

**ANNUAL INFORMATION FORM**

**TOP 10 CANADIAN FINANCIAL TRUST**

**Units**

**March 21, 2019**

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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”, “expect”, “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**

Top 10 Canadian Financial Trust (the “Fund”), formerly Digital World Trust, is an investment trust established under the laws of the Province of Ontario pursuant to a trust agreement dated as of February 15, 2000, as amended from time to time (the “Trust Agreement”), between Strathbridge Asset Management Inc., as manager, and RBC 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”).

The principal offices of the Fund and of Strathbridge are located at 121 King Street West, Suite 2600, P.O. Box 113, 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](http://www.strathbridge.com) and [info@strathbridge.com](mailto:info@strathbridge.com), respectively.

### **Reorganization and Security Offerings**

On February 23, 2000, the Fund completed its initial public offering of 7,500,000 units (“Units”) at a price of \$15.00 per Unit. On March 16, 2000, the Fund completed an additional offering of 80,000 Units at a price of \$15.00 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 Trust Agreement was amended on August 2, 2005 to effect a reorganization (the “Reorganization”) of the Fund. The Reorganization was approved at a meeting of holders of Units (“Unitholders”) on August 2, 2005 and involved the following changes:

- (a) a change in the name of the Fund to “Top 10 Canadian Financial Trust”;
- (b) an amendment to the investment strategy and investment restrictions of the Fund to permit the Fund to invest in the Financial Portfolio (as defined below);
- (c) an amendment to the investment objectives of the Fund;
- (d) a reduction in the aggregate fees payable to the Manager from a total of 1.20% per annum on the net asset value (“NAV”) of the Fund to 1.10% per annum on the NAV of the Fund from and after August 2, 2005;
- (e) the introduction of an annual service fee of 0.30% per annum of the NAV of the Units;
- (f) an extension of the termination date of the Fund from December 31, 2009 to December 31, 2010 (the “Termination Date”); and
- (g) follow-on offerings of Units on a non-dilutive basis.

In connection with the Reorganization, on December 2, 2005, the Units of the Fund were consolidated on a five to one basis.

On October 18, 2005, the Fund completed a follow-on offering of 9,000,000 Units at a price of \$16.10 per Unit. On October 28, 2005, the Fund completed an additional offering of 400,000 Units at a price of \$16.10 per Unit pursuant to the exercise of an over-allotment option granted to the Fund’s agents in connection with the follow-on offering described above.

On November 19, 2009, the Fund completed an offering of warrants (the “Warrants”) to its Unitholders. The Fund issued 6,001,492 Warrants to subscribe for and purchase an aggregate of approximately 6,001,492 Units. Each Unitholder received one transferable Warrant for each Unit held. A total of 683,579 Units were issued pursuant to the exercise of the Warrants for gross proceeds of \$7.24 million.

At a special meeting of holders of Units of the Fund held on December 3, 2010, Unitholders approved a proposal to extend the term of the Fund beyond its scheduled termination date of December 31, 2010 for an indefinite term. As part of the extension of the term of the Fund, the Fund also made the following changes:

- (a) changing the monthly redemption prices for the Units such that monthly redemption prices are calculated by reference to market price rather than to net asset value;
- (b) permitting Strathbridge, as Manager of the Fund, to terminate the Fund without requiring Unitholder approval in the event that continuing the Fund would not be economically feasible; and
- (c) permitting the Fund to enter into a merger, in the future, with another Strathbridge fund that has similar investment objectives and strategies as long as certain conditions are met without requiring Unitholder approval.

On January 2, 2015, Unitholders approved by extraordinary resolution changes to the Fund's investment strategies and investment restrictions so that the Fund may purchase securities of an issuer only if such securities are common equity securities of issuers included in the Financial Portfolio (as defined below) or public investment funds including exchange traded funds and other Strathbridge funds (provided that no more than 15% of the net asset value of the Fund may be invested in securities of other Strathbridge funds) that provide exposure to such securities. In addition, the Fund may invest up to 10% of its net assets to purchase call options in respect of securities in which the Fund is permitted to invest and the Manager now has the discretion to invest the Fund's portfolio entirely in cash or cash equivalents denominated in Canadian dollars.

The outstanding Units are listed on the Toronto Stock Exchange ("TSX") under the symbol TCT.UN.

## **INVESTMENT OBJECTIVES AND STRATEGY**

The Fund's investment objectives are:

- (a) to provide Unitholders of the Fund with a stable stream of quarterly cash distributions in an amount targeted to be 7.5% per annum on the NAV of the Fund; and
- (b) to return the NAV per Unit as of August 2, 2005 (on a post-consolidated basis) of \$15.60 to Unitholders upon termination of the Fund on the Termination Date.

The Fund invests in a portfolio (the "Financial Portfolio") consisting of securities of: (a) the six largest Canadian banks and (b) the four largest Canadian life insurance companies. The Fund will generally invest not less than 5% and not more than 15% of the Fund's assets in each of the companies in the Financial Portfolio.

The Fund employs a proprietary investment strategy, Strathbridge Selective Overwriting ("SSO"), to enhance the income generated by the portfolio and to reduce volatility. In addition, the Fund may write cash covered put options in respect of securities in which it is permitted to invest. The SSO strategy is a quantitative, technical based methodology that identifies appropriate times to write and/or close out option positions compared to continuously writing and rolling options every thirty days. This proprietary process has been developed by the Manager over many years through various market cycles. The Manager believes that in a flat or downward trending market, a portfolio that is subject to covered option writing will generally provide higher relative returns and lower volatility than one on which no options are written. However, in a rising market, the use of options may have the effect of limiting or reducing the total returns of the Fund since the premiums associated with writing covered options may be outweighed by the foregone opportunity of remaining fully invested in the securities comprising the Financial Portfolio.

## **STATUS OF THE FUND**

The Fund is not a "mutual fund" for securities law purposes. As a result, some of the provisions of National Instrument 81-102 – *Investment Funds* ("NI-81-102") do not apply to the Fund.

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.

## 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 except that Units issued to a trust managed by Strathbridge or an affiliate of Strathbridge all or part of whose investment strategy is to track performance of the Units of the Fund (a “Related Trust”), a counterparty to a forward agreement entered into with a Related Trust (a “Counterparty”) or an entity designated by a Counterparty (a “Designated Party”) may be redeemed at NAV on any Valuation Date. Except as set forth under “Unitholder Matters — Acts Requiring Unitholder Approval”, 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”.

On December 16, 2004, the *Trust Beneficiaries’ Liability Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises, (a) the trust is a reporting issuer under the *Securities Act* (Ontario), and (b) the trust is governed by the laws of Ontario. The Fund is a reporting issuer under the *Securities Act* (Ontario) and it is governed by the laws of Ontario by virtue of the provisions of the Trust Agreement.

The Fund may issue additional Units: (a) by way of private placement or public offering where the net proceeds per Unit to be received by the Fund are not less than the most recently calculated NAV per Unit prior to the date of the setting of the subscription price by the Fund; (b) on a distribution of Units; or (c) with the approval of Unitholders.

## Distributions

### *Cash Distributions*

The Fund pays quarterly cash distributions of net income, net realized capital gains and option premiums to Unitholders on the last day of each quarter in each year in an amount targeted to be 7.5% per annum of the NAV of the Fund. The Fund has determined to base the distributions it pays on the NAV of the Fund in order to better facilitate the preservation and enhancement of the Fund’s NAV and to enable Unitholders to benefit from any increases in the NAV of the Fund through the resulting increased distributions. The quarterly distributions will be determined using the last NAV prior to the declaration date for the distribution.

Based on the current level of dividends, distributions and option premiums available under current market conditions and the anticipated expenses of the Fund, it is believed that such quarterly cash distributions are sustainable. However, there can be no assurance that the Fund will be able to make distributions at such rate in the future.

The amount of distributions in any particular calendar quarter will be determined by Strathbridge, as Manager, having regard to the investment objectives of the Fund, the net income and net realized capital gains of the Fund during the calendar quarter and in the year to date, the net income and net realized capital gains of the Fund anticipated in the balance of the year and distributions made in previous calendar quarters.

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

Cash distributions are payable in Canadian dollars to Unitholders of record at 5:00 p.m. (EST) on the record date which will generally be on or about the fifteenth day before such distribution date. Each Unitholder is mailed annually,

no later than March 31, information necessary to enable such Unitholder to complete an income tax return with respect to amounts paid or payable by the Fund in respect of the preceding taxation year of the Fund.

### **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 day of a month (a "Valuation Date") will be redeemed on such Valuation Date and the Unitholder will receive payment on or before the fifteenth day following such Valuation Date (the "Redemption Payment Date").

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 lesser of:

- (i) 95% of the Market Price. For such purposes, "Market Price" means the weighted average trading price of the Units on the principal stock exchange on which the Units are listed for the ten trading days immediately preceding the applicable Redemption Date; and
- (ii) 100% of the Closing Market Price of the Units on the applicable Redemption Date, minus an amount equal to the aggregate of all brokerage fees, commissions and other costs incurred by the Fund in connection with such payment, including but not limited to, costs incurred in liquidating securities held in the Fund's Financial Portfolio. For such purposes, the "Closing Market Price" means the closing price of the Units on the principal stock exchange on which the Units are listed or, if there was no trade on the relevant date, the average of the last bid and the last asking prices of the Units on the principal stock exchange on which the Units are listed.

Any unpaid distribution payable on or before a Valuation Date in respect of Units tendered for redemption on such Valuation Date will also be paid on the Redemption Payment Date.

The redemption right must be exercised by providing written notice within the notice periods prescribed and in the manner described under "Book-Entry Only System" below. 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-based 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. 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 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 TSX; or (b) with the prior permission of the Ontario Securities Commission, 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 only 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 owner 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 Unitholder'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 wishes to redeem Units should 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 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 Unitholder's intention to redeem Units, a Unitholder 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 Unitholder.

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**

### **Acts Requiring Unitholder Approval**

The following matters require the approval of Unitholders (excluding Units held by or voted by a Related Trust, unless such Units are voted as directed by holders of units of such Related Trust or as otherwise required by securities

regulatory authorities) by a two-thirds majority vote (other than items (c), (f), 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) the entering into by the Fund of transactions involving derivatives other than: (i) the writing of covered call options or cash covered put options; (ii) the purchase of call options or put options and the entering into of trades by the Fund to close out positions in such derivatives; (iii) the purchase of put options to protect the Fund from declines in the market prices of individual securities or in the value of its securities as a whole; (iv) the purchase of call options in respect to securities in which the Fund is permitted to invest; and (v) the use of derivatives permitted under NI 81-102 to hedge the Fund’s foreign exchange exposure;
- (d) any introduction of, or 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;
- (e) a change of the manager of the Fund, other than a change resulting in an affiliate of such person assuming such position or 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;
- (f) a decrease in the frequency of calculating the NAV per Unit or of redeeming Units;
- (g) certain material reorganizations with, or transfer of assets to or from, another investment fund or a reorganization that results in the Fund no longer being an investment fund;
- (h) a termination of the Investment Management Agreement (except as described under “Investment Management Agreement”);
- (i) except as described under “Termination of the Fund”, the termination of the Fund; or
- (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 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 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 common shares and other securities the Fund may acquire to comprise the Financial 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 at a meeting called for such purpose. The Fund's investment criteria provide that the Fund may:

- (a) purchase securities of an issuer only if such securities are common equity securities of issuers included in the Financial Portfolio or public investment funds, including exchange traded funds and other Strathbridge funds (provided that no more than 15% of the net asset value of the Fund may be invested in securities of other Strathbridge funds), that provide exposure to such securities. The Fund will generally invest not less than 5% and not more than 15% of the Fund's assets in the securities of each issuer in the Financial Portfolio;
- (b) not purchase equity securities of issuers other than those permitted under paragraph (a) and may only purchase debt securities if such securities are cash equivalents;
- (c) write a call option in respect of any security only if such security is actually held by the Fund at the time the option is written;
- (d) not dispose of any security included in the Financial Portfolio that is subject to a call option written by the Fund unless such option has either terminated or expired;
- (e) write put options in respect of any security only if (i) the Fund is permitted to invest in such security, and (ii) so long as the options are exercisable, the Fund continues to hold cash equivalents sufficient to acquire the securities underlying the options at the aggregate strike price of such options;
- (f) reduce the total amount of cash equivalents held by the Fund, only if the total amount of cash equivalents held by the Fund remains an amount not less than the aggregate strike price of all outstanding put options written by the Fund;
- (g) not enter into any arrangement (including the acquisition of securities for the Financial Portfolio and the writing of covered call options in respect thereof) where the result is a dividend rental arrangement for the purposes of the Tax Act;
- (h) invest up to 10% of its net assets to purchase call options in respect of securities in which the Fund is permitted to invest;
- (i) purchase put options on individual securities in the Financial Portfolio or exchange-traded indexed put options and purchase call options and put options with the effect of closing out existing call options and put options written on the Fund;
- (j) purchase derivatives or enter into derivatives or other transactions to facilitate achieving the investment objectives of the Fund;
- (k) not make or hold any investment that would result in more than 10% (by fair market value) of the Fund's property being "taxable Canadian property" or other "specified property" as described in proposed amendments of the Tax Act released by the Minister of Finance (Canada) on September 16, 2004;

- (l) 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; and
- (m) not make or hold any investment that would result in the Fund becoming a “SIFT trust” as defined in subsection 122.1(1) of the Tax Act.

Notwithstanding the foregoing, at the Manager’s discretion, the Fund may be invested entirely in cash or cash equivalents denominated in Canadian dollars.

In addition, but subject to these investment criteria, the Fund has adopted the standard investment restrictions and practices set forth in NI 81-102, which are designed in part to ensure the investments of the Fund are diversified and relatively liquid and to ensure the proper administration of the Fund. 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) Subsection 2.1(1) – to permit the Fund to invest, in general, not less than 5% and not more than 15% of its assets exclusively in the securities of each issuer in the Financial Portfolio; and
- (b) Section 13.1 – to permit the Fund to calculate NAV once each week.

#### **Use of Other Derivative Instruments**

The Fund may purchase put options on individual securities in the Financial Portfolio or exchange-traded indexed put options in order to protect the Fund from declines in the market prices of the individual securities in the Financial Portfolio or in the value of the Financial Portfolio as a whole. The Fund may also invest up to 10% of its net assets to purchase call options in respect of securities in which the Fund is permitted to invest. The Fund may enter into trades to close out positions in such permitted derivatives. In addition to writing covered call options and cash covered put options, and to the extent permitted by Canadian securities regulators, from time to time, the Fund may purchase call options and put options with the effect of closing out existing call options and put options written by the Fund.

#### **Securities Lending**

In order to generate additional returns, the Fund may lend Financial Portfolio securities to securities borrowers acceptable to the Fund pursuant to the terms of a securities lending agreement between the Fund and any such borrower (a “Securities Lending Agreement”). Under a Securities Lending Agreement: (a) the borrower will pay to the Fund a negotiated securities lending fee and will make compensation payments to the Fund equal to any distributions received by the borrower on the securities borrowed; (b) the securities loans must qualify as “securities lending arrangements” for the purposes of the Tax Act; and (c) the Fund will receive prescribed collateral security. Currently, the Fund does not lend securities. Any future securities lending by the Fund will be done in accordance with NI 81-102. The Fund has not engaged in any securities lending to date.

#### **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 business 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](http://www.strathbridge.com).

## Valuation Policies and Procedures

In determining the NAV of the Fund at any time:

- (a) the value of any security or index options that is listed on any recognized exchange shall be determined by the closing sale price at the valuation time or, if there is no closing sale price, the average between the closing bid and the closing asked price on the day on which the NAV is being determined, all as reported by any report in common use or authorized as official by a recognized stock exchange; provided that if such stock exchange is not open for trading on that date, then on the last previous date on which such stock exchange was open for trading;
- (b) where a covered clearing corporation option or over-the-counter option is written, the premium received by the Fund shall be reflected as a deferred credit that shall be valued at an amount equal to the current market value of the clearing corporation option over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation of such options shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the NAV. The securities, if any, which are the subject of a written clearing corporation option, or over-the-counter option shall be valued at their then current market value;
- (c) purchased or written clearing corporation options, over-the-counter options, debt-like securities and listed warrants shall be valued at the current market value;
- (d) 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 thereof, unless the Fund determines that any such deposit or call loan is not worth the face amount, in which event the value thereof shall be deemed to be such value as the Fund determines to be the reasonable value thereof;
- (e) 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;
- (f) the value of any security, the resale of which is restricted or limited, shall be the lesser of the value 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;
- (g) all expenses or liabilities (including fees payable to the Fund) of the Fund shall be calculated on an accrual basis; and
- (h) 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, International Financial Reporting Standards requires that portfolio securities in an active market be valued based on a price within the bid-ask spread. The Fund uses the last traded market price (closing sale price) for both financial assets and financial liabilities where the last traded price falls within the day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

## **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. 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.

Strathbridge is the Manager of the Fund and 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 as Manager for its services 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 Toronto, Ontario	Senior Vice-President, Chief Financial Officer and Director
John P. Mulvihill Jr. Toronto, Ontario	Vice-President and Director
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

Each of the officers and directors listed above has held their position with Strathbridge or an affiliate during the five years preceding the date hereof.

### **The Investment Manager**

Strathbridge manages the Fund’s Financial 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, 2000, as amended on August 2, 2005.

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 Financial Portfolio are John P. Mulvihill and John D. Germain. Also assisting in the management of the Financial Portfolio are John P. Mulvihill Jr., Jeff Dobson, Peggy Shiu, Jack Way and Jeff Thompson.

**John P. Mulvihill**, Chairman, President, Chief Executive Officer, Secretary and Director of Strathbridge, is the senior portfolio manager of Strathbridge and has over 48 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 and is responsible for the overall portfolio management with over 22 years of investment management experience. Prior to joining Strathbridge, he had been employed at Merrill Lynch Canada Inc. since 1992.

**John P. Mulvihill Jr.**, Vice-President and Director of Strathbridge, has been with Strathbridge since April 2008. John’s primary focus is on the development and implementation of the firm’s various investment strategies within the Structured Products Group, while also assisting with product and business development in the High Net Worth division.

**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 50 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 the fixed income group. Since 2008, he has worked extensively on trading equity options and foreign currency hedging.

### ***Investment Management Agreement***

The services provided by Strathbridge pursuant to the Investment Management Agreement include making all investment decisions for the Financial Portfolio and the writing, purchase and sale of all option contracts in accordance with the investment objectives, strategy and restrictions 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 and the trading of option contracts, 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 thereof 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 thereof 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 restrictions 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 20, 2019, 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 20, 2019, 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 (as defined below) beneficially owned, in aggregate, less than 10% of the outstanding Units of the Fund.

As of March 20, 2019, John P. Mulvihill owned of record and beneficially 95,073 shares (100%) of Mulvihill Capital Inc., which is the sole shareholder of Strathbridge.

## 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 Unitholders in respect of its activities.

The members of the IRC of the Fund 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, 2018 was \$7,500.

### 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 <sup>(1)</sup> Toronto, Ontario	President, Canada Overseas Investments, Ltd. (private investment company)
Robert W. Korthals <sup>(1)</sup> Toronto, Ontario	Corporate Director
Robert G. Bertram <sup>(1)</sup> Aurora, Ontario	Corporate Director
John D. Germain Toronto, 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. 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. Koerner, Mr. Germain and Mr. Bertram, has served as a member of the Advisory Board since its initial public offering. Mr. Koerner became an Advisory Board member on June 16, 2000, 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 administers, either directly or indirectly through third-party service organizations, all 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 the payment of distributions on its Units and 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 P. Mulvihill, John Germain, Jack Way, Peggy Shiu and John P. 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 P. Mulvihill.

The Fund may use derivatives as permitted by the policies of Canadian securities authorities and consistent with the investment objectives and restrictions of the Fund and with the investment policies set by the asset mix committee of Strathbridge. Policies, procedures and guidelines regarding investing in derivatives, including objectives and goals for derivatives trading and the risk management procedures applicable to such trading are reviewed by Strathbridge on a regular basis. If the Fund uses derivatives, it will hold enough assets to cover any obligations it has under the derivative contracts. The exposure of the Fund to derivatives is monitored daily by senior management.

Strathbridge also employs certain risk assessment tools including mark to market valuing of securities, reporting and monitoring of securities exposure and reconciliations of security transactions.

Because 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 has adopted the following proxy guidelines (the "Proxy Guidelines") with respect to the voting of proxies received by it relating to voting securities held by the Fund. The Proxy Guidelines establish standing policies and procedures for dealing with routine matters, as well as the circumstances under which deviations may occur from such standing policies. A general description of certain such policies is outlined below.

(a) *Auditors*

The Fund will generally vote for proposals to ratify auditors except where non-audit-related fees paid to such auditors exceed audit-related fees.

(b) *Board of Directors*

The Fund will vote for nominees of management on a case-by-case basis, examining the following factors: independence of the board and key board committees, attendance at board meetings, corporate governance positions, takeover activity, long-term company performance, excessive executive compensation, responsiveness to shareholder proposals and any egregious board actions. The Fund will generally withhold votes from any nominee who is an insider and sits on the audit committee or the compensation committee. The Fund will also withhold support from those individual nominees who have attended fewer than 75% of the board meetings held within the past year without a valid excuse for these absences.

(c) *Compensation Plans*

The Fund will vote on matters dealing with share-based compensation plans on a case-by-case basis. The Fund will review share-based compensation plans with a primary focus on the transfer of shareholder wealth. The Fund will generally vote for compensation plans only where the cost is within the industry maximum except where (i) participation by outsiders is discretionary or excessive or the plan does not include reasonable limits on participation or (ii) the plan provides for option re-pricing without shareholder approval. The Fund will generally also vote against any proposals to re-price options, unless such re-pricing is part of a broader plan amendment that substantially improves the plan and provided that (i) a value-for-value exchange is proposed; (ii) the top five paid officers are excluded; and (iii) exercised options do not go back into the plan or the company commits to an annual burn rate cap.

(d) *Management Compensation*

The Fund will vote on employee stock purchase plans (“ESPPs”) on a case-by-case basis. The Fund will generally vote for broadly based ESPPs where all of the following apply: (i) there is a limit on employee contribution; (ii) the purchase price is at least 80% of fair market value; (iii) there is no discount purchase price with maximum employer contribution of up to 20% of employee contribution; (iv) the offering period is 27 months or less; and (v) potential dilution is 10% of outstanding securities or less. The Fund will also vote on a case-by-case basis for shareholder proposals targeting executive and director pay, taking into account the issuer’s performance, absolute and relative pay levels as well as the wording of the proposal itself. The Fund will generally vote for shareholder proposals requesting that the issuer expense options or that the exercise of some, but not all options be tied to the achievement of performance hurdles.

(e) *Capital Structure*

The Fund will vote on proposals to increase the number of securities of an issuer authorized for issuance on a case-by-case basis. The Fund will generally vote for proposals to approve increases where the issuer’s securities are in danger of being de-listed or if the issuer’s ability to continue to operate is uncertain. The Fund will generally vote against proposals to approve unlimited capital authorization.

(f) *Constituting Documents*

The Fund will generally vote for changes to constituting documents that are necessary and can be classified as “housekeeping”. The following amendments will be opposed:

- (i) the quorum for a meeting of shareholders is set below two persons holding 25% of the eligible vote (this may be reduced in the case of a small organization where it clearly has difficulty achieving quorum at a higher level, but the Fund will oppose any quorum below 10%);
- (ii) the quorum for a meeting of the board of directors should not be less than 50% of the number of directors; and

- (iii) the chair of the board has a casting vote in the event of a deadlock at a meeting of directors if that chair is not an independent director.

The Proxy Guidelines also include policies and procedures pursuant to which the Fund will determine how to cause proxies to be voted on non-routine matters including shareholder rights plans, proxy contests, mergers and restructurings and social and environmental issues.

The Proxy Guidelines apply to proxy votes that present a conflict between the interests of Strathbridge or an entity related thereto, on the one hand, and the interests of Unitholders, on the other.

The Fund has retained ISS Governance Services, a subsidiary of RiskMetrics Group to administer and implement the Proxy Guidelines for the Fund.

The Proxy Guidelines are available upon request at no cost by calling toll-free at 1-800-725-7172 or by e-mail at [info@strathbridge.com](mailto:info@strathbridge.com).

The Fund maintains annual proxy voting records for the period beginning July 1 and ending June 30 of each year. These records are available after August 31 of each year at no cost by calling toll-free 1-800-725-7172 or on Strathbridge's website at [www.strathbridge.com](http://www.strathbridge.com).

### **BROKERAGE ARRANGEMENTS**

In evaluating the broker's capability to provide best execution, the portfolio managers consider the broker's financial responsibility, the broker's responsiveness, the commission rate involved and the range of services offered by the broker.

There are no ongoing contractual arrangements with any brokers with respect to securities transactions.

In addition to order execution goods and services, dealers or third parties may provide research goods and services, which include: (a) advice as to the value of securities and the advisability of effecting transactions in securities; and (b) analyses and reports concerning securities, issuers, industries, portfolio strategy or economic or political factors and trends that may have an impact on the value of securities. Such goods and services may be provided by the executing dealer directly (known as proprietary research) or by a party other than the executing dealer (known as third party research).

In the event of the provision of a good or service that contains an element that is neither research goods and services nor order execution goods and services ("mixed-use goods and services"), brokerage commissions will only be used to pay for such goods and services which would qualify as either research goods and services or order execution goods and services. The Manager would pay for the remainder of the costs of such mixed-use goods or services.

The portfolio managers make a good faith determination that the Financial Portfolio, on whose behalf it directs to a dealer any brokerage transactions involving client brokerage commissions in return for research and order execution goods and services, receives reasonable benefit, considering both the use of the goods and services and the amount of brokerage commissions paid.

There are policies and procedures in place to ensure that, over a reasonable period of time, all clients receive a fair and reasonable benefit in return for the commissions generated.

For a list of any other dealer, broker or third party which provides research goods and services and/or order execution goods and services, at no cost, Unitholders can contact us at 1-800-725-7172 or [info@strathbridge.com](mailto:info@strathbridge.com).

### **TRUSTEE AND CUSTODIAN**

RBC Investor Services Trust 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 the Financial 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. provides the Fund with registrar, transfer and distribution agency services in respect of the Units from its principal offices in Toronto, Ontario.

#### **AUDITORS**

The auditors of the Fund are Deloitte LLP, Bay Adelaide Centre, East Tower, 8 Adelaide Street West, Suite 200, Toronto, Ontario, M5H 0A9.

#### **TERMINATION OF THE FUND**

The Fund will be terminated at any time (the date on which such time occurs being the "Termination Date") upon not less than 90 days' written notice to Strathbridge, with the approval of a two-thirds majority of Unitholders, such approval to have been received at a duly convened meeting of Unitholders called for the purpose of considering such termination, provided that Unitholders holding at least 10% of the Units outstanding on the record date of the meeting vote in favour of such termination.

Strathbridge, as the Fund's Manager, may, in its discretion, terminate the Fund without the approval of Unitholders if, in the opinion of Strathbridge after consulting with the Advisory Board, the NAV of the Fund has been reduced as a result of redemptions or otherwise such that it is no longer economically feasible to continue the Fund and it would be in the best interests of the Unitholders to terminate the Fund. In such circumstances, Strathbridge will provide at least 30 and no more than 60 days' notice to Unitholders of the Termination Date and will issue a press release at least ten days in advance thereof.

Immediately prior to the Termination Date, Strathbridge will, to the extent possible, convert the assets of the Fund to cash and Strathbridge shall, after paying or making adequate provision for all of the Fund's liabilities, distribute the net assets of the Fund to Unitholders on a pro rata basis as soon as practicable after the Termination Date.

#### **FEES AND EXPENSES**

##### **Management and Investment Management Fees**

Strathbridge is entitled to a fee at an annual rate of 0.10% of the NAV of the Fund for its services as manager and 1.0% of the NAV of the Fund for its services as investment manager of the Fund. Fees payable to Strathbridge are calculated and payable monthly in arrears and subject to applicable taxes.

## **Service Fee**

The Fund will pay a service fee (the “Service Fee”) which will be paid to each dealer whose clients hold Units. The Service Fee will be calculated and paid at the end of each calendar quarter and will be equal to 0.30% annually of the value of the Units held by clients of the dealer.

## **Operating Expenses**

The Fund pays for all expenses incurred in connection with the operation and administration of the Fund. It is expected that these expenses will include, without limitation: (a) mailing and printing expenses for periodic reports to Unitholders; (b) fees payable to the Trustee for acting as trustee and custodian of the assets of the Fund and performing certain administrative services under the Trust Agreement; (c) fees payable to the Transfer Agent; (d) fees payable to members of the Advisory Board and the IRC of the Fund; (e) fees payable to the auditor and legal advisors of the Fund; (f) regulatory filing, stock exchange and licensing fees; (g) website maintenance costs; and (h) expenditures incurred upon the termination of the Fund. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which Strathbridge is entitled to an indemnity by the Fund. The Fund will also be responsible for all commissions and other costs of securities transactions and any extraordinary expenses which may be incurred by it from time to time.

## **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, hold their Units as capital property (a “Holder”) and have not with respect to Units entered into a “derivative forward agreement”. This summary is based upon the facts set out in this annual information form, 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 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 was not established and will not be maintained primarily for the benefit of non-resident persons;
- (b) 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;
- (c) 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
- (d) 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 might 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 Holder. Holders 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**

Provided that the Fund meets certain prescribed conditions (“minimum distribution requirements”) relating to the number of Unitholders, dispersal of ownership of Units and public trading of its Units at such time and provided that its sole undertaking is and continues to be the investing of its funds in property (other than real property or an interest in real property) as described in this annual information form, the Fund will qualify at a particular time as a “mutual fund trust” as defined in the Tax Act. This summary assumes that the Fund has satisfied, and will satisfy at all relevant times the minimum distribution and other requirements to qualify as a mutual fund trust.

### **Taxation of the Fund**

The Fund is subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year computed pursuant to the Tax Act, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the year. Income tax paid by the Fund on any net realized capital gains not paid or payable to its Unitholders is recoverable by the Fund to the extent and in the circumstances provided in the Tax Act.

In determining the income of the Fund, premiums received by the Fund on covered call options and cash covered put options written by the Fund (and which are not exercised prior to the end of the year) will constitute capital gains of the Fund in the year received, and gains or losses realized upon dispositions of securities of the Fund (whether upon the exercise of call options written by the Fund or otherwise) will constitute capital gains or capital losses of the Fund in the year realized unless the Fund is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the securities in a transaction or transactions considered to be an adventure in the nature of trade. The Fund has purchased, and will continue to purchase, securities in the Financial Portfolio with the objective of earning dividends thereon over the life of the Fund including dividends on securities acquired upon the exercise of cash covered put options written by the Fund, may write covered call options with the objective of increasing the yield on the Financial Portfolio beyond the dividends received on the Financial Portfolio and may write cash covered put options to increase returns and to reduce the net cost of purchasing securities subject to put options. In accordance with CRA’s published administrative practice, transactions undertaken by the Fund in respect of covered options and shares will be treated and reported for purposes of the Tax Act on capital account and designations by the Fund with respect to its income and capital gains, as described below, will be made and reported to Unitholders on this basis. Premiums received by the Fund on covered call (or cash covered put) options which are exercised in the taxation year in which the option is written by the Fund are added in computing the proceeds of disposition (deducted in computing the adjusted cost base) to the Fund of the securities disposed of (acquired by) the Fund on exercise of such call (put) options.

The Fund has elected in accordance with the Tax Act to have each of its “Canadian securities” (as defined in subsection 39(6) of the Tax Act) treated as capital property. Such an election ensures that gains or losses realized by the Fund on dispositions of Canadian securities will be taxed as capital gains or capital losses.

The Fund generally intends to deduct in computing its income in each taxation year for purposes of the Tax Act the full amount available for deduction in each year (computed on the assumption that options outstanding after the year end will expire unexercised) and therefore, provided that the Fund makes distributions in each year of its net income including net realized capital gains as described under the heading “Units – Distributions”, it will generally not be liable in such year for income tax under Part I of the Tax Act other than such tax on net realized capital gains that would be recoverable by it in such year.

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, or is deemed to qualify, 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 Holder will generally be required to include in the calculation of the Holder's income under the Tax Act the net income and the net realized taxable capital gains of the Fund paid or payable to the Holder in the year or deemed so paid or payable, whether received in cash or in additional Units. To the extent that distributions by the Fund to a Holder in any year exceed the net income including net realized capital gains of the Fund for the year computed pursuant to the Tax Act, such distributions generally will not be included in the calculation of the Holder's income for the year but will reduce the adjusted cost base of the Holder's Units.

The Fund will designate to the extent permitted by the Tax Act the portion of the net income distributed to Holders as may reasonably be considered to consist of realized taxable capital gains of the Fund net of realized capital losses and net capital loss carry forwards, and the taxable dividends received, or deemed to be received, by the Fund on shares of taxable Canadian corporations. Any such designated amount will be deemed for purposes of the Tax Act to be received or realized by Holders in the year as a taxable capital gain or taxable dividend from a taxable Canadian corporation. 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 Holder.

Under the Tax Act, a trust is permitted to deduct in computing its income an amount which is less than the amount of its distributions. This will enable the Fund to utilize, in a particular year, losses from prior years without affecting the ability of the Fund to distribute its income annually. The amount distributed to a Holder but not deducted by the Fund will not be required to be included in the income of the Holder. However, unless such amount relates to the non-taxable portion of capital gains, the taxable portion of which has been allocated to the Holder, the adjusted cost base of the Holder's Units would be reduced by such amount.

The NAV per Unit of the Fund will reflect any income and gains of the Fund that have accrued or have been realized but not made payable at the time Units are acquired. Consequently, Holders of the Fund that acquire additional Units may become taxable on their share of income and gains of the Fund that accrued or were realized before the Units were acquired and not made payable at such time.

Upon the actual or deemed disposition of a Unit, including on a sale or redemption, a capital gain (or capital loss) will generally be realized by the Holder to the extent that the Holder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base to the Holder of the Unit and any reasonable costs of disposition. For the purpose of determining the adjusted cost base to a Holder 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 Holder as capital property at that time. One-half of any capital gains ("taxable capital gains") realized will be included in computing the income of a Holder 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 qualifies and continues to qualify at all times as a mutual fund trust within the meaning of the Tax Act or that the 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 (each, a "registered plan").

However, if the Units are a "prohibited investment" for a tax-free savings account, registered retirement savings plan, registered disability savings plan, registered education savings plan, or registered retirement income fund, the holder of a tax-free savings account or registered disability savings plan, subscriber of a registered education savings plan or annuitant under a registered retirement savings plan or registered retirement income fund, will be subject to a penalty tax as set out in the Tax Act. An investment in the Units will not generally be a "prohibited investment" unless the



holder, subscriber or annuitant does not deal at arm's length with the Fund for purposes of the Tax Act or if the holder, subscriber or annuitant has a significant interest (within the meaning of the Tax Act) in the Fund. Holders of tax-free savings accounts or registered disability savings plans, subscribers of registered education savings plans, and annuitants under registered retirement savings plans and registered retirement income funds should consult their own tax advisors to ensure that no Units would be a "prohibited investment" in their particular circumstances.

### **Exchange of Tax Information**

The Fund is required to comply with due diligence and reporting obligations imposed under amendments to the Tax Act that implemented the Canada-United States Enhanced Tax Information Exchange Agreement. As long as the Units continue to be listed on the TSX, the Fund should not have any U.S. reportable accounts and, as a result, should not be required to provide information to the CRA in respect of securityholders. However, dealers through which securityholders hold their Units are subject to due diligence and reporting obligations with respect to financial accounts they maintain for their clients. Securityholders (and, if applicable, the controlling person(s) of a securityholder) may be requested to provide information to their dealer to identify U.S. persons holding the Units. If a securityholder, or its controlling person(s), is a "Specified U.S. Person" (including a U.S. citizen who is a resident of Canada) or if a securityholder does not provide the requested information, Part XVIII of the Tax Act will generally require information about the securityholder's investments held in the financial account maintained by the dealer to be reported to the CRA, unless the investments are held within a registered plan. The CRA will then provide that information to the U.S. Internal Revenue Service.

In addition, reporting obligations in the Tax Act have been enacted to implement the Organization for Economic Cooperation and Development Common Reporting Standard (the "CRS Rules"). Pursuant to the CRS Rules, Canadian financial institutions are required to have procedures in place to identify accounts held by residents of foreign countries other than the U.S. ("Reportable Jurisdictions") or by certain entities any of whose "controlling persons" are residents of Reportable Jurisdictions. The CRS Rules provide that Canadian financial institutions must report certain account information and other personal identifying details of securityholders (and, if applicable, of the controlling persons of such securityholders) who are residents of Reportable Jurisdictions to the CRA annually. Such information would generally be exchanged on a reciprocal, bilateral basis with Reportable Jurisdictions in which the account holders or such controlling persons are resident under the provisions and safeguards of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters or the relevant bilateral tax treaty. Under the CRS Rules, securityholders will be required to provide such information regarding their investment in the Fund to their dealer for the purpose of such information exchange, unless the investment is held within a registered plan.

### **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.

#### **Performance of the Portfolio Securities**

NAV per Unit will vary as the value of the securities in the Financial Portfolio varies. At any time, the issuers in the Financial Portfolio may decide to decrease or discontinue the payment of distributions on their securities. The Fund has no control over the factors that affect the issuers in the Financial Portfolio, including factors such as fluctuations in interest rates, changes in management or strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures and changes in dividend and distribution policies. An investment in Units does not constitute an investment in the securities of issuers in the Financial Portfolio. Holders of the Units will not own the securities held by the Fund and will not have any voting or other rights with respect to such securities.

#### **Concentration Risk**

The Financial Portfolio consists only of securities of the companies in the financial services and life insurance industries and, as a result, the Fund's holdings are not diversified and the NAV may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time in response to economic conditions and regulatory changes that specifically affect the provision of financial services or life insurance. This may have a negative impact on the value of the Units.

### **No Assurances on Achieving Investment Objectives**

There is no assurance that the Fund will be able to achieve its distribution goals or the Fund's investment goal of returning the original issue price of the Units offered hereunder to Unitholders on the Termination Date.

There is no assurance that the Fund will be able to pay quarterly distributions. The funds available for distribution to Unitholders will vary according to, among other things, the dividends and distributions paid on all of the securities comprising the Financial Portfolio, the level of option premiums received and the value of the securities comprising the Financial Portfolio. Since the dividends and distributions received by the Fund will not be sufficient to meet the objectives of the Fund in respect of the payment of distributions, the Fund will depend on the receipt of option premiums and the realization of capital gains to meet those objectives. Although many investors and financial market professionals price options based on the Black-Scholes Model, in practice actual option premiums are determined in the marketplace and there is no assurance that the premiums predicted by such a pricing model can be attained.

### **Use of Options and Other Derivative Instruments**

The Fund is subject to the full risk of its investment position in the securities comprising the Financial Portfolio, including those securities that are subject to outstanding call options, and those securities underlying put options written by the Fund, should the market price of such securities decline. In addition, the Fund will not participate in any gain on the securities that are subject to outstanding call options above the strike price of the options.

There can be no assurance that a liquid exchange or over-the-counter market will exist to permit the Fund to write covered call options or cash covered put options on desired terms or to close out option positions should it desire to do so. The ability of the Fund to close out its positions may also be affected by exchange imposed daily trading limits on options or the lack of a liquid over-the-counter market. If the Fund is unable to repurchase a call option which is in-the-money, it will be unable to realize its profits or limit its losses until such time as the option becomes exercisable or expires. In addition, upon the exercise of a put option, the Fund will be obligated to acquire a security at a strike price that may exceed the then current market value of such security.

Where the Fund has purchased call options and entered into other derivative transactions there is also the risk that the counterparty (whether a clearing corporation in the case of exchange-traded instruments, or other third party in the case of over-the-counter instruments) may be unable to meet its obligations under the transaction and may default on such obligations, which could prevent Fund from reducing a loss or making a profit.

### **Trading at a Discount**

The Fund cannot predict whether Units will trade above, at or below NAV per Unit.

### **Reliance on the Manager**

Strathbridge manages the Financial Portfolio in a manner consistent with the investment objectives, investment strategies and investment restrictions of the Fund. The officers of Strathbridge who are primarily responsible for the management of the Financial Portfolio have extensive experience in managing investment portfolios, but there is no certainty that they 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 (which represents the value that the Fund is able to obtain in the market when it sells Financial Portfolio securities to fund the redemption). 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 per Unit. Other closed-end funds with annual redemption rights similar to the redemption rights in respect of the Units have experienced significant redemptions on annual redemption dates in the past.

## **Securities Lending**

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

## **Status of the Fund for Securities Law Purposes**

The Fund is not a “mutual fund” for Canadian securities law purposes. As a result, some of the protections provided to investors in mutual funds under such laws will not be available to Unitholders and certain restrictions imposed on mutual funds under Canadian securities laws, including NI 81-102, do not apply to the Fund. See “Investment Restrictions”.

## **Fund of Funds Investment Risk**

The Fund may invest directly in, or obtain exposure to, exchange traded funds or other public investment funds as part of its investment strategy. The Fund will be subject to the risks of the underlying funds. Also, if an underlying fund suspends redemptions, the Fund will be unable to accurately value part of its portfolio and may be unable to redeem its units in such fund.

## **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 Unitholders.

## **Taxation of the Fund**

As a result of the application of the rules (the “SIFT Rules”) under the Tax Act applicable to certain trusts or partnerships (defined as “SIFT trusts” and “SIFT partnerships”, respectively) the securities of which are listed or traded on a public market and that hold one or more “non-portfolio properties” (as defined in the Tax Act), such trusts and partnerships are effectively taxed on income and capital gains in respect of such non-portfolio properties at combined rates comparable to the rates that apply to income earned and distributed by Canadian public corporations. Distributions of such income received by unitholders of SIFT trusts (and allocations of such income made to members of SIFT partnerships) are treated as eligible dividends from a taxable Canadian corporation. If the Fund were to qualify as a SIFT trust within the meaning of the Tax Act, the income tax considerations described under the heading “Canadian Federal Income Tax Considerations” would be materially and adversely different in certain respects.

Rules in the Tax Act applicable to “loss restriction events” (as defined in the Tax Act) may have an impact on the Fund generally to the extent that any person, together with other persons with whom that person is affiliated within the meaning of the Tax Act, or any group of persons acting in concert, acquires Units having a fair market value that is greater than 50% of the fair market value of all the Units of the Fund. If such circumstances occur, the Fund will have a deemed tax year end and any undistributed income and realized capital gains (net of any applicable losses) would be expected to be made payable to all Unitholders as a distribution on their Units (or tax thereon paid by the Fund in respect of such year).

## **Tax Treatment of Proceeds of Disposition and Option Premiums**

In determining its income for tax purposes, the Fund will treat gains and losses realized on the disposition of securities in the Financial Portfolio, option premiums received on the writing of covered call options and cash covered put options and any losses sustained on closing out options as capital gains and capital losses in accordance with CRA’s published administrative practice. CRA’s practice is not to grant advance income tax rulings on the characterization of items as capital or income and no advance income tax ruling has been applied for or received from CRA.

If, contrary to CRA’s published administrative practice and the advice of counsel or as a result of a change of law, some or all of the transactions undertaken by the Fund in respect of covered options and securities in the Financial

Portfolio were treated on income rather than capital account, after-tax returns to Unitholders could be reduced and the Fund may be subject to non-refundable income tax from such transactions.

### **Recent Global Market Conditions**

Global financial markets have experienced substantial volatility in recent years. Significant sources of this volatility have included the revaluation of assets on the balance sheets of international financial institutions resulting in a reduction in liquidity among financial institutions and generally reduced availability of credit, substantial intervention by central banks as well as global governments in financial markets, low economic growth in various markets and economies, substantial changes in currency valuations and commodity prices and concerns regarding both inflation and deflation. Further, continued concerns about the European Sovereign debt crisis, uncertainty surrounding the ratification and implementation of the United States-Mexico-Canada Agreement, developments in the Middle East and North Korea, strained trade relations between and trade barriers instituted by the U.S. and a number of other countries (including Canada), matters related to the United Kingdom's withdrawal from the EU, tightening monetary policy in the U.S., and matters related to the U.S. government debt limits, may adversely impact the global equity markets, which may adversely affect the prospects of the Fund and value of the Fund. A substantial drop in the market in which the Fund invests could be expected to have a negative effect on the value of the Units of the Fund.

### **Cyber Security Risk**

Cyber security risk is the risk of harm, loss and liability resulting from a breach or failure of information technology systems. Breaches or failures of information technology systems ("Cyber Security Events") can result from deliberate attacks or unintentional events and may arise from external or internal sources. Deliberate cyber attacks include gaining unauthorized access to digital systems (through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, equipment or systems, or causing operational disruption. Deliberate cyber attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users).

The primary risk to the Fund from the occurrence of Cyber Security Events include disruption in operations, reputational damage, disclosure of confidential information, regulatory penalties, additional compliance costs associated with corrective measures, and/or financial loss. The Fund's third party service providers (e.g., custodian, administrator, transfer agent) or the issuers that the Fund invests in may also be subject to a Cyber Security Event which could adversely affect the Fund and its operations. The Fund cannot control the cyber security plans and systems put in place by its service providers or any other third party whose operations may affect the Fund or its Unitholders and they could be adversely affected as a result.

### **Credit Risk**

The Fund is subject to the credit risk that its counterparty (whether a clearing corporation, in the case of exchange traded instruments, or other third party, in the case of over-the-counter instruments) may be unable to meet its obligations. The Fund manages these risks through the use of various risk limits and trading strategies.

The Fund is also exposed to counterparty credit risk on derivative financial instruments. The counterparty credit risk for derivative financial instruments is managed by dealing with counterparties that have a credit rating that is not below the level of approved credit ratings as set out in NI 81-102.

### **Liquidity Risk**

Liquidity risk is the possibility that investments in the Fund cannot be readily converted into cash when required. To manage this risk, the Fund invests the majority of its assets in investments that are traded in an active market and which can be easily disposed. In addition, the Fund aims to retain sufficient cash and short-term investments to maintain liquidity and to meet its obligations when due.

### **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 report 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](mailto: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](http://www.sedar.com).

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