent upon the return on the Fund Shares by virtue of the Forward Agreement. However, neither the Trust nor the Holders will have any ownership interest in the Fund. The Fund Shares are denominated in U.S. dollars and, accordingly, the NAV per Unit will, when measured in Canadian dollars, be affected by fluctuations in the value of the U.S. dollar relative to the Canadian dollar. The Manager intends to hedge at least 90% of this exposure to the Canadian dollar during the first two years and at least 50% of such exposure thereafter.

See ''Investment Guidelines of the Trust – Foreign Currency Hedging''.

Loan Facility:	The Trust will enter into a loan facility (the ''Loan Facility'') with a chartered bank (the ''Lender'') initially in order to enable the Trust to invest an amount equal to the gross proceeds of the Offering in the Common Share Portfolio. The Loan Facility also may be utilized by the Trust to fund quarterly distributions, redemptions of Units by Holders from time to time, payment for purchases of Units in the market and expenses of the Trust. The Loan Facility may only be used in an aggregate amount not to exceed 25% of the net asset value of the Trust at the time of the borrowing. See ''Investment Guidelines of the Trust – Loan Facility''.
Manager:	The Manager will perform the management functions for the Trust. The Manager will provide all administrative and portfolio management services required by the Trust and will be responsible for execution of the Trust's investment strategy, which includes acquiring the Common Share Portfolio and entering into the Forward Agreement. See ''Management of the Trust – The Manager''. The Manager is an investment management company. As of August 31, 2004, it had approximately $1.1 billion in assets under management and is the manager of Skylon Capital Yield Trust, which provides investors with exposure to the return on high yield debt securities advised by Marret Asset Management Inc.; Convertible & Yield Advantage Trust, which provides investors with a return on convertible securities, high yield debt securities, and income trust securities advised by MFC Global Investment Management (Canada), a division of Elliott and Page Limited; Skylon International Advantage Yield Trust, Skylon Global Capital Yield Trust and Skylon Global Capital Yield Trust II, which provide investors with exposure to a return on global debt securities advised by PIMCO; Saxon Diversified Value Trust, which provides investors with exposure to the return on securities of Canadian publicly traded ongoing business income trusts and resource and real estate income trusts advised by Howson Tattersall Investment Counsel Ltd.; High Yield & Mortgage Plus Trust, which provides investors with exposure to the return on high yield debt securities and Canadian commercial mortgage backed securities advised by Marret Asset Management Inc.; Skylon Growth & Income Trust, which employs an asset allocation investment approach to provide investors with a return on a portfolio that is diversified among various asset classes based on current and anticipated market conditions advised by the Signature Funds Group division of CI Mutual Funds Inc.; and Global Resource Split Corp., which provides investors with a return on common shares and other equity-related securities selected from among the world's largest resource companies advised by CI Mutual Funds Inc. The Manager is a wholly-owned subsidiary of CI Fund Management Inc. which is an independent, Canadian-owned wealth management company with approximately $64.1 billion in fee-earning assets as of August 31, 2004. Through its principal operating subsidiaries, CI Mutual Funds Inc., Assante Corporation and Skylon Advisors Inc., CI Fund Management Inc. offers a broad range of investment products and services, including an industry-leading selection of investment funds.
Trustee:	The Manager is the trustee of the Trust. See ''The Trustee''.
Custodian:	Royal Trust Corporation of Canada is the custodian of the Trust. See ''Auditors, Transfer Agent, Registrar and Custodian''.
Distributions:	The Trust will endeavour to provide Holders with tax efficient quarterly distributions consisting primarily of capital gains and returns of capital to Holders of record on or about the last Business Day (any day on which the Toronto Stock Exchange is open for trading being hereinafter referred to as a ''Business Day'') of each calendar quarter (each, a ''Record Date''). The initial distribution by the

Trust will be payable on December 31, 2004 and, based on an anticipated closing date of October 15, 2004, is expected to be $0.314 per Unit.

The Trust will annually determine and announce each October an indicative distribution amount for the following twelve months based upon the prevailing market conditions and the estimate of distributable cash flow for the year. The indicative distribution of the Trust for the first twelve months is $1.50 per Unit representing an annual distribution of 6% based on the $25.00 per Unit issue price.

If, in any year after such distributions, there would otherwise remain in the Trust additional net income or net realized capital gains, the Trust intends to make, on or before December 31 of that year, a special distribution of such portion of the remaining net income and net realized capital gains as is necessary to ensure that the Trust will not be liable for income tax thereon under the *Income Tax Act* (Canada) (the ''Tax Act'').

See ''Distributions'' and ''Declaration of Trust and Description of Units – Units''.

Market Purchases: To enhance liquidity and to provide market support for the Units, the Trust will have a mandatory market purchase program under which the Trust will, subject to certain exceptions contained in the Declaration of Trust (as described under ''Declaration of Trust and Description of Units – Units'') and in compliance with any applicable regulatory requirements, be obligated to purchase for cancellation any Units offered in the market on the following terms. If, at any time following the closing of the Offering, the closing price at which Units are then offered for sale (the ''Reference Closing Price'') is less than 95% of the NAV per Unit determined as at the close of business in Toronto, Ontario on that day, the Trust will purchase for cancellation any Units offered in the market at or below the Reference Closing Price on the following Business Day. The maximum number of Units to be purchased in any three month period (commencing with the three month period that begins on the first day of the month following the closing date of the Offering) will be 1.25% of the number of Units outstanding at the beginning of such period.

In addition, the Trust has the right (but not the obligation), exercisable in its sole discretion, at any time, to purchase for cancellation Units in the market, subject to any applicable regulatory requirements and limitations.

See ''Declaration of Trust and Description of Units – Units''.

Use of Proceeds: The Trust intends to use the proceeds from the sale of Units as follows:

	Maximum Offering	Minimum Offering
Gross proceeds to the Trust	$200,000,000	$50,000,000
Agents' fee	$ 10,500,000	$ 2,625,000
Expenses of issue	$ 700,000	$ 700,000
Net proceeds to the Trust	$188,800,000	$46,675,000

The Trust will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option) and the Loan Facility to invest an amount equal to the gross proceeds of the Offering in the Common Share Portfolio which will be subject to the Forward Agreement.

Termination: On or about December 31, 2014, the Trust will be terminated and the Holders will receive their *pro rata* share of the net assets of the Trust. See ''Termination of the Trust''.

Redemptions:	Units may be surrendered for redemption not more than 60 days, and at least 30 days, prior to the second last Business Day of December in any year (a ''Valuation Date'') commencing in December 2007 for a redemption price per Unit equal to the net asset value per Unit of the Trust (the ''NAV per Unit'') determined as at such Valuation Date. Units surrendered for redemption by a Holder at least 30 days prior to a Valuation Date will be redeemed as at such Valuation Date and the Holder will receive payment in respect of any Units surrendered for redemption on or before the tenth Business Day following such Valuation Date. The NAV per Unit will vary depending on the performance of the Fund by virtue of the Forward Agreement. See ''Redemption of Units'' and ''Risk Factors''.
Book-Entry Only System:	The Units will be evidenced by a single global certificate held by The Canadian Depository for Securities Limited (''CDS''), or its nominee on its behalf, as registered holder of the Units. Registration of the interests in and transfers of the Units will be made only through the book-entry only system of CDS. No Holder will be entitled to a certificate or other instrument from the transfer agent for Units or CDS evidencing that person's interest in or ownership of Units.
Eligibility for Investment:	In the opinion of McCarthy Tétrault LLP, counsel to the Trust, and McMillan Binch LLP, counsel to the Agents, provided that the Trust qualifies as a ''mutual fund trust'' for the purposes of the Tax Act, Units offered hereby will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans. Based on the Trust's proposed investments and provided the Trust is a ''mutual fund trust'' within the meaning of the Tax Act, Units will not constitute ''foreign property'' for purposes of the tax imposed under Part XI of the Tax Act.
Canadian Federal Income Tax Considerations:	A Holder will generally be required to include in computing income for a taxation year the amount of the Trust's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Holder in the taxation year. Provided the Trust elects in accordance with the Tax Act to have each of its Canadian securities (including Common Share Portfolio securities) treated as capital property, gains or losses realized by the Trust on the sale of Canadian securities will be taxed as capital gains or capital losses. A Holder who disposes of Units held as capital property (on redemption or otherwise) will realize a capital gain to the extent that the proceeds of disposition exceed the adjusted cost base of the Units and any reasonable costs of disposition. See ''Canadian Federal Income Tax Considerations''. **Each investor should satisfy himself or herself as to the federal and provincial tax consequences of an investment in Units by obtaining advice from his or her tax advisor.**
Risk Factors:	An investment in Units is subject to certain risk factors relating to the Trust or to the Fund and Underlying Funds, including: ***Risks relating to the Trust:*** (i) there is no assurance that the Trust will be able to achieve its investment objectives and there is no guarantee that the Fund Shares will earn any return; the Fund Shares could be subject to losses; (ii) the NAV will vary according to, among other things, distributions paid on the Units, the value of the Fund Shares and distributions paid thereon, the performance of the markets generally, foreign currency exposure, and interest rates; Units may trade in the market at a premium or a discount

to the NAV per Unit and there can be no assurance that Units will trade at a price equal to the NAV per Unit;

(iii) counterparty risks associated with the Forward Agreement;

(iv) counterparty risks associated with securities lending;

(v) the use of the Loan Facility to the extent such utilization results in leverage in the Trust;

(vi) the Trust's lack of operating history and the current absence of a public trading market for Units;

(vii) the fact that if, contrary to the advice of counsel to the Trust and to the Agents or as a result of a change of law, upon physical settlement of the Forward Agreement the character and timing of the gain under the Forward Agreement were other than a capital gain on the sale of the securities thereunder, after-tax returns to Holders could be reduced and the Trust could be subject to non-refundable income tax from such transactions;

(viii) the possibility that losses realized by the Trust may be denied in certain circumstances;

(ix) reliance directly on the Manager and, indirectly, on PIMCO (the manager of the Fund and Underlying Funds) and Research Affiliates, LLC (the Fund's asset allocation sub-advisor), and their respective key personnel;

(x) foreign currency exposure; however the Manager intends to hedge at least 90% of such exposure to the Canadian dollar during the first two years and at least 50% of such exposure thereafter;

(xi) potential conflicts of interest;

(xii) the status of the Trust, the Fund and the Underlying Funds for securities law purposes;

(xiii) possible changes in tax or other legislation;

(xiv) the potential liability of Holders;

(xv) under a recent tax proposal, deductions that would otherwise reduce the Trust's taxable income could be denied, with after-tax returns to Holders reduced as a result;

(xvi) the Ontario Securities Commission currently is reviewing certain trading activities involving Canadian mutual funds (including certain mutual funds managed by an affiliate of the Manager) and it is not possible to anticipate whether such review may have any impact on closed-end investment trusts;

(xvii) the risks associated with investing in the Trust are closely related to the risks associated with the securities and other investments held by the Underlying Funds;

Risks relating to the Fund and Underlying Funds:

(xviii) the Fund's investment performance depends upon how its assets are allocated and reallocated between the Underlying Funds and the Fund's advisor may make less than optimal or poor asset allocation decisions;

(xix) prior to the Termination Date, the Fund may merge, terminate or otherwise discontinue its existence, in which event the Trust will terminate unless Holders of Units approve an alternative to termination of the Trust;

(xx) as nominal interest rates rise, the value of fixed income securities held by the Underlying Funds is likely to decrease;

(xxi) an Underlying Fund could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a derivatives contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling to make timely principal and/or interest payments, or to otherwise honour its obligations;

(xxii) Underlying Funds that invest in high yield securities and unrated securities of similar credit quality (commonly known as ''junk bonds'') may be subject to greater levels of interest rate, credit and liquidity risk;

(xxiii) the market price of securities owned by an Underlying Fund may go up or down, sometimes rapidly or unpredictably;

(xxiv) the value of a security may decline for a number of reasons which directly relate to the issuer;

(xxv) an Underlying Fund's investments in illiquid securities may reduce the returns of the Underlying Fund because it may be unable to sell the illiquid securities at an advantageous time or price;

(xxvi) an Underlying Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments;

(xxvii) the value of equity securities may decline due to general market conditions which are not specifically related to a particular company;

(xxviii) an Underlying Fund's investments in commodity-linked derivatives may subject the Underlying Fund to greater volatility than investments in traditional securities;

(xxix) investments by the Underlying Funds in mortgage-related securities are subject to certain additional risks including extension risk and prepayment risk;

(xxx) an Underlying Fund that invests in foreign securities may experience more rapid and extreme changes in value than an Underlying Fund that invests exclusively in securities of U.S. or Canadian companies;

(xxxi) an Underlying Fund that holds or obtains exposure to European securities or indices of securities may be affected significantly by economic, regulatory or political developments affecting European issuers;

(xxxii) an Underlying Fund that invests in real estate-linked derivative instruments is subject to risks similar to those associated with direct ownership of real estate;

(xxxiii) foreign investment risk may be particularly high to the extent that an Underlying Fund invests in emerging market securities of issuers based in countries with developing economies;

(xxxiv) Underlying Funds that invest directly in foreign (non-U.S.) currencies or in securities that trade in, and receive revenues in, foreign (non-U.S.) currencies are subject to the risk that those currencies will decline in value relative to the U.S. dollar or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged;

(xxxv) Underlying Funds which are ''non-diversified'' may invest a greater percentage of their assets in the securities of a single issuer;

(xxxvi) leverage, including borrowing, by an Underlying Fund may cause an Underlying Fund to be more volatile than if the Underlying Fund had not been leveraged;

(xxxvii) the general risks associated with fixed income securities are particularly pronounced for securities issued by companies with smaller market capitalization;

(xxxviii) PIMCO and each individual portfolio manager will apply investment techniques and risk analyses in making investment decisions for the Underlying Funds, but there can be no guarantee that these will produce the desired results;

(xxxix) an Underlying Fund that concentrates its investments in California or New York municipal bonds may be affected significantly by economic, regulatory or political developments affecting the ability of California and New York issuers, respectively, to pay interest or repay principal; and

(xxxx) short sales by an Underlying Fund involves the risk that losses may be exaggerated and that the third party to the short sale may fail to honour its contract terms.

See ''Risk Factors''.

SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable by the Trust and the Fund. For further particulars, see ''Fees and Expenses''.

Type of Charge	Description
Fees payable to the Agents for selling Units:	$1.3125 per Unit.
Expenses of issue:	The Trust will pay the expenses incurred in connection with the Offering, which are estimated to be $700,000.
Management Fee:	As compensation for management services rendered to the Trust, the Manager is entitled to receive an annual management fee in an amount equal to 0.50% of the NAV calculated and payable monthly in arrears plus applicable taxes and an amount equal to the service fee (the ''Service Fee'') payable to registered dealers.
On-Going expenses of the Trust:	The Trust will pay to the Counterparty a fee under the Forward Agreement equal to 0.50% per annum of the net asset value of the Reference Number of Fund Shares that will determine the purchase price of the Common Share Portfolio under the Forward Agreement, plus a fee which may vary based on hedging costs incurred in connection with the Common Share Portfolio, calculated and payable monthly in arrears. The Trust will also pay for all expenses incurred in connection with its operation and administration, estimated to be $200,000 per annum for the Trust (assuming an offering size of approximately $100 million). See ''Fees and Expenses – On-Going Expenses'' and ''Management of the Trust – Forward Agreement''. The Trust will also be responsible for its costs of portfolio transactions and any extraordinary expenses which may be incurred from time to time.
Fund Expenses:	The Fund and the Underlying Funds pay monthly fees to PIMCO for the investment advisory and administrative services which PIMCO provides to the Fund and the Underlying Funds. Since the Fund invests in the Underlying Funds, the Fund indirectly pays a portion of the fees and expenses charged at the Underlying Fund level. For the Fund's current fiscal year, PIMCO has contractually agreed with the Fund to reduce its advisory fees to effectively provide that the aggregate advisory and administrative fees borne directly or indirectly by the Fund Shares will not exceed 0.85% per annum. In exchange for its administrative fees, PIMCO provides or procures services (such as custody, accounting, legal, audit and other ordinary operating expenses) necessary for the operation of the Fund and the Underlying Funds with the result that most expenses of the Fund and Underlying Funds are obligations of PIMCO and not the Fund or Underlying Funds.
Service Fee:	The Manager will pay to registered dealers an annual Service Fee equal to 0.25% of the NAV per Unit for Units held by clients of the sales representatives of the registered dealers calculated and payable quarterly in arrears.

THE TRUST

Skylon All Asset Trust (the ''Trust'') is an investment trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated as of September 30, 2004 (the ''Declaration of Trust'') by Skylon Advisors Inc. (the ''Manager'') as trustee (the ''Trustee'') of the Trust. The Manager was amalgamated under the *Business Corporations Act* (Ontario), as amended, on May 31, 2004, and is a wholly-owned subsidiary of CI Fund Management Inc. The principal place of business of the Trust and the registered office of the Manager is CI Place, 151 Yonge Street, Tenth Floor, Toronto, Ontario, M5C 2W7.

The beneficial interest in the net assets and net income of the Trust is divided into trust units of equal value (the ''Units'').

Status of the Trust

The Trust is not a ''mutual fund'' for securities law purposes. As a result, some of the protections provided to investors in mutual funds under such laws will not be available to investors in the Units.

INVESTMENT GUIDELINES OF THE TRUST

The following sections ''Investment Objectives and Strategy of the Trust'' and ''Investment Restrictions of the Trust'' are referred to collectively in this prospectus as the Trust's ''Investment Guidelines''.

Investment Objectives and Strategy of the Trust

The Trust's investment objectives are to:

(i) seek a maximum inflation-adjusted real return, consistent with preservation of capital; and

(ii) provide holders of Units (''Holders'') with tax efficient quarterly distributions consisting primarily of capital gains and returns of capital, initially targeted to be $0.375 per Unit ($1.50 per annum to yield 6% on the subscription price of $25.00 per Unit).

The Trust's distributions are intended to benefit Holders as returns of capital are generally not subject to tax (returns of capital reduce the adjusted cost base of Units) and distributions that are designated as capital gains will generally be taxed at a lower rate than distributions of interest, dividend and/or other investment income. Accordingly, Units are intended to be tax efficient when compared to units of a trust that depends solely on such other sources of income to pay distributions. See ''Canadian Federal Income Tax Considerations''.

The return to the Holders and the Trust will be dependent upon the return on the Institutional Class shares (''Fund Shares'') of the PIMCO All Asset Fund (the ''Fund'') by virtue of the Forward Agreement (as defined below). To provide the Trust with the means to meet its investment objectives, the Trust will invest an amount equal to the gross proceeds of the Offering (comprised of the net proceeds of the Offering and an amount borrowed under the Loan Facility (as described below)) in a portfolio of common shares of Canadian public companies (the ''Common Share Portfolio''). The Trust will then enter into one or more forward purchase and sale agreements (collectively, the ''Forward Agreement'') with TD Global Finance (the ''Counterparty''), a member of the TD Bank Financial Group, pursuant to which the Counterparty will agree to pay to the Trust on or about December 31, 2014 (the ''Termination Date'') as the purchase price for the Common Share Portfolio an amount equal to 100% of the redemption proceeds of the Reference Number of Fund Shares. The ''Reference Number'' initially is such number of Fund Shares as would have an aggregate net asset value on the closing of the Offering equal to the U.S. dollar equivalent of the gross proceeds of the Offering. This amount may be more or less than the original subscription price of the Units. The Reference Number may be adjusted from time to time to reflect changes in the number of outstanding Units and certain other events. The amount payable by the Counterparty pursuant to the Forward Agreement also will be adjusted to include all other amounts (including awards or settlements for litigation or other proceedings) received by all holders of Fund Shares during the term of the Forward Agreement. The Trust will partially settle the Forward Agreement prior to the Termination Date in order to fund quarterly distributions as well as redemptions of Units by Holders from time to time, payment for purchases of Units in the market and expenses of the Trust. The long-term debt of the Counterparty or any guarantor will be rated at least A by Standard & Poor's, a division of The McGraw-Hill Companies, Inc., or have an equivalent rating from Dominion Bond Rating Service Limited or other ''approved credit rating organization'' as defined in National Instrument 81-102 – Mutual Funds. The obligations of the Counterparty under the Forward Agreement will be guaranteed by The Toronto-Dominion Bank. TD Securities Inc. (''TDSI'') is an affiliate of the Counterparty and also an Agent for the Offering.

There can be no assurance that the Trust will be able to achieve its investment objectives.

Investment Restrictions of the Trust

The investment activities of the Trust are to be conducted in accordance with, among other things, the following investment restrictions:

(i) **Investment in Canadian Equities.** The Trust will restrict its investments to common shares of Canadian public companies that are each a ''Canadian security'' for the purposes of section 39(6) of the *Income Tax Act* (Canada) (the ''Tax Act''). The Trust will not make or retain investments that would render the Units ''foreign property'' for purposes of Part XI of the Tax Act;

(ii) **Purchasing Securities.** The Trust will not purchase securities other than through normal market facilities unless the purchase price therefor approximates the prevailing market price or is negotiated or established on an arm's length basis; and

(iii) **Mutual Fund Trust.** The Trust will manage its investments and affairs to ensure that it will be a ''unit trust'' and ''mutual fund trust'' for purposes of the Tax Act.

Under the current definition of ''unit trust'' in the Tax Act, among other requirements, at all relevant times: (i) at least 80% of the property of the Trust must consist of any combination of (a) shares, (b) any property that, under the terms or conditions of which or under an agreement, is convertible into, is exchangeable for or confers a right to acquire shares, (c) cash, (d) bonds, debentures, mortgages, hypothecary claims, notes and other similar obligations, (e) marketable securities, (f) real property situated in Canada and interests in such property, and (g) rights to and interests in any rental or royalty computed by reference to the amount or value of production from a natural accumulation of petroleum or natural gas in Canada, from an oil or gas well in Canada or from a mineral resource in Canada; (ii) not less than 95% of the income from the Trust (determined without reference to subsections 49(2.1) and 104(6) of the Tax Act) for each year must be derived from, or from the disposition of, investments described in (i) above; and (iii) not more than 10% of the Trust's property may consist of bonds, securities or shares in the capital stock of any one corporation or debtor other than Her Majesty in Right of Canada or a province or a Canadian municipality.

In addition to holding cash, the Trust also may invest excess cash in (i) any Canadian or U.S. dollar denominated debt security considered investment grade, at the time of investment, by Standard & Poor's, a division of The McGraw-Hill Companies, Inc., or another equivalent credit rating agency, and (ii) cash equivalents. The Trust will enter into the Forward Agreement and may engage in securities lending as described under ''Management of the Trust – Forward Agreement'' and ''Securities Lending''.

Loan Facility

The Trust will borrow pursuant to a loan facility (the ''Loan Facility'') from a chartered bank (the ''Lender'') initially in order to enable the Trust to invest an amount equal to the gross proceeds of the Offering in the Common Share Portfolio. The Loan Facility also may be utilized by the Trust to fund quarterly distributions, redemptions of Units by Holders from time to time, payment for purchases of Units in the market and expenses of the Trust. The Manager expects that the terms, conditions, interest rates, fees and expenses of and under any Loan Facility will be typical for loans of this nature.

Utilization of the Loan Facility will effectively result in leverage in the Trust. The Manager, on behalf of the Trust, may use such leverage, when market conditions are appropriate, to attempt to increase the potential returns of the Trust. The use of leverage to enhance returns on the Trust may result in capital losses or a decrease in net cash distributions to Holders. The Manager anticipates that, with respect to the Loan Facility, the Lender will require the Trust to provide a security interest in some or all of its assets in favour of the Lender to secure such borrowings. The Manager will ensure that, in the event of default under the Loan Facility, the Lender's recourse will be limited to the assets of the Trust.

The aggregate amount of borrowings under the Loan Facility may not exceed 25% of the net asset value of the Trust at the time of the borrowing. In the event that the total amount borrowed by the Trust exceeds the 25% limit as a result of redemptions or other decrease in the number of Units of the Trust, the Manager will reduce indebtedness on an orderly basis as soon as practicable so that the amount borrowed does not exceed such limit.

Other than borrowings by the Trust under the Loan Facility, the Trust will not engage in borrowing.

Securities Lending

In order to generate additional returns, the Trust may lend Common Share Portfolio securities to securities borrowers acceptable to the Trust pursuant to the terms of a securities lending agreement between the Trust and any such borrower (each, a ''Securities Lending Agreement''). Under a Securities Lending Agreement: (i) the borrower will pay to the Trust a negotiated securities lending fee and will make compensation payments to the Trust equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as ''securities lending arrangements'' for the purposes of the Tax Act; and (iii) the Trust will receive collateral security which it may pledge as security under the Forward Agreement. The minimum level of collateralization in respect of a loan of Common Share Portfolio securities will be 102%.

Foreign Currency Hedging

The return to the Holders and the Trust will be dependent upon the return on the Fund Shares by virtue of the Forward Agreement. However, neither the Trust nor the Holders will have any ownership interest in the Fund. The Fund Shares are denominated in U.S. dollars and, accordingly, the NAV per Unit will, when measured in Canadian dollars, be affected by fluctuations in the value of the U.S. dollar relative to the Canadian dollar. The Manager intends to hedge at least 90% of this exposure to the Canadian dollar during the first two years and at least 50% of such exposure thereafter.

MARKET OUTLOOK

In any given market environment, there are undervalued asset classes and sectors which may outperform others. Active allocation between asset classes and sectors may be an effective strategy in a market environment where no single asset class or sector is likely to continually dominate returns. The Manager believes that we have entered a period of modest returns from both stocks and traditional bonds (such as government treasury bills) and there are undervalued assets which are poised to outperform. By expanding their investment universe through exposure to the Fund, investors may improve their potential for long-term growth.

THE FUND

PIMCO All Asset Fund is a separate investment portfolio within PIMCO Funds, an open-end management investment company constituted as a Massachusetts business trust and managed under the direction of its board of trustees. Subject to the provisions of the declaration of trust of PIMCO Funds, its by-laws and Massachusetts law, such trustees have all powers necessary and convenient to carry out this responsibility. PIMCO Funds, including the Fund, is managed by Pacific Investment Management Company LLC (''PIMCO''). The Fund had net assets in excess of US$2.8 billion as of July 31, 2004.

Investment Objective of the Fund

The Fund seeks maximum real return, consistent with preservation of real capital and prudent investment management.

Principal Investments and Strategies of the Fund

The Fund seeks to achieve its investment objective by investing under normal circumstances substantially all of its assets in Institutional Class shares of other funds (''Underlying Funds'') within PIMCO Funds. The Fund does not invest directly in stocks or bonds of other issuers. Research Affiliates, LLC, the Fund's asset allocation sub-advisor, determines how the Fund allocates and reallocates its assets broadly among the Underlying Funds. The Underlying Funds offer diversification potential across asset classes and sectors, including both traditional sectors such as stock and bond markets, as well as other classes such as treasury inflation protected securities and commodities. The Fund uses a dynamic asset allocation strategy and seeks to identify those asset classes and sectors that offer the most value at any particular point in the market cycle.

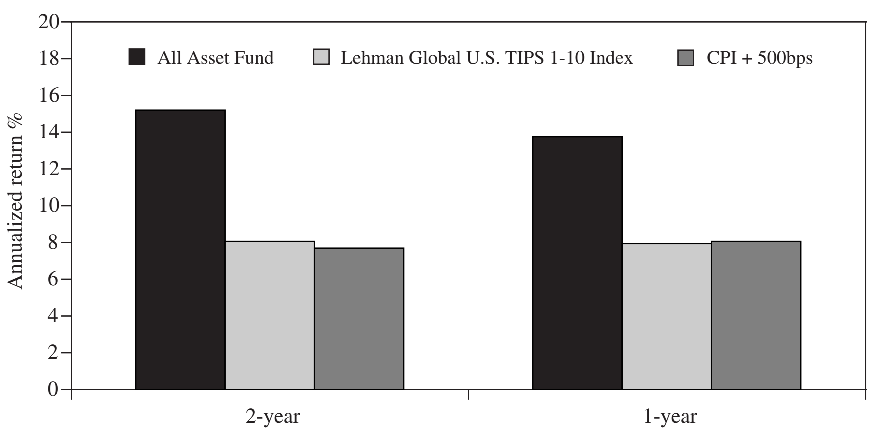
The Fund may invest in any or all of the Underlying Funds, but will not normally invest in every Underlying Fund at any particular time. The Fund will not invest in the All Asset All Authority Fund. Though it is anticipated that the Fund will not currently invest in the European StocksPLUS TR Strategy, Far East (ex-Japan) StocksPLUS TR Strategy, Japanese StocksPLUS TR Strategy, StocksPLUS Municipal-Backed and StocksPLUS TR Short Strategy Funds, the Fund may invest in these Underlying Funds in the future, without shareholder approval, at the discretion of PIMCO. The Fund's investment in a particular Underlying Fund normally will not exceed 50% of its total assets. The Fund's combined investments in the International StockPLUS TR Strategy, StocksPLUS and StocksPLUS Total Return Funds normally will not exceed 50% of total assets. In addition, the Fund's combined investments in the CommodityRealReturn Strategy, Real Return, Real Return II, Real Return Asset and RealEstateRealReturn Strategy Funds normally will not exceed 75% of its total assets. The Fund's assets are not allocated according to a predetermined blend of shares of the Underlying Funds. Instead, when making allocation decisions among the Underlying Funds, the Fund's asset allocation sub-advisor considers various quantitative and qualitative data relating to the U.S. and foreign economies and securities markets. This data includes projected growth trends in the U.S. and foreign economies, forecasts for interest rates and the relationship between short- and long-term interest rates (yield curve), current and projected trends in inflation, relative valuation levels in the equity and fixed income markets and various segments within those markets, the outlook and projected growth of various industrial sectors, information relating to business cycles, borrowing needs and the cost of capital, political trends data relating to trade balances and labour information. The Fund's asset allocation sub-advisor has the flexibility to reallocate the Fund's assets among any or all of the Underlying Funds based on its ongoing analyses of the equity, fixed income and commodity markets, although these shifts are not expected to be large or frequent in nature.

Past Performance of the Fund

The Fund measures its performance against two benchmarks. The Fund's primary benchmark is the Lehman Global Real: U.S. TIPS: 1-10 Year Index, which is an unmanaged market index comprised of all U.S. inflation-linked indexed securities with maturities of 1 to 10 years. The Fund's secondary benchmark is created by adding 5% to the annual percentage change in the U.S. Consumer Price Index (''CPI'') (specifically, the CPI for All Urban Consumers). The CPI measures inflation as experienced by U.S. consumers in their day-to-day living expenses. Specifically, the CPI is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The CPI is periodically determined by the U.S. Department of Labour, Bureau of Labour Statistics.

The bar chart and average annual total returns table below show summary performance information for the Institutional Class shares of the Fund. The information provides some indication of the risks of investing in the Fund by showing changes in its performance from year to year and by showing how the Fund's average annual returns compare with the returns of the Fund's benchmarks. The Fund's past performance is not necessarily an indication of how the Fund will perform in the future.

All Asset Fund Performance
(Institutional Share Class, Net of Fees)
as of 7/31/04



* The 2-year return information has been annualized and also corresponds with the past performance of the Fund since its inception on July 31, 2002.

Highest and Lowest Quarter Returns (for periods shown in the bar chart)

Highest (2nd Qtr. '03)	**6.21%**
Lowest (3rd Qtr. '03)	**0.59%**

Average Annual Total Returns (for periods ended 07/31/04)

	1 Year	2 Year	Since Inception (7/31/02)
Institutional Class Return Before Taxes	**13.77%**	**15.20%**	**15.20%**
Lehman Global Real: U.S. TIPS: 1-10 Year Index[1]	7.96%	8.07%	8.07%
CPI + 500 Basis Points[2]	8.08%	7.70%	7.70%

(1) Lehman Global Real: U.S. TIPS: 1-10 Year Index is an unmanaged market index comprised of U.S. Treasury Inflation Linked Indexed securities with maturities of 1 to 10 years. It is not possible to invest directly in such an unmanaged index. The index does not reflect deductions for fees, expenses or taxes.

(2) The CPI + 500 Basis Points benchmark is created by adding 5% to the annual percentage change in the U.S. Consumer Price Index (''CPI''). This index reflects seasonally adjusted returns. The CPI is an unmanaged index representing the rate of inflation of the U.S. consumer prices as determined by the U.S. Department of Labour, Bureau of Labour Statistics. There can be no guarantee that the CPI or other indexes will reflect the exact level of inflation at any given time. It is not possible to invest directly in the index. The index does not reflect deductions for fees, expenses or taxes.

Description of the Underlying Funds

The following provides a general description of the main investments and other information about the Underlying Funds. At the discretion of PIMCO, the Fund may invest in additional Underlying Funds created in the future.

		Main Investments	Duration	Credit Quality[1]	Non-U.S. Dollar Denominated Securities[2]
Short Duration Bond Funds	**Money Market**	Money market instruments	≤ 90 days dollar-weighted average maturity	Min 95% Prime 1; ≤ 5% Prime 2	0%
	Floating Income	Variable and floating-rate securities and their economic equivalents	0-1 year	Caa to Aaa; max 10% below B	0-30%
	Short-Term	Money market instruments and short maturity fixed income securities	0-1 year	B to Aaa; max 10% below Baa	0-10%
	Low Duration	Short maturity fixed income securities	1-3 years	B to Aaa; max 10% below Baa	0-30%
	Low Duration II	Short maturity fixed income securities with quality and non-U.S. issuer restrictions	1-3 years	A to Aaa	0%
	Low Duration III	Short maturity fixed income securities with prohibitions on firms engaged in socially sensitive practices	1-3 years	B to Aaa; max 10% below Baa	0-30%
Intermediate Duration Bond Funds	**GNMA**	Short and intermediate maturity mortgage-related fixed income securities issued by the Government National Mortgage Association	1-7 years	Baa to Aaa; max 10% below Aaa	0%
	Moderate Duration	Short and intermediate maturity fixed income securities	2-5 years	B to Aaa; max 10% below Baa	0-30%
	Total Return	Intermediate maturity fixed income securities	3-6 years	B to Aaa; max 10% below Baa	0-30%
	Total Return II	Intermediate maturity fixed income securities with quality and non-U.S. issuer restrictions	3-6 years	Baa to Aaa	0%

		Main Investments	Duration	Credit Quality[(1)]	Non-U.S. Dollar Denominated Securities[(2)]
	Total Return III	Intermediate maturity fixed income securities with prohibitions on firms engaged in socially sensitive practices	3-6 years	B to Aaa; max 10% below Baa	0-30%
	Total Return Mortgage	Short and intermediate maturity mortgage-related fixed income securities	1-7 years	Baa to Aaa; max 10% below Aaa	0%
	Investment Grade Corporate Bond	Corporate fixed income securities	3-7 years	B to Aaa; max 10% below Baa	0-30%
	High Yield	Higher yielding fixed income securities	2-6 years	Caa to Aaa; min 80% below Baa subject to maximum 5% Caa	0-20%
	Diversified Income	Investment grade corporate, high yield and emerging market fixed income securities	3-8 years	Max 10% below B	0-30%
Long Duration Bond Funds	**Long-Term U.S. Government**	Long-term maturity fixed income securities	≥ 8 years	A to Aaa	0%
Real Return Strategy Funds	**Real Return**	Inflation-indexed fixed income securities	+/- 3 years of its Index	B to Aaa; max 10% below Baa	0-30%
	Real Return II	Inflation-indexed fixed income securities with quality and non-U.S. denominated restrictions	+/- 3 years of its Index	Baa to Aaa	0%
	Real Return Asset	Inflation-indexed fixed income securities	+/- 4 years of its Index	B to Aaa; max 20% below Baa	0-30%
	CommodityRealReturn Strategy	Commodity-linked derivatives backed by a portfolio of inflation-indexed and other fixed income securities	0-10 years	B to Aaa; max 10% below Baa	0-30%
	RealEstateRealReturn Strategy	Real estate-linked derivative instruments backed by a portfolio of inflation-indexed and other fixed income securities	0-10 years	B to Aaa; max 10% below Baa	0-30%
Tax Exempt Bond Funds	**Short Duration Municipal Income**	Short to intermediate maturity municipal securities (exempt from U.S. federal income tax)	0-3 years	Baa to Aaa	0%
	Municipal Bond	Intermediate to long-term maturity municipal securities (exempt from U.S. federal income tax)	3-10 years	Ba to Aaa; max 10% below Baa	0%
	California Intermediate Municipal Bond	Intermediate maturity municipal securities (exempt from U.S. federal and California income tax)	3-7 years	B to Aaa; max 10% below Baa	0%
	California Municipal Bond	Intermediate to long-term maturity municipal securities (exempt from U.S. federal and California income tax)	3-12 years	B to Aaa; max 10% below Baa	0%
	New York Municipal Bond	Intermediate to long-term maturity municipal securities (exempt from U.S. federal and New York income tax)	3-12 years	B to Aaa; max 10% below Baa	0%
International Bond Funds	**Global Bond (Unhedged)**	U.S. and non-U.S. intermediate maturity fixed income securities	3-7 years	B to Aaa; max 10% below Baa	25-75%[(3)]
	Global Bond (U.S. Dollar-Hedged)	U.S. and hedged non-U.S. intermediate maturity fixed income securities	3-7 years	B to Aaa; max 10% below Baa	25-75%[(3)]

		Main Investments	Duration	Credit Quality[1]	Non-U.S. Dollar Denominated Securities[2]
	Foreign Bond (Unhedged)	Intermediate maturity non-U.S. fixed income securities	3-7 years	B to Aaa; max 10% below Baa	≥ 80%[3]
	Foreign Bond (U.S. Dollar-Hedged)	Intermediate maturity hedged non-U.S. fixed income securities	3-7 years	B to Aaa; max 10% below Baa	≥ 80%[3]
	Emerging Markets Bond	Emerging market fixed income securities	0-8 years	Max 15% below B	≥ 80%[3]
Convertible Funds	**Convertible**	Convertible securities	N/A	Max 20% below B	0-30%
	European Convertible	European convertible securities	N/A	B to Aaa; max 40% below Baa	≥ 80%[4]
Equity-Related Funds	**StocksPLUS**	S&P 500 stock index derivatives backed by a portfolio of short-term fixed-income securities	0-1 year	B to Aaa; max 10% below Baa	0-30%
	StocksPLUS Total Return	S&P 500 stock index derivatives backed by a portfolio of short and intermediate maturity fixed income securities	1-6 years	B to Aaa; max 10% below Baa	0-30%
	European StocksPLUS TR Strategy	European equity derivatives backed by a portfolio of fixed income securities	1-6 years	B to Aaa; max 10% below Baa	0-30%[5]
	Far East (ex-Japan) StocksPLUS TR Strategy	Far Eastern (excluding Japan) equity derivatives backed by a portfolio of fixed income securities	1-6 years	B to Aaa; max 10% below Baa	0-30%[5]
	International StocksPLUS TR Strategy	Non-U.S. equity derivatives backed by a portfolio of fixed income securities	1-6 years	B to Aaa; max 10% below Baa	0-30%[5]
	Japanese StocksPLUS TR Strategy	Japanese equity derivatives backed by a portfolio of fixed income securities	1-6 years	B to Aaa; max 10% below Baa	0-30%[5]
	StocksPLUS TR Short Strategy	Short S&P 500 stock index derivatives backed by a portfolio of fixed income securities	1-6 years	B to Aaa; max 10% below Baa	0-30%
	StockPLUS Municipal-Backed	S&P 500 stock index derivatives backed by a portfolio of investment grade debt securities exempt from U.S. federal income tax	1-10 years	B to Aaa; max 10% Baa	0%

(1) As rated by Moody's Investors Service, Inc. (''Moody's''), or equivalently rated by Standard & Poor's Ratings Service (''S&P''), or if unrated, determined by PIMCO to be of comparable quality.

(2) Each Underlying Fund (except the California Intermediate Municipal Bond, California Municipal Bond, Long-Term U.S. Government, Low Duration II, Municipal Bond, New York Municipal Bond, Short Duration Municipal Income, StocksPLUS Municipal-Backed and Total Return II Funds) may invest beyond these limits in U.S. dollar-denominated securities of non-U.S. issuers.

(3) The percentage limitation relates to securities of non-U.S. issuers denominated in any currency.

(4) The percentage limitation relates to convertible securities issued by, or convertible into, an issuer located in any European country.

(5) Limitation with respect to the Underlying Fund's fixed income investments. The Underlying Fund may invest without limit in equity securities denominated in non-U.S. currencies.

Investment Policies of the Underlying Funds

The following are fundamental investment policies of each Underlying Fund and may not be changed without shareholder approval by vote of a majority of the outstanding shares of the Underlying Fund:

1. An Underlying Fund may not concentrate its investments in a particular industry, as that term is used in the United States *Investment Company Act of 1940*, as amended (the ''1940 Act''), and as interpreted, modified, or otherwise permitted by regulatory authority having jurisdiction, from time to time (except that the Money Market Fund may concentrate its investments in securities or obligations issued by U.S. banks).

2. An Underlying Fund may not, with respect to 75% of the Underlying Fund's total assets, purchase the securities of any issuer, except securities issued or guaranteed by the U.S. government or any of its agencies or instrumentalities, if, as a result (i) more than 5% of the Underlying Fund's total assets would be invested in the securities of that issuer, or (ii) the Underlying Fund would hold more than 10% of the outstanding voting securities of that issuer. This investment restriction is not applicable to the California Intermediate Municipal Bond, California Municipal Bond, CommodityRealReturn Strategy, Emerging Markets Bond, Foreign Bond (Unhedged), Foreign Bond (U.S. Dollar-Hedged), Global Bond (Unhedged), Global Bond (U.S. Dollar-Hedged), New York Municipal Bond Fund, Real Return and Real Return Asset Funds. For the purpose of this restriction, each state and each separate political subdivision, agency, authority or instrumentality of such state, each multi-state agency or authority, and each guarantor, if any, are treated as separate issuers of municipal bonds.
3. An Underlying Fund may not purchase or sell real estate, although it may purchase securities secured by real estate or interests therein, or securities issued by companies which invest in real estate, or interests therein.
4. An Underlying Fund may not purchase or sell commodities or commodities contracts or oil, gas or mineral programs. This restriction shall not prohibit an Underlying Fund, subject to certain other restrictions, from purchasing, selling or entering into futures contracts, options on futures contracts, foreign currency forward contracts, foreign currency options, or any interest rate, securities-related or foreign currency-related hedging instrument, including swap agreements and other derivative instruments, subject to compliance with any applicable provisions of the U.S. federal securities or commodities laws. This restriction is not applicable to the Global Bond Fund (U.S. Dollar-Hedged), but is subject to the non-fundamental restriction described in paragraph (f) below.
5. An Underlying Fund may borrow money or issue any senior security, only as permitted under the 1940 Act and as interpreted, modified, or otherwise permitted by regulatory authority having jurisdiction, from time to time.
6. An Underlying Fund may make loans only as permitted under the 1940 Act, as amended, and as interpreted, modified, or otherwise permitted by regulatory authority having jurisdiction, from time to time.
7. An Underlying Fund may not act as an underwriter of securities of other issuers, except to the extent that in connection with the disposition of portfolio securities, it may be deemed to be an underwriter under the U.S. federal securities laws.
8. Notwithstanding any other fundamental investment policy or limitation, it is a fundamental policy of each Underlying Fund that it may pursue its investment objective by investing in one or more underlying investment companies or vehicles that have substantially similar investment objectives, policies and limitations as the Underlying Fund.
9. The Municipal Bond and Short Duration Municipal Income Funds will invest, under normal circumstances, at least 80% of their assets in investments the income of which is exempt from U.S. federal income tax.
10. The California Intermediate Municipal Bond and California Municipal Bond Funds will invest, under normal circumstances, at least 80% of their assets in investments the income of which is exempt from both U.S. federal income tax and California income tax.
11. The New York Municipal Bond Fund will invest, under normal circumstances, at least 80% of its assets in investments the income of which is exempt from both U.S. federal income tax and New York income tax.
12. The StocksPLUS Municipal-Backed Fund will invest, under normal circumstances, at least 80% of its assets in investments the income of which is exempt from U.S. federal income tax.

For purposes of fundamental investment policies described in paragraphs 9, 10, 11 and 12 above, the term ''asset'', as defined in Rule 35d-1 under the 1940 Act, means net assets, plus the amount of any borrowings for investment purposes.

Each Underlying Fund is also subject to the following non-fundamental investment policies (which may be changed without shareholder approval) relating to the investment of its assets and activities:

(a) An Underlying Fund may not invest more than 15% of the net assets of the Underlying Fund (10% in the case of the Money Market Fund) (taken at market value at the time of the investment) in ''illiquid securities'', illiquid securities being defined to include securities subject to legal or contractual restrictions on resale (which may include private placements), repurchase agreements maturing in more than seven days, certain loan participation interests, fixed time deposits which are not subject to prepayment or provide for withdrawal penalties upon prepayment (other than overnight deposits), certain options traded over the counter that an Underlying Fund has purchased, securities or other liquid assets being used to cover such options an Underlying Fund has written, securities for which market quotations are not readily available, or other securities which legally or in PIMCO's opinion may be deemed illiquid (other than securities issued pursuant to Rule 144A under the United States *Securities Act of 1933* and certain commercial paper that PIMCO has determined to be liquid under procedures approved by the board of trustees of PIMCO Funds).

(b) An Underlying Fund may not purchase securities on margin, except for use of short-term credit necessary for clearance of purchases and sales of portfolio securities, but it may make margin deposits in connection with covered transactions in options, futures, options on futures and short positions.

(c) Each Underlying Fund (except the Money Market Fund) may invest up to 5% of the total assets of an Underlying Fund (taken at market value at the time of investment) in any combination of mortgage-related or other asset-backed interest only, principal only, or inverse floating rate securities.

(d) The Global Bond Fund (U.S. Dollar-Hedged) may not borrow money in excess of 10% of the value (taken at the lower of cost or current value) of such Underlying Fund's total assets (not including the amount borrowed) at the time the borrowing is made, and then only from banks as a temporary measure to facilitate the meeting of redemption requests (not for leverage) which might otherwise require the untimely disposition of portfolio investments or for extraordinary or emergency purposes (such borrowings will be repaid before any additional investments are purchased); or pledge, hypothecate, mortgage or otherwise encumber its assets in excess of 10% of such Underlying Fund's total assets (taken at cost) and then only to secure borrowings permitted above. The deposit of securities or cash or cash equivalents in escrow in connection with the writing of covered call or put options, respectively, is not deemed to be pledges or other encumbrances. For the purpose of this restriction, collateral arrangements with respect to the writing of options, futures contracts, options on futures contracts, and collateral arrangements with respect to initial and variation margin are not deemed to be a pledge of assets and neither such arrangements nor the purchase or sale of futures or related options are deemed to be the issuance of a senior security.

(e) An Underlying Fund may not maintain a short position, or purchase, write or sell puts, calls, straddles, spreads or combinations thereof, except on certain conditions.

(f) The Global Bond Fund (U.S. Dollar-Hedged) may not purchase or sell commodities or commodity contracts except that such Underlying Fund may purchase and sell financial futures contracts and related options.

(g) In addition, PIMCO Funds has adopted the following non-fundamental investment policies that may be changed on 60 days' notice to its shareholders:

    (i) The GNMA Fund will invest, under normal circumstances, at least 80% of its assets in GNMA investments.

    (ii) The Total Return Mortgage Fund will invest, under normal circumstances, at least 80% of its assets in mortgage investments.

    (iii) The Investment Grade Corporate Bond Fund will invest, under normal circumstances, at least 80% of its assets in investment grade corporate bond investments.

    (iv) The High Yield Fund will invest, under normal circumstances, at least 80% of its assets in high yield investments.

    (v) The Long-Term U.S. Government Fund will invest, under normal circumstances, at least 80% of its assets in U.S. Government investments.

    (vi) Each of the Global Bond (Unhedged) and Global Bond (U.S. Dollar-Hedged) Funds will invest, under normal circumstances, at least 80% of its assets in bond investments.

    (vii) Each of the Foreign Bond (Unhedged) and Foreign Bond (U.S. Dollar-Hedged) Funds will invest, under normal circumstances, at least 80% of its assets in foreign bond investments.

    (viii) The Emerging Markets Bond Fund will invest, under normal circumstances, at least 80% of its assets in emerging market bond investments.

    (ix) The Convertible Fund will invest, under normal circumstances, at least 80% of its assets in convertible investments.

(x) The European Convertible Fund will invest, under normal circumstances, at least 80% of its assets in convertible investments that are tied economically to Europe.

(xi) The Floating Income Fund will invest, under normal circumstances, at least 80% of its assets in investments that effectively enable the Fund to achieve a floating rate of income.

For purposes of these policies, the term ''assets'', as defined in Rule 35d-1 under the 1940 Act, means net assets plus the amount of any borrowings for investment purposes.

In addition, PIMCO Funds has adopted a non-fundamental policy pursuant to which each Underlying Fund that may invest in securities denominated in currencies other than the U.S. dollar, except for the Convertible, Emerging Markets Bond, Foreign Bond (Unhedged) and Global Bond (Unhedged) Funds, will hedge at least 75% of its exposure to non-U.S. currency. There can be no assurance that currency hedging techniques will be successful.

Under the 1940 Act, a ''senior security'' does not include any promissory note or evidence of indebtedness where such loan is for temporary purposes only and in an amount not exceeding 5% of the value of the total assets of the issuer at the time the loan is made. A loan is presumed to be for temporary purposes if it is repaid within sixty days and is not extended or renewed. To the extent that borrowings for temporary administrative purposes exceed 5% of the total assets of an Underlying Fund (except the Global Bond Fund (U.S. Dollar-Hedged)), such excess shall be subject to the 300% asset coverage requirement.

To the extent an Underlying Fund covers its commitment under a reverse repurchase agreement (or economically similar transaction) by the segregation of assets determined to be liquid in accordance with procedures adopted by the board of trustees of PIMCO Funds, equal in value to the amount of the Underlying Fund's commitment to repurchase, such an agreement will not be considered a ''senior security'' by the Underlying Fund and therefore will not be subject to the 300% asset coverage requirement otherwise applicable to borrowings by the Underlying Fund.

The staff of the United States Securities and Exchange Commission (the ''SEC'') has taken the position that purchased over-the-counter (''OTC'') options and the assets used as cover for written OTC options are illiquid securities. Therefore, the Underlying Funds have adopted an investment policy pursuant to which a Fund will not purchase or sell OTC options if, as a result of such transactions, the sum of: (i) the market value of OTC options currently outstanding which are held by the Underlying Fund, (ii) the market value of the underlying securities covered by OTC call options currently outstanding which were sold by the Underlying Fund and (iii) margin deposits on the Underlying Fund's existing OTC options on futures contracts, exceeds 15% of the net assets of the Underlying Fund, taken at market value, together with all other assets of the Underlying Fund which are illiquid or are otherwise not readily marketable. However, if an OTC option is sold by the Underlying Fund to a primary U.S. Government securities dealer recognized by the Federal Reserve Bank of New York and if the Underlying Fund has the unconditional contractual right to repurchase such OTC option from the dealer at a predetermined price, then the Underlying Fund will treat as illiquid such amount of the underlying securities equal to the repurchase price less the amount by which the option is ''in-the-money'' (i.e., current market value of the underlying securities minus the option's strike price). The repurchase price with the primary dealers is typically a formula price which is generally based on a multiple of the premium received for the option, plus the amount by which the option is ''in-the-money''. This policy is not a fundamental policy of the Underlying Funds and may be amended by the board of trustees of PIMCO Funds without the approval of shareholders. However, the Underlying Funds will not change or modify this policy prior to the change or modification by the SEC staff of its position.

Unless otherwise indicated, all limitations applicable to an Underlying Fund investments (as stated above) apply only at the time a transaction is entered into. Any subsequent change in a rating assigned by any rating service to a security (or, if unrated, deemed to be of comparable quality), or change in the percentage of an Underlying Fund assets invested in certain securities or other instruments, or change in the average duration of an Underlying Fund's investment portfolio, resulting from market fluctuations or other changes in the Underlying Fund's total assets will not require the Underlying Fund to dispose of an investment until PIMCO determines that it is practicable to sell or close out the investment without undue market or tax consequences to the Underlying Fund. In the event that ratings services assign different ratings to the same security, PIMCO will determine which rating it believes best reflects the security's quality and risk at that time, which may be the higher of the several assigned ratings.

For purposes of applying the Underlying Funds' investment policies and restrictions, swap agreements are generally valued by the Underlying Funds at market value. In the case of a credit default swap sold by an Underlying Fund (i.e., where the Underlying Fund is selling credit default protection), however, the Underlying Fund will value the swap at its notional amount. The manner in which certain securities or other instruments are valued by the Underlying Funds for purposes of applying investment policies and restrictions may differ from the manner in which those investments are valued by other types of investors.

The Underlying Funds interpret their policy with respect to concentration in a particular industry under the fundamental policy described in paragraph 1 above to apply to direct investments in the securities of issuers in a particular industry, as defined by PIMCO Funds. For purposes of this restriction, a foreign government is considered to be an industry. Mortgage-backed securities that are issued or guaranteed by the U.S. Government, its agencies or instrumentalities are not subject to the Underlying Funds' industry concentration restrictions, by virtue of the exclusion from that test available to all U.S. Government securities. In the case of privately issued mortgage-related securities, or any asset-backed securities, the Underlying Funds takes the position that such securities do not represent interests in any particular ''industry'' or group of industries.

An Underlying Fund may invest in certain derivative instruments which, while representing a relatively small amount of the Underlying Fund's net assets, provide a greater amount of economic exposure to a particular industry. To the extent that an Underlying Fund obtains economic exposure to a particular industry in this manner, it may be subject to similar risks of concentration in that industry as if it had invested in the securities of issuers in that industry directly.

The Underlying Funds interpret their policy with respect to the purchase and sale of commodities or commodities contracts under the fundamental policy described in paragraph 4 above to permit the Underlying Funds, subject to each Underlying Fund's investment objectives and general investment policies, to invest in commodity futures contracts and options thereon, commodity-related swap agreements, and other commodity-related derivative instruments.

The Underlying Funds interpret their policies with respect to borrowing and lending to permit such activities as may be lawful for the Underlying Funds, to the full extent permitted by the 1940 Act or by exemption from the provisions therefrom pursuant to exemptive order of the SEC. Pursuant to an exemptive order issued by the SEC on November 19, 2001, the Underlying Funds may enter into transactions among themselves with respect to the investment of daily cash balances of the Underlying Funds in shares of the money market and/or short-term bond funds, as well as the use of daily excess cash balances of the money market and/or short-term bond funds in inter-fund lending transactions with the other Underlying Funds for temporary cash management purposes. The interest paid by an Underlying Fund in such an arrangement will be less than that otherwise payable for an overnight loan, and will be in excess of the overnight rate the money market and/or short-term bond funds could otherwise earn as lender in such a transaction.

Certain Characteristics of Securities and Investment Techniques of the Underlying Funds

This section provides additional information about some of the principal investments and related risks of the Underlying Funds. It also describes characteristics and risks of additional securities and investment techniques that may be used by the Underlying Funds from time to time. Most of these securities and investment techniques are discretionary, which means that PIMCO can decide whether to use them or not. This section does not attempt to disclose all of the various types of securities and investment techniques that may be used by the Underlying Funds. As with any mutual fund, reliance must be made on the professional investment judgment and skill of PIMCO and the individual portfolio managers.

Securities Selection: Many of the Underlying Funds seek maximum total return. The total return sought by an Underlying Fund consists of both income earned on the Underlying Fund's investments and capital appreciation, if any, arising from increases in the market value of the Underlying Fund's holdings. Capital appreciation of fixed income securities generally results from decreases in market interest rates or improving credit fundamentals for a particular market sector or security.

In selecting securities for an Underlying Fund, PIMCO develops an outlook for interest rates, currency exchange rates and the economy, analyzes credit and call risks, and uses other security selection techniques. The proportion of an Underlying Fund's assets committed to investment in securities with particular characteristics (such as quality, sector, interest rate or maturity) varies based on PIMCO's outlook for the U.S. economy and the economies of other countries in the world, the financial markets and other factors.

PIMCO attempts to identify areas of the bond market that are undervalued relative to the rest of the market. PIMCO identifies these areas by grouping bonds into sectors such as money markets, governments, corporates, mortgages, asset-backed and international. Sophisticated proprietary software then assists in evaluating sectors and pricing specific securities. Once investment opportunities are identified, PIMCO will shift assets among sectors depending upon changes in relative valuations and credit spreads. There is no guarantee that PIMCO's security selection techniques will produce the desired results.

U.S. Government Securities: U.S. government securities are obligations of, or guaranteed by, the U.S. government, its agencies or government-sponsored enterprises. U.S. government securities are subject to market and interest rate risk, and may be subject to varying degrees of credit risk. U.S. government securities include zero coupon securities, which tend to be subject to greater market risk than interest-paying securities of similar maturities.

Municipal Bonds: Municipal bonds are generally issued by states and local governments and their agencies, authorities and other instrumentalities. Municipal bonds are subject to interest rate, credit and market risk. The ability of an issuer to make payments could be affected by litigation, legislation or other political events or the bankruptcy of the issuer. Lower rated municipal bonds are subject to greater credit and market risk than higher quality municipal bonds. The types of municipal bonds in which the Underlying Funds may invest include municipal lease obligations. The Underlying Funds may also invest in securities issued by entities whose underlying assets are municipal bonds.

The Underlying Funds may invest, without limitation, in residual interest bonds, which are created by depositing municipal securities in a trust and dividing the income stream of an underlying municipal bond in two parts, one, a variable rate security and the other, a residual interest bond. The interest rate for the variable rate security is determined by an index or an auction process held approximately every 7 to 35 days, while the residual interest bond holder receives the balance of the income from the underlying municipal bond less an auction fee. The market prices of residual interest bonds may be highly sensitive to changes in market rates and may decrease significantly when market rates increase.

Mortgage-Related and Other Asset-Backed Securities: Each Underlying Fund may invest in mortgage- or other asset-backed securities. Each Underlying Fund may invest all of its assets in such securities. Mortgage-related securities include mortgage pass-through securities, collateralized mortgage obligations (''CMOs''), commercial mortgage-backed securities, mortgage dollar rolls, CMO residuals, stripped mortgage-backed securities (''SMBSs'') and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property.

The value of some mortgage- or asset-backed securities may be particularly sensitive to changes in prevailing interest rates. Early repayment of principal on some mortgage-related securities may expose an Underlying Fund to a lower rate of return upon reinvestment of principal. When interest rates rise, the value of a mortgage-related security generally will decline; however, when interest rates are declining, the value of mortgage-related securities with prepayment features may not increase as much as other fixed income securities. The rate of prepayments on underlying mortgages will affect the price and volatility of a mortgage-related security, and may shorten or extend the effective maturity of the security beyond what was anticipated at the time of purchase. If unanticipated rates of prepayment on underlying mortgages increase the effective maturity of a mortgage-related security, the volatility of the security can be expected to increase. The value of these securities may fluctuate in response to the market's perception of the creditworthiness of the issuers. Additionally, although mortgages and mortgage-related securities are generally supported by some form of government or private guarantee and/or insurance, there is no assurance that private guarantors or insurers will meet their obligations.

One type of SMBS has one class receiving all of the interest from the mortgage assets (the interest-only, or ''IO'' class), while the other class will receive all of the principal (the principal-only, or ''PO'' class). The yield to maturity on an IO class is extremely sensitive to the rate of principal payments (including prepayments) on the underlying mortgage assets, and a rapid rate of principal payments may have a material adverse effect on an Underlying Fund's yield to maturity from these securities. Each Underlying Fund may invest up to 5% of its total assets in any combination of mortgage-related or other asset-backed IO, PO, or inverse floater securities.

Each Underlying Fund may invest in collateralized debt obligations (''CDOs''), which includes collateralized bond obligations (''CBOs''), collateralized loan obligations (''CLOs'') and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust which is backed by a diversified pool of high-risk, below investment grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans, and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans. The Underlying Funds may invest in other asset-backed securities that have been offered to investors.

Loan Participations and Assignments: Certain Underlying Funds may invest in fixed- and floating-rate loans, which investments generally will be in the form of loan participations and assignments of portions of such loans. Participations and assignments involve special types of risk, including credit risk, interest rate risk, liquidity risk, and the risks of being a lender. If an Underlying Fund purchases a participation, it may only be able to enforce its rights through the lender, and may assume the credit risk of the lender in addition to the borrower.

Corporate Debt Securities: Corporate debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. When interest rates rise, the value of corporate debt securities can be expected to decline. Debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities.

High Yield Securities: Securities rated lower than Baa by Moody's or lower than BBB by S&P are sometimes referred to as ''high yield'' or ''junk'' bonds. Investing in high yield securities involves special risks in addition to the risks associated with investments in higher-rated fixed income securities. While offering a greater potential opportunity for capital appreciation and higher yields, high yield securities typically entail greater potential price volatility and may be less liquid than higher-rated securities. High yield securities may be regarded as predominately speculative with respect to the issuer's continuing ability to meet principal and interest payments. They may also be more susceptible to real or perceived adverse economic and competitive industry conditions than higher-rated securities.

Variable and Floating Rate Securities: Variable and floating rate securities provide for a periodic adjustment in the interest rate paid on the obligations. Each Underlying Fund may invest in floating rate debt instruments (''floaters'') and engage in credit spread trades. While floaters provide a certain degree of protection against rises in interest rates, an Underlying Fund will participate in any declines in interest rates as well. Each Underlying Fund may also invest in inverse floating rate debt instruments (''inverse floaters''). An inverse floater may exhibit greater price volatility than a fixed rate obligation of similar credit quality. Each Underlying Fund may invest up to 5% of its total assets in any combination of mortgage-related or other asset-backed IO, PO, or inverse floater securities.

Inflation-Indexed Bonds: Inflation-indexed bonds are fixed income securities whose principal value is periodically adjusted according to the rate of inflation. If the index measuring inflation falls, the principal value of inflation-indexed bonds will be adjusted downward, and consequently the interest payable on these securities (calculated with respect to a smaller principal amount) will be reduced. Repayment of the original bond principal upon maturity (as adjusted for inflation) is guaranteed in the case of U.S. Treasury inflation-indexed bonds. For bonds that do not provide a similar guarantee, the adjusted principal value of the bond repaid at maturity may be less than the original principal.

The value of inflation-indexed bonds is expected to change in response to changes in real interest rates. Real interest rates are tied to the relationship between nominal interest rates and the rate of inflation. If nominal interest rates increase at a faster rate than inflation, real interest rates may rise, leading to a decrease in value of inflation-indexed bonds. Short-term increases in inflation may lead to a decline in value.

Event-Linked Exposure: Each Underlying Fund may obtain event-linked exposure by investing in ''event-linked bonds'' or ''event-linked swaps'' or implement ''event-linked strategies.'' Event-linked exposure results in gains or losses that typically are contingent, or formulaically related to defined trigger events. Examples of trigger events include hurricanes, earthquakes, weather-related phenomena, or statistics relating to such events. Some event-linked bonds are commonly referred to as ''catastrophe bonds.'' If a trigger event occurs, an Underlying Fund may lose a portion or its entire principal invested in the bond or notional amount on a swap. Event-linked exposure often provides for an extension of maturity to process and audit loss claims where a trigger event has, or possibly has, occurred. An extension of maturity may increase volatility. Event-linked exposure may also expose an Underlying Fund to certain unanticipated risks including credit risk, counterparty risk, adverse regulatory or jurisdictional interpretations, and adverse tax consequences. Event-linked exposures may also be subject to liquidity risk.

Convertible and Equity Securities: Each Underlying Fund may invest in convertible securities. Convertible securities are generally preferred stocks and other securities, including fixed income securities and warrants, that are convertible into or exercisable for common stock at a stated price or rate. The price of a convertible security will normally vary in some proportion to changes in the price of the underlying common stock because of this conversion or exercise feature. However, the value of a convertible security may not increase or decrease as rapidly as the underlying common stock. A convertible security will normally also provide income and is subject to interest rate risk.

Convertible securities may be lower-rated securities subject to greater levels of credit risk. An Underlying Fund may be forced to convert a security before it would otherwise choose, which may have an adverse effect on the Underlying Fund's ability to achieve its investment objective.

While the Real Return Fund intends to invest primarily in fixed income securities, it may invest in convertible securities or equity securities. While some countries or companies may be regarded as favourable investments, pure fixed income opportunities may be unattractive or limited due to insufficient supply, or legal or technical restrictions. In such cases, the Underlying Fund may consider convertible securities or equity securities to gain exposure to such investments.

While the International StocksPLUS TR Strategy Fund will generally invest in equity derivatives and will not normally invest directly in equity securities, this Underlying Fund may invest without limit directly in equity securities, including common stocks, preferred stocks, and convertible securities. In addition, the CommodityRealReturn Strategy Fund may invest in equity securities of issuers in commodity-related industries, and the RealEstateRealReturn Strategy Fund may invest in REITs and equity securities of issuers in real estate-related industries. When investing directly in equity securities, an Underlying Fund will not be limited to only those equity securities with any particular weighting in such Underlying Fund's respective benchmark index, if any. Generally, the Underlying Funds will consider investing directly in equity securities when derivatives on the underlying securities appear to be overvalued.

Equity securities generally have greater price volatility than fixed income securities. The market price of equity securities owned by an Underlying Fund may go up or down, sometimes rapidly or unpredictably. Equity securities may decline in value due to factors affecting equity securities markets generally or particular industries represented in those markets. The value of an equity security may also decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or services.

Foreign (Non-U.S. and Non-Canadian) Securities: Each Underlying Fund may invest in foreign (non-U.S. and non-Canadian) securities. Investing in foreign securities involves special risks and considerations not typically associated with investing in U.S. or Canadian securities. There are substantial risks involved for Underlying Funds that invest in securities issued by foreign companies and governments of foreign countries. These risks include: differences in accounting, auditing and financial reporting standards; generally higher commission rates on foreign portfolio transactions; the possibility of nationalization, expropriation or confiscatory taxation; adverse changes in investment or exchange control regulations; and political instability. Individual foreign economies may differ favourably or unfavourably from the U.S. and Canadian economies in such respects as growth of gross domestic product, rates of inflation, capital reinvestment, resources, self-sufficiency and balance of payments position. The securities markets, values of securities, yields and risks associated with foreign securities markets may change independently of each other. Also, foreign securities and dividends and interest payable on those securities may be subject to foreign taxes, including taxes withheld from payments on those securities. Foreign securities often trade with less frequency and volume than domestic securities and therefore may exhibit greater price volatility. Investments in foreign securities may also involve higher custodial costs than domestic investments and additional transaction costs with respect to foreign currency conversions. Changes in foreign exchange rates also will affect the value of securities denominated or quoted in foreign currencies.

Certain Underlying Funds also may invest in sovereign debt issued by governments, their agencies or instrumentalities, or other government-related entities. Holders of sovereign debt may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. In addition, there is no bankruptcy proceeding by which defaulted sovereign debt may be collected.

Emerging Market Securities: Each Underlying Fund (except the International StocksPLUS TR Strategy Fund) may invest up to 10% of its total assets in securities of issuers based in countries with developing (or ''emerging market'') economies. The International StocksPLUS TR Strategy Fund may invest up to 10% of its total assets in fixed income instruments of issuers based in countries with emerging market economies and may invest in emerging market equity securities up to the approximate weightings in such Underlying Fund's index.

A security is economically tied to an emerging market country if it is principally traded on the country's securities markets, or the issuer is organized or principally operates in the country, derives a majority of its income from its operations within the country, or has a majority of its assets in the country. The adviser has broad discretion to identify and invest in countries that it considers to qualify as emerging securities markets. However, an emerging securities market is generally considered to be one located in any country that is defined as an emerging or developing economy by the World Bank or its related organizations, or the United Nations or its authorities. In making investments in emerging market securities, the Underlying Funds emphasize countries with relatively low gross national product per capita and with the potential for rapid economic growth. The adviser will select the country and currency composition based on its evaluation of relative interest rates, inflation rates, exchange rates, monetary and fiscal policies, trade and current account balances, and any other specific factors it believes to be relevant.

Investing in emerging market securities imposes risks different from, or greater than, risks of investing in domestic securities or in foreign, developed countries. These risks include: smaller market capitalization of securities markets, which may suffer periods of relative illiquidity; significant price volatility; restrictions on foreign investment; possible repatriation of investment income and capital. In addition, foreign investors may be required to register the proceeds of sales; future economic or political crises could lead to price controls, forced mergers, expropriation or confiscatory taxation, seizure, nationalization, or creation of government monopolies. The currencies of emerging market countries may experience significant declines against the U.S. dollar, and devaluation may occur subsequent to investments in these currencies by an Underlying Fund. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries.

Additional risks of emerging markets securities may include: greater social, economic and political uncertainty and instability; more substantial governmental involvement in the economy; less governmental supervision and regulation; unavailability of currency hedging techniques; companies that are newly organized and small; differences in auditing and financial reporting standards, which may result in unavailability of material information about issuers; and less developed legal systems. In addition, emerging securities markets may have different clearance and settlement procedures, which may be unable to keep pace with the volume of securities transactions or otherwise make it difficult to engage in such transactions. Settlement problems may cause an Underlying Fund to miss attractive investment opportunities, hold a portion of its assets in cash pending investment, or be delayed in disposing of a portfolio security.

Each Underlying Fund may invest in Brady Bonds, which are securities created through the exchange of existing commercial bank loans to sovereign entities for new obligations in connection with a debt restructuring. Investments in Brady Bonds may be viewed as speculative. Brady Bonds acquired by an Underlying Fund may be subject to restructuring arrangements or to requests for new credit, which may cause the Underlying Fund to suffer a loss of interest or principal on any of its holdings.

Foreign (Non-U.S.) Currencies: An Underlying Fund that invests directly in foreign (non-U.S.) currencies or in securities that trade in, or receive revenues in, foreign currencies will be subject to currency risk. Foreign currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by supply and demand in the foreign exchange markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors. Currency exchange rates also can be affected unpredictably by intervention (or the failure to intervene) by U.S. or foreign governments or central banks, or by currency controls or political developments.

Foreign (Non-U.S.) Currency Transactions: Underlying Funds that invest in securities denominated in foreign (non-U.S.) currencies may engage in foreign currency transactions on a spot (cash) basis, and enter into forward foreign currency exchange contracts and invest in foreign currency futures contracts and options on foreign currencies and futures. A forward foreign currency exchange contract, which involves an obligation to purchase or sell a specific currency at a future date at a price set at the time of the contract, reduces an Underlying Fund's exposure to changes in the value of the currency it will deliver and increases its exposure to changes in the value of the currency it will receive for the duration of the contract. The effect on the value of an Underlying Fund is similar to selling securities denominated in one currency and purchasing securities denominated in another currency. A contract to sell foreign currency would limit any potential gain which might be realized if the value of the hedged currency increases. An Underlying Fund may enter into these contracts to hedge against foreign exchange risk, to increase exposure to a foreign currency or to shift exposure to foreign currency fluctuations from one currency to another. Suitable hedging transactions may not be available in all circumstances and there can be no assurance that an Underlying Fund will engage in such transactions at any given time or from time to time. Also, such transactions may not be successful and may eliminate any chance for an Underlying Fund to benefit from favourable fluctuations in relevant foreign currencies. An Underlying Fund may use one currency (or a basket of currencies) to hedge against adverse changes in the value of another currency (or a basket of currencies) when exchange rates between the two currencies are positively correlated. An Underlying Fund will segregate assets determined to be liquid by PIMCO to cover its obligations under forward foreign currency exchange contracts entered into for non-hedging purposes.

Repurchase Agreements: Each Underlying Fund may enter into repurchase agreements, in which the Underlying Fund purchases a security from a bank or broker-dealer, which agrees to repurchase the security at the Underlying Fund's cost plus interest within a specified time. If the party agreeing to repurchase should default, the Underlying Fund will seek to sell the securities which it holds. This could involve procedural costs or delays in addition to a loss on the securities if their value should fall below their repurchase price. Repurchase agreements maturing in more than seven days are considered illiquid securities.

Reverse Repurchase Agreements, Dollar Rolls and Other Borrowings: Each Underlying Fund may enter into reverse repurchase agreements and dollar rolls, subject to the Underlying Fund's limitations on borrowings. A reverse repurchase agreement or dollar roll involves the sale of a security by an Underlying Fund and its agreement to repurchase the instrument at a specified time and price, and may be considered a form of borrowing for some purposes. An Underlying Fund will segregate assets determined to be liquid by PIMCO or otherwise to cover its obligations under reverse repurchase agreements, dollar rolls, and other borrowings. Reverse repurchase agreements, dollar rolls and other forms of borrowings may create leveraging risk for an Underlying Fund.

Each Underlying Fund may borrow money to the extent permitted under the 1940 Act. This means that, in general, an Underlying Fund may borrow money from banks for any purpose on a secured basis in an amount up to ⅓ of the Underlying Fund's total assets. An Underlying Fund may also borrow money for temporary administrative purposes on an unsecured basis in an amount not to exceed 5% of the Underlying Fund's total assets.

Derivatives: Each Underlying Fund may, but is not required to, use derivative instruments for risk management purposes or as part of its investment strategies. Generally, derivatives are financial contracts whose value depends upon, or is derived from, the value of an underlying asset, reference rate or index, and may relate to stocks, bonds, interest rates, currencies or currency exchange rates, commodities, and related indexes. Examples of derivative instruments include options contracts, futures contracts, options on futures contracts and swap agreements (including, but not limited to, credit default swaps). Each Underlying Fund may invest some or all of its assets in derivative instruments. A portfolio manager may decide not to employ any of these strategies and there is no assurance that any derivatives strategy used by an Underlying Fund will succeed.

An Underlying Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other more traditional investments. The following provides a more general discussion of important risk factors relating to all derivative instruments that may be used by the Underlying Funds.

- *Management Risk.* Derivative products are highly specialized instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions.
- *Credit Risk.* The use of a derivative instrument involves the risk that a loss may be sustained as a result of the failure of another party to the contract (usually referred to as a ''counterparty'') to make required payments or otherwise comply with the contract's terms. Additionally, credit default swaps could result in losses if an Underlying Fund does not correctly evaluate the creditworthiness of the company on which the credit default swap is based.
- *Liquidity Risk.* Liquidity risk exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price.
- *Leverage Risk.* Because many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, reference rate or index can result in a loss substantially greater than the amount invested in the derivative itself. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment. When an Underlying Fund uses derivatives for leverage, investments in that Underlying Fund will tend to be more volatile, resulting in larger gains or losses in response to market changes. To limit leverage risk, each Underlying Fund will segregate assets determined to be liquid by PIMCO in accordance with procedures established by the board of trustees of PIMCO Funds (or, as permitted by applicable regulation, enter into certain offsetting positions) to cover its obligations under derivative instruments.

- *Lack of Availability*. Because the markets for certain derivative instruments (including markets located in foreign countries) are relatively new and still developing, suitable derivatives transactions may not be available in all circumstances for risk management or other purposes. Upon the expiration of a particular contract, the portfolio manager may wish to retain the Underlying Fund's position in the derivative instrument by entering into a similar contract, but may be unable to do so if the counterparty to the original contract is unwilling to enter into the new contract and no other suitable counterparty can be found. There is no assurance that an Underlying Fund will engage in derivatives transactions at any time or from time to time. An Underlying Fund's ability to use derivatives may also be limited by certain regulatory and tax considerations.

- *Market and Other Risks*. Like most other investments, derivative instruments are subject to the risk that the market value of the instrument will change in a way detrimental to an Underlying Fund's interest. If a portfolio manager incorrectly forecasts the values of securities, currencies or interest rates or other economic factors in using derivatives for an Underlying Fund, the Underlying Fund might have been in a better position if it had not entered into the transaction at all. While some strategies involving derivative instruments can reduce the risk of loss, they can also reduce the opportunity for gain or even result in losses by offsetting favourable price movements in other Underlying Fund investments. An Underlying Fund may also have to buy or sell a security at a disadvantageous time or price because the Underlying Fund is legally required to maintain offsetting positions or asset coverage in connection with certain derivatives transactions.

Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indexes. Many derivatives, in particular privately negotiated derivatives, are complex and often valued subjectively. Improper valuations can result in increased cash payment requirements to counterparties or a loss of value to an Underlying Fund. Also, the value of derivatives may not correlate perfectly, or at all, with the value of the assets, reference rates or indexes they are designed to closely track.

While each Underlying Fund may invest in the types of derivative instruments described above, the CommodityRealReturn Strategy Fund typically will seek to gain exposure to the commodity markets by investing in commodity-linked derivative instruments, swap transactions, or index-linked and commodity-linked ''structured'' notes.

The value of a commodity-linked derivative investment generally is based upon the price movements of a physical commodity (such as energy, mineral, or agricultural products), a commodity futures contract or commodity index, or other economic variable based upon changes in the value of commodities or the commodities markets. Swap transactions are privately negotiated agreements between an Underlying Fund and a counterparty to exchange or swap investment cash flows or assets at specified intervals in the future. The obligations may extend beyond one year. There is no central exchange or market for swap transactions and therefore they are less liquid investments than exchange-traded instruments. An Underlying Fund bears the risk that the counterparty could default under a swap agreement. Further, certain Underlying Funds may invest in derivative debt instruments with principal and/or coupon payments linked to the value of commodities, commodity futures contracts or the performance of commodity indices. These are ''commodity-linked'' or ''index-linked'' notes. They are sometimes referred to as ''structured notes'' because the terms of the debt instrument may be structured by the issuer of the note and the purchaser of the note.

The value of these notes will rise or fall in response to changes in the underlying commodity or related index of investment. These notes expose an Underlying Fund economically to movements in commodity prices. These notes also are subject to risks, such as credit, market and interest rate risks, that in general affect the values of debt securities. Therefore, at the maturity of the note, an Underlying Fund may receive more or less principal than it originally invested. A Fund might receive interest payments on the note that are more or less than the stated coupon interest payments.

Real Estate Investment Trusts (REITs): REITs are pooled investment vehicles that own, and usually operate, income-producing real estate. Some REITs also finance real estate. If a REIT meets certain requirements, it may not be taxed on the income distributed to shareholders and therefore tend to pay higher dividends than other issuers.

REITs can be divided into three basic types: Equity REITs, Mortgage REITs and Hybrid REITs. Equity REITs invest the majority of their assets directly in real property. They derive their income primarily from rents received and any profits on the sale of their properties. Mortgage REITs invest the majority of their assets in real estate mortgages and derive most of their income from mortgage interest payments. As its name suggests, Hybrid REITs combine characteristics of both Equity REITs and Mortgage REITs.

An investment in a REIT, or in a real-estate linked derivative instrument linked to the value of a REIT, is subject to the risks that impact the value of the underlying properties of the REIT. These risks include loss to casualty or condemnation, and changes in supply and demand, interest rates, zoning laws, regulatory limitations on rents, property taxes and operating expenses. Other factors that may adversely affect REITs include poor performance by management of the REIT, changes to the tax laws, or failure by the REIT to qualify for tax-free distribution of income. REITs are also subject to default by borrowers and self-liquidation, and are heavily dependent on cash flow. Some REITs lack diversification because they invest in a limited number of properties, a narrow geographic area, or a single type of property. Mortgage REITs may be impacted by the quality of the credit extended.

Delayed Funding Loans and Revolving Credit Facilities: The Underlying Funds may also enter into, or acquire participations in, delayed funding loans and revolving credit facilities, in which a lender agrees to make loans up to a maximum amount upon demand by the borrower during a specified term. These commitments may have the effect of requiring an Underlying Fund to increase its investment in a company at a time when it might not otherwise decide to do so (including at a time when the company's financial condition makes it unlikely that such amounts will be repaid). To the extent that an Underlying Fund is committed to advance additional funds, it will segregate assets determined to be liquid by PIMCO in accordance with procedures established by the board of trustees of PIMCO Funds in an amount sufficient to meet such commitments. Delayed funding loans and revolving credit facilities are subject to credit, interest rate and liquidity risk and the risks of being a lender.

When-Issued, Delayed Delivery and Forward Commitment Transactions: Each Underlying Fund may purchase securities which it is eligible to purchase on a when-issued basis, may purchase and sell such securities for delayed delivery and may make contracts to purchase such securities for a fixed forward commitment price at a future date beyond normal settlement time (forward commitments). When-issued transactions, delayed delivery purchases and forward commitments involve a risk of loss if the value of the securities declines prior to the settlement date. This risk is in addition to the risk that the Underlying Fund's other assets will decline in value. Therefore, these transactions may result in a form of leverage and increase an Underlying Fund's overall investment exposure. Typically, no income accrues on securities an Underlying Fund has committed to purchase prior to the time delivery of the securities is made, although the Underlying Fund may earn income on securities it has segregated to cover these positions.

Investment in Other Investment Companies: The Fund invests substantially all of its assets in other investment companies. The Fund's investment in a particular Underlying Fund normally will not exceed 50% of its total assets. Each Underlying Fund may invest up to 10% of its total assets in securities of other investment companies, such as open-end or closed-end management investment companies, or in pooled accounts or other investment vehicles which invest in foreign markets. As a shareholder of an investment company, an Underlying Fund may indirectly bear service and other fees which are in addition to the fees the Fund and the Underlying Fund pays their service providers.

Subject to the restrictions and limitations of the 1940 Act, each Underlying Fund may elect to pursue its investment objective either by investing directly in securities, or by investing in one or more underlying investment vehicles or companies that have substantially similar investment objectives, policies and limitations as the Underlying Fund. The Underlying Funds may also invest in exchange traded funds, subject to the restrictions and limitations of the 1940 Act.

Short Sales: Each Underlying Fund may make short sales as part of its overall portfolio management strategies or to offset a potential decline in value of a security. A short sale involves the sale of a security that is borrowed from a broker or other institution to complete the sale. Short sales expose an Underlying Fund to the risk that it will be required to acquire, convert or exchange securities to replace the borrowed securities (also known as ''covering'' the short position) at a time when the securities sold short have appreciated in value, thus resulting in a loss to the Underlying Fund. An Underlying Fund making a short sale must segregate assets determined to be liquid by PIMCO in accordance with procedures established by the board of trustees of PIMCO Funds or otherwise cover its position in a permissible manner.

Illiquid Securities: Each Underlying Fund may invest up to 15% of its net assets in illiquid securities. Certain illiquid securities may require pricing at fair value as determined in good faith under the supervision of the board of trustees of PIMCO Funds. A portfolio manager may be subject to significant delays in disposing of illiquid securities, and transactions in illiquid securities may entail registration expenses and other transaction costs that are higher than those for transactions in liquid securities. The term ''illiquid securities'' for this purpose means securities that cannot be disposed of within seven days in the ordinary course of business at approximately the amount at which an Underlying Fund has valued the securities. Restricted securities, i.e., securities subject to legal or contractual restrictions on resale, may be illiquid. However, some restricted securities (such as securities issued pursuant to Rule 144A under the United States *Securities Act of 1933* and certain commercial paper) may be treated as liquid, although they may be less liquid than registered securities traded on established secondary markets.

Loans of Portfolio Securities: For the purpose of achieving income, each Underlying Fund may lend its portfolio securities to brokers, dealers, and other financial institutions provided a number of conditions are satisfied, including that the loan is fully collateralized. When an Underlying Fund lends portfolio securities, its investment performance will continue to reflect changes in the value of the securities loaned, and the Underlying Fund will also receive a fee or interest on the collateral. Securities lending involves the risk of loss of rights in the collateral or delay in recovery of the collateral if the borrower fails to return the security loaned or becomes insolvent. An Underlying Fund may pay lending fees to a party arranging the loan.

Portfolio Turnover: The length of time an Underlying Fund has held a particular security is not generally a consideration in investment decisions. A change in the securities held by an Underlying Fund is known as ''portfolio turnover.'' Each Underlying Fund may engage in frequent and active trading of portfolio securities to achieve its investment objective, particularly during periods of volatile market movements. High portfolio turnover (e.g., over 100%) involves correspondingly greater expenses to an Underlying Fund, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. The trading costs and tax effects associated with portfolio turnover may adversely affect an Underlying Fund's performance.

Temporary Defensive Strategies: For temporary or defensive purposes, each Underlying Fund may invest without limit in U.S. debt securities, including taxable securities and short-term money market securities, when PIMCO deems it appropriate to do so. When an Underlying Fund engages in such strategies, it may not achieve its investment objective.

Changes in Investment Objectives and Policies: The investment objective of each of the International StocksPLUS TR Strategy and RealEstateRealReturn Strategy Funds is non-fundamental and may be changed by the board of trustees of PIMCO Funds without shareholder approval. The investment objective of each other Underlying Fund is fundamental and may not be changed without shareholder approval. Unless otherwise stated, all investment policies of the Underlying Funds may be changed by the board of trustees of PIMCO Funds without shareholder approval.

Percentage Investment Limitations: Unless otherwise stated, all percentage limitations on Underlying Fund investments will apply at the time of investment. An Underlying Fund would not violate these limitations unless an excess or deficiency occurs or exists immediately after and as a result of an investment. For each Underlying Fund that has adopted a policy to invest at least 80% of its assets in investments suggested by its name, the term ''assets'' means net assets plus the amount of any borrowings for investment purposes.

Credit Ratings and Unrated Securities: Rating agencies are private services that provide ratings of the credit quality of fixed income securities, including convertible securities. Ratings assigned by a rating agency are not absolute standards of credit quality and do not evaluate market risks. Rating agencies may fail to make timely changes in credit ratings and an issuer's current financial condition may be better or worse than a rating indicates. An Underlying Fund will not necessarily sell a security when its rating is reduced below its rating at the time of purchase. PIMCO does not rely solely on credit ratings, and develops its own analysis of issuer credit quality.

An Underlying Fund may purchase unrated securities (which are not rated by a rating agency) if its portfolio manager determines that the security is of comparable quality to a rated security that the Underlying Fund may purchase. Unrated securities may be less liquid than comparable rated securities and involve the risk that the portfolio manager may not accurately evaluate the security's comparative credit rating. Analysis of the creditworthiness of issuers of high yield securities may be more complex than for issuers of higher-quality fixed income securities. To the extent that an Underlying Fund invests in high yield and/or unrated securities, the Underlying Fund's success in achieving its investment objective may depend more heavily on the portfolio manager's creditworthiness analysis than if the Underlying Fund invested exclusively in higher-quality and rated securities.

Other Investments and Techniques: The Underlying Funds may invest in other types of securities and use a variety of investment techniques and strategies which are not described herein. These securities and techniques may subject the Underlying Funds to additional risks.

Status of the Fund and Underlying Funds

Neither the Fund nor the Underlying Funds is regulated under Canadian securities laws as a ''mutual fund''. As a result, some of the protections provided to investors in mutual funds under such laws (including National Instrument 81-102) will not be available to investors in the Units. The Fund and the Underlying Funds are regulated by the 1940 Act. Additional information concerning the Fund is available on the Internet at www.sec.gov and www.pimcofunds.com. None of the Trust, the Agents nor any of their respective affiliates makes any representation or warranty as to the accuracy or completeness of any such information.

MANAGEMENT OF THE TRUST

The Manager

The Manager will perform the management functions for the Trust pursuant to the Declaration of Trust. The Manager is an investment management company. As of August 31, 2004, it had approximately $1.1 billion in assets under management and is the manager of Skylon Capital Yield Trust, which provides investors with exposure to the return on high yield debt securities advised by Marret Asset Management Inc.; Convertible & Yield Advantage Trust, which provides investors with a return on convertible securities, high yield debt securities, and income trust securities advised by MFC Global Investment Management (Canada), a division of Elliott and Page Limited; Skylon International Advantage Yield Trust, Skylon Global Capital Yield Trust and Skylon Global Capital Yield Trust II, which provide investors with exposure to a return on global debt securities advised by PIMCO; Saxon Diversified Value Trust, which provides investors with exposure to the return on securities of Canadian publicly traded ongoing business income trusts and resource and real estate income trusts advised by Howson Tattersall Investment Counsel Ltd.; High Yield & Mortgage Plus Trust, which provides investors with exposure to the return on high yield debt securities and Canadian commercial mortgage backed securities advised by Marret Asset Management Inc.; Skylon Growth & Income Trust, which employs an asset allocation investment approach to provide investors with a return on a portfolio that is diversified among various asset classes based on current and anticipated market conditions advised by the Signature Funds Group division of CI Mutual Funds Inc.; and Global Resource Split Corp., which provides investors with a return on common shares and other equity-related securities selected from among the world's largest resource companies advised by CI Mutual Funds Inc. The Manager is a wholly-owned subsidiary of CI Fund Management Inc., which is an independent, Canadian-owned wealth management company with approximately $64.1 billion in fee-earning assets as of August 31, 2004. Through its principal operating subsidiaries, CI Mutual Funds Inc., Assante Corporation and Skylon Advisors Inc., CI Fund Management Inc. offers a broad range of investment products and services, including an industry-leading selection of investment funds. The Manager carries on business at CI Place, 151 Yonge Street,Tenth Floor, Toronto, Ontario, M5C 2W7.

Forward Agreement

Upon or within 30 days of the closing of the Offering, the Trust will enter into the Forward Agreement, which is intended to provide the Trust with a payment on or about the Termination Date of an amount equal to 100% of the redemption proceeds of the Reference Number of Fund Shares in exchange for the Common Share Portfolio.

Under the terms of the Forward Agreement, the Trust and the Counterparty have agreed that their settlement obligations under the Forward Agreement with respect to the Common Share Portfolio securities will be discharged, at the election of the Trust, either by physical delivery of the Common Share Portfolio securities by the Trust to the Counterparty against cash payment or by the making of cash payments between the parties. The amount payable by the Counterparty for physical delivery of the Common Share Portfolio may be more or less than the original subscription price of the Units. If the Trust elects for physical delivery of the Common Share Portfolio under the Forward Agreement, the Counterparty will pay to the Trust on or about the Termination Date as the purchase price for the Common Share Portfolio an amount equal to the redemption proceeds for the Reference Number of Fund Shares.

Prior to the Termination Date, Common Share Portfolio securities or other acceptable securities will be pledged to and may be held by the Counterparty as security for the obligations of the Trust under the Forward Agreement.

In order to permit the Trust to fund distributions as well as redemptions of Units by Holders from time to time, payment for purchases of Units in the market and expenses of the Trust, the terms of the Forward Agreement will provide that the Forward Agreement may be partially settled prior to the Termination Date by the Trust tendering to the Counterparty securities of the Common Share Portfolio. Such partial settlements may reduce the Reference Number.

Under the Forward Agreement, the forward purchase price may be reduced for all dividends and distributions, including extraordinary distributions, declared and paid on the Common Share Portfolio securities paid to the Trust as owner of the Common Share Portfolio. If any dividends or distributions are to be received by the Trust, the Forward Agreement will provide that replacement securities acceptable to the Counterparty may, at the Trust's option, be substituted for shares in respect of which the dividend or distribution has been declared prior to the record date for such dividend or distribution to preserve the value of the forward transaction. In the event that such replacement securities are not available, the Trust may consider contributing additional securities to the Common Share Portfolio or entering into additional forward, derivative or other transactions. The Forward Agreement will have similar provisions designed to avoid adjustments of the amount to be paid on or about the Termination Date which might otherwise be required if the Trust receives consideration as a consequence of a merger transaction involving any of the securities in the Common Share Portfolio.

The Trust may amend the terms of the Forward Agreement by entering into forward or other derivative transactions with the Counterparty, or one or more other counterparties if the Forward Agreement is terminated, in order to preserve the original objectives of the Forward Agreement. The Trust may agree to amend the existing forward arrangements to substitute replacement securities for shares subject to the Forward Agreement or the Trust may enter into additional forward transactions in respect of shares that the parties agree may be used in circumstances similar to the existing forward arrangements.

The Forward Agreement may be terminated prior to the Termination Date in certain circumstances including: (i) at the option of the Trust in its sole discretion but subject to the approval by Holders of Units in certain circumstances; (ii) by the Counterparty if the Counterparty determines in its sole discretion that it is unable to hedge its position under the Forward Agreement; or (iii) by the Counterparty if the Trust fails to pay the monthly fee under the Forward Agreement or if the Trust is unwilling to compensate the Counterparty for an increase in the costs of hedging its position under the Forward Agreement. The Trust generally intends to exercise its right to partially settle the Forward Agreement prior to the Termination Date in order to permit the Trust to fund quarterly distributions as well as redemptions of Units by Holders from time to time, payment for purchases of Units in the market and expenses of the Trust. See ''Risk Factors''.

The payment obligations of the Counterparty to the Trust under the Forward Agreement will be determined by reference to the performance of the Fund Shares. The Counterparty may choose to enter into transactions in order to hedge its exposure under the terms of the Forward Agreement to the economic performance of the Fund. There is no assurance that the Counterparty or its affiliates will maintain a hedge or will do so with respect to the full amount or term of the Forward Agreement. The Trust is exposed to the credit risk associated with the Counterparty and any guarantor in respect of the Forward Agreement.

Duties and Services to be Provided by the Manager

Pursuant to the Declaration of Trust, the Manager is the trustee of the Trust and will perform the management functions for the Trust. 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 to bind the Trust. The Manager may delegate certain of its powers to third parties, including by entering into a management agreement, where, in the discretion of the Manager, it would be in the best interests of the Trust to do so. 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 Declaration of Trust.

The Manager's duties will include: maintaining accounting records for the Trust; authorizing the payment of operating expenses incurred on behalf of the Trust; calculating the amount and determining the frequency of distributions by the Trust; preparing financial statements, income tax returns and financial and accounting information as required by the Trust; ensuring that Holders 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 including the continuous disclosure requirements of the Trust under applicable securities laws; preparing the Trust's reports to Holders and to the Canadian securities regulators; obtaining the information and reports necessary for it to fulfil its fiduciary responsibilities; administering the redemption of Units; administering the market purchases of Units; administering the Forward Agreement including partial or early settlement thereof; arranging for any payment required on or about the Termination Date; dealing and communicating with Holders; and negotiating contracts with third-party providers of services including, but not limited to, custodians, auditors and printers. The Manager also will monitor the Fund for fundamental changes and, if considered appropriate by the Manager, recommend to Holders a change to the investment objectives or investment strategies of the Trust. The Manager will provide office facilities and personnel to carry out these services, together with clerical services which are not furnished by the custodian or registrar and transfer agent of the Trust.

The Manager, as trustee of the Trust, will be responsible for the portfolio management of the Trust, including acquiring the Common Share Portfolio and entering into the Forward Agreement. In addition, the Manager will monitor the Trust's investment strategy to ensure compliance with the Investment Guidelines, and that the net proceeds of the Offering are invested as described under ''Use of Proceeds''.

The Manager, as trustee of the Trust, has entered into the custodian agreement and will enter into the registrar, transfer agency and distribution agency agreement as referred to under ''Auditors, Transfer Agent, Registrar and Custodian''. See ''Material Contracts''. Such agreements do not in any way release the Manager from compliance with its obligations to the Trust under the Declaration of Trust. The Manager may terminate each of the foregoing agreements upon notice.

The Advisory Board

The Trust has established an advisory board (the ''Advisory Board'') appointed by the Manager. The Advisory Board assists the Manager in performing its services under the Declaration of Trust by providing independent advice to, and oversight of, the Manager, including with respect to conflicts of interest and potential conflicts of interest identified by the Manager. The Advisory Board meets at least four times per year.

The Advisory Board has reviewed, commented on and approved the CI Code of Ethics and Conduct which establishes rules of conduct designed to ensure fair treatment of securityholders of the investment funds managed by the Manager and CI Mutual Funds Inc. and to ensure that at all times the interests of the funds and their securityholders are placed above personal interests of employees, officers and directors of the Manager and its affiliates. The objective of the CI Code of Ethics and Conduct is not only to remove any potential for real conflict of interest, but also to avoid any perception of conflict.

As currently required by the Autorité des marchés financiers (and for so long as such requirements remain in effect), the Manager will notify each member of the Advisory Board in writing of any conflict of interest or potential conflict of interest concerning the Manager or the Trust (other than any such conflicts of interest or potential conflicts of interest relating to matters with respect to which the approval of Holders of Units is required under the Declaration of Trust) and consult with the Advisory Board in respect of any such conflicts of interest or potential conflicts of interest. In the event of an unresolved dispute between the Advisory Board and the Manager with respect to a conflict of interest or potential conflict of interest, upon written direction of the Advisory Board, the Manager will call a meeting of Holders of Units to consider the conflict of interest or potential conflict of interest. The Trust's annual report to Holders will include a report of the Advisory Board summarizing any recommendations made and not followed by the Manager, and any other matter that the Advisory Board determines to be appropriate in the circumstances.

All fees and expenses of the Advisory Board will be paid by the Trust and the regular fees and expenses of the Advisory Board have been included in the Trust's estimated annual operating expenses. See ''Fees and Expenses''. In addition, the Advisory Board will have the authority to retain independent counsel or other advisors if the Advisory Board deems it appropriate to do so. The Trust shall be responsible for the fees and expenses of any such experts which may be retained.

The members of the Advisory Board will be indemnified by the Trust. The Advisory Board members will not be responsible for the investments made by the Trust, or for the performance of the Trust. The members of the Advisory Board may serve in a similar capacity in respect of other entities managed by the Manager.

The Advisory Board initially will be comprised of three members, each of whom is independent of the Manager and its affiliates and free from any interest and business or other relationship which could, or could reasonably be perceived to, materially interfere with the exercise of an Advisory Board member's judgment. The name, municipality of residence and principal occupation of each member of the Advisory Board are set out below:

Name and Municipality	Principal Occupation
STEPHEN T. MOORE, Toronto, Ontario	Principal, Kensington Capital Partners Limited
JASMINE HERLT, Toronto, Ontario	Director, Canadian Foundation for AIDS Research
THOMAS L. JARMAI, Oakville, Ontario	Corporate director

Accounting and Reporting

The Trust's fiscal year will be the calendar year or such other fiscal period permitted under the Tax Act as the Trust elects. The Manager will ensure that the Trust complies with all applicable reporting and administrative requirements.

The Manager will keep adequate books and records reflecting the activities of the Trust. A Holder 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 Holder shall not have access to any information which, in the opinion of the Manager, should be kept confidential in the interests of the Trust.

Officers and Directors of the Manager

The name, municipality of residence, position with the Manager and principal occupation of each of the current directors and officers of the Manager are set out below:

Name and Municipality	Position with the Manager	Principal Occupation
PETER W. ANDERSON, Markham, Ontario	Director	President and Chief Executive Officer, CI Mutual Funds Inc. and Executive Vice-President, CI Fund Management Inc.
WILLIAM T. HOLLAND, Toronto, Ontario	Director	President and Chief Executive Officer, CI Fund Management Inc.
STEPHEN A. MACPHAIL, Toronto, Ontario	Director	Executive Vice-President, Chief Financial Officer and Chief Operating Officer, CI Fund Management Inc.
MICHAEL J. KILLEEN, Toronto, Ontario	Director and Corporate Secretary	Senior Vice-President, General Counsel and Corporate Secretary, CI Fund Management Inc.
DAVID R. MCBAIN, Toronto, Ontario	President and Chief Executive Officer	President and Chief Executive Officer, Skylon Advisors Inc. and Senior Vice-President, CI Mutual Funds Inc.
DOUGLAS J. JAMIESON, Toronto, Ontario	Chief Financial Officer	Senior Vice-President, Finance and Chief Financial Officer, CI Mutual Funds Inc.
DAVID C. PAULI, Mississauga, Ontario	Executive Vice-President, Fund Operations	Executive Vice-President, Fund Operations, CI Mutual Funds Inc.
ALETTA J.B. DEWAR, Toronto, Ontario	Vice-President, Compliance	Vice-President, Compliance, CI Mutual Funds Inc.
GEOFFREY D. HORTON, Toronto, Ontario	Vice-President	Vice-President, Skylon Advisors Inc.

Name and Municipality	Position with the Manager	Principal Occupation
WILLIAM JAMES WHITAKER . . . Toronto, Ontario	Managing Director	Managing Director, Skylon Advisors Inc.
JOHN S. VARGHESE . . . . Toronto, Ontario	Managing Director	Managing Director, Skylon Advisors Inc.
ALLISON B. BASTOW . . . . Toronto, Ontario	Vice-President, Fund Support & Marketing	Vice-President, Fund Support & Marketing, Skylon Advisors Inc.
SEAN E. HAYES . . . . Toronto, Ontario	Vice-President, Fund Support & Marketing	Vice-President, Fund Support & Marketing, Skylon Advisors Inc.
DARREN W. KOSACK . . . . Oakville, Ontario	Senior Vice-President, Fund Support & Marketing	Senior Vice-President, Fund Support & Marketing, Skylon Advisors Inc.

Conflict of Interest

The services of the Manager and its officers and directors are not exclusive to the Trust. The Manager or any of its affiliates and associates may, at any time, engage in the promotion, management or investment management of any other fund or trust which invests primarily in securities in the Common Share Portfolio, and provide similar services to other investment funds and other clients and engage in other activities. Investment decisions for the Trust will be made independently of those made for other clients and independently of investments of the Manager. On occasion, however, the Manager 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 Manager are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

MANAGEMENT OF THE FUND

PIMCO

Pacific Investment Management Company LLC, a Delaware limited liability company, serves as investment advisor to the Fund and the Underlying Funds pursuant to an investment advisory contract between PIMCO and PIMCO Funds. As the investment advisor, PIMCO is responsible for making investment decisions and placing orders for the purchase and sale of investments of the Fund and the Underlying Funds directly with the issuers or with brokers or dealers selected by it in its discretion. Under the terms of the investment advisory contract, PIMCO is obligated to manage the Fund and the Underlying Funds in accordance with applicable laws and regulations. The investment advisory services of PIMCO to the Fund and the Underlying Funds are not exclusive under the terms of the investment advisory contract and PIMCO is free to, and does, render investment advisory services to others.

PIMCO also serves as the administrator to the Fund and the Underlying Funds pursuant to an administration agreement with PIMCO Funds. PIMCO provides the Fund and the Underlying Funds with certain administrative and shareholder services necessary for the operations of the Fund and the Underlying Funds and is responsible for the supervision of other service providers. PIMCO may in turn use the facilities or assistance of its affiliates to provide certain of such administrative services.

PIMCO is one of the largest active bond managers in the United States with approximately US$392 billion in assets under management as of June 30, 2004. It is registered as an investment adviser with the SEC and as a commodity trading adviser with the Commodity Futures Trading Commission. PIMCO is a majority owned subsidiary of Allianz Dresdner Asset Management of America L.P. (''ADAM'') with a minority interest held by PIMCO Partners, LLC, a California limited liability company owned by the current managing directors and executive management of PIMCO. Allianz Aktiengesellschaft (''Allianz AG''), a European-based, multi-national insurance and financial services holding company, indirectly owns a controlling interest in ADAM. As of June 30, 2004, the Allianz Group (including PIMCO) had assets under management of approximately €1,066 billion.

Research Affiliates, LLC

Pursuant to an asset allocation agreement, PIMCO has engaged Research Affiliates, LLC, a California limited liability company, to serve as the asset allocation sub-advisor to the Fund. Research Affiliates, LLC was organized in

March 2002 and is located at 800 E. Colorado Blvd., Suite 870, Pasadena, California. It provides investment sub-advisory services to the Fund as well as tax-advantaged trading strategies to clients. As of June 30, 2004, Research Affiliates, LLC had assets under management aggregating approximately US$3.02 billion. Research Affiliates, LLC is responsible for the management of the Fund and determining how the assets of the Fund are allocated and reallocated from time to time among the Underlying Funds.

In determining the Fund's allocations to the Underlying Funds, Research Affiliates, LLC considers a number of factors, including the long-term return potential of each asset class and sector, equity and bond risk premiums, potential value-added of the Underlying Funds, and proprietary asset allocation models. Key personnel from PIMCO and Research Affiliates, LLC regularly engage in substantive dialogue, formulating strategy that is then incorporated into the final allocation decisions. The asset allocation criteria are then monitored on an ongoing basis and, when appropriate, adjusted accordingly.

Mr. Robert D. Arnott is primarily responsible for determining how the assets of the Fund are allocated and reallocated from time to time among the Underlying Funds. Mr. Arnott is the Chairman and Chief Executive Officer of Research Affiliates, LLC and has over 25 years of investment management experience. He is the author of more than 60 articles of original research published in professional journals, including the *Harvard Business Review* and *The Financial Analysts Journal* (for which he now serves as editor-in-chief). Three of Mr. Arnott's articles are required reading for the U.S. Chartered Financial Analyst (CFA) program. Mr. Arnott is a member of the Chairman's Advisory Council of the Chicago Board Options Exchange and the Product Advisory Board of the Chicago Mercantile Exchange and the Toronto Stock Exchange. He previously developed quantitative asset management products and teams as Chairman of First Quadrant, LP, as global equity strategist at Salomon (now Salomon Smith Barney), as President of TSA Capital Management (now TSA/Analytic) and as Vice-President at The Boston Company (now PanAgora). Mr. Arnott, a member of Money magazine's ''Ultimate Investment Club'' (October 2003), is a summa cum laude graduate of the University of California with a degree in economics, applied mathematics and computer science.

Under the terms of the asset allocation agreement, Research Affiliates, LLC is obligated to manage the Fund in accordance with applicable laws and regulations.

THE TRUSTEE

Skylon Advisors Inc. is the trustee of the Trust pursuant to the provisions of the Declaration of Trust. The Trustee is a wholly-owned subsidiary of CI Fund Management Inc. The Trustee is responsible for certain aspects of the day-to-day administration of the Trust as described in the Declaration of Trust.

The Trustee or any successor trustee may resign upon 60 days' written notice to Holders or may be removed by an Extraordinary Resolution (as defined under ''Holder Matters – Meetings of Holders and Extraordinary Resolutions'') by Holders in the event the Trustee is in material breach or default of the provisions of the Declaration of Trust and, if capable of being cured, such breach or default has not been cured within 20 Business Days' notice of such breach or default. A ''Business Day'' is any day on which the Toronto Stock Exchange is open for trading. Any such resignation or removal shall become effective only on the acceptance of appointment by a successor trustee. The Trustee is deemed to have resigned if the Trustee becomes bankrupt or insolvent or in the event the Trustee ceases to be resident in Canada for the purposes of the Tax Act. If the Trustee resigns or is removed by Holders, its successor must be approved by Holders. If, after the resignation or removal of the Trustee, no successor has been appointed within 60 days, the Trustee or any Holder may apply to a court of competent jurisdiction for the appointment of a successor trustee.

The Trustee is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Holders and to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. The Declaration of Trust provides that the Trustee will not be liable in carrying out its duties under the Declaration of Trust except in cases of wilful misconduct, bad faith, negligence or the disregard of its obligations or duties or breach of its standard of care and duty. The Declaration of Trust provides that the Trustee 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 satisfied the duties and the standard of care, diligence and skill set forth above. The Trustee and each of its directors, officers and employees will be indemnified by the Trust for all liabilities and expenses reasonably incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Trustee or any of its officers, directors or employees in the exercise of its duties under the Declaration of Trust, except those resulting from such person's wilful misconduct, bad faith, negligence, disregard of such person's obligations or duties or breach of their standard of care in relation to the matter in respect of which indemnification is claimed.

The address of the Trustee is CI Place, 151 Yonge Street, Tenth Floor, Toronto, Ontario, M5C 2W7.

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.

DECLARATION OF TRUST AND DESCRIPTION OF UNITS

General

The Trust is an investment trust created pursuant to the Declaration of Trust and governed by the laws of the Province of Ontario. The Declaration of Trust provides that the Trust is restricted to:

(i) investing in, holding and selling securities for the Common Share Portfolio and cash equivalents as provided for herein;

(ii) entering into and performing its obligations under the Forward Agreement with the Counterparty (or additional forward or other derivative transactions intended to have the same effect) and other documentation relating thereto;

(iii) borrowing under the Loan Facility as described herein;

(iv) hedging its exposure to foreign currencies; and

(v) lending Common Share Portfolio securities pursuant to a Securities Lending Agreement.

Units

The Trust is authorized to issue an unlimited number of redeemable, transferable Units of one class, each of which represents an equal, undivided interest in the net assets of the Trust. To become a Holder under the Offering, an investor must acquire 100 or more Units in the Trust. Fractional Units will not be issued.

Each Unit entitles a Holder to the same rights and obligations as a Holder of any other Unit and no Holder is entitled to any privilege, priority or preference in relation to any other Holder. Each Holder 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. See ''Holder Matters – Meetings of Holders and Extraordinary Resolutions''. On termination, all Holders of record holding outstanding Units are entitled to receive any assets of the Trust remaining after payment of all debts, liabilities and liquidation expenses of the Trust. See ''Termination of the Trust''.

The Trust does not currently intend to issue additional Units following completion of the Offering, except: (i) by way of rights offerings to existing Holders, (ii) by way of private placement or public offering where the subscription price is not less than the aggregate of the net asset value per Unit of the Trust (''NAV per Unit'') calculated prior to entering into of the commitment by the subscriber to purchase such Units or prior to the pricing of the offering, as the case may be, and the estimated expenses of the offering, (iii) on a distribution of Units or an automatic reinvestment of distributions of net income or capital gains as discussed below, or (iv) with the approval of Holders by Extraordinary Resolution (as defined below). It is not anticipated that any additional Units will be issued unless any new investors are provided with the same terms and conditions as Units offered hereunder. See ''Holder Matters – Meetings of Holders and Extraordinary Resolutions''.

To enhance liquidity and to provide market support for the Units, the Trust will have a mandatory market purchase program under which the Trust will, subject to certain exceptions contained in the Declaration of Trust (as described below) and in compliance with any applicable regulatory requirements, be obligated to purchase for cancellation any Units offered in the market on the following terms. If, at any time following the closing of the Offering, the closing price at which Units are then offered for sale (the ''Reference Closing Price'') is less than 95% of the NAV per Unit determined as at the close of business in Toronto, Ontario on that day, the Trust will purchase for cancellation any Units offered in the market at or below the Reference Closing Price on the following Business Day. The maximum number of Units to be purchased in any three month period (commencing with the three month period that begins on the first day of the month following the closing date of the Offering) will be 1.25% of the number of Units outstanding at the beginning of such period. The Declaration of Trust provides that the Trust will not be obligated to make such purchases if, among other things, (i) the Trust lacks the cash, debt capacity or other resources to make such purchases, or (ii) in the opinion of the Trustee, such market purchases would adversely affect the on-going activities of the Trust.

In addition, the Declaration of Trust provides that the Trust has the right (but not the obligation) exercisable in its sole discretion, at any time, to purchase for cancellation Units in the market, subject to any applicable regulatory requirements and limitations. It is expected that such purchases, if made, will be made as normal course issuer bids through the facilities and under the rules of the exchange or market on which the Units are listed, if applicable, as provided for in the Declaration of Trust or as otherwise permitted by applicable securities laws.

The Trust may, at its option, make a distribution of any net income or net realized capital gains in Units and/or in cash that will automatically be reinvested in Units. Immediately following any such distribution of Units or automatic reinvestment of distributions in Units, the number of Units outstanding will automatically be consolidated such that the number of Units outstanding after such distribution will be equal in number to the number of Units outstanding immediately prior to the distribution. Any such distribution, reinvestment and consolidation will increase the aggregate adjusted cost base of Units to Holders.

Non-Resident Holders

At no time may non-residents of Canada be the beneficial owners of a majority of the Units and the Trustee shall inform the transfer agent and registrar of the Units of this restriction. The Trustee may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Trustee becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units then outstanding are, or may be, non-residents, or that such a situation is imminent, the Trustee may make a public announcement thereof. If the Trustee determines that a majority of the Units are beneficially held by non-residents, the Trustee may send a notice to such non-resident Holders, chosen in inverse order to the order of acquisition or in such manner as the transfer agent and registrar of the Units may consider equitable and practicable, requiring them to sell their Units or a portion thereof to residents of Canada within a specified period of not less than 30 days. If the Holders receiving such notice have not sold the specified number of Units or provided the Trustee with satisfactory evidence that they are not non-residents within such period, the Trustee may, on behalf of such Holders, sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be beneficial holders of Units and their rights shall be limited to receiving the net proceeds of sale of such Units.

Book-Entry Only System

A book-entry only certificate representing Units will be issued in registered form to The Canadian Depository for Securities Limited (''CDS''), or its nominee on its behalf, on the date of the closing of the Offering. Any purchase or transfer of Units must be made through participants in the CDS depository service (''CDS Participants''), which includes securities brokers and dealers, banks and trust companies. Indirect access to the CDS book-entry only system is also available to other institutions that maintain custodial relationships with a CDS Participant, either directly or indirectly. Each purchaser of Units will receive a customer confirmation of purchase from the CDS Participant from whom such Units are purchased in accordance with the practices and procedures of such CDS Participant. Reference in this prospectus to a Holder means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

No Holder will be entitled to a certificate or other instrument from the transfer agent for Units or CDS evidencing that person's interest in or ownership of Units, or will be shown on the records maintained by CDS, except through an agent who is a CDS Participant. All distributions in respect of Units will be made by the Trust to CDS and distributions to CDS will be forwarded by CDS to CDS Participants, and thereafter to the Holders. See ''Distributions''.

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

The Manager has the option to terminate the book-entry only system through CDS, in which case Units in fully registered certificated form will be issued to Holders, as of the effective date of such termination.

HOLDER MATTERS

Meetings of Holders and Extraordinary Resolutions

The Trustee may, at any time, convene a meeting of the Holders and will be required to convene a meeting on receipt of a request in writing of the Holders holding 10% or more of Units outstanding. Each Holder is entitled to one vote for each Unit held. A quorum for ordinary meetings of Holders will consist of two or more Holders present in person or by proxy and representing not less than 10% of 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 Holders, will be cancelled, but otherwise will be adjourned to another day, not less than ten days or more than 21 days later, selected by the Manager and notice will be given to the Holders of such adjourned meeting. The Holders present at any adjourned meeting will constitute a quorum.

Certain matters shall require the approval of Holders by extraordinary resolution (an ''Extraordinary Resolution''). An Extraordinary Resolution shall be a resolution passed by not less than 66⅔% of the votes cast 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 Holders by Extraordinary Resolution shall consist of two or more Holders present in person or by proxy and representing not less than 25% of Units then outstanding.

The matters which require Holder approval by Extraordinary Resolution include the removal of the Trustee, any issuance of Units subsequent to the initial issuance of Units (other than issuances made by way of (i) rights offerings to existing Holders, (ii) by way of private placement or public offering where the subscription price is not less than the aggregate of the NAV per Unit calculated prior to entering into of the commitment by the subscriber to purchase such Units or prior to the pricing of the offering, as the case may be, and the estimated expenses of the offering, or (iii) a distribution in Units or the automatic reinvestment of distributions of net income or net realized capital gains), the early termination of the Trust or continuation of the Trust beyond the Termination Date, a change to the investment objectives or investment strategies of the Trust recommended by the Manager as a result of a fundamental change to the Fund, and certain matters described below under ''Amendments to the Declaration of Trust''.

Amendments to the Declaration of Trust

The Declaration of Trust may only be amended with the consent of Holders. Changes, in any manner, to (i) the Investment Guidelines of the Trust, (ii) the liability of any Holder, (iii) the right of a Holder to vote at any meeting, or (iv) the Trust from a trust to a different form of issuer, require approval by Extraordinary Resolution. However, no amendment can be made to the Declaration of Trust which would have the effect of reducing the interest in the Trust of Holders unless all Holders consent thereto. No amendment can be made to the Declaration of Trust which would have the effect of reducing the fees payable to the Manager unless the Manager, in its sole discretion, consents.

Notwithstanding the foregoing, the Manager is entitled, without the consent of Holders, to make certain amendments to the Declaration of Trust to make any change or correction which is of a typographical nature or is required to cure or correct a clerical omission, mistake or manifest error contained therein or which is for the purpose of amending the existing provisions or adding any provisions which are for the protection or benefit of the Holders or the Trust, for the purpose of curing an ambiguity in the Declaration of Trust, for the purpose of supplementing any provision which may be defective or inconsistent with another provision, for the purpose of compliance with applicable law, for the purpose of conforming the Declaration of Trust with current administrative practice or to provide added protection to Holders. Such amendments may be made only if they will not materially adversely affect the interest of any Holder. The Manager may also amend the Declaration of Trust without the consent of the Holders for the purpose of removing any conflicts or other inconsistencies which may exist between the Declaration of Trust and applicable law, changing the Trust's taxation year-end as permitted under the Tax Act or maintaining the status of the Trust as a ''mutual fund trust'' for purposes of the Tax Act. Any amendments made by the Manager without the consent of the Holders must be disclosed in the next regularly scheduled report to Holders.

Information and Reports to Holders

The Trust will furnish to Holders such financial statements (including interim unaudited and annual audited financial statements, accompanied by management's discussion and analysis of the affairs and operations of the Trust) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Holders' tax returns under the Tax Act and equivalent provincial legislation. Additional information concerning the Fund and the Underlying Funds is available on the Internet at www.sec.gov and www.pimcofunds.com. Links to such Internet websites, together with instructions concerning how to navigate such links, are available at the Trust's website: www.skylonadvisors.com. The interim unaudited and annual audited financial statements prepared by the Fund (including any management reports of fund performance relating to such financial statements) also will be filed by the Trust and available on the Internet at www.sedar.com and at the Trust's Internet website, and available upon request, free of charge, by calling the Manager toll-free 1-800-822-0245, or locally at (416) 681-8894. Until such time as changes are enacted by proposed National Instrument 81-106 to the procedures for mailing financial statements, Holders resident in the Province of Québec also will be furnished automatically with copies of the financial statements prepared by the Fund. None of the Trust, the Agents nor any of their respective affiliates makes any representation or warranty as to the accuracy or completeness of any such information.

The Trust will comply with all of the continuous disclosure requirements applicable to it as a reporting issuer under applicable securities laws. Prior to any meeting of Holders, the Trust will provide Holders (along with notice of such meeting) all such information as is required by applicable law to be provided to Holders. To the extent that the Fund issues a press release concerning a material change to the Fund, the Trust will issue and post at the Trust's Internet website a similar press release. To the extent that it is available on the Internet at www.sec.gov, the Trust also will make available on the Internet at www.sedar.com and deliver to Holders resident in the Province of Québec any other financial information that the Fund would be required to deliver to holders of Fund Shares or publicly file in Canada as if the Fund was a reporting issuer in the Province of Québec.

TERMINATION OF THE TRUST

The Trust will terminate on the Termination Date unless terminated earlier in accordance with the terms of the Declaration of Trust or unless Holders determine to terminate the Trust prior to the Termination Date or to continue the Trust beyond the Termination Date by an Extraordinary Resolution at a meeting called for such purpose. The Trust shall, after settlement of the Forward Agreement and after paying or making adequate provision for all of the Trust's liabilities, distribute the net assets of the Trust to Holders, on a *pro rata* basis, as soon as practicable after the Termination Date. The payment of the net assets of the Trust to the Holders after the Termination Date is expected, subject to performance of the Counterparty, to consist of an amount equal to the redemption proceeds for the Reference Number of Fund Shares, less any outstanding liabilities of the Trust.

Not less than six months nor more than 12 months prior to the Termination Date, the Manager may present a proposal to the Holders providing for a deferral of the termination of the Trust to a date that is later than the Termination Date. Such proposal may include, without limitation, a proposal: (i) to continue the Trust beyond the Termination Date; or (ii) to exchange Units for securities of one or more mutual funds or closed-end investment funds on or after the Termination Date.

In the event of the approval of the proposal referred to above, any dissenting Holder may require the Trustee to redeem all (but not less than all) of his or her Units on the Termination Date at a price per Unit equal to the NAV per Unit on the Termination Date. The termination of the Trust may not be extended beyond January 1, 2025.

DISTRIBUTIONS

Distribution Policy

The Trust will endeavour to provide Holders with tax efficient quarterly distributions consisting primarily of capital gains and returns of capital to Holders of record on or about the last Business Day of each calendar quarter (each, a ''Record Date''). Under the Forward Agreement, if the Fund suspends redemptions of Fund Shares, the Counterparty may suspend payment in respect of a partial settlement until such time as such redemptions are reinstated.

The Trust will annually determine and announce each October an indicative distribution amount for the following twelve months based upon the prevailing market conditions and the estimate of distributable cash flow for the year. The indicative distribution of the Trust for the first twelve months is $1.50 per Unit representing an annual distribution of 6% based on the $25.00 per Unit issue price. The initial distribution by the Trust will be payable on December 31, 2004 and, based on an anticipated closing date of October 15, 2004, is expected to be $0.314 per Unit.

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

The amount of distributions in any particular year will be determined by the Manager, having regard to the investment objectives of the Trust and the net realized capital gains and net income of the Trust, if any, during the year. Distributions are not necessarily correlated to the distributions by the Fund.

Cash distributions over the life of the Trust are expected to be derived primarily from the proceeds of disposition of Common Share Portfolio securities. These proceeds will be received by the Trust from the Counterparty under the Forward Agreement.

The Manager anticipates that, of the distributions anticipated to be made in the initial period of the Trust's life, only a very small portion will represent capital gains, with the balance representing returns of capital. Thereafter the Manager anticipates that the proportion of capital gains to returns of capital will increase as the Trust disposes of more Common Share Portfolio securities on the partial settlement of the Forward Agreement. The actual amounts of capital gains distributed to Holders in each year will depend on the proceeds of disposition realized by the Trust on the disposition of Common Share Portfolio securities under the Forward Agreement and the adjusted cost base of such securities. See ''Canadian Federal Income Tax Considerations''.

The Trust intends that the aggregate distributions of net income and net capital gains made in each year will be sufficient to ensure that the Trust will not be liable for income tax thereon under the Tax Act, except to the extent that any tax payable on net realized capital gains of the Trust for a year that are retained by the Trust would be recoverable by it in such year.

Distributions will be payable to Holders of record at 5:00 p.m. (Toronto time) on the Record Date. All distributions will be paid to Holders proportionately based on their respective holdings of Units.

REDEMPTION OF UNITS

Units may be surrendered for redemption not more than 60 days, and at least 30 days, prior to the second last Business Day of December in any year (a ''Valuation Date'') commencing in December 2007 to Computershare Investor Services Inc. (the ''Registrar and Transfer Agent''). Units surrendered for redemption by a Holder at least 30 days prior to a Valuation Date will be redeemed as at such Valuation Date and the Holder will receive payment in respect of any Units surrendered for redemption on or before the tenth Business Day following such Valuation Date (the ''Redemption Payment Date''). The NAV per Unit will vary depending on the performance of the Fund by virtue of the Forward Agreement.

Holders whose Units are redeemed on the Valuation Date in each year will be entitled to receive a redemption price per Unit (the ''Unit Redemption Price'') equal to the NAV per Unit determined as at such Valuation Date. Any unpaid distribution payable on or before a Valuation Date in respect of Units tendered for redemption on such Valuation Date will also be paid on the Redemption Payment Date.

The Manager may, without the approval of Holders (but subject to regulatory approval in respect of additional redemption rights based on a redemption price determined with reference to NAV), change the redemption rights attached to the Units by increasing the number of times in each year that Units may be redeemed by Holders on terms specified by the Manager, provided that no such change may be made without Holder approval if it would eliminate the rights of Holders to redeem their Units on the Valuation Date in any year at a Unit Redemption Price equal to the NAV per Unit or if it would result in the Trust being a mutual fund for securities law purposes. Any redemptions based on a redemption price determined with reference to the NAV more frequently than once a year would, based on the views of the securities regulatory authorities, make the Trust a ''mutual fund'' for securities law purposes (as a result of which the Trust would be subject to the investment restrictions of National Instrument 81-102). After closing, the Trust may provide Holders with additional redemption rights based on the trading price of the Units.

In order to permit the Trust to fund distributions as well as redemptions of Units by Holders from time to time, payment for purchases of Units in the market and expenses of the Trust, the terms of the Forward Agreement will provide that the Forward Agreement may be partially settled prior to the Termination Date by the Trust tendering to the Counterparty securities of the Common Share Portfolio.

A Holder who desires to exercise Unit redemption privileges must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto) on behalf of the Holder a written notice of the Holder's intention to redeem Units, no later than 5:00 p.m. (Toronto time) on the relevant notice date. A Holder who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption right sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver a notice to CDS by the required time.

By causing a CDS Participant to deliver to CDS a notice of a Holder's intention to redeem Units, the Holder shall be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of such redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any redemption notice that CDS determines to be incomplete, not in proper form or not duly executed shall, for all purposes, be void and of no effect, and the redemption privilege to which it relates shall be considered, for all purposes, not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with a Holder's instructions will not give rise to any obligations or liability on the part of the Trust or the Manager to the CDS Participant or the Holder.

The Trustee may suspend the redemption of Units or payment of redemption proceeds (i) for the whole or any part of a period during which normal trading is suspended on a stock exchange, options exchange or futures exchange or other market within or outside Canada on which securities are listed and traded, or on which derivatives are traded, if those securities or derivatives represent more than 50% by value, or underlying market exposure, of the total assets of the Common Share Portfolio without allowance for liabilities and if those securities or derivatives are not traded on any other exchange or market that represents a reasonably practical alternative for the Trust; (ii) for any period not exceeding 120 days during which the Trustee determines that conditions exist which render impractical the sale of assets of the Trust or which impair the ability of the Trustee to determine the value of the assets of the Trust, or (iii) for the whole or any part of a period during which the partial settlement notice has been revoked under the Forward Agreement. The suspension may, at the sole discretion of the Trustee, apply to all requests for redemption received prior to the suspension but as for which payment has not been made, as well as to all requests received while the suspension is in effect. All Holders making such requests shall be advised of the suspension and of their right to withdraw their request for redemption. Redemptions so suspended will be effected at a price determined on the first date that the NAV is calculated following the termination of the suspension. The suspension shall terminate on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Trust, any declaration of suspension made by the Trustee shall be conclusive.

Resale of Units Tendered for Redemption

The Trust will enter into an agreement (the ''Recirculation Agreement'') with TDSI (the ''Recirculation Agent'') whereby the Recirculation Agent will agree to use commercially reasonable efforts to find purchasers for any Units tendered for redemption prior to the relevant Redemption Payment Date, provided that the Holder of Units so tendered has not withheld consent thereto. The Trust may, but is not obligated to, require the Recirculation Agent to seek such purchasers. In such event, the amount to be paid to the Holder on the Redemption Payment Date will be an amount equal to the proceeds of the sale of Units less any applicable commission. Such amount will not be less than the Unit Redemption Price described above. Holders are free to withhold their consent to any proposed resale and to require the Trust to redeem their Units in accordance with their terms.

Any and all Units which have been surrendered to the Trust for redemption will be deemed to be outstanding until (but not after) the close of business on the relevant Valuation Date, unless not redeemed thereon, in which event such Units will remain outstanding.

Purchase for Cancellation

Subject to applicable law and regulatory requirements, the Trust will have a mandatory market purchase program and may, at any time and from time to time, purchase Units for cancellation at prices not exceeding the NAV per Unit on the NAV Valuation Date (as defined under ''Valuation – Valuation of Assets'') immediately prior to such purchase. See ''Declaration of Trust and Description of Units – Units''.

VALUATION

Valuation of Assets

The Manager will, on each Business Day (a ''NAV Valuation Date''), calculate the value of the Trust's assets as set forth below.

The total assets of the Trust consist of the aggregate value of the assets of the Common Share Portfolio and the Forward Agreement. Since the value of the Trust's rights and obligations under the Forward Agreement is determined by reference to the value of the Reference Number of Fund Shares, the NAV is linked to the value of the Fund Shares.

Net Asset Value of the Trust

Net asset value of the Trust (''NAV'') will be calculated by the Manager on each NAV Valuation Date by subtracting the aggregate amount of the liabilities of the Trust from the total assets of the Trust. The total assets of the Trust will be valued as follows:

(a) the value of any security which is listed or traded upon a stock exchange shall be determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless, in the opinion of the Manager, such value does not reflect the value thereof and in which case the latest offer price or bid price should be used), as at the date of valuation on which the NAV is being determined, all as reported by any means in common use;

(b) the value of any cash on hand or on deposit, prepaid expenses, cash dividends received (or declared to Holders of record on a date before the NAV Valuation Date as of which the NAV is being determined and to be received) and interest accrued and not yet received, shall be deemed to be the face amount thereof unless the Manager has determined that any such asset is not otherwise worth the face amount thereof, in which case the value thereof shall be deemed to be such value as the Manager determines to be the fair value thereof;

(c) the value of a forward contract shall be the gain or loss with respect thereto that would be realized if, on the NAV Valuation Date, the position in the forward contract were to be closed out in accordance with its terms;

(d) the value of any bonds, debentures and other debt obligations will be valued by taking the average of the bid and ask prices on the NAV Valuation Date at such times as the Manager, in its discretion, deems appropriate. Amounts drawn under the Loan Facility will be valued at par. Short-term investments, including notes and money market instruments, will be valued at cost plus accrued interest;

(e) if an investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Manager to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Manager shall make such valuation as it considers fair and reasonable; and

(f) the value of all assets quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable to the Trust in foreign currency and the value of all liabilities and contractual obligations payable by the Trust in foreign currency shall be determined using the applicable rate of exchange current at, or as nearly as practicable to, the date on which the NAV is computed.

The NAV per Unit is the amount obtained by dividing the NAV as of a particular date by the total number of Units outstanding on that date. The NAV per Unit will be calculated on each Business Day by the Manager. Such information will be provided by the Manager to Holders on request by calling toll-free 1-800-822-0245, or locally at (416) 681-8894, or through the Internet at www.skylonadvisors.com.

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.

Net Asset Value of the Fund

The net asset value (''Fund NAV'') of the Fund Shares is determined by dividing the total value of the Fund's portfolio investments and other assets attributable to the Fund Shares, less any liabilities, by the total number of Fund Shares outstanding.

For purposes of calculating the Fund NAV (and the net asset value of an Underlying Fund), portfolio securities and other assets for which market quotes are readily available are stated at market value. Market value is generally determined on the basis of last reported sales prices, or if no sales are reported, based on quotes obtained from a quotation reporting system, established market makers, or pricing services. Certain securities or investments for which daily market quotations are not readily available may be valued, pursuant to guidelines established by the board of trustees of PIMCO Funds, with reference to other securities or indices. Short-term investments having a maturity of 60 days or less are generally valued at amortized cost. Exchange traded options, futures and options on futures are valued at the settlement price determined by the exchange. Other securities for which market quotes are not readily available are valued at fair value as determined in good faith by the board of trustees of PIMCO Funds or persons acting at their direction.

Investments initially valued in currencies other than the U.S. dollar are converted to U.S. dollars using exchange rates obtained from pricing services. As a result, the Fund NAV may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of securities traded in markets outside the United States or denominated in currencies other than the U.S. dollar may be affected significantly on a day that the New York Stock Exchange (the ''NYSE'') is closed and an investor is not able to purchase, redeem or exchange shares.

Fund Shares are valued as of the close of regular trading (normally 4:00 p.m., Eastern time) (the ''NYSE Close'') on each day that the NYSE is open. For purposes of calculating the Fund NAV (and the net asset value of an Underlying Fund), the Fund normally uses pricing data for domestic equity securities received shortly after the NYSE Close and does not normally take into account trading, clearances or settlements that take place after the NYSE Close. Domestic fixed income and foreign securities are normally priced using data reflecting the earlier closing of the principal markets for those securities. Information that becomes known to the Fund or its agents after the Fund NAV has been calculated on a particular day will not generally be used to retroactively adjust the price of a security or the Fund NAV determined earlier that day.

In unusual circumstances, instead of valuing securities in the usual manner, the Fund (and the Underlying Funds) may value securities at fair value or estimate their value as determined in good faith by the board of trustees of PIMCO Funds, generally based upon recommendations provided by PIMCO. Fair valuation may also be used if extraordinary events occur after the close of the relevant market but prior to the NYSE Close.

Audit of Financial Statements

The annual financial statements of the Trust shall be audited by the Trust's auditors in accordance with generally accepted auditing standards. The auditors will be asked to report on the fair presentation of the annual financial statements in accordance with generally accepted accounting principles.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault LLP, counsel to the Trust, and McMillan Binch LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units by a Holder who acquires Units pursuant to this prospectus. This summary is applicable to a Holder who is an individual (other than a trust) and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length with the Trust and holds Units as capital property. Generally, Units will be considered to be capital property to a Holder provided the Holder does not hold the Units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Holders who might not otherwise be considered to hold their Units as capital property may in certain circumstances be entitled to treat Units (and all other Canadian securities) as capital property by making an irrevocable election under subsection 39(4) of the Tax Act. This summary is also based on the assumptions that the Common Share Portfolio will consist of ''Canadian securities'' for purposes of the Tax Act and that the Trust will elect in accordance with the Tax Act to have each of its Canadian securities treated as capital property. This summary is based on the current provisions of the Tax Act and the regulations thereunder, counsel's understanding of the current administrative and assessing practices of the Canada Revenue Agency and all specific proposals to amend the Tax Act and regulations thereunder publicly announced by the Minister of Finance (Canada) prior to the date hereof (such proposals referred to hereafter as the ''Tax Proposals''). This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the investor's particular circumstances including the province or territory in which the investor resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their particular circumstances.

Status of the Trust

This summary is based on the assumptions that the Trust will qualify at all times as a ''mutual fund trust'' within the meaning of the Tax Act, that the Trust will elect under the Tax Act to be a mutual fund trust from the date it was established, and that less than 50% of the fair market value of all Units will, at all times, be owned by non-residents of Canada or a partnership which has one or more non-resident members.

To qualify as a mutual fund trust (i) the Trust must be a Canadian resident ''unit trust'' for purposes of the Tax Act, (ii) the only undertaking of the Trust must be the investing of its funds in property (other than real property or interests in real property), and (iii) the Trust must comply with certain minimum requirements respecting the ownership and dispersal of Units (the ''minimum distribution requirements''). In this connection, (i) the Manager intends to cause the Trust to qualify as a unit trust throughout the life of the Trust, (ii) the Trust's undertaking is restricted to the investing of its funds in property (other than real property or interests in real property), and (iii) the Manager and the Agents have advised counsel that they have no reason to believe at the date hereof that the Trust will not comply with the minimum distribution requirements throughout the life of the Trust.

If the Trust were not to qualify as a mutual fund trust, the income tax considerations as described below and under ''Eligibility for Investment'' would in some respects be materially different.

Taxation of the Trust

The Trust will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Holders in the year. The Trust intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year and, therefore, provided the Trust makes distributions in each year of its net income and net realized capital gains as described under ''Distributions'', it will generally not be liable in such year for income tax under Part I of the Tax Act.

The Trust will not realize any income, gain or loss as a result of entering into the Forward Agreement. Provided the Trust elects in accordance with the Tax Act to have each of its Canadian securities treated as capital property, gains or losses realized by the Trust on the sale of Canadian securities will be taxed as capital gains or capital losses. If the obligations of the Trust and the Counterparty under the Forward Agreement are settled by making cash payments as described under ''Management of the Trust – Forward Agreement'', a payment made or received by the Trust may be treated as an income outlay or receipt, as applicable. If the Trust delivers securities in the Common Share Portfolio to the Counterparty in satisfaction of its obligations under the Forward Agreement and receives a payment from the Counterparty equal to the price stipulated in the Forward Agreement, the Trust will realize capital gains (or losses) equal to the amount by which such purchase price (less reasonable costs of disposition) exceeds (or is less than) the aggregate adjusted cost base of such securities.

The Tax Act provides for a special tax on designated income of certain trusts which have designated beneficiaries. This special tax does not apply to a trust for a taxation year if the trust is a mutual fund trust throughout such year. Accordingly, provided that the Trust qualifies as a mutual fund trust throughout a taxation year, it will not be subject to the special tax for such taxation year.

On October 31, 2003 the Department of Finance announced a Tax Proposal relating to the deductibility of losses under the Tax Act. Under this Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, and can reasonably be expected to carry on, the business or has held, and can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If such tax proposal were to apply to the Trust, deductions that would otherwise reduce the Trust's taxable income could be denied with after tax returns to Holders reduced as a result. It will be necessary for the Trust to monitor its activities and this Tax Proposal, which is proposed to apply to taxation years beginning after 2004.

Taxation of Holders

A Holder will generally be required to include in computing income for a taxation year the amount of the Trust's net income for the taxation year, including net realized taxable capital gains, paid or payable (whether in cash or in Units) to the Holder in the taxation year. The non-taxable portion of the Trust's net realized capital gains paid or payable (whether in cash or in Units) to a Holder in a taxation year will not be included in the Holder's income for the year. Any other amount in excess of the Trust's net income for a taxation year paid or payable to the Holder in the year will not generally be included in the Holder's income, but will reduce the adjusted cost base of the Holder's Units.

Provided that appropriate designations are made by the Trust, such portion of (i) the net realized taxable capital gains of the Trust, and (ii) the taxable dividends received by the Trust on shares of taxable Canadian corporations, as is paid or payable to a Holder will effectively retain its character and be treated as such in the hands of the Holder for purposes of the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit rules will apply.

Under the Tax Act, the Trust is permitted to deduct in computing its income for a taxation year an amount which is less than the amount of its distributions for the year. This will enable the Trust to utilize, in a taxation year, losses from prior years without affecting the ability of the Trust to distribute its income annually. The amount distributed to a Holder but not deducted by the Trust will not be included in the Holder's income. However, the adjusted cost base of the Holder's Units will be reduced by such amount. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Holder from the disposition of the Unit and the Holder's adjusted cost base will be increased by the amount of such deemed capital gain.

The NAV per Unit will reflect any income and gains of the Trust that have accrued at the time Units are acquired. Accordingly, a Holder who acquires Units may become taxable on the Holder's share of income and gains of the Trust that accrued before the Units were acquired. The purchase price for the Common Share Portfolio under the Forward Agreement from time to time may significantly exceed the aggregate adjusted cost base of the securities comprising the Common Share Portfolio. Therefore, there may be significant accrued gains in the Trust prior to the settlement of the Forward Agreement on or about the Termination Date.

On the disposition or deemed disposition of a Unit, the Holder will realize a capital gain (or capital loss) to the extent that the Holder's proceeds of disposition (other than any amount payable by the Trust which represents an amount that is otherwise required to be included in the Holder's income as described above) exceed (or are exceeded by) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. If the Trust distributes property *in specie* on the termination of the Trust, a Holder's proceeds of disposition will generally be equal to the aggregate of the fair market value of the distributed property and the amount of any cash received, less any capital gain realized by the Trust on the disposition. For the purpose of determining the adjusted cost base of Units to a Holder, when Units are acquired, the cost of the newly acquired Units will be averaged with the adjusted cost base of all Units owned by the Holder as capital property immediately before that time. For this purpose the cost of Units that have been issued as a distribution or on the automatic reinvestment of a net income or capital gains distribution (as contemplated under ''Declaration of Trust and Description of Units'') will generally be equal to the amount of the net income or capital gain distributed to the Holder that has been reinvested in Units.

One-half of any capital gain (''taxable capital gain'') realized on the disposition of Units will be included in the Holder's income and one-half of any capital loss (''allowable capital loss'') realized may be deducted from taxable capital gains in accordance with the provisions of the Tax Act.

In computing a Holder's income for purposes of the Tax Act, any taxable capital gain designated to the Holder in accordance with the provisions of the Tax Act, arising from the settlement of the Forward Agreement (or otherwise), may be netted against any allowable capital loss realized by the Holder, including any allowable capital loss realized on the disposition of Units to the Trust on redemption.

In general terms, net income of the Trust paid or payable to a Holder that is designated as net realized taxable capital gains or taxable capital gains realized on the disposition of Units may increase the Holder's liability for alternative minimum tax.

ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault LLP, counsel to the Trust, and McMillan Binch LLP, counsel to the Agents, provided that the Trust qualifies as a ''mutual fund trust'' for the purposes of the Tax Act, Units offered hereby will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans. Based on the Trust's proposed investments and provided the Trust is a ''mutual fund trust'' within the meaning of the Tax Act, Units will not constitute ''foreign property'' for purposes of the tax imposed under Part XI of the Tax Act.

USE OF PROCEEDS

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

	Maximum Offering	Minimum Offering
Gross proceeds to the Trust	$200,000,000	$50,000,000
Agents' fee	$ 10,500,000	$ 2,625,000
Expenses of issue	$ 700,000	$ 700,000
Net proceeds to the Trust	$188,800,000	$46,675,000

The Trust will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option (as defined under ''Plan of Distribution'')) and the Loan Facility to invest an amount equal to the gross proceeds of the Offering in the Common Share Portfolio which will be subject to the Forward Agreement.

PLAN OF DISTRIBUTION

Pursuant to an agency agreement (the ''Agency Agreement'') among TDSI, CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., HSBC Securities (Canada) Inc., Raymond James Ltd., Canaccord Capital Corporation, Desjardins Securities Inc., Dundee Securities Corporation, First Associates Investments Inc., Richardson Partners Financial Limited and Wellington West Capital Inc. (collectively, the ''Agents'') and the Trustee, in its capacity as trustee and in its own capacity, the Agents have agreed to offer Units for sale as agents of the Trust, on a best efforts basis, if, as and when issued by the Trust, in accordance with the terms and conditions of the Agency Agreement. Units will be offered at a price of $25.00 per Unit. The Agents will receive a fee equal to $1.3125 for each Unit sold and will be reimbursed for reasonable out-of-pocket expenses incurred by them. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell Units offered hereby, the Agents will not be obligated to purchase Units which are not sold.

The Trust has granted the Agents an option (the ''Over-Allotment Option'') to offer up to 1,200,000 additional Units, which Units are qualified for sale hereunder. The Agents may exercise the Over-Allotment Option in whole or in part at any time on or before the close of business on the 30th day following the date of closing of the Offering. To the extent the Over-Allotment Option is exercised, the additional Units will be offered by the Agents at the Offering price hereunder and the Agents will be entitled to receive a fee of $1.3125 in respect of each Unit sold.

Proceeds from subscriptions will be held by the Agents in trust in a segregated account until the closing of the Offering. If subscriptions for a minimum of 2,000,000 Units have not been received within 90 days following the date of issuance of a receipt for the (final) prospectus, the Offering may not continue without the consent of the Canadian securities regulators and those who have subscribed on or before such date. Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement.

In the event the minimum Offering is not achieved and the necessary consents are not obtained or the closing of the Offering does not occur for any reason, subscription proceeds received from prospective purchasers will be returned to such purchasers promptly without interest or deduction. Subscriptions for Units will be received subject to rejection or allotment in whole or in part. The decision to accept or reject the subscription will be made promptly and, in any event, within two days of receipt of the subscription. In the event that a subscription is rejected, all monies received with the subscription will be refunded immediately. The right is reserved to close the subscription books at any time without notice. The closing of the Offering will take place on or about October 15, 2004 or such later date as may be agreed on by the Trustee and the Agents that is on or before December 29, 2004.

The Toronto Stock Exchange has conditionally approved the listing of the Units, subject to fulfillment by the Trust of the requirements of the Toronto Stock Exchange on or before December 22, 2004, including the distribution of Units to a minimum number of Holders.

Prior to the closing of the Offering, it is intended that the Trust will enter into a Loan Facility with a lender that is an affiliate of one of the Agents. Consequently, the Trust may be considered a ''connected issuer'' under applicable securities legislation. The Agent will receive no benefit in connection with this offering other than receiving a portion of the Agents' fee described under ''Fees and Expenses''.

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

FEES AND EXPENSES

Initial Fees and Expenses

The expenses of the Offering (including the costs of creating and organizing the Trust, the costs of printing and preparing the prospectus, legal expenses, marketing and advertising expenses and other reasonable out-of-pocket expenses) including those incurred by the Agents and other incidental expenses, which are estimated to be $700,000 in the aggregate, will be paid out of the gross proceeds of the Offering. In addition, the Agents' fee will be paid to the Agents from the gross proceeds as described under ''Plan of Distribution''.

Management Fees

The Manager has coordinated the organization of the Trust, will work with the Agents in developing and implementing all aspects of the Trust's communications, marketing and distribution strategies and will manage the on-going business and administrative affairs of the Trust. As compensation for management services rendered to the Trust, the Manager is entitled to receive an annual management fee in an amount equal to 0.50% of the NAV calculated and payable monthly in arrears plus applicable taxes and an amount equal to the service fee (the ''Service Fee'') payable to registered dealers.

On-Going Expenses

The Trust will pay to the Counterparty a fee under the Forward Agreement equal to 0.50% per annum of the net asset value of the Reference Number of Fund Shares that will determine the purchase price of the Common Share Portfolio under the Forward Agreement, plus a fee which may vary based on hedging costs incurred in connection with the Common Share Portfolio, calculated and payable monthly in arrears.

The Trust will also pay for all expenses incurred in connection with its operation and administration. It is expected that these expenses have included or will include, without limitation: mailing and printing expenses for periodic reports to Holders; fees payable to the Trustee for acting as trustee of the Trust; fees payable to the custodian for acting as custodian of the assets of the Trust; fees payable to the Registrar and Transfer Agent for performing certain financial, record-keeping, reporting and general administrative services; fees payable to the auditors and legal advisors; on-going regulatory filing fees and other fees; any reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their on-going obligations to the Trust; any taxes payable by the Trust or to which the Trust may be subject; interest expenses; expenses relating to portfolio transactions; and any expenditures which may be incurred upon the termination of the Trust. The Manager estimates that administration and operating costs for the Trust will be approximately $200,000 per annum (assuming an offering size of approximately $100 million). The Trust will also be responsible for its costs of portfolio transactions and any extraordinary expenses which may be incurred from time to time.

Fund Expenses

The Fund and the Underlying Funds pay monthly fees to PIMCO for the investment advisory and administrative services which PIMCO provides to the Fund and the Underlying Funds. Since the Fund invests in the Underlying Funds, the Fund indirectly pays a portion of the fees and expenses charged at the Underlying Fund level. For the Fund's current fiscal year, PIMCO has contractually agreed with the Fund to reduce its advisory fees to effectively provide that the aggregate advisory and administrative fees borne directly or indirectly by the Fund Shares will not exceed 0.85% per annum. In exchange for its administrative fees, PIMCO provides or procures services (such as custody, accounting, legal, audit and other ordinary operating expenses) necessary for the operation of the Fund and the Underlying Funds with the result that most expenses of the Fund and Underlying Funds are obligations of PIMCO and not the Fund or Underlying Funds.

Service Fee

The Manager will pay to registered dealers an annual Service Fee equal to 0.25% of the NAV per Unit for Units held by clients of the sales representatives of the registered dealers calculated and payable quarterly in arrears.

INTEREST OF MANAGEMENT IN MATERIAL TRANSACTIONS

The Manager is the promoter of the Trust. See ''Management of the Trust''.

RISK FACTORS

There are certain risks associated with an investment in Units. Some of these risks relate to activities carried on directly by the Trust. Other risks relate to activities by the Fund or the Underlying Funds and could affect the Trust by reason of the Forward Agreement and the principal investments and strategies of the Fund. Consequently, investors should consider the following risk factors before subscribing for Units:

Risks Relating to the Trust:

No Assurance of Achieving Investment Objectives and No Guaranteed Rate of Return

There is no assurance that the Trust will be able to achieve its investment objectives. As a consequence of entering into the Forward Agreement, the Trust will forego the benefits of any increase in the value of the Common Share Portfolio.

There is no assurance that the Trust will pay distributions. The Trust expects to exercise its right to settle portions of the Forward Agreement prior to the Termination Date in order to permit the Trust to fund distributions as well as redemptions of Units by Holders from time to time, payment for purchases of Units in the market and expenses of the Trust. Accordingly, the Trust's ability to pay distributions will be influenced by the performance of the Fund, as the return to the Holders and the Trust will be dependent upon the return on the Fund Shares by virtue of the Forward Agreement.

There is no guarantee that the Fund Shares will earn any return. 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 and who can withstand the effect of the investment objectives not being met in any period.

Fluctuations in Net Asset Value

The NAV and the funds available for distribution will vary according to, among other things, distributions paid on the Units, the value of the Fund Shares and distributions paid thereon, the performance of the markets generally, foreign currency exposure, and interest rates. Fluctuations in the Fund NAV may occur for a number of reasons.

Units may trade in the market at a premium or discount to the NAV per Unit and there can be no assurance that Units will trade at a price equal to the NAV per Unit.

Counterparty Risk

The Trust will enter into the Forward Agreement with the Counterparty pursuant to which the Trust will be required to deliver to the Counterparty on the Termination Date the Common Share Portfolio in exchange for a payment in an amount equal to the redemption proceeds for the Reference Number of Fund Shares. In entering into the Forward Agreement, the Trust will be exposed to the credit risk associated with the Counterparty. Depending on the value of the Common Share Portfolio, the Trust's exposure to the credit risk of the Counterparty may be significant. In addition, the possibility exists that the Counterparty or any guarantor of the obligations of the Counterparty pursuant to the Forward Agreement will default on their payment obligations under the Forward Agreement or that the proceeds of the Forward Agreement will be used to satisfy other liabilities of the Trust, which liabilities could include obligations to third-party creditors in the event the Trust has insufficient assets, excluding the proceeds of the Forward Agreement, to pay its liabilities. Holders will have no recourse or rights against the Fund or the assets of the Counterparty in respect of the Forward Agreement or arising out of the Forward Agreement.

Securities Lending

The Trust may engage in securities lending as described under ''Management of the Trust – Securities Lending''. Although the Trust will receive collateral for the loans and such collateral is marked to market, the Trust will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities.

Leverage by the Trust

The Trust initially will borrow under the Loan Facility an amount equal to the expenses of the Offering and the Agents' fee in order to be able to invest an amount equal to the gross proceeds of the Offering in the Common Share Portfolio. The Trust also may borrow under the Loan Facility to fund quarterly distributions, redemptions of Units by Holders from time to time, payment of purchases of Units in the market and expenses of the Trust. Any such borrowings add leverage to the investments made by the Trust. The obligations under the Loan Facility may be secured by the Common Share Portfolio and/or amounts which the Trust is entitled to receive from the Counterparty under the Forward Agreement. The addition of leverage has the potential to enhance returns but also involves additional risks. There can be no assurance that the leveraging employed by the Trust will enhance returns. The use of leverage may reduce returns (both distributions and capital) to Holders. If there is a decline in the Fund NAV, the leverage in the Trust will cause a decrease in NAV in excess of that which would otherwise be experienced. In addition, if the aggregate amount of borrowings under the Loan Facility exceed at any time 25% of the NAV at the time the borrowing is entered into as a result of redemptions or other decrease in the number of Units, the Trust will be required to partially settle the Forward Agreement or enter into other transactions in order to reduce the aggregate amount of borrowings to such 25% level. However, the Trust will not be required to reduce borrowings as a result of decreases in the NAV occurring otherwise than as a result of a decrease in the number of Units outstanding. If the NAV decreases otherwise than as a result of a decrease in the number of Units outstanding, the percentage of leverage in the Trust may constitute more than 25% of the NAV from time to time.

The interest expense and banking fees incurred in respect of the Loan Facility may exceed the incremental capital gains/losses and income generated by the incremental investment of the Common Share Portfolio, additional securities lending by the Trust and increased exposure under the Forward Agreement. In addition, the Trust may not be able to renew the Loan Facility on acceptable terms.

Operating History and Marketability of Units

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

Treatment of Proceeds of Disposition

In determining its income for tax purposes, the Trust will treat gains or losses on the disposition of securities in the Common Share Portfolio under the Forward Agreement as capital gains and losses. The Canada Revenue Agency's practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained.

If, contrary to the advice of counsel to the Trust and to the Agents or as a result of a change of law, upon physical settlement of the Forward Agreement the character and timing of the gain under the Forward Agreement were other than a capital gain on the sale of the securities thereunder, after-tax returns to Holders could be reduced and the Trust could be subject to non-refundable income tax from such transactions.

Stop Loss Rules

Any losses realized by the Trust may be denied in circumstances where the trustee of the Trust is also the trustee of other trusts where, within a certain time period, such other trusts acquire securities which are identical to those owned by the Trust.

Reliance on Manager, PIMCO, Research Affiliates, LLC and Key Personnel

Performance of the Trust is dependent directly on the Manager (which provides management services to the Trust) and, indirectly, on PIMCO (the manager of the Fund and Underlying Funds) and Research Affiliates, LLC (the Fund's asset allocation sub-advisor), and their respective key personnel. Mr. Arnott, a portfolio manager of Research Affiliates, LLC is principally responsible for providing investment advisory services to the Fund. In the event that Mr. Arnott ceases to be employed by Research Affiliates, LLC or if Research Affiliates, LLC ceases to provide investment advisory services to the Fund, the performance of the Trust may be adversely affected.

Foreign Currency Exposure

The Fund Shares are denominated in U.S. dollars and, accordingly, the NAV per Unit will, when measured in Canadian dollars, be affected by fluctuations in the value of the U.S. dollar relative to the Canadian dollar. However, the Manager intends to hedge at least 90% of such exposure to the Canadian dollar during the first two years and at least 50% of such exposure thereafter.

Conflicts of Interest

The Manager, its directors and officers, and their respective affiliates and associates may engage in the promotion, management or investment management of any other fund or trust which invests primarily in the same securities as the Trust. Similarly, PIMCO, its directors and officers, and their respective affiliates and associates may engage in the promotion, management or investment management of any other fund or trust which invests primarily in the same securities as the Fund or the Underlying Funds. Likewise, Research Affiliates, LLC, its directors and officers, and their respective affiliates and associates may engage in the promotion, management or investment management of any other fund or trust which invests primarily in the same securities as the Fund.

Although none of the directors or officers of the Manager, PIMCO or Research Affiliates, LLC will devote his or her full time to the business and affairs of the Trust (in the case of the Manager), the Fund or the Underlying Funds (in the case of PIMCO) or the Fund (in the case of Research Affiliates, LLC), 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 officers) the business and affairs of the Manager, PIMCO, Research Affiliates, LLC, the Trust, the Fund and the Underlying Funds, as applicable. The staff of the Manager may have conflicts in allocating time and services among the Trust and other portfolios they manage. Similarly, the staff of PIMCO may have conflicts in allocating time and services among the Fund, the Underlying Funds and other portfolios they manage. Likewise, the staff of Research Affiliates, LLC may have conflicts in allocating time and services among the Fund and other portfolios they manage.

In addition, the Manager, PIMCO, Research Affiliates, LLC and/or their respective affiliates, in connection with their other business activities, may acquire material non-public confidential information that may restrict them from purchasing assets or selling assets for themself or their respective clients including the Trust (in the case of the Manager), the Fund and the Underlying Funds (in the case of PIMCO) and the Fund (in the case of Research Affiliates, LLC) or otherwise using such information for the benefit of their respective clients or themself.

Status of the Trust, the Fund and the Underlying Funds

Neither the Trust, the Fund nor the Underlying Funds is regulated under Canadian securities laws as a ''mutual fund''. As a result, some of the protections provided to investors in mutual funds under such laws (including National Instrument 81-102) will not be available to investors in the Units and certain restrictions imposed on mutual funds under Canadian securities laws do not apply to the Trust, the Fund or the Underlying Funds. The Fund and each Underlying Fund is regulated by the 1940 Act.

Changes in Legislation

There can be no assurance that income tax, securities, and other laws or the interpretation and application of such laws by courts or government authorities will not be changed in a manner which adversely affects the distributions received by the Trust or by the Holders.

Liability of Holders

The Trust is a unit trust and, as such, the Holders do not receive the protection of statutorily mandated limited liability as in the case of shareholders of most Canadian corporations. There is no guarantee therefore, that Holders could not be made party to legal action in connection with the Trust. However, the Declaration of Trust will provide that no Holder, in its capacity as such, will be subject to any liability whatsoever, in tort, contract or otherwise, to any person in connection with the Trust's property or the obligations or the affairs of the Trust and all such persons shall look solely to the Trust's property for satisfaction of claims of any nature arising out of or in connection therewith and the Trust's property only shall be subject to levy or execution. Pursuant to the Declaration of Trust, the Trust will indemnify and hold harmless each Holder from any costs, damages, liabilities, expenses, charges and losses suffered by a Holder resulting from or arising out of such Holder not having limited liability.

The Declaration of Trust provides that the Trustee shall use reasonable means to cause the Trust's operations to be conducted in such a way as to minimize any such risk and, in particular, where feasible, to cause every written contract or commitment of the Trust to contain an express disavowal of liability of Holders.

In any event, it is considered that the risk of any personal liability of Holders is minimal in view of the anticipated equity of the Trust, and the nature of its activities. In the event that a Holder should be required to satisfy any obligation of the Trust, such Holder will be entitled to reimbursement from any available assets of the Trust.

Tax Proposals Regarding Deductions

On October 31, 2003 the Department of Finance announced a Tax Proposal relating to the deductibility of losses under the Tax Act. Under this Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, and can reasonably be expected to carry on, the business or has held, and can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If such tax proposal were to apply to the Trust, deductions that would otherwise reduce the Trust's taxable income could be denied with after tax returns to Holders reduced as a result. It will be necessary for the Trust to monitor its activities and this Tax Proposal, which is proposed to apply to taxation years beginning after 2004.

In the event the Tax Proposal is enacted in its current form, the Trust will endeavour to mitigate its effect on the Trust. (See ''Canadian Federal Income Tax Considerations''.)

OSC Review of Mutual Fund Trading Practices

In November 2003, the Ontario Securities Commission (the ''OSC'') initiated a general review of late trading and market timing practices in the Canadian mutual fund industry. CI Mutual Funds Inc. (''CI''), an affiliate of the Manager, has been fully cooperating with the OSC in all phases of its review. In connection with such review, CI received a letter from the OSC on September 20, 2004 in which the OSC expressed a concern that CI may have acted contrary to the public interest in permitting frequent trading to occur in certain accounts over a defined period. The OSC advised that it was contemplating proceedings as a result of this concern. The letter confirmed that the OSC's review did not find evidence of late trading practices. As of the date hereof, CI expects to respond promptly to the OSC's concerns.

The Manager primarily offers exchange-traded investment funds and does not offer mutual funds of the nature under review by the OSC. The Manager was not requested to participate in the OSC's review and closed-end investment trusts, such as the Trust, are not susceptible to the trading activities currently under such review. The

Manager does not expect the outcome of the OSC's ongoing review of CI to adversely affect the ability of the Manager to fulfill its responsibilities to the Trust. It is not possible to anticipate whether the OSC's review may otherwise have any impact on closed-end investment trusts.

Underlying Fund Risk

Because the Trust and the Fund exposes or invests, directly or indirectly, all of its assets in or to the Underlying Funds, the risks associated with investing in the Trust and the Fund are closely related to the risks associated with the securities and other investments held by the Underlying Funds. The ability of the Trust and the Fund to achieve their respective investment objectives will depend upon the ability of the Underlying Funds to achieve their investment objectives. There can be no assurance that the investment objective of any Underlying Fund will be achieved.

The net asset value of the Trust and the Fund will fluctuate in response to changes in the net asset values of the Underlying Funds in which it invests or to which it is directly or indirectly exposed. The extent to which the investment performance and risks associated with the Trust and the Fund correlate to those of a particular Underlying Fund will depend upon the extent to which the Fund's assets are allocated from time to time for investment in the Underlying Fund, which will vary. To the extent that the Fund invests a significant portion of its assets in an Underlying Fund, it will be particularly sensitive to the risks associated with that Underlying Fund.

Risks Relating to the Fund and Underlying Funds:

Allocation Risk

The Fund's investment performance depends upon how its assets are allocated and reallocated between the Underlying Funds according to the Fund's asset allocation targets and ranges. A principal risk of investing in the Fund is that the Fund will make less than optimal or poor asset allocation decisions. Research Affiliates, LLC attempts to identify allocations for the Underlying Funds that will provide consistent, quality performance for the Fund, but there is no guarantee that such allocation techniques will produce the desired results. It is possible that Research Affiliates, LLC will focus on an Underlying Fund that performs poorly or underperforms other funds under various market conditions.

Termination of the Fund

Prior to the Termination Date, the Fund may merge, terminate or otherwise discontinue its existence, in which event the Trust will terminate unless Holders of Units approve an alternative to termination of the Trust.

Interest Rate Risk

As nominal interest rates rise, the value of fixed income securities held by an Underlying Fund is likely to decrease. Securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Inflation-indexed securities, including treasury inflation-protected securities, decline in value when real interest rates rise. In certain interest rate environments, such as when real interest rates are rising faster than nominal interest rates, inflation-indexed securities may experience greater losses than other fixed income securities with similar durations.

Credit Risk

An Underlying Fund could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a derivatives contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling to make timely principal and/or interest payments, or to otherwise honour its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings. Municipal bonds are subject to the risk that litigation, legislation or other political events, local business or economic conditions, or the bankruptcy of the issuer could have a significant effect on an issuer's ability to make payments of principal and/or interest.

High Yield Risk

Underlying Funds that invest in high yield securities and unrated securities of similar credit quality may be subject to greater levels of interest rate, credit and liquidity risk than Underlying Funds that do not invest in such securities. These securities are considered predominately speculative with respect to the issuer's continuing ability to make principal and interest payments. An economic downturn or period of rising interest rates could adversely affect the market for these securities and reduce an Underlying Fund's ability to sell these securities (liquidity risk). If the issuer of a security is in default with respect to interest or principal payments, an Underlying Fund may lose its entire investment.

Market Risk

The market price of securities owned by an Underlying Fund may go up or down, sometimes rapidly or unpredictably. Securities may decline in value due to factors affecting securities markets generally or particular industries represented in the securities markets. The value of a security may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labour shortages or increased production costs and competitive conditions within an industry. During a general downturn in the securities markets, multiple asset classes may decline in value simultaneously. Equity securities generally have greater price volatility than fixed income securities.

Issuer Risk

The value of a security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or services.

Liquidity Risk

Liquidity risk exists when particular investments are difficult to purchase or sell. An Underlying Fund's investments in illiquid securities may reduce the returns of the Underlying Fund because it may be unable to sell the illiquid securities at an advantageous time or price. Underlying Funds with principal investment strategies that involve foreign securities, derivatives or securities with substantial market and/or credit risk tend to have the greatest exposure to liquidity risk.

Derivatives Risk

Derivatives are financial contracts whose value depends on, or is derived from, the value of an underlying asset, reference rate or index. The Underlying Funds typically use derivatives as a substitute for taking a position in the underlying asset and/or as part of a strategy designed to reduce exposure to other risks, such as interest rate or currency risk. The Underlying Funds may also use derivatives for leverage, in which case their use would involve leveraging risk. An Underlying Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of risks described herein. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. An Underlying Fund investing in a derivative instrument could lose more than the principal amount invested. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that an Underlying Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial.

Equity Risk

The values of equity securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labour shortages or increased production costs and competitive conditions within an industry. Equity securities generally have greater price volatility than fixed income securities.

Commodity Risk

An Underlying Fund's investments in commodity-linked derivative instruments may subject the Underlying Fund to greater volatility than investments in traditional securities. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments.

Mortgage Risk

An Underlying Fund that purchases mortgage-related securities is subject to certain additional risks. Rising interest rates tend to extend the duration of mortgage-related securities, making them more sensitive to changes in interest rates. As a result, in a period of rising interest rates, an Underlying Fund that holds mortgage-related securities may exhibit additional volatility. This is known as extension risk. In addition, mortgage-related securities are subject to prepayment risk. When interest rates decline, borrowers may pay off their mortgages sooner than expected. This can reduce the returns of an Underlying Fund because the Underlying Fund will have to reinvest that money at the lower prevailing interest rates.

Foreign Securities Risk

An Underlying Fund that invests in foreign securities may experience more rapid and extreme changes in value than an Underlying Fund that invests exclusively in securities of U.S. or Canadian companies. The securities markets of many foreign countries are relatively small, with a limited number of companies representing a small number of industries. Additionally, issuers of foreign securities are usually not subject to the same degree of regulation as U.S. or Canadian issuers. Reporting, accounting and auditing standards of foreign countries differ, in some cases significantly, from U.S. or Canadian standards. Also, nationalization, expropriation or confiscatory taxation, currency blockage, political changes or diplomatic developments could adversely affect an Underlying Fund's investments in a foreign country. In the event of nationalization, expropriation or other confiscation, an Underlying Fund could lose its entire investment in foreign securities. Adverse conditions in a certain region can adversely affect securities of other countries whose economies appear to be unrelated. To the extent that an Underlying Fund invests a significant portion of its assets in a concentrated geographic area like Eastern Europe or Asia, the Underlying Fund will generally have more exposure to regional economic risks associated with foreign investments.

European Concentration Risk

When an Underlying Fund holds or obtains exposure to European securities or indices of securities, it may be affected significantly by economic, regulatory or political developments affecting European issuers. All countries in Europe may be significantly affected by fiscal and monetary controls implemented by the European Economic and Monetary Union. Eastern European markets are relatively undeveloped and may be particularly sensitive to economic and political events affecting those countries.

Real Estate Risk

An Underlying Fund that invests in real estate-linked derivative instruments is subject to risks similar to those associated with direct ownership of real estate, including losses from casualty or condemnation, and changes in local and general economic conditions, supply and demand, interest rates, zoning laws, regulatory limitations on rents, property taxes and operating expenses. An investment in a real estate-linked derivative instrument that is linked to the value of a real estate investment trust (''REIT'') is subject to additional risks, such as poor performance by the manager of the REIT and adverse changes to the tax laws. In addition, some REITs have limited diversification because they invest in a limited number of properties, a narrow geographic area, or a single type of property. Also, the organizational documents of a REIT may contain provisions that make changes in control of the REIT difficult and time-consuming.

Emerging Markets Risk

Foreign investment risk may be particularly high to the extent that an Underlying Fund invests in emerging market securities of issuers based in countries with developing economies. These securities may present market, credit, currency, liquidity, legal, political and other risks different from, or greater than, the risks of investing in developed foreign countries.

Currency Risk

Underlying Funds that invest directly in foreign (non-U.S.) currencies or in securities that trade in, and receive revenues in, foreign (non-U.S.) currencies are subject to the risk that those currencies will decline in value relative to the U.S. dollar or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the U.S. or abroad. As a result, the Underlying Fund's investments in foreign currency-denominated securities may reduce the returns of the Underlying Fund.

Issuer Non-Diversification Risk

Focusing investments in a small number of issuers, industries or foreign currencies increases risk. Underlying Funds that are ''non-diversified'' may invest a greater percentage of their assets in the securities of a single issuer than Underlying Funds that are ''diversified.'' Underlying Funds that invest in a relatively small number of issuers are more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be. Some of those issuers also may present substantial credit or other risks. Similarly, an Underlying Fund may be more sensitive to adverse economic, business or political developments if it invests a substantial portion of its assets in the bonds of similar projects or from issuers in a single U.S. state.

Leveraging Risk

Certain transactions may give rise to a form of leverage. Such transactions may include, among others, reverse repurchase agreements, loans of portfolios securities, and the use of when-issued, delayed delivery or forward commitment transactions. The use of derivatives may also create leveraging risk. To mitigate leveraging risk in the Fund, PIMCO will segregate liquid assets or otherwise cover the transactions that may give rise to such risk. The use of leverage may cause an Underlying Fund to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations or to meet segregation requirements. Leverage, including borrowing, may cause an Underlying Fund to be more volatile than if the Underlying Fund had not been leveraged. This is because leverage tends to exaggerate the effect of any increase or decrease in the value of an Underlying Fund's portfolio securities.

Smaller Company Risk

The general risks associated with fixed income securities are particularly pronounced for securities issued by companies with smaller market capitalizations. These companies may have limited product lines, markets or financial resources or they may depend on a few key employees. As a result, they may be subject to greater levels of credit, market and issuer risk. Securities of smaller companies may trade less frequently and in lesser volumes than more widely held securities and their values may fluctuate more sharply than other securities. Companies with medium-sized market capitalizations may have risks similar to those of smaller companies.

Management Risk

Each Underlying Fund is subject to management risk because it is an actively managed investment portfolio. PIMCO and each individual portfolio manager will apply investment techniques and risk analyses in making investment decisions for the Underlying Funds, but there can be no guarantee that these will produce the desired results.

California State-Specific Risk

An Underlying Fund that concentrates its investments in California municipal bonds may be affected significantly by economic, regulatory or political developments affecting the ability of California issuers to pay interest or repay principal. Provisions of the California Constitution and State statutes which limit the taxing and spending authority of California governmental entities may impair the ability of California issuers to pay principal and/or interest on their obligations. While California's economy is broad, it does have major concentrations in high technology, aerospace and defense-related manufacturing, trade, entertainment, real estate and financial services, and may be sensitive to economic problems affecting those industries. Future California political and economic developments, constitutional amendments, legislative measures, executive orders, administrative regulations, litigation and voter initiatives could have an adverse effect on the debt obligations of California issuers.

New York State-Specific Risk

An Underlying Fund that concentrates its investments in New York municipal bonds may be affected significantly by economic, regulatory or political developments affecting the ability of New York issuers to pay interest or repay principal. Certain issuers of New York municipal bonds have experienced serious financial difficulties in the past and a reoccurrence of these difficulties may impair the ability of certain New York issuers to pay principal or interest on their obligations. The financial health of New York City affects that of the State, and when New York City experiences financial difficulty it may have an adverse affect on New York municipal bonds held by the Underlying Fund. The growth rate of New York has at times been somewhat slower than the United States overall. The economic and financial condition of New York also may be affected by various financial, social, economic and political factors.

Short Sale Risk

An Underlying Fund's short sales are subject to special risks. A short sale involves the sale by the Underlying Fund of a security that it does not own with the hope of purchasing the same security at a later date at a lower price. An Underlying Fund may also enter into a short derivative position through a futures contract or swap agreement. If the price of the security or derivative has increased during this time, then the Underlying Fund will incur a loss equal to the increase in price from the time that the short sale was entered into plus any premiums and interest paid to the third party. Therefore, short sales involve the risk that losses may be exaggerated, potentially losing more money than the actual cost of the investment. Also, there is the risk that the third party to the short sale may fail to honour its contract terms, causing a loss to the Fund.

MATERIAL CONTRACTS

Material contracts which 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:

(a) the Declaration of Trust made by the Trustee referred to under ''Declaration of Trust and Description of Units'' and ''The Trustee'';

(b) the Agency Agreement made between the Trustee, as trustee of the Trust and in its own capacity and the Agents referred to under ''Plan of Distribution'';

(c) the custodian agreement made between the Manager and Royal Trust Corporation of Canada referred to under ''Auditors, Transfer Agent, Registrar and Custodian'';

(d) the registrar, transfer agency and distribution agency agreement made between the Trustee, as trustee of the Trust, and Computershare Investor Services Inc. referred to under ''Auditors, Transfer Agent, Registrar and Custodian'';

(e) the Forward Agreement made between the Trustee, as trustee of the Trust, and the Counterparty referred to under ''Investment Guidelines of the Trust''; and

(f) the guarantee by The Toronto-Dominion Bank of the Counterparty's obligations under the Forward Agreement referred to under ''Investment Guidelines of the Trust – Investment Objectives and Strategy of the Trust''.

Copies of the contracts referred to above may be inspected during normal business hours at the offices of the Manager at CI Place, 151 Yonge Street, Tenth Floor, Toronto, Ontario, M5C 2W7 throughout the Offering period.

PROMOTER

The Manager may be considered the promoter of the Trust by reason of its initiative in forming and establishing the Trust and taking the steps necessary for the public distribution of Units. The promoter will not receive any benefits, directly or indirectly, from the issuance of Units offered hereunder other than as described under ''Fees and Expenses''.

LEGAL MATTERS

Legal matters in connection with the Offering will be passed upon on behalf of the Trust and the Manager by McCarthy Tétrault LLP and on behalf of the Agents by McMillan Binch LLP.

AUDITORS, TRANSFER AGENT, REGISTRAR AND CUSTODIAN

The auditors of the Trust are PricewaterhouseCoopers LLP, Royal Trust Tower, TD Centre, Toronto, Ontario.

Skylon Advisors Inc. will act as trustee of the Trust pursuant to the Declaration of Trust. Computershare Investor Services Inc. will act as Registrar and Transfer Agent for the Trust at its principal office in Toronto, Ontario. In addition to performing registrar and transfer agency services, the Registrar and Transfer Agent will provide certain record-keeping, unitholder reporting and general administration services pursuant to the registrar, transfer agency and distribution agency agreement to be dated as of the date of closing of the Offering.

Royal Trust Corporation of Canada will serve as custodian of the Trust pursuant to a custodian agreement dated as of November 28, 2003 between the Manager and Royal Trust Corporation of Canada. However, the custodian will not hold Common Share Portfolio securities owned by the Trust and pledged to the Counterparty.

PURCHASERS' STATUTORY RIGHTS

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

AUDITORS' CONSENT

We have read the prospectus of Skylon All Asset Trust (the ''Trust'') dated September 30, 2004 relating to the issue and sale of units of the Trust. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the Trustee of the Trust on the statement of financial position of the Trust as at September 30, 2004. Our report is dated September 30, 2004.

Toronto, Canada	(Signed) PRICEWATERHOUSECOOPERS LLP
September 30, 2004	Chartered Accountants

AUDITORS' REPORT

To the Trustee of
SKYLON ALL ASSET TRUST:

We have audited the statement of financial position of Skylon All Asset Trust (the ''Trust'') as at September 30, 2004. This financial statement is the responsibility of the Trust's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

In our opinion, this financial statement presents fairly, in all material respects, the financial position of the Trust as at September 30, 2004 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
September 30, 2004

(Signed) PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

SKYLON ALL ASSET TRUST
STATEMENT OF FINANCIAL POSITION

September 30, 2004

ASSETS

Cash	$25.00

HOLDERS' EQUITY

Holders' equity (Note 1):	
(1 Unit)	$25.00

Approved by the Trustee:

(Signed) STEPHEN A. MACPHAIL
Director

(Signed) MICHAEL J. KILLEEN
Director

Notes to the Financial Statement:

1. Units Authorized and Outstanding

Establishment of the Trust and Authorized Units

Skylon All Asset Trust (the ''Trust'') was established under the laws of the Province of Ontario on September 30, 2004 by a declaration of trust (the ''Declaration of Trust'') made by Skylon Advisors Inc. (the ''Manager'') as trustee of the Trust. The Trust is authorized to issue an unlimited number of Units. On September 30, 2004 the Trust issued one Unit for $25 cash.

2. Agency Agreement and Custodian

The Trust has engaged TD Securities Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., HSBC Securities (Canada) Inc., Raymond James Ltd., Canaccord Capital Corporation, Desjardins Securities Inc., Dundee Securities Corporation, First Associates Investments Inc., Richardson Partners Financial Limited and Wellington West Capital Inc. (collectively, the ''Agents'') to offer Units for sale to the public pursuant to a prospectus dated September 30, 2004.

Pursuant to a custodian agreement dated November 28, 2003 between the Manager and Royal Trust Corporation of Canada, the Manager has retained Royal Trust Corporation of Canada to act as custodian of the assets of the Trust.

3. Commitments

As compensation for management services rendered to the Trust pursuant to the Declaration of Trust, the Manager is entitled to receive an annual management fee in an amount equal to 0.50% of the net asset value of the Trust calculated and payable monthly in arrears plus applicable taxes and an amount equal to the service fee (the ''Service Fee'') payable to registered dealers. The Manager will pay to registered dealers an annual Service Fee equal to 0.25% of the net asset value per Unit for Units held by clients of the sales representatives of the registered dealers calculated and payable quarterly in arrears. The Trust also is responsible for paying all expenses in connection with its operation and administration and for its costs of portfolio transactions and any extraordinary expenses which may be incurred from time to time.

Under the forward agreement (the ''Forward Agreement'') to be entered into between the Trust and TD Global Finance (the ''Counterparty''), the Trust will pay to the Counterparty a fee equal to 0.50% per annum of the net asset value of the Reference Number (as defined in the Forward Agreement) of Institutional Class shares of PIMCO All Asset Fund that will determine the purchase price of the Common Share Portfolio (as defined in the Forward Agreement) under the Forward Agreement, plus a fee which may vary based on hedging costs, calculated and payable monthly in arrears.

CERTIFICATE OF THE TRUSTEE

Dated: September 30, 2004

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 9 of the *Securities Act* (Alberta), Part XI of *The Securities Act*, *1988* (Saskatchewan), Part VII of *The Securities Act* (Manitoba), Part XV of the *Securities Act* (Ontario), Part 6 of the *Securities Act* (New Brunswick), Section 63 of the *Securities Act* (Nova Scotia), Part II of the *Securities Act* (Prince Edward Island) and Part XIV of the *Securities Act* (Newfoundland and Labrador) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, as required by the *Securities Act* (Québec) and the regulations thereunder.

Skylon Advisors Inc.
as trustee of Skylon All Asset Trust

(Signed) DAVID R. MCBAIN
Chief Executive Officer

(Signed) DOUGLAS J. JAMIESON
Chief Financial Officer

On Behalf of the Board of Directors of Skylon Advisors Inc.

(Signed) STEPHEN A. MACPHAIL
Director

(Signed) MICHAEL J. KILLEEN
Director

CERTIFICATE OF THE PROMOTER

Dated: September 30, 2004

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 9 of the *Securities Act* (Alberta), Part XI of *The Securities Act, 1988* (Saskatchewan), Part VII of *The Securities Act* (Manitoba), Part XV of the *Securities Act* (Ontario), Part 6 of the *Securities Act* (New Brunswick), Section 63 of the *Securities Act* (Nova Scotia), Part II of the *Securities Act* (Prince Edward Island) and Part XIV of the *Securities Act* (Newfoundland and Labrador) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, as required by the *Securities Act* (Québec) and the regulations thereunder.

Skylon Advisors Inc., as Promoter

By: (Signed) DAVID R. MCBAIN
President

CERTIFICATE OF THE AGENTS

Dated: September 30, 2004

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 9 of the *Securities Act* (Alberta), Part XI of *The Securities Act, 1988* (Saskatchewan), Part VII of *The Securities Act* (Manitoba), Part XV of the *Securities Act* (Ontario), Part 6 of the *Securities Act* (New Brunswick), Section 64 of the *Securities Act* (Nova Scotia), Part II of the *Securities Act* (Prince Edward Island) and Part XIV of the *Securities Act* (Newfoundland and Labrador) and the respective regulations thereunder. To the best of our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, as required by the *Securities Act* (Québec) and the regulations thereunder.

TD Securities Inc.	CIBC World Markets Inc.
By: (Signed) J. David Beattie	By: (Signed) Ronald W.A. Mitchell

RBC Dominion Securities Inc.

By: (Signed) Edward V. Jackson

BMO Nesbitt Burns Inc.	National Bank Financial Inc.	Scotia Capital Inc.
By: (Signed) John B. Manning	By: (Signed) Michael D. Shuh	By: (Signed) Brian D. McChesney

HSBC Securities (Canada) Inc.	Raymond James Ltd.
By: (Signed) Deborah J. Simkins	By: (Signed) Sara Minatel

Canaccord Capital Corporation	Desjardins Securities Inc.	Dundee Securities Corporation	First Associates Investments Inc.
By: (Signed) Allan D. Strathdee	By: (Signed) Jacques Lemay	By: (Signed) David P. Styles	By: (Signed) Charles A. V. Pennock

Richardson Partners Financial Limited	Wellington West Capital Inc.
By: (Signed) Clancy T. Ethans	By: (Signed) Kevin M. Hooke

SKYLON

CBN
FINANCIAL PRINTING
Printed in Canada

241081