

ANNUAL INFORMATION FORM

GOVERNMENT STRIP BOND TRUST

Units

March 30, 2012

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FORWARD-LOOKING STATEMENTS

Certain statements in this annual information form are forward-looking statements, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “intend” and similar expressions to the extent they relate to the Fund (as defined below) or Strathbridge (as defined below). Forward-looking statements are not historical facts but reflect the current expectations of the Fund and Strathbridge regarding future results or events. Such forward-looking statements reflect the Fund’s and Strathbridge’s current beliefs and are based on information currently available to them. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results or events to differ materially from current expectations. Some of these risks, uncertainties and other factors are described in this annual information form under the heading “Risk Factors”. Although the forward-looking statements contained in this annual information form are based upon assumptions that the Fund and Strathbridge believe to be reasonable, neither the Fund nor Strathbridge can assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained herein were prepared for the purpose of providing investors with information about the Fund and may not be appropriate for other purposes. Neither the Fund nor Strathbridge assumes any obligation to update or revise them to reflect new events or circumstances, except as required by law.

THE FUND

Government Strip Bond Trust (the “Fund”), formerly Pro-AMS Trust, is an investment trust established under the laws of the Province of Ontario pursuant to a trust agreement dated as of February 15, 2001, as amended from time to time (the “Trust Agreement”) between Strathbridge Asset Management Inc., as manager, and RBC Dexia Investor Services Trust (the “Trustee”), as trustee.

The manager and investment manager of the Fund is Strathbridge Asset Management Inc. (formerly Mulvihill Capital Management Inc.) (“Strathbridge”, “Manager” or “Investment Manager”). Strathbridge became the manager of the Fund on September 1, 2010 as successor by amalgamation with Mulvihill Fund Services Inc. Subsequently, on October 3, 2011, Mulvihill Capital Management Inc. announced a name change to Strathbridge.

On March 2, 2001, the Fund completed its initial public offering of 42,000,000 units (“Units”) at a price of \$25.00 per Unit. On March 23, 2001, the Fund completed an additional offering of 3,200,000 Units at a price of \$25.00 per Unit pursuant to the exercise of an over-allotment option granted to the Fund’s agents in connection with the Fund’s initial public offering. The outstanding Units are listed on the Toronto Stock Exchange (“TSX”) under the symbol GSB.UN.

The principal offices of the Fund and of Strathbridge are located at 121 King Street West, Standard Life Centre, Suite 2600, Toronto, Ontario, M5H 3T9. The phone numbers, website address and e-mail address of Strathbridge are (416) 681-3900 (toll-free at 1-800-725-7172), www.strathbridge.com and info@strathbridge.com.

Reorganization

The Trust Agreement was amended on May 23, 2006 to effect a reorganization (the “Reorganization”) of the Fund. The Reorganization was approved at a meeting of holders of Units (“Unitholders”) on May 23, 2006 and involved the following changes:

- (a) a change in the name of the Fund to “Government Strip Bond Trust”;
- (b) the settlement of the Fund’s existing forward agreement and use of the proceeds to acquire a portfolio of zero coupon debt securities (“Zero Coupon Bonds”) issued by Canadian provincial governments and/or the Government of Canada;
- (c) an amendment to the investment strategy and investment restrictions of the Fund to permit the Fund to invest in the Zero Coupon Bonds and hold cash and cash equivalents in an amount sufficient to cover all costs and expenses of the Fund until December 31, 2012 (the “Termination Date”);
- (d) an amendment to the investment objectives of the Fund; and
- (e) a reduction in the investment management fees payable to Strathbridge from 1.15% per annum on the net asset value (“NAV”) of the Fund to 0.50% per annum on the NAV of the Fund from and after May 23, 2006.

INVESTMENT OBJECTIVES AND STRATEGY

The Fund’s investment objective is to return at least \$25.75 per Unit to Unitholders upon termination of the Fund on the Termination Date. In order to achieve this objective, the Fund invests in a portfolio of Zero Coupon Bonds issued by Canadian provincial governments and/or the Government of Canada. The Fund may also hold cash and cash equivalents at any time and intends to hold cash and cash equivalents in an amount sufficient to cover all costs and expenses of the Fund until the Termination Date.

STATUS OF THE FUND

While the Fund is technically considered to be a mutual fund under the securities legislation of certain provinces of Canada, the Fund is not a conventional mutual fund and has obtained exemptions from certain requirements of Canadian securities laws relating to mutual funds.

The Fund differs from conventional mutual funds in a number of respects, most notably as follows: (a) while the Units of the Fund may be surrendered at any time for redemption, the redemption price is payable monthly whereas the securities of most conventional mutual funds are redeemable daily; (b) the Units of the Fund have a stock exchange listing whereas the securities of most conventional mutual funds do not; and (c) unlike most conventional mutual funds, the Units are not offered on a continuous basis.

DESCRIPTION OF THE UNITS

The Fund is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Fund.

All Units have equal rights and privileges. Each whole Unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, and distributions upon the termination of the Fund. Units are issued only as fully paid and are non-assessable. Fractions of Units are proportionately entitled to all of these rights except voting rights.

The provisions or rights attaching to the Units may only be modified, amended or varied with the consent of Unitholders given in accordance with provisions contained in the Trust Agreement as described under the heading “Unitholder Matters — Acts Requiring Unitholder Approval”.

The Fund may issue additional Units (a) by way of a rights offering to existing Unitholders, provided the net proceeds per Unit issued pursuant to the exercise of such rights is not less than the most recently calculated NAV per Unit prior to the issue of such rights, (b) by way of Unit distributions, or (c) with the approval of Unitholders.

Redemption of Units

Units may be surrendered at any time for redemption to Computershare Investor Services Inc., the Fund’s registrar and transfer agent, but will be redeemed only on the monthly Valuation Date (as defined below). Units surrendered for redemption by a Unitholder at least five business days prior to the last business day of a month (a “Valuation Date”) will be redeemed on such Valuation Date and the Unitholder will receive payment on or before the tenth business day following such Valuation Date (the “Redemption Payment Date”). The NAV per Unit will vary depending on a number of market factors, including interest rates.

Unitholders whose Units are redeemed on the December Valuation Date in each year will be entitled to receive a redemption price per Unit (the “Unit Redemption Price”) equal to the NAV per Unit determined as of such Valuation Date. Unitholders whose Units are redeemed on any other Valuation Date will be entitled to receive a redemption price per Unit equal to the NAV per Unit determined as of such other Valuation Date, less the lesser of (a) 4% of the NAV per Unit as of such other Valuation Date and (b) \$1.00.

The redemption right must be exercised by providing written notice within the notice periods and in the manner described under “Book-Entry Only System”. Such surrender will be irrevocable upon the delivery of notice to CDS Clearing and Depository Services Inc. (“CDS”) through a participant in the CDS book-entry only system (a “CDS Participant”), except with respect to those Units which are not paid for by the Fund on the relevant Redemption Payment Date.

Resale of Units Tendered for Redemption

The Fund has entered into an agreement (a “Recirculation Agreement”) with RBC Dominion Securities Inc. (the “Recirculation Agent”) whereby the Recirculation Agent has agreed to use commercially reasonable efforts to find purchasers for any Units tendered for redemption prior to the relevant Valuation Date, provided that the holder of the Units so tendered has not withheld consent. The Fund may, but is not obligated to, require the Recirculation Agent to seek such purchasers and, in such event, the amount to be paid to the Unitholder on the Redemption Payment Date will be an amount equal to the proceeds of the sale of the Units less any applicable commission, provided that such amount will not be less than the Unit Redemption Price described above.

Subject to the Fund's right to require the Recirculation Agent to use commercially reasonable efforts to find purchasers for any Units tendered for redemption prior to the relevant Valuation Date, any and all Units which have been surrendered to the Fund for redemption are deemed to be outstanding until (but not after) the close of business on the relevant Valuation Date, unless not redeemed, in which event such Units will remain outstanding.

Suspension of Redemptions

Strathbridge may, with the prior permission of the securities regulatory authorities, direct the Trustee to suspend the redemption of Units or payment of redemption proceeds: (a) during any period when normal trading is suspended on the Toronto Stock Exchange; or (b) for any period not exceeding 120 days during which Strathbridge determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Trustee to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by Strathbridge of the suspension and that the redemption will be effected at a price determined on the first Valuation Date following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by Strathbridge shall be conclusive.

Purchase for Cancellation

Subject to applicable law, the Fund may at any time or times purchase Units for cancellation at prices not exceeding the NAV per Unit on the Valuation Date immediately prior to such purchase.

BOOK-ENTRY ONLY SYSTEM

Registration of interests in and transfers of the Units are made through the book-entry only system administered by CDS. Units must be purchased, transferred and surrendered for redemption through a CDS Participant. All rights of a Unitholder must be exercised through, and all payments or other property to which such Unitholder is entitled will be made or delivered by, CDS or the CDS Participant through which the Unitholder holds such Units. Upon purchase of any Units, the Unitholder will receive only the customary confirmation. References in this annual information form to a Unitholder means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

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

A Unitholder who wishes to exercise redemption privileges must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto) on behalf of the Unitholder a written notice of the Unitholder's intention to redeem Units, no later than 5:00 p.m. (EST) on the relevant notice date. A Unitholder who redeems Units must ensure that the CDS Participant is provided with notice (the "Redemption Notice") of his intention to exercise his redemption privilege sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS by the required time. The Redemption Notice will be available from a CDS Participant or Computershare Investor Services Inc., the Fund's registrar and transfer agent. Any expense associated with the preparation and delivery of Redemption Notices will be borne by the Unitholder exercising the redemption privilege.

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

Any Redemption Notice which CDS determines to be incomplete, not in proper form or not duly executed shall be void and of no effect and the redemption privilege to which it relates shall be considered to not have been exercised. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in

accordance with the owner's instructions will not give rise to any obligations or liability on the part of the Fund to the CDS Participant or to the owner.

The Fund has the option to terminate registration of the Units through the book-entry only system in which case certificates for Units in fully registered form would be issued to beneficial owners of such Units or to their nominees.

UNITHOLDER MATTERS

Meetings of Unitholders

Meetings of Unitholders may be called at any time by the Trustee or the Manager and must be called by the Trustee upon a written request of Unitholders holding in the aggregate not less than 10% of the Units then outstanding, such request specifying the purpose or purposes for which such meeting is to be called. Not less than 21 days' notice will be given of any meeting of Unitholders. The quorum of any such meeting is two or more Unitholders present in person or by proxy representing not less than 10% of the Units then outstanding. If no quorum is present at such meeting when called, the meeting, if called on the requisition of Unitholders, will be terminated and will be adjourned for at least ten days and at the adjourned meeting the Unitholders then present in person or represented by proxy will form the necessary quorum. At any such meeting, each Unitholder will be entitled to one vote for each whole Unit registered in the Unitholder's name.

Acts Requiring Unitholder Approval

Pursuant to the Trust Agreement, the following matters require the approval of Unitholders by a two-thirds majority of the Unitholders voting thereon (other than items (e) and (j) which require approval by a simple majority vote) at a meeting called and held for such purpose:

- (a) a change in the fundamental investment objectives and strategy of the Fund as described under "Investment Objectives and Strategy";
- (b) a change in the investment criteria of the Fund as described under "Investment Restrictions";
- (c) any change in the basis of calculating fees or other expenses that are charged to the Fund which could result in an increase in charges to the Fund;
- (d) a change of the manager of the Fund, other than a change resulting in an affiliate of such person assuming such position or, except as described herein, a change in the investment manager or trustee of the Fund, other than a change resulting in an affiliate of such person assuming such position;
- (e) a decrease in the frequency of calculating the NAV per Unit or of redeeming Units;
- (f) certain material reorganizations with, or transfer of assets to or from another mutual fund;
- (g) a termination of the Investment Management Agreement (except as described under "Investment Management Agreement");
- (h) a termination of the Fund prior to the Termination Date;
- (i) an extension of the Fund beyond the Termination Date; and
- (j) an amendment, modification or variation in the provisions or rights attaching to the Units.

The auditors of the Fund may be changed without the prior approval of Unitholders provided that the independent review committee of the Fund approves the change and Unitholders are sent a written notice at least 60 days before the effective date of the change.

Strathbridge and the Trustee may, without the approval of or notice to Unitholders, amend the Trust Agreement for certain limited purposes specified therein, including to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Trust Agreement and any provisions of any law or regulation applicable to or affecting the Fund;
- (b) make any change or correction in the Trust Agreement which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Trust Agreement into conformity with National Instrument 81-102 – *Mutual Funds* (“NI 81-102”) or other applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities industry, provided that any such amendment does not adversely affect the pecuniary value of the interest of any Unitholder;
- (d) maintain the status of the Fund as a “mutual fund trust” for the purposes of the Tax Act; or
- (e) provide added protection to Unitholders.

Except for changes to the Trust Agreement which require the approval of Unitholders or changes described above which do not require approval of or prior notice to Unitholders, the Trust Agreement may be amended from time to time by Strathbridge and the Trustee upon not less than 30 days’ prior written notice to Unitholders.

Reporting to Unitholders

The Fund will provide annual and semi-annual financial statements of the Fund to Unitholders in accordance with applicable laws.

INVESTMENT RESTRICTIONS

The Fund is subject to certain investment criteria that, among other things, limit the securities the Fund may acquire for the portfolio. The Fund’s investment criteria may not be changed in the future without the approval of the Unitholders by a two-thirds majority vote of those Unitholders who attend and vote at a meeting called for such purpose. The Fund’s investment criteria provide that the Fund may:

- (a) purchase Zero Coupon Bonds;
- (b) hold its assets in cash and cash equivalents; and
- (c) not make or hold any investments that would result in the Fund failing to qualify as a “mutual fund trust” or a “unit trust” within the meaning of the Tax Act.

In addition, but subject to these investment restrictions, the Fund has adopted the standard investment restrictions and practices set forth in NI 81-102. A copy of such standard investment restrictions and practices will be provided by the Manager to any person on request.

The Fund has obtained an exemption from certain of the provisions of NI 81-102 including:

- (a) Section 10.3 – to permit the Fund to calculate the redemption price as disclosed in “Redemption of Units”;
- (b) Section 10.4 – to permit the Fund to make payment for redeemed securities within ten business days as disclosed in this annual information form;
- (c) Subsection 12.1(1) – to exempt the Fund from the requirement in this subsection to file a compliance report; and

- (d) Section 13.1 – to permit the Fund to calculate its NAV on a weekly basis.

CALCULATION OF NET ASSET VALUE AND NET ASSET VALUE PER UNIT

The NAV of the Fund on a particular date will be equal to the aggregate value of the assets of the Fund, less the aggregate value of the liabilities of the Fund, including any income, net realized capital gains or other amounts payable to Unitholders on or before such date expressed in Canadian dollars at the applicable exchange rate on such date. The “NAV per Unit” on any day is obtained by dividing the NAV of the Fund on such day by the number of Units then outstanding.

The NAV per Unit will be calculated once each week at the close of business. In the last week of the month, the NAV per Unit will be calculated on the last day of the month at the close of business. Such information will be provided by Strathbridge to Unitholders on request and will be available at no cost on a weekly basis on the Manager’s website at www.strathbridge.com.

Valuation Policies and Procedures

In determining the NAV of the Fund at any time:

- (a) the value of any cash on hand, on deposit or on call, prepaid expenses, cash dividends declared and interest accrued and not yet received, shall be deemed to be the face amount, unless the Fund determines that any such deposit or call loan is not worth the face amount, in which event the value shall be deemed to be such value as the Fund determines to be the reasonable value;
- (b) the value of any bonds, debentures, and other debt obligations shall be valued by taking the average of the bid and ask prices on the valuation date at such times as the Fund, in its discretion, deems appropriate. Short-term investments including notes and money market instruments shall be valued at cost plus accrued interest;
- (c) the value of any security, the resale of which is restricted or limited, shall be the lesser of the value thereof based on reported quotations in common use and that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage that the Fund’s acquisition cost was of the market value of such securities at the time of acquisition; provided that a gradual taking into account of the actual value of the securities may be made where the date on which the restriction will be lifted is known;
- (d) all expenses or liabilities (including fees payable to the Fund) of the Fund shall be calculated on an accrual basis; and
- (e) the value of any security or property to which, in the opinion of the Fund, the above valuation principles cannot be applied shall be the fair value thereof determined in such manner as the Fund from time to time provides.

The above principles are used to calculate NAV for all purposes other than financial statement reporting. With respect to financial reporting, the *Canadian Institute of Chartered Accountants Handbook* (the “CICA Handbook”) requires that portfolio securities in an active market be valued using the latest available bid price. The primary differences between the valuation policy of the Fund and the approach in the CICA Handbook is that for bonds, debentures and other debt obligations (excluding money-market instruments), the Fund will generally use the average of the bid and ask prices to determine the fair value.

RESPONSIBILITY FOR OPERATIONS

The Manager

Strathbridge was incorporated in 1984 by The Canada Trust Company under the name CT Investment Counsel Inc. (“CTIC”) to manage the institutional pension fund business of The Canada Trust Company. In 1985, The Canada Trust Company and The Canada Permanent Trust Company amalgamated resulting in all of the pension assets

managed by The Canada Permanent Trust Company being transferred to CTIC management. In addition, the investment professionals of The Canada Permanent Trust Company joined the CTIC team.

In February 1995, John P. Mulvihill purchased 100% of CTIC from The Canada Trust Company and changed CTIC's name to Mulvihill Capital Management Inc.

The Manager of the Fund is responsible for providing or arranging for required administrative services to the Fund including: authorizing the payment of operating expenses incurred on behalf of the Fund; preparing financial statements and financial and accounting information as required by the Fund; ensuring that Unitholders are provided with interim and annual financial statements and other reports as are required by applicable law; ensuring that the Fund complies with regulatory requirements and applicable stock exchange listing requirements; preparing the Fund's reports to Unitholders and the Canadian securities regulatory authorities; providing the Trustee with information and reports necessary for it to fulfil its fiduciary responsibilities; determining the amount of distributions to be made by the Fund; and negotiating contractual agreements with third-party providers of services, including registrars, transfer agents, auditors and printers.

Strathbridge shall exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of Unitholders, and shall exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise in similar circumstances.

Strathbridge may resign as Manager of the Fund upon 60 days' notice to the Fund and to the Unitholders or upon such lesser notice period as the Trustee may accept. If Strathbridge resigns it may appoint its successor but, unless its successor is an affiliate of Strathbridge, its successor must be approved by Unitholders. If Strathbridge is in material default of its obligations under the Trust Agreement and such default has not been cured within 30 days after notice of the same has been given to Strathbridge, the Trustee shall give notice to Unitholders and the Unitholders may direct the Trustee to remove Strathbridge and appoint a successor manager.

Strathbridge is entitled to fees for its services as Manager under the Trust Agreement and will be reimbursed for all reasonable costs and expenses incurred by Strathbridge on behalf of the Fund. In addition, Strathbridge and each of its directors, officers, employees and agents will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against Strathbridge or any of its officers, directors, employees or agents in the exercise of its duties as manager, except those resulting from Strathbridge's wilful misconduct, bad faith, negligence or breach of its obligations under the Trust Agreement.

The management services of Strathbridge under the Trust Agreement are not exclusive and nothing in the Trust Agreement prevents Strathbridge from providing similar management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities.

Directors and Officers of the Manager

The name and municipality of residence and current principal occupation of each of the directors and officers of Strathbridge are as follows:

<i>Name and Municipality of Residence</i>	<i>Principal Occupation</i>
John P. Mulvihill Toronto, Ontario	Chairman, President, Chief Executive Officer, Secretary and Director
John D. Germain Etobicoke, Ontario	Senior Vice-President, Chief Financial Officer and Director
David E. Roode Toronto, Ontario	President, Fund Services and Director

<i>Name and Municipality of Residence</i>	<i>Principal Occupation</i>
Peggy Shiu Toronto, Ontario	Vice-President – Portfolio Manager and Chief Compliance Officer
Jack Way Toronto, Ontario	Vice-President – Portfolio Manager
Jeff Dobson Milton, Ontario	Vice-President – Portfolio Manager
Aaron Ho Richmond Hill, Ontario	Vice-President – Finance

John P. Mulvihill and Jack Way have held their position with Strathbridge or an affiliate during the five years preceding the date hereof. In May 2010, David Roode joined Strathbridge from the Brompton Group where he had been since 2002, most recently as Senior Vice-President of Brompton Funds since 2005. John D. Germain joined Strathbridge in March 1997, became Senior Vice-President on May 1, 2009, was made a director on September 1, 2010 and Chief Financial Officer on October 8, 2010. Jeff Dobson joined Strathbridge in April 2001 and was made an officer on September 7, 2010. In July 2008, Aaron Ho rejoined Strathbridge from Citigroup Fund Services Canada Inc. where he had been since January 2007 and was made a Vice-President on October 1, 2010. Peggy Shiu joined Strathbridge in April 1995 and became Chief Compliance Officer on July 11, 2011.

As of March 30, 2012, John P. Mulvihill owned of record and beneficially 95,073 shares (100%) of Mulvihill Capital Inc., which is the sole shareholder of Strathbridge.

The Investment Manager

Strathbridge manages the Fund's investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an investment management agreement (the "Investment Management Agreement") made between Strathbridge as Manager and on behalf of the Fund and Strathbridge dated February 15, 2001, as amended on May 23, 2006.

All the individuals on the team responsible for investment management at Strathbridge have significant experience in managing investment portfolios. The officers of Strathbridge who are primarily responsible for the management of the Fund's portfolio are John P. Mulvihill and John Germain. Also assisting in the management of the portfolio are Dylan D'Costa, Jeff Dobson, Peggy Shiu, Jack Way, Jeff Thompson and John P. Mulvihill Jr.

John P. Mulvihill, Chairman, President, Chief Executive Officer, Secretary and Director of Strathbridge, is the senior portfolio manager of Strathbridge and has over 35 years of investment management experience. Prior to purchasing CTIC from The Canada Trust Company in 1995, Mr. Mulvihill had been Chairman of CTIC since 1988. At CTIC he had primary responsibility for the asset allocation and portfolio management of CTIC's pension and mutual fund assets.

John D. Germain, Senior Vice-President, Chief Financial Officer and Director of Strathbridge, has been with Strathbridge since March 1997. Prior to joining Strathbridge, he had been employed at Merrill Lynch Canada Inc. since 1992. For the last two years of his employment at Merrill Lynch Canada Inc., he was a member of the Fixed Income Trading Group.

Dylan D'Costa, Portfolio Manager, has been with Strathbridge since January 2001 where he has worked extensively on valuing, pricing and trading equity options. Prior to joining Strathbridge, he had been employed at CIBC Mellon where he worked with the valuations group.

Jeff Dobson, Vice-President, joined Strathbridge in April 2001 after nearly 16 years at Scotia Capital. He brings extensive experience in portfolio management, especially in the use of equity options. His most recent position prior

to joining Strathbridge involved managing a portfolio comprised of equity options, their underlying stocks, as well as equity index derivatives.

Peggy Shiu, Vice-President and Chief Compliance Officer, has been with Strathbridge since April 1995. She is a member of the investment management team and has extensive experience in the Canadian, U.S. and ADR equity markets.

Jack Way, Vice-President, has been with Strathbridge since August 1998 and brings an extensive background in asset management with over 25 years of experience as an investment manager during which he spent considerable time working in the U.S. market.

Jeff Thompson, Portfolio Manager, has been with Strathbridge since 1990 primarily working in fixed income. Since 2008, he has worked extensively on trading equity options and foreign currency hedging.

John P. Mulvihill Jr., Portfolio Manager, has been with Strathbridge since 2008 working with the investment management group specializing in metals and mining companies.

Investment Management Agreement

The services provided by Strathbridge pursuant to the Investment Management Agreement include making all investment decisions for the Fund, all in accordance with the investment objectives, strategy and criteria of the Fund. Decisions as to the purchase and sale of securities and as to the execution of all portfolio and other transactions will be made by Strathbridge. In the purchase and sale of securities for the Fund, Strathbridge will seek to obtain overall services and prompt execution of orders on favourable terms.

Under the Investment Management Agreement, Strathbridge is required to act at all times on a basis which is fair and reasonable to the Fund, to act honestly and in good faith with a view to the best interests of the Unitholders of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent portfolio manager would exercise in comparable circumstances. The Investment Management Agreement provides that Strathbridge shall not be liable in any way for any default, failure or defect in any of the securities of the Fund, nor shall it be liable if it has satisfied the duties and standard of care, diligence and skill set forth above. Strathbridge will, however, incur liability in cases of wilful misfeasance, bad faith, negligence or breach of its obligations under the Investment Management Agreement.

The Investment Management Agreement, unless terminated as described below, will continue in effect until the termination of the Fund on the Termination Date. The Trustee may terminate the Investment Management Agreement if Strathbridge has committed certain events of bankruptcy or insolvency or is in material breach or default of the provisions thereof and such breach has not been cured within 30 days after notice has been given to Strathbridge by the Trustee. Except as described above, Strathbridge cannot be terminated as investment manager of the Fund.

Except as set out below, Strathbridge may not terminate the Investment Management Agreement or assign the same except to an affiliate of Strathbridge, without Unitholder approval. Strathbridge may terminate the Investment Management Agreement if the Fund is in material breach or default of the provisions and such breach or default has not been cured within 30 days of notice of the same to the Trustee or if there is a material change in the fundamental investment objectives, strategy or criteria of the Fund.

If the Investment Management Agreement is terminated, Strathbridge, as Manager, will promptly appoint a successor investment manager to carry out the activities of Strathbridge, as Investment Manager, until a meeting of Unitholders is held to confirm such appointment.

Strathbridge is entitled to fees for its services as Investment Manager under the Investment Management Agreement and will be reimbursed for all reasonable costs and expenses incurred by Strathbridge on behalf of the Fund. In addition, Strathbridge and each of its directors, officers, employees and agents will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against Strathbridge or any of its officers, directors, employees or agents in

the exercise of its duties as investment manager, except those resulting from Strathbridge's wilful misconduct, bad faith, negligence or breach of its obligations under the Investment Management Agreement.

CONFLICTS OF INTEREST

Principal Holders of Securities

CDS & Co., the nominee of CDS, holds all of the Units as registered owner for various brokers and other persons on behalf of their clients and others. As at March 5, 2012, to the knowledge of the Manager, no person owned beneficially, directly or indirectly, more than 10% of the Units of the Fund.

As at March 5, 2012, the directors and officers of the Manager beneficially owned, in aggregate, less than 10% of the outstanding Units of the Fund and the members of the IRC beneficially owned, in aggregate, less than 10% of the outstanding Units of the Fund.

FUND GOVERNANCE

Independent Review Committee

Under National Instrument 81-107 – *Independent Review Committee for Investment Funds* ("NI 81-107"), all publicly offered investment funds, including the Fund, are required to establish an independent review committee ("IRC") to whom the manager of the fund must refer all conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the manager to establish written policies and procedures for dealing with conflict of interest matters, maintain records in respect of those matters and provide assistance to the IRC in carrying out its functions. The IRC is required to conduct regular assessments and provide reports to the manager and securityholders in respect of its activities.

The members of the IRC of the Fund and the other funds managed by Strathbridge are Michael M. Koerner, Robert W. Korthals and Robert G. Bertram. The aggregate compensation paid by the Fund to the members of the IRC for the year ended December 31, 2011 was \$7,787.

The Advisory Board

The Fund has established an advisory board (the "Advisory Board") currently consisting of five members appointed by Strathbridge to assist Strathbridge in performing its services under the Trust Agreement. The following are the names, municipalities of residence and principal occupations of each member of the Advisory Board of the Fund:

<i>Name and Municipality of Residence</i>	<i>Principal Occupation</i>
John P. Mulvihill Toronto, Ontario	Chairman, President, Chief Executive Officer, Secretary and Director, Strathbridge
Michael M. Koerner ⁽¹⁾ Toronto, Ontario	President, Canada Overseas Investments, Ltd. (private investment company)
Robert W. Korthals ⁽¹⁾ Toronto, Ontario	Corporate Director
Robert G. Bertram ⁽¹⁾ Aurora, Ontario	Corporate Director
John D. Germain Etobicoke, Ontario	Senior Vice-President, Chief Financial Officer and Director, Strathbridge

(1) Independent of the Manager.

During the past five years all of the Advisory Board members have held the principal occupations noted opposite their respective names, or other occupations with their current employer or a predecessor company with the exception of Robert G. Bertram, who served as Executive Vice-President of the Ontario Teachers' Pension Plan

Board from 1990 until 2008 and John D. Germain who became Senior Vice-President on May 1, 2009, Director on September 1, 2010 and Chief Financial Officer on October 8, 2010. The independent Advisory Board members are paid an annual fee of \$5,000 and a fee for each Advisory Board meeting attended of \$300. All fees and expenses of the Advisory Board are paid by the Fund.

Each member of the Advisory Board, other than Mr. Germain and Mr. Bertram, has served as a member of the Advisory Board since its initial public offering. Mr. Bertram became an Advisory Board member on January 1, 2009 and Mr. Germain became an Advisory Board member on October 8, 2010. Each member of the Advisory Board has been appointed by the Manager and will serve until his successor is appointed.

The Advisory Board consists of five members, three of whom are independent of the Manager. The Fund believes that the number of Advisory Board members is appropriate for the Fund and only members independent of the Manager are compensated. Amounts paid as compensation are reviewed for adequacy to ensure that they realistically reflect the responsibilities and risk involved in being an effective member of the Advisory Board. Individual members may engage an outside advisor at the expense of the Fund in appropriate circumstances subject to the approval of the Fund.

The Advisory Board of the Fund is responsible for the overall stewardship of the Fund's business and affairs. Strathbridge, the Fund's Manager, administers many functions associated with the operations of the Fund pursuant to the Trust Agreement. Under this agreement, the Manager is responsible for certain day to day operations of the Fund including attending to the redemption of Units in accordance with their terms.

The Advisory Board is responsible for developing the Fund's approach to governance issues and, together with the Investment Manager, is establishing a best practices governance procedure. The Fund maintains an Investor Relations line and website to respond to inquiries from Unitholders.

Strathbridge has adopted policies, procedures and guidelines concerning the governance of the Fund and to ensure the proper management of the Fund. These policies, procedures and guidelines aim to monitor and manage the business, risks and internal conflicts of interest relating to the Fund, and to ensure compliance with regulatory and corporate requirements.

In addition, Strathbridge has an asset mix committee consisting of the following: John Mulvihill, John Germain, Jack Way, Peggy Shiu and John Mulvihill, Jr. The investment process for the Fund begins at the asset mix committee. Members of this committee meet monthly to examine macro-economic variables and relationships among dominant economic factors. This process culminates in an outlook for the various capital markets around the world and provides the fundamental basis for Strathbridge's long-term market outlook. These views are integrated into the investment decision making process at the portfolio management level. The asset mix committee of Strathbridge oversees investment decisions made by the portfolio managers of the Fund and reports to John Mulvihill.

Unitholders may only redeem their Units on notice for payment not more frequently than monthly, they cannot engage in short-term trading of the Fund's securities with the Fund and the Fund has no policies and procedures in relation to such activities.

Proxy Voting Policy

The Fund only invests in a portfolio of Zero Coupon Bonds issued by Canadian provincial governments and/or the Government of Canada therefore the Fund does not hold voting securities.

TRUSTEE AND CUSTODIAN

RBC Dexia Investor Services Trust, as successor to The Royal Trust Company, is the trustee of the Fund and acts as custodian of the assets of the Fund under the Trust Agreement. Pursuant to the terms of the Trust Agreement, the assets of the Fund may also be held by subcustodians.

The Trustee is responsible for certain aspects of the day-to-day administration of the Fund as described in the Trust Agreement, including calculating NAV, net income and net realized capital gains of the Fund and maintaining the books and records of the Fund in relation to its portfolio.

The Trustee may resign upon 60 days' notice to Unitholders and Strathbridge or such lesser notice as Strathbridge may accept. The Trustee may be removed with the approval of a two-thirds majority vote cast at a meeting of Unitholders called for such purpose or by Strathbridge in the event the Trustee has committed certain events of bankruptcy or insolvency or is in material breach or default of its obligations under the Trust Agreement which breach has not been cured within 30 days after notice thereof has been given to the Trustee. Any such resignation or removal shall become effective only upon the acceptance of appointment by a successor. If the Trustee resigns or is removed by Strathbridge, its successor may be appointed by Strathbridge. The successor must be approved by Unitholders if the Trustee is removed by Unitholders. If no successor has been appointed within 60 days, the Trustee or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor.

The address of the Trustee is 155 Wellington Street West, Toronto, Ontario, M5V 3L3.

The Trustee receives fees from the Fund for acting as trustee and custodian of the assets of the Fund and performing certain administrative services under the Trust Agreement and is reimbursed for all expenses and liabilities which are properly incurred by the Trustee in connection with the activities of the Fund.

REGISTRAR AND TRANSFER AGENT

Computershare Investor Services Inc. at its principal offices in Toronto is the registrar and transfer agent for the Units. The register of the Fund is kept in Toronto, Ontario.

AUDITORS

The auditors of the Fund are Deloitte & Touche LLP, Bay Wellington Tower - Brookfield Place, 181 Bay Street, Suite 1400, Toronto, Ontario, M5J 2V1.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the principal Canadian federal income tax considerations generally relevant to holders of Units who are individuals (other than trusts) and who, for purposes of the Tax Act, are resident in Canada, deal at arm's length with the Fund, are not affiliated with the Fund and hold their Units as capital property (a "Unitholder"). This summary is based on the current provisions of the Tax Act, the regulations, and the Fund's understanding of the current administrative and assessing practices of the Canada Revenue Agency (the "CRA") and all specific proposals to amend the Tax Act and regulations thereunder publicly announced by the Minister of Finance (Canada) prior to the date hereof (the "Proposed Amendments"). No assurances can be given that the Proposed Amendments will become law as proposed or at all.

This summary is based on the following assumptions:

- (a) the Fund will not make or hold any investment that would result in the Fund becoming a "SIFT trust" for purposes of the Tax Act. Among other requirements, in order for the Fund to so qualify:
 - (i) the Fund must not hold "securities" of a "subject entity", other than a "portfolio investment entity" (as defined in the Tax Act) if such securities have a total fair market value that is greater than 10% of the fair market value of all of the issued and outstanding shares or interests in such entity; and
 - (ii) the Fund must not hold "securities" of a "subject entity", other than a "portfolio investment entity" (as defined in the Tax Act) if, together with all of the securities that the Fund holds of entities affiliated with the particular subject entity, such securities have a total fair market value that is greater than 50% of the fair market value of all of the issued and outstanding Units of the Fund;
- (b) none of the issuers of the securities acquired or held by the Fund will be foreign affiliates of the Fund or of any Holder; and

- (c) none of the securities acquired or held by the Fund will be a “tax shelter investment” within the meaning of section 143.2 of the Tax Act.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units and does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, other than the Proposed Amendments. This summary does not deal with foreign, provincial or territorial income tax considerations, which may differ from the federal considerations summarized herein.

This summary is of a general nature only and does not constitute legal or tax advice to any particular investor. Investors are advised to consult their own tax advisors with respect to the tax consequences to them of an investment in Units in their individual circumstances.

Status of the Fund

This summary is based on the assumption that the Fund qualifies and will continue to qualify at all times as a “mutual fund trust” within the meaning of the Tax Act. To so qualify, the sole undertaking of the Fund must be the investing of its funds in property (other than real property or interests in real property), the Units must be redeemable at the demand of the Unitholders and the Fund must comply on a continuous basis with certain requirements relating to the qualification of the Units for distribution to the public, the number of Unitholders and the dispersal of ownership of Units. If the Fund were not to qualify as a mutual fund trust, the income tax considerations described below would in some respects be materially different.

Taxation of the Fund

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

The Fund has elected in accordance with the Tax Act to have each of its Canadian securities treated as capital property. Such an election will ensure that gains or losses realized by the Fund on the sale of Canadian securities are taxed as capital gains or capital losses.

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

Taxation of Holders

A Unitholder will generally be required to include in computing income for a taxation year the amount of the Fund’s net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year. The non-taxable portion of the Fund’s net realized capital gains paid or payable to a Unitholder in a taxation year will not be included in the Unitholder’s income for the year. Any other amount in excess of the Fund’s net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder’s income. Such amount, however, will generally reduce the adjusted cost base of the Unitholder’s Units, except to the extent such amount is the non-taxable portion of a capital gain of the Fund the taxable portion of which was designated to the Unitholder.

Provided that appropriate designations are made by the Fund, such portion of (i) the net realized taxable capital gains of the Fund, (ii) the foreign source income of the Fund, and (iii) the taxable dividends received by the Fund on shares of taxable Canadian corporations, as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are

designated as taxable dividends (including “eligible dividends”) from taxable Canadian corporations, the normal gross-up and dividend tax credit rules will apply.

Any loss of the Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as the loss of, a Unitholder.

Under the Tax Act, a trust is permitted to deduct in computing its income for a taxation year an amount which is less than the amount of its distributions for the year. This will enable the Fund to utilize, in a taxation year, losses from prior years without affecting the ability of the Fund to distribute its income annually. The amount distributed to a Unitholder but not deducted by the Fund will not be included in the Unitholder’s income. However, the adjusted cost base of the Unitholder’s Units will be reduced by such amount.

The NAV per Unit will reflect any income and gains of the Fund that have accrued or been realized but have not been made payable at the time Units are acquired. Accordingly, a Unitholder who acquires Units may become taxable on the Unitholder’s share of income and gains of the Fund that accrued or were realized before the Units are acquired and not made payable at such time.

On the disposition or deemed disposition of Units, the Unitholder will realize a capital gain (or capital loss) to the extent that the Holder’s proceeds of disposition (other than any amount payable by the Fund which represents an amount that is otherwise required to be included in the computation of the Unitholder’s income as described above) exceed (or are exceeded by) the aggregate of the adjusted cost base of the Units and any reasonable costs of disposition. If the Fund distributes property in specie on the termination of the Fund, a Unitholder’s proceeds of disposition will generally be equal to the aggregate of the fair market value of the property and the amount of any cash received and the Unitholder’s cost of the property will generally be equal to such fair market value. For the purpose of determining the adjusted cost base to a Unitholder of Units, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Unitholder as capital property at that time.

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

Eligibility for Investment

Provided that the Fund continues to qualify at all times as a mutual fund trust within the meaning of the Tax Act or Units are listed on a “designated stock exchange” for purposes of the Tax Act (which includes the TSX), Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts.

However, if the Units are a “prohibited investment” for a tax-free savings account, registered retirement savings plan or registered income fund, the Unitholder of a tax-free savings account, or annuitant under a registered retirement savings plan or registered retirement income fund, will be subject to a penalty tax under the Tax Act. An investment in the Units will not generally be a “prohibited investment” unless the Unitholder or annuitant does not deal at arm’s length with the Fund for purposes of the Tax Act or if the Unitholder or annuitant has a significant interest (within the meaning of the Tax Act) in the Fund or in a corporation, partnership or trust with which the Fund does not deal at arm’s length for purposes of the Tax Act. Unitholders of tax-free savings accounts and annuitants of registered retirement savings plans and registered retirement income funds should consult their own tax advisors in this regard.

RISK FACTORS

An investment in the Fund may be deemed to be speculative and involves significant risks. Investors should review closely the investment objectives and investment strategies to be utilized by the Fund to familiarize themselves with the risks associated with an investment in the Fund. The following are certain considerations relating to an investment in the Fund which should also be considered before purchasing its securities.

No Assurances on Achieving Objectives

There is no assurance that the Fund will return to investors at least \$25.75 per Unit on the Termination Date.

Sensitivity to Interest Rates

Any decrease in the NAV of the Fund resulting from an increase in interest rates may negatively affect the market price of the Units. Unitholders who wish to redeem or sell their Units prior to the Termination Date will therefore be exposed to the risk that NAV per Unit or the market price of the Units will be negatively affected by interest rate fluctuations.

Fluctuations in Net Asset Value

The NAV per Unit will vary according, among other things, to the value of the securities acquired by the Fund and the interest earned thereon. Fluctuations in the market values of the securities in which the Fund invests may occur for a number of reasons beyond the control Strathbridge or the Fund.

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

Reliance on Investment Manager

Strathbridge manages the portfolio of the Fund in a manner consistent with the investment objectives, strategy and criteria of the Fund. The officers of Strathbridge who are primarily responsible for the management of the Fund's portfolio have extensive experience in managing investment portfolios. There is no certainty that such individuals will continue to be employees of Strathbridge throughout the term of the Fund.

Significant Redemptions

Units are redeemable annually and monthly for a price based on NAV per Unit. The purpose of the annual redemption right is to prevent the Units from trading at a substantial discount to this value and to provide Unitholders with the right to realize their investment once per year without any trading discount to such value. While the annual redemption right provides Unitholders the option of annual liquidity, there can be no assurance that it will reduce trading discounts. If a significant number of Units are redeemed, the trading liquidity of the Units could be significantly reduced. In addition the expenses of the Fund would be spread among fewer Units potentially resulting in lower NAV.

Tax Changes

There can be no assurance that changes will not be made to the tax rules affecting the taxation of the Fund or the Fund's investments, or that such tax rules will not be administered in a way that is less advantageous to the Fund or its securityholders.

Recent Global Financial Developments

Global financial markets have experienced a sharp increase in volatility in the last several years. This was initially precipitated in part by the revaluation of assets on the balance sheets of international financial institutions and related securities. This contributed to a reduction in liquidity among financial institutions which reduced the availability of credit to those institutions and to the issuers who borrow from them. While central banks as well as global governments attempted to restore much needed liquidity to the global economies, concerns emerged as to the ability of certain of these governments, including those of certain European Union countries, to borrow. No assurance can be given that stimulus undertaken by central banks will continue or that, if it continues, it will be successful or that these economies will not be further adversely affected by the inflationary pressures resulting from such stimulus or central banks' efforts to slow inflation. No assurance can be given that the combined impact of the significant revaluations, constraints on the availability of credit, the deterioration of the financial condition of certain market economies and concerns with respect to borrowing capacity of certain governments will not continue to materially and adversely affect markets around the world and the performance of the various securities that provide exposure to them. Some global economies continue to experience a diminished growth and some are experiencing or have experienced a recession. The circumstances surrounding the recent increase in the U.S. government debt limit

and the subsequent reduction in the U.S. government's credit rating has contributed to further volatility in the global markets. These market conditions and further volatility or illiquidity in the capital markets may adversely affect the prospects of the portfolio and the value of the securities held within the portfolio. A substantial reduction in the value of the markets in which the Fund invests could be expected to have a negative effect on the Fund.

MATERIAL CONTRACTS

The following agreements can reasonably be regarded as material to holders of Units:

- (a) the Trust Agreement; and
- (b) the Investment Management Agreement.

Copies of the foregoing agreements may be inspected during business hours at the principal office of the Fund.

ADDITIONAL INFORMATION

Additional information about the Fund is available in the Fund's management reports of fund performance and financial statements.

You can get a copy of these documents at no cost by calling toll-free at 1-800-725-7172 or by e-mail at info@strathbridge.com.

These documents and other information about the Fund, such as information circulars and material contracts, are also available at www.sedar.com.

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GOVERNMENT STRIP BOND TRUST