

Introducing...

AIC Dividend Income Fund

Discover a unique alternative to rental property income.

Think of it as your “**virtual**” real estate.

BUY. HOLD.
AND PROSPER.™



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Over the years investors have bought property ranging from apartment buildings to single dwelling homes to lakefront cottages all with the goal of earning income and a profit over the long term. It's probably safe to say that most investors were rewarded for their efforts and learned from the experience.

If you're thinking about making a similar move into rental properties, you'll need to consider more than the potential increase in value. You'll need to contemplate the advantages and disadvantages.

People invest in property for the income stream, as well as the tax advantages. While the income earned is taxed at your marginal tax rate, any rental loss (where expenses exceed gross rents) may be used to offset any other income such as employment, investment or business. As well, certain expenses incurred to help you earn rental income may also be deductible for tax purposes. Some common examples include mortgage interest, property taxes, insurance, maintenance, utilities, advertising and office expenses.

Investors should be aware that based upon existing tax rules, rental losses and expenses are generally deductible if there is no personal use or enjoyment of the property by the investor (for example, it is not also a vacation property). If there is a personal element, an investor would need to show there is a reasonable expectation of profit associated with the rental property in order to claim any losses. In addition, any expenses relating to personal use of the property are not tax deductible.

At the same time, the tax rules in this area may be changed since there is a proposal to introduce a test that will deny such deductions unless an investor can show it is reasonable to expect a cumulative profit from an investment over the anticipated period of ownership. With this uncertainty and complex tax rules, investors will need additional guidance from their tax professionals.

There are also other potential challenges that you need to think about as well – everything from declining property value to tenant turnover.

As an owner and landlord you might have to deal with:

- Illiquidity
- Agent commissions, land transfer taxes, closing costs and property appraisal and inspection costs
- Repair/renovation costs
- Unsuitable tenants and eviction problems
- Frequent tenant turnover
- High demands on your time for quick fixes and emergency repairs
- Periods of lost income due to vacancies
- Regular property maintenance
- Potential for legal actions and lawsuits
- Illegal activities taking place on your property
- Missed rent payments and collections costs
- Time consuming selling process; remember you can't sell the property room by room

When you consider all of the time and costs involved with owning and maintaining rental properties, it might not be the best income-producing investment you are looking for.

Of course, this isn't to say all rental property experiences are without merit. You might make a sound investment just like many others do. The key is to be fully prepared for the realities of rental properties, the benefits as well as the challenges that come with acting as owner and landlord.

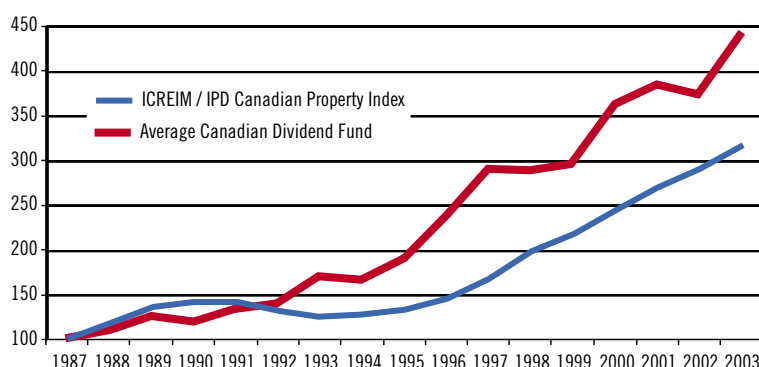
If you'd rather have an alternative investment that can free you from some of the risks and disadvantages of rental properties while still providing you with the regular monthly income stream you want – look at AIC Dividend Income Fund.

Benefits of investing in AIC Dividend Income Fund

- A monthly income
- Preservation of capital and the potential for capital appreciation
- Great liquidity – easy to buy or redeem Fund units
- More free personal time – no landlord or handyman duties
- Qualified and experienced fund management

Need more convincing? Consider this fact

Between 1987 and 2003, the average Canadian dividend fund (on a pre-tax basis) has consistently outperformed an investment in property. The ICREIM / IPD Canadian Property Index measures pre-tax return on direct investment in property, which includes net rental income plus capital appreciation.



Source: Paltrak and Investment Property Databank and Canadian Institute of Real Estate Investment Managers

Take a closer look at the costs

Costs associated with rental properties	Costs associated with AIC Dividend Income Fund
<ul style="list-style-type: none"> • Real estate commission fees¹ • Legal costs¹ • Accounting costs² • Land transfer tax¹ • Property taxes² • Utility payments² • Property repairs and maintenance² • Insurance² • Financing costs³ 	<ul style="list-style-type: none"> • Commission costs to buy AIC Dividend Income Fund (if bought using Deferred Sales Charge and held for six years, commission costs would be reduced to \$0) • 2% annual management fee on AIC Dividend Income Fund • Administrative and operating expenses of the Fund (including commissions, brokerage fees, taxes, registrar and transfer agency fees, safekeeping fees, unitholder servicing costs, costs of prospectuses and reports, regulatory fees, interest and audit and legal fees)

Did you know? Owning and renting homes takes care and cash.

- The cost of owning a detached bungalow valued at \$312,347 in the Toronto region was \$1,956 per month.
- In Vancouver, the cost of owning a detached bungalow costing \$345,791 was \$2,076 per month.

Source: Royal Bank's affordability study for the second quarter of 2004. The costs included are property taxes, utilities and mortgage payments (principal and interest) on a 25-year mortgage at a five-year fixed rate with 25% down payment. Excludes house maintenance and insurance expenses.

About AIC Dividend Income Fund

For investors who want regular income combined with preservation of capital and the prospect of growth, the new AIC Dividend Income Fund might be the answer.

The Fund will initially pay a regular monthly distribution of \$0.05 per unit, equal to an annual yield of 6.0% on the initial net asset value per unit at launch of \$10. Using the \$10 launch price as an example, an investment of \$100,000 would buy 10,000 units of the Fund and create monthly distribution before tax of \$500 (10,000 units x \$0.05). The monthly distribution could increase or decrease depending on the Fund's realized investment returns over time.

In addition, the Fund's equity investments offer the prospect for growth above and beyond the monthly distribution yield.

Tax efficiency

The Fund's monthly distributions will be comprised of one or more of Canadian dividend income, foreign dividend income, capital gains, interest income and non-taxable returns of capital. As a result, the Fund's distributions are expected to be much more tax efficient than if they were earned as interest income alone, which happens with certain fixed income investments.

Reputable, experienced management

Good property managers can go a long way to making your property investment rewarding and profitable.

If you think of AIC Dividend Income Fund as "virtual" real estate, then rest assured that your "property" is under the direction of two credible managers with proven success in wealth preservation and wealth creation.

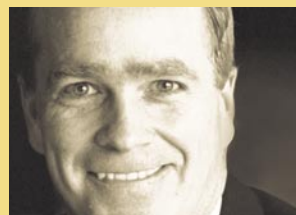
Quality tenants

It takes care and diligence to select great tenants that will make the property rental experience satisfying and fulfilling. Just like a rental property that's entrusted to the right tenants, AIC Dividend Income Fund strives to house only excellent businesses that can only be found through extensive fundamental research that screens out inappropriate stocks, leaving only a select few.

The "tenants" in this Fund include high-quality dividend-paying common shares, preferred shares as well as royalty and income trusts that meet stringent investment criteria. Every business must:

- Be domiciled in a growth industry;
- Have a history of superior profitability;
- Be in a strong financial position;
- Have no material exposure to unexpensed stock options;
- Have no material exposure to underfunded pension or other post-retirement benefit plans;
- From its purchase price, offer high appreciation potential over an investment horizon of at least five years; and
- From its purchase price, offer very limited downside risk.

Reputable, experienced management



James Cole

Senior Vice President
& Portfolio Manager

The lead portfolio manager of AIC

Dividend Income Fund is James Cole. He has more than 20 years' experience in the investment industry. He has also been the lead portfolio manager of AIC Canadian Focused Fund since its inception and of AIC Canadian Balanced Fund since September 2002.



Robert Almeida

Senior Vice President
& Portfolio Manager

Robert Almeida also serves as a portfolio manager on AIC Dividend Income Fund. Robert is also portfolio manager on AIC Advantage Fund and AIC Advantage Fund II, holds a chartered accountant designation and was a senior executive with Loblaw Companies Limited and Canadian Imperial Bank of Commerce before joining AIC.

AIC's STRATEGY FOR SUCCESS:

BUY.

A simple summary of our approach to mutual funds at AIC is this: choose the right heroes and keep the faith. We buy into excellent companies – the best of the best – in strong, long-term growth industries and we hold these investments for the long run. The goal is a better rate of return for our clients.

HOLD.

Stand for nothing and you are likely to fall for everything. The truth is, bears, bulls and other unpredictable market influences eventually disappoint short-term investors who focus on share prices rather than a company's true worth. At AIC, we stick with the quality businesses in which we invest.

AND PROSPER.

Prosperity to us means meeting the three objectives of investing. It means preserving your principal over the long term. It means growing your money at a good rate. And it means protecting your investment from the ravages of taxes. It's really quite simple. And the results over the long term are something to behold. Of course, what you do with your prosperity in the end is up to you.



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¹ These costs are added to the adjusted cost base of an investment (rental) property to reduce capital gain or increase capital loss on the ultimate sale of a property.

² Tax deductible against rental income reported for tax purposes.

³ Interest portion of mortgage costs tax deductible against rental income reported for tax purposes. Principal payments are not tax deductible.

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