

*The units described in this Offering Memorandum (the “Offering Memorandum”) are being offered on a private placement basis in reliance on exemptions from the requirement to prepare and file a prospectus with securities regulatory authorities. This Offering Memorandum constitutes an offering of the units described herein only in those jurisdictions and to those persons where and to whom they may lawfully be offered for sale. This Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus or an advertisement for a public offering of such units. No securities regulatory authority in Canada has in any way passed upon the merits of the units offered in this Offering Memorandum nor has it reviewed this Offering Memorandum and any representation to the contrary is an offence.*

# MAJESTIC ASSET MANAGEMENT

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## SFRO BALANCED FUND

Series A, B, F and I Units

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# OFFERING MEMORANDUM

**Dated as of February 1, 2017**

**Amended and Restated as of February 19, 2018**

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## SUMMARY OF THE OFFERING

*The following is a summary of the terms and conditions of an investment in the Fund (as defined below). This summary is qualified in its entirety by the more detailed information contained in this Offering Memorandum and the information contained in the Fund's Trust Agreement (as defined below). Prospective investors are encouraged to consult their own professional advisors as to the tax and legal consequences of investing in the Fund. Unless otherwise indicated, all amounts are expressed in Canadian dollars.*

### **The Fund**

The investment fund offered herein is the SFRO BALANCED FUND (the “**Fund**”).

The Fund is an open-ended trust established on February 1, 2017 under the laws of the Province of Québec by an amended and restated trust agreement dated May 1, 2014, as amended, restated or supplemented from time to time. TSX Trust Company (the “**Trustee**”) acts as the trustee of the Fund. Majestic Asset Management LLC (“**Majestic**” or the “**Manager**”) acts as the investment fund manager of the Fund pursuant to the Trust Agreement. SGGG Fund Services Inc. (the “**Administrator**”) acts as the administrator of the Fund.

### **Series and Units**

Investments in the Fund are represented by trust units of the Fund (the “**Units**”). The Fund is permitted to have an unlimited number of Series of Units (each a “**Series**”), having such terms and conditions as the Manager may determine. The number of Units of each Series is unlimited.

The Fund currently has the following four Series of Units:

- (i) **Series A Units**: this Series of Units is offered to accredited investors under the terms of this Offering Memorandum who are not eligible to purchase Series B Units, Series F Units, or Series I Units;
- (ii) **Series B Units**: this Series of Units is offered to accredited investors under the terms of this Offering Memorandum who are not eligible to purchase Series A, Series F Units or Series I Units;
- (iii) **Series F Units**: this Series of Units is offered to accredited investors under the terms of this Offering Memorandum who purchase such units through a dealer sponsored fee-for-service or wrap program and who pay an asset-based fee to their dealer; and
- (iv) **Series I Units**: this Series of Units is offered to institutional investors or other investment funds at the discretion of the Manager. The Manager will negotiate the terms of purchase of the Series I Units with each investor, including the management fee and the performance fee that will be paid by the Fund in respect of such investor's Series I Units. No sales commission is payable when an investor buys or redeems Series I Units. An investor buying Series I Units must enter into a Series I Unit agreement with the Manager before the investor can buy Series I Units.

If the creation of additional Series of Units of the Fund would adversely affect the pecuniary value of the interest of Unitholders of another Series of the Fund, the Manager will notify the Unitholders of the affected Series and provide them with sufficient time to redeem their Units in the Fund. See “*Units of the Fund*”.

Certain expenses, including management fees, and liabilities of the Fund, as set out in this Offering Memorandum or as determined by the Trustee or the Manager, in their sole discretion, are to be attributed exclusively to a particular Series of Units of the Fund (“**Series Expenses**”).

## **The Offering**

Under the terms of this Offering Memorandum, Units are offered on a continuous basis to “accredited investors” resident in any province of Canada (the “**Canadian Jurisdictions**”) pursuant to applicable exemptions from the prospectus requirements contained in the securities legislation in the applicable Canadian Jurisdiction. Units may also be offered to residents of foreign jurisdictions (the “**Foreign Investors**”) subject to any sales restrictions in such foreign jurisdictions (the “**Foreign Jurisdictions**”, together with the Canadian Jurisdictions, the “**Offering Jurisdictions**”). Under no circumstances will the Manager accept a subscription for Units, whether initial or subsequent, if its distribution cannot be made in reliance on any such exemptions. Furthermore, the Manager will ensure that neither Foreign Investors nor “financial institutions”, as that term is defined in the *Income Tax Act* (Canada) (the “**Tax Act**”) (“**Financial Institutions**”), never hold more than 50% of the Units of the Fund at any time.

Any monies received with a rejected order will be promptly refunded to the investor without any interest. See “*Investing in Units of the Fund*”.

## **Price**

Units are offered at the Series Net Asset Value per Unit (as defined below) calculated as of the applicable Valuation Date (as defined below). Fractional Units will be issued up to three decimal points.

## **Investment Objective and Strategy**

### ***Investment Objective***

SFRO Balanced Fund's objective is to provide medium and long-term capital appreciation. The Fund is managed in a dynamic and diversified manner and is composed of exchange traded funds (“**ETFs**”), equity securities, and global fixed income instruments. The Fund's particular approach aims for capital growth even during bear market by using indicators to guide its strategies. The Fund is balanced and aims for an exposure of 30% to cash and fixed income securities (including fixed income ETFs), and aim for an exposure of 70% to equity (including equity ETFs and securities). Actual allocations may deviate by up to 10%. The Fund may allocate a higher weight than the target weight to cash and fixed income securities if deemed appropriate.

### ***Investment Strategy***

In order to achieve its objective, the SFRO Balanced Fund will invest in a diversified portfolio mainly composed of ETFs, equity securities and fixed income instruments. The market momentum and the choice of securities are two significant factors in the success of the Fund's investment strategy. The Manager uses a proprietary financial software, licenced from SFRO Management Inc., in its management of the Fund. See “*SFRO Software*”.

In the equity portion, the Fund is guided by more than 40 risk indicators, each individually efficient in identifying a significant market risk. These indicators, when analyzed together, allow the manager to accurately assess the general risks of the stock market. When the risk is measured as low, the Fund invests in ETFs, equity securities, exchange traded notes (“**ETNs**”) and public mutual funds in order to capitalize on a rising market momentum. The Manager will conduct a comprehensive technical analysis to ensure that the selected securities suggest a higher return potential than the equity market. When the indicators show that there is a significant risk, the Fund may decrease its equity market

exposure and increase its fixed income allocation. The Fund may use inverse ETFs to capitalize on a projected declining market.

For the fixed income portion of the portfolio, the Fund is guided by more than 10 risk indicators, each individually efficient in identifying a significant market risk of fixed income securities. When the risk of the fixed income market is measured as low, the Fund invests in bonds, bonds ex-dividend, fixed income ETFs, ETNs, public mutual funds, debentures or other fixed-income securities with potential income or gain that exceeds the fixed income market average return. When the risk is measured as high, the Fund may reduce the duration of the fixed income held in the portfolio and accordingly reduce its exposure to ETFs, equity securities, ETNs, bonds, debentures and/or stripped bonds. The Fund may build its fixed income portfolio in a diversified manner by way of maturity, type of issuer, sector, geographic region or currency.

The Fund will maintain an exposure to liquidity and fixed income of least 20% of the total value of the fund. The portion of the equity will vary between 0% and 80% of the total value of the fund, depending on market risk. The proportions of these asset classes will be actively managed to reflect the risk of each asset class, as measured by their respective risk indicators.

See “*Investment Objective and Strategy – Investment Strategy*”.

#### ***Authorized Investments***

The Fund may only invest in specified securities. See “*Investment Objective and Strategy – Authorized Investments*”.

#### **Risk Management**

Investment guidelines have been established for the Fund to manage risk. See “*Risk Management*”.

#### **The Trustee**

TSX TRUST COMPANY is the Trustee of the Fund. See “*Management of the Fund – The Trustee*”.

#### **The Manager**

Majestic is the investment fund manager and investment advisor of the Fund. It is responsible for the day-to-day business of the Fund as well as the management of the Fund’s investment portfolio. The Manager is registered with the Autorité des marchés financiers (“AMF”) as an exempt market dealer, portfolio manager and investment fund manager. Majestic carries out its advisory activities from Montreal, Quebec. Majestic is also registered as a commodity trading manager, portfolio manager, exempt marker dealer and investment fund manager with the Ontario Securities Commission (“OSC”). The Manager is a Delaware Limited Liability Company and is registered under the *Commodity Exchange Act* (U.S.) as a Commodity Trading Advisor since October 26, 2006. Majestic is a member of the National Futures Association, the industry-wide, self-regulatory organization of the United States futures industry. See “*Management of the Fund - The Manager*”.

#### **Valuation**

The Fund’s net asset value (the “**Net Asset Value**”) is calculated as the value of the Fund’s assets, less its liabilities, computed on a particular date in accordance with the Fund’s Trust Agreement. The Administrator will calculate the Net Asset Value of the Fund as of every Thursday of each week (or, if Thursday is not a Business Day, the next Business Day), December 31 of each year, and such other Business Day(s) as the Manager may determine (each, a “**Valuation Date**”), at 6:00 pm. (Eastern time) (the “**Valuation Time**”). In addition, for the purpose of calculating the Performance Fees (as defined

below), the Administrator will calculate the Net Asset Value of the Fund as of the last Business Day of every end of month (the “**Performance Fee Date**”). For the purpose of this Offering Memorandum, a “Business Day” is a day on which the main branch of the Royal Bank of Canada in Toronto, Ontario is open for business.

#### **Purchase of Units**

Investors may be admitted to the Fund and purchase Series A Units, Series B Units, Series F Units and Series I Units or may acquire additional Units on a weekly basis on each Valuation Date. The Units are being offered using the mutual fund order entry system FundSERV.

Funds in respect of any subscription will be payable by investors at the time of the subscription. Investors who wish to make an initial subscription for Units of the Fund may do so by delivering a subscription application (in such form as the Manager may approve from time to time) to the Manager, through Dealers (as defined below) or other persons permitted by applicable securities laws to sell Units, accompanied by wire transferred funds in an amount equal to the purchase price through the FundSERV network. Additional subscriptions for Units of the Fund must be made by delivering a request to that effect through the FundSERV network.

Units will be offered at the Series Net Asset Value per Unit calculated as of the applicable Valuation Date. Subscription applications must be received and accepted by the Manager by 4:00 pm on the Business Day preceding the Valuation Date on which Units are to be issued. Subscriptions that are received or accepted by the Manager after such days will be made as of the following Valuation Date. All subscriptions for Units are to be forwarded by Dealers, without charge, to the Manager or delivered through the FundSERV network, as applicable, the same day that they are received. See “*Investing in Units of the Fund - Purchase of Units*”.

#### **Minimum Investment**

The minimum initial investment in the Fund is \$1,000 for any Series for an investor who is an “accredited investor” as described in applicable securities legislation. Subsequent investments are subject to an additional minimum investment of \$1,000, subject to applicable securities legislation. An investor who purchases as an “accredited investor” is required to notify the Manager if such investor’s status changes. See “*Investing in Units of the Fund - Minimum Initial and Subsequent Investments*”.

#### **Redemptions**

Units may be surrendered to the Manager for redemption by entering a request for redemption on the FundSERV network at least one Business Day prior to the Valuation Date on which Units are to be redeemed (the “**Redemption Date**”). Under certain circumstances, the Manager is entitled to suspend or restrict rights of redemption. See “*Redemption of Units*”.

#### **Transfer of Units**

No transfers of Units of the Fund may be made other than by operation of law or with the consent of the Manager. Units will also be subject to certain resale restrictions under applicable securities laws. See “*Transfer of Units*”.

#### **Short-Term Trading Deduction**

In order to protect the interest of the majority of Unitholders in the Fund and to discourage short-term trading in the Fund, Unitholders may be subject to a short-term trading deduction. If a Unitholder redeems Units of the Fund within 120 days of purchasing such Units, the Fund may deduct and retain, for the benefit of the remaining Unitholders in the Fund, five percent (5%) of the Series Net Asset Value of the Units being redeemed.

## Expenses

The Fund will pay for all routine and customary expenses relating to the Fund's operation, including administrative fees, registrar and transfer agency fees and expenses, trustee fees (if any), custodian fees, auditing, legal and accounting fees, communication expenses, printing and mailing expenses, all costs and expenses associated with the sale or redemption of Units, including securities filing fees (if any) and dealer servicing costs (other than dealer servicing commissions referred to below, which are at the expense of the Manager), expenses relating to providing financial and other reports to Unitholders and convening and conducting meetings of Unitholders, all taxes, assessments or other governmental charges levied against the Fund, interest expenses and all investment expenses relating to the investments made on behalf of the Fund and all expenses incurred by the various service providers of the Fund when such expenses relate to the affairs of the Fund. Expenses in connection with the initial organization of the Fund and the initial offering of Units are expected to be amortized over a period of five years. See "*Fees and Expenses - Expenses*".

## Management Fees

For providing their services to the Fund, the Manager receives monthly management fees (the "**Management Fees**") from the Fund. The Management Fees are, for each Series, Series Expenses attributable to that Series. In the case of Series I Units, the Management Fees are negotiated with each investor and are calculated at the Unit level.

Units of the Series, other than Series I Units, are charged annual Management Fees equal to the following percentages of the Series Net Asset Value of the said Series of the Fund, calculated and accrued on each Valuation Date and payable monthly:

<u>Series A</u>	<u>Series B</u>	<u>Series F</u>
2.50%	1.50%	1.50%

Management fees are subject to applicable taxes, including QST and GST or HST.

## Performance Fees

To the extent that the Manager exceeds the Hurdle Rate, the Manager also receives performance fees (the "**Performance Fees**") from the Fund attributable to each Series A Unit, Series B Unit and Series F Unit. In the case of Series I Units, Performance Fees, if any, are negotiated with each investor.

The Performance Fees are calculated and accrued on a weekly basis and are paid on a monthly basis on the Performance Fee Dates or on redemption of units. Performance fees are calculated at the Unit level and in respect of Series A Units, Series B Units and Series F Units, will equal the aggregate of 30% of the positive amount obtained, if any, when the High Water Mark (as defined below) of each Unit is subtracted from the Series Net Asset Value per Unit of the Unit on the date of payment (if such difference in respect of a Unit is negative then the Performance Fee payable in respect of such Unit for the applicable Performance Fee Date shall be zero – the Performance Fee payable in respect of a Unit shall not be affected in any way by the performance of any other Unit).

The "**High Water Mark**" for a Unit means, initially, its subscription price and thereafter will be adjusted from time to time to equal its Series Net Asset Value per Unit immediately following the payment of a Performance Fee to the Manager in respect of such Unit. Starting in 2019 and every two years thereafter, irrespective of the previous High Water Mark, the High Water Mark will be automatically reset to equal the Series Net Asset Value per Unit on first Valuation Date calculated in the month of February.

The "**Hurdle Rate**" means the minimum positive returns that must be reached each month

for each unit before the Manager may start collecting Performance Fees in respect of that month. The minimum monthly hurdle rate that applies to Series A Units, Series B Units and Series F Units is an rate of 0.583%, which equates to a 7% annualized rate.

Performance fees are subject to applicable taxes, including QST and GST or HST. See “*Fees and Expenses - Performance Fees*”.

**Dealer Compensation**

Registered dealers (“**Dealers**”) who distribute Units may be paid a sales commission and servicing fees. See “*Dealer Compensation*”.

**Distributions**

The Fund intends to distribute sufficient net income (including net realized capital gains, if any) to Unitholders in each calendar year to ensure that the Fund is not liable for income tax under Part I of the Tax Act. All distributions (other than Special Distributions described in “*Fees and Expenses*”) will be made on a pro rata basis within each Series to each registered Unitholder determined as of the Valuation Time (prior to any subscriptions or redemptions) on the applicable Valuation Date. The Trustee will distribute net income and net realized capital gains of the Fund, if any, on an annual basis, on the last Valuation Date in each taxation year, and on such other dates as deemed appropriate by the Administrator.

Unless a distribution in cash is requested by a Unitholder and such cash distribution is agreed to by the Manager, distributions will be reinvested in Units of the Fund. See “*Distributions*”.

**Tax Consequences**

A prospective Unitholder should consider carefully all of the potential tax consequences of an investment in the Units and should consult with their tax advisor before subscribing for Units. For a discussion of certain income tax consequences of this investment, see “*Canadian Federal Income Tax Considerations*”.

**Eligibility for Investment**

The Fund is a registered investment under the Tax Act, therefore the Units of the Fund are qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts, and can be held in such plans. Annuitants under the registered retirement savings plan should consult with their own tax advisors as to whether Units would be a prohibited investment under the Tax Act in their particular circumstances.

**Risk Factors**

The Fund is subject to various risk factors. See “*Risk Factors*”.

**Fiscal Year**

The Fund’s fiscal year will end on December 31 of each year.

**Reports**

Unitholders will be sent audited annual financial statements within 90 days of year end and unaudited semi-annual financial statements within 60 days of June 30, or as otherwise required by law. Additional interim reporting to Unitholders will be at the discretion of the Manager. The Fund may enter into other agreements with certain Unitholders, which may entitle such Unitholders to receive additional reporting. Unitholders will receive the applicable required tax form(s) within the time required by applicable law to assist Unitholders in making the necessary tax filings.

## SFRO BALANCED FUND

The investment fund offered herein is the SFRO Balanced Fund (the “**Fund**”).

The Fund is an open-ended trust established on February 1, 2017 under the laws of the Province of Québec by an amended and restated trust agreement dated May 1, 2014, as amended, restated or supplemented from time to time. TSX Trust Company (the “**Trustee**”) acts as the trustee of the Fund. Majestic Asset Management LLC (“**Majestic**” or the “**Manager**”) acts as the investment fund manager of the Fund pursuant to the Trust Agreement. SGGG Fund Services Inc. (the “**Administrator**”) acts as the administrator of the Fund. The office of the Fund is located at the office of the Manager, being 300 St-Sacrement Street, Suite 320, Montréal, Québec, H2Y 1X4.

The description of provisions of the Trust Agreement contained herein is subject to and qualified in its entirety by the Trust Agreement.

Investments in the Fund are represented by trust units of a series of the Fund (the “**Units**”). The Fund is permitted to have an unlimited number of series of Units (each, a “**Series**”), having such terms and conditions as the Manager may determine. Each Unit of a Series represents an undivided interest in the net assets of the Fund attributable to that Series of Units. The number of Units of each series is unlimited.

Four Series of Units of the Fund are offered under this Offering Memorandum:

(i) **Series A Units**: this Series of Units is offered to accredited investors under the terms of this Offering Memorandum who are not eligible to purchase Series B Units, Series F Units or Series I Units;

(ii) **Series B Units**: this Series of Units is offered to accredited investors under the terms of this Offering Memorandum who are not eligible to purchase Series A Units, Series F Units or Series I Units;

(iii) **Series F Units**: this Series of Units is offered to accredited investors under the terms of this Offering Memorandum who purchase such units through a dealer sponsored fee-for-service or wrap program and who pay an asset-based fee to their dealer;

(iv) **Series I Units**: this Series of Units is offered to institutional investors or other investment funds at the discretion of the Manager. The Manager will negotiate the terms of purchase of the Series I Units with each investor, including the management fee and the performance fee that will be paid by the Fund in respect of such investor’s Series I Units. No sales commission is payable when an investor buys or redeems Series I Units. An investor buying Series I Units must enter into a Series I Unit agreement with the Manager before the investor can buy Series I Units.

Additional Series of Units may be offered in the future without notice to, approval of existing holders of Units of the Fund (“**Unitholders**”).

## INVESTMENT OBJECTIVE AND STRATEGY

### Investment Objective

SFRO Balanced Fund's objective is to provide medium and long-term capital appreciation. The Fund is managed in a dynamic and diversified manner and is composed of exchange traded funds (“ETFs”), equity securities, and as global fixed income instruments. The Fund's particular approach aims for capital growth even during bear market by using indicators to guide its strategies. The Fund is balanced and aims for an exposure of 30% to cash and fixed income securities (including fixed income ETFs), and aim for an exposure of 70% to equity (equity ETFs and securities). Actual allocations may

deviate by up to 10%. The Fund may allocate a higher weight than the target weight to cash and fixed income securities if deemed appropriate.

### **Investment Strategy**

In order to achieve its objective, the SFRO Balanced Fund will invest in a diversified portfolio mainly composed of ETFs, equity securities and fixed income instruments. The market momentum and the choice of securities are two significant factors in the success of the Fund's investment strategy. The Manager uses a proprietary financial software, licenced from SFRO Management Inc., in its management of the Fund. See "SFRO Software".

In the equity portion, the Fund is guided by more than 40 risk indicators, each individually efficient in identifying a significant market risk. These indicators, when analyzed together, allow the manager to accurately assess the general risks of the stock market. When the risk is measured as low, the Fund invests in ETFs, equity securities, exchange traded notes ("ETNs") and public mutual funds in order to capitalize on a rising market momentum. The Manager will conduct a comprehensive technical analysis to ensure that the selected securities suggest a higher return potential than the equity market. When the indicators show that there is a significant risk, the Fund may decrease its equity market exposure and increase its fixed income allocation. The Fund may use inverse ETFs to capitalize on a projected declining market.

For the fixed income portion of the portfolio, the Fund is guided by more than 10 risk indicators, each individually efficient in identifying a significant market risk of fixed income securities. When the risk of the fixed income market is measured as low, the Fund invests in bonds, bonds ex-dividend, fixed income ETFs, ETNs, public mutual funds, debentures or other fixed-income securities with potential income or gain that exceeds the fixed income market average return. When the risk is measured as high, the Fund may reduce the duration of the fixed income held in the portfolio and accordingly reduce its exposure to ETFs, equity securities, ETNs, bonds, debentures and/or stripped bonds. The Fund may build its fixed income portfolio in a diversified manner by way of maturity, type of issuer, sector, geographic region or currency.

The Fund will maintain an exposure to liquidity and fixed income of least 20% of the total value of the fund. The portion of the equity will vary between 0% and 80% of the total value of the fund, depending on market risk. The proportions of these asset classes will be actively managed to reflect the risk of each asset class, as measured by their respective risk indicators.

### **SFRO Software**

The software used for the management of the Fund (the "SFRO Software") is licensed by SFRO Management Inc. to the Manager. The SFRO Software is designed to evaluate the risk level of the market. It uses a quantitative model of risk based on approximately 40 independent risk indicators. Approximately 80 parameters are entered on a weekly basis after which the SFRO Software provides a buy, sell or hold recommendation based on the level of risk. Each of the risk indicators have been back tested on an extended period of historical market data.

#### *Composite Indicator*

Several factors influence price movements on the stock market. They are mainly investor sentiment, monetary conditions, the economic environment, market assessment and market price dynamics. These indicators have therefore been selected to reflect the health of the indicators from these 5 broad categories which are well represented in the composite indicator.

#### *Investor Sentiment*

The level of optimism or pessimism is very helpful in determining market potential. For example, peaks are often reached when the level of optimism is very high. Similarly, the level of pessimism is very high when markets are low. This measure is therefore important. Investor surveys are helpful in measuring overall mood, but other methods exist such as deposits/withdrawals from the fund, put/call ratio, the \$VIX (volatility), etc.

#### *Market Evaluation*

Although the level of market evaluation may reflect, in a way, the investors' moods, this category is nonetheless evaluated separately. Market evaluation is often a long-term measure used in determining the trend potential.

### *Breadth/Momentum*

This measure is used to assess the health of a trend. The number of securities moving in the same direction as the market trend is often an indicator. Other indicators such as the number of highs and lows are also helpful in measuring breadth/momentum.

### *Seasonality*

It has been observed that markets evolve according to seasonality. For example, markets have often performed better from November to May than May to November. Markets have also often performed better during the last 2 years of the American electoral cycle than the first two years. Models are therefore considered in the indicator.

### *Monetary Conditions*

An important factor is liquid asset (cash) accessibility. Without liquid assets (cash), the markets would not exist. Monetary conditions must therefore be taken into consideration when measuring market potential. The evolution of interest rates is only one monetary aspect, but many others may influence monetary conditions such as inflation, food prices, velocity of money, indebtedness, etc.

### **Authorized Investments**

Only the investments stipulated below are permitted for the Fund:

#### *ETFs, Equity Securities, ETNs, Money Market Instruments and Cash*

Permitted investments in this category consist of securities of ETFs, equity securities, ETNs, cash (in any currency), demand deposits, treasury bills, short-term notes, bonds, banker's acceptances, government paper, term deposits, guaranteed investment certificates or other financial instruments issued by chartered banks, and commercial paper.

#### *Public Mutual Funds and Majestic Pooled Funds*

The Fund can invest other pooled funds managed by Majestic or public mutual funds which are subject to National Instrument 81-102 – *Investment Funds*, provided that the Manager has taken the necessary measures to ensure that no management fee is paid to the Manager for the Fund's investment in such an investment fund.

### **Investment Restrictions and Other Conditions**

The investment restrictions that the Manager must follow in investing the assets and property of the Fund, and other conditions that the Fund must meet, are as follows:

- (i) The Fund will not make or retain an investment in another partnership if any interest in that partnership is a "tax shelter investment" for purposes of the Tax Act;
- (ii) The Fund will not undertake any investment that would cause it to be unable to obtain or to lose its status as a "mutual fund trust" for the purposes of the Tax Act;
- (iii) Should the Fund be a "registered investment" under the Tax Act, the Fund will not hold any investment that would not be prescribed investments for the type of plan or fund in respect of which the Fund has applied for registration;
- (iv) The Fund will not employ direct leverage;
- (v) A maximum of 20% of the Fund's assets can be invested in an individual ETF or ETN (excluding ETFs or ETNs containing the securities of 30 issuers or more, or replicating a benchmark composed of a basket of securities of 30 issuers or more) or in an individual fixed income instrument;
- (vi) A maximum loss of 50% in any individual ETF or ETN.

## MANAGEMENT OF THE FUND

### The Trustee

TSX TRUST COMPANY acts as the trustee of the Fund pursuant to the Trust Agreement. The Trustee has those powers and responsibilities in respect of the Fund as described in the Trust Agreement. The Trustee is required to exercise its powers and discharge the duties of its office honestly and in good faith and in connection therewith to exercise the degree of care, diligence and skill that a reasonably prudent Canadian trust company would exercise in comparable circumstances.

The Manager may remove the Trustee and appoint a successor trustee from time to time on 60 days' written notice to the Trustee and the Unitholders. The Trustee may resign upon 90 days' written notice to the Manager and the Unitholders. If no successor Trustee is appointed, the Fund will be terminated.

Under the terms of the Trust Agreement, the Trustee benefits from a general disclaimer of liability and has a right of indemnification from the Fund for any claims or liabilities arising out of the execution of its duties as trustee, except in cases of gross negligence, misfeasance or wilful misconduct on the part of the Trustee or breach of its standard of care.

### The Manager

The Manager is responsible for the day-to-day business of the Fund.

Majestic is a Montréal-based quantitative alternative asset manager that specializes in managing institutional and individual assets. Majestic is a Limited Liability Company formed under Delaware law and has been registered under the *Commodity Exchange Act* (US) as a Commodity Trading Advisor (CTA) since October 26, 2006. The Manager is a member of the National Futures Association, the industry-wide, self-regulatory organization for the United States futures industry. The Manager is registered with the AMF as an exempt marker dealer, portfolio manager and investment fund manager. Majestic is also registered as a commodity trading manager, portfolio manager, exempt marker dealer and investment fund manager with the OSC.

Pursuant to the Trust Agreement, the Manager has authority to manage the business and affairs of the Fund and has authority to bind the Fund. The Manager has the power to appoint one or more investment advisors to manage the Fund's property and assets. Among its other powers, the Manager may establish the Fund's operating expense budgets and authorize the payment of operating expenses. The Manager may delegate any of its powers to third parties where, in the discretion of the Manager, it would be in the best interests of the Fund to do so.

The Manager is required to exercise its powers and discharge the duties of its office honestly, in good faith, and in the best interests of the Fund and in connection therewith must exercise the degree of care, diligence and skill that a reasonable prudent person would exercise in comparable circumstances.

The Manager may resign upon 90 days' written notice to the Trustee and the Unitholders of the Fund, or such other notice period of not less than 30 days that may be agreed upon between the Manager and the Trustee. The Manager may appoint a successor manager. If no successor manager is appointed, the Fund will be terminated. The Fund may also be terminated following (i) a material default by the Manager of its obligations under the Trust Agreement which is not cured in due course; (ii) the Manager having been declared bankrupt or insolvent or having entered into liquidation or winding-up; or (iii) the assets of the Manager having become subject to seizure or confiscation by any public or governmental authority.

Under the terms of the Trust Agreement, the Manager benefits from a general disclaimer of liability and has a right of indemnification from the Fund for any claims or liabilities arising out of the execution of its duties under the Trust Agreement, except in cases of negligence, misfeasance or wilful misconduct on the part of the Manager or breach of its standard of care.

The services of the Manager under the Trust Agreement are not exclusive to the Fund, and nothing in the Trust Agreement will prevent the Manager, or any affiliate thereof, from providing similar services to other investment funds and other clients (irrespective of whether their investment objectives and policies are similar to those of the Fund) or from engaging in other activities.

## Senior Officers of the Manager

The following individuals are the senior officers of the Manager:

*David Bilodeau, DMS, CIM, FCSI*  
*Co-Chief Executive Officer & Chief Investment Officer*

David Bilodeau is Co-Founder, Co-Chief Executive Officer and Chief Investment Officer of Majestic Asset Management. He oversees all portfolio management and trading at Majestic and leads the firm's business development. Mr. Bilodeau earned a Bachelor's degree in Business Administration from HEC University in 2003 and began his career working at Refco Canada Inc. and Man Financial Canada Co. He subsequently became a Fellow of the Canadian Securities Institute (CSI), which earned him the FCSI designation. As an FCSI, Mr. Bilodeau belongs to an elite group of professionals of the financial services industry who are instantly recognized as trusted leaders in their field and respected by their clients and investors alike. Furthermore, he holds the Chartered Investment Manager (CIM) and the Derivatives Market Specialist (DMS) designations. Mr. Bilodeau has over 20 years of trading experience on stocks, options and futures contracts.

*Denis Paquette, FRM, CAIA, DMS*  
*Co-Chief Executive Officer, Chief Operating Officer and Chief Compliance Officer*

Denis Paquette is Co-Founder, Co-Chief Executive Officer, Chief Operating Officer and Chief Compliance Officer of Majestic Asset Management. He is responsible for the research and development of trading strategies as well as risk management. Mr. Paquette has significant experience in the derivatives markets with over 17 years of futures trading experience. Over the years trading derivatives, he has become significantly involved in the development and implementation of quantitative trading strategies. Mr. Paquette is a Certified Financial Risk Manager (FRM), and a member of the Global Association of Risk Professionals (GARP). He also holds the professional designation of Chartered Alternative Investment Analyst (CAIA) and is a member of the CAIA association. In addition, he is a Derivatives Market Specialist (DMS), a designation earned from the Canadian Securities Institute.

*François Côté*  
*SFRO Balanced Fund Analyst*

After completing his Bachelor's degree in Applied Mathematics at the University of Sherbrooke, Mr. Côté began his career in the financial sector as an Analyst at National Bank Financial Wealth Management. He went on to become an Investment Advisor with National Bank Financial Wealth Management, and later on, at Industrial Alliance. Mr. Côté has successfully passed the Canadian Securities Course and the Investment Management Techniques Course from the Canadian Securities Institute (CSI).

## Conflicts of Interest

The services of the Manager and its officers, directors and affiliates are not exclusive to the Fund. The Manager and any of its respective affiliates and associates may, at any time, engage in the promotion, management or investment management of any other fund or trust and provide similar services to other investment funds and other clients and engage in other activities. Investment decisions for the Fund will be made independently of those made for other clients and independently of investments of the Manager. On occasion, however, the Manager may make the same investment for the Fund and for one or more of their other clients. If the Fund and one or more of the other clients of the Manager is engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis. The Manager has adopted a conflict of interest policy to address and minimize potential conflicts of interest. In each case, the policy states that the Manager will deal fairly, honestly and in good faith with all clients and not advantage one client over another.

Future investment activities of the Manager, its respective affiliates and their principals, partners, directors, officers and employees, may give rise to additional conflicts of interest.

## UNITS OF THE FUND

Investments in the Fund are represented by Units. The Fund is permitted to have an unlimited number of series of Units (each, a “**Series**”), having such terms and conditions as the Manager may determine. Each Unit of a Series represents an undivided beneficial interest in the net assets of the Fund attributable to that Series of Units. The Manager, in its discretion, determines the number of Series of Units and establishes the attributes of each Series, including investor eligibility, the designation and currency of each Series, the initial closing date for the first issuance of Units of the Series, any minimum initial or subsequent investment thresholds, any minimum redemption amounts or minimum account balances, valuation frequency, fees and expenses of the Series, sales or redemption charges payable in respect of the Series, redemption rights, convertibility among Series and any additional Series specific attributes. If the creation of additional Series of Units of the Fund would adversely affect the pecuniary value of the interest of Unitholders of another Series of the Fund, the Manager will notify the Unitholders of the affected Series and provide them with sufficient time to redeem their Units in the Fund.

The Fund currently has the following four Series of Units:

(i) **Series A Units:** this Series of Units is offered to accredited investors under the terms of this Offering Memorandum who are not eligible to purchase Series B Units, Series F Units, or Series I Units;

(ii) **Series B Units:** this Series of Units is offered to accredited investors under the terms of this Offering Memorandum who are not eligible to purchase Series A, Series F Units or Series I Units;

(iii) **Series F Units:** this Series of Units is offered to accredited investors under the terms of this Offering Memorandum who purchase such units through a dealer sponsored fee-for-service or wrap program and who pay an asset-based fee to their dealer; and

(iv) **Series I Units:** this Series of Units is offered to institutional investors or other investment funds at the discretion of the Manager. The Manager will negotiate the terms of purchase of the Series I Units with each investor, including the management fee and the performance fee that will be paid by the Fund in respect of such investor’s Series I Units. No sales commission is payable when an investor buys or redeems Series I Units. An investor buying Series I Units must enter into a Series I Unit agreement with the Manager before the investor can buy Series I Units.

Certain expenses, including management fees, and liabilities of the Fund, as set out in this Offering Memorandum or as determined by the Trustee or the Manager, in their sole discretion, are attributed exclusively to a particular Series of Units of the Fund (“**Series Expenses**”).

Although the money invested by investors to purchase Units of any Series of the Fund is tracked on a Series by Series basis in the Fund's administration records, the assets of all Series of the Fund will be combined into a single pool to create one portfolio for investment purposes.

The Trust Agreement provides Unitholders with the right to vote in limited circumstances. Where the general nature of the business to be transacted at a Unitholder meeting concerns an issue relevant to all Unitholders of the Fund, Units of all Series of the Fund will be voted together. Where an issue may affect the Unitholders of a particular Series in a manner that is materially different from another Series, only Unitholders of those Series to which such business is relevant will be entitled to vote and such Units will be voted separately as a Series.

All Units of the same Series are entitled to participate pro rata: (i) in any payments or distributions (other than Special Distributions described in “*Fees and Expenses*”) made by the Fund to the Unitholders of the same Series; and (ii) upon liquidation of the Fund, in any distributions to Unitholders of the same Series of the Series Net Asset Value of the Fund attributable to the Series remaining after satisfaction of outstanding liabilities of such Series.

Units are not transferable, except by operation of law (for example, a death or bankruptcy of a Unitholder) or with the consent of the Manager. To dispose of Units, a Unitholder must have them redeemed.

Fractional Units carry the same rights and are subject to the same conditions as whole Units (other than with respect to voting rights) in the proportion that they bear to a whole Unit. Outstanding Units of any Series may be subdivided or consolidated in the Manager’s discretion on 21 days’ prior written notice, provided however that no subdivision or

consolidation may be made to Units of a Series unless an identical subdivision or consolidation is made to Units of all other Series of the Fund. The Manager may redesignate units of a Series as Units of any other Series based on the applicable Series Net Asset Value (as defined under “*Determination of Net Asset Value*”).

#### DETERMINATION OF NET ASSET VALUE

The Fund’s net asset value (the “**Net Asset Value**”) is calculated as the value of the Fund’s assets, less its liabilities, computed on a particular date in accordance with the Fund’s Trust Agreement. The Administrator will calculate the Net Asset Value of the Fund as of every Thursday of each week (or, if Thursday is not a Business Day, the next Business Day), December 31 of each year, and such other Business Day(s) as the Manager may determine (each, a “**Valuation Date**”), at 6:00 pm. (Eastern time) (the “**Valuation Time**”). In addition, for the purpose of calculating the Performance Fees (as defined under “*Fees and Expenses – Performance Fees*”), the Administrator will calculate the Net Asset Value of the Fund as of the last Business Day of every end of month (the “**Performance Fee Date**”). For the purpose of this Offering Memorandum, a “**Business Day**” is a day on which the main branch of the Royal Bank of Canada in Toronto, Ontario is open for business.

The Administrator will also calculate on each Valuation Date and Performance Fee Date, the Net Asset Value of the Fund attributable to each Series of Units of the Fund (the “**Series Net Asset Value**”) and the Net Asset Value per Unit for each Series of Units of the Fund (the “**Series Net Asset Value per Unit**”). The Series Net Asset Value will be, for each Series of the Fund, the proportionate share of the Net Asset Value of the Fund attributable to that Series, less the Series Expenses of that Series. The Series Net Asset Value per Unit for the Units of each Series of the Fund will be the quotient obtained by dividing the amount equal to the Series Net Asset Value by the total number of outstanding Units of that Series, including fractions of Units of that Series and adjusting the result to a maximum of three decimal places.

The number of Units, the fair market value of the assets and the amount of the liabilities of the Fund is calculated in such manner as the Administrator in its sole discretion determines from time to time, subject to the following:

- a) the value of any cash on hand, on deposit or on call, prepaid expenses and interest accrued and not yet received, is deemed to be the face amount thereof, unless the Administrator determines that any such deposit or call loan is not worth the face amount thereof, in which event the value thereof is deemed to be such value as the Administrator determines to be the reasonable value thereof;
- b) the value of any bonds, debentures, and other debt obligations are valued by taking the average of the bid and ask prices on a Valuation Date at such times as the Administrator, in its discretion, deems appropriate. Short-term investments including notes and money market instruments are valued at cost plus accrued interest;
- c) the value of any securities, stock options or index options thereon which is listed on any recognized exchange is determined by the closing sale price at the Valuation Time or, if there is no sale price, the average between the closing bid and the closing asked price on the day on which the Net Asset Value of the Fund 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;
- d) the value of any security or other asset for which a market quotation is not readily available is its fair market value as determined by the Administrator;
- e) the value of any security, the resale of which is restricted or limited, is 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 series, 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;
- f) purchased or written options on stock or index, and debt like securities are valued at the current market value thereof;

g) where a covered option is written, the premium received by the Fund will be reflected as a deferred credit which will be valued at an amount equal to the current market value of the option, that would have the effect of closing the position. Any difference resulting from revaluation of such options will be treated as an unrealized gain or loss on investment. The deferred credit will be deducted in arriving at the Net Asset Value of the Fund.

h) the value of a forward contract, is the gain or loss with respect thereto that would be realized if, on the Valuation Date, the position in the futures contract, or the forward contract, as the case may be, were to be closed out unless daily limits are in effect in which case fair value will be based on the current market value of the underlying interest;

i) margin paid or deposited in respect of forward contracts is reflected as an account receivable and margin consisting of assets other than cash is noted as held as margin;

j) all securities, property and assets of the Fund valued in a foreign currency and all liabilities and obligations of the Fund payable by the Fund in foreign currency are converted into Canadian funds by applying the rate of exchange obtained from the best available sources to the Administrator, including, but not limited to, the Administrator or any of its affiliates;

k) all expenses or liabilities (including fees payable to the Manager) of the Fund are calculated on an accrual basis; and

l) the value of any security or property to which, in the opinion of the Administrator, the above valuation principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) is the fair value thereof determined in such manner as the Administrator from time to time provides.

The Administrator is entitled to rely on any values or quotations supplied to it by a third party, including the Manager, and is not required to make any investigation or inquiry as to the accuracy, completeness or validity of such values or quotations. Provided the Administrator acts in accordance with its standard of care, it will be held harmless by the Fund and will not be responsible for any losses or damages resulting from relying on such information.

## INVESTING IN UNITS OF THE FUND

### Purchase of Units

Investors may be admitted to the Fund and purchase Series A Units, Series B Units, Series F Units and Series I Units or may acquire additional Units on a weekly basis on each Valuation Date. The Units are being offered using the mutual fund order entry system FundSERV. Subscriptions for Units must be made from a distributor on the FundSERV network under the Manufacturer Code to Majestic Asset Management LLC “MAJ” and the following order codes:

Series A Units	“MAJ300”
Series B Units	“MAJ304”
Series F Units	“MAJ301”
Series I Units	“MAJ302”

Funds in respect of any subscription will be payable by investors at the time of the subscription. Investors who wish to make an initial subscription for Units of the Fund may do so by delivering a subscription application (in such form as the Manager may approve from time to time) to the Manager, through Dealers (as defined below) or other persons permitted by applicable securities laws to sell Units, accompanied by wire transferred funds in an amount equal to the purchase price through the FundSERV network. Additional subscriptions for Units of the Fund must be made by delivering a request to that effect through the FundSERV network.

Units will be offered at the Series Net Asset Value per Unit calculated as of the applicable Valuation Date. Subscription applications must be received and accepted by the Manager by 4:00 pm on the Business Day preceding the Valuation Date on which Units are to be issued. Subscriptions that are received or accepted by the Manager after such days will be made as of the following Valuation Date. All subscriptions for Units are to be forwarded by Dealers, without charge, to the Manager or delivered through the FundSERV network, as applicable, the same day that they are received.

The Manager reserves the right to accept or reject orders, and any monies received with a rejected order will be refunded forthwith, without interest, other compensation or deduction after the Manager has made such determination. All subscriptions will be irrevocable. Fractional Units will be issued up to three decimal points.

A book-based system of registration is maintained for the Fund. Unit certificates will not be issued. The register for the Units is kept at the office of the Registrar.

Units of each Series can only be purchased in Canadian dollars.

### **Distribution of Units**

Units are offered on a continuous basis to “accredited investors” resident in any province of Canada (the “**Canadian Jurisdictions**”) pursuant to applicable exemptions from the prospectus requirements contained in the securities legislation in the applicable Canadian Jurisdiction. Units may also be offered to residents of foreign jurisdictions (the “**Foreign Investors**”) subject to any sales restrictions in such foreign jurisdictions (the “**Foreign Jurisdictions**”, together with the Canadian Jurisdictions, the “**Offering Jurisdictions**”). Under no circumstances will the Manager accept a subscription for Units, whether initial or subsequent, if its distribution cannot be made in reliance on any such exemptions. Furthermore, the Manager will ensure that neither Foreign Investors nor Financial Institutions never hold more than 50% of the Units of the Fund at any time.

Any monies received with a rejected order will be promptly refunded to the investor without any interest.

### **Minimum Initial and Subsequent Investments**

The minimum initial investment in the Fund is \$1,000 for any Series. Subsequent investments in the Fund are subject to an additional minimum investment of \$1,000, subject to applicable securities legislation. These minimum amounts may be waived by the Manager, in its sole discretion.

## **REDEMPTION OF UNITS**

### **How to Redeem Units**

Units may be surrendered to the Manager for redemption by entering a request for redemption on the FundSERV network at least one Business Day prior to the Valuation Date on which Units are to be redeemed (the “**Redemption Date**”). Any request for redemption entered after such time will be processed on the next Valuation Date. Requests for redemption will be accepted in the order in which they are received. The Manager shall within three Business Days following the determination of the Series Net Asset Value per Unit for the applicable Redemption Date, distribute an amount equal to the Series Net Asset Value per Unit determined as of the relevant Redemption Date. Payment of the redemption proceeds will be made using the FundSERV network. Any payment referred to above, unless such payment is not honored, will discharge the Fund, the Trustee, the Manager and their agents from all liability to the redeeming Unitholder in respect of the payment and the Units redeemed and the Unitholder will cease to have any further rights with respect to such Units as of the Redemption Date.

### **Suspension of Redemptions**

The Manager may, under certain circumstances, suspend the right of Unitholders to require the Fund to redeem Units and the concurrent payment for Units of the Fund tendered for redemption and will so immediately advise the Trustee.

In the event of such a suspension, a Unitholder who has delivered a redemption request for which the redemption price has not yet been calculated may either withdraw such Unitholder’s redemption request within three Business Days of receiving notice of the suspension or receive payment based on the Series Net Asset Value per Unit of the applicable series of Units next calculated after the termination of the suspension.

## **Short-Term Trading Deduction**

In order to protect the interest of the majority of Unitholders in the Fund and to discourage short-term trading in the Fund, Unitholders may be subject to a short-term trading deduction. If a Unitholder redeems Units of the Fund within 120 days of purchasing such Units, the Fund may deduct and retain, for the benefit of the remaining Unitholders in the Fund, five percent (5%) of the Series Net Asset Value of the Units being redeemed.

## **Redemption at the Demand of the Manager**

The Manager may in its discretion, cause the Fund to redeem all or a portion of a Unitholder's Units by giving 30 days' prior written notice to the Unitholder, specifying the number or value of Units to be redeemed. For example, the Manager may cause the Units of any Unitholder to be redeemed if at any time as a result of redemptions the value of the Unitholder's investment in the Fund is less than the minimum initial subscription amount, unless the Unitholder increase the aggregate value of its investment to and amount which is not less than the minimum initial subscription amount. If at any time the Unitholder is in breach of the representations, warranties and covenants made in the subscription application, the Manager may cause the Fund to redeem the Units owned by such Unitholder immediately and without notice. In addition, the Manager may cause the Fund to redeem, without notice, Units owned by (i) a non-resident of Canada, if the continued ownership of such non-resident could cause the Fund to be unable to obtain or to lose its status as a mutual fund trust for the purposes of the Tax Act; (ii) a person which would cause the Fund to contravene the laws of any jurisdiction or to become subject to the laws of a foreign jurisdiction; (iii) a person or partnership that is a "designated beneficiary", as defined in Part XII.2 of the Tax Act, if the continued ownership of Units by such person or partnership could have adverse tax consequences to the Fund, or (iv) a Financial Institution, if the continued ownership of Units of such Financial Institution could cause the Fund to become a financial institution as defined in section 142.2 of the Tax Act.

## **TRANSFER OF UNITS**

Units are not transferable except by operation of law or with the consent of the Manager. There is no formal market for the Units and none is expected to develop. Furthermore, this offering of Units is not qualified by way of prospectus and consequently, the resale of Units will be subject to restrictions under applicable securities legislation. Unitholders may not be able to resell Units and may only be able to redeem them. Redemptions of Units may be subject to the limitations described under "*Redemption of Units*" and "*Purchase of Units*". Investors are advised to seek legal advice prior to any resale of the Units.

## **FEES AND EXPENSES**

### **Expenses**

The Fund will pay for all routine and customary expenses relating to the Fund's operation, including administrative fees, registrar and transfer agency fees, trustee fees (if any), custodian fees, auditing, legal and accounting fees, communication expenses, printing and mailing expenses, all costs and expenses associated with the sale or redemption of Units, including securities filing fees (if any) and dealer servicing costs (other than dealer servicing commissions referred to under "*Dealer Compensation*" which are at the expense of the Manager), expenses relating to providing financial and other reports to Unitholders and convening and conducting meetings of Unitholders, all taxes, assessments or other governmental charges levied against the Fund, interest expenses, all investment expenses relating to the investments made on behalf of the Fund and all expenses incurred by the various service providers of the Fund when such expenses relate to the affairs of the Fund. In addition, the Fund will pay for expenses associated with ongoing investor relations and education relating to the Fund. Expenses in connection with the initial organization of the Fund and the initial offering of Units are expected to be amortized over a period of five years.

Each Series of Units is responsible for the Series Expenses specifically related to that Series and a proportionate share of expenses that are common to all Series of Units. The Manager will allocate expenses to each Series of Units in its sole discretion, as it deems fair and reasonable in the circumstances.

The Manager may, from time to time, waive any portion of the fees and reimbursement of expenses otherwise payable to it, but no such waiver affects their right to receive fees and reimbursement of expenses subsequently accruing to it.

### **Management Fees**

For providing their services to the Fund, the Manager receives monthly management fees (the “**Management Fees**”) from the Fund. Management Fees are, for each Series, Series Expenses attributable to that Series. In the case of Series I Units, the Management Fees are negotiated with each investor and are calculated at the Unit level.

Units of the Series, other than Series I Units, are charged annual Management Fees equal to the following percentages of the Series Net Asset Value of the said Series of the Fund, calculated and accrued on each Valuation Date and payable monthly:

<u>Series A</u>	<u>Series B</u>	<u>Series F</u>
2.50%	1.50%	1.50%

Management fees are subject to applicable taxes, including QST, GST or HST.

### **Performance Fees**

To the extent that the Manager exceeds the Hurdle Rate, the Manager also receives performance fees (the “**Performance Fees**”) from the Fund attributable to each Series A Unit, Series B Unit and Series F Unit. In the case of Series I Units, Performance Fees, if any, are negotiated with each investor.

The Performance Fees are calculated and accrued on a weekly basis and are paid on a monthly basis on the Performance Fee Dates or on redemption of units. Performance fees are calculated at the Unit level and in respect of Series A Units, Series B Units and Series F Units, will equal the aggregate of 30% of the positive amount obtained, if any, when the High Water Mark (as defined below) of each Unit is subtracted from the Series Net Asset Value per Unit of the Unit on the date of payment (if such difference in respect of a Unit is negative then the Performance Fee payable in respect of such Unit for the applicable Performance Fee Date shall be zero – the Performance Fee payable in respect of a Unit shall not be affected in any way by the performance of any other Unit).

The “**High Water Mark**” for a Unit means, initially, its subscription price and thereafter will be adjusted from time to time to equal its Series Net Asset Value per Unit immediately following the payment of a Performance Fee to the Manager in respect of such Unit. Starting in 2019 and every two years thereafter, irrespective of the previous High Water Mark, the High Water Mark will be automatically reset to equal the Series Net Asset Value per Unit on first Valuation Date calculated in the month of February.

The “**Hurdle Rate**” means the minimum positive returns that must be reached each month for each unit before the Manager may start collecting Performance Fees in respect of that month. The minimum monthly hurdle rate that applies to Series A Units, Series B Units and Series F Units is an rate of 0.583%, which equates to a 7% annualized rate.

Performance fees are subject to applicable taxes, including QST and GST or HST.

### **Fee Rebates**

To encourage large investments in the Fund and to be able to offer fees which are competitive for investments of that size, and in certain other circumstances, the Manager may, from time to time, reduce the Management Fees and/or the Performance Fees that they otherwise would be entitled to receive with respect to such an investor’s investment in the Fund, provided that the amount of the fee reduction is distributed (a “**Special Distribution**”) to such Unitholder. Special Distributions of the Fund, where applicable, will be computed on each Valuation Date and will be payable quarterly, or at such other times as the Manager may determine, first out of net income and the net capital gains of the Fund and thereafter out of capital. Any such reduction in Management Fees and/or Performance Fees in respect of a large investment in the Fund will be negotiated by the Investment Manager and the investor or the investor’s Dealer and will be based primarily on the size of the investor’s investment in the Fund and the total amount of services provided to the investor with respect to his

investment in the Fund. The Manager may also initially reduce its fees to encourage seed investments in the Fund. A qualified investor can choose to receive the Special Distribution in cash or in additional Units of the Fund. The amount of any Special Distribution is taxable to the Unitholder receiving it, to the extent it is paid out of net income or net taxable capital gains of the Fund. See “*Canadian Federal Income Tax Considerations*” and “*Distributions*”.

## **DEALER COMPENSATION**

Units will be distributed in the Offering Jurisdictions through registered dealers (“**Dealers**”), including the Manager, and such other persons as may be permitted by applicable law. In the event of such distribution, Dealers (other than the Manager) will be entitled to the compensation described below.

### **Sales Commissions**

For Series B Units, in the event of a Dealer sale, a sales commission of up to 5% may be deducted from the purchase order and paid by the investor to the Dealer. The remaining amount will be invested in the Fund. Sales commissions may be negotiated between the Dealer and the investor. Units issued on a reinvestment of distributions as described under “Distributions” will not be subject to a sales commission.

There will be no sales commission paid for the purchase of Series A Units and Series F Units.

### **Servicing Fees**

The Manager will pay servicing commissions to Dealers whose clients have purchased Series A Units of the Fund and remain invested in the Fund during the relevant quarter. The servicing commission, expressed as an annual percentage of the Series Net Asset Value per Unit, is 1% for Series A Units. The servicing commissions will be paid on a quarterly basis in arrears. The Manager does not pay servicing commissions in respect of Series B Units and Series F Units. Servicing commissions may be modified or discontinued by the Manager at any time.

## **DISTRIBUTIONS**

The Fund intends to distribute sufficient net income (including net realized capital gains, if any) to Unitholders in each calendar year to ensure that the Fund is not liable for income tax under Part I of the Tax Act. All distributions (other than Special Distributions) will be made on a pro rata basis within each Series to each registered Unitholder determined as of the Valuation Time (prior to any subscriptions or redemptions) on the applicable Valuation Date. The Trustee will distribute net income and net realized capital gains of the Fund, if any, on an annual basis, on the last Valuation Date in each taxation year. Distributions of net income or net realized capital gains may also be made on such other dates that the Administrator deems appropriate.

Subject to applicable securities legislation, unless a distribution in cash is requested in writing by a Unitholder and such cash distribution is agreed to by the Manager, all distributions made by the Fund (net of any deductions or withholdings required by law) will be automatically reinvested in additional Units of the Fund or fractions of Units of the Fund at the Series Net Asset Value per Unit. Potential investors should keep this policy in mind when determining whether or not an investment in the Fund is suitable for their particular circumstances. Units acquired on a reinvestment of distributions are not subject to any sales charges.

The Manager, in consultation with the Administrator, may make such designations, determinations and allocations for tax purposes of amounts or portions of amounts which the Fund has received, paid, declared payable or allocated to Unitholder as distributions or redemption proceeds.

The costs of distributions, if any, will be paid by the Fund.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the Fund and to the acquisition, holding and disposition of Units by a Unitholder who acquires Units pursuant to this Offering Memorandum. This summary is applicable 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, and holds Units as capital property. This summary does not apply to a Unitholder who has entered or will enter into a "derivatives forward agreement" or a "synthetic disposition arrangement" as these terms are defined in the Tax Act with respect to the Units.

This summary is based on the assumption that the Fund will at no time be a "SIFT trust" as defined in the rules in the Tax Act relating to SIFT trusts and SIFT partnerships. This, in turn, is based on the assumption that the Units will at no time be listed or traded on a stock exchange or other public market. For the purpose of such rules, the redemption mechanism does not result in the Units being considered to be traded on a public market.

This summary is also based on the assumptions that all the decisions with respect to the management of the Fund are made in Canada, that none of the securities in the portfolio will be foreign affiliates of the Fund or of any Unitholder and, that none of the securities will be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act. Further, this summary assumes that none of the securities in the portfolio will be "offshore investment fund property" that would require the Fund to include amounts in the Fund's income pursuant to section 94.1 of the Tax Act, or an interest in a trust which would require the Fund to report income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act, or an interest in a non-resident trust other than an exempt foreign trust as defined in section 94 of the Tax Act.

Generally, Units of the Fund will be considered to be capital property to a Unitholder provided that the Unitholder does not hold such Units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Assuming that the Fund qualifies as "mutual fund trust" for purposes of the Tax Act, certain Unitholders who might not otherwise be considered to hold Units of the Fund as capital property may, in certain circumstances, be entitled to have such Units and all other "Canadian securities" owned or subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is based on the current provisions of the Tax Act and the regulations thereunder, the current published administrative policies and assessing practices of the Canada Revenue Agency (the "CRA"), and all specific proposals to amend the Tax Act and regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**"). 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 provincial, territorial or foreign income tax legislation or considerations.

**This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the 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 own particular circumstances.**

### **Taxation of the Fund**

As of the date hereof, the Fund is not and is not expected to be a mutual fund trust within the meaning of the Tax Act. It is assumed that at no time will "financial institutions" (as defined in section 142.2 of the Tax Act) hold more than 50% of the fair market value of all Units of the Fund. If financial institutions held more than 50% of the fair market value of all Units of the Fund, under the Tax Act, the Fund, during any period through which it is not a mutual fund trust, will notably be subject to the "mark to market" rules on its "mark to market property" which will result in the Fund realizing ordinary income and losses as opposed to capital gains and capital losses, on such properties on an annual basis regardless of whether the Fund has actually disposed of such properties in the year.

The Fund will generally be subject to tax in each year under Part I of the Tax Act on the amount of its income for tax purposes 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. The Fund intends to deduct in each year, in computing its income, 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, it will generally not be liable in such year for any tax on its net income or profit under Part I of the Tax Act, other than alternative minimum tax. The Fund is not entitled to capital gains refunds under the Tax Act and may be subject to alternative minimum tax.

For a taxation year throughout which the Fund is not a mutual fund trust under the Tax Act, the amount of distributions of net realized capital gains to Unitholders made by the Fund in the taxation year and, therefore, the amount required to be included in the income of Unitholders of the Fund, may exceed the amount of distributions of net realized capital gains that otherwise would be required to be made by the Fund if it qualified as a mutual fund trust.

All of the Fund's deductible expenses for the purposes of the Tax Act, including expenses common to all Series of the Fund, all management and performance fees and other Series Expenses, will be taken into account in determining the income or loss of the Fund as a whole. Net income (or losses) including capital gains (or capital losses) realized by the Fund in a year in respect of a particular Series of Units must be netted against losses (or gains) or capital losses (or gains) realized by the Fund in that year in respect of all other Series of Units, in accordance with the rules provided in the Tax Act, to determine the net income and net capital gains of the Fund as a whole for that year. This netting may result in income and/or capital gains allocations to a particular Series of Units that differ from those that would result if such Units had been issued by a separate trust having only one series of units.

In general, gains and losses realized on transactions in derivatives will be on income account.

The Fund's portfolio may include securities that are not denominated in Canadian dollars. The cost and proceeds of disposition of these securities and all other amounts will be converted to an amount expressed in Canadian currency using the noon rate quoted by the Bank of Canada for the day on which a particular amount arose for the purposes of the Tax Act. Accordingly, the Fund may realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars.

The Fund may derive income or gains from investments in countries other than Canada and, as a result, may be liable to pay foreign income or profits tax to such countries. To the extent 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 purposes of the Tax Act. To the extent that such foreign tax paid does not exceed 15% of such foreign source income 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.

The Tax Act contains rules concerning the taxation of certain trusts, the units of which are listed or traded on a stock exchange or other public market, that own certain types of property defined as "non-portfolio property". A trust that is subject to these rules is subject to trust level taxation at rates comparable to those that apply to corporations or the trust's income earned from "non-portfolio property". These rules should not impose any tax on the Fund to the extent that the Units of the Fund (as well as any other securities that the Fund may issue) are not listed or traded on a stock exchange, trading system or other organized facility.

If at any time in a year the Fund has a Unitholder that is a "designated beneficiary" within the meaning of the Tax Act, the Fund will be subject to a special tax at the rate of 36% under Part XII.2 of the Tax Act on its "designated income" within the meaning of the Tax Act. A "designated beneficiary" includes a non-resident, certain trusts and certain partnerships. "Designated income" includes gains from dispositions of taxable Canadian property and income from businesses carried on in Canada (which may include gains from certain derivative transactions). Where the Fund is subject to tax under Part XII.2, provisions in the Tax Act are available to ensure that Unitholders who are not designated beneficiaries receive an appropriate refundable tax credit provided that an appropriate designation is made. The Manager will not accept subscriptions from and will not direct the issuance or transfer of Units to any person who is or would be a "designated beneficiary" of the Fund, as such term is defined in Part XII.2 of the Tax Act, if, as a consequence thereof, the Fund would be liable for tax under Part XII.2 of the Tax Act and if at any time the Manager becomes aware that Units are beneficially

owned by a “designated beneficiary”, the Fund may redeem all or such portion of the Units on such terms as the Manager deems appropriate in the circumstances. Accordingly it is expected that the special tax on designated income will not apply to the Fund.

If the Fund experiences a “loss restriction event” (“LRE”) (i) the Fund will be deemed to have a year-end for tax purposes (which could result in the Fund being subject to tax unless it distributes its income and capital gains prior to such year-end), and (ii) the Fund will become subject to the loss restriction rules generally applicable to corporations that experience an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on their ability to carry forward losses.

Generally, a Fund will be subject to a LRE when a person becomes a “majority-interest beneficiary” of the Fund, or a group of persons becomes a “majority-interest group of beneficiaries” of the Fund, as those terms are defined in the Tax Act. Generally, a majority-interest beneficiary of the Fund will be a beneficiary who, together with the beneficial interests of persons and partnerships with whom the beneficiary is affiliated, has a fair market value that is greater than 50% of the fair market value of all the interests in the income or capital, in the Fund.

Based on recent legislative change proposals, the Tax Act provides for an exception to the LRE rules with respect to the acquisition or disposition of equity of a trust if certain conditions are met. The exception applies to exempt a trust from the LRE rules where the LRE occurs due to the acquisition or disposition of equity of the trust where the following two conditions are met:

- (a) such entity is, immediately before that time, an “investment fund”, as this term is defined in the Tax Act; and
- (b) the acquisition or the disposition, as the case may be, is not part of a series of transactions or events that includes the trust ceasing to be an “investment fund”.

### **Taxation of Unitholders**

A Unitholder will generally be required to include in computing income for a year the amount of the Fund’s taxable income for the year, including net realized taxable capital gains and Special Distributions paid or payable to the Unitholder (whether in cash or in Units) in the year. The non-taxable portion of the Fund’s net realized capital gains paid or payable to a Unitholder in a year will not be included in the Unitholder’s income for the year. Any other amount in excess of the Fund’s taxable income for a 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 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 of Units will be increased by the amount of such deemed capital gain. Any loss of the Fund for purposes of the Tax Act cannot be treated as a loss of a Unitholder.

Provided that appropriate designations are made by the Fund, such portion of: (i) the net realized taxable capital gains of the Fund; (ii) the foreign source income of the Fund and foreign taxes eligible for the foreign tax credit; and (iii) taxable dividends received by the Fund on shares of taxable Canadian corporations, as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. A Unitholder may be entitled to claim a foreign tax credit in respect of foreign taxes designated to such Holder in accordance with the detailed rules in the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross up and dividend tax credit rules will apply.

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

On the disposition or deemed disposition, including the redemption, of a Unit, the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder’s proceeds of disposition (other than any amount payable by the Fund which

represents an amount that is otherwise required to be included in the Unitholder's income as described above) exceed (or are exceeded by) 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 of a particular Series, the cost of the newly acquired Units will be averaged with the adjusted cost base of all Units of the Series owned by the Unitholder as capital property before the acquisition. The cost of Units on a reinvestment of distributions from the Fund will be equal to the amount of the distribution.

Pursuant to the Trust Agreement, the Fund may allocate and designate any income or capital gains realized by the Fund as a result of any disposition of property of the Fund undertaken to permit or facilitate the redemption of Units to a Unitholder whose Units are being redeemed. In addition, the Fund has the authority to distribute, allocate and designate any income or capital gains of the Fund to a Unitholder who has redeemed Units of the Fund during a year in an amount equal to the Unitholder's share, at the time of redemption, of the Fund's income and capital gains for the year or such other amount that is determined by the Fund to be reasonable. Any such allocations will reduce the redeeming Unitholder's proceeds of disposition.

One-half of any capital gain ("**taxable capital gain**") realized on the disposition of Units will generally 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.

In general terms, income of the Fund paid or payable to a Unitholder that is designated as net realized taxable capital gains, and taxable capital gains realized on the disposition of Units, may increase the Unitholder's liability for alternative minimum tax.

## **ELIGIBILITY FOR INVESTMENT**

The Fund is a registered investment under the Tax Act, therefore the Units of the Fund are qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit-sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts, and can be held in such plans. Annuitants under the registered retirement savings plan should consult with their own tax advisors as to whether Units would be a prohibited investment under the Tax Act in their particular circumstances.

## **RISK FACTORS**

The following risk factors do not purport to be a complete explanation of all risks involved in purchasing Units. Potential investors should read this entire Offering Memorandum and consult with their legal and other professional advisors before determining to invest in Units.

### **General Investment Risk**

The Series Net Asset Value per Unit will vary directly with the market value and return of the investment portfolio of the Fund. There can be no assurance that the Fund will not incur losses. There is no guarantee that the Fund will earn a return. Investment in the Fund carries a high degree of risk which may result in investors losing all of their invested capital. In addition, past performance does not guarantee future results.

### **Fees and Expenses**

The Fund is obligated to pay fees, brokerage commissions and legal, accounting, filing and other expenses regardless of whether it realizes profits.

### **Not a Public Mutual Fund**

The Fund is not subject to the restrictions placed on mutual funds offered to the public to ensure diversification and liquidity of the Fund's portfolio.

## **Changes in the Investment Objectives and Strategies**

The Manager may alter the Fund's investment objectives, strategies and restrictions without prior approval by Unitholders.

## **Limited Ability to Liquidate Investment**

There is no formal market for Units and one is not expected to develop. This offering of Units is not qualified by way of prospectus, and consequently the resale of Units is subject to restrictions under applicable securities legislation. In addition, Units may not be assigned, encumbered, pledged, hypothecated or otherwise transferred except with the prior written consent of the Manager, which may be withheld in the Manager's sole and absolute discretion. Accordingly, it is possible that Unitholders may not be able to resell their Units other than by way of redemption of their Units on a Valuation Date. These redemptions will be subject to the limitations described under "*Redemption of Units*". Unitholders may not be able to liquidate their investments in a timely manner. As a result, an investment in the Units is suitable only for sophisticated investors who do not require liquidity for their investment and are able to bear the financial risk of the investment for an extended period of time.

## **Redemptions**

There are circumstances in which the Fund may suspend redemptions. See "*Redemption of Units*". Accordingly, Units may not be an appropriate investment for investors seeking liquidity. Substantial redemptions of Units could require the Fund to liquidate positions more rapidly than otherwise desirable to raise the necessary cash to fund redemptions and achieve a market position appropriately reflecting a smaller asset base. Such factors could adversely affect the value of the Units redeemed and of the Units remaining outstanding.

## **Valuation of the Fund's Investments**

While the Fund will be independently audited by the auditors on an annual basis in order to ensure as fair and accurate a pricing as possible, valuation of the Fund's investments may involve uncertainties and judgmental determinations and, if such valuations should prove to be incorrect, the Net Asset Value of the Fund and the Series Net Asset Value per Unit could be adversely affected. Independent pricing information may not at times be available regarding certain of the Fund's investments. Valuation determinations will be made in good faith in accordance with the Trust Agreement.

There is risk that an investment in the Fund by a new investor (or an additional investment by an existing Unitholder) could dilute the value of investments for the other Unitholders if the actual value of such investments is higher than the value designated by the Fund. The Manager does not intend to adjust the Net Asset Value of the Fund retroactively. The valuation of assets of the Fund for the purpose of determining subscription and redemption prices of Units and the calculation of applicable fees, may not be in accordance with IFRS but will generally be in accordance with industry practice.

## **Unitholders not Entitled to Participate in Management**

Unitholders are not entitled to participate in the management or control of the Fund or its operations. Unitholders do not have any input into the Fund's trading. The success or failure of the Fund will ultimately depend on the indirect investment of the assets of the Fund by the Manager, with which Unitholders will not have any direct dealings.

## **Reliance on the Manager**

The Fund will be relying on the ability of the Manager to actively manage the Fund and its investments. There can be no assurance that satisfactory replacements for the Manager will be available, if it ceases to act as such. Termination of the Manager will terminate the Fund if no successor is appointed.

## **Reliance on the SFRO Software**

As described under "SFRO Software", the Manager has entered into an licencing agreement with SFRO Management Inc. (the "**Licencing Agreement**") in order to make use of a proprietary financial software for the management of the Fund. The

loss of the use of the SFRO Software, including in the event of the termination of the Licencing Agreement, could seriously impair the ability of the Manager to achieve the investment objectives of the Fund.

### **Dependence of Manager on Key Personnel**

The Manager depends, to a great extent, on the services of a limited number of individuals in the administration of the Fund's activities. The loss of such individuals for any reason could impair the ability of the Manager to perform its activities on behalf of the Fund.

### **Tax Liability**

Subject to applicable securities legislation, all distributions made by the Fund (net of any deductions or withholdings required by law) will be automatically reinvested in additional Units of the Fund or fractions of Units of the Fund at the Series Net Asset Value per Unit. Unitholders, therefore, will be required to include all such distributions in computing their income for tax purposes, irrespective of the fact that cash may not have been distributed to such Unitholders.

### **U.S. Tax Risk**

The Foreign Account Tax Compliance provisions of the U.S. Hiring Incentives to Restore Employment Act of 2010 (or "FATCA") impose a 30% U.S. withholding tax on "withholdable payments" made to a Fund, unless the Fund complies with certain information reporting and other requirements. Withholdable payments include (i) certain U.S. source income (such as interest, dividends and other passive income) and (ii) gross proceeds from the sale or disposition of property that can produce U.S. source interest or dividends. The withholding tax applies to withholdable payments made on or after July 1, 2014, (or January 1, 2017 in the case of gross proceeds) unless a Fund complies with certain due diligence and reporting obligations under the intergovernmental agreement in effect between the United States and Canada in respect of FATCA (the "Canada-U.S. IGA") and its implementing provisions under the Tax Act. "Foreign passthru payments" paid by a mutual fund to certain investors on or after January 1, 2017, may also become subject to FATCA withholding. The Fund intends to comply with these due diligence and reporting obligations so as to ensure that the 30% U.S. withholding tax does not apply to any payment it receives. Accordingly, under the Canada-U.S. IGA, the Fund generally will be required to conduct due diligence regarding all Unitholders and (where applicable) their beneficial owners, and to report to the CRA certain information regarding its U.S. Unitholders, including information regarding their name, address, and U.S. Taxpayer Identification Number. The information reported to the CRA is expected to be exchanged with the U.S. Internal Revenue Service.

Notwithstanding the foregoing, the Fund's due diligence and reporting obligations under FATCA will not apply with respect to certain accounts and products established in Canada and maintained by Canadian Financial Institutions. These accounts and products, as described in the Canada-U.S. IGA, include the following: registered retirement savings plans, registered retirement income funds, pooled registered pension plans, registered pension plans, tax-free savings accounts, and deferred profit-sharing plans.

If the Fund fails to meet its obligations under the Canada-U.S. IGA, it may be subject to the offences and punishment provision of the Tax Act. The administrative costs arising from compliance with FATCA may cause an increase in the operating expenses of the Fund or other underlying fund(s) in which the Fund has invested, directly or indirectly, thereby reducing returns to Unitholders. Investors should consult their own tax advisors regarding the possible implications of FATCA and the Canada-U.S. IGA on their investment and the entities through which they hold their investment.

### **Series Risk**

Since the Fund may have multiple Series of Units, each Series will be charged, as a separate Series, any Series Expenses such as management fees that are specifically attributable to that Series. However, the Manager generally will allocate all other expenses of the Fund among the Series of Units in a fair and equitable manner and the creditor of the Fund may seek to satisfy its claims from the assets of the Fund as a whole, even though its claims relate only to a particular Series of Units.

## **Performance Fees**

Since the Manager receives Performance Fees based upon appreciation, if any, in the Series Net Asset Value per Unit of such Units. The Performance Fees theoretically may create an incentive for the Manager to make investments that are riskier or more speculative than would be the case if such fees did not exist. In addition, because the Performance Fees are calculated on a basis that includes unrealized appreciation of the Fund's assets, it may be greater than if such compensation were based solely on realized gains.

## **Potential Indemnification Obligations**

Under certain circumstances, the Fund might be subject to significant indemnification obligations in favour of the Trustee, the Manager, and other service providers to the Fund or certain parties related to them. The Fund will not carry any insurance to cover such potential obligations and, to the Manager's knowledge, none of the foregoing parties will be insured for losses for which the Fund has agreed to indemnify them. Any indemnification paid by the Fund would reduce the Net Asset Value of such Fund and, by extension, the Series Net Asset Value per Unit.

## **Lack of Independent Experts Representing Unitholders**

The Fund and the Manager have consulted with a single legal counsel regarding the formation and terms of the Fund and the offering of Units. Unitholders have not, however, been independently represented. Therefore, to the extent that the Fund, Unitholders or this offering could benefit by further independent review, such benefit will not be available. Each prospective investor should consult his or her own legal, tax and financial advisors regarding the desirability of purchasing Units and the suitability of investing in the Fund.

## **No Involvement of Unaffiliated Selling Agent**

No outside selling agent unaffiliated with the Manager has made any review or investigation of the terms of this offering, the structure of the Fund or the background of the Manager.

## **Trading Errors**

In the course of carrying out trading and investing responsibilities on behalf of the Fund, the Manager's personnel may make "trading errors", i.e., errors in executing specific trading instructions. Examples of trading errors include: (i) buying or selling an investment asset at a price or quantity that is inconsistent with the specific trading instructions generated by a particular strategy; or (ii) buying rather than selling a particular investment asset (and *vice versa*). Trading errors are an intrinsic factor in any complex investment process, and may occur notwithstanding the exercise of due care and special procedures designed to prevent trading errors. Trading errors are, therefore, distinguishable from errors in judgment, due diligence or other factors leading to a specific trading instruction being generated, as well as from unauthorized trading or other improper conduct by the Manager's personnel. Consequently, the Manager will (unless the Manager otherwise determines) treat all trading errors (including those which result in losses and those which result in gains) as for the account of the Fund, unless they are the result of conduct by the Manager which is inconsistent with the Manager's standard of care.

## **Early Termination**

In the event of the early termination of the Fund, the Fund would distribute to the Unitholders *pro rata* their interest in the assets of the Fund available for such distribution, subject to the rights of the Manager to retain monies for costs and expenses. Certain assets held by the Fund may be illiquid and might have little or no marketable value. In addition, the assets held by the Fund would have to be sold by the Fund or distributed in kind of the Unitholders. It is possible that at the time of such sale or distribution certain securities held by the Fund would be worth less than the initial cost of such assets, resulting in a loss to the Unitholders.

## **General Economic and Market Conditions**

The success of the Fund's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political

circumstances. These factors may affect the level and volatility of prices and the liquidity of the Funds investments. Unexpected volatility or illiquidity could impair the Fund's profitability or result in losses.

### **Fixed Income Securities**

The Fund may invest in money market instruments and in fixed income securities of U.S. and Canadian issuers. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which the Fund invest will change in response to fluctuations in interest rates. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk). If fixed income investments are not held to maturity, the Fund may suffer a loss at the time of sale of such securities.

### **Currency Risk**

Investment denominated in a currency other than Canadian dollars will be affected by the changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated. Thus the value of such investments held by the Fund may be worth more or less depending on their susceptibility to foreign exchange rates.

### **Portfolio Turnover**

The operation of the Fund may result in a high annual portfolio turnover rate. There has been no limit placed on the rate of portfolio turnover in the Fund and portfolio assets may be sold without regard to the time they have been held when, in the opinion of the Manager, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate (for example, greater transaction costs such as brokerage fees).

### **Equity Securities**

The investment of the Fund in equity securities will be influenced by stock market conditions in those jurisdictions where the securities held by the Fund are listed for trading and by changes in the circumstances of the issuers whose securities are held by the Fund. Additionally, to the extent that the Fund holds any foreign investments, they will be influenced by world political and economic factors and by the value of the Canadian dollar as measured against foreign currencies which will be used in valuing the foreign investment positions held by the Fund.

### **Differences between Quoted and Actionable Market Prices**

Many funds calculate their net asset values on the basis of marks received from dealers. However, it is not unusual especially in the case of certain less conventional instrument for the prices quoted by dealers for informational purposes to materially exceed the prices at which the same dealers are willing actually to enter into transactions. This discrepancy can cause material disruptions and unexpected net asset value declines when a fund is required to sell a position which it had been valuing based on dealers' markets.

### **ETF Risk**

The Fund may invest in securities of ETFs. These ETFs seek to provide returns similar to the performance of a particular market index or industry sector index. ETFs may not achieve the same return as their benchmark or industry sector indices due to, among other things, differences in the actual weights of securities held in the ETF versus the weights in the relevant index and due to the operating and management expenses of the ETFs. An ETF may, for a variety of reasons, also fail to accurately track the market segment or index that underlies its investment objective. The price of an ETF can also fluctuate adversely affecting the performance of the Fund.

Some of the ETFs the Fund may invest in may utilize different forms of leverage including entering into derivatives and other transactions with inherent financial leverage. The use of leverage involves increased market exposure. Such leverage

may result in increased volatility and significant loss of capital for such ETFs, which may have a detrimental effect on the Fund's performance.

### **ETN Risk**

The Fund may invest in exchange traded notes. Exchange traded notes are unsecured, unsubordinated debt security issued by an issuer (usually an underwriting bank). The performance of the ETNs are linked to the performance of a market index minus applicable fees. The repayment of principal depends on how the underlying index performs. If the index either goes down or does not go up enough to cover the fees involved in the transaction, the investor will receive less at maturity than what he originally invested. Also, the issuer of the ETN may be unable to pay the principal or extra return on time or may default on the loan. Political, economic, legal or regulatory changes or natural disasters may affect the financial institution's ability to pay ETN investors on time. Also, because the secondary market may be limited, and because the underlying index may change rapidly, selling an ETN before maturity may result in a large loss or gain.

### **Legal, Tax and Regulatory Risks**

Legal, tax and regulatory changes to laws or administrative practice could adversely affect the Fund. For example, the regulatory or tax environment for derivative instruments is evolving and changes in the regulation or taxation of derivative instruments may adversely affect the value of derivative instruments held by the Fund and the ability of the Fund to pursue its investment strategies. Interpretation of law or administrative practice may affect the characterization of the Fund's earnings as capital gains or income, which may increase the level of tax borne by the investor as a result of increased taxable distributions from the Fund.

### **Concentration**

The Manager may take more concentrated positions for the Fund than the Manager would for a typical fund or concentrate investment holdings of the Fund in specialized industries, market sectors or in a limited number of issuers. Investments in the Fund involve greater risk and volatility than other investments since the performance of one particular sector, market, or issuer could significantly and adversely affect the overall performance of the Fund.

**In light of the foregoing there can be no assurance that the Fund's investment objectives will be achieved or that the Series Net Asset Value per Unit at redemption will be equal to or more than a purchaser's original cost.**

## **REPORTING TO UNITHOLDERS AND MEETINGS OF UNITHOLDERS**

### **Reporting to Unitholders**

The fiscal year end of the Fund is December 31. Unitholders will be sent audited annual financial statements within 90 days of year end and unaudited semi-annual financial statements within 60 days of June 30, or as otherwise required by law. Additional interim reporting to Unitholders will be at the discretion of the Manager. The Fund may enter into other agreements with certain Unitholders that may entitle such Unitholders to receive additional reporting. Unitholders will receive the applicable required tax form(s) within the time required by applicable law to assist Unitholders in making the necessary tax filings.

### **Meetings of Unitholders**

Pursuant to the terms of the Trust Agreement applicable to the Fund, Unitholder approval is only required if the nature of an amendment to the Trust Agreement is a matter for which applicable laws provide that such approval is required or if the amendment would adversely affect the pecuniary value of the interest of any Unitholder of the Fund (or of the Series).. The Manager is not aware of any requirement under applicable law which currently requires Unitholder approval for any amendment to the Trust Agreement or other change to the Fund. The Manager may convene a meeting of Unitholders, or of a Series of Unitholders, as it considers appropriate or advisable from time to time. Unitholders holding not less than 50% of

the votes attaching to all outstanding Units may requisition a meeting of Unitholders by giving a written notice to the Manager and the Trustee setting out in detail the reason(s) for calling and holding such a meeting. Units of a Series will vote separately as a Series if the notice calling the meeting so provides. Not less than 21 days' notice will be given of any meeting of Unitholders. The quorum at any meeting is two Unitholders of the Fund, or of the Series, as the case may be, represented in person or by proxy, representing not less than 5% of the votes attaching to all the Units entitled to vote at such meeting. If no quorum is present at such meeting when called, the meeting will be adjourned by the Manager to a date and time determined by the Manager, and at the adjourned meeting the Unitholders then present in person or represented by proxy will form the necessary quorum, if notice of the adjourned meeting is given. Unless otherwise provided in the Trust Agreement or by applicable securities laws, every question submitted to a meeting of Unitholders shall be decided by a majority of the votes cast.

#### **AMENDMENT OF THE TRUST AGREEMENT**

Any provision of the Trust Agreement may be amended by the Manager, upon notice to Unitholders if the amendment does not constitute an amendment for which the Trust Agreement or applicable laws provide that the approval of Unitholders is required. If an amendment does require Unitholder approval, a meeting of Unitholders will be called by the Manager as described above. Notice of any amendment which does not require Unitholder approval will be given in writing to Unitholders of the Fund and not take effect until at least 60 days after the notice is given. However, the Manager may determine that any amendment will become effective at an earlier time if that seems desirable and the amendment is not detrimental to the interest of any Unitholder of the Fund.

The Fund may be terminated on the occurrence of certain events stipulated in the Trust Agreement. The Manager may resign as manager of the Fund, and if no successor is appointed, the Fund will be terminated. On termination of the Fund, the Trustee will distribute the assets of the Fund in cash or in kind in accordance with the Trust Agreement.

#### **AUDITORS**

The auditors of the Fund are KPMG s.r.l./S.E.N.C.R.L. or such other party as the Manager may retain.

#### **TRUSTEE**

TSX TRUST COMPANY, or such other party as the Manager may retain, acts as the trustee of the Fund. The Manager may only remove the trustee upon 60 days prior written notice to the trustee and the Unitholders.

#### **CUSTODIAN AND PRIME BROKER**

Interactive Brokers Canada Inc., or such other party as the Manager may retain, acts as the Custodian and Prime Broker of the Fund. The Custodian will have custody of all assets of the Fund and the Prime Broker will hold assets of the Fund that are derivative products.

## ADMINISTRATOR AND REGISTRAR

SGGG FUND SERVICES INC., or such other party as the Manager may retain, acts as the administrator of the Fund.

## LEGAL COUNSEL

FASKEN MARTINEAU DUMOULIN LLP, or such other party as the Manager may retain, acts as the legal counsel of the Manager and the Fund.

## MATERIAL AGREEMENTS

The only material agreements of the Fund are the Trust Agreement and the Advisory Agreement. Copies of these agreements will be made available to Unitholders upon request and may be inspected at the principal office of the Fund during normal business hours.

## STATUTORY AND CONTRACTUAL RIGHTS OF ACTION

The following statutory or contractual rights of action for damages or rescission will apply to a purchase of Units. The applicable securities legislation in certain Offering Jurisdictions provides purchasers, or requires purchasers be provided, with remedies for rescission or damages, or both, if this Offering Memorandum or any amendment to it contains a misrepresentation. However, these remedies must be exercised within the time limits prescribed. Purchasers should refer to the applicable legislative provisions for the complete text of these rights and/or consult with a legal advisor.

### Rights for Purchasers in Alberta

Securities legislation in Alberta provides that every purchaser of Units pursuant to this Offering Memorandum or any amendment thereto shall have, in addition to any other rights they may have at law, a right of action for damages or rescission, against the Fund and certain other persons if this Offering Memorandum or any amendment thereto contains a “misrepresentation” (as defined in the *Securities Act* (Alberta) (the “**Alberta Act**”). However, such rights must be exercised within prescribed time limits. Purchasers should refer to the applicable provisions of the Alberta securities legislation for particulars of those rights or consult with a lawyer. In particular, Section 204 of the Alberta Act provides that if this Offering Memorandum or any amendment thereto contains a misrepresentation, a purchaser who purchases Units offered under this Offering Memorandum or any amendment will be deemed to have relied upon the misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for damages against the Fund and every person or company who signed this Offering Memorandum or, alternatively, for rescission against the Fund, provided that if the purchaser exercises its right of rescission against the Fund, the purchaser will not have a right of action for damages against the Fund or against any aforementioned person or company.

No action can be commenced to enforce the rights of action described above more than:

- (a) in the case of an action for rescission, 180 days from the date of the transaction that gave rise to the cause of action, or
- (b) in the case of any action, other than an action for rescission, the earlier of:
  - (i) 180 days from the date that the purchaser first had knowledge of the facts giving rise to the cause of action, or
  - (ii) three years from the date of the transaction that gave rise to the cause of action.

No person or company referred to above is liable if the person or company proves that the purchaser had knowledge of the misrepresentation. In addition, no person or company will be liable in an action pursuant to section 204 of the Alberta Act if the person or company proves that:

- (a) this Offering Memorandum or any amendment thereto was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of it being sent, the person or company promptly gave reasonable notice to the Fund that it was sent without the knowledge and consent of the person or company;
- (b) on becoming aware of the misrepresentation in this Offering Memorandum, the person or company withdrew its consent to this Offering Memorandum and gave reasonable notice to the Fund of the withdrawal and the reason for it; or
- (c) if, with respect to any part of this Offering Memorandum or any amendment thereto purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company proves had no reasonable grounds to believe and did not believe that there had been a misrepresentation, the relevant part of this Offering Memorandum or any amendment thereto did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

In addition, no person or company is liable with respect to any part of this Offering Memorandum or any amendment thereto not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company: (i) failed to conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; or (ii) believed that there had been a misrepresentation.

In an action for damages, the defendant will not be liable for all or any part of the damages that it proves do not represent the depreciation in value of the Units as a result of the misrepresentation relied upon. The amount recoverable under this right of action will not exceed the price at which the Units were offered under this Offering Memorandum or any amendment thereto. The rights of action for rescission or damages are in addition to and without derogation from any other right the purchaser may have at law.

This summary is subject to the express provisions of the Alberta Act and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

### **Rights for Purchasers in Saskatchewan**

Section 138 of *The Securities Act, 1988* (Saskatchewan), as amended (the "**Saskatchewan Act**") provides that where an offering memorandum (such as this Offering Memorandum) or any amendment thereto is sent or delivered to a purchaser and it contains a misrepresentation (as defined in the Saskatchewan Act), a purchaser who purchases a Unit covered by this Offering Memorandum or any amendment thereto is deemed to have relied upon that misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for rescission against the Fund or has a right of action for damages against:

- (a) the Fund;
- (b) every promoter and director of the Fund at the time this Offering Memorandum or any amendment thereto was sent or delivered;
- (c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;
- (d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed this Offering Memorandum or any amendment thereto; and
- (e) every person who or company that sells Units of the Fund on behalf of the Fund under this Offering Memorandum or amendment thereto.

Such rights of rescission and damages are subject to certain limitations including the following:

- (a) if the purchaser elects to exercise its right of rescission against the Fund, it shall have no right of action for damages against it;
- (b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the Units resulting from the misrepresentation relied on;
- (c) no person or company, other than the Fund, will be liable for any part of this Offering Memorandum or any amendment thereto not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation;
- (d) in no case shall the amount recoverable exceed the price at which the Units were offered; and
- (e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation.

In addition, no person or company, other than the Fund, will be liable in an action pursuant to section 138 of the Saskatchewan Act if the person or company proves that:

- (a) this Offering Memorandum or any amendment thereto was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered; or
- (b) with respect to any part of this Offering Memorandum or any amendment thereto purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, the part of this Offering Memorandum or any amendment thereto did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

In addition, no person or company will be liable in an action pursuant to section 138 of the Saskatchewan Act if that person or company proves that in respect of a misrepresentation in forward looking information (as defined in the Saskatchewan Act), such person or company proves that with respect to the document containing the forward looking information, approximate to that information, there is contained reasonable cautionary language identifying the forward looking information as such and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward looking information; and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward looking information; and, the person or company had a reasonable basis for drawing the conclusions or making the forecast and projections set out in the forward looking information.

Not all defences upon which we or others may rely are described herein. Please refer to the full text of the Saskatchewan Act for a complete listing.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the Saskatchewan Act also provides that where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser is deemed to have relied on the misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for damages against the individual who made the verbal statement.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Saskatchewan Financial Services Commission.

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by Section 80.1 of the Saskatchewan Act.

The rights of action for damages or rescission under the Saskatchewan Act are in addition to and do not derogate from any other right which a purchaser may have at law.

Section 147 of the Saskatchewan Act provides that no action shall be commenced to enforce any of the foregoing rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any other action, other than an action for rescission, the earlier of:
  - (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or
  - (ii) six years after the date of the transaction that gave rise to the cause of action.

Section 80.1 of the Saskatchewan Act also provides a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act, a right to withdraw from the agreement to purchase securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two Business Days of receiving the amended offering memorandum.

### **Rights for Purchasers in Manitoba**

If the purchaser is resident in Manitoba and if this Offering Memorandum, together with any amendment thereto, contains a misrepresentation, each purchaser in Manitoba to whom the Offering Memorandum has been sent or delivered and who purchases Units, will be deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase, and the purchaser has a right of action for damages against the Fund, and, subject to certain additional defenses, against every director of the Fund acting on behalf of the Fund at the date of the Offering Memorandum and any person or company who signed the Offering Memorandum and any amendment thereto, but may elect instead to exercise a right of rescission against the Fund, in which case the purchaser will have no right of action for damages against the Fund or any other person or company who signed this Offering Memorandum, provided that, among other limitations:

- (a) in an action for rescission or damages, no person or company will be liable if it proves that the purchaser purchased the Units with knowledge of the misrepresentation;
- (b) in an action for damages, the Fund will not be held liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Units as a result of the misrepresentation relied upon; and
- (c) in no case will the amount recoverable under the right of action described above exceed the price at which the Units were offered.

In addition, no person or company other than the Fund is liable if the person or company proves that:

- (a) this Offering Memorandum or any amendment thereto was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or

company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;

- (b) after delivery of this Offering Memorandum or any amendment thereto and before the purchase of the Units by the purchaser, on becoming aware of any misrepresentation in this Offering Memorandum, the person or company withdrew the person's or company's consent to the Offering Memorandum, or any amendment thereto, and gave reasonable general notice of the withdrawal and the reason for it; or
- (c) with respect to any part of this Offering Memorandum or any amendment thereto purporting to be made on the authority of an expert, or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that: (i) there had been a misrepresentation, or (ii) the relevant part of this Offering Memorandum or any amendment thereto (A) did not fairly represent the report, opinion or statement of the expert, or (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

In addition, no person or company other than the Fund is liable with respect to any part of this Offering Memorandum or any amendment thereto not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company: (i) failed to conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; or (ii) believed that there had been a misrepresentation.

All or any one or more of the persons or companies that are found to be liable or accept liability in an action for damages are jointly and severally liable. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all circumstances of the case, the court is satisfied that it would not be just and equitable.

In addition, no action shall be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any action, other than an action for rescission, the earlier of: (i) 180 days after the date on which the purchaser first had knowledge of the facts giving rise to the cause of action or (ii) two years after the date of the transaction that gave rise to the cause of action.

The rights discussed above are in addition to and without derogation from any other right or remedy which purchasers may have at law and are intended to correspond to the provisions of the relevant securities legislation and are subject to the defenses contained therein.

### **Rights for Purchasers in Ontario**

In accordance with Section 130.1 of the *Securities Act* (Ontario) (the "**Ontario Act**") in the event that this Offering Memorandum or any amendment thereto contains a misrepresentation (as defined in the Ontario Act), the purchaser who purchases Units offered by this Offering Memorandum during the period of distribution has, without regard to whether the purchaser relied upon the misrepresentation, a right of action against the Fund for damages, or, while still the owner of the Units purchased by that purchaser, a right of rescission, except as provided below. If the purchaser exercises the right of rescission, the purchaser ceases to have a right of action for damages against the Fund.

The foregoing rights are subject to the following limitations:

- (a) the Fund will not be liable if it proves that the purchaser purchased the Units with knowledge of the misrepresentation;

- (b) in the case of an action for damages, the Fund will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Units as a result of the misrepresentation relied upon; and
- (c) in no case will the amount recoverable in any action exceed the price at which Units were sold to the purchaser.

No action shall be commenced to enforce these statutory rights more than:

- (a) in an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in an action for damages, the earlier of:
  - (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action; or
  - (ii) three years after the date of the transaction that gave rise to the cause of action.

The rights discussed above are in addition to and without derogation from any other rights or remedies available at law to the purchaser.

#### **Rights for Purchasers in New Brunswick**

The *Securities Act* (New Brunswick) (the “**New Brunswick Act**”) provides that, subject to certain limitations, where this Offering Memorandum or any amendment thereto, which is provided to a purchaser of the Units contains an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made (a “**misrepresentation**”), a purchaser who purchases the Units shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and the purchaser has, subject to certain defenses, a right of action for damages against the Fund or, while still the owner of the Units, may elect to exercise a right of rescission against the seller, in which case he shall have no right of action for damages, provided that:

- (a) in an action for rescission or damages, the defendant will not be liable if it proves that the purchaser purchased the security with knowledge of the misrepresentation;
- (b) in an action for damages, the defendant is not liable for all or any portion of the damages that it proves do not represent the depreciation in value of the security as a result of the misrepresentation relied upon; and
- (c) in no case shall the amount recoverable under the right of action described herein exceed the price at which the security was offered.

The right of action for rescission or damages described herein is conferred by section 150 of the New Brunswick Act and is in addition to and without derogation from any right the purchaser may have at law.

Pursuant to section 161 of the New Brunswick Act, no action shall be commenced to enforce a right of rescission unless such action is commenced not later than 180 days after the date of the transaction that gave rise to the cause of action and in the case of any action, other than an action for rescission, such action shall be commenced before the earlier of: (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action, and (ii) six years after the date of the transaction that gave rise to the cause of action.

#### **Rights for Purchasers in Nova Scotia**

The *Securities Act* (Nova Scotia) provides that, subject to certain limitations, where this Offering Memorandum, together with any amendment thereto, or any advertising or sales literature (as such terms are defined in the *Securities Act* (Nova Scotia)) disseminated in connection with the offering, contains an untrue statement of material fact or omits to state a

material fact that is necessary to prevent a statement in this Offering Memorandum, any amendment thereto or advertising or sales literature from being misleading in light of the circumstances in which the statement was made (each, a “**Misrepresentation**”), that was a Misrepresentation at the time of purchase, a purchaser who purchases Units has a right of action for damages against the Fund, subject to certain additional defenses, every seller (other than the Fund) of Units, any director of the Fund acting on behalf of the Fund and persons who have signed this Offering Memorandum.

Alternatively, where the purchaser purchased Units from the Fund, the purchaser may elect to exercise a right of rescission against the Fund in which case the purchaser shall have no right of action for damages against the seller or persons who have signed the Offering Memorandum.

The foregoing rights are subject to, among other limitations, the following:

- (a) no action shall be commenced to enforce any of the foregoing rights more than 120 days after the date on which the initial payment was made for the Units;
- (b) no person will be liable if it proves that the purchaser purchased the Units with knowledge of the Misrepresentation;
- (c) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Units as a result of the Misrepresentation relied upon; and
- (d) in no case will the amount recoverable in any action exceed the price at which the Units were offered under this Offering Memorandum or amendment thereto.

In addition, no person or company other than the Fund is liable if the person or company proves that:

- (a) this Offering Memorandum or any amendment thereto was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;
- (b) after delivery of this Offering Memorandum or any amendment thereto and before the purchase of the Units by the purchaser, on becoming aware of any Misrepresentation in this Offering Memorandum, or amendment thereto, the person or company withdrew the person's or company's consent to this Offering Memorandum, or amendment thereto, and gave reasonable general notice of the withdrawal and the reason for it; or
- (c) with respect to any part this Offering Memorandum or any amendment thereto purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a Misrepresentation, the part of this Offering Memorandum or any amendment thereto did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Furthermore, no person or company other than the Fund is liable with respect to any part of this Offering Memorandum or any amendment thereto not purporting to be made on the authority of an expert; and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no Misrepresentation; or (ii) believed that there had been a Misrepresentation.

If a Misrepresentation is contained in a record incorporated by reference in, or deemed incorporated into, this Offering Memorandum or amendment thereto, the Misrepresentation is deemed to be contained in this Offering Memorandum or in any amendment thereto.

The rights of action for rescission or damages are in addition to and without derogation from any other right the purchaser may have at law.

### **Rights for Purchasers in Québec**

Legislation has been adopted in Québec, but is not yet in force, that will provide the purchasers of Units with a statutory right to sue (if proclaimed in force). Until such time as this legislation is in force, in addition to any other right or remedy available to the purchasers of Units under ordinary civil liability rules, purchasers are granted the same rights of action for damages or rescission as purchasers in Ontario. If and when this legislation is in force, then purchasers of Units residing in the Province of Québec will no longer have the rights granted to purchasers in Ontario and the following will apply, in addition to any other right or remedy available to purchasers of Units residing in the Province of Québec under ordinary civil liability rules:

If there is a misrepresentation in this Offering Memorandum, purchasers will have a statutory right to sue:

- (a) to cancel subscription agreement to buy the Units or to revise the price at which the Units were sold to the purchaser; and
- (b) for damages against the Fund, the Fund's directors and officers, the dealer(s) under contract to the Fund in connection with the sale of these Units and any expert whose opinion appears in this Offering Memorandum if such opinion contains a misrepresentation.

This statutory right to sue will be available to purchasers whether or not purchasers have relied on the Offering Memorandum. Purchasers will be able to elect to cancel their agreement to buy these Units or to bring an action to revise the price without prejudice to their claim for damages.

However, there will be various defences available to the persons that purchasers will have a right to sue. For example, they will have a defence if purchasers knew of the misrepresentation when they purchased the Units. In an action for damages, a person listed above, other than the Fund or the persons in charge of the Fund's patrimony, will not be liable if that person acted with prudence and diligence.

In addition, the defendant will not be liable for a misrepresentation in forward-looking information if the defendant proves that:

- (a) this Offering Memorandum contains, proximate to the forward-looking information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection; and
- (b) there was a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information.

If purchasers of Units intend to rely on the rights described in (a) or (b) above, they will have to do so within strict time limitations. Purchasers will have to commence an action to cancel the agreement or revise the price within three years after the date of the purchase. Purchasers will have to commence an action for damages within the earlier of (i) three years after they first had knowledge of the facts giving rise to the cause of action (except on proof of tardy knowledge imputable to purchasers negligence) or (ii) five years after the filing of this Offering Memorandum with the AMF.

### **Rights for Purchasers in Prince Edward Island**

For purchasers of Units resident in Prince Edward Island, if there is a misrepresentation in respect of the Fund in the Offering Memorandum or in any amendment hereto, the purchaser will have a right of action for damages against the Fund acting on behalf of the applicable Fund, every director of the Fund acting on behalf of the Fund at the date of the Offering Memorandum, and every person who signed the Offering Memorandum, but may elect to exercise a right of rescission against the Fund in respect of a Fund, in which case the purchaser shall have no right of action for damages against the

Fund acting on behalf of the Fund, any such director of the Fund acting on behalf of the Fund or any such other person, provided that, among other limitations:

No action may be commenced to enforce a right of action more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any action other than an action for rescission,
  - (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or
  - (ii) three years after the date of the transaction giving rise to the cause of action, whichever period expires first.

In an action for rescission or damages, the defendant will not be liable if it proves that the purchaser purchased the Units with knowledge of the misrepresentation.

In an action for damages, the defendant is not liable for any damages that it proves do not represent the depreciation in value of the Units resulting from the misrepresentation.

The amount recoverable under the right of action described herein must not exceed the price at which the Units purchased by the purchaser were offered.

No person other than the Fund acting on behalf of the Fund will be liable if the person proves that: (i) the Offering Memorandum was sent to the purchaser without the person's knowledge or consent and that, on becoming aware of its being sent, the person promptly gave reasonable notice to the Fund acting on behalf of the Fund that it had been sent without the person's knowledge and consent; (ii) the person, on becoming aware of the misrepresentation, had withdrawn the person's consent to the Offering Memorandum and had given reasonable notice to the Fund acting on behalf of the Fund of the withdrawal and the reason for it; or (iii) with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or that the relevant part of the Offering Memorandum did not fairly represent the report, statement or opinion of the expert, or was not a fair copy of, or an extract from, the report, statement or opinion of the expert.

No person other than the Fund acting on behalf of the Fund will be liable with respect to any part of the Offering Memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, unless the person failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or believed that there had been a misrepresentation;

A person will not be liable for a misrepresentation in forward-looking information if:

- (a) the Offering Memorandum contains, proximate to the forward looking information, reasonable cautionary language identifying the forward looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward looking information; and
- (b) the person or company had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward looking information; and

If a misrepresentation is contained in a record incorporated by reference in, or deemed to be incorporated into, the Offering Memorandum, the misrepresentation is deemed to be contained in the Offering Memorandum.

#### **Rights for Purchasers in Newfoundland and Labrador**

The Securities Act (Newfoundland and Labrador) provides a contractual right of action against an issuer for rescission or damages to every purchaser of securities to whom an offering memorandum (such as this Offering Memorandum) has been

delivered by or on behalf of the seller of securities referred to in the offering memorandum if the offering memorandum contains a misrepresentation. This contractual right of action is exercisable on notice given to the issuer not later than 90 days after the date on which payment was made for the securities or after the initial payment, where payments after the initial payment are made under a contractual commitment assumed before, or concurrently with, the initial payment. A person or company is not liable for misrepresentation where he or she proves that the purchaser purchased the securities with knowledge of the misrepresentation.

#### **Rights for Purchasers in British Columbia**

Investors in British Columbia are granted the same rights of action for damages or rescission as residents of Ontario who purchase Units.

The rights summarized above are in addition to and without derogation from any other rights or remedy which investors may have at law.

## DIRECTORY

Additional information as to the Fund and its advisors and agents:

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### **Administrator and Registrar:**

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