

**ANNUAL INFORMATION FORM**

**U.S. FINANCIALS INCOME FUND**

**Class A Units and Class U Units**

**March 27, 2020**

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## **FORWARD-LOOKING STATEMENTS**

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

## **THE FUND**

U.S. Financials Income Fund (the “Fund”) is an investment trust established under the laws of the Province of Ontario pursuant to a trust agreement dated as of January 29, 2015 (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. (“Strathbridge”, “Manager” or “Investment Manager”).

On February 24, 2015, the Fund completed its initial public offering of 3,200,000 class A units (the “Class A Units”) at a price of \$10.00 per Class A Unit and 412,600 class U units (the “Class U Units”, and with the Class A Units collectively, the “Units”) at a price of US\$10.00 per Class U Unit. On March 9, 2015, the Fund completed an additional offering of 175,000 Class A Units at a price of \$10.00 per Class A Unit pursuant to the exercise of an over-allotment option granted to the Fund’s agents in connection with the Fund’s initial public offering. The outstanding Class A Units are listed on the Toronto Stock Exchange (“TSX”) under the symbol USF.UN. The Class U Units are designed for investors wishing to make their investment in U.S. dollars and will not be listed on the stock exchange but will be convertible into Class A Units on a weekly basis.

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 and info@strathbridge.com, respectively.

### ***Status of the Fund***

The Fund is not a “mutual fund” for securities law purposes. 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 Class A 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.

## **INVESTMENT OBJECTIVES AND STRATEGY**

The Fund’s investment objectives are:

- (a) to provide holders of units (“Unitholders”) with quarterly cash distributions; and
- (b) to maximize total return through capital appreciation and distributions.

Due to the change to the Global Industry Classification Standard effective September 1, 2016 and the creation of the new real estate sector which was previously included in the financials sector, the Fund confirmed that it will continue to invest in an actively managed portfolio (the “Portfolio”) consisting primarily of equity securities of U.S. Financial or Real Estate issuers (as defined below) and Alternative Asset Managers (as defined below).

To achieve its investment objectives, the Fund invests in an actively managed portfolio of generally 20 to 30 equity securities selected from the S&P 500 Index that are classified as “financials” or “real estate” by Standard & Poor’s Global Industry Classification Standard and which have a market capitalization of at least US\$10 billion and a S&P Rating (as defined below) of at least A- at the time of purchase (such issuers herein referred to as “U.S. Financials” and “Real Estate” issuers, respectively). The Portfolio may also include U.S. publicly listed alternative asset management issuers which have a market capitalization of at least US\$5 billion at the time of purchase (“Alternative Asset Managers”). U.S. Financial issuers may include, but are not limited to, issuers operating in the following financial industry sub-sectors: retail and commercial banking, investment banking, wealth management, insurance, financial exchanges and mortgage real estate investment trusts (“REITs”). Real Estate issuers include companies engaged in real estate development and operation which would also include equity REITs. Alternative Asset Manager issuers may include, but are not limited to, managers or investment advisors who structure, promote, sponsor or operate investment and other funds focused on non-traditional asset classes such as private equity, real estate, commodities

and alternative investment strategies. S&P Rating means a credit rating issued by Standard & Poor's® Rating Services, a division of The McGraw-Hill Companies, Inc.

The Fund may invest up to 25% of its net asset value ("Net Asset Value") in securities included in the S&P 500 Index that are classified as "financials" or "real estate" as defined by Standard & Poor's Global Industry Classification Standard but that are not included in the Investment Universe (as defined below) because they do not meet the minimum US\$10 billion market capitalization and minimum A- S&P Rating requirements and Alternative Asset Managers that do not meet the minimum US\$5 billion market capitalization requirement.

The Manager will select the constituent issuers to be included in the Portfolio utilizing its proprietary quantitative model supplemented by fundamental analysis including, among other things, its view as to (a) the sustainability of the dividends on the securities held in the Portfolio (the "Portfolio Securities"), (b) the potential for price appreciation, and (c) the attractiveness of the shares for generating premiums from writing covered call options including liquidity and volatility considerations.

### **Investment Universe**

The investment universe (the "Investment Universe") will consist of equity securities of U.S. Financial or Real Estate issuers being issuers included in the S&P 500 Index that are classified as "financials" or "real estate" by Standard & Poor's Global Industry Classification Standard which have a market capitalization of at least US\$10 billion and a S&P Rating of A- at the time of purchase. The Investment Universe will also include equity securities of Alternative Asset Managers with a market capitalization of at least US\$5 billion.

### **Covered Option Writing**

The Fund intends to strategically write covered call options from time to time, in respect of all or a portion of the securities in its Portfolio, in order to:

- (a) enhance the Fund's total returns;
- (b) enhance the dividend yield on the Portfolio Securities; and
- (c) lower the overall volatility of the Portfolio.

Based on the Manager's experience using its selective covered call writing strategy, it expects there will be periods of time when the securities in the Portfolio will be subject to covered call options as well as periods when no covered call options will be written on the securities in the Portfolio.

From time to time, the Fund may purchase put options to protect the Fund from potential declines in the value of individual securities in the Portfolio.

The composition of the Portfolio, the securities that may be subject to call options and the terms of such options will vary from time to time, depending on market conditions. 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 Portfolio.

### **U.S. Currency Hedging**

It is expected that the Portfolio Securities will primarily be U.S. dollar denominated. Strathbridge may enter into currency hedging to reduce the effects on the Class A Units of changes in the value of the U.S. dollar relative to the Canadian dollar. From time to time, between 0% and 100% of the value of the Portfolio's U.S. dollar exposure may be hedged back to the Canadian dollar.

### **Hedging to Protect Portfolio Assets**

The Fund may purchase put options on individual securities in the Portfolio, indexed put options or unleveraged inverse exchange-traded funds in order to protect the Fund from declines in the market prices of the individual securities in its Portfolio or in the value of its Portfolio as a whole. 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.

### **Utilization of Cash Equivalents**

The Fund may from time to time hold a portion of its assets in cash equivalents. The Fund may also from time to time utilize such cash equivalents to provide cover for the writing of cash-covered put options or for other defensive purposes. The Fund may also from time to time write cash-covered put options to generate additional returns and to reduce the net cost of acquiring the securities subject to put options. Such cash-covered put options will only be written in respect of securities in which the Fund is permitted to invest.

### **No Leverage**

The Fund will not employ leverage other than in connection with short sales described below.

### **Short Selling**

The Manager may short securities from time to time. Short exposure in the Portfolio, for purposes other than hedging (as defined in NI 81-102), will not exceed 10% of the Net Asset Value of the Fund determined on a daily marked-to-market basis. The maximum amount of leverage that the Fund may employ through short sales is 1.1:1 (maximum total assets divided by Net Asset Value).

A short sale is effected by selling a security which the Fund does not own. In order to make delivery to the buyer of a security sold short, the Fund must borrow the security. In so doing, it incurs the obligation to replace the security, whatever its price may be, at the time it is required to deliver it to the lender. The Fund must also pay to the lender of the security any dividends or interest payable on the security during the borrowing period and may have to pay a premium to borrow the security.

### **Securities Lending**

In order to generate additional returns, the Fund may lend Portfolio Securities to securities borrowers acceptable to the Fund pursuant to the terms of a securities lending agreement between the Fund and the any such borrower under which: (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 collateral security. The Fund may only lend the portion of the securities of a Portfolio issuer that is not subject to a covered call option. The Fund will appoint the Custodian to act as securities lending agent in the event that it lends Portfolio Securities to securities borrowers. Such agent will be responsible for the ongoing administration of the securities loans, including the obligation to mark-to-market the collateral on a daily basis. Acceptable collateral would generally be limited to Government of Canada or provincial treasury securities or other liquid collateral as approved by the Board of Directors of the Manager, in each case with a value equal to 105% of the value of the securities on loan. Any securities lending transactions entered into by the Fund may be terminated by the Fund at any time.

## **INVESTMENT RESTRICTIONS**

The Fund is subject to certain investment restrictions that, among other things, limit the securities the Fund may acquire to comprise its Portfolio. The Fund’s investment restrictions may not be changed without the approval of the Unitholders by a two-thirds majority vote at a meeting called for such purpose. See “Unitholder Matters – Matters Requiring Unitholder Approval”. The Fund’s investment restrictions provide that the Fund may:

- (a) purchase equity securities of U.S. Financial or Real Estate issuers;

- (b) purchase equity securities of Alternative Asset Manager issuers;
- (c) not invest less than 75% of the total assets of the Fund in issuers referenced in (a) and (b) above;
- (d) not invest more than 25% of total assets of the Fund in securities included in the S&P 500 Index that are classified as “financials” or “real estate” as defined by Standard & Poor’s Global Industry Classification Standard but that are not included in the Investment Universe because they do not meet the minimum US\$10 billion market capitalization and minimum A- S&P Rating requirements, securities of Alternative Asset Managers that do not meet the minimum US\$5 billion market capitalization requirement, 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 and provided that there are no duplication of fees) that provide exposure to such securities in accordance with applicable law;
- (e) not invest at the time of investment more than 10% of the Fund’s total assets in equity securities of any one issuer;
- (f) purchase debt securities only if such securities are cash equivalents;
- (g) write a call option in respect of any security only if such security is actually held by the Fund in the Portfolio at the time the option is written;
- (h) not dispose of any security that is subject to a call option written by the Fund unless such option has either terminated or expired;
- (i) not borrow or enter into any leverage transaction other than as permitted in (j) below;
- (j) not have short exposure, other than for purposes of hedging (as defined in NI 81-102), in excess of 10% of the Net Asset Value of the Fund as determined on a daily marked-to-market basis;
- (k) write put options in respect of any security only if (i) the Fund is permitted to invest in such security in the Portfolio, 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 prices of such options;
- (l) 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;
- (m) invest up to 10% of its net assets to purchase call options in respect of securities in which the Fund is permitted to invest;
- (n) purchase call options and put options with the effect of closing out existing call options and put options written by the Fund;
- (o) purchase put options on individual securities in the Portfolio, indexed put options, and, notwithstanding paragraphs (a), (b) and (e), unleveraged inverse exchange traded funds that provide exposure to the financials or real estate sector of the S&P 500 Index; provided that after such purchase, no more than an aggregate of 25% of the Net Asset Value of the Fund is invested in such securities.
- (p) purchase derivatives or enter into derivatives or other transactions to facilitate achieving the investment objectives of the Fund;
- (q) not undertake any activity, take any action, omit to take any action or make or hold any investment that would result in the Fund failing to qualify as a “mutual fund trust” within the meaning of the Tax Act;



- (r) not make or hold any investment that would result in the Fund becoming a “SIFT trust” within the meaning of subsection 122.1(1) of the Tax Act;
- (s) not invest in: (i) any security that is an offshore investment fund property that would require the Fund to include significant amounts in the Fund’s income pursuant to section 94.1 of the Tax Act; or (ii) any interest in a non-resident trust that would require the Fund to include amounts in income in connection with such interest pursuant to sections 91, 94 or 94.2 of the Tax Act;
- (t) not invest in any security that would be a “tax shelter investment” within the meaning of the Tax Act; and
- (u) not invest in any security of an issuer that would be a foreign affiliate of the Fund for purposes of the Tax Act.

To the extent the percentage restriction contained in clauses (c) or (d) above is breached, the Manager will adjust the Portfolio to satisfy such restriction as soon as practicable. The Fund may not invest in securities or assets other than those referred to above. Notwithstanding the foregoing, at the Manager’s discretion, the Fund may be invested entirely in cash or cash equivalents.

In addition, but subject to these investment criteria, the Fund has adopted the standard investment restrictions and practices set out in NI 81-102, which are designed in part to ensure the investments of the Fund are diversified and relatively liquid and to ensure 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.

## UNITS

The Fund is authorized to issue an unlimited number of transferable, redeemable trust units of an unlimited number of classes. The Fund has issued Class A Units and Class U Units, each of which represents an equal, undivided interest in the net assets of the Fund.

All Units of a class have equal rights and privileges. As set forth under “Unitholder Matters – Matters Requiring Unitholder Approval”, each whole Unit of a class is entitled to one vote at all meetings of Unitholders (other than meetings at which only Unitholders of the one class are entitled to vote) 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. Holders of Units will have no voting rights in respect of the securities in the Portfolio. Such securities will be voted in accordance with the proxy voting guidelines of the Fund. See “Fund Governance – Proxy Voting Policy”.

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 herein under the heading “Unitholder Matters – Matters 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 the Province of Ontario. The Fund is a reporting issuer under the *Securities Act* (Ontario) and it is governed by the laws of the Province of Ontario by virtue of the provisions of the Trust Agreement.

The Fund may not issue additional Units of a class, or securities convertible into Units of a class, except (a) for net proceeds per Unit of a class of not less than 100% of the most recently calculated net asset value per unit (“Net Asset Value per Unit”) of such class prior to the pricing of such issuance (and, for greater certainty, in making such determination, if such Net Asset Value is calculated prior to a record date for a distribution in respect of Units of a class being issued, the most recently calculated Net Asset Value per Unit for the purposes of determining the subscription price will be adjusted to account for any distributions which have been declared payable in respect of such Units and which will not be received by the subscriber) or in the event a new class is created, is otherwise not

dilutive to Unitholders existing prior to the issuance of such new class of Units; (b) with the approval of Unitholders; (c) by way of Unit distributions; or (d) upon the exercise of any warrants provided that the exercise price of such warrants is not less than that which would yield net proceeds of at least 100% of the most recently calculated Net Asset Value per Unit of such class prior to the pricing of such warrants.

## **Distributions**

The Fund intends to make quarterly cash distributions to Unitholders on the last business day of the months of March, June, September and December. The Fund intends to pay equal quarterly distributions (equal to one-fourth of the annual targeted rate) initially expected to be \$0.125 per Unit (approximately \$0.50 per annum, representing an annual cash distribution of 5.00% based upon the \$10.00 per Unit issue price). Distributions paid by the Fund are generally expected to be sourced from U.S. source dividend income and realized capital gains. The Fund will not have a fixed distribution but intends to announce distributions annually based on, among other things, the actual and expected distributions and returns generated by the Portfolio less the Fund's estimated expenses.

The quarterly distributions to Unitholders will be substantially based upon the level of dividends and other distributions received on the Portfolio Securities and on the level of premiums realized by the Fund pursuant to the option writing strategy described herein. As the Fund intends to write call options on all or a portion of the Portfolio Securities, a significant decrease in the volatility of the Portfolio Securities could have an adverse effect on the distributable cash flow generated by the Fund and accordingly, the distributions, if any paid by the Fund from time to time.

If the Fund's net income for tax purposes, after adjusting for net realized taxable capital gains, for any year exceeds the aggregate amount of the regular quarterly distributions made in the year to Unitholders, the Fund may pay one or more special distributions in such year to Unitholders as is necessary to ensure that the Fund will not be liable for income tax on such amounts under the Tax Act (after taking into account all available deductions, credits and refunds). Such distributions may be made in Units and/or cash. A distribution payable in Units will increase the aggregate adjusted cost base to the Unitholders of their Units. Immediately following payment of such distribution in Units, the number of Units outstanding will be automatically consolidated such that the number of Units outstanding will be equal to the number of Units outstanding immediately prior to such payment, except in the case of a non-resident Unitholder if tax was required to be withheld in respect of the distribution. See "Canadian Federal Income Tax Considerations".

Cash distributions will be payable in Canadian dollars to holders of Class A Units and in U.S. dollars to holders of Class U Units, in each case to Unitholders of record at 5:00 p.m. (Toronto time) on the record date which will generally be on or about the fifteenth day before such distribution payment date. All cash distributions will be paid to Unitholders proportionately based on their respective holdings of Units.

Each Unitholder will be mailed (by the dealer who holds Units on their client's behalf) annually, no later than the 90<sup>th</sup> day following the tax year-end of the Fund, 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. See "Canadian Federal Income Tax Considerations".

The Fund may, in its discretion, determine what portion, if any, of the redemption amount paid to a Unitholder on a redemption of Units is a distribution to the Unitholder out of the income or net realized capital gains 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 a Redemption Date (as defined below). Units surrendered for redemption on or before the first business day of September of any year (the "Annual Redemption Deadline") will be redeemed on the last business day of September (the "Annual Redemption Date"). Units surrendered by a Unitholder at least 10 business days prior to the last day of any other month (a "Monthly Redemption Deadline" and, together with the Annual Redemption Deadline, a "Redemption Deadline"), will be redeemed on the last day of such month (a "Monthly Redemption Date" and, together with the Annual Redemption Date, a "Redemption Date"). If a valuation date is not a business day, then the securities comprising the Fund property will be valued as if such valuation date were the preceding business day.

If a Unitholder surrenders Units after 5:00 p.m. (Toronto time) on the applicable cut-off date, the Units will be redeemed on the following Redemption Date. Redemption proceeds will be payable in Canadian dollars to holders of Class A Units and in U.S. dollars to holders of Class U Units. Unitholders will receive payment for the Units on or before the 15<sup>th</sup> day following such Redemption Date (the “Redemption Payment Date”).

Unitholders whose Units are redeemed on an Annual Redemption Date will be entitled to receive a redemption price per Unit of a class equal to the Net Asset Value per Unit of such class determined as of such date.

For Unitholders whose Class A Units are redeemed on a Monthly Redemption Date, the redemption price per Class A Unit (the “Class A Monthly Redemption Price”) will be the Canadian dollar amount equal to the lesser of:

- (a) 95% of the Market Price; and
- (b) 100% of the Closing Market Price of the Class A Units on the applicable Redemption Date. For such purposes, the “Closing Market Price” means the closing price of the Class A Units on the principal stock exchange on which the Class A Units are listed (or, if the Class A Units are not listed on any stock exchange, on the principal market on which the Class A Units are quoted for trading) or, if there was no trade on the relevant date, the average of the last bid and the last asking prices of the Class A Units on the principal stock exchange on which the Class A Units are listed (or, if the Class A Units are not listed on any stock exchange, on the principal market on which the Class A Units are quoted for trading),

and, in either case, 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 Portfolio.

Notwithstanding (a) and (b) above, the Redemption Price shall not exceed the Net Asset Value of the Fund on the Monthly Redemption Date. For Unitholders whose Class U Units are redeemed on a Monthly Redemption Date, the Redemption Price per Class U Unit will be the U.S. dollar amount calculated as the Class A Monthly Redemption Price (converted to U.S. dollars at the Reference Exchange Rate on the Monthly Redemption Date) multiplied by a fraction, the numerator of which is the Net Asset Value per Class U Unit and the denominator of which is the Net Asset Value per Class A Unit (converted to U.S. dollars at the Reference Exchange Rate on the Monthly Redemption Date). The Reference Exchange Rate is the Bank of England’s 4:00 p.m. US/CAD spot rate as found on:

[www.bankofengland.co.uk/statistics/pages/iadb/notesiadb/Spot\\_rates.aspx](http://www.bankofengland.co.uk/statistics/pages/iadb/notesiadb/Spot_rates.aspx).

Any unpaid distribution payable on or before the applicable Redemption Date in respect of Units tendered for redemption on the corresponding Redemption Deadline will also be paid on the applicable Redemption Payment Date.

The redemption right must be exercised by causing written notice to be given within the notice periods prescribed herein and in the manner described under “Redemption of Units – Exercise of Redemption Right” below. Such surrender will be irrevocable upon the delivery of notice to CDS Clearing and Depository Services Inc. (“CDS”) through a participant in CDS (“CDS Participant”), except with respect to those Units which are not paid for by the Fund on the relevant Redemption Payment Date.

The Fund may designate a portion of the redemption price of Units tendered for redemption as a distribution of income and capital gains to redeeming Unitholders.

### ***Exercise of Redemption Right***

An owner of Units who desires 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 owner a written notice of the owner’s intention to redeem Units, no later than 5:00 p.m. (Toronto time) on the relevant notice date. An owner who desires to redeem Units should ensure that the CDS Participant is provided with notice (the “Redemption Notice”) of the Unitholder’s intention to exercise the Unitholder’s redemption privilege sufficiently in advance of the Redemption Deadline so as to permit the CDS Participant to deliver such Redemption Notice to CDS by the required time. The Redemption Notice will be

available from a CDS Participant or Computershare Investor Services Inc., the Fund's registrar and transfer agent. Any expense associated with the preparation and delivery of Redemption Notices will be for the account of the owner exercising the redemption privilege.

By causing a CDS Participant to deliver to CDS a Redemption Notice, an owner shall be deemed to have irrevocably surrendered the owner's Units for redemption and appointed such CDS Participant to act as the owner's 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 for all purposes be void and of no effect and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with the owner's instructions will not give rise to any obligations or liability on the part of the Fund to the CDS Participant or to the owner.

### ***Resale of Units Tendered for Redemption***

The Fund has entered into an agreement (a "Recirculation Agreement") with Scotia Capital Inc. (the "Recirculation Agent") whereby the Recirculation Agent has agreed to use commercially reasonable efforts to find purchasers for any Class A Units tendered for redemption prior to the relevant Redemption Date. The Fund may, but is not obligated to, require the Recirculation Agent to seek such purchasers of Class A Units. In such event, the amount to be paid to the Unitholder on the applicable Redemption Payment Date will be an amount equal to the proceeds of the sale of the Class A Units less any applicable commission payable to the Recirculation Agent. Such amount shall be equal to or exceed the amount that a Unitholder would have been otherwise entitled to receive on the applicable Redemption Payment Date. Any amount, resulting from the proceeds of sale of the Class A Units, in excess of the amount that a Unitholder would have been otherwise entitled to receive on the applicable Redemption Payment Date, will be paid to the Unitholder who tendered their Class A Units for redemption.

Subject to the Fund's right to require the Recirculation Agent to use commercially reasonable efforts to find purchasers for any Class A Units tendered for redemption prior to the relevant Redemption Date, any and all Class A 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 Redemption Date, unless not redeemed thereon, in which event such Units will remain outstanding.

Class U Units are not eligible for recirculation by the Recirculation Agent, however Class U Units are convertible into Class A Units. See "Units – Conversion of Units".

### ***Suspension of Redemptions***

Strathbridge may direct the Trustee to suspend the redemption of Units or payment of redemption proceeds during any period when normal trading is suspended on a stock exchange on which securities of the Fund are traded, if those securities represent more than 50% by value, or underlying market exposure, of the total assets of the Fund without allowance for liabilities and if those securities are not traded on any other exchange that represents a reasonably practical alternative for 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 applicable Redemption 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 Net Asset Value per Unit immediately prior to such purchase.

## **Mandatory Market Purchases**

Pursuant to the Trust Agreement, the Fund undertakes a mandatory market purchase program pursuant to which if the Class A Units close at a trading price that is less than 98% of the latest Net Asset Value per Class A Unit, the Fund will offer to purchase Class A Units thereafter if and to the extent that the Class A Units continue to trade at a price that is below 98% of the latest Net Asset Value per Class A Unit at the time. Pursuant to the mandatory market purchase program, the Fund will purchase up to a maximum amount in any rolling 10 business day period of 10% of the number of Class A Units outstanding at the beginning of such 10 business day period, subject to the terms set out in the Trust Agreement. Purchases under the mandatory market purchase program will only be made to the extent they may be funded by any excess income (if any) remaining in the portfolio after the payment of (or accrual for) all regular distributions to Unitholders and all expenses. For greater certainty, the mandatory market purchase program shall not obligate the Manager to write options above the level it would otherwise determine or to sell Portfolio Securities. The Trust Agreement provides that the Fund will not be obligated to make such purchases if, among other things, (a) the Fund lacks the cash or other resources to make such purchases, (b) in the opinion of the Manager, the making of such purchases by the Fund (i) would adversely affect the ongoing activities of the Fund, (ii) is not in the best interests of the Unitholders or (iii) could result in the marketability of the Units being materially impaired to the detriment of the Unitholders or (c) there is, in the judgement of the Manager (i) any material legal action or proceeding instituted or threatened, challenging such transactions or otherwise materially adversely affecting the Fund or (ii) a suspension of or limitation on prices for trading securities generally on any exchange on which portfolio securities are traded. See “Risk Factors – Risks Relating to Market Purchases”.

## **Conversion of Units**

A holder of Class U Units may convert such Class U Units into Class A Units on a weekly basis for liquidity purposes. It is expected that liquidity for the Class U Units will be obtained primarily by means of conversion into Class A Units and the sale of such Class A Units on the stock exchange. Class U Units may be converted in any week on the first business day of such week (the “Conversion Date”) by delivering a notice to the Manager and surrendering such Class U Units by 3:00 p.m. (Toronto time) at least five business days prior to the applicable Conversion Date.

For each Class U Unit so converted, a holder will receive that number of Class A Units equal to the Net Asset Value per Class U Unit as at the close of trading on the business day immediately preceding the Conversion Date divided by the Net Asset Value per Class A Unit as at such time. As the Units are denominated in different currencies, the Fund will utilize the applicable Reference Exchange Rate, or as nearly as practicable to, the Conversion Date. No fraction of a Class A Unit will be issued upon any conversion of Class U Units and any fractional amounts will be rounded down to the nearest whole number of Class A Units.

Unitholders should speak to their own tax advisers regarding the tax implications of a conversion of Units, including whether a conversion results in the disposition of Units for purposes of the Tax Act.

## **Book-Entry Only and Book-Based Systems**

Registrations of interests in, and transfers of, the Units are made only through the book-entry-only system or the book-based system of CDS. Units may be purchased, transferred or surrendered for redemption only through a CDS Participant. All rights of an owner of Units 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 owner holds such Units. Upon purchase of any Units, the owner 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 Fund and the Manager will not have any liability for (a) the records maintained by CDS or CDS Participants relating to the beneficial interests in the Units or the book-entry or book-based accounts maintained by CDS in respect thereof; (b) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (c) any advice or representation made or given by CDS or CDS Participants, including with respect to the rules and regulations of CDS or any action taken by CDS, its participants or at the direction of those participants.

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

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

### **Take-over Bids**

The Trust Agreement provides that if, prior to the termination of the Fund, a formal bid (as defined in the *Securities Act* (Ontario)) is made for all of the Class U Units and such bid would constitute a formal bid for all Class A Units if the Class A Units had been converted to Class U Units immediately prior to such bid and the offer does not include a concurrent identical take-over bid, including in terms of price (related to the Net Asset Value per Unit of the class), for the Class A Units then the Fund shall provide the holders of Class A Units the right to convert all or a part of their Class A Units into Class U Units and to tender such units to the other offer, as applicable. In the circumstances described above, the Fund shall by press release provide written notice to the holders of the Class A Units that such an offer has been made and of the right of such holders to convert all or a part of their Class A Units into Class U Units and to tender such units to such other offer.

## **UNITHOLDER MATTERS**

### **Meetings of Unitholders**

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

At all meetings of Unitholders, holders of Class A Units and Class U Units will vote as a single class unless the circumstances are such that one class is affected differently than the other, in which case, the holders of Class A Units and Class U Units will vote separately on such matters.

The Fund does not intend to hold annual meetings of Unitholders.

### **Matters Requiring Unitholder Approval**

Pursuant to the Trust Agreement, in addition to the requirements of securities legislation, the following matters require the approval of Unitholders by a two-thirds majority vote (other than items (c), (g) and (h) 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 of the Fund as described under "Investment Objectives and Strategy";
- (b) a change in the investment restrictions of the Fund as described under "Investment Restrictions";
- (c) 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;
- (d) a change of the manager of the Fund, other than a change resulting in an affiliate of such person assuming such position or, except as described herein, a change in the investment manager or trustee of the Fund, other than a change resulting in an affiliate of such person assuming such position;
- (e) a decrease in the frequency of calculating the Net Asset Value per Unit or of redeeming Units;

- (f) any issue of Units for net proceeds per Unit less than the most recently calculated Net Asset Value per Unit prior to the date of setting of the subscription price by the Fund;
- (g) a reorganization with, or transfer of assets to, a mutual fund, if
  - (i) the Fund ceases to continue after the reorganization or transfer of assets;
  - (ii) the transaction results in Unitholders becoming securityholders in the other investment fund;
- (h) a reorganization with, or acquisition of assets of, a mutual fund, if
  - (i) the Fund continues after the reorganization or acquisition of assets;
  - (ii) the transaction results in the securityholders of the other investment fund becoming Unitholders of the Fund, and
  - (iii) the transaction would be a material change to the Fund;
- (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.

Notwithstanding the foregoing, the Trust Agreement permits a reorganization of the Fund or transfer of assets described in paragraph (g) to be carried out without the prior approval of Unitholders, provided that the Independent Review Committee (the “IRC”) of the Fund approves the transaction pursuant to NI 81-107, the reorganization or transfer complies with certain requirements of NI 81-107, and Unitholders are sent a written notice at least 60 days before the effective date of the change.

Pursuant to the Trust Agreement, the auditor of the Fund may be changed without the prior approval of Unitholders provided that the IRC 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 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 or benefit 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 furnish to Unitholders such financial statements (including interim unaudited and annual audited financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

## **CALCULATION OF NET ASSET VALUE AND NET ASSET VALUE PER UNIT**

The Net Asset Value of the Units of a class on a particular date will be equal to the aggregate value of the assets of the Fund attributable to such class less the aggregate value of the liabilities of the Fund attributable to the class, 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 Net Asset Value per Unit of a class on any day will be obtained by dividing the Net Asset Value of the Fund attributable to the class on such day by the number of Units of the class then outstanding. In general, the Net Asset Value per Unit of each class will be calculated as of 4:00 p.m. (Toronto time) each day. If a valuation date is not a business day, then the securities comprising the Fund property will be valued as if such valuation date were the preceding business day.

## **Reporting of Net Asset Value**

The Net Asset Value of the Fund and the Net Asset Value per Unit of a class will be provided by Strathbridge to Unitholders at no cost on a daily basis at [www.strathbridge.com](http://www.strathbridge.com) or on request by contacting the Manager at [info@strathbridge.com](mailto:info@strathbridge.com).

## **Valuation Policies and Procedures**

In determining the Net Asset Value per Unit of a class of the Fund and the value of any short positions at any time:

- (a) the value of any security 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 Net Asset Value 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, option on futures 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, option on futures or 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 Net Asset Value. 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, options on futures, over-the-counter options, debt-like securities and listed warrants shall be valued at the current market value thereof;
- (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 Manager determines that any such deposit or call loan is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Manager determines to be the reasonable value thereof;
- (e) the value of a futures contract or a forward contract shall be the gain or loss with respect thereto that would be realized if, at the valuation time, the position in the futures contract or the forward contract were to be closed out unless daily limits are in effect in which case fair value shall be based on the current market value of the underlying interest;



- (f) margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;
- (g) securities of any unlisted underlying fund held by the Fund will be valued at the net asset value of such securities as provided by such fund from time to time;
- (h) any bonds, debentures, other debt obligations and short positions shall be valued by taking the average of the bid and ask prices on the valuation date at such times as the Manager, in its discretion, deems appropriate. Short term investments including notes and money market instruments shall be valued at cost plus accrued interest;
- (i) the value of any security, the resale of which is restricted or limited, shall be the lesser of the value thereof based on reported quotations in common use and that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage that the Fund's acquisition cost was of the market value of such securities at the time of acquisition; provided that a gradual taking into account of the actual value of the securities may be made where the date on which the restriction will be lifted is known;
- (j) all Fund property valued in a foreign currency and all liabilities and obligations of the Fund payable by the Fund in foreign currency shall be converted into Canadian dollars by applying the rate of exchange obtained from the best available sources to the Manager; and
- (k) the value of any security or property to which, in the opinion of the Manager, the above valuation principles cannot be applied shall be the fair value thereof determined in such manner as the Manager from time to time provides.

The above principles are used to calculate Net Asset Value for all purposes other than financial statement reporting. With respect to financial reporting, International Financial Reporting Standards require 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. On October 3, 2011, Mulvihill Capital Management Inc. announced a name change to Strathbridge Asset Management Inc.

Pursuant to the Trust Agreement, the Manager is responsible for providing or arranging for the provision of required administrative services to the Fund including, without limitation: 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 financial statements (including interim and annual financial statements) and other reports as are required by applicable law from time to time; 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 the 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, the auditor and printers.

As investment manager, the Manager manages the Portfolio in a manner consistent with the investment objectives, the investment strategies and the investment restrictions of the Fund and will make all investment decisions for the Fund and manage the call option writing and put option writing by the Fund and the purchases of call and put options by the Fund. Decisions as to the purchase and sale of securities in the Portfolio and as to the execution of all Portfolio and other transactions are also made by the Manager. In the purchase and sale of securities for the Fund and the writing of option contracts, the Manager seeks to obtain overall services and prompt execution of orders on favourable terms.

The Manager shall exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the Fund, and in connection therewith, shall exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise in comparable circumstances. The Trust Agreement provides that neither the Manager nor any officer, director or agent thereof shall be liable in any way to the Fund or any Unitholder for any default, failure or defect in any of the securities of the Fund. The Manager will, however, incur liability in cases of wilful misconduct, bad faith, negligence or breach of its obligations under the Trust Agreement.

The Manager may resign as manager of the Fund upon 60 days' notice in writing to the Trustee and to Unitholders or upon such lesser notice period as the Trustee may accept. If the Manager resigns it may appoint its successor but its successor must be approved by a two-thirds majority vote of the Unitholders. However, such notice and Unitholder approval are not required if the successor manager is an affiliate of the Manager. If the Manager has committed certain events of bankruptcy or insolvency or 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 the Manager, the Trustee shall give notice thereof to the Unitholders and the Unitholders may direct the Trustee to remove the Manager and appoint a successor manager.

The Manager is entitled to fees for its services under the Trust Agreement as described under "Fees and Expenses" and will be reimbursed for all reasonable costs and expenses incurred by it on behalf of the Fund. In addition, the Manager, its affiliates and its agents, and the directors, officers and employees of any of them, 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 the Manager or its affiliates and its agents, and the directors, officers and employees of any of them, in the exercise of its duties as manager, except those resulting from the Manager's wilful misconduct, bad faith, negligence, a breach of its obligations under the Trust Agreement or its failure to meet its standard of care set out in 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 Strathbridge**

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

<b>Name and Municipality of Residence</b>	<b>Principal Office Held and Principal Occupation</b>
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 – Portfolio Manager and Director

Name and Municipality of Residence	Principal Office Held and Principal Occupation
Peggy Shiu Toronto, Ontario	Vice-President – Portfolio Manager and Chief Compliance Officer
Jack Way Georgetown, 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 investment Portfolio in a manner consistent with the investment objectives, strategy and restrictions of the Fund pursuant to the Trust Agreement.

All the individuals on the team responsible for investment management at Strathbridge have significant experience in managing investment portfolios. The officers of Strathbridge who are primarily responsible for the management of the Fund’s Portfolio are John P. Mulvihill and John D. Germain. Also assisting in the management of the 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 27 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.

## 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 26, 2020, there is one holder of Class A Units (being World Financial Split Corp.) that beneficially owns, directly or indirectly, more than 10% of the Class A Units of the Fund. The Fund and the Manager are not aware of any holders of Class U Units that beneficially own, directly or indirectly, more than 10% of the Class U Units of the Fund.

As at March 26, 2020, the directors and officers of the Manager beneficially owned, in aggregate, less than 10% of the outstanding Units of the Fund and the members of the IRC beneficially owned, in aggregate, less than 10% of the outstanding Units of the Fund.

As of March 26, 2020, 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 NI 81-107, all publicly offered investment funds, including the Fund, are required to establish an IRC to whom the manager of the fund must refer all conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the manager to establish written policies and procedures for dealing with conflict of interest matters, maintain records in respect of those matters and provide assistance to the IRC in carrying out its functions. The IRC is required to conduct regular assessments and provide reports to the manager and securityholders in respect of its activities.

The members of the IRC of the Fund are Michael M. Koerner, Robert W. Korthals (Chair) and Robert G. Bertram. The aggregate compensation paid by the Fund to the members of the IRC for the year ended December 31, 2019 was \$7,559.50.

### 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:

Name and Municipality of Residence	Principal Occupation
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 has served as a member of the Advisory Board since its initial public offering. Each member of the Advisory Board has been appointed by the Manager and will serve until his successor is appointed.

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

The Advisory Board of the Fund is responsible for the overall stewardship of the Fund's business and affairs. Strathbridge, the Fund's Manager, administers, either directly or indirectly through third-party service organizations, all functions associated with the operations of the Fund pursuant to the Trust Agreement. Under the Trust Agreement, Strathbridge 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 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.

The Fund may sell securities short, other than for hedging purposes. The Fund has a limit on short exposure, other than for hedging purposes, which is a maximum of 10% of the net asset value of the Fund, as determined on a daily market-to-market basis. There are no formal risk management policies, practices or guidelines in respect of short selling, however the Fund is managed in accordance with the investment objectives, strategies, practices and restrictions as set out under "Investment Objectives and Strategy", and which are monitored regularly by appropriate personnel to ensure compliance therewith. Currently, there are no risk measurement processes used by the Fund to test the Portfolio under stress conditions in relation to short selling transactions.

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 the auditor except where non-audit-related fees paid to such auditor 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 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.

### **TRUSTEE AND CUSTODIAN**

RBC Investor Services Trust is the trustee of the Fund and acts as custodian (the “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 Net Asset Value, net income and net realized capital gains of the Fund and maintaining the books and records of the Fund in relation to the Portfolio.

The Trustee may resign upon 60 days’ notice to Unitholders and Strathbridge. The Trustee may be removed with the approval of a two-thirds majority vote cast at a meeting of Unitholders of the Fund called for such purpose or by Strathbridge in the event the Trustee has committed certain events of bankruptcy or insolvency or is in material default of its obligations under the Trust Agreement and such default continues for 30 days from the date the Trustee receives notice of such material default from Strathbridge. 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 from the date of written notice of such resignation or removal, the Trust Agreement and the Fund will be terminated.

The Trust Agreement provides that the Trustee shall not be liable in carrying out its duties under the Trust Agreement except where it is in breach of its obligations under the Trust Agreement or where the Trustee fails to act honestly and in good faith, and in the best interests of the Fund, or to exercise the degree of care, diligence and skill that a reasonably prudent Canadian trust company would exercise in comparable circumstances. In addition, the Trust Agreement contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee and its agents and the directors, officers and employees of either of them in respect of certain liabilities incurred in carrying out their duties.

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 auditor of the Fund is Deloitte LLP, located at Bay Adelaide Centre, East Tower, 8 Adelaide Street West, Suite 200, Toronto, Ontario, M5H 0A9.

### **TERMINATION OF THE FUND**

The Fund may be terminated at any time upon not less than 90 days’ written notice to the Manager from the Trustee, with the approval of Unitholders by a two-thirds majority vote passed at a duly convened meeting of Unitholders called for the purpose of considering such termination, provided that there is a quorum for such meeting (and any adjournment thereof) of Unitholders holding at least 10% of the Units outstanding on the record date of the meeting vote.



The Manager, may, in its discretion, terminate the Fund without the approval of Unitholders if, in the opinion of the Manager after consulting with the Advisory Board, the Net Asset Value 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, the Manager 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 the Trustee 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 1.25% of the Net Asset Value of the Fund for its services as manager and investment manager of the Fund. Strathbridge manages the day-to-day business and operations of the Fund and provides all general management and administrative services. Fees payable to the Manager will be calculated and payable monthly based on the Net Asset Value as at the Redemption Date of each month.

### **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 with respect to the Units; (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; (h) costs and expenses arising in complying with all applicable laws, regulations and policies, (i) portfolio execution costs, (j) taxes, (k) expenses of complying with certain governmental requirements; and (l) 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. See "Responsibility for Operations – The Manager". 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. All such expenses are subject to an independent audit and report thereon to the Trustee and the Manager will provide reasonable access to its books and records for such purpose.

## **CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The following is a summary of the principal Canadian federal income tax considerations generally relevant to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length and is not affiliated with the Fund, holds such Units as capital property and has not with respect to Units entered into a "derivative forward agreement" (as defined in the Tax Act). Generally, Units will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have their Units and all other "Canadian securities" owned or subsequently owned by them, treated as capital property by making an irrevocable election in accordance with the Tax Act.

This summary is also based on the assumption that the Fund will at all times comply with its investment restrictions. This summary assumes that the Fund will at no time be a SIFT trust as defined in the Tax Act.

This summary is based on the current provisions of the Tax Act and the regulations, an understanding of the current published administrative policies and assessing practices of Canada Revenue Agency ("CRA") and all specific proposals to amend the Tax Act and regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (such proposals being referred to as the "Tax Proposals"). This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action; nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or

considerations. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

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

### **Status of the Fund**

This summary is based on the assumptions that the Fund has qualified and will continue to qualify at all relevant times as a "mutual fund trust" within the meaning of the Tax Act. To qualify as a mutual fund trust, (a) the Fund must be a Canadian resident "unit trust" for purposes of the Tax Act; (b) the only undertaking of the Fund must be the investing of its funds in property (other than certain real property or interests in certain real property); and (c) the Fund must comply with certain minimum requirements respecting the ownership and dispersal of Units.

If the Fund were not to qualify as a mutual fund trust at all relevant times, the income tax considerations as described below would in some respects be materially and adversely different.

### **Taxation of the Fund**

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the year. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid in the year by the Fund or the Unitholder is entitled in that year to enforce payment of the amount.

In computing its income for a taxation year, the Fund will be required to include all dividends received in the year on shares of corporations. It will also be required to include all interest on debt securities it holds that accrues or is deemed to accrue to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a previous taxation year.

The Fund will include gains and deduct losses on income account in connection with its short selling activities.

Generally, the Fund will include gains and deduct losses on income account in connection with investments made through derivative securities, except where such derivatives are not "derivative forward agreements" (as defined in the Tax Act) and are used to hedge and are sufficiently linked to the Portfolio Securities held on capital account. Such gains and losses will be recognized for tax purposes at the time they are realized.

Gains or losses realized upon dispositions of Portfolio Securities of the Fund 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. Accordingly, the Fund will treat gains (or losses) as a result of any disposition of Portfolio Securities as capital gains (or capital losses) or, depending on the circumstances, may include the full amount of such gains in (or deduct the full amount from) income.

The Fund is subject to the suspended loss rules contained in the Tax Act. A loss realized on a disposition of capital property is considered to be a suspended loss when the Fund acquires a property (a "substituted property") that is the same or identical to the property disposed of, within 30 days before and 30 days after the disposition and the Fund owns the substituted property 30 days after the original disposition. If a loss is suspended, the Fund cannot deduct the loss from the Fund's capital gains until the substituted property is sold and is not reacquired within 30 days before and after the sale.

Premiums received on covered call options and cash-covered put options written by the Fund that are not exercised prior to the end of the year will constitute capital gains of the Fund in the year received, unless such premiums are received by the Fund as income from a business of buying and selling securities or the Fund has engaged in a transaction or transactions considered to be an adventure in the nature of trade. The Fund has purchased the Portfolio with the objective of earning dividends thereon over the life of the Fund, will write covered call options with the objective of increasing the yield on the Portfolio beyond the dividends received on the Portfolio and will write cash-covered put options to increase returns and to reduce the net cost of purchasing securities upon the exercise of put options. Thus, having regard to the foregoing and in accordance with the CRA's published administrative practice, option transactions undertaken by the Fund in respect of securities comprising the Portfolio will be treated and reported by the Fund as arising on capital account.

Premiums received by the Fund on covered call (or cash-covered put) options that are subsequently exercised will be added in computing the proceeds of disposition (or deducted in computing the adjusted cost base) to the Fund of the securities disposed of (or acquired) by the Fund upon the exercise of such call (or put) options. In addition, where the premium was in respect of an option granted in a previous year so that it constituted a capital gain of the Fund in the previous year, such capital gain may be reversed.

The Portfolio consists of securities that are not denominated in Canadian dollars. Proceeds of disposition of securities, distributions, interest and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars. The Fund may realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars.

The Fund will derive income or gains from investments in countries other than Canada and, as a result, may be liable to pay tax to such countries. To the extent that such foreign tax paid qualifies as an income or profits tax (for example, withholdings on foreign source dividends) and does not exceed 15% of such amount and has not been deducted in computing the Fund's income, the Fund may designate a portion of its foreign source income in respect of a Unitholder so that such income and a portion of the foreign tax paid by the Fund may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Tax Act. To the extent that such foreign tax paid by the Fund exceeds 15% of the amount included in the Fund's income from such investments, such excess may generally be deducted by the Fund in computing its income for the purposes of the Tax Act.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income. The Fund may generally deduct any costs and expenses of the initial public offering paid by the Fund and not reimbursed at a rate of 20% per year, pro-rated where the Fund's taxation year is less than 365 days.

The Fund intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year and, therefore, provided the Fund makes distributions in each year of its net income and net realized capital gains as described under "Units – Distributions", it will generally not be liable in such year for income tax under Part I of the Tax Act.

### **Taxation of Holders**

A Unitholder will generally be required to include in computing income for a taxation year the amount of the Fund's net income for the taxation year, including ordinary income derived from foreign source dividends earned by the Fund and net realized taxable capital gains, paid or payable to the Unitholder (whether in cash or in Units) in the taxation year including any portion of amounts paid on redemption treated as distributions of income or gains by the Fund. The non-taxable portion of the Fund's net realized capital gains paid or payable to a Unitholder in a taxation year will not be included in the Unitholder's income for the year. Any other amount in excess of the Fund's net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder's income. Such amount, however, will generally reduce the adjusted cost base of the Unitholder's Units. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain.

Provided that appropriate designations are made by the Fund, such portion of (a) the net realized taxable capital gains of the Fund, and (b) income of the Fund from foreign sources, as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. A taxable Unitholder will generally be entitled to foreign tax credits in respect of foreign taxes under and subject to detailed foreign tax credit rules contained in the Tax Act and depending upon other foreign source income or loss of and foreign taxes paid by the Unitholder.

Under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the year. This will enable the Fund to utilize, in a taxation year, losses from prior years. The amount distributed to a Unitholder but not deducted by the Fund will not be included in the Unitholder's income. However, the adjusted cost base of the Unitholder's Units will be reduced by such amount.

Legislative Proposals released by the Minister of Finance (Canada) on July 30, 2019 proposed amendments to the Tax Act that would, effective for taxation years of the Fund beginning on or after March 19, 2019, (a) deny the Fund a deduction for any income of the Fund designated to a Unitholder on a redemption of Units, where the Unitholder's proceeds of disposition are reduced by the designation and (b) deny the Fund a deduction for the portion of a capital gain designated to a Unitholder on a redemption of Units that is greater than the Unitholder's accrued gain on those Units, where the Unitholder's proceeds of disposition are reduced by the designation. If such proposed amendments to the Tax Act are enacted in their current form, any amounts that would otherwise have been designated to redeeming Unitholders may be made payable to the remaining, non-redeeming Unitholders to ensure the Fund will not be liable for non-refundable income tax thereon. Accordingly, the amounts of taxable distributions made to Unitholders of the Fund may be greater than they would have been in the absence of such amendments.

On the disposition or deemed disposition of a Unit, including a redemption, the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition excluding any portion of amounts paid on redemption treated as distributions of income or gains by the Fund exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. For the purpose of determining the adjusted cost base of Units to a Unitholder, when Units are acquired, the cost of the newly acquired Units will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property immediately before that time. The cost of Units acquired as a distribution of income or capital gains will generally be equal to the amount of the distribution. A consolidation of Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Units and will not affect the aggregate adjusted cost base to a Unitholder of Units.

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

All amounts related to Class U Units must be determined for purposes of the Tax Act in Canadian dollars.

### **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 the Units will be qualified investments under the Tax Act for trusts governed by a registered retirement savings plan, registered retirement income fund, deferred profit sharing plan, registered disability savings plan, registered education savings plan or a tax-free savings account (each, a "registered plan"). In addition, the Class A Units will be a qualified investment provided that they are listed on a designated stock exchange (which includes the TSX).

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 Class A Units and Class U 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 Class A Units and Class U 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 Class A Units and Class U 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 Co-operation 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 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 Units of the Fund which investors should consider before purchasing such securities.

#### **Concentration Risk**

The Fund was created to invest in the securities of large capitalization issuers listed in the U.S. and is not expected to have significant exposure to any other investments or assets. Other than cash or cash equivalents, the Fund will invest all of its assets in U.S. financial or real estate issuers and alternative asset managers. The Net Asset Value per Unit may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time. This may have a negative impact on the value of the Units.

#### **Portfolio Securities**

The Net Asset Value per Unit will vary as the value of the securities in the Portfolio varies. At any time, the issuers in the 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 its Portfolio, 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 the Units does not constitute an investment in the securities of the issuers in the 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.

## **Market Disruptions**

War and occupation, terrorism and related geopolitical risks may in the future lead to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. Those events could also have an acute effect on individual issuers or related groups of issuers. These risks could also adversely affect securities markets, inflation and other factors relating to the Portfolio Securities.

## **No Assurances of Achieving Investment Objectives**

There is no assurance that the Fund will be able to achieve its distribution or capital preservation objectives. There is no assurance that the Fund will be able to pay distributions. The funds available for distribution to Unitholders will vary according to, among other things, the dividends and distributions paid on the securities in the Portfolio, the level of option premiums received and the value of the Portfolio Securities. 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.

## **Loss of Investment**

An investment in the Fund is appropriate only for investors who have the capacity to absorb investment losses and who can withstand distributions not being made for any period of time.

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

The Fund is subject to the full risk of its investment position in the Portfolio Securities, 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 securities that are subject to outstanding call options above the strike price of the options.

The Fund may write covered call options on up to 100% of the securities in the Portfolio. The use of options may have the effect of limiting or reducing the total returns of the Fund if the Manager's expectations concerning future events or market conditions prove to be incorrect. In such circumstances, the Fund may have to increase the percentage of the Portfolio that is subject to covered call options to meet its targeted distributions. In addition, the premiums associated with writing covered call options may be outweighed by the foregone opportunity of remaining invested directly in the Portfolio Securities.

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 that 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 the strike price that may exceed the then current market value of such security.

Derivative transactions also involve the risk of the possible default by the other party to the transaction (whether a clearing corporation in the case of exchange-traded instruments or other third party in the case of over-the-counter instruments) in that it may be unable to meet its obligations.

## **Currency Hedging**

Currency hedges entail a risk of illiquidity and, to the extent that the U.S. dollar appreciates in Canadian dollar terms, the risk that the use of hedges could result in losses greater than if the hedging had not been used. Hedging arrangements may have the effect of limiting or reducing the total returns to the Fund if the Manager's expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances. Currency hedges also involve the risk of the possible default by the other party to the transaction (whether a clearing corporation in the case of exchange-

traded instruments or other third party in the case of over-the-counter instruments) in that it may be unable to meet its obligations.

### **Risks Relating to Market Purchases**

Pursuant to the Trust Agreement, the Fund will undertake a mandatory market purchase program pursuant to which if the Class A Units close at a trading price that is less than 98% of the latest Net Asset Value per Class A Unit, the Fund will offer to purchase Class A Units thereafter if and to the extent that the Class A Units continue to trade at a price that is below 98% of the latest Net Asset Value per Class A Unit at the time. Pursuant to the mandatory market purchase program, the Fund will purchase up to a maximum amount in any rolling 10 business day period of 10% of the number of Class A Units outstanding at the beginning of such 10 business day period, subject to the terms set out in the Trust Agreement. All Class A Units purchased pursuant to this mandatory market purchase program will be cancelled. If a significant number of Class A Units are purchased and cancelled, the expenses of the Fund would be spread among fewer Units resulting in a potentially lower distribution per Unit. The Manager has the ability to terminate the Fund at any time without the approval of Unitholders if, in its opinion, 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. If the Fund is terminated as a consequence of market purchases and/or redemptions, it may be terminated before the Manager would otherwise choose to do so and the return to Unitholders may be less than anticipated as the Portfolio may not have had sufficient time to provide a return that equals or exceeds the expenses of the Offering.

### **Securities Lending**

The Fund may engage in securities lending. Although it will receive collateral for the loans and such collateral will be 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 be insufficient to reconstitute the portfolio of loaned securities.

### **Short Sales**

The Fund may sell securities short. A short sale is effected by selling a security which the Fund does not own. In order to make delivery to the buyer of a security sold short, the Fund must borrow the security. In so doing, it incurs the obligation to replace that security, whatever its price may be, at the time it is required to deliver it to the lender. The Fund must also pay to the lender of the security any dividends or interest payable on the security during the borrowing period and may have to pay a premium to borrow the security. This obligation must be collateralized by a deposit of cash or marketable securities with the lender. Short selling is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. There can be no assurance that the securities necessary to cover the short position will be available for purchase by the Fund. In addition, purchasing securities to close out the short position can itself cause the price of the relevant securities to rise further, thereby increasing the loss incurred by the Fund. Furthermore, the Fund may prematurely be forced to close out a short position if a counterparty from which the Fund borrowed securities demands their return, resulting in a loss on what might otherwise have been ultimately a profitable position.

Market regulators in various jurisdictions have at times taken measures to impose restrictions on the ability of investors to enter into short sales, including the imposition of a complete prohibition on taking short positions in respect of certain issuers. Such restrictions may negatively affect the ability of the Fund to implement its strategies and/or they could cause the Fund to incur losses. It cannot be determined how future regulations may limit the Fund's ability to engage in short selling and how such limitations may impact the Fund's performance.

### **Reliance on the Manager**

Strathbridge will manage the Portfolio of the Fund in a manner consistent with the investment objectives, the investment strategies and the investment restrictions of the Fund. The officers of Strathbridge who will be primarily responsible for the management of the 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.

### **Interest Rate Fluctuations**

It is anticipated that the market price of the Units will be affected by the prevailing level of interest rates. A rise in interest rates may have a negative effect on the market prices of the Units. Unitholders who wish to redeem or sell

their Units will therefore be exposed to the risk that the market prices of the Units will be negatively affected by interest rate fluctuations.

### **Trading at a Discount**

The Fund cannot predict whether the Class A Units will trade above, at or below their Net Asset Value per Unit.

### **Significant Redemptions**

Units are redeemable monthly based on market price and, commencing in September 2016, annually for a price based on Net Asset Value per Unit of a class (which represents the value that the Fund is able to obtain in the market when it sells 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 the Net Asset Value per Unit 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 a lower Net Asset Value 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.

### **Withholding Tax**

The Fund will be investing in securities of foreign issuers and at the date hereof would be subject to foreign withholding tax. The return of the Fund will be net of such foreign withholding tax. There is no guarantee that the rate of withholding tax will not increase which may significantly affect results.

### **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 some restrictions imposed on mutual funds under Canadian securities laws, including NI 81-102, do not apply to the Fund. See “Investment Restrictions”.

### **Fund of Fund 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**

The Fund will be subject to certain tax risks generally applicable to investment funds that hold Canadian and/or non-Canadian securities, including the following.

If the Fund ceases to qualify as a mutual fund trust under 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.

The Fund may use derivative instruments for converting non-Canadian currency exposure to the Canadian dollar. Gains or losses realized on derivatives by virtue of the fluctuation of foreign currencies against the Canadian dollar will, where such derivatives are not “derivative forward agreements” as defined in the Tax Act and are sufficiently linked with and hedge currency exposure in respect of, underlying securities, be treated and reported for purposes of



the Tax Act on capital or income account depending on the nature of the securities to which the hedge is linked and designations with respect to its income and capital gains will be made and reported to Unitholders on this basis.

In determining its income for tax purposes, the Fund will treat 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 some or all of the transactions undertaken by the Fund in respect of derivatives, covered options and securities in the Portfolio are reported on capital account but are subsequently determined to be on income account, the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders could increase. Any such redetermination by the CRA may result in the Fund being liable for unremitted withholding taxes on prior distributions made to Unitholders who were not resident in Canada for the purposes of the Tax Act at the time of the distribution. Such potential liability may reduce Net Asset Value, Net Asset Value per Unit and/or the trading prices of the Units.

The Fund is formed to provide investors with exposure to Portfolio investments and is subject to investment restrictions intended to ensure that it will not be a SIFT trust (as defined in the Tax Act). 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 Capital Unitholders as a distribution on their Capital Units (or tax thereon paid by the Fund in respect of such year).

### **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 global health risks or epidemics/pandemics, 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.

More recently, an outbreak of the respiratory disease designated as a novel coronavirus in December 2019 has caused substantial volatility and declines in global financial markets, which have caused losses for investors. The impact of this novel coronavirus pandemic, and other epidemics and pandemics that may arise in the future, may be short term or may last for an extended period of time, and in either case may result in a substantial economic downturn or recession.

### **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 Trust Agreement can reasonably be regarded as material to holders of Units. A copy of the Trust Agreement 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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