



Simplified Prospectus

Offering Series A, F and O units of:

**REDWOOD DIVERSIFIED EQUITY FUND
REDWOOD DIVERSIFIED INCOME FUND
REDWOOD GLOBAL SMALL CAP FUND**

June 21, 2011

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The funds and the securities of the funds offered under this simplified prospectus are not registered with the United States Securities and Exchange Commission and are sold in such jurisdiction only in reliance on exemptions from such qualification or registration.

Table of Contents

Introduction	1
What is a mutual fund and what are the risks of investing in a mutual fund?	2
What is a mutual fund?	2
How mutual funds are structured	2
What are the general risks of investing in a mutual fund?	2
What are the specific risks of investing in a mutual fund?	3
Organization and Management of Redwood Mutual Funds	9
Purchases, switches and redemptions	11
Valuation of a Fund	11
Delivery of Notices	11
Series of Units	11
How to purchase funds	12
Switching units of the Funds	12
Switch Fees	13
Changing Series Within the Same Fund	13
Short-term trading	13
Redemption of Units	13
Redemption of nominal amounts for Series A or F units	14
Minimum balances for Series O units	14
Suspension of redemptions	14
Fees and Expenses	15
Fees and expenses payable by the Funds	15
Fees and expenses payable by you	17
Impact of sales charges	18
Dealer Compensation	19
Sales Commissions	19
Trailing commissions	19
Other kinds of Dealer Compensation	19
Dealer Compensation from Management Fees	19
Income Tax Consideration for Investors	20
What are your legal rights?	22
Specific information about each of the mutual funds described in this document	23
Redwood Diversified Equity Fund	27
Redwood Diversified Income Fund	30
Redwood Global Small Cap Fund	33

Introduction

This document contains selected important information to help you make an informed investment decision and understand your rights as an investor.

Throughout this document:

- “we”, “us”, and “our” refer to Redwood Asset Management Inc.
- “you” refers to the reader as a potential investor in the Funds
- “Redwood Mutual Funds”, “Fund” or “Funds” refers to one or more of the mutual funds listed on the front cover of this Simplified Prospectus
- “dealer” refers to both the dealer firm and the representative registered in your province or territory who advises you on your investments
- unless otherwise noted, all dollar figures are in Canadian dollars

This Simplified Prospectus is divided into two parts. The first part, from pages 1 to 26, contains basic information about mutual funds and general information applicable to all of Redwood Mutual Funds. The second part, from pages 27 to 35, contains specified information about each of the Funds described in this document.

You can find additional information about each Fund in its Annual Information Form (“AIF”), the most recently filed Fund Facts, the most recently filed annual financial statements and any interim financial statements of the Fund filed after the date of the annual financial statements, and the most recently filed annual management reports of the Funds’ performance or any interim management report of the Funds’ performance filed after that annual report of the Funds’ performance. Each of these documents are incorporated by reference into this document, which means they legally form part of this document just as if they were printed as part of it. The AIF and the audited financial statements are referred to throughout this Simplified Prospectus.

For a free copy of the any of the Funds’ documents described above, including a statement of portfolio transactions, call (416) 368-8898 or 1-877-313-7011 or visit Redwood’s website at www.redwoodasset.com. You may find these documents and other information about Redwood Mutual Funds at www.sedar.com.

What is a mutual fund and what are the risks of investing in a mutual fund?

What is a mutual fund?

A mutual fund is a pool of investments managed by professional money managers. When you invest in a mutual fund, you're actually pooling your money with other people who have similar investment goals. A professional portfolio manager invests that money on behalf of the whole group in accordance with the objectives of the mutual fund. These "portfolio managers" have the resources to continually review all investments in the mutual fund, a task most investors cannot or simply do not have the time to perform.

Mutual fund companies keep track of each investor's share of the pool by selling mutual funds in units or shares. Mutual fund unitholders share the fund's income, expenses, and the gains and losses the fund makes on its investments generally in proportion to the units they own. Where a mutual fund issues more than one series, a unitholder's share in the mutual fund's income, expenses and the gains and losses are allocated to the unitholder's series generally in proportion to the units of that series that the unitholder owns.

One of the major benefits of a mutual fund is diversification. A mutual fund will own a number of securities issued by different governments or companies within the same portfolio. In addition, mutual funds come in many varieties that are designed to meet the differing needs of investors. A fund could hold investments like stocks, bonds, cash, derivatives or some combination of these, depending on its investment objective.

The value of the investments held by a mutual fund will change from day to day, reflecting changes in interest rates or exchange rates, economic conditions, or news about the companies or other entities the mutual fund invests in. When the value of the investment changes, it can make the price of the mutual fund unit's rise or fall and, when you redeem your investment in a mutual fund, its value may be more or less than when you purchased it.

How mutual funds are structured

A mutual fund can be set up as a mutual fund trust or as a mutual fund corporation. Both allow you to pool your money with other investors, but there are some differences. When you invest in a mutual fund trust, you buy units of a trust. When you invest in a mutual fund corporation, you buy shares of a corporation. A mutual fund corporation can issue several classes of shares. Simply put, each share class works like a separate mutual fund with its own investment objectives.

The main difference between an investment in a mutual fund trust and an investment in a mutual fund corporation is how your investment is taxed, which may be important if you're investing outside a registered plan. Unlike mutual funds trusts, you can switch between classes of securities of a mutual fund corporation without paying taxes on capital gains at the time of the switch. A mutual fund corporation distributes its earnings by declaring ordinary dividends or capital gains dividends. A mutual fund trust distributes all of its income and sufficient net realized capital gains so that the fund will not be subject to tax. These distributions to Unitholders will retain the same character for tax purposes (i.e. income or capital gain) as experienced by the mutual fund trust.

What are the general risks of investing in a mutual fund?

Risk varies from one mutual fund to another. You can measure risk by how often the mutual fund's value changes and how big the changes tend to be. This is called volatility.

Every mutual fund has a different degree of volatility, which depends largely on the securities in which the mutual fund invests. For example, if a mutual fund invests only in interest-paying money market instruments offered by the Canadian government, it will be subject to very little volatility. That's because the government guarantees to pay a certain interest rate and there's little chance it will fail to keep its promise. On the other

hand, some mutual funds invest heavily in technology stocks. Technology stocks can have frequent, large changes in value as their products go in and out of favour, so mutual funds that invest mostly in technology stocks can be quite volatile.

Risk is the chance that your investment may not perform as expected over a certain period of time. Investment risk represents the chance of investment loss. There are different degrees and types of risks but, in general, the more risk you are willing to accept as an investor, the higher the potential returns and the greater the potential losses. The key to reducing the overall volatility of your portfolio is to hold a wide variety of investments.

Fluctuation

Mutual funds own different types of investments, depending upon their investment objectives. The net asset value (“NAV”) of a fund is determined by subtracting a mutual fund’s liabilities from its total assets (which include the cash and securities in its portfolio). By dividing this figure (net assets) by the total number of units outstanding in the fund, one arrives at the NAV per unit for the mutual fund. The NAV of a fund, and the price of your units, will fluctuate with changes in the market value of the fund’s particular investments. As a result, the value of your investment in a mutual fund may be more or less when you redeem it than when you purchased it.

Your investment is not guaranteed

The value of your investment in any Redwood Mutual Fund is not guaranteed. Unlike bank accounts or guaranteed investment certificates, mutual funds are not covered by the Canadian Deposit Insurance Corporation or any other government deposit insurer.

Redemptions may be suspended

Under exceptional circumstances, a mutual fund may not allow you to redeem your units. See “Purchases, switches and redemptions” beginning on page 11 for more information.

What are the specific risks of investing in a mutual fund?

In addition to the general risks of mutual fund investing, each mutual fund carries specific risks depending on its particular investments and strategies. In the description of each Redwood Mutual Fund, you will see what those risks are and how we use strategies to manage those risks. The following risk factors are listed in alphabetical order.

Credit risk

Credit risk is the risk that the company or government that issued a bond or other fixed-income security is unable to pay interest or repay principal when due or at all. Companies and governments that borrow money, and the debt securities they issue, are rated by specialized rating agencies. This risk is lowest for those issuers that have received a high credit rating from a credit rating agency and is highest for those issuers that have a low credit rating or no credit rating. The prices of securities with a low rating or no rating tend to fluctuate more than securities with higher ratings. They usually offer higher interest rates, which may help to compensate for the higher credit risk.

Currency risk

Each Fund's investments are valued in Canadian dollars. When a Fund buys foreign securities, however, they are purchased with foreign currency. As foreign currencies fluctuate in value against the Canadian dollar, an unfavourable move in exchange rates may reduce, or even eliminate, any return on a foreign security. The opposite can also be true, namely, the Fund can benefit from changes in exchange rates.

Sometimes certain foreign governments may restrict the ability to exchange currencies. Our ability to make distributions or process redemptions assumes the continuing free exchange of the currencies to which a Fund is invested.

To manage the risk of foreign currency fluctuations and restrictions, certain Funds may purchase forward currency contracts with another party. The use of forward currency contracts poses a risk that the other party may not be able to meet its obligations under the contract. There is also a risk that the use of such contracts may not be effective.

Derivatives Risk

The Funds each may invest in clearing corporation options and listed warrants to the extent and for the purposes permitted by Canadian securities authorities. The Funds may also write covered clearing corporation call options. An investment in a derivative may be a means of obtaining a leveraged position in the underlying security. The value of a derivative may change more than proportionately to changes in value of the underlying security. Writing covered clearing corporation call options is a means of obtaining income related to the premium associated with the option at the time of writing, although any capital gains would be limited by the exercise price of the option. The Funds may use derivatives for both hedging and non-hedging purposes.

The primary risk associated with an investment in a derivative instrument is that its value can be reduced to nil or a nominal amount if the price of the underlying security should decrease significantly below the exercise price (in the case of a call option or warrant) or increase significantly above the exercise price (in the case of a put option). Also, because permitted derivatives have a limited term, their value is influenced by the length of time to expiry. Some other risks of investing in derivatives are described below. No assurances can be provided that a Portfolio's hedging strategies will be effective. There may be an imperfect historical correlation between changes in the market value of the investment or attributes of the investment (including currency exposure) being hedged and the instrument with which the investment or attribute is hedged.

Any historical correlation may not continue for the period during which the hedge is in place. Hedging against changes in stock markets or interest rates does not eliminate fluctuations in the prices of portfolio securities or prevent losses if the prices of such securities decline. Similarly, no assurances can be provided that a liquid exchange or over-the-counter market will exist to permit the Funds to realize their profits or limit their losses by closing out positions.

The Funds are subject to the credit risk that their counterparties may be unable to meet their obligations. There is also a risk of loss of margin deposits in the event of bankruptcy of a dealer with whom the Funds have an open position in an option or futures or forward contract.

Derivative investments traded in foreign markets may offer less liquidity and greater credit risk than comparable instruments traded in North American markets. The Funds' ability to close out their positions may also be affected by stock exchange imposed daily trading limits on options and futures contracts. If the Funds are unable to close out a position, they will be unable to realize profits or limit losses until such time as the option becomes exercisable or expires or the futures or forward contract terminates, as the case may be. If the Funds are unable to close out options, futures or forward positions, that could have an adverse impact on the Funds' ability to use derivatives to hedge its portfolio effectively or implement its investment strategy.

Stock index options and futures contracts present the additional risk that index prices may be distorted if trading of certain stocks included in the index is interrupted. Trading in these derivative instruments also may be interrupted if trading is halted in a substantial number of stocks included in the index. If this occurred, the Funds would be unable to close out their options and futures positions, and if restrictions on exercise of the options or performance of the futures contracts were imposed, the Funds might experience substantial losses.

Equity risk

Companies issue equity securities, like shares, to raise money to finance their operations and future growth. Funds that purchase equities become shareholders of these companies. Equity share ownership does not provide a guaranteed return. The price of a share is influenced by numerous factors including: the health of the overall economy; the capability and integrity of a company's management; and the stability and longevity of demand for a company's products.

For small companies, start-ups and companies in emerging sectors, generally, the greater the potential reward, the greater the risk. Some of the products and services offered by technology companies, for example, can become obsolete as science and technology advance.

Certain convertible securities may also be subject to interest rate risk.

Fixed income risk

Fixed income securities are subject to risks resulting from changes in interest rates and from credit risk. Prices of fixed income securities generally increase when interest rates decline, and decrease when interest rates rise. Prices of longer-term fixed income securities generally fluctuate more in response to interest rate changes than do shorter-term securities. Credit risk is the risk that the company or government that issued a bond or other fixed-income security is unable to pay interest or repay principal when due or at all.

Foreign investment risk

When a fund invests in foreign securities, its value is affected by the economic, political and financial environments in the country of the government or company that issued that security. While the United States market has standards that are similar to those in Canada, other foreign markets may not. For example, some foreign markets may not be as well regulated as Canadian and United States markets. Their laws might make it difficult to protect investor rights. The political climate might be less stable. Business disclosure and accounting standards may be less stringent than in Canada and the United States making it difficult to obtain complete information about a potential investment. As a result, the value of foreign securities, and the value of funds that hold them, may rise or fall more rapidly and to a greater degree than Canadian and U.S. investments. In general, securities issued in more developed markets, like western Europe, have low foreign investment risk. Securities issued in emerging or developing markets, like Southeast Asia or Latin America, have higher foreign investment risk.

Funds that concentrate their investments in a single country or region of the world tend to be riskier than funds with greater geographic diversification because prices of securities in the same markets tend to move up and down together.

Industry concentration risk

Some mutual funds concentrate their investments in a particular industry, or sector, of the economy. This allows the fund to focus on that industry's potential, but it also means that they tend to be more volatile than funds that invest in many industries. Securities in the same industry tend to be affected in the same way by changes in economic, regulatory, financial and market conditions. These funds must continue to invest in a particular industry, even if the industry is performing poorly. That means the funds will not be able to reduce risk by diversifying their investments into other industries.

Interest rate risk

Fixed-income securities, which include bonds, mortgages, treasury bills and commercial paper, pay a fixed rate of interest which is fixed when the instrument is issued. The value of funds that purchase fixed-income securities will rise and fall as interest rates change. For example, when interest rates fall, the value of an existing bond will rise because the interest rate on that bond has increased relative to the market rate. Conversely, if interest rates rise, the value of an existing bond will fall. Some securities may be illiquid due to legal restrictions; the nature of the investment; certain investment features (i.e. guarantees); and/or investor disinterest in a particular security, company or market. Difficulty in selling securities may result in a loss or reduced return for a mutual fund.

Issuer concentration risk

Some mutual funds concentrate their investments in a particular issuer. This allows them to focus on that issuer's potential, but it also means that they tend to be more volatile than more diversified mutual funds. Their liquidity, and therefore their ability to satisfy redemption requests, may be adversely affected. And because these mutual funds invest in fewer issuers, they're affected more by the performance of individual issuers. These mutual funds may be riskier than other mutual funds that hold a greater number of issuers in their Funds.

Large transaction risk

Any large transaction made by an institutional or individual investor could significantly impact a fund's cash flow. If the investor buys a large amount of securities of a fund, the fund could temporarily have a high cash balance. Conversely, if the investor redeems a large amount of securities of a fund, the fund may be required to fund the redemption by selling securities at an inopportune time. This unexpected sale may have a negative impact on the performance of your investment.

Liquidity risk

Some securities may be difficult to buy or sell because they're not well known or because political or economic events significantly affect them. These include investment in specific sectors, especially commodity sectors, and investments in developing or smaller markets. In addition, smaller companies may be hard to value because they're developing new products or services for which there is not yet a developed market or revenue stream. They may only have a small number of shares in the market, which may make it difficult for a mutual fund to buy or sell shares when it wants to. The value of mutual funds that hold these investments may rise or fall substantially.

Multi-series risk

The Redwood Mutual Funds issue multiple series of units. Each series of units has its own fees and expenses, which are tracked separately. If, however, there are insufficient assets attributable to a series to pay that series' expenses, the other series are responsible for making up the difference. This is because a mutual fund as a whole is legally responsible for the financial obligations of all of its series.

Regulatory risk

Some industries, such as health care and telecommunications, are heavily-regulated and may receive government funding. Investments in these sectors may be substantially affected by changes in government policy, such as deregulation or reduced government funding. The value of Funds that buy these investments may rise and fall substantially.

Securities lending and repurchase and reverse repurchase transaction risk

Mutual funds may engage in securities lending, repurchase and reverse repurchase transactions.

A securities lending transaction is where a fund lends portfolio securities that it owns to a third party borrower. The borrower promises to return to the fund at a later date an equal number of the same securities and to pay a fee to the fund for borrowing the securities. While the securities are borrowed, the borrower provides the fund with collateral consisting of a combination of cash and securities. In this way, the fund retains exposure to changes in the value of the borrowed securities while earning additional fees.

A repurchase transaction is where a fund sells portfolio securities that it owns to a third party for cash and simultaneously agrees to buy back the securities at a later date at a specified price using the cash received by the fund from the third party. While the fund retains its exposure to changes in the value of the portfolio securities, it also earns fees for participating in the repurchase transaction.

A reverse repurchase transaction is where a fund purchases certain types of debt securities from a third party and simultaneously agrees to sell the securities back to the third party at a later date at a specified price. The difference between the fund's purchase price for the debt instruments and the resale price provides the fund with additional income.

The risks associated with securities lending, repurchase or reverse repurchase transactions arise when a counterparty defaults under the agreement evidencing the transaction and the mutual fund is forced to make a claim in order to recover its investment. In a securities lending or a repurchase transaction, a mutual fund could incur a loss if the value of the securities loaned or sold has increased in value relative to the value of the collateral held by the mutual fund. In the case of a reverse repurchase transaction, a mutual fund could incur a loss if the value of the securities purchased by the mutual fund decreases in value relative to the value of the collateral held by the mutual fund.

To limit these risks:

- the collateral held by the mutual fund must equal at least 102% of the market value of the security sold, loaned or cash paid (the collateral is adjusted on each business day to ensure that this value is maintained)
- repurchase transactions and securities lending agreements are limited to 50% of a mutual fund's assets. Collateral held for loaned securities and cash paid for received securities are not included when making this calculation.

Short selling risk

The Funds may engage in a disciplined amount of short selling. A “short sale” is where a fund borrows securities from a lender and then sells the borrowed securities (or sells short the securities) in the open market. At a later date, the same number of securities are repurchased by the fund and returned to the lender. In the interim, the proceeds from the first sale are deposited with the lender and the fund pays interest to the lender. If the value of the securities declines between the time that the fund borrows the securities and the time it repurchases and returns the securities, the fund makes a profit for the difference (less any interest the fund pays to the lender). Short selling securities involves certain risks. There is no assurance that securities will decline in value during the period of the short sale sufficient to offset the interest paid by the fund and make a profit for the fund, and securities sold short may instead increase in value. The fund may also experience difficulties repurchasing and returning the borrowed securities if a liquid market for the securities does not exist. The lender from whom the fund has borrowed securities may go bankrupt and the fund may lose the collateral it has deposited with the lender. Each fund that engages in short selling will adhere to controls and limits that are intended to offset these risks by selling short only securities of larger issuers for which a liquid market is expected to be maintained and by limiting the amount of exposure for short sales. The funds also will deposit collateral only with lenders that meet certain criteria for creditworthiness and only up to certain limits. Although some funds may not themselves engage in short selling, they may be exposed to short selling risk because the underlying funds in which they invest may be engaged in short selling.

Small cap risk

Capitalization is a measure of the value of a company. Companies with small capitalizations may not have a well developed or liquid market for their securities. Accordingly, these securities may be difficult to trade, making their prices more volatile than securities of companies with large capitalization.

Substantial unitholder risk

The purchase or redemption of a substantial number of securities of a fund may require the portfolio manager to change the composition of the mutual fund’s portfolio significantly or may force the portfolio manager to buy or sell investments at unfavourable prices, which can affect a mutual fund’s returns. Therefore, the redemption of securities by a substantial unitholder may adversely affect the performance of a mutual fund.

Trust unit risk

Mutual funds that invest in trust units, such as oil and gas royalty trusts, real estate investment trusts, limited partnerships and income trusts, will have varying degrees of risk depending on the sector and the underlying asset. These may include business developments such as a decision to expand into a new type of business, the entering into of a favourable supply contract, the cancellation by a material customer of its contract, a material lawsuit, etc. Trust units are often more volatile than government bonds, corporate bonds and preferred shares.

Organization and Management of Redwood Mutual Funds

Manager

Redwood Asset Management Inc. 120 Adelaide Street West Suite 2400 Toronto, Ontario M5H 1T1	The manager is responsible for the day-to-day management of the business and operations of the Funds.
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Trustee

Redwood Asset Management Inc. Toronto, Ontario	The trustee holds actual title to the property in the Funds on behalf of unitholders.
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Portfolio Adviser

LDIC Inc. Toronto, Ontario	The Portfolio Adviser manages the investment portfolio of the Funds, provides analysis and makes decisions relating to the investments of the Funds' assets.
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Custodian

RBC Dominion Securities Inc. Toronto, Ontario	The Custodian holds the mutual funds' cash and securities on behalf of each mutual fund. The Custodian is independent of the Manager and the Trustee.
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Registrar

KeiData BackOffice Solutions Inc. Toronto, Ontario	The registrar keeps a register of the owners of units of each of the Funds, processes purchase, switch and redemption orders, issues account statements and issues annual tax reporting information.
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Auditor

Collins Barrow Toronto LLP Toronto, Ontario	The auditor carries out an audit and provides an opinion on each of the Fund's annual financial statements. The auditor is independent of the Manager and Trustee.
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You will not be asked to approve a change in the Funds' auditors; however, we will provide you at least 60 days written notice before the effective date of the change.

Independent Review Committee

We have established an independent review committee (the “IRC”) for all Redwood Mutual Funds pursuant to the requirements set out in National Instrument 81-107 – *Independent Review Committee for Investment Funds* (“NI 81-107”). The IRC’s role is to oversee all decisions involving actual or perceived conflict of interest faced by us in respect of the Redwood Mutual Funds. The IRC is responsible for reviewing, and providing input on, our written policies and procedures which deal with conflict of interest matters and reviewing such conflict of interest matters.

The IRC members are William Christopher Marshall (Chair), Paul Abrams and Dennis Breker. As required under NI 81-107, each of the IRC members is independent of us and any party related to us. Potential conflicts of interest reviewed by the IRC include situations where a reasonable person would consider us or a related entity of us to have an interest that may conflict with its ability to act in good faith and in the best interests of the Redwood Mutual Funds and a conflict in respect of exceeding the limitations of applicable legislation.

The IRC conducts its review at least annually and provides us with a written report of its assessment. For each financial year of the Fund, the IRC delivers a report of its activities to the unitholders of the Fund, which report is available on our website at www.redwoodasset.com, or at the unitholder’s request, at no cost, by contacting us at (416) 368-8898 or toll-free at 1-877-313-7011.

The fees and expenses of the IRC are allocated among the Redwood Mutual Funds in a manner that is considered by the IRC to be fair and reasonable to the Funds.

In certain circumstances, your approval may not be required under securities legislation to effect a merger of Funds. Where the IRC is permitted under securities legislation to approve a merger of Funds in place of unitholders, you will receive at least 60 days written notice before the date of the merger.

Additional information about the IRC is available in the AIF.

Purchases, switches and redemptions

Units of each Fund are offered on a continuous basis in each of the provinces and territories of Canada. We reserve the right, from time to time, to “cap” or “close” a Fund or any series of a Fund if it is determined to be in the best interest of a Fund or series of a Fund and the unitholders. If we do “cap” or “close” a Fund or a series of a Fund, it may be re-opened for investment at our sole discretion. Any “capping” or “closing” of a Fund or any series of a Fund will not impact redemption rights of unitholders. Units of the Funds may be purchased, switched (transferred from one Fund to another) or redeemed through a registered dealer in these jurisdictions.

Valuation of a Fund

The value of a mutual fund is its net asset value (“NAV”). We calculate a separate NAV for each series of units of the Funds. The NAV per series is calculated by adding together the total of the series’ share of a Fund’s assets and subtracting the total of the liabilities allocated to that series of units. The NAV of each series of units of a Fund is calculated at the close of business each day of the week on which the Toronto Stock Exchange is open for trading (the “Valuation Date”). Once the NAV of a series of units of a Fund is determined, the NAV for each unit of that series can be calculated by dividing the series NAV by the total number of units outstanding in that series of the Fund.

Delivery of Notices

Units are purchased, switched or redeemed at their NAV per unit. Please see “Valuation of a Fund” above for details on how to calculate the NAV for each series of units. If we receive a completed purchase, switch or redemption order on or before 4:00 p.m. (EST) on any Valuation Date, it will be processed at the NAV per unit on that Valuation Date. If we receive the order after that time, it will be processed at the NAV per unit calculated on the next Valuation Date.

Further details concerning the valuation of each Fund’s securities are included in the AIF.

Series of Units

Each Fund is permitted, subject to the discretion of the Trustee, to have an unlimited number of series of units and may issue an unlimited number of units of each series. As of the date of this Simplified Prospectus, each of the Funds were authorized to issue Series A, F and O units. We may create new series of units from time to time at our discretion.

Series A units of each of the Funds are available to all investors. Series A units are available only on a sales charge basis where you negotiate and pay your dealer a sales charge of up to 5% of the amount invested at the time you purchase units.

Series O units are special purpose securities not sold to the general public. They are used in fund of fund arrangements and are available to large institutional investors as we may determine from time to time on a case-by-case basis. No management fees are charged to the Funds with respect to the Series O units. Instead, each Series O investor negotiates a separate fee that is paid directly to us. Series O units are not generally sold through dealers. There are no sales commissions payable to dealers on the sale of these units. If a top fund managed by us purchases Series O securities of an underlying fund, no management fee is paid by the top fund in respect of those securities.

Series F units of each of the Funds are available to investors who: (i) participate in a dealer-sponsored “fee for service” or wrap program and who periodically pay their dealer an asset-based fee rather than commissions on each transaction; and (ii) any other groups of investors for whom we do not incur distribution costs. Series F units are designed for investors participating in programs that already charge a fee for the advice they are

receiving and do not require us to incur distribution costs in the form of trailer commissions to dealers. We are able to reduce the management fee on the Series F units because the costs to distribute the units are lower and investors eligible to purchase the units have already entered into an agreement to pay fees directly to their dealer. In order to participate in the Series F units, we must receive confirmation from your dealer that you are enrolled in an eligible program as described above. Dealer participation in the Series F program is subject to terms and conditions established by us from time to time. There are no sales charges payable to dealers when the units are redeemed or purchased (other than a short-term trading fee, which may apply).

In the event that you are no longer eligible to hold Series F units, the Funds may require you to change your Series F units into another series of units of the same Fund after providing you with 30 days notice. This change will not be made if you advise us during the notice period and we agree that you are once again eligible to hold Series F units. Upon a change to another series of units, your dealer may charge you a change fee and/or front-end sales charge.

The money that you and other investors pay to purchase securities of any series is tracked on a series-by-series basis on your Fund's administration records. However, the assets of all series of a Fund are combined in a single pool to create one portfolio for investment purposes.

How to purchase funds

You may purchase units of any Fund through your dealer. The minimum subscription for an initial purchase of Series A and F units in the Funds is \$5,000.00 (before deduction of commission). After your first investment, you can make further investments in the Funds in any amount, subject to a minimum amount of \$1,000.00. We require an investor purchasing Series O units to make a minimum initial investment of \$100,000 per Fund.

Once you have given a purchase order to your dealer, the dealer must send your order to us on the same day it is received. It is the responsibility of your dealer to transmit orders to us in a timely manner and to assume all related costs. We have the right to accept or reject any purchase order within one business day of receiving the order. If an order is rejected, any amounts received will be returned to your dealer immediately. If your cheque for the purchase of units is not honoured for any reason, we may reverse the purchase order and hold you responsible for any costs involved.

If we don't receive payment and all the necessary documents within three business days of processing your purchase order, securities regulations require us to redeem your units on the next business day which will be valued at the NAV per unit calculated as of the next Valuation Date. If the proceeds are greater than the payment you owe, the Fund is required to keep the difference. If the proceeds are less than the payment you owe, your dealer will be required to pay the difference, and may wish to collect this amount plus the expenses of doing so from you. Your dealer has the right to collect these amounts from you.

If you purchase securities of a Fund during a period when the NAV is suspended, you may either withdraw your purchase order prior to the end of the suspension period or receive the units based on the NAV per unit first calculated following the end of the suspension period.

Switching units of the Funds

You may switch units of a Fund for units of another Fund at any time through your dealer provided the minimum investment requirements are met. A switch is a redemption of the units of the Fund you then own, and a purchase of units in the other Fund.

Switch Fees

Your dealer may charge you a switch fee of up to 2% based on the value of the switched units and you may be charged a short-term trading fee if you switch units within certain time periods. Please see "Short-term trading fees" below for additional information. A switch is treated as a redemption followed by a purchase. You may

realize tax consequences on any switch of Fund units. Please see “Income Tax Considerations for Investors” commencing on page 20 for more information.

Changing Series within the Same Fund

Assuming you meet the relevant eligibility criteria for investment in a particular series of units, you may change between series of units of the same Fund through your dealer who may charge you a changing fee of up to 2% of the amount you change. See “Fees and Expenses” on page 15.

A change between series of the same Fund occurs by redesignating your existing units as units of another series. A change between series of units of the same Fund is not considered a disposition for tax purposes. See “Income Tax Considerations for Investors” on page 20 for more details.

Short-term trading

Short-term trading in units of the Fund can have an adverse effect on the Fund. Such trading can increase brokerage and other administrative costs of the Fund and interfere with the long-term investment decisions of the Portfolio Adviser.

We have adopted certain restrictions to deter short-term trading. If you redeem or switch securities of any of the Funds within six months of purchase, you may be charged a short-term trading fee of up to 5% of the value of the units redeemed or switched. We may refund or waive either of these fees at our discretion in special circumstances. Short-term trading fees are paid to the Fund from which the securities are redeemed or switched and are in addition to any other redemption or switch fees that may be payable.

In addition to any applicable short-term trading fees, we may, in our sole discretion, refuse future purchase or switch orders if we determine that your trading activities may be detrimental to the Funds.

While these restrictions and our monitoring attempt to deter short-term trading, we cannot ensure that such trading will be completely eliminated.

Redemption of Units

You may redeem all or a portion of your units of the Funds at any time. The amount you will receive is the NAV of the units redeemed less any short-term trading fees and/or withholding taxes that may apply.

You must give redemption instructions in writing to your dealer. The redemption instructions must also bear a signature guaranteed by a Canadian chartered bank, trust company or member of a public stock exchange in Canada or be guaranteed to our satisfaction. Additional documentation may be required if the investor is a corporation, partnership, agent, a trustee acting for someone else or a surviving joint owner. If the redemption request relates to a registered plan, additional documentation or withholdings, as required by the Canada Revenue Agency, may be required.

Your dealer must forward your redemption request on the same day it is received. Whenever possible, a dealer is required to transmit redemption request by courier, Priority Post or telecommunications facilities. It is the responsibility of your dealer to transmit orders to use in a timely manner and to assume all associated costs.

We will pay the redemption proceeds within three business days of the applicable Valuation Date in respect of the redemption. If all necessary documents are not received by us within ten business days of receiving a redemption request, you will be deemed to repurchase the units on the tenth business day and the units will be valued at the NAV per unit calculated as of the next Valuation Date. The redemption proceeds will be applied to the payment of the issue price of the units. If the cost to repurchase the units is less than the redemption proceeds, the difference will belong to the Fund. Any shortfall will initially be paid to the Fund by us. We will

be entitled to collect such amount, together with the charges and expenses incurred, with interest, from the dealer who placed the redemption request. Your dealer has the right to collect these amounts from you.

Redemption of nominal amounts for Series A or F units

Due to the relatively high cost of maintaining smaller denominated accounts, a Fund reserves the right to redeem the Series A or F units of the Fund in any account (other than registered retirement income funds) if, at any time, the aggregate NAV of such units is less than \$1,000. Unitholders will be notified and allowed 30 days to make additional investments to increase the aggregate NAV of units of the Fund in their account to not less than \$1,000 before the redemption is processed.

Minimum balances for Series O units

If, at any time, the value of your Series O units of a Fund is less than \$100,000, the Fund may require you to change your Series O units into Series A units of the same Fund. Unitholders will be notified and allowed 30 days to make additional investments to increase the value of the Series O units to \$100,000 in the Fund before the change is processed.

Suspension of redemptions

Under exceptional circumstances we may be unable to process your redemption order and would be required, therefore, to suspend redemptions. This would most likely occur if (i) market trading has been suspended on the stock exchanges on which a significant portion of the Fund's assets are listed; or (ii) the Fund receives prior permission from the Ontario Securities Commission to do so.

During any period of suspension there will be no calculation of NAV and no units will be issued, switched or redeemed by the Fund. The calculation of the NAV per unit will resume when trading resumes on the exchange or with the permission of the Ontario Securities Commission.

If the right to redeem units of a Fund is suspended and you make a redemption request during that period, you may either withdraw your redemption request prior to the end of the suspension period or your units will be redeemed by the Fund in accordance with the redemption request at the NAV first calculated following the end of the suspension period.

Fees and Expenses

The following tables show the fees and expenses you will have to pay if you invest in the Funds. Some of these fees you may pay directly, and other fees may be payable by the Funds, which will reduce the value of your investments in the Funds.

Unitholder approval is required to charge a new fee or expense or to change the basis of the calculation of a fee or expense charged to a Fund, or directly to unitholders by the Fund or by Redwood in connection with holding units of a Fund, if the change could result in an increase in charges to the Fund or its unitholders. Unitholder approval is not required if the person or company charging the fee or expense is at arm's length to the Fund and if the unitholders are provided at least 60 days' written notice of the change.

Fees and expenses payable by the Funds

<p>Management Fees</p>	<p>Series A and Series F units</p> <p>The Series A units and Series F units of each Fund pays Redwood a management fee. The maximum annual rates of the management fee payable by the Fund for Series A units is 2.25%. The maximum annual rates of the management fee payable by the Fund for Series F units is 1.25%</p> <p>All management fees are based on the NAV of a series of units, calculated on each Valuation Date and paid monthly.</p> <p>We may reduce the management and performance fees for certain investors in a Fund. If we reduce the management and performance fees, the Fund pays an amount equal to the reduction as a special distribution (a management fee distribution). The distribution is reinvested in additional securities of the Fund. For additional information on reduced management and performance fees, see "Management Fee Distributions" in the Funds' AIF.</p> <p>Series O units</p> <p>The Funds do not pay a management fee in respect of Series O units as each Series O unitholder pays a negotiated management fee directly to Redwood.</p> <p>Management fees are subject to applicable taxes, such as HST.</p>
<p>Operating Expenses</p>	<p>Each Fund pays all its own operating expenses. These include:</p> <p>brokerage commissions and fees,</p> <p>taxes, audit and legal fees and expenses,</p> <p>safekeeping and custodial fees,</p> <p>investor servicing costs and the costs of unitholder reports, prospectuses, and other reports,</p>

	<p>any trademark license fees,</p> <p>fees and costs relating to the Fund’s IRC including IRC member fees, costs and fees in connection with the operation of the IRC (including the costs of holding meetings, insurance premiums for the IRC, and fees and expenses of any advisers engaged by the IRC),</p> <p>meals and entertainment,</p> <p>transportation and travel,</p> <p>salaries, and</p> <p>other expenses.</p> <p>Each series of units of the Fund is responsible for the operating expenses that relate specifically to that series and for its proportionate share of the operating expenses that are common to all series of units of the Fund. We pay all Series O operating expenses.</p> <p>Each Fund pays a proportionate share of the total compensation paid to the IRC each year and reimburses members of the IRC for certain expenses incurred by them. Each member of the IRC is paid, as compensation for his services, \$2,000 per annum. Each Fund’s share of the IRC’s compensation will be disclosed in the Funds’ financial statements.</p>
<p>Performance Fees</p>	<p>In addition to management fees, Series A units and Series F units of a Fund pay Redwood a performance fee. Performance fees for Series O units, if applicable, will be paid directly by the unitholder.</p> <p>The performance fee with respect to the Series A units and Series F units will be 20% of the amount by which the series NAV at the end of the fiscal year (adding back the amounts of any distributions paid on the units of a Fund) (the “ending NAV”) exceeds the series target NAV (the “target NAV”).</p> <p>The target NAV is calculated by multiplying the series NAV, net of performance fees paid, as at the last performance fee payment date (the “beginning NAV”) by the sum of one plus the return of the Fund’s “benchmark” (the “benchmark return”) over the same period.</p> <p>The benchmarks for each of Redwood Diversified Income Fund and Redwood Diversified Equity Fund are as follows:</p> <ul style="list-style-type: none"> • S&P/TSX Composite Total Return Index (80%) • DEX Universe Bond Index (20%) <p>The benchmarks for Redwood Global Small Cap are as follows:</p> <ul style="list-style-type: none"> • S&P/TSX SmallCap Index (80%)

	<ul style="list-style-type: none"> • MSCI World Small Cap Index (20%) <p>Performance fees will be payable in all circumstances where the performance of the subject series of units of a Fund exceeds that of the applicable benchmark, even in circumstances where the value of the series of units of a Fund has declined. Performance fees, if any, are accrued weekly such that, to the extent possible, NAV per series unit on each Valuation Date will reflect any performance fees payable as at the end of such period. The performance fee is calculated and paid at the end of each fiscal year.</p> <p>Performance fees are subject to applicable taxes, such as HST.</p> <p>In limited circumstances, the Manager may agree to a reduction in performance fees based on the size of the investment. For additional information, see “Management Fees” in this table.</p>
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Fees and expenses payable by you

Series O Management Fee and Performance Fee	Management fees and performance fees for Series O units are not charged to the Funds. We negotiate these fees directly with each Series O investor.
Sales charges	<p>Series A units: 0% to 5% of the amount you invest</p> <p>Series O units: There are no sales charges payable on purchases of Series O units.</p> <p>Series F units: There are no sales charges payable on purchase of Series F units. However, investors in Series F units will have entered into a fee-based program with their dealer.</p>
Switch fees	Up to 2% of the amount you switch, as negotiated between you and your investment dealer.
Change fees	Up to 2% of the amount you change, as negotiated between you and your investment dealer.
Redemption fees	Zero, except for a short-term trading fee.
Short-term trading fee	You may be charged a short-term trading fee of up to 5% of the amount switched or redeemed if you invest in a Fund for less than a six month period. This fee is paid to the relevant Fund.

Other Fees and Expenses	A Fund may charge a fee in respect of cheques of an investor which are returned NSF.
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Impact of sales charges

The following table shows amount of fees that you would pay if you made an investment of \$1,000 in units of a Fund, and if you held that investment for one, three, five or ten years and redeemed immediately before the end of the period. We assume a maximum possible sales charge at the time of purchase of Series A units.

	At Time of Purchase	1 Year	3 Years	5 Years	10 Years
Sales Charge Option ¹	\$50	Nil	Nil	Nil	Nil
No Load Option ²	Nil	Nil	Nil	Nil	Nil

(1) Only available for Series A units.

(2) Only available for Series F and Series O units.

Dealer Compensation

Sales Commissions

If you buy Series A units, you pay your dealer any applicable sales commission at the time of purchase. The maximum amount of the commission is 5% of the amount you invest. The sales commission is negotiable by you with your dealer. There are no sales commissions payable on purchases of Series O or Series F units. Purchasers of Series F units will generally be required to pay their dealers a fee under a “fee-for-service” or wrap program.

These sales commissions are not paid when you switch between Funds (provided the switch does not occur within 90 days of the date of purchase) but a switch fee of up to 2% may be charged, and retained, by your dealer. No sales commissions are paid when you receive units from reinvested distributions.

Trailing commissions

For Series A units, Redwood may pay to your dealer a per annum trailing commission of up to 1% of the value of your units for as long as you hold the units with that dealer. Redwood does not pay a per annum trailing commission to your dealer for distribution of Series F units of the Funds. For Series O units, if applicable, Redwood may pay a per annum trailing commission which you negotiate with your dealer.

Other kinds of Dealer Compensation

We pay for marketing materials we give to dealers to help support their sales efforts. These materials include reports and brochures on the Funds and the services we offer investors.

Subject to regulatory requirements, we may also share with dealers the costs in marketing the Funds. For example, we may pay a portion of the costs of a dealer in advertising the availability of the Funds through the financial advisers of the dealer. We may also pay part of the costs of a dealer in running a seminar to inform you about the Funds or generally about the benefits of investing in mutual funds.

Dealer Compensation from Management Fees

During the financial year ended December 31, 2010, the Manager paid dealers approximately 12.9% of the total management fees (including performance fees, if any) earned on all of the Funds. This amount includes sales commissions and trailing commissions. There were no dealer support programs.

Income Tax Consideration for Investors

This section is a summary of how investing in the Funds can affect your taxes. It assumes that for purposes of the *Income Tax Act* (Canada) (the “Tax Act”), you are an individual resident in Canada, and you hold your units as capital property. Because tax laws vary by province and every investor’s situation is different, we recommend that you get advice from a tax expert.

This summary is based on the current provisions of the Tax Act and the regulations thereunder. This summary does not take into account or anticipate any changes in law (proposed or otherwise) whether by legislative, regulatory, administrative or judicial action. Furthermore, this summary does not take into account provincial or foreign income tax legislation or considerations. More detailed information is contained in the AIF.

How investments earn money

Funds earn money in the form of income and capital gains. Income includes the interest, dividends, and other income a Fund earns on its investments and gains on certain derivatives. Capital gains are earned when a Fund sells investments for a profit.

You earn money in the form of distributions paid or payable by the Fund to you on your share of the income and capital gains it has earned. In general, each Fund will distribute enough of its net income (including net realized taxable capital gains) each year to unitholders so it will not have to pay income tax (other than alternative minimum tax in the case of Redwood Global Small Cap Fund).

You also earn money if you realize a capital gain when you sell or switch your units (i.e. for those of another fund). You will realize a capital loss if you sell or switch your unit at a loss.

How earnings are taxed

The tax you pay depends on whether you hold your units in a Registered Plan (as defined below) or in a non-registered account.

Units held in a Registered Plan

Units of a Fund are qualified investments under the Tax Act for a Fund in a registered retirement saving plan (which includes locked-in retirement accounts), registered retirement income fund (which includes life income funds), deferred profit sharing plan, registered education savings plan, registered disability savings plan or tax-free savings account (each, a “Registered Plan”). Annuitants of registered retirement savings plans and registered income funds, and holders of tax-free savings accounts, should consult with their own tax advisors as to whether units would be a prohibited investment in their particular circumstances. If your units are held in a Registered Plan, you generally pay no tax on distributions from the Fund on those units or on any capital gains realized from selling or switching units as long as the money remains in the Registered Plan. When money is withdrawn from a Registered Plan (other than a tax-free savings account or certain withdrawals from a registered education savings plan or registered disability savings plan), it will generally be subject to tax. Investors who choose to purchase securities of a Fund through a Registered Plan should consult their own professional advisers regarding the tax treatment of contributions to and acquisitions by such plans.

Units held in a non-registered account

Distributions from the Funds

If you hold units of a Fund outside of a Registered Plan, you must include your share of the Fund’s distributions of net income and the taxable portion of its distributions of net capital gains in your income, whether you receive the distributions in cash or we invest them for you. Provided that each Fund makes the

appropriate designations, to the extent permitted under the Tax Act, the amount of any net taxable capital gains, taxable dividends received on shares of taxable Canadian corporations and foreign source income of a Fund that is paid or payable to a Unitholder will effectively retain its character in the hands of the Unitholder for tax purposes. An enhanced dividend tax credit is available for certain eligible dividends from Canadian corporations. A Fund with a high portfolio turnover has greater trading costs (payable by the Fund) and an increased chance of realizing capital gains or losses. Due to this relationship between portfolio turnover and capital gains/loss realization, a high portfolio turnover rate increases the chance that you will receive a capital gains distribution from the Fund. There is not necessarily a relationship between a high portfolio turnover rate and the performance of the Fund.

Distributions may include a return of capital. When a Fund earns less income and capital gains than the amount distributed, the difference is called a return of capital. A return of capital is not taxable, but will reduce the adjusted cost base of your units of the Fund. If the adjusted cost base of your units is reduced to less than zero you will be deemed to have realized a capital gain by the negative amount, and your adjusted cost base will be reset to zero. Please see “Calculating adjusted cost base” below for additional information.

The unit price of a Fund may include income and/or capital gains that the Fund has earned, accrued or realized, but not yet distributed. If you buy units of a Fund just before it makes a distribution, you will be taxed on that distribution, even though the Fund earned that money before you owned it and the amount was indicated in the purchase price of your units.

Management fees paid on Series O Units will not be deductible.

We will issue a tax slip to you each year that shows you how much of each type of income the Fund distributed to you. You can claim any tax credits that apply to those earnings. For example, if the Fund’s distributions include Canadian dividend income or foreign income and taxes, you will qualify for any related tax credits as permitted by the Tax Act.

Realized capital gains (or losses)

You must also include in computing your income one-half (generally) of any capital gains you realize from selling or switching your units. You will have a capital gain if your sale proceeds are more than the adjusted cost base of your units and any costs of disposition. You will have a capital loss if your sale proceeds are less than the adjusted cost base of your units and any costs of disposition. Generally, you may only use capital losses realized to offset capital gains realized.

A change between series of units of the same Fund will not result in a capital gain or capital loss.

Calculating adjusted cost base

Your capital gain or loss for tax purposes is generally the difference between the amount you receive when you sell or switch your units and the adjusted cost base of those units.

In general, the aggregate adjusted cost base of your units of a particular series of a Fund equals:

- your initial investment, plus
- additional investments, plus
- reinvested distributions, minus
- any return of capital distributions, minus
- the adjusted cost base of any previous redemptions.

Your adjusted cost base per unit is equal to the aggregate adjusted cost base of all units of that series owned by you divided by the total number of units of that series owned by you.

You should keep detailed records of the purchase cost of your investments and distributions you receive on those units so you can calculate their adjusted cost base. You may want to consult your tax adviser.

Under the alternative minimum tax provisions of the Tax Act, capital gains and Canadian dividends may give rise to a liability for minimum tax.

What are your legal rights?

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

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

For more information, refer to the securities legislation of your province or territory or consult your lawyer.

Specific information about each of the mutual funds described in this document

In this part of the Simplified Prospectus we have set out fund-specific information to assist you in reviewing the Funds and evaluating which Fund is appropriate for your investment needs. The specific information for each Fund is divided into the following sections.

Fund details

This section identifies the type of fund, the date on which each Fund was started, the series of units offered by the Fund, the Fund's eligibility as an investment for registered plans, the management fees of the Funds and the Fund's portfolio adviser.

What do the Funds invest in?

This section describes the various investment objectives and investment strategies and philosophies of each Fund. Each Fund will need the approval of its unitholders to change its fundamental investment objective. The Funds follow standard investment restrictions and practices established by the Canadian securities regulatory authorities.

Investment Objective: This is the investment goal of the Fund. This section will provide details about the kinds of securities the Fund invests in, as well as any special focus, such as concentration on a particular country or industry.

Investment Strategies: This tells you how the Portfolio Adviser tries to achieve the Fund's objective. Each of the Funds follows the standard investment restrictions and practices established by Canadian securities regulators, unless securities regulators have given a Fund approval to vary its strategies from these restrictions. If any Fund has obtained an approval, it is described in this section and in the annual information form. Each Fund may also hold cash while waiting to invest in other securities. A Fund may buy short-term fixed income securities and money market instruments, or it may deposit the cash in interest-bearing accounts with a bank or trust company.

How the Funds engage in short selling

The Funds have received permission from the Canadian securities regulatory authorities to deviate from National Instrument 81-102 – *Mutual Funds* ("NI 81-102") by selling securities short, by providing a security interest over fund assets in connection with the short sales and by depositing fund assets with dealers as security in connection with such transactions. A short sale by a Fund involves borrowing securities from a lender and selling those securities in the open market (or "selling short" the securities). At a later date, the same number of securities are repurchased by that Fund and returned to the lender. In the interim, the proceeds from the first sale are deposited with the lender and the Fund pays interest to the lender on the borrowed securities. If the value of the securities declines between the time that the Fund borrows the securities and the time it repurchases and returns the securities to the lender, the Fund will make a profit for the difference (less any interest the Fund is required to pay to the lender). Selling short provides the Funds with more opportunities for profits when markets are generally volatile or declining.

The Funds will engage in short selling only within certain controls and limitations. Securities will be sold short only for cash and the Fund will receive the cash proceeds within normal trading settlement periods for the market in which the short sale is made. All short sales will be effected only through market facilities through which those securities normally are bought and sold and a fund will short sell a security only if: (i) the security is listed and posted for trading on a stock exchange and either (A) the issuer of the security has a market capitalization of not less than \$300 million of the security sold short at the time the short sale is made or (B) the investment adviser has pre-arranged to borrow for the purposes of such short sales; or (ii) the

securities sold short are fixed-income securities, the security is a bond, debenture or other evidence of indebtedness of or guaranteed by the Government of Canada or any province or territory of Canada or the Government of the United States of America. At the time securities of a particular issuer are sold short by a Fund, the aggregate market value of all securities of that issuer sold short will not exceed 5% of the total net assets of the Fund. The Fund also will place a “stop-loss” order (effectively a standing instruction) with a dealer to immediately repurchase for the Fund the securities sold short if the trading price of the securities exceeds 115% (or a lower percentage determined by the Manager) of the price at which the securities were sold short. The aggregate market value of all securities sold short by a Fund will not exceed 20% of its total net assets on a daily marked-to-market basis. The Fund may deposit assets with lenders or dealers acting as agents for the lenders in accordance with industry practice in relation to its obligations arising under short sale transactions. The Fund will also hold “cash cover” (as defined in NI 81-102) in an amount, including the Fund’s assets deposited with lenders or dealers acting as agents for the lenders, that is at least 150% of the aggregate market value of all securities it sold short on a daily marked-to-market basis. No proceeds from short sales will be used by a Fund to purchase long positions other than cash cover. Where a short sale is effected in Canada, every dealer that holds fund assets as security in connection with the short sale must be a registered dealer and a member of a self-regulatory organization that is a participating member of the Canadian Investor Protection Fund. Where a short sale is effected outside Canada, every dealer that holds fund assets as security in connection with the short sale must be a member of a stock exchange and have a net worth in excess of the equivalent of \$50 million determined from its most recent audited financial statements. The aggregate assets deposited by a Fund with any single dealer as security in connection with short sales will not exceed 10% of the Fund’s total net assets at the time of deposit.

In accordance with the exemptive relief received from the Canadian securities regulatory authorities, the Funds intend to continue conducting short sales.

Securities Lending

The Funds may enter into securities lending transactions, repurchase transactions and reverse repurchase transactions. No Fund will enter into securities lending transactions, however, unless it has provided to its unitholders not less than 60 days’ prior written notice of its intention to do so.

A securities lending transaction is where a fund lends portfolio securities that it owns to a third party borrower. The borrower promises to return to the fund at a later date an equal number of the same securities and to pay a fee to the fund for borrowing the securities. While the securities are borrowed, the borrower provides the fund with collateral consisting of a combination of cash and securities. In this way, the fund retains exposure to changes in the value of the borrowed securities while earning additional fees.

A repurchase transaction is where a fund sells portfolio securities that it owns to a third party for cash and simultaneously agrees to buy back the securities at a later date at a specified price using the cash received by the fund from the third party. While the fund retains its exposure to changes in the value of the portfolio securities, it also earns fees for participating in the repurchase transaction.

A reverse repurchase transaction is where a fund purchases certain types of debt securities from a third party and simultaneously agrees to sell the securities back to the third party at a later date at a specified price. The difference between the fund’s purchase price for the debt instruments and the resale price provides the fund with additional income.

What are the risks of investing in the Fund?

This section tells you the specific risks of investing in a Fund. You’ll find a description of each risk starting on page 2 under the heading “What are the general risks of investing in a mutual fund?”

Who should invest in this Fund?

This section tells you the kind of investor the Fund may be suitable for and how the Fund could fit into your

portfolio. When you are choosing a Fund to invest in, you need to ask yourself what you are expecting from your investments, how long you are planning to invest your money, and how much risk you are willing to accept. You should also think about how the Fund will work with your other investments.

Fund Expenses Indirectly Borne by Investors

Each Fund pays its own operating expenses which in turn reduces the Fund's returns. The tables on pages 17 and 18 of this Prospectus show the fees and expenses paid by you if you hold Series A units of a Fund assuming: (a) a \$1,000 investment in the series of the Fund; (b) the series of the Fund earns a 5% total return in each period; (c) the series of the Fund paid the same management expense ratio ("MER") for the entire period as it did in its last financial year; and (d) a performance fee (if any) based on the series of the Fund earning a 5% total return in its last financial year. No data is presented in the table in respect of Series O units of the Fund because, in that case, the management fee you pay is negotiated between you and the Manager and may vary from one investor to another. Where the Manager has waived a portion of its management fee or absorbed some of the Fund's operating expenses during the past financial year, the MER would have been higher than in instances where no such waiver or absorption occurred and consequently would have increased the Fund's expenses indirectly borne by you. For more information on fees and expenses paid directly by you, see "Fees and Expenses" on page 15.

Performance Benchmarks for payments of performance fees

S&P/TSX Composite Total Return Index

The S&P/TSX Composite Total Return Index is made up of the largest and most actively traded companies on the TSX. These companies are divided into 10 sectors. The sectors are based on the Global Industry Classification Standard. Examples include energy, industrials and financials. The size of a sector equals the total size of all the companies in the sector. The size of a sector compared to the S&P/TSX Composite Total Return Index is its weighting, which is simply a percentage.

DEX Universe Bond Index¹

The DEX Universe Bond Index is designed to be a broad measure of the Canadian investment-grade fixed income market. As of December 31, 2010, the DEX Universe Bond Index consisted of 1103 securities, with a total market value of approximately \$ 1.03 trillion. Returns are calculated daily, and are weighted by market capitalization, so that the return on a bond influences the return on the index in proportion to the bond's market value. The DEX Universe Bond Index has been published since 1979. It is intended to be a transparent index, with individual security holdings disclosed electronically each day.

The DEX Universe Bond Index is divided into a variety of sub-indices according to term and credit. The main term sub-sectors are Short, Mid, and Long. The Short sub-indices include bonds with remaining effective terms greater than 1 year and less than or equal to 5 years. The Mid sub-indices include bonds with remaining terms greater than 5 years and less than or equal to 10 years, while the Long sub-indices include remaining terms greater than 10 years. As of December 31, 2010, the Short sector made up approximately 49.86% of the DEX Universe Bond Index, the Mid sector made up 24.32% and the Long sector made up 25.81%.

S&P/TSX Small Cap Index

The S&P/TSX SmallCap Index represents the small cap universe for Canada. It includes constituents of the S&P/TSX Composite Index, with the assumption that all dividends paid are reinvested in the stocks in proportion to their index weights, excluding members of the S&P/TSX 60 or the S&P/TSX MidCap.

¹ Source: PC-Bond, a business unit of TSX Inc. Copyright © TSX Inc. All rights reserved. The information contained herein may not be redistributed, sold or modified or used to create any derivative work without the prior written consent of TSX Inc.

MSCI World Small Cap Index

The MSCI World Small Cap Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. As of December 2010, the MSCI World Small Cap Index consisted of the following 23 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The small cap series offers an exhaustive representation of this size segment by targeting companies that are in the Investable Market Index but not in the Standard Index in a particular market.

Distribution policy

As a unitholder, you are entitled to your share of the net income and capital gains on the Fund's investments. A Fund earns income in the form of dividends from stocks and interest from debt securities. A fund realizes capital gains when it sells securities for a higher price than it paid for them.

This section tells you how often each Fund intends to make a distribution of income and capital gains.

Redwood Diversified Equity Fund

Fund Details

Type of Fund:	Canadian Equity Fund
Start Date:	June 30, 2004 for Series A, F and O
Securities Offered:	Mutual Fund Trust Units, Series A, F and O
Eligibility for Registered Plans:	The units are qualified investments for purchase by Registered Plans.
Management Fees:	Series A: 2.25% Series F: 1.25% Series O: Zero
Portfolio Adviser:	LDIC Inc.

What Does The Fund Invest In?

Investment Objective

The investment objective of the Fund is principally to provide long-term capital appreciation with potential for income, by investing primarily in Canadian equity investments, income trusts, fixed-income investments and other Canadian income-producing securities.

In accordance with Canadian securities legislation, the fundamental investment objective may only be changed with the approval of a majority of unitholders at a meeting called specifically for that purpose.

Investment Strategies

We will use the strategies set forth below to achieve the Fund's investment objective.

- The Fund will primarily invest in Canadian equity, income trust and fixed-income investments with a view to consistent interest or distribution payments. The Fund estimates that up to approximately 20% (at the time of investment and on a cost basis) of the Fund will be invested in foreign investments at any time.
- From time to time the Fund may use clearing corporation options and warrants ("permitted derivatives") as permitted by Canadian securities regulators and consistent with the investment objectives and strategies of the Fund. The Fund may use these permitted derivatives for hedging and non-hedging purposes. The portfolio is positioned in accordance with the Portfolio Adviser's market view from time to time. Sector allocations may vary significantly over time. The Fund may overweigh certain sectors and asset classes, including cash or short-term money market securities while seeking investment opportunities or for defensive purposes, when deemed appropriate by the Portfolio Adviser. This may result in the Fund's portfolio weightings being different from the weightings of the benchmark indices.
- The Fund may enter into repurchase, reverse repurchase and securities lending transactions in order to earn additional income and to manage its portfolio but will only do so if there are suitable counterparties available and the transactions are considered appropriate. For a description of these

transactions and the strategies to be used by the Fund to minimize the risks associated with these transactions, please see the discussion under “Securities lending and repurchase and reverse repurchase transaction risk” commencing on page 6 of this Simplified Prospectus as well as the discussion in the AIF of the Funds.

- The Fund also engages in short selling. In determining whether securities of a particular issuer should be sold short, the portfolio adviser uses the same analysis that is described above for deciding whether to purchase securities. The Fund will engage in short selling as a complement to the Fund’s Investment Objectives. The Fund is permitted to engage in short selling as a result of special relief it obtained from the Canadian securities regulators. For a more detailed description of short selling, please refer to “Specific information about each of the mutual funds described in this document” beginning on page 23 of this document.

When building the fixed-income component of the portfolio, the portfolio adviser focuses on credit quality, duration, term to maturity and liquidity.

The Fund anticipates a high portfolio turnover rate. The larger trading costs associated with a higher portfolio turnover rate will reduce the Fund’s performance.

What are the Risks of Investing in this Fund?

The risks of investing in the Fund are the following:

- Credit risk
- Currency risk
- Derivatives risk
- Equity risk
- Foreign investment risk
- Industry concentration risk
- Interest rate risk
- Issuer concentration risk
- Large transaction risk
- Liquidity risk
- Multi-series risk
- Regulatory risk
- Securities lending and repurchase and reverse repurchase transaction risk
- Short selling risk
- Small cap risk
- Substantial unitholder risk
- Trust unit risk

You will find an explanation of each risk under “What are the specific risks of investing in a mutual fund?” beginning on page 3 of this document.

As at May 31, 2011, one individual investor held approximately 15.23% of the outstanding units of the Fund. These units could be sold by the unitholder at any time. If all or a substantial portion of these units are sold, there is a risk that the Fund may have to alter its portfolio significantly to accommodate such a large redemption. See Large Transaction Risk on page 6 and Substantial Unitholder Risk on page 8 for a description of the risks associated with the possible redemption of investments by such investor.

Who Should Invest In This Fund?

The Fund is suitable for investors who are seeking a potential for capital appreciation, have a medium to high risk tolerance and have a medium to long-term investing horizon. However, the level of risk associated with any particular investment depends largely on an investor's personal circumstances. Investors can invest a component of their total portfolio in the Fund to provide portfolio diversification. Investors should consider their personal investment profile and consult their financial advisor before making a decision to invest in the Fund.

Distribution Policy

The Fund will pay distributions of income, return of capital and capital gains, if any, annually in December to all unitholders. Redwood may, in its discretion, make other distributions from time to time in any calendar year. Please see "Income Tax Considerations for Investors" commencing on page 20 for more details as to transaction matters which may be relevant to you. Unless you tell us in writing that you would prefer to receive cash distributions, we will automatically invest Fund distributions in additional units of the same series of the Fund at the NAV per series unit thereof on the date of distribution. Distributions by this Fund are not guaranteed to occur on a specified date and the Fund is not responsible for any fees or charges incurred by you because the Fund did not effect on a distribution on a particular date.

Fund Expenses Indirectly Borne by Investors

The table below is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds and shows how much the Fund would pay in expenses that are indirectly borne by an investor on a \$1,000 investment with a 5% annual return.

<u>Fees and expenses payable over (\$)</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>10 year</u>
Series A	28.56	87.53	149.06	314.79
Series F	33.08	100.91	171.07	357.11
Series O	N/A	N/A	N/A	N/A

Redwood Diversified Income Fund

Fund Details

Type of Fund:	Canadian Income Fund
Start Date:	June 30, 2004 for Series A, F and O
Securities Offered:	Mutual Fund Trust Units, Series A, F and O
Eligibility for Registered Plans:	The units are qualified investments for purchase by Registered Plans.
Management Fees:	Series A: 2.25% Series F: 1.25% Series O: Zero
Portfolio Adviser:	LDIC Inc.

What Does The Fund Invest In?

Investment Objective

The investment objective of the Fund is principally to provide a consistent stream of income with potential for capital appreciation by investing in Canadian income producing securities and Canadian equities.

In accordance with Canadian securities legislation, the fundamental investment objective may only be changed with the approval of a majority of unitholders at a meeting called specifically for that purpose.

Investment Strategies

We will use the strategies set forth below to achieve the Fund's investment objective.

- The Fund will primarily invest in Canadian equity, income trust and fixed-income investments with a view to consistent interest or distribution payments. The Fund estimates that up to approximately 20% (at the time of investment and on a cost basis) of the Fund will be invested in foreign investments at any time.
- From time to time the Fund may use clearing corporation options and warrants ("permitted derivatives") as permitted by Canadian securities regulators and consistent with the investment objectives and strategies of the Fund. The Fund may use these permitted derivatives for hedging and non-hedging purposes.
- The portfolio is positioned in accordance with the Portfolio Adviser's market view from time to time. Sector allocations may vary significantly over time. The Fund may overweigh certain sectors and asset classes, including cash or short-term money market securities while seeking investment opportunities or for defensive purposes, when deemed appropriate by the Portfolio Adviser. This may result in the Fund's portfolio weightings being different from the weightings of the benchmark indices.
- The Fund may enter into repurchase, reverse repurchase and securities lending transactions in order to earn additional income and to manage its portfolio but will only do so if there are suitable

counterparties available and the transactions are considered appropriate. For a description of these transactions and the strategies to be used by the Fund to minimize the risks associated with these transactions, please see the discussion under “Securities lending and repurchase and reverse repurchase transaction risk” commencing on page 6 of this Simplified Prospectus as well as the discussion in the AIF of the Funds.

- The Fund also engages in short selling. In determining whether securities of a particular issuer should be sold short, the portfolio adviser uses the same analysis that is described above for deciding whether to purchase securities. The Fund will engage in short selling as a complement to the Fund’s Investment Objectives. The Fund is permitted to engage in short selling as a result of special relief it obtained from the Canadian securities regulators. For a more detailed description of short selling, please refer to “Specific information about each of the mutual funds described in this document” beginning on page 23 of this document.

When building the fixed-income component of the portfolio, the portfolio adviser focuses on credit quality, duration, term to maturity and liquidity.

The Fund anticipates a high portfolio turnover rate. The larger trading costs associated with a higher portfolio turnover rate will reduce the Fund’s performance.

What are the Risks of Investing in this Fund?

The risks of investing in the Fund are the following:

- Credit risk
- Currency risk
- Derivatives risk
- Equity risk
- Fixed income risk
- Foreign investment risk
- Industry concentration risk
- Interest rate risk
- Issuer concentration risk
- Large transaction risk
- Liquidity risk
- Multi-series risk
- Regulatory risk
- Securities lending and repurchase and reverse repurchase transaction risk
- Short selling risk
- Small cap risk
- Substantial unitholder risk
- Trust unit risk

You will find an explanation of each risk under “What are the specific risks of investing in a mutual fund?” beginning on page 3 of this document.

As at May 31, 2011, one individual investor held approximately 8.69% of the outstanding units of the Fund. These units could be sold by the unitholder at any time. If all or a substantial portion of these units are sold, there is a risk that the Fund may have to alter its portfolio significantly to accommodate such a large redemption. See Large Transaction Risk on page 6 and Substantial Unitholder Risk on page 8 for a description of the risks associated with the possible redemption of investments by such investor.

Who Should Invest In This Fund?

The Fund is suitable for investors who are seeking a flow of income and a potential for capital appreciation, have a medium to high risk tolerance and have a medium to long-term investing horizon. However, the level of risk associated with any particular investment depends largely on an investor's personal circumstances. Investors can invest a component of their total portfolio in the Fund to provide portfolio diversification. Investors should consider their personal investment profile and consult their financial advisor before making a decision to invest in the Fund.

Distribution Policy

The Fund intends to pay a monthly distribution equal to 6¢ per Series A unit of the Fund. The Fund has not established a fixed monthly distribution in respect of the Series O units. The Fund will also distribute any excess income and capital gains annually in December to all unitholders. A portion of the distributions is expected to consist of a return of capital, which is not taxable in the year received. Please see "Income Tax Considerations for Investors" commencing on page 20 for more details as to transaction matters which may be relevant to you. This monthly distribution may be reduced, depending on future market conditions. Unless you tell us in writing that you would prefer to receive cash distributions, we will automatically invest Fund distributions in additional units of the same series of the Fund at the NAV per series unit thereof on the date of distribution. Management fee distributions, if applicable, are paid first out of net income and net realized capital gains of the Fund and then, if necessary, out of capital. Distributions by this Fund are not guaranteed to occur on a specified date and the Fund is not responsible for any fees or charges incurred by you because the Fund did not effect on a distribution on a particular date.

Fund Expenses Indirectly Borne by Investors

The table below is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds and shows how much the Fund would pay in expenses that are indirectly borne by an investor on a \$1,000 investment with a 5% annual return.

<u>Fees and expenses payable over (\$)</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>10 year</u>
Series A	29.72	90.97	154.73	325.80
Series F	30.77	94.08	159.86	335.69
Series O	N/A	N/A	N/A	N/A

Redwood Global Small Cap Fund

Fund Details

Type of Fund:	Global Small Cap Fund
Start Date:	May 21, 2008 for Series A, F and O
Securities Offered:	Mutual Fund Trust Units, Series A, F and O
Eligibility for Registered Plans:	The units are qualified investments for purchase by Registered Plans.
Management Fees:	Series A: 2.25% Series F: 1.25% Series O: Zero
Portfolio Adviser:	LDIC Inc.

What Does The Fund Invest In?

Investment Objective

The investment objective of the Fund is to achieve long-term capital growth by investing primarily in securities of small cap equity issuers in Canada and around the world.

In accordance with Canadian securities legislation, the fundamental investment objective may only be changed with the approval of a majority of unitholders at a meeting called specifically for that purpose.

Investment Strategies

We will use the strategies set forth below to achieve the Fund's investment objective.

To achieve the Fund's investment objective, the Portfolio Adviser will employ an investment style which is a combination of value and growth. The adviser selects a broadly diversified portfolio of securities that it believes offer a good balance between reasonable valuations and attractive growth prospects relative to their peers. This Fund focuses on seeking out undervalued companies with strong management teams and financial strength. The Fund's portfolio weighting may differ substantially from the weightings of the S&P/TSX Small Cap Index and the MSCI World Small Cap Index or their successor indices. The Fund may also choose other permitted investments such as cash when considered appropriate. The Fund's investments will include primarily small capitalization equity and equity-related securities (such as warrants, options and debt convertible to equity) of issuers in Canada and other parts of the world.

The Fund may use clearing corporation options and warrants ("permitted derivatives") as permitted by Canadian securities regulators and consistent with the investment objectives and strategies of the Fund. The Fund may use these permitted derivatives for hedging and non-hedging purposes.

The Fund anticipates a high portfolio turnover rate. The larger trading costs associated with a higher portfolio turnover rate will reduce the Fund's performance.

What are the Risks of Investing in this Fund?

The risks of investing in the Fund are the following:

- Currency risk
- Derivatives risk
- Equity risk
- Fixed income risk
- Foreign investment risk
- Large transaction risk
- Liquidity risk
- Multi-series risk
- Regulatory risk
- Securities lending, repurchase and reverse repurchase transactions risk (should the Fund enter into these transactions)
- Short selling risk
- Small cap risk
- Trust unit risk

You will find an explanation of each risk under “What are the specific risks of investing in a mutual fund?” beginning on page 3 of this document.

As at May 31, 2011, one individual investor held approximately 15.54% of the outstanding units of the Fund. These units could be sold by the unitholder at any time. If all or a substantial portion of these units are sold, there is a risk that the Fund may have to alter its portfolio significantly to accommodate such a large redemption. See Large Transaction Risk on page 6 and Substantial Unitholder Risk on page 8 for a description of the risks associated with the possible redemption of investments by such investor.

Over the 12 months since June 16, 2010, up to 10.43% of the net assets of the Fund were invested in securities of Canaco Resources Inc.

Who Should Invest In This Fund?

The Fund is suitable for investors who are seeking a potential for capital appreciation, have a high risk tolerance and have a medium to long-term investing horizon. However, the level of risk associated with any particular investment depends largely on an investor’s personal circumstances. Investors can invest a component of their total portfolio in the Fund to provide portfolio diversification. Investors should consider their personal investment profile and consult their financial advisor before making a decision to invest in the Fund.

Distribution Policy

In each calendar year, the Fund will distribute to its investors a sufficient amount of the Fund’s net investment income and net realized capital gains so that the Fund will not pay any income tax. The net investment income and the net realized capital gains of the Fund will be distributed annually in December to the Fund’s investors. All distributions paid to an investor of the Fund will be reinvested automatically in additional units of the Fund at the net asset value without any fee.

Fund Expenses Indirectly Borne by Investors

The table below is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds and shows how much the Fund would pay in expenses that are indirectly borne by an investor on a \$1,000 investment with a 5% annual return.

<u>Fees and expenses payable over (\$)</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>10 year</u>
Series A	45.78	137.92	230.84	466.59
Series F	33.81	103.08	174.61	363.83
Series O	N/A	N/A	N/A	N/A

Additional Information

For more information, you, as a purchaser, should refer to the applicable provisions of the securities legislation of your province or territory for the particulars of these rights or consult with a lawyer.

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

You can get a copy of these documents, including a statement of portfolio transactions, at your request, and at no cost, by calling us toll-free at 1-877-313-7011, collect at (416) 368-8898, from your dealer, by e-mail at invest@redwoodasset.com or by writing us at the address below.

These documents and other information about the Funds, such as information circulars and material contracts, are also available on Redwood's Internet site at www.redwoodasset.com or are available at the Internet site of SEDAR (the System for Electronic Document Analysis and Retrieval) at www.sedar.com.

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