

**CONFIDENTIAL OFFERING MEMORANDUM  
DATED JULY 24, 2017**

*This Confidential Offering Memorandum (this “Offering Memorandum”) constitutes an offering of securities 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 any circumstances should not be construed as, a prospectus or an advertisement for a public offering of these securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered in this Offering Memorandum nor has it reviewed this Offering Memorandum and any representation to the contrary is an offence.*

*No person has been authorized to give any information or to make any representations about the Fund not contained in this Offering Memorandum. Any such information or representation which is given or received must not be relied upon by any investor.*

**METRIC ASSET MANAGEMENT DIVERSIFIED ALPHA FUND**

**Offering of Class A-1, Class F-I and Class F-II Units  
(each issuable in monthly series)**

The Metric Asset Management Diversified Alpha Fund (the “**Fund**”) is an open-ended investment trust established under the laws of the Province of Ontario and governed by an amended and restated trust agreement dated as of July 24, 2017 (as it may be further amended from time to time (the “**Trust Agreement**”) between Caledon Trust Company as the trustee (the “**Trustee**”) of the Fund and Metric Asset Management Limited Partnership as the manager (the “**Manager**”) of the Fund. An unlimited number of classes of units may be established, of which Class A-1, Class F-I and Class F-II Units (together, the “**Units**”) are offered under this Offering Memorandum in monthly series. The Fund has been organized to provide investors in Units with a superior risk adjusted investment returns over the long term by utilizing the Manager’s proprietary risk management tools in an integrated, multi-strategy approach.

The Fund currently invests substantially all of its assets in another investment fund managed by the Manager which provides exposure to equity securities, debt securities, commodities, futures, options, warrants, swaps and other derivative financial instruments using the Manager’s proprietary risk management tools in an integrated, multi-strategy approach. The Fund seeks to preserve capital and mitigate risk through the application of both portfolio and risk management tools of the Manager.

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SUBSCRIPTION PRICE: NET ASSET VALUE PER UNIT  
MINIMUM INITIAL INVESTMENT: \$100,000\*

\*The Manager, in its sole discretion, may accept subscriptions in lesser amounts.

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Units are offered for sale at their Net Asset Value per Unit determined at the time they are issued in the relevant offering jurisdictions pursuant to exemptions from the prospectus requirements of applicable securities legislation. An investment in Units is subject to a minimum initial subscription level of \$100,000. However the Manager, in its sole discretion, may accept subscriptions in lesser amounts. See “Purchase of Units”.

**An investment in the Fund involves risk, and such an investment should only be made after consultation with independent qualified sources of investment and tax advice. The purchase of Units of any class of the Fund should be considered only by investors financially able to maintain their investment and who can bear the risk of loss associated with an investment in the Fund.**

**There is no market through which Units may be sold and none is expected to develop. Units are also subject to resale restrictions under the Fund's Trust Agreement and applicable securities legislation. Persons who receive this Offering Memorandum must inform themselves of, and observe, all applicable restrictions with respect to the acquisition or disposition of Units under applicable securities legislation. Redemptions will be suspended if there is insufficient liquidity in the Fund. There are certain additional risk factors associated with investing in Units. Investors should consult their own professional advisers to assess the income tax, legal and other aspects of the investment. Please see "Risk Factors".**

The securities offered hereby are offered exclusively by the Fund by way of a private placement. No person is authorized to provide any information or to make any representation not contained in this Offering Memorandum and any information or representation, other than that contained in this Offering Memorandum, must not be relied upon. This Offering Memorandum is a confidential document furnished solely for the use of prospective purchasers who, by acceptance hereof, agree that they shall not transmit, reproduce or make available this document or any information contained in it.

#### **Cautionary Note Regarding Forward-Looking Statements**

This Offering Memorandum contains forward-looking statements. All statements, other than statements of historical fact, that address activities, events or developments that the Manager believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding any objectives and strategies of the Fund) are forward-looking statements. These forward-looking statements reflect the current expectations, assumptions or beliefs of the Manager based on information currently available to the Manager. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Fund to differ materially from those discussed in the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Fund. Factors that could cause actual results or events to differ materially from current expectations include, among other things, volatility in financial markets, fluctuations in currency exchange rates and interest rates, tax consequences, changes in applicable laws and other risks associated with investing in securities and those factors discussed under the section entitled "Risk Factors" in this Offering Memorandum. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Manager and the Fund disclaim any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Manager believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

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## SUMMARY

*This summary is qualified by the more detailed information appearing elsewhere in this Offering Memorandum. Capitalized terms used but not defined in this summary are defined elsewhere in this Offering Memorandum. Prospective investors are encouraged to consult their own professional advisers as to the tax and legal consequences of investing in the Fund.*

**The Fund** Metric Asset Management Diversified Alpha Fund (the “**Fund**”) is an open-ended investment trust established under the laws of the Province of Ontario and governed by an amended and restated trust agreement dated as of July 24, 2017 (as it may be further amended from time to time, the “**Trust Agreement**”) between Caledon Trust Company as the trustee of the Fund and Metric Asset Management Limited Partnership as the manager of the Fund. See “The Fund”.

**Investment Objective of the Fund** The Fund’s objective is to generate superior risk adjusted investment returns over the long term. The Fund seeks to achieve this objective by utilizing the Manager’s proprietary risk management tools in an integrated, multi-strategy approach.

**Investment Strategy of the Fund** In order to achieve its objective, the Fund may invest directly in securities and other instruments using the Manager’s proprietary risk management tools in an integrated, multi-strategy approach or may invest in another investment fund managed by the Manager which is so managed. Currently, the Fund invests substantially all of its assets is invested in Reference Shares of the Feeder Fund which, in turn, invests in Participating Shares of the Master Fund. Accordingly, all descriptions in this Offering Memorandum to the investments of the Fund and the investment strategies employed by the Fund mean the investments of the Master Fund and the investment strategies employed by the Master Fund to which the Fund has exposure.

The Fund actively allocates and re-allocates capital amongst its three core strategies (equity, credit and quantitative investing, the “**Core Strategies**”) based upon the Manager’s opinion of the potential risk and return for a strategy at a particular time. The Fund’s investment process rotates around the Manager’s proprietary, real-time risk management system to ensure the optimal deployment of capital. In addition, the Manager utilizes technology and computer programs that help screen and back-test potential investments. The Core Strategies in conjunction with the tools utilized for risk management allows the Manager to assess the relative attractiveness of various investment strategies from a risk and return perspective. The Manager believes that this approach allows for timely capital allocation decisions on behalf of the Fund.

Each investment strategy and all future strategies employed by the Fund operate independent of each other and often in uncorrelated sectors and/or investments. The centralized portfolio and risk management function oversees each strategy and allocates capital accordingly. Each investment strategy is supported by fundamental analysis which may include both macro and micro analysis. In certain investment strategies, quantitative models and algorithms are used to identify the relative attractiveness of investments.

The Fund may employ a variety of strategies including, but not limited to: (a) investing long in undervalued securities; (b) short-selling overvalued securities; (c) pairs trading; (d) credit trading, (e) capital structure arbitrage;

(f) investing in private placements; (g) commodities trading; (h) convertible arbitrage; (i) warrant arbitrage; (j) investing in special situations; (k) investing in distressed securities; (l) merger arbitrage; and (m) program/algorithmic trading.

The Fund may invest in a variety of securities including, but not limited to equities, index futures, corporate bonds, high yield securities, convertible bonds, trust units, preferred shares, commodities, warrants and options. The Fund may also seek direct or indirect (through derivative instruments) exposure to other investment funds, which may include other investment funds managed by the Manager or its affiliates.

The Fund invests primarily in North American markets with a focus on the Canadian market; however, the markets in which the Fund invests may change from time to time based upon the opinion of the Manager. The Fund may also invest in other financial instruments that may be either listed on recognized stock exchanges or unlisted. The Fund may employ leverage and short selling to enhance investment returns and use other financial instruments including cash, short positions, options, futures, swaps and other derivative instruments in order to enhance returns and/or mitigate risk to achieve an optimal risk/return profile.

**The Trustee**

Caledon Trust Company (the “**Trustee**”) is the trustee of the Fund. See “The Fund – The Trustee”.

**Management Fees**

With respect to Class A-I Units, the Manager receives management fees at the beginning of each calendar month equal to 1/12 of 2.00% multiplied by the aggregate applicable net asset value of the Fund on the immediately preceding month end.

With respect to Class F-I Units, the Manager receives management fees at the beginning of each calendar month equal to 1/12 of 2.00% multiplied by the aggregate applicable net asset value of the Fund on the immediately preceding month end.

With respect to Class F-II Units, the Manager receives management fees at the beginning of each calendar month equal to 1/12 of 1.00% multiplied by the aggregate applicable net asset value of the Fund on the immediately preceding month end.

The Management Fees payable by the Fund are deducted as an expense of the Fund in the calculation of the net asset value of the Fund.

To the extent that the Fund is invested directly or is indirectly exposed to other investment funds managed by the Manager or its affiliates, the Management Fees will be adjusted to take into account any management fees received by the Manager by these investment funds.

**Fund  
Performance Fee  
and High Water  
Mark:**

For its services to the Fund, the Manager also is entitled to receive from the Fund an annual performance fee equal to 20% of the amount by which, for each outstanding Unit, its Net Asset Value per Unit as at the last Valuation Date of the fiscal year exceeds its Net Asset Value per Unit as at the first Business Day of the relevant fiscal year provided that the Fund High Water Mark described below has been exceeded (the “**Fund Performance Fee**”).

The Fund Performance Fee shall only be payable if the Unit’s Net Asset Value per Unit as at the last Valuation Date in the relevant fiscal year exceeds its highest Net Asset Value per Unit figure by reference to which a Fund Performance Fee has been previously paid as of the last Business Day of any previous fiscal year (the “**Fund High Water Mark**”). Appropriate adjustments will be made to the Fund High Water Mark of a Unit to account for distributions (if any) paid on the Unit.

The Fund Performance Fee is calculated on a series by series basis in an effort to ensure that Fund Performance Fees are equitably assessed among holders of Units. The Fund Performance Fee is accrued and deducted monthly and paid annually from the net assets of the Fund.

At the end of each fiscal year of the Fund, each series within a Class (other than the series of that Class issued upon the initial offering of such Class (its “**Initial Series**”)) will be re-designated and converted into its Initial Series (after deduction for any Fund Performance Fee attributable to such series for such period) (a “**Series Roll Up**”). This will be accomplished by (i) amending the Net Asset Value per Unit of such series of such Class so that it is the same as the Net Asset Value per Unit of its Initial Series, (ii) consolidating or subdividing the number of Units of such series so that the aggregate Net Asset Value of the Units of the Series subject to such Series Roll Up held by all Unitholders does not change, and (iii) redesignating Units as its Initial Series Units. A Series Roll Up will not occur in respect of a series of a Class unless: (i) the Fund Performance Fee is payable in respect of such series of such Class; and (ii) the Net Asset Value per Unit of such Series and of the Initial Series both are above their respective Fund High Watermark at the end of the relevant fiscal year.

To the extent that the Fund is invested directly or is indirectly exposed to other investment funds managed by the Manager or its affiliates, the Fund Performance Fee will be reduced to take into account any performance fees received by the Manager by these investment funds.

**Fees and Expenses Relating to the Fund**

The Fund is responsible for the costs of the offering of Units, including but without limitation, the fees and expenses of legal counsel and the Fund's auditors.

The Fund is responsible for the payment of all fees and expenses relating to its operation, including management fees, audit, accounting, record keeping, legal fees and expenses, custody and safekeeping charges, providing financial and other reports to Unitholders and convening and conducting meetings of Unitholders, all taxes (including applicable taxes, if any), assessments or other regulatory and governmental charges levied against the Fund, interest and all brokerage and other fees relating its assets.

Each Class of Units is responsible for the expenses specifically related to that Class and a proportionate share of expenses that are common to all Classes of Units. In addition, each series of Units is responsible for its Fund Performance Fee. See "Fees and Expenses – Fee and Expenses Relating to the Fund".

**Units of the Fund**

An investment in the Fund is represented by units. The Fund is permitted to have an unlimited number of classes of units having such terms and conditions as the Trustee may determine. Each unit of a class represents an undivided ownership interest in the assets of that class of units of the Fund. Three classes of units are offered under this Offering Memorandum, being Class A-I Units, Class F-I and Class F-II Units, each of which is offered in monthly series.

Class A-I Units are offered to investors under the terms of this Offering Memorandum. The Class A-I Units are designed for investors who are purchasing Units through a Registered Dealer and are not enrolled in a dealer sponsored fee for service or wrap program subject to an annual asset based fee rather than commissions on each transaction.

Class F-I Units are offered to investors under the terms of this Offering Memorandum. The Class F-I Units are designed for investors who are not eligible to purchase either Class A-I Units or Class F-II Units.

Class F-II Units are offered to investors under the terms of this Offering Memorandum. The Class F-II Units are designed for investors who are enrolled in a dealer sponsored fee for service or wrap program and who are subject to an annual asset based fee rather than commissions on each transaction or, at the discretion of the Manager, any other investor including, but not limited to, investors for whom the Manager does not incur distribution costs.

Units are transferable on the register of the Fund only by a registered Unitholder or his or her legal representative, subject to compliance with applicable securities laws. See "Units of the Fund".

**Dealer Compensation**

The Manager will pay Registered Dealers servicing commissions based on their total client assets invested in Class A-I Units at an annual rate of 1% or such other amount as may be agreed upon between the Manager and the Registered Dealer. Such servicing commissions will be paid on a quarterly and/or annual basis, in arrears. A Registered Dealer is entitled to such fees in respect of Class A-I Units for so long as its clients hold such Class A-I Units. All servicing commissions will be paid by the Manager and not out of the assets of the Fund.

Notwithstanding the foregoing, servicing commission may be modified or discontinued by the Manager at any time. See “Dealer Compensation”.

**Purchase of Units** Units of the Fund are being offered for sale on a continuous basis in accordance with applicable securities legislation to an unlimited number of subscribers in the Provinces of Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Québec, Nova Scotia, New Brunswick, Newfoundland and Labrador, Prince Edward Island, Yukon, Nunavut and the Northwest Territories (the “**Offering Jurisdictions**”) who qualify as “Accredited Investors”.

Purchases of Units can be made as of the last Business Day of each month or any other day as the Manager, in its discretion, may determine (each, a “**Valuation Date**”). A new monthly series of Units of a Class is created and issued on each Valuation Date that Units of that Class are issued. Investors wishing to purchase Units must forward the subscription forms to the Manager directly or through their Registered Dealer.

If the completed subscription form, together with full payment for the Units subscribed for is received and accepted by the Manager on or before 4:00 p.m. (Toronto time) on the last Business Day immediately preceding the applicable Valuation Date (the “**Subscription Deadline**”), the subscriber will be admitted at the Net Asset Value per Unit for the current month-end. If the subscription form and/or payment for the Units subscribed for is received and accepted by the Manager after the Subscription Deadline, the subscriber will then be admitted at the Net Asset Value per Unit for the end of the following month. The Manager, in its discretion, may accept subscriptions after the Subscription Deadline to admit subscribers at the Net Asset Value per Unit for the current month-end.

All subscriptions for Units will be made through the purchase of interim subscription receipts at a fixed net asset value of \$100 per subscription receipt. Following the calculation of the Net Asset Value per Unit, the interim subscription receipts will be automatically converted, without any further action on the part of the subscriber, into the appropriate number of Units of the applicable monthly series of the Class as per each subscriber’s subscription form. The number of Units issued will be the net subscription proceeds divided by the applicable Net Asset Value per Unit determined as at the Valuation Date for the month in which the subscription was accepted. Consequently, the initial purchase confirmation will confirm the purchase of the interim subscription receipts while a subsequent confirmation will confirm the final number of Units purchased by the subscriber. The number of interim subscription receipts will be different from the final number of Units so purchased. These interim subscription receipts are not redeemable and do not carry any voting rights.

The Manager reserves the right to accept or reject subscription requests, provided that any decision to reject an order is made within five Business Days after receipt by the Manager of all required documents and payment for the Units. Any monies received with a rejected order will be refunded without interest or deduction. See “Purchase of Units”.

**Price of Units** Units are offered for at their Net Asset Value per Unit which is calculated in

Canadian dollars as of each Valuation Date.

**Minimum Investment**

The minimum initial investment is \$100,000 for residents in the Offering Jurisdictions. The Manager, in its sole discretion, may accept subscriptions for amounts which are less than the minimum initial investment threshold from time to time.

This offering is not subject to an aggregate minimum subscription level.

Subject to compliance with applicable securities laws and the requirements noted above, there is no minimum investment amount for subsequent purchases of Units. See “Purchase of Units – Minimum Investment”.

**Redemption of Units**

Units may be redeemed as of the last Business Day of each month (a “**Redemption Date**”), except in extraordinary circumstances. A written request for redemption must be delivered to the Trustee at least 60 calendar days prior to the Redemption Date or such other period as permitted by the Trustee in its sole discretion. Redemption requests received after that time will be processed as of the next Redemption Date. The redemption proceeds will typically be paid to the Unitholder on or before the twentieth Business Day following the Redemption Date. See “Redemption of Units”.

Unitholders who redeem Units prior to the first anniversary of purchase will receive the redemption proceeds of such Units less a 3.0% redemption fee. The Manager may, in its discretion, agree to waive such redemption fee. See “Redemption of Units – Redemption Fees”.

**Suspension of Redemption**

The Manager may suspend the redemption of Units during any period in which normal trading is suspended on any stock exchange, options exchange or futures exchange within or outside Canada on which securities owned by the Fund are listed and traded. The redemption of Units may also be suspended at any other time if the Manager determines that conditions exist which render the Fund unable to sell any of its assets or it is not possible to determine the value of any of the Fund’s assets.

A suspension will terminate on the first day on which the condition giving rise to the suspension ceases to exist, provided no other conditions exist which would cause the suspension to continue. Subject to applicable law, any suspension of a redemption of Units by the Manager is conclusive. Any outstanding redemption requests will be processed at the applicable net asset value per Unit on the Valuation Date immediately following the termination of any suspension.

See “Redemption of Units – Suspension or Limitation of Redemptions”.

**Valuation**

The Net Asset Value per Unit will be calculated by the Administrator by 6:00 p.m. (Toronto time) on each Valuation Date. The Net Asset Value of a particular series of a Class is calculated as (a) the aggregate value of the assets of the Fund attributable to that series of that Class, less the aggregate amount of the liabilities of the Fund attributable to that series of that Class, divided by (b) the number of Units of that series of that Class outstanding on that Valuation Date.

See “Valuation”.

**Redesignation**

A Unitholder who holds Class A-I Units may, subsequent to the first anniversary of the acquisition of such Class A-I Units, request that the Trustee redesignate such Class A-I Units as Class F-I or Class F-II Units, provided that the Unitholder satisfies the eligibility criteria for holding Class F-I or Class F-II Units. Upon receiving a request to redesignate the Class A-I Units of a Unitholder as Class F-I or Class F-II Units, the Trustee may, at its sole discretion, redesignate the Class A-I Units held by such Unitholder as Class F-I or Class F-II Units, having an aggregate equivalent Class Net Asset Value. If a request to redesignate Class A-I Units is accepted by the Trustee, the Trustee will provide the requesting Unitholder with at least 30 days’ prior written notice of such redesignation, specifying the number of Class A-I Units to be redesignated and the effective date of such redesignation. See “Redesignation”.

A redesignation of Class A-I Units as Class F-I or Class F-II Units, in the manner described herein, should generally not be considered to result in a disposition of such Class A-I Units for federal income tax purposes. The tax consequences of a redesignation of Class A-I Units as Class F-I or Class F-II Units are discussed under the heading “Canadian Federal Income Tax Considerations – Taxation of Unitholders” and the discussion presented above is qualified in its entirety by the detailed discussion under such heading.

**Distributions**

The Fund intends to distribute sufficient net income and 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 *Income Tax Act* (Canada) (as amended from time to time, the “**Tax Act**”), after taking into account any loss carry forwards and capital gains refunds. All distributions will be made on a *pro rata* basis within each series of each Class to each registered Unitholder determined as of the close of business on the record date of the distribution. See “Distributions”.

**Automatic Reinvestment**

All distributions to Unitholders (less any amounts required by law to be deducted therefrom) will automatically be reinvested for the account of each Unitholder in additional Units of the same Class and series at the Net Asset Value per Unit next determined after the declaration of the distribution. No sales charge or commission shall be payable by a Unitholder in connection with any such reinvestment. See “Distributions – Automatic Reinvestment”.

**Canadian Federal Income Tax Considerations**

A Unitholder will generally be required to include in computing income for a taxation year the amount of the Fund’s net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder (whether in cash or in Units) in the taxation year. Amounts payable to a Unitholder in excess of the Unitholder’s share of net income and the full amount of capital gains will reduce the adjusted cost base of the Unitholder’s Units. If the reductions to a Unitholder’s adjusted cost base would cause the adjusted cost base of a Unit to be negative, the Unitholder will be deemed to realize a capital gain equal to such negative amount and the Unitholder’s adjusted cost base will be reset to zero. A Unitholder who disposes of Units held as capital property (on redemption or otherwise) will realize a capital gain (or capital loss) to the extent that the 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) exceed (or are exceeded by) the aggregate of the adjusted cost base of Units and any reasonable costs of disposition. See "Income Tax Considerations".

Provided that the Fund continues to qualify as a "mutual fund trust" within the meaning of the Tax Act at all relevant times, Units are qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts. Holders of registered retirement savings plans, registered retirement income funds and tax-free savings accounts should consult their own advisors as to the status of the Units as prohibited investments. See "Income Tax Considerations – Status of the Fund" and "Income Tax Considerations – Taxation of Registered Plans".

**Each investor should satisfy himself or herself as to the tax consequences of an investment in Units by obtaining advice from his or her tax adviser.** See "Canadian Federal Income Tax Considerations".

**Risk Factors**

There are risks associated with an investment in the Fund, as a result of, among other considerations, the proposed nature and operations of the Fund. An investment in Units should only be made after consultation with independent qualified sources of investment and tax advice. An investment in the Fund involves risk and is not intended as a complete investment program. The purchase of Units of any class of the Fund should be considered only by investors financially able to maintain their investment and who can bear the risk of loss associated with an investment in the Fund. See "Risk Factors".

**Financial Reporting**

Audited financial statements for the Fund are provided within ninety (90) days after each fiscal year end. Unaudited financial information and information respecting the Net Asset Value per Unit are provided on a semi-annual basis within sixty (60) days after the conclusion of the semi-annual period. See "Reporting to Unitholders and Meetings of Unitholders – Reporting to Unitholders".

**Custodian**

One or more financial institutions and/or their affiliates, in their role as prime broker, act as the custodian of the assets of the Fund.

**Legal Counsel**

Fasken Martineau DuMoulin LLP

**Auditors**

Ernst & Young LLP (the "Auditor")

**Fiscal Year End**

December 31

**Purchasers' Statutory and Contractual Rights of Action**

Investors are entitled to the benefits of certain statutory or contractual rights of action which are described herein. See "Statutory and Contractual Rights of Action."

## GLOSSARY OF TERMS

“**Accredited Investors**” has the meaning given to it under National Instrument 45-106 – Prospectus and Registration Exemptions of the Canadian Securities Administrators;

“**Auditor**” means Ernst & Young LLP;

“**Business Day**” means a day on which the Toronto Stock Exchange and the New York Stock Exchange are open for business;

“**bps**” means basis points with  $1\text{bp} = 0.01\%$ ;

“**Class**” means any class of Units of the Fund authorized from time to time;

“**Class A-I Unit**” means a Class A-I unit of the Fund;

“**Class F-I Unit**” means a Class F-I unit of the Fund;

“**Class F-II Unit**” means a Class F-II unit of the Fund;

“**Class Net Asset Value**” means the portion of the Net Asset Value attributable a Class of Units calculated as described under “Valuation”;

“**Class Net Asset Value per Unit**” means the Net Asset Value attributable to each Unit of a Class calculated as described under “Valuation”;

“**CRA**” means the Canada Revenue Agency;

“**Custodian**” means one or more financial institutions and/or their affiliates, in their role as prime broker to the Fund and any successor appointed as custodian pursuant to the Trust Agreement;

“**Feeder Fund**” means Metric Asset Management Diversified Alpha Fund, Ltd., a company incorporated as an exempt company under the laws of the Cayman Islands;

“**Fund**” means Metric Asset Management Diversified Alpha Fund;

“**Fund High Water Mark**” means the high water mark detailed under the heading “Fees and Expenses”;

“**Fund Performance Fee**” means the performance fee payable by the Fund to the Manager as detailed under the heading “Fees and Expenses”;

“**General Partner**” means Metric Asset Management GP Inc., in its capacity as the general partner of the Manager;

“**Manager**” means Metric Asset Management Limited Partnership., in its capacity as the manager of the Fund;

“**Management Fee**” means the management fee payable by the Fund to the Manager as detailed under the heading “Fees and Expenses”;

“**Master Fund**” means Metric Asset Management Diversified Alpha Master Fund, Ltd., a company incorporated as an exempt company under the laws of the Cayman Islands;

“**Net Asset Value**” means the net asset value of the Fund calculated as described under “Valuation”;

“**Net Asset Value per Unit**” means, in respect of a Unit of a particular Class and Series, its net asset value per Unit calculated as described under “Valuation”;

“**Offering Jurisdictions**” means Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Québec, Nova Scotia, New Brunswick, Newfoundland and Labrador, Prince Edward Island, Yukon, Nunavut and the Northwest Territories;

“**Participating Shares**” means the Class A participating shares in the capital of the Master Fund;

“**Redemption Date**” means the effective date a Unitholder redeems his, her or its Units, being the last Business Day of any calendar quarter;

“**Reference Shares**” means the participating shares of the Feeder Fund;

“**Registered Dealer**” means dealers or brokers registered under applicable securities laws in those Offering Jurisdictions in which such registration is required and that are not restricted from selling the Units;

“**Tax Act**” means the *Income Tax Act* (Canada) as amended from time to time;

“**Trust Agreement**” means the amended and restated trust agreement dated as of July 24, 2017 between Caledon Trust Company as the trustee of the Fund and Metric Asset Management Limited Partnership as the manager of the Fund, as the same may be further amended from time to time;

“**Trustee**” means Caledon Trust Company;

“**Unitholder**” means the holder of one or more Units;

“**Unit**” means a unit of a series of a Class A-I Unit, a Class F-I Unit or a Class F-II Unit; and

“**Valuation Date**” means the last Business Day in each month and, in any event, December 31 in each calendar year and any such other day or days as agreed from time to time by the Trustee.

## THE FUND

Metric Asset Management Diversified Alpha Fund (the “**Fund**”) is an open-ended investment trust established under the laws of the Province of Ontario and governed by an amended and restated trust agreement dated as of July 24, 2017 (as it may be further amended from time to time, the “**Trust Agreement**”) between Caledon Trust Company as the trustee (the “**Trustee**”) of the Fund and Metric Asset Management Limited Partnership as the manager (the “**Manager**”) of the Fund. The Fund's principal office is located at 20 Eglinton Avenue West, Suite 1505, Toronto, Ontario M4R 1K8.

An investment in the Fund is represented by units. The Fund is permitted to have an unlimited number of classes of units (each a “**Class**”) and three Classes of units are offered under this Offering Memorandum: Class A-I Units, Class F-I Units and Class F-II Units (together, the “**Units**”), each of which is offered in monthly series. The only undertaking of the Fund is the investment of its assets as described herein.

Class A-I Units are designed for investors who are purchasing Units through a Registered Dealer and are not enrolled in a dealer sponsored fee for service or wrap program subject to an annual asset based fee rather than commissions on each transaction.

Class F-I Units are designed for investors who are not eligible to purchase Class Class A-I Units or F-II Units.

The Class F-II Units are designed for investors who are enrolled in a dealer sponsored fee for service or wrap program and who are subject to an annual asset based fee rather than commissions on each transaction or, at the discretion of the Manager, any other investor including, but not limited to, investors for whom the Manager does not incur distribution costs.

### **Investment Objective of the Fund**

The Fund’s objective is to generate superior risk adjusted investment returns over the long term. The Fund seeks to achieve this objective by utilizing the Manager’s proprietary risk management tools in an integrated, multi-strategy approach.

### **Investment Strategy of the Fund**

In order to achieve its objective, the Fund may invest directly in securities and other instruments using the Manager’s proprietary risk management tools in an integrated, multi-strategy approach or may invest in another investment fund managed by the Manager which is so managed. Currently, the Fund invests substantially all of its assets is invested in Reference Shares of the Feeder Fund which, in turn, invests in Participating Shares of the Master Fund. Accordingly, all descriptions in this Offering Memorandum to the investments of the Fund and the investment strategies employed by the Fund mean the investments of the Master Fund and the investment strategies employed by the Master Fund to which the Fund has exposure.

The Fund actively allocates and re-allocates capital amongst its three core strategies (equity, credit and quantitative investing, the “**Core Strategies**”) based upon the Manager’s opinion of potential risk and return for a strategy at a particular time. The Fund’s investment process rotates around the Manager’s proprietary, real-time risk management system to ensure the optimal deployment of capital. In addition, the Manager utilizes technology and computer programs that help screen and back-test potential investments. The Core Strategies in conjunction with the tools utilized for risk management allows the Manager to assess the relative attractiveness of various investment strategies from a risk and return perspective. The Manager believes that this approach allows for timely capital allocation decisions on behalf of the Fund.

Each investment strategy and all future strategies employed by the Fund are operated independent of each other and often in uncorrelated sectors and/or investments. The centralized portfolio and risk management function oversees each strategy and allocates capital accordingly. Each investment strategy is supported by fundamental analysis which may include both macro and micro analysis. In certain investment strategies, quantitative models and algorithms are used to identify the relative attractiveness of investments.

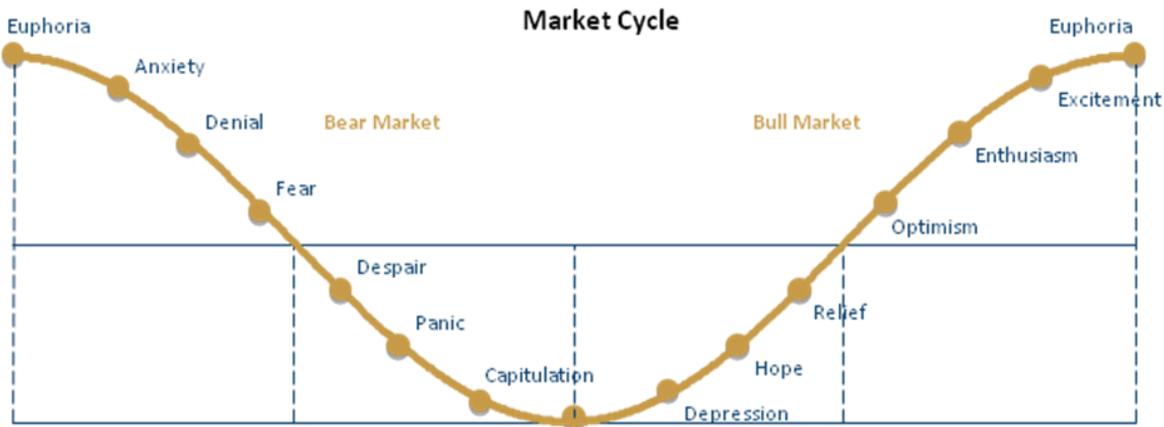
The Fund invests in a variety of securities including, but not limited to, equities, index futures, corporate bonds, high yield securities, convertible bonds, trust units, preferred shares, commodities, warrants and options. The Fund may also seek direct or indirect (through derivative instruments) exposure to other investment funds, which may include other investment funds managed by the Manager or its affiliates.

The Fund invests primarily in North American markets with a focus on the Canadian market; however, the markets in which the Fund invests may change from time to time based upon the opinion of the Manager. The Fund may also invest in other financial instruments that may be either listed on recognized stock exchanges or unlisted. The Fund may employ leverage and short selling to enhance investment returns and use other financial instruments including cash, short positions, options, futures, swaps and other derivative instruments in order to enhance returns and/or mitigate risk to achieve an optimal risk/return profile.

## INVESTMENT PROCESS

### Investing Process

The allocation of capital amongst the Fund's three core strategies and the timing of all trading and investing is based on the Manager's opinion of the position of the market cycle and the risk and return of each strategy at that time.



### Market Cycle

The Manager has developed a series of proprietary models that help to identify large and small cycles within the overall market cycle. Within each core strategy, the Manager has back-tested sub-strategies to determine appropriate investments for the Fund depending on the position of the market cycle. Quantitative trades are researched using advanced numerical and statistical approaches.

### Equity Trading Strategies

Equity trading strategies involve the development of a long/short equity portfolio and trading process that utilize the diverse backgrounds of the Manager to generate alpha by selecting superior quality equities for long positions and inferior quality equities for short positions. Each position is examined and analyzed using defined, stock selection criteria. The strategy includes the use of hedges within the strategy which may include equities, options and ETF's. The equity trading strategy has a degree of hedging at all times and the degree of hedges varies during different periods in order to maximize the generation of risk adjusted returns.

The equity trading strategies utilized by the Fund may include:

- Long Positions: Investing in equity securities where the Manager believes that the security is undervalued;
- Short Positions: Short selling of securities which the Manager believes are overvalued and/or have deteriorating fundamentals. Short sales may also be employed as hedges against some component of risk related to one or more of the Fund's long positions;
- Pairs Trading: Buying and selling shares of two companies in the same industry in an attempt to gain from the relative value differences between them;

- Merger Arbitrage: Taking positions in securities whose value is dependent upon corporate restructurings, mergers, takeovers, spin-offs and legislative changes;
- Private Placements: Participating in select private placements priced at a discount to the current market price;
- Pre-Initial Public Offering Private Placements: Participating in select private placements of companies that offer potential for significant appreciation upon completion of their initial public offering; and
- Mezzanine Investments: Participating in structured mezzanine investments.

### ***Credit Trading Strategies***

Credit products may provide the Fund with a significant stream of contractual cash flows. Each potential investment undergoes rigorous analysis and also is evaluated in the context of the overall portfolio to ensure a well-diversified portfolio that will generate significant risk adjusted rates of return for the Fund.

The credit trading strategies employed by the Fund may include:

- Long Positions: Investing in the publicly traded and private debt based on the fundamental analysis of the borrower;
- Short Positions: Short selling of publicly traded debt based on the fundamental analysis of the borrower;
- Capital Structure Arbitrage: Buying and selling different parts of a company's capital structure including different classes of common equity, preferred shares, corporate bonds and bank loans;
- Credit Default Swaps: Buying and selling individual and basket credit default swaps. These trades can be done to establish a position or to reduce the risk in an existing position; and
- Distressed Securities: Taking positions in distressed securities of companies involved in bankruptcy proceedings, reorganizations and financial restructurings.

### ***Quantitative Investing Strategy***

The quantitative investing strategy has three primary objectives: (a) generate absolute returns regardless of market direction by attempting to profit from discrepancies in security valuation caused by short term price fluctuations and the volatility inherent in the market; (b) protect the Fund from market moves that may adversely impact the Fund's equity and credit trading strategies by having a low correlation to such strategies; and (c) provide a comprehensive asset allocation overlay utilizing proprietary models that capture most the systematic drivers of market movement. The quantitative investing strategy provides strong countercyclical performance during periods of high volatility. In addition, it complements the Fund's macro hedging strategy in terms of implementation and execution.

The quantitative investing strategy is characterized by three complimentary research methodologies:

#### **Systematic Quantitative Research**

- The strategy attempts to identify small discrepancies in security valuations through empirical observation and back-testing.

- Proprietary computer algorithms are created to conduct quantitative analysis to monitor price fluctuations and identify potential opportunities that may occur in the future.

#### Fundamental Research

- The strategy incorporates macro-economic factors (such as supply and demand), and company specific factors (such as revenues and expenses) into security prices through the use of computer models.

#### Sentiment Research

- The strategy incorporates measures the degree of investor bullishness or bearishness. These measures serve as contra indicators for the market.

#### Technical Research

- The strategy includes the analysis of security price movements, such as price momentum and mean reversion, to attempt to gain insight into market sentiment and future price action. Multiple signals are combined to increase effectiveness.

Currently the strategy has four independent sub strategies:

#### Relative Value

- Attempts to capture the pending convergence in valuation between at least two related securities
- Generally non-directional in nature

#### Volatility Arbitrage

- Attempts to profit from the mispricing of various options in the marketplace
- Profits are realized either through dynamically hedging the underlying security or through the simultaneous purchase and sale of options at different prices

#### Tactical Trading

- Directional trading with the assistance of computer models and algorithmic formula to determine optimal entry and exit points
- Incorporates numerous small sized trades, both long and short, with a relatively short time horizon

### ***Implementation of Investment Strategies***

The level of net market exposure in the Fund's portfolio at any given time is a function of the Manager's ability to identify attractive investments. The Fund limits its initial investments to 10% of its economic exposure in any one investee company (excluding financing entities for which the concentration restriction would be on a look-through basis to the underlying investee companies). Over time, as an investment increases in value relative to the rest of the portfolio, it is possible that the Fund will have passive increases in an investment security. The Fund endeavours to reduce positions in excess of 10% of the value of the Fund over time. The Fund's investments may include investment in start-up as well as mature companies. The Fund may also buy securities on margin and may arrange with banks, brokers and

other financial institutions to borrow money against a pledge of securities in order to employ leverage when the Manager deems such action appropriate. The Fund may borrow for investment purposes and it is expected that the Fund will be economically leveraged through the use of derivatives where the sum of notional long positions and, measured separately, notional short positions may exceed the capital invested in the Fund. There is no limit on the leverage that may be employed by the Fund. The use of leverage can, in certain circumstances, increase the losses to which the Fund's investment portfolio may be subject and, therefore cause losses for the Fund.

The Fund may also utilize currency futures and forwards as a means of hedging currency exposure and risk in the securities and businesses in which it has invested and may also use interest rate derivatives to manage exposure to interest rate fluctuations. Liquidity is considered in all investment decisions. It is the Manager's intention to maintain the vast majority of the Fund's assets in liquid investments.

The Manager looks to deploy capital in situations where both the risk/return value proposition is attractive and where it has the expertise to analyze and manage the opportunity. The Manager may at any time adopt new strategies or deviate from the foregoing guidelines as market conditions dictate. While the Manager typically tries to balance risk and return in selecting investments, it should be understood that the risk management techniques utilized by the Manager cannot provide any assurance that the Fund will not be exposed to risks of significant investment losses. Please refer to "Risk Factors" for more information.

### ***Emphasis on Risk Management***

The Fund has been developed with a strong emphasis on risk management to complement the trading, analytical and other skills of the Manager. The Manager utilizes a robust risk management process as an integral component of the Fund's investment program. A four part risk management process is deployed to best ensure an optimal allocation of capital. This approach includes strategy limits, trade review, portfolio review and capital allocation. Part of the risk management process includes the use of computer-based risk management software.

The Fund has strategy limits to ensure that no single strategy is allocated an inappropriate amount of capital. Strategy limits are dynamically adjusted to reflect revised capital allocations and market conditions. These limits include:

- Value at risk limits for each investment strategy;
- Position limits for each Equity Trading Strategy;
- Credit limits for each Credit Trading Strategy;
- Position delta, gamma and vega limits for the Quantitative Investing Strategy; and
- Position limits for each Commodity Trading Strategy.

All individual positions are sized according to their liquidity in the market. All portfolios take into account not only current liquidity conditions but also liquidity during stress events. All large trades are reviewed prior to execution by the Manager's Chief Investment Officer. At a portfolio level, risk is measured and monitored in aggregate and reviewed by the Manager's Chief Investment Officer on a regular basis. At a minimum, all portfolios are subject to an in-depth review on a weekly basis. This review is in addition to the day-to-day senior management review of the portfolio. Based on portfolio performance and an analysis of market opportunities, capital is re-allocated by the Manager's Chief Investment Officer on a real-time basis.

### ***Statutory Caution***

The foregoing disclosure of the Fund's investment strategies and the intentions of the Manager may constitute "forward-looking information" for the purpose of securities legislation in Canada, as it contains statements of the Manager's intended course of conduct and future operations of the Fund. These statements are based on assumptions made by the Manager of the success of the Fund's investment strategies in certain market conditions, relying on the experience of the Manager's officers and employees and their knowledge of historical economic and market trends. Investors are cautioned that the assumptions made by the Manager and the success of its investment strategies are subject to a number of mitigating factors. Economic and market conditions may change, which may materially impact the success of the Manager's intended strategies as well as its actual course of conduct. Investors are urged to read "Risk Factors" for a discussion of other factors that will impact the operations and success of the Fund.

### ***Competitive Strengths of the Fund***

The Fund offers the following competitive advantages:

#### **Experienced and Diverse Team**

- The principals of the Manager have over 50 years of combined experience, over multiple economic cycles, in the areas of trading, lending, research, corporate restructuring, risk management and trading portfolio management.
- The Manager's team has deep integrated relationships across a variety of disciplines and industries.

#### **Disciplined Investment Approach with an Emphasis on Risk Management**

- The principals of the Manager have developed proprietary techniques and models to analyze the relative investment attractiveness of various securities, industries and situations.
- The main objective of the Fund is to generate superior risk adjusted investment returns. The Manager is highly committed to the creation and utilization of various risk management tools to ensure risk is managed on a real-time basis as a means to preserve capital.

#### **Diversification**

- The Fund offers investors the opportunity to participate in the entire capital structure of a company. The members of the Manager are experts in equity, credit and quantitative investing, which provide a low-cost vehicle for investors to play the most opportune strategy at a given point in the economic cycle.
- The Fund is structured to allow for a flexible, responsive approach to capital allocation in order to take advantage of opportunities as they present themselves.

#### **Tax Structure**

- Units of the Fund are eligible investments for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts.

#### Alignment of Interests with Investors

- The principals of the Manager have each made significant personal investments in the Fund in order to ensure there is an alignment of interests with the investors.

#### *Investment Process Utilized by the Manager*

Depending on the Manager's opinion of the position of the market cycle, capital will be deployed based upon the Core Strategies:

#### Market Cycle

- All trading and investing activity revolves around the Manager's opinion of the position of the market cycle
- The Manager has developed a series of models that help to identify where large and small cycles occur within the overall market cycle

#### Strategy

- Depending on the Manager's opinion of the position of the market cycle, the Fund dynamically deploys capital between 3 core investment strategies; equity, credit and quantitative investing
- Within each core strategy, the Manager has back-tested sub strategies to determine appropriate investments for the Fund depending on the position of the market cycle
- Quantitative trades are researched using advanced numerical and statistical approaches

#### Industry

- Once the Manager determines the allocation of capital amongst the various core strategies, the Manager selects the industry or industries it believes are best suited to employ such strategy on behalf of the Fund
- Proprietary screens are employed to identify the industry that the Manager believes offers the best risk-adjusted opportunity for the strategy
- Fundamental ideas are researched internally by the Manager using a top down approach

#### Company

- Rigorous fundamental and financial analysis focused on preservation of capital
- Review of historical financials, business strategy, industry position and management team

- Utilize back-tested quantitative fundamental screening models
- Use technical back-tested market sentiment model
- Develop and maintain detailed financial models to understand potential impact of various scenarios
- Quantify asset value
- Detailed review of credit documents to understand rights of each stakeholder

#### Position Selection

- Determine optimal investment in the capital structure
- Establish the optimal size for any investment based on risk/return equation and the maximum potential downside assessment
- Assess liquidity of potential investment to ensure orderly exit
- Assess any new position in context of its impact on the overall portfolio from an industry and market concentration context
- Determine if leverage/hedging is appropriate given the nature of the investment

#### ***Risk Management***

The Manager's investment process rotates around its proprietary, real-time risk management system to ensure the optimal deployment of capital.

#### Strategy Limits

- Specific limits are set for each strategy. The type of limit is strategy dependent. All strategies have VAR and stress test limits. The size of the limits for each strategy is based on the underlying liquidity of the strategy and the drawdown potential. Individual and portfolio limits are set and continuously reviewed to take into account liquidity.
- All individual positions are sized consistent with their liquidity in the market.
- All portfolios take into account not only current liquidity conditions but also liquidity during a stress event.

#### Trade Review

- All large trades are reviewed prior to execution by the Manager's Chief Investment Officer.
- Other trades are reviewed from time to time.

#### Portfolio Review

- At a minimum, all portfolios are subject to an in-depth review on a weekly basis. This review is in addition to the day-to-day senior management review of the portfolio.

#### Capital Allocation

- Based on portfolio performance and an analysis of market opportunities, capital will be re-allocated by the Manager's Chief Investment Officer on a real-time basis.

#### **The Manager**

The Manager is incorporated under the laws of the Province of Ontario and is registered with the Ontario Securities Commission (the "OSC") as a portfolio manager, a commodity trading manager, an investment fund manager and an exempt market dealer. The Manager is responsible for the management of the affairs of the Fund on a day-to-day basis and provides investment advisory and portfolio management services to the Fund. The Manager receives a management fee from the Fund for its services, and is responsible for fees owing to any sub-advisers.

Below is additional information regarding the executive officers of the Manager.

#### ***Jason Marks, Co- Chief Executive Officer, Chief Compliance Officer***

Jason provides oversight and risk management for the Manager's fund offerings. In addition, Jason assists in the long-term strategic development of Metric's alternatives initiative. Jason was the Chief Executive Officer and Chief Investment Officer of Fiera Quantum until May 2014. Prior to Metric, Jason was the Chief Executive Officer, Chief Investment Officer and Managing Partner of GMP Investment Management L.P. ("GMPIM") starting in December 2007. Prior to GMPIM, Jason was a Vice Chair at TD Securities Inc. and a Senior Vice President at a Canadian chartered bank.

Over his 11 years at TD Securities Inc., Jason was responsible for various businesses including: international proprietary trading, equity derivatives, interest rate derivatives, energy trading and structured products. In addition to his various sales and trading responsibilities, he was a Senior Vice President at a Canadian chartered bank. In that capacity, Jason held two senior risk management roles. First, in 1998, he served as the Head of Market Risk Management for the Canadian chartered bank then, in 2003, as the Chief Credit Policy Officer responsible for overseeing Credit Risk at the Canadian chartered bank.

Prior to being employed at the Canadian chartered bank, he was a Vice President at another Canadian chartered bank. In that capacity, Jason was responsible for a number of derivative and structured product businesses. He has a M.B.A. from Harvard University (1989) and a B.E.Sc. from the University of Western Ontario (1986).

#### ***Bimal Morjaria, Co-Chief Executive Officer***

Prior to co-founding Metric, Bimal held progressively senior trading and management positions at TD Securities Inc. until January 2009, most recently as Vice-Chair and Global Head, Equity Derivatives. Bimal served as a member of the Management Committee of TD Securities Inc. and Senior Vice President of a Canadian chartered bank from 2006 to 2009.

Over his 21 years at TD Securities Inc., Bimal was responsible for various businesses including: currency option trading, proprietary trading, interest rate derivative trading, equity derivatives sales and trading, energy trading and structured equity products.

Bimal earned his Chartered Financial Analyst designation in 1999.

### ***Paul Liebovitz, Partner***

Paul provides client development and relationship management for Metric Asset Management. In addition, Paul assists in the long-term strategic development of Metric's alternatives initiative. Paul was the Chief Operating Officer and Managing Partner of Fiera Quantum until January 2015. Prior to Metric, Paul was the Chief Operating Officer and Managing Partner of GMPIM. Prior to joining Metric, Paul was a Managing Director at TD Capital, a division of TD Bank, where he was a member of the Mezzanine Fund Investment Committee overseeing in excess of \$1 billion in investments. In addition, he was responsible for sourcing, structuring, executing and monitoring mezzanine debt and preferred share investments and equity co-investments.

Paul has in excess of 25 years experience in lending and private equity. Prior to joining TD Capital, he was a Senior Vice President, Underwriting for GE Capital – Capital Funding for four years. In this position, he oversaw the execution of highly structured mezzanine and leveraged financing transactions in both Canada and the United States. Prior to joining GE Capital, Paul spent nine years at Scotia Capital specializing in complex corporate restructurings that included senior and mezzanine debt and equity positions. He has an M.B.A. from McMaster University (1989) and a B.A. (Honours) from the University of Toronto (1986).

### **The Trustee**

Caledon Trust Company is the trustee of the Fund. The Trustee is responsible for carrying out various administrative and recording keeping functions on behalf of the Fund. 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 person would exercise in comparable circumstances.

The Trustee may resign upon 90 days' written notice to Unitholders.

### **The Administrator**

The Manager has retained the services of Commonwealth Fund Services Ltd. as the Fund's administrator, registrar and transfer agent, (the "**Administrator**") pursuant to Valuation and Recordkeeping Services Agreements dated January 31, 2014 and April 30, 2013, as amended on July 1, 2015, July 18, 2016, January 1, 2017 and July 24, 2017 (as they may be further amended from time to time, the "**Administration Agreement**"). The Administrator is responsible for calculating the net asset value of the Fund and the net asset value per Unit of each Class, and preparing all reporting documents for Unitholders. The Administrator will also maintain the registrar of Unitholders and will process subscriptions and redemptions of Units.

## **UNITS OF THE FUND**

An investment in the Fund is represented by units. The Fund is permitted to have an unlimited number of Classes of units having such terms and conditions as the Trustee may determine. Each Class may have an unlimited number of series having such terms and conditions as the Trustee may determine. Currently, each Class creates a new monthly series on each Valuation Date that Units of that Class are issued. Each Unit represents an undivided ownership interest in the assets of the Fund attributable to that Class and series of units. Class A-I Units, Class F-I Units and Class F-II Units (together, the "**Units**") are offered under this Offering Memorandum, each in monthly series.

Units are offered to investors under the terms of this Offering Memorandum. The Class A-I Units are designed for investors who are purchasing Units through a Registered Dealer and are not enrolled in a

dealer sponsored fee for service or wrap program subject to an annual asset based fee rather than commissions on each transaction. The Class F-I Units are designed for investors who are not eligible to purchase Class A-I Units or Class F-II Units. The Class F-II Units are designed for investors who are enrolled in a dealer sponsored fee for service or wrap program and who are subject to an annual asset based fee rather than commissions on each transaction or, at the discretion of the Manager, any other investor including, but not limited to, investors for whom the Manager does not incur distribution costs.

Additional Classes of Units may be offered in the future on different terms, including with different management fees, different dealer compensation, and/or different minimum subscription levels.

If a Unitholder ceases to be eligible to hold their current Class of Units, the Manager may require the Unitholder to switch their Units into Class A-I Units after giving the Unitholder at least five (5) days' prior written notice. The switch will not be required if the Unitholder advises the Manager within such notice period, and the Manager agrees, that the Unitholder is again eligible to hold their current Class of Units.

## **FEES AND EXPENSES**

### ***Fund Management and Performance Fees***

With regard to Class A-I Units, the Manager receives Management Fees at the beginning of each calendar month equal to 1/12 of 2.00% multiplied by the aggregate applicable net asset value of the Fund on the immediately preceding month end.

With regard to Class F-I Units, the Manager receives Management Fees at the beginning of each calendar month equal to 1/12 of 2.00% multiplied by the aggregate applicable net asset value of the Fund on the immediately preceding month end.

With regard to Class F-II Units, the Manager receives Management Fees at the beginning of each calendar month equal to 1/12 of 1.00% multiplied by the aggregate applicable net asset value of the Fund on the immediately preceding month end.

The Management Fees payable by the Fund are deducted as an expense of the Fund in the calculation of the net asset value of the Fund.

To the extent that the Fund is invested directly or is indirectly exposed to other investment funds managed by the Manager or its affiliates, the Management Fees are adjusted to take into account any management fees received by the Manager by these investment funds.

For its services to the Fund, the Manager also is entitled to receive from the Fund an annual performance fee equal to 20% of the amount by which, for each outstanding Unit, its Net Asset Value per Unit as at the last Valuation Date of the fiscal year exceeds its Net Asset Value per Unit as at the first Business Day of the relevant fiscal year provided that the Fund High Water Mark described below has been exceeded (the "**Fund Performance Fee**").

The Fund Performance Fee shall only be payable if the Unit's Net Asset Value per Unit as at the last Valuation Date in the relevant fiscal year exceeds its highest Net Asset Value per Unit figure by reference to which a Fund Performance Fee has been previously paid as of the last Business Day of any previous fiscal year (the "**Fund High Water Mark**"). Appropriate adjustments will be made to the Fund High Water Mark of a Unit to account for distributions (if any) paid on the Unit.

The Fund Performance Fee is calculated on a series by series basis in an effort to ensure that Fund Performance Fees are equitably assessed among holders of Units. The Fund Performance Fee is accrued and deducted monthly and paid annually from the net assets of the Fund.

At the end of each fiscal year of the Fund, each series within a Class (other than the series of that Class issued upon the initial offering of such Class (its “**Initial Series**”)) will be re-designated and converted into its Initial Series (after deduction for any Fund Performance Fee attributable to such series for such period) (a “**Series Roll Up**”). This will be accomplished by (i) amending the Net Asset Value per Unit of such series of such Class so that it is the same as the Net Asset Value per Unit of its Initial Series, (ii) consolidating or subdividing the number of Units of such series so that the aggregate Net Asset Value of the Units of the Series subject to such Series Roll Up held by all Unitholders does not change, and (iii) redesignating Units as its Initial Series Units. A Series Roll Up will not occur in respect of a series of a Class unless: (i) the Fund Performance Fee is payable in respect of such series of such Class; and (ii) the Net Asset Value per Unit of such Series and of the Initial Series both are above their respective Fund High Watermark at the end of the relevant fiscal year.

To the extent that the Fund is invested directly or is indirectly exposed to other investment funds managed by the Manager or its affiliates, the Fund Performance Fee will be reduced to take into account any performance fees received by the Manager by these investment funds.

### ***Expenses of the Fund***

The Fund is responsible for the costs of the offering of Units including, without limitation, the fees and expenses of the Trustee and fees and expenses of the Fund’s legal counsel and auditors.

The Fund is responsible for the payment of all fees and expenses relating to its operation, including management fees, audit, accounting, record keeping, legal fees and expenses, custody and safekeeping charges, providing financial and other reports to Unitholders and convening and conducting meetings of Unitholders, all taxes (including applicable taxes, if any), assessments or other regulatory and governmental charges levied against the Fund, interest and all brokerage and other fees. The Fund is generally required to pay HST (or other applicable taxes, if any) at the applicable rate on the Management Fee and most expenses which it pays.

Each series of Units is responsible for the expenses specifically related to that series of that Class and a proportionate share of expenses that are common to all series of that Class. The Trustee shall allocate expenses to each Class and series in its sole discretion as it deems fair and reasonable in the circumstances.

## **PURCHASE OF UNITS**

### **Subscribing for Units**

Units are offered for sale on a continuous basis in accordance with applicable securities legislation to an unlimited number of subscribers in the Provinces of Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Québec, Nova Scotia, New Brunswick, Newfoundland and Labrador, Prince Edward Island, Yukon, Nunavut and the Northwest Territories (the “**Offering Jurisdictions**”) who qualify as Accredited Investors.

Units are offered for sale at their Net Asset Value per Unit, which is calculated in Canadian dollars as of each Valuation Date.

Purchases of Units can be made as of the last Business Day of each month or any other day as the Manager, in its discretion, may determine (each, a “**Valuation Date**”). A new monthly series of Units of a Class is created and issued on each Valuation Date that Units of that Class are issued. Investors wishing to purchase Units must forward the subscription forms to the Manager directly or through their Registered Dealer.

If the completed subscription form, together with full payment for the Units subscribed for is received and accepted by the Manager on or before 4:00 p.m. (Toronto time) the last Business Day immediately preceding the applicable Valuation Date, (the “**Subscription Deadline**”) the subscriber will be admitted at the Net Asset Value per Unit for the current month-end. If the subscription form and/or payment for the Units subscribed for is received and accepted by the Manager after the Subscription Deadline, the subscriber will then be admitted at the Net Asset Value per Unit for the end of the following month. The Manager, in its discretion, may accept subscriptions after the Subscription Deadline to admit subscribers at the Net Asset Value per Unit for the current month-end.

All subscriptions for Units will be made through the purchase of interim subscription receipts at a fixed net asset value of \$100 per subscription receipt. Following the calculation of the Net Asset Value for the Units, the interim subscription receipts will be automatically converted, without any further action on the part of the subscriber, into the appropriate number of Units of the applicable monthly series of the Class as per each subscriber’s subscription form. The number of Units issued will be the net subscription proceeds divided by the applicable Net Asset Value per Unit determined as at the Valuation Date for the month in which the subscription was accepted. Consequently, the initial purchase confirmation will confirm the purchase of the interim subscription receipts while a subsequent confirmation will confirm the final number of Units purchased by the subscriber. The number of interim subscription receipts will be different from the final number of Units so purchased. These interim subscription receipts are not redeemable and do not carry any voting rights.

The Manager reserves the right to accept or reject subscription requests, provided that any decision to reject an order is made within five Business Days after receipt by the Manager of all required documents and payment for the Units. Any monies received with a rejected order will be refunded (without interest) or deduction.

The Manager will not accept a subscription from or register as the owner of any Unit an entity who is or would be a non-resident of Canada or a partnership that is not a Canadian partnership within the meaning of the Tax Act if it would cause the Fund to lose its status as a mutual fund trust under the Tax Act.

If at any time the Manager becomes aware that Units are or may become beneficially owned by one or more entities in the circumstances described in the preceding paragraph, the Manager, or any third party on the direction of the Manager, may cause the Fund to redeem all or such portion of the Units at the Net Asset Value per Unit on the date of redemption, or on such other terms as the Manager in its sole discretion deems equitable in the circumstances.

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 Manager.

### **Minimum Investment**

The minimum initial investment is \$100,000 for investors resident in the Offering Jurisdictions. The Manager, in its sole discretion, may accept subscriptions in lesser amounts.

Subject to compliance with applicable securities laws and the requirements noted above, there is no minimum investment amount for subsequent investments.

This offering is not subject to an aggregate minimum subscription level.

The Manager, in its discretion, may prescribe a minimum aggregate balance to be maintained by Unitholders of Units of a Class, and may require a Unitholder to redeem all of such person's Units if the minimum balance is not maintained.

### **Securities Law Exemptions**

Units of the Fund are only being offered to investors in the Offering Jurisdictions on a continuous basis pursuant to exemptions from the requirements to prepare and deliver a prospectus under applicable securities legislation. The Trustee is responsible for completing any necessary securities regulatory filings for sales of Units and for payment out of the assets of the Fund of all associated filing fees.

### **DEALER COMPENSATION**

The Manager will pay Registered Dealers servicing commissions based on the aggregate Net Asset Value per Unit of their total client assets invested in Class A-I Units at an annual rate of 1% or such other amount as may be agreed upon between the Manager and the Registered Dealer. Such servicing commissions will be paid on a quarterly and/or annual basis, in arrears. A Registered Dealer is entitled to such fees in respect of Class A-I Units for so long as its clients hold such Class A-I Units. All servicing commissions will be paid by the Manager and not out of the assets of the Fund. Notwithstanding the foregoing, servicing commission may be modified or discontinued by the Manager at any time.

### **REDEMPTION OF UNITS**

#### **How to Redeem Units**

A Unitholder may redeem Units as of the last Business Day of any month (a "**Redemption Date**") at the Net Asset Value per Unit, subject to adjustment as described below. Redemption orders must be in writing with the Unitholder's signature guaranteed by a Registered Dealer, Canadian chartered bank, trust company, a member of a stock exchange in Canada or otherwise guaranteed to the satisfaction of the Trustee. Redemption orders may be made directly to the Fund or through the Unitholder's Registered Dealer. If Units are registered in the name of an intermediary such as a Registered Dealer, clearing agency or its nominee, redemption orders must be made through such intermediary.

Redemption orders must be received by the Trustee at least 60 calendar days prior to the Redemption Date on which the Unitholder wishes to redeem the Units, or such other period as permitted by the Trustee in its sole discretion. Orders received after that time will be effective on the next following Redemption Date. Units will be redeemed at the Net Asset Value per Unit calculated as at the applicable Redemption Date. The amount payable to a Unitholder for each Unit redeemed will be an amount equal to the Net Asset Value per Unit on the Redemption Date, together with the proportionate share attributable to such Units of any distribution which has been declared and not paid, less (i) any redemption charges payable, and (ii) any withholding or other taxes required to be deducted.

Payment for Units which are redeemed will be made by the Fund either by cheque or wire transfer or by such other manner of payment permitted by the Trustee. The redemption proceeds will typically be paid to a Unitholder who redeems Units on or before the twentieth Business Day following the Redemption Date. Payments made by cheque will be sent to the Unitholder at his or her last address as shown in the register of Unitholders or to such other address or account as the Unitholder may in writing direct.

Any payment referred to above, unless such payment is not honoured, will discharge the Fund, the Trustee, and their delegates from all liability to the redeeming Unitholder in respect of the payment and the Units redeemed.

### **Redemption Fees**

Unitholders who redeem Units prior to the first anniversary of purchase will receive the redemption proceeds of such Units less a 3.0% redemption fee. The Manager may, in its discretion, agree to waive such redemption fee.

### **Suspension or Limitation of Redemptions**

The Manager may suspend the redemption of Units during any period in which normal trading is suspended on any stock exchange, options exchange or futures exchange within or outside Canada on which securities owned by the Fund are listed and traded. The redemption of Units may also be suspended at any other time if the Manager determines that conditions exist which render the Fund unable to sell any of its assets or it is not possible to determine the value of any of the Fund's assets.

Any suspension may apply to all requests for redemption received prior to the suspension, but which have not yet been paid, as well as to all requests received while the suspension is in effect. All Unitholders making redemption requests will (unless the suspension lasts for less than 48 hours) be advised by the Manager of the suspension and that redemption requests previously received will be effected on the first Valuation Date following the termination of the suspension. All such Unitholders will (unless the suspension lasts for less than 48 hours) be advised that they have the right to withdraw any requests for redemption previously submitted.

A suspension will terminate on the first day on which the condition giving rise to the suspension ceases to exist, provided no other conditions exist which would cause the suspension to continue. Subject to applicable law, any suspension of a redemption of Units by the Manager is conclusive. Any outstanding redemption requests will be processed at the applicable net asset value per Unit on the Valuation Date immediately following the termination of any suspension.

If during any calendar quarter the Trustee has received requests to redeem 25% or more of the outstanding Units of a given Class of Units of the Fund, the Trustee may, in its sole discretion, reduce the number of Units to be redeemed on such Redemption Date, pro rata, so that the aggregate number of Units of each Class redeemed on such Redemption Date will not exceed 25% of the outstanding Units of a given Class. In case of any such delayed redemption, redemption requests for Units of a given Class not redeemed on any particular Redemption Date will be automatically carried forward and carried out on the next subsequent Redemption Date based on the Net Asset Value Per Unit on such Redemption Date.

### **REDESIGNATION**

A Unitholder who holds Class A-I Units may, subsequent to the first anniversary of the acquisition of such Class A-I Units, request that the Trustee redesignate such Class A-I Units as Class F-I or Class F-II Units, provided that the Unitholder satisfies the eligibility criteria for holding Class F-I or Class F-II Units. Upon receiving a request to redesignate the Class A-I Units of a Unitholder as Class F-I or Class F-II Units, the Trustee may, at its sole discretion, redesignate the Class A-I Units held by such Unitholder as Class F-I or Class F-II Units, having an aggregate equivalent Net Asset Value per Unit. If a request to redesignate Class A-I Units is accepted by the Trustee, the Trustee will provide the requesting Unitholder with at least 30 days' prior written notice of such redesignation, specifying the number of Class A-I Units to be redesignated and the effective date of such redesignation.

## VALUATION

### Net Asset Value

The Net Asset Value per Unit of each series of each Class will be calculated by the Administrator by 6:00 p.m. (Toronto time) on each Valuation Date.

The Net Asset Value of a particular series of a Class is calculated as (a) the aggregate value of the assets of the Fund attributable to that series of that Class, less the aggregate amount of the liabilities of the Fund attributable to that series of that Class, divided by (b) the number of Units of that series of that Class outstanding on that Valuation Date. The Fund Performance Fee is calculated on a series by series basis.

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### Valuation Principles

The assets of the Fund are valued in accordance with International Financial Reporting Standards using the following guidelines:

**Cash** - The value of any cash on hand or on deposit, bills, demand notes, accounts receivable, prepaid expenses, cash dividends received (or to be received and declared to Unitholders of record on a date before the applicable Valuation Date), and interest accrued and not yet received on any Valuation Date is deemed to be the full amount thereto, unless the Manager has determined that any such deposit, bill, demand note, account receivable, prepaid expense, cash dividend or distribution received or interest is not worth such full amount, in which event, the Manager shall determine the reasonable value of such item.

**Exchange traded securities** - The value of any security, option or future listed on any exchange on any Valuation Date shall be determined by the closing sale price on such Valuation Date or, if there is no sale price, the average between the closing bid and the closing ask price on such Valuation Date, all as reported by any report in common use or authorized as official by such exchange; provided that if such exchange is not open for trading on that Valuation Date, then on the last previous business day on which such exchange was open for trading. For any exchange traded security where daily limits are in effect, fair value shall be based on the current market value of the underlying interest. Margin paid or deposited in respect of futures contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin.

**Fixed Income** - The value of any bonds, debentures, and other debt obligations shall be valued by taking the average of the bid and ask prices on the applicable Valuation Date at such times during the day as the Manager, in its discretion, deems appropriate. Short-term investments including notes and money market instruments shall be valued at cost plus accrued interest.

**Currencies** - Any assets of the Fund valued in a foreign currency, and all liabilities and obligations of the Fund that are payable in a foreign currency, shall be converted into Canadian funds by applying the rate of exchange obtained from the best available sources to the Manager.

**Expenses** - All expenses or liabilities (including fees payable to the Manager) of the Fund shall be calculated on an accrual basis.

If the above valuation principles cannot be reasonably applied, either because no price or yield equivalent quotations are available or for any other reason, the Manager may in its sole discretion value such security or asset of the Fund in such manner as it deems is fair and appropriate in the circumstances.

## **DISTRIBUTIONS**

### **Distributions**

The Fund intends to distribute sufficient net income and net realized capital gains, if any, to Unitholders in each taxation year to ensure that the Fund is not liable for income tax under Part I of the Tax Act after taking into account any loss carry forwards and capital gains refunds. All distributions will be made on a pro rata basis within each series of each Class to each registered Unitholder determined as of the close of business on the record date of the distribution.

The Fund may also make such additional distributions of net income and net realized capital gains on any other Valuation Date as the Manager deems appropriate in its sole discretion. The Fund may also effect a distribution that is a return of capital.

### **Automatic Reinvestment**

The Fund does not intend to make cash distributions. Any distributions to Unitholders (less any amounts required by law to be deducted) will automatically be reinvested for the account of each Unitholder in additional Units of the same Class and series at their Net Asset Value per Unit next determined after the declaration of the distribution. No sales charge or commission shall be payable by a Unitholder in connection with any such reinvestment. The costs of distributions, if any, will be paid by the Fund.

The Manager expects that Units will be automatically consolidated immediately after each distribution by the Fund such that the Net Asset Value per Unit following a consolidation will be equal to the Net Asset Value per Unit immediately prior to such distribution. These consolidations will result in a Net Asset Value per Unit which is not diluted by distributions, thereby allowing the Manager and the Unitholders to better track the performance of such Units. The Manager may, in its discretion elect not to proceed with a consolidation. Notice to Unitholders will not be required provided that the consolidation would not be material to 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 that generally apply to the acquisition, holding and disposition of Units by a Unitholder who acquires Units pursuant to this Offering Memorandum. This summary only applies 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.

Generally, Units will be considered to be capital property to a holder provided the holder does not hold the Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Provided that the Fund qualifies as a "mutual fund trust" under the Tax Act, Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have their Units, and all other Canadian securities owned or subsequently owned by such Unitholders, treated as capital property by making an irrevocable election in accordance with the Tax Act.

This summary is based on the facts set out in this Offering Memorandum the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**"), and the current published administrative policies and assessing practices of CRA. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not 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 tax considerations, which may differ significantly from those discussed herein. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

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

### **Status of the Fund**

This summary is based on the assumption that the Fund continues to qualify at all times as a "mutual fund trust" within the meaning of the Tax Act.

To qualify as a mutual fund trust, (i) the Fund must be a Canadian resident "unit trust" for purposes of the Tax Act, (ii) the only undertaking of the Fund must be the investing of its funds in property (other than real property or interests in real property), (iii) either the Fund must comply with certain investment conditions or its units must be redeemable on demand, and (iv) the Fund must comply with certain minimum requirements respecting the ownership and dispersal of Units.

An additional condition to qualify as a mutual fund trust for the purposes of the Tax Act is that the Fund may not be established or maintained primarily for the benefit of non-resident persons unless substantially all of its property consists of property other than "taxable Canadian property" within the meaning of the Tax Act.

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

This summary is also based on the assumption that the Fund, the Feeder Fund and the Master 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.

Provided that the Fund qualifies, or is deemed to qualify, as a "mutual fund trust" for the purposes of the Tax Act and provided that it continues to do so, Units offered hereby are qualified investments under the Tax Act for a trust governed by a registered retirement savings plan (an "**RRSP**"), a registered retirement income fund (a "**RRIF**"), a deferred profit sharing plan, a registered education savings plan, a registered disability savings plan and a tax-free savings account (a "**TFSA**") (each, a "**Registered Plan**"). For certain tax consequences of holding Units in a Registered Plan, see "Canadian Federal Income Tax Considerations – Taxation of Registered Plans".

### **Taxation of the Fund**

The Fund is subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of

amounts paid or payable to Unitholders (whether in cash or in Units) in the year. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid in the year by the Fund or the Unitholder is entitled in that year to enforce payment of the amount. The Fund intends to make sufficient distributions in each year of its net income and net capital gains for tax purposes, thereby permitting the Fund to deduct sufficient amounts so that the Fund will generally not be liable in such year for non-refundable income tax under Part I of the Tax Act.

The Fund is entitled for each taxation year throughout which it is a mutual fund trust for purposes of the Tax Act to reduce (receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (the “**Capital Gains Refund**”).

The Reference Shares of the Feeder Fund held by the Fund should be considered “offshore investment fund property” within the meaning of section 94.1 of the Tax Act. Consequently, the Fund is required to include in computing its income each taxation year a prescribed return on its investment in the Reference Shares of the Feeder Fund. The prescribed return is computed based on a prescribed rate of interest multiplied by the Fund’s designated cost of the Reference Shares of the Feeder Fund (“**94.1 Income**”). The prescribed return is reduced to the extent that the Fund receives income (e.g., dividends) on Reference Shares of the Feeder Fund. The rate is set each quarter and is based on the average yield of 90-day Government of Canada Treasury Bills plus two percent (2%). The 94.1 Income will therefore fluctuate from time to time and will increase if the 90-day Government of Canada Treasury Bill rate increases.

The Tax Act contains “loss restriction event” (“**LRE**”) rules that could potentially apply to certain trusts including the Fund. In general, a LRE occurs to the Fund if a person (or group of persons) acquires more than 50% of the Units of the Fund. If a LRE occurs to the Fund (i) the Fund will be deemed to have a year-end for tax purposes, (ii) any net income and net realized capital gains of the Fund at such year-end will be distributed to Unitholders of the Fund, and (iii) the Fund will be restricted in its ability to use tax losses (including any unrealized capital losses) on going forward basis. However, the Fund will be exempt from the application of the LRE rules in most circumstances provided that the Fund is an “investment fund” which requires the Fund to satisfy certain investment diversification rules. The Fund will not satisfy these rules if the fair market value of Reference Shares of the Feeder Fund is greater than 50% of the fair market value of the Units.

In computing its income, the Fund may deduct reasonable administrative and other expenses to the extent that such expenses are incurred to earn income and such other expenses as permitted by the Tax Act. Any losses incurred by the Fund may not be allocated to Unitholders but may generally be carried forward and back and deducted in computing the taxable income of the Fund in accordance with the detailed rules and limitations in the Tax Act.

### **Taxation of Unitholders**

A Unitholder will generally be required to include in computing income for a taxation year the amount of the Fund’s net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder (whether in cash or in Units) in the taxation year including any portions of amounts paid on redemption treated as distributions of income or gains by the Fund. If the Fund realizes 94.1 Income, such income net of any deductible expenses or losses of the Fund will be made payable to Unitholders without any corresponding cash distribution. The non-taxable portion of the Fund’s net realized capital gains paid or payable to a Unitholder in a taxation year will not be included in the Unitholder’s income for the year. Any other amount in excess of the Fund’s net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder’s income. Such amount, however, will generally reduce the adjusted cost base of the Unitholder’s Units. To the extent that the

adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain. Any losses of the Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Unitholder.

Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund and the taxable dividends received by the Fund on shares of taxable Canadian corporations as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules will apply including an enhanced gross-up and dividend tax credit in respect of "eligible dividends" paid by taxable Canadian corporations.

In addition, provided that appropriate designations are made by the Fund in respect of foreign income or gains of the Fund, for the purpose of computing any foreign tax credit available to a Unitholder, and subject to the rules in the Tax Act, the Unitholder will be deemed to have paid as tax to the government of a foreign country the Unitholder's share of the taxes paid or considered to be paid by the Fund to that country.

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

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

Based on the published administrative and interpretive statements of the CRA, and assuming that the CRA continues to apply the principles reflected in such statements in a consistent manner, the redesignation of Class A-I Units as Class F-I or Class F-II Units in the manner described under "Redesignation" should not, in and of itself, generally be considered to result in a disposition of the relevant Class A-I Units for Canadian federal income tax purposes. Accordingly, a Unitholder should generally realize neither a capital gain, nor a capital loss, as a result of a redesignation of its Class A-I Units as Class F-I or Class F-II Units. If the Class A-I Units of a Unitholder are redesignated as Class F-I or Class F-II Units, the aggregate adjusted cost base of the redesignated Class F-I or Class F-II Units should generally be equal to the aggregate adjusted cost base of the former Class A-I Units immediately before the redesignation, provided the Unitholder does not hold any other Class F-I or Class F-II Units at the time of, or immediately following, the redesignation.

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

disposition of Units as well as net income of the Fund paid or payable to the Unitholder that is designated as net realized taxable capital gains or taxable dividends from taxable Canadian corporations may increase the Unitholder's liability for alternative minimum tax.

The Net Asset Value per Unit will reflect any income and gains of the Fund that have accrued or have been realized but have not been made payable at the time the Units are acquired. Accordingly, a Unitholder who acquires Units may become taxable on the Unitholder's share of income and gains of the Fund that accrued before the Units were acquired, whether or not that such amounts will have been reflected in the price paid by the Unitholder for the Units.

As the Fund may make cash distributions on Units in a calendar year, the consequences of acquiring Units late in a calendar year will generally depend on the amount of the distributions made throughout the year and whether a special distribution is necessary late in the calendar year to ensure that the Fund will not be liable for income tax under the Tax Act.

### **Taxation of Registered Plans**

Amounts of income and capital gains included in a Registered Plan's income are generally not taxable under Part I of the Tax Act, provided that the Units are qualified investments for the Registered Plan. See "Canadian Federal Income Tax Considerations – Status of the Fund". Unitholders should consult their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Registered Plan.

Notwithstanding that a Unit may be a qualified investment for a trust governed by a TFSA, RRSP or RRIF, the holder of such TFSA or the annuitant of such RRSP or RRIF, as the case may be, will be subject to a penalty tax in respect of a Unit held in the TFSA, RRSP or RRIF, as the case may be, if such Unit is a "prohibited investment" for the TFSA, RRSP or RRIF, as the case may be. Provided that the holder of a TFSA or the annuitant of a RRSP or RRIF (i) deals at arm's length with the Fund within the meaning of the Tax Act, and (ii) does not have a "significant interest" (as defined in the Tax Act) in the Fund, the Units will not be a prohibited investment for a trust governed by such TFSA, RRSP or RRIF. Holders of TFSAs and annuitants of RRSPs or RRIFs who wish to hold Units in such Registered Plans should consult their own tax advisors.

### **Tax Implications of the Fund's Distribution Policy**

The Net Asset Value per Unit may include income and capital gains that the Fund has earned, but not yet realized (in the case of capital gains) and/or paid out as a distribution. An investor who purchases Units shortly before the Fund makes a distribution will be taxed on that distribution even though the Fund earned the income or capital gain before the investor owned the Units. For example, if the Fund pays a special distribution in December and an investor buys Units late in the year, the investor may have to pay tax on the special distribution.

### **Enhanced Tax Information Reporting**

The Fund is a "Reporting Canadian Financial Institution" for purposes of the Canada-U.S. Enhanced Tax Information Exchange Agreement (the "IGA") and Part XVIII of the Tax Act, and intends to satisfy its obligations under Canadian law for enhanced tax reporting to the CRA. Consequently, Unitholders may be requested to provide information to the Fund or their Registered Dealer relating to their citizenship, residency and, if applicable, a U.S. federal tax identification number or such information relating to the controlling person(s) in the case of certain entities. If a Unitholder or any of the controlling person(s) of certain entities is identified as a U.S. taxpayer (including a U.S. citizen who is resident in Canada) or if the Unitholder does not provide the requested information, the IGA and Part XVIII of the Tax Act will

generally require certain account information and payments made with respect to the Unitholder to be reported to the CRA, unless the investment is held in a Registered Plan. The CRA will then provide the information to the U.S. Internal Revenue Service pursuant to the provisions of the Canada-U.S. Income Tax Treaty. Part XIX of the Tax Act contains similar rules in respect of other non-Canadian investors in the Fund with the first reporting deadline being in 2018.

### **PROCEEDS OF CRIME (MONEY LAUNDERING) AND TERRORIST FINANCING LEGISLATION**

In order to comply with Canadian legislation aimed at the prevention of money laundering, the Trustee may require additional information concerning investors.

If, as a result of any information or other matter which comes to the Trustee's attention, any director, officer or employee of the Trustee, or its professional advisers, knows or suspects that an investor is engaged in money laundering or terrorist financing, such person is required to report such information or other matter to the Financial Transactions and Reports Analysis Centre of Canada and such report shall not be treated as a breach of any restriction upon the disclosure of information imposed by law or otherwise.

### **RISK FACTORS**

There are risks associated with an investment in the Fund, as a result of, among other considerations, the proposed nature and operations of the Fund. Some of these risks arise directly from the structure and activities of the Fund while other risks arise from the Fund's exposure to the investments made by the Master Fund. The risks described below relating to investments by the Fund should be construed as arising from the investments made by the Master Fund to which the Fund has exposure.

An investment in Units should only be made after consultation with independent qualified sources of investment and tax advice. An investment in the Fund involves risk and is not intended as a complete investment program. The purchase of Units should be considered only by investors financially able to maintain their investment and who can bear the risk of loss associated with an investment in the Fund. **The following does not purport to be an adequate summary of all the risks associated with an investment in the Fund.**

#### **Risks Associated with the Fund**

##### ***No Guaranteed Return***

There is no guarantee that an investment in Units will earn any positive return in the short or long-term. The value of the Units may increase or decrease depending on market, economic, political, regulatory and other conditions affecting the Fund's portfolio. An investment in Units is more volatile and risky than some other forms of investments. All prospective Unitholders should consider an investment in the Fund within the overall context of their investment policies. Investment policy considerations include, but are not limited to, setting objectives, defining risk/return constraints and considering time horizons.

##### ***Achievement of Investment Objective***

There can be no assurance that the Fund will be able to achieve its investment objectives.

### ***Reliance on Manager***

The Fund will be highly dependent upon the expertise and abilities of the Manager. The loss of services of key personnel of the Manager could adversely affect the Fund. Unitholders have no right to take part in the management of the Fund.

Substantially all decisions with respect to the management of the Fund's investments are made exclusively by the Manager (although it may delegate administrative responsibilities from time to time). The Manager makes and implements decisions with respect to the investment of the assets of the Fund. The Manager has substantial authority to identify, structure, execute, administer, monitor and liquidate the portfolio comprising the Fund's investment portfolio based on its judgement. In exercising its authority, the Manager has no responsibility to consult with the Trustee or any other person. The Fund's ability to identify attractive investment opportunities is substantially dependent upon the Manager.

### ***Limited Operating History***

The Fund is a recently-formed investment trust with limited operating history.

### ***Illiquidity of Units***

There is currently no public market for Units and none is expected to develop. While Unitholders may redeem their Units as described herein, under certain conditions redemptions may be temporarily restricted or suspended. Unitholders requesting redemptions may therefore potentially experience delays in receiving redemption payments. An investment in Units is hence suitable only for sophisticated investors who do not need full liquidity with respect to this investment.

### ***Fees and Expenses***

The Fund is obligated to pay management fees and other expenses regardless of whether the Fund realizes a profit. Under certain circumstances, the Fund may be subject to significant indemnification obligations in respect of the Trustee or certain affiliated parties.

### ***Risks Arising from Multiple Classes of Units***

Expenses of the Fund generally will be allocated among the various Classes of Units, and a creditor of the Fund may seek to satisfy its claims from the assets of the Fund as a whole, even though its claim relates only to a particular Class of Units.

### ***Current Income***

Since distributions, if any, will generally be automatically reinvested on behalf of Unitholders in additional Units of the same Class, an investment in the Fund is not suitable for investors seeking current income for financial or tax planning purposes.

### ***Investment Strategy of Fund***

There is no guarantee that the investment strategies or programs used by the Fund will be successful, and investment results may vary substantially over time. Past performance may not be indicative of future results. The securities and instruments in which the Fund may invest may be illiquid and adversely affected by exchange regulations or the risk of failure of any of the exchanges on which such instruments trade or their clearing houses, if any. The Fund may be adversely affected by changes in applicable law. Some of the additional risks associated with the Fund are described below.

### ***Use of Leverage***

The Fund may use leverage, including purchasing securities with borrowed funds, selling securities short, using repurchase agreements, swaps and other derivatives to make investments. If such investments decline in value, the loss will be magnified if the Fund has borrowed money to make its investments. The Fund may not be able to repay borrowings or it may be forced to sell investments at a disadvantageous time in order to repay borrowings. Costs incurred in connection with the use of leverage may not be recovered by income or appreciation in the investments purchased, and may be lost in the event of a decline in the market value of such securities. In the event of a precipitous drop in the value of the Fund's assets, the Fund might not be able to liquidate assets quickly enough to pay off its margin debt. The Fund may elect to sell its more liquid assets first to repay borrowings, thus increasing its concentration in less liquid securities.

### ***Short Selling***

The Fund may engage in short-selling of securities. A short sale will result in a gain if the price of the securities sold short declines between the date of the short sale and the date on which securities are purchased to replace those borrowed. A short sale will result in a loss if the price of the security sold short increases. Any gains are decreased by the amount of any payment or interest that the Fund may be required to pay with respect to the borrowed securities. Short sales may only be maintained if the securities can be borrowed. It may not be possible at times for the Fund to borrow the securities it wishes to sell short or maintain the borrowing of a security sold short. The borrowed securities may need to be returned on short notice. If the securities cannot remain borrowed the Fund could be required to cover the short sale by borrowing the security elsewhere or by purchasing securities at a higher price than the short sale transaction thereby creating a loss. If the price of a security that has been sold short increases, there is theoretically no limit to the loss that could be incurred in covering a short sale, as there is no limit on how much the price of a stock may appreciate before the short position is closed out.

### ***Derivatives***

The Fund may purchase and sell options or enter into other derivative transactions. These transactions may be used for any purpose, including hedging purposes and to increase the possibility of achieving gains from any level of movement in the price of the underlying securities or group of securities. Use of derivatives in general presents additional risks. If used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent the Fund from achieving the intended hedge effect or expose it to the risk of loss. Risks associated with options or other derivative instruments may differ from the risks associated with the underlying assets. Derivative instruments may not be liquid in all circumstances, so that in volatile markets the Fund may not be able to close out a position without incurring a loss.

The Fund may purchase or write call and put options on securities and stock indexes, on exchanges or over-the-counter markets. The uncovered selling of an option generally exposes the seller to unlimited risk. The ability of the Fund to close out a position as a purchaser or writer of a listed put or call option is dependent, in part, upon the liquidity of the option market.

The Fund may be subject to credit risk with respect to the counterparties with which the Fund enters into derivatives contracts, foreign exchange, currency forward contracts, other transactions such as repurchase agreements or reverse repurchase agreements and securities lending transactions. If a counterparty becomes insolvent or otherwise fails to perform its obligations, the Fund may experience significant delays in obtaining any recovery in an insolvency, bankruptcy, or other reorganization proceeding (including recovery of any collateral posted by it) and may obtain only a limited recovery or may obtain no recovery in such circumstances. In addition, if the credit rating of a derivatives counterparty or

potential derivatives counterparty declines, the Manager may determine not to enter into transactions on behalf of the Fund with that counterparty in the future and/or may terminate any transactions currently outstanding between the Fund and that counterparty; alternatively, Manager may in its discretion determine to enter into new transactions with that counterparty and/or to keep existing transactions in place, in which event the Fund would be subject to any increased credit risk associated with that counterparty. Regulatory changes adopted or proposed to be adopted by regulators in Canada and outside Canada may have the effect of increasing certain counterparty risks in connection with over-the-counter transactions entered into by the Fund.

### ***Trading Errors***

In the course of carrying out trading and investing responsibilities on behalf of the Fund, Manager personnel may make “trading errors”. 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 typically distinguishable from errors in judgement, due diligence or other factors leading to a specific trading instruction being generated, as well as from unauthorized trading or other improper conduct by personnel of the Manager. 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.

### ***General Economic and Market Conditions***

Changes in economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances may adversely affect the Fund’s operations and/or its investment returns. These factors may affect the level and volatility of securities prices and the liquidity of the Fund’s investments. Unexpected volatility or illiquidity could impair the Fund’s profitability or result in losses.

### ***Fixed Income Securities***

The Fund may invest in bonds or other fixed income securities of U.S., Canadian and other issuers. 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.

### ***Equity Securities***

To the extent that the Fund holds equity securities, it 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, it 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.

### ***Commodities***

To the extent the Fund holds commodities such as gold, silver and other precious metals, it will be influenced by changes in the price of such commodities. Commodity prices can change significantly as a

result of supply and demand, speculation, international monetary and political factors, government and central bank activity and changes in interest rates and currency values.

### ***Credit Default Swap Agreements***

The Fund may be either the buyer or seller in a credit default swap transaction. The buyer in a credit default swap contract is obligated to pay the “seller” a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation. Generally, a credit event means bankruptcy, failure to pay or obligation acceleration. Credit default swaps involve greater risk than investing in the reference obligation directly. In addition to general market risks, credit default swaps are subject to liquidity risks and credit risk.

### ***Credit Market Disruptions***

From time to time, the credit markets are subject to periods in which there is a severe contraction of both liquidity and available leverage. These factors can result in leveraged strategies being required to sell positions – typically at a highly disadvantageous price – in order to meet margin requirements. Such conditions could cause a reduction in revenue or losses in the Fund’s leveraged strategies.

### ***High-Yield Securities***

The Fund may invest in high-yield securities. Such securities are generally not exchange traded and, as a result, these instruments trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace. In addition, the Fund may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. The market values of certain of these lower-rated and unrated debt securities tend to reflect changes in the issuer’s own circumstances to a greater extent than do high-rated securities which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are lower-rated securities. It is possible that a major economic recession could disrupt severely the market for such high-yield securities and may have an adverse impact on the value of such securities or the ability of the issuers of such securities to pay interest and repay principal thereon.

### ***Distressed Securities***

The Fund may invest in “distressed” securities, claims and obligations of domestic and foreign entities which are experiencing significant financial or business difficulties. Distressed securities may result in significant returns to the Fund, but also involve a substantial degree of risk. The Fund may lose a substantial portion or all of its investment in a distressed environment or may be required to accept cash or securities with a value less than the Fund’s investment. Among the risks inherent in investments in entities experiencing significant financial or business difficulties is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such instruments may also be subject to abrupt and erratic market movements and above average price volatility. In trading distressed securities, litigation is sometimes required. Such litigation can be time-consuming and expensive, and can frequently lead to unpredicted delays or losses.

### ***Turnover***

The Fund may invest on the basis of short-term market considerations from time to time. The turnover rate associated with such investments may be significant, potentially involving substantial brokerage commissions and fees.

### ***Special Situation Investing***

The Fund may invest in companies involved in, or the target of, acquisition attempts, tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. The consummation of mergers, tender offers and exchange offers can be prevented or delayed by a variety of factors, including management or shareholder opposition, government intervention, an attempt by a third party to acquire the offeror, market conditions resulting in material changes in securities prices, compliance with any applicable legal requirements and inability to obtain adequate financing. Additionally, such investment can result in a distribution of cash or a new security the value of which is less than the purchase price of the security in respect of which such distribution is received. Similarly if an anticipated transaction does not in fact occur, the Fund may be required to sell its investment at a loss.

### ***Hedging***

Although a hedge is intended to reduce risk, it may not eliminate risk entirely. A hedging strategy may not be effective under certain market conditions arising from adverse economic, political or other disruptive events. A hedge can result in a loss in such circumstances.

### ***Illiquidity of Underlying Investments***

Certain securities in which the Fund may invest may be unlisted, distressed or otherwise illiquid and difficult to value. The valuation of these securities is subject to a significant amount of subjectivity and discretion. There is no guarantee that fair value will be realized by the Fund on the sale of these securities. Options and other derivative securities may themselves be illiquid at times, irrespective of the condition of the market of the underlying security, making it difficult to offset existing positions in order to either realize gains thereon, limit losses or change positions in the market.

### ***Performance Fees***

The Manager is entitled to performance-based fees from the Fund. Performance-based fees may create an incentive for the Manager to engage in investment strategies and make investments that are more speculative than would be the case in the absence of such fees.

### ***Net Asset Value***

The calculation of the net asset value of the Fund will be based on estimated values regarding investments which may be illiquid and thinly traded. In certain circumstances estimated net asset values for such assets may be subject to later revision. No adjustments will be made to the net asset value of the Fund if those estimated values are subsequently determined to be inaccurate. The Trustee is entitled to rely on such valuations without independent verification.

### ***Foreign Market Exposure***

Investments made by the Fund may, at any time, include securities of issuers established in jurisdictions outside Canada and the United States. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to Canadian and U.S. issuers, some issuers may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than a Canadian or U.S. issuer. Volume and liquidity in some foreign markets may be less than in Canada and the United States and, at times, volatility of price may be greater than in Canada or the United States. As a result, the price of such securities may be affected by conditions in the market of the jurisdiction in which the issuer is located or its securities are traded. Other

risks include the application of foreign tax law, changes in governmental administration or economic or monetary policy, and the effect of local market conditions on the availability of public information. Investments in foreign markets carry the potential exposure to the risk of political upheaval, acts of terrorism and war, all of which could have an adverse impact on the value of such securities.

### ***Foreign Currency Exposure***

Some of the investments of the Fund, at any time, will consist of securities denominated in currencies other than the Canadian dollar (primarily the U.S. dollar) and, accordingly, the net asset value of the Fund will, when measured in Canadian dollars, be affected by fluctuations in the value of such currencies relative to the Canadian dollar.

### **Risks Relating to the Business of the Manager**

#### ***Potential Conflicts of Interest***

The Manager is required to satisfy a standard of care in exercising its duties with respect to the Fund. However, neither the Manager nor its partners, officers, or employees are required to devote all or any specified portion of their time to their responsibilities relating to the Fund. Certain inherent conflicts of interest arise from the fact that the Manager and its affiliates may carry on investment activities for other clients (including other investment funds sponsored by the Manager and its affiliates) or on a proprietary basis in which the Fund will have no interest. Future investment activities by the Manager, including the establishment of other investment funds, may give rise to additional conflicts of interest.

The Manager and its affiliates may also engage in the promotion, management or investment management of any other fund or trust or engage in other activities. In addition, partners, officers and employees of the Manager may act as partners, directors or officers of other entities that provide services to funds.

**The Manager has discretion regarding the selection of the broker-dealers and other intermediaries with and through which the Fund executes and clears portfolio transactions, the commissions and fees payable and the prices at which investments are bought and sold. Some allocations may be based in part on the provision of or payment for other products or services (including but not limited to investment research) to the Fund, the Manager or affiliated persons (“soft-dollars”). Such services may not be used for the direct or exclusive benefit of the Fund and may reduce the overhead and administrative expenses otherwise payable.**

### **General Risk Factors**

#### ***Taxation of the Fund***

If the Fund does not qualify at all relevant times as a mutual fund trust under the Tax Act, the income tax considerations described under the heading “Canadian Federal Income Tax Considerations” would be materially and adversely different in certain respects.

The Fund will include in computing its income for tax purposes each taxation year a prescribed return in respect of its investment in Reference Shares of the Feeder Fund. The income inclusion is computed based on a prescribed rate of interest multiplied by the Fund’s designated cost of the Reference Shares of the Feeder Fund. The prescribed return is reduced to the extent that the Fund receives income (e.g., dividends) on the Reference Shares of the Feeder Fund. The rate is set each quarter and is based on the average yield of 90-day Government of Canada Treasury Bills plus two percent (2%). The income inclusion will therefore fluctuate from time to time and will increase if the 90-day Government of Canada Treasury Bill rate increases. Any increase in the rate will result in increased income in the Fund and a

corresponding increase in the income distributed by the Fund to Unitholders even if there is no underlying income actually realized by the Fund to support such distribution.

### ***Potential Liability of Unitholders***

The Trust Agreement provides that no Unitholder shall be subject to any personal liability for the satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the Fund, or the Trustee, but rather only the Fund property is intended to be liable and subject to levy or execution for such satisfaction.

### ***Changes in Applicable Law***

Legal, tax and regulatory changes may occur that can adversely affect the Fund and Unitholders.

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

### **Reporting to Unitholders**

Each Unitholder will receive a monthly statement from the Fund showing the number of Units that Unitholder holds, including any transactions (e.g., subscriptions, redemptions and/or reinvestments) that have occurred since the last statement. Each Unitholder will also be provided with all applicable income tax forms on an annual basis.

The Administrator will maintain the books and records of the Fund. Except for confidential information, as determined by the Manager to be in the best interests of the Fund, or as otherwise required by law, each Unitholder or its duly appointed representative has the right, on reasonable notice, to examine the books and records of the Fund during normal business hours at the office of the Administrator.

The fiscal year-end of the Fund is December 31st. Each Unitholder has the right to receive the audited annual financial statements of the Fund within 90 days after each year-end and the unaudited semi-annual financial statements of the Fund within 60 days after June 30th of each year.

Confirmations will be sent to each Unitholder who buys, switches or redeems a Unit.

The Fund is not a reporting issuer for the purpose of applicable securities legislation.

### **Meetings of Unitholders**

The Fund does not hold regular meetings, however the Trustee may convene a meeting of Unitholders, or a Class of Unitholders, as it considers appropriate or advisable from time to time. The Trustee must also call a meeting of Unitholders or of a Class of Unitholders on the written request of Unitholders holding not less than 50% of the outstanding Units of the Fund (or of a Class with respect to a Class meeting) in accordance with the Trust Agreement. Units of a Class shall vote separately as a Class 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 or more Unitholders present in person or by proxy representing not less than 5% of the Units, or Units of a Class, as applicable, then outstanding. If no quorum is present at such meeting when called, the meeting will be adjourned to a date and time determined by the Chairman not less than seven days thereafter, and at the adjourned meeting the Unitholders then present in person or represented by proxy will form the necessary quorum.

Any consent of Unitholders under the Trust Agreement must be given by not less than 50% of the Units or Units of a Class, as applicable.

### **AMENDMENTS TO THE TRUST AGREEMENT AND TERMINATION OF THE FUND**

The Trust Agreement may be amended by the Trustee at any time without notice to, or approval by, the Unitholders if the amendment does not adversely affect the pecuniary value of the interest of any Unitholder. Any other amendment to the Trust Agreement will be made the Trustee only after providing Unitholders with 60 days' prior written notice of the amendment.

The Manager may terminate the Fund at any time. Prior to the termination of the Fund, the Manager will take all necessary steps to convert the assets of the Fund into cash, and will distribute to each Unitholder their pro rata interest in the assets of the applicable Class of Units held by such Unitholders after all the liabilities of the Fund have been paid or provided for.

### **MATERIAL CONTRACTS**

The only material contracts of the Fund are the Trust Agreement and the Administration Agreement. Copies of such contracts may be inspected at the office of the Trustee during normal business hours.

### **PROMOTER**

Metric Asset Management Limited Partnership is the promoter of the Fund, having taken the initiative in its establishment.

### **CUSTODIAN**

The custodian of the assets of the Fund is one or more financial institutions and/or their affiliates, in their role as prime broker to the Fund or such third party or parties as may be appointed by the Trustee pursuant to the Trust Agreement.

### **AUDITORS**

The auditors of the Fund are Ernst & Young LLP.

## STATUTORY AND CONTRACTUAL RIGHTS OF ACTION

Securities legislation in certain of the Canadian provinces provides purchasers of securities pursuant to an offering memorandum with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, where the offering memorandum and any amendment to it contains a “Misrepresentation”. Where used herein, the term “**Misrepresentation**” means an untrue statement of material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made. These remedies, or notice with respect to these remedies, must be prescribed by applicable securities legislation.

### *Ontario*

Section 130.1 of the *Securities Act* (Ontario) provides that every purchaser of securities pursuant to an offering memorandum (such as this Offering Memorandum) shall have a statutory right of action for damages or rescission against the issuer and any selling security holder in the event that the offering memorandum contains a Misrepresentation. A purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the Misrepresentation, a right of action for damages or, alternatively, while still the owner of the securities, for rescission against the issuer and any selling security holder provided that:

- (a) if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages as against the issuer and the selling security holders, if any;
- (b) the issuer and the selling security holders, if any, will not be liable if they prove that the purchaser purchased the securities with knowledge of the Misrepresentation;
- (c) the issuer and the selling security holders, if any, will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and
- (d) in no case shall the amount recoverable exceed the price at which the securities were offered.

Section 138 of the *Securities Act* (Ontario) provides that 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 an action for damages, the earlier of:
  - (i) 180 days after the date that the purchaser 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.

This Offering Memorandum is being delivered in reliance on the exemption from the prospectus requirements contained under section 2.3 (the “accredited investor exemption”) and section 2.10 (the “minimum amount exemption”) of NI 45-106. The rights referred to in section 130.1 of the *Securities Act* (Ontario) do not apply in respect of an offering memorandum (such as this Offering Memorandum) delivered to a prospective purchaser in connection with a distribution made in reliance on the accredited investor exemption if the prospective purchaser is:

- (a) a Canadian financial institution or a Schedule III bank (each as defined in NI 45-106);
- (b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or
- (c) a subsidiary of any person referred to in paragraphs (a) and (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

#### *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. Unitholders 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.

#### *Saskatchewan*

If the Offering Memorandum, together with any amendment hereto, is delivered to a purchaser of Units resident in Saskatchewan and contains a misrepresentation in respect of the Fund at the time of purchase, the purchaser is deemed to have relied upon that misrepresentation and will have a right for damages against the Fund acting on behalf of the applicable Fund, every promoter and director of the Fund acting on behalf of the Fund (as the case may be), every person or company who signed the Offering Memorandum and every person or company who sells, on behalf of the Fund acting for the Fund, the Units relating to the Fund, or alternatively, while still the owner of the purchased Units, for rescission against the Units, provided that:

- (a) No action shall be commenced to enforce the foregoing rights:
  - (i) In the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or
  - (ii) In the case of any action, other than an action for rescission, the earlier of (i) one year after the purchaser 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 the action;
- (b) No person or company will be liable if the person or company proves that the purchaser purchased the Units with knowledge of the misrepresentation;
- (c) No person or company (but excluding the Fund acting on behalf of the Fund) will be liable if the person or company proves that (i) the Offering Memorandum was delivered without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company immediately gave reasonable general notice to the Fund acting on behalf of the Fund that it was delivered without the person's or

company's knowledge, (ii) on becoming aware of any misrepresentation, the person or company withdrew the person's or company's consent to the Offering Memorandum and gave reasonable general 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, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the Offering Memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of or extract from the report, opinion or statement of the expert;

- (d) No person or company (but excluding 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, or 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 there had been a misrepresentation;
- (e) In an action for damages, a person or company is not liable for all or any portion of the damages that the person or company proves do not represent the depreciation in value of the Units from the misrepresentation relied on;
- (f) In no case shall the amount recoverable exceed the price at which the Units were sold to the purchaser; and
- (g) A person or company will not be liable for a misrepresentation in forward-looking information if the person or company proves that:
  - (i) 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
  - (ii) The person or company had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward looking information.

A purchaser resident in Saskatchewan who has entered into an agreement for the purchase of Units, which has not yet been completed, and who receives an amendment to the Offering Memorandum that discloses (i) a material change in the affairs of the Fund, (ii) a change in the terms or conditions of the offering as described in the Offering Memorandum or (iii) securities to be distributed that are in addition to the Units described herein, that occurred or arose before the purchaser entered into the agreement for the purchase of the Units, may within two business days of receiving the amendment deliver a notice to the Fund acting on behalf of the Fund, the administrator, the Manager or agent through whom the Units are being purchased indicating the purchaser's intention not to be bound by the purchase agreement.

A purchaser resident in Saskatchewan will have a similar right of action for damages if advertising or sales literature disseminated in connection with the distribution of Units contains a misrepresentation, and against any individual who makes a verbal statement to the purchaser that contains a misrepresentation relating to the Units, subject to defences, exclusions and limitations set out in the relevant legislation and

in any event provided that the rights must be exercised within the time periods set out in paragraph (a) above.

**The foregoing summary is subject to the express provisions of the Securities Act, 1998 (Saskatchewan), as amended and the rules, regulations and other instruments thereunder, and reference is made to the complete text of such provisions contained therein. Such provisions may contain limitations and statutory defences on which the Fund acting on behalf of the Fund may rely.**

### *Manitoba*

When the Offering Memorandum contains a misrepresentation, a purchaser who resides in Manitoba who purchases Units will be deemed to have relied on the representation if it was a misrepresentation in respect of the Fund at the time of purchase, and the purchaser has:

- (a) A right of action for damages against:
  - (i) The Fund acting on behalf of the applicable Fund,
  - (ii) Every director of the Fund acting on behalf of the Fund at the date of the Offering Memorandum, and
  - (iii) Every person or company who signed the Offering Memorandum; and
- (b) A right of rescission against the Fund acting on behalf of the applicable Fund.

If the purchaser chooses to exercise a right of rescission against the Fund acting on behalf of the Fund, the purchaser has no right of action for damages against a person or company referred to above.

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

When a misrepresentation is contained in the Offering Memorandum, no person or company is liable:

- (a) If the person or company proves that the purchaser had knowledge of the misrepresentation;
- (b) Other than with respect to the Fund acting on behalf of the Fund, if the person or company proves:
  - (i) That the Offering Memorandum was sent to the purchaser without the person's or company's knowledge or consent, and
  - (ii) That, after becoming aware that it was sent, the person or company promptly gave reasonable notice to the Fund acting on behalf of the Fund that it was sent without the person's or company's knowledge and consent;
- (c) Other than with respect to the Fund acting on behalf of the Fund, if the person or company proves that, after becoming aware of the misrepresentation, the person or company withdrew the person's or company's consent to the Offering Memorandum and

gave reasonable notice to the Fund acting on behalf of the Fund of the withdrawal and the reason for it;

- (d) Other than with respect to the Fund acting on behalf of the Fund, if, 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, an expert's report, opinion or statement, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that:
  - (i) There had been a misrepresentation, or
  - (ii) The relevant part of the Offering Memorandum:
    - (A) Did not fairly represent the expert's report, opinion or statement, or
    - (B) Was not a fair copy of, or an extract from, the expert's report, opinion or statement;
- (e) Other than with respect to the Fund acting on behalf of the Fund, with respect to any part of the Offering Memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company:
  - (i) Did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or
  - (ii) Believed there had been a misrepresentation.

The amount recoverable shall not exceed the price at which the Units were offered under the Offering Memorandum. In an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the 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.

No action may be commenced to enforce a right:

- (a) In the case of an action for rescission, more than 180 days after the day of the transaction that gave rise to the cause of action; or
- (b) In any other case, more than the earlier of:
  - (i) 180 days after the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or
  - (ii) Two (2) years after the day of the transaction that gave rise to the cause of action.

*New Brunswick*

In the event that the Offering Memorandum, together with any amendment thereto, delivered to a purchaser of Units relating to a Fund resident in New Brunswick contains a misrepresentation in respect of the Fund and it was a misrepresentation at the time of purchase, the purchaser will be deemed to have relied on the misrepresentation and will have a right of action against the Fund acting on behalf of the Fund for damages or, alternatively, while still the owner of the Units, for rescission, provided that:

- (a) No action may be commenced to enforce a right of action:
  - (i) For rescission more than 180 days after the date of the purchase; and
  - (ii) For damages more than the earlier of (i) one year after the purchaser first had knowledge of the facts giving rise to the cause of action, and (ii) six years after the date of purchase;
- (b) The Fund acting on behalf of the Fund will not be liable if it proves that the purchaser purchased the Units with knowledge of the misrepresentation;
- (c) In an action for damages, the Fund acting on behalf of 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; and
- (d) In no case shall the amount recoverable exceed the price at which the Units were sold to the purchaser.

*Nova Scotia*

If the Offering Memorandum or any amendment hereto or any advertising or sales literature (as defined in the Securities Act (Nova Scotia)) delivered to a purchaser of Units relating to a Fund resident in Nova Scotia contains a misrepresentation in respect of the Fund and it was a misrepresentation at the time of purchase, the purchaser will be deemed to have relied on the misrepresentation and will have a right of action for damages against the Fund acting on behalf of the applicable Fund, any director of the Fund acting on behalf of the Fund (within the meaning of the Securities Act (Nova Scotia)) at the date of the Offering Memorandum, or any other person who signed the Offering Memorandum, but may elect to exercise a right of rescission against the Fund acting on behalf of the applicable Fund, in which case the investor 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:

- (a) No action may be commenced to enforce a right of action more than 120 days:
  - (i) After the date on which payment was made for the Units; or
  - (ii) After the date on which the initial payment for the Units was made where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment;
- (b) 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;

- (c) 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 Units as a result of the misrepresentation relied upon;
- (d) In no case shall the amount recoverable under the right of action described herein exceed the price at which the Units were sold to the purchaser;
- (e) No person or company other than the Fund acting on behalf of the Fund will be liable if the person or company proves that (i) the Offering Memorandum or the 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, (ii) after delivery of the Offering Memorandum or the amendment thereto and before the purchase of the Units by the purchaser, on becoming aware of any misrepresentation in the Offering Memorandum or the amendment thereto, the person or company withdrew the person's or company's consent to the Offering Memorandum or the amendment thereto and gave reasonable general notice of the withdrawal and the reason for it, or (iii) with respect to any part of the Offering Memorandum or the 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 there had been a misrepresentation, or the relevant part of the Offering Memorandum or the 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;
- (f) No person or company other than the Fund acting on behalf of the Fund will be liable with respect to any part of the Offering Memorandum or the amendment thereto not purporting to be made on the authority of an expert, or to be a copy, or an extract from, a report, opinion or statement of expert unless the person or company 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; and
- (g) If a misrepresentation is contained in a record incorporated by reference in, or deemed incorporated into, the Offering Memorandum or the amendment thereto, the misrepresentation is deemed to be contained in the Offering Memorandum or the amendment thereto.

#### *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:

1. 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.
2. 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;
  3. 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;
  4. 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;
  5. 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;
  6. 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;
  7. 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

8. 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.

### *Québec*

Legislation has been adopted in Québec, but is not yet in force, that will provide you 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 you under ordinary civil liability rules, you are granted the same rights of action for damages or rescission as purchasers in Ontario who purchase Units. If and when this legislation is in force, then you 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 you under ordinary civil liability rules:

If there is a misrepresentation in respect of the Fund in the Offering Memorandum, you will have a statutory right to sue:

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

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

However, there will be various defences available to the persons that you will have a right to sue. For example, they will have a defence if you knew of the misrepresentation when you purchased these Units. In an action for damages, a person listed above, other than the Fund acting on behalf of the Fund, 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) 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; 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 you intend to rely on the rights described in (a) or (b) above, you will have to do so within strict time limitations. You will have to commence an action to cancel the agreement or revise the price within three years after the date of the purchase. You will have to commence an action for damages within the earlier of (i) three years after you first had knowledge of the facts giving rise to the cause of action (except on proof of tardy knowledge imputable to your negligence) or (ii) five years after the filing of the Offering Memorandum with the *Autorité des marchés financiers*.

### *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.

### *Yukon*

Securities legislation in the Yukon provides that if an offering memorandum (such as this Offering Memorandum) contains a misrepresentation, a purchaser who purchases a security offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation:

- (a) a right of action for damages against:
  - (i) the Fund;
  - (ii) the selling security holder on whose behalf the distribution is made;
  - (iii) every director of the Fund at the date of the offering memorandum, and
  - (iv) every person who signed the offering memorandum; and
- (b) a right of rescission against:
  - (i) the Fund; or
  - (ii) the selling security holder on whose behalf the distribution is made.

If the purchaser chooses to exercise a right of rescission against the Fund, the purchaser has no right of action for damages against a person or company referred to above.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, an offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum.

If a misrepresentation is contained in the offering memorandum, no person is liable if the person proves that the purchaser purchased the securities with knowledge of the misrepresentation.

A person, other than the Fund or selling security holder, is not liable in an action for damages if the person proves that:

- (a) 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 had promptly given reasonable notice to the Fund that it had been sent without the person's knowledge and consent;

- (b) 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 of the withdrawal and the reason for it; or
- (c) 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, opinion or statement of an expert, the person had no reasonable grounds to believe and did not believe that
  - (i) there had been a misrepresentation, or
  - (ii) the relevant part of the offering memorandum
    - (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.

A person, other than the Fund or selling security holder, is not liable in an action for damages 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, opinion or statement of an expert, unless the person

- (a) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or
- (b) believed there had been a misrepresentation.

The amount recoverable shall not exceed the price at which the securities were offered under the offering memorandum. In an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the 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.

The Fund, and every director of the Fund at the date of the offering memorandum who is not a selling security holder, is not liable if the Fund does not receive any proceeds from the distribution of the securities and the misrepresentation was not based on information provided by the Fund, unless the misrepresentation

- (a) was based on information previously publicly disclosed by the Fund;
- (b) was a misrepresentation at the time of its previous public disclosure; and
- (c) was not subsequently publicly corrected or superseded by the Fund before completion of the distribution of the securities being distributed.

No action may be commenced to enforce a right more than,

- (a) in the case of an action for rescission, 180 days after the date of the transaction giving 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.

The rights of action for rescission or damages conferred are in addition to and do not derogate from any other right that the purchaser may have at law.

#### *Northwest Territories*

Securities legislation in the Northwest Territories provides that if an offering memorandum (such as this Offering Memorandum) contains a misrepresentation, a purchaser who purchases a security offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation:

- (a) a right of action for damages against
  - (i) the Fund;
  - (ii) the selling security holder on whose behalf the distribution is made;
  - (iii) every director of the Fund at the date of the offering memorandum, and
  - (iv) every person who signed the offering memorandum; and
- (b) a right of rescission against:
  - (i) the Fund; or
  - (ii) the selling security holder on whose behalf the distribution is made.

If the purchaser chooses to exercise a right of rescission against the Fund, the purchaser has no right of action for damages against a person or company referred to above.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, an offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum.

If a misrepresentation is contained in the offering memorandum, no person is liable if the person proves that the purchaser purchased the securities with knowledge of the misrepresentation.

A person, other than the Fund or selling security holder, is not liable in an action for damages if the person proves that:

- (a) 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 had promptly given reasonable notice to the Fund that it had been sent without the person's knowledge and consent;
- (b) 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 of the withdrawal and the reason for it; or
- (c) 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, opinion or statement of an expert, the person had no reasonable grounds to believe and did not believe that
  - (i) there had been a misrepresentation, or
  - (ii) the relevant part of the offering memorandum
    - (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.

A person, other than the Fund or selling security holder, is not liable in an action for damages 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, opinion or statement of an expert, unless the person

- (a) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or
- (b) believed there had been a misrepresentation.

The amount recoverable shall not exceed the price at which the securities were offered under the offering memorandum. In an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the 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.

The Fund, and every director of the Fund at the date of the offering memorandum who is not a selling security holder, is not liable if the Fund does not receive any proceeds from the distribution of the securities and the misrepresentation was not based on information provided by the Fund, unless the misrepresentation

- (a) was based on information previously publicly disclosed by the Fund;
- (b) was a misrepresentation at the time of its previous public disclosure; and

- (c) was not subsequently publicly corrected or superseded by the Fund before completion of the distribution of the securities being distributed.

No action may be commenced to enforce a right more than,

- (a) in the case of an action for rescission, 180 days after the date of the transaction giving 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.

The rights of action for rescission or damages conferred are in addition to and do not derogate from any other right that the purchaser may have at law.

#### *Nunavut*

Securities legislation in Nunavut provides that if an offering memorandum (such as this Offering Memorandum) contains a misrepresentation, a purchaser who purchases a security offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation:

- (a) a right of action for damages against
  - (i) the Fund;
  - (ii) the selling security holder on whose behalf the distribution is made;
  - (iii) every director of the Fund at the date of the offering memorandum, and
  - (iv) every person who signed the offering memorandum; and
- (b) a right of rescission against:
  - (i) the Fund; or
  - (ii) the selling security holder on whose behalf the distribution is made.

If the purchaser chooses to exercise a right of rescission against the Fund, the purchaser has no right of action for damages against a person or company referred to above.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, an offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum.

If a misrepresentation is contained in the offering memorandum, no person is liable if the person proves that the purchaser purchased the securities with knowledge of the misrepresentation.

A person, other than the Fund or selling security holder, is not liable in an action for damages if the person proves that:

- (a) 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 had promptly given reasonable notice to the Fund that it had been sent without the person's knowledge and consent;
- (b) 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 of the withdrawal and the reason for it; or
- (c) 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, opinion or statement of an expert, the person had no reasonable grounds to believe and did not believe that
  - (i) there had been a misrepresentation, or
  - (ii) the relevant part of the offering memorandum
    - (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.

A person, other than the Fund or selling security holder, is not liable in an action for damages 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, opinion or statement of an expert, unless the person

- (a) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or
- (b) believed there had been a misrepresentation.

The amount recoverable shall not exceed the price at which the securities were offered under the offering memorandum. In an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the 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.

The Fund, and every director of the Fund at the date of the offering memorandum who is not a selling security holder, is not liable if the Fund does not receive any proceeds from the distribution of the securities and the misrepresentation was not based on information provided by the Fund, unless the misrepresentation

- (a) was based on information previously publicly disclosed by the Fund;

- (b) was a misrepresentation at the time of its previous public disclosure; and
- (c) was not subsequently publicly corrected or superseded by the Fund before completion of the distribution of the securities being distributed.

No action may be commenced to enforce a right more than,

- (a) in the case of an action for rescission, 180 days after the date of the transaction giving 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.

The rights of action for rescission or damages conferred are in addition to and do not derogate from any other right that the purchaser may have at law.

#### *British Columbia*

Purchasers of Units resident in British Columbia do not have a statutory right of action for damages or rescission and therefore will be entitled, pursuant to the Subscription Agreement to be entered into between each such purchaser and the Fund in connection with the offering, to a contractual right of action for damages or rescission that is equivalent to the statutory right of action for damages or rescission available to purchasers resident in Ontario (including insofar as such right may be subject to defences and limitations available under the *Securities Act* (Ontario)).