

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities. The securities offered by this prospectus have not been, and will not be, registered under the United States Securities Act of 1933, as amended, and, subject to certain exceptions, may not be offered or sold within the United States of America or to U.S. persons.

# JUNE 2021 INVESTMENT GRADE BOND POOL

## PROSPECTUS

Initial Public Offering

February 24, 2017

### June 2021 Investment Grade Bond Pool *Unit Traded Fund (UTF)*

**\$75,000,000 (maximum)**  
**(maximum – 7,500,000 Units)**  
**\$10.00 per Class A Unit**  
**\$10.00 per Class T Unit**

June 2021 Investment Grade Bond Pool (the “**Fund**”), a closed-end investment fund established as a trust under the laws of the Province of Ontario, hereby offers its convertible Class A Units (the “**Class A Units**”) and traded Class T Units (the “**Class T Units**”) and, together with the Class A Units, the “**Units**”) at a price of \$10.00 per Unit (the “**Offering**”). The Fund uses the *Unit Traded Fund (UTF)* structure. See “*Unit Traded Fund Structure*”.

The Fund’s investment objectives are to:

- (i) return to holders of Units (“**Unitholders**”), including through Principal Distributions (as defined below), the original issue price of \$10.00 per Unit on or before June 30, 2021 (the “**Scheduled Termination Date**”); and
- (ii) generate over the term of the Fund an average annual total return after fees and expenses of 3.10% for investors in the initial public offering who purchased Class A Units and 3.55% for investors in the initial public offering who purchased Class T Units,

by investing primarily in debt securities of Canadian and U.S. companies (“**Eligible Debt Securities**”). See “Investment Objectives”.

To achieve its investment objectives, the Fund will acquire, or obtain exposure to, a portfolio (the “**Portfolio**”) comprised primarily of Eligible Debt Securities with a weighted average term to maturity initially of approximately 49 months and a modified duration initially of approximately 43 months. The Fund generally will hold the securities in its Portfolio (the “**Portfolio Securities**”) until their respective maturities. The median credit rating of the Portfolio Securities in the initial Portfolio is expected to be not less than BBB- based on the Bloomberg Composite Credit Ratings (as defined herein). At least 75% of the initial Portfolio will be invested in Investment Grade Securities (as defined herein) and up to 25% of the initial Portfolio may be invested in High Yield Debt Securities and/or in Cash or Cash Equivalents (as such terms are defined herein). Portfolio Securities generally will be held by the Fund until their maturities whereupon the principal amounts received by the Fund, net of repayment of borrowings used as leverage for the purchase of (or the acquisition of exposure to) such matured Portfolio Securities and less amounts used to fund the redemption or retraction of Units during the quarter, generally will be distributed to Unitholders in the form of returns of capital or as a retraction of Units. It is anticipated that none of the Portfolio Securities in the initial Portfolio will mature before March 27, 2019 or after April 30, 2022. The Fund initially intends to borrow an amount equal to approximately 30% of the value of the total assets of the Fund for the purposes of purchasing or acquiring exposure to additional Portfolio Securities. See “Investment Strategies”.

Redwood Asset Management Inc. (“**Redwood**”), which is a wholly-owned subsidiary of Purpose Investments Inc., is the manager of the Fund (in such capacity, the “**Manager**”) and Fiera Capital Corporation (“**Fiera**”) is the portfolio adviser to the Fund (in such capacity, the “**Investment Advisor**”). See “Organization and Management Details of the Fund - Investment Advisor”.

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**Price: \$10.00 per Unit**  
**Minimum Purchase: 100 Units**

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	<b>Price to the Public</b> <sup>(1)</sup>	<b>Agents’ Fees</b> <sup>(2)</sup>	<b>Net Proceeds to the Fund</b> <sup>(2)(3)</sup>
Per Class A Unit .....	\$10.00	Nil	\$10.00
Per Class T Unit .....	\$10.00	Nil	\$10.00
Total Maximum Offering .....	\$75,000,000	Nil	\$75,000,000
Total Minimum Offering <sup>(4)</sup> .....	\$15,000,000	Nil	\$15,000,000

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- (1) The Offering price was established by negotiation between the Manager and the Agents (as defined below).
  - (2) No compensation will be paid by the Fund to the Agents. National Bank Financial Inc. in its capacity as the UTF service provider to the Fund (the “**UTF Service Provider**”) will pay a fee to the Agents equal to \$0.15 per Class A Unit issued. In addition, the Manager will pay to the Agents for a period of time annual deferred compensation equal to (i) 0.40% of the NAV (as defined herein), and (ii) 1.32% of the aggregate net asset value of all Class T Units that are purchased and cancelled by the Fund during the year under the mandatory market purchase program, until the aggregate amount of such fees equals 1.50% of the gross proceeds of the Offering. See “Plan of Distribution”.
  - (3) Before deducting the expenses of the Offering, estimated to be \$500,000, which will be borne by the Fund up to a maximum of 0.50% of the gross proceeds of the Offering. The UTF Service Provider will bear the expenses of the Offering in excess of 0.50% of the gross proceeds of the Offering.
  - (4) There will be no closing unless a minimum of 1,500,000 Units are sold. If subscriptions for a minimum of 1,500,000 Units have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the Offering may not continue unless an amendment to this prospectus has been filed and a receipt therefor has been issued.
  - (5) The Fund has granted the Agents an option (the “**Over-Allotment Option**”), exercisable for a period of 30 days following the closing of the Offering, to purchase additional Class T Units in an amount up to 15% of the aggregate number of Class T Units issued at the closing of the Offering on the same terms as set forth above. If only Class T Units are issued under the Offering and the Over-Allotment Option is exercised in full, under the maximum Offering, the price to the public, the Agents’ fees and the net proceeds to the Fund, before deducting the expenses of the Offering, will be \$86,250,000, nil and \$86,250,000, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Class T Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Class T Units forming part of the over-allocation position acquires those Class T Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “Plan of Distribution”.

The following table sets forth certain terms of the Over-Allotment Option (assuming only Class T Units are issued under the Offering), including the maximum size, the exercise period and the exercise price:

	<b>Maximum Size</b>	<b>Exercise Period</b>	<b>Exercise Price</b>
Over-Allotment Option .....	11,250,000 Class T Units	30 days from the date of closing of the Offering	\$10.00 per Class T Unit

No commission will be paid at the closing of the Offering to Agents that sell Class T Units, and the Class T Units will immediately commence trading in the market. A commission of \$0.15 per Class A Unit will be paid at Closing by the UTF Service Provider to Agents that sell Class A Units, substantially all of which is expected to be paid by the Agents to their individual representatives who sold the Class A Units. Class A Units are therefore intended to be purchased under the Offering by investors who compensate their dealers by paying commissions when they trade in securities, rather than through payment of annual fees, and who intend to hold their Class A Units for at least thirty (30) months with the understanding that an Early Exchange Fee (as defined below) will apply if their Class A Units are redeemed or converted prior to the Automatic Conversion Date (as defined below). Thirty (30) months after the closing of the Offering, the Class A Units will automatically convert into Class T Units and trade on the market. See “Attributes of the Securities”.

**There currently is no market through which the Units may be sold and purchasers may not be able to resell Units purchased under this prospectus. The Toronto Stock Exchange (the “TSX”) has conditionally approved the listing of the Class T Units, subject to the Fund fulfilling all of the requirements of the TSX on or before May 12, 2017, including distribution of the Units to a minimum number of public holders. The Fund will not apply to list the Class A Units. However, holders of Class A Units may convert Class A Units into Class T Units on a weekly basis and it is expected that liquidity for the Class A Units will be primarily obtained by means of conversion into Class T Units and the sale of those Class T Units. See “Plan of Distribution” and “Attribute of Securities - Conversion of Class A Units into Class T Units”.**

**There is no assurance that the Fund will be able to achieve its objectives or pay distributions equal to the Target Distribution Amount (as defined under “Distribution Policy”) or at all. The Class T Units may trade at a significant discount to their net asset value per Unit. For this reason, the terms and conditions attaching to Class T Units have been designed to attempt to reduce or eliminate a market value discount from the NAV per Class T Unit by way of the Fund’s mandatory market purchase program, as described under “Attributes of Securities – Mandatory Market Purchase Program”. See “Risk Factors” for a discussion of various risk factors that should be considered by prospective purchasers of Units, including with respect to the use of leverage. The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of such legislation or any other legislation.**

National Bank Financial Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., GMP Securities L.P., Canaccord Genuity Corp., Desjardins Securities Inc., Industrial Alliance Securities Inc., Raymond James Ltd., Manulife Securities Incorporated, Echelon Wealth Partners Inc. and Mackie Research Capital Corporation (collectively, the “Agents”) conditionally offer the Units, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund and accepted by the Agents in accordance with the conditions contained in the Agency Agreement referred to under “Plan of Distribution”, and subject to the approval of certain legal matters by Fasken Martineau DuMoulin LLP on behalf of the Fund and the Manager, and Blake, Cassels & Graydon LLP on behalf of the Agents. The Agents may over-allot and effect transactions to cover their over-allotted position. In connection with this Offering and in accordance with and subject to applicable laws, the Agents may engage in transactions that stabilize or maintain the market price of the Class T Units at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See “Plan of Distribution”.

**National Bank Financial Inc., which is one of the Agents, is the UTF Service Provider and is an affiliate of a Canadian chartered bank which is an influential securityholder of the Investment Advisor and which has been requested to provide the Fund with a loan facility or prime brokerage facility, the proceeds of which would be used by the Fund for various purposes, including purchasing additional securities for the Portfolio, effecting market purchases of Units, maintaining liquidity and funding redemptions. National Bank Financial Inc. also may be retained by the Fund in the future to provide certain market making services for which it would be compensated, and is an affiliate of the custodian of the Fund’s assets and the Fund’s securities lending agent. Consequently, the Fund may be considered a “related issuer” and/or a “connected issuer” of National Bank Financial Inc. under applicable securities legislation. See “Relationship Between the Fund and the Agents” and “Plan of Distribution”. National Bank Financial Inc. will receive no benefit in connection with this Offering other than receiving from the Fund the fee payable to the UTF Service Provider and a portion of the Agents’ fees described under “Fees and Expenses”.**

Subscriptions for Units will be received subject to acceptance or rejection in whole or in part and the right is reserved to close the subscription books at any time without notice. Closing of the Offering is expected to occur on or about March 22, 2017 (the “Closing Date”), or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after the issuance of a receipt for the final prospectus of the Fund. Registrations and transfers of Units will be effected through the book-entry only system administered by CDS Clearing and Depository Services Inc. Beneficial owners will not have the right to receive physical certificates evidencing their ownership. See “Plan of Distribution” and “Attributes of the Units – Registration of Units”.

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## PROSPECTUS SUMMARY

*The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. See the Glossary of Terms for the meanings of certain terms used in this summary. All references in this prospectus to “dollars” or “\$” are to Canadian dollars unless otherwise indicated.*

### THE OFFERING

**Issuer:** June 2021 Investment Grade Bond Pool (the “**Fund**”), a closed-end investment fund established as a trust under the laws of the Province of Ontario.

**Unit Traded Fund Structure:** The Fund uses the *Unit Traded Fund* (UTF) structure which has been developed to accomplish two goals, namely (a) to enable the Fund to invest virtually all of the gross proceeds from the Offering in the Portfolio, and (b) to encourage the Fund’s Class T Units to trade in the market at a price not less than 98.50% of their net asset value per Unit (“**NAV per Unit**”) throughout the life of the Fund.

Subject to obtaining certain discretionary relief from the Canadian securities regulators, the Fund also intends to enter into an arrangement with a registered dealer (which may be National Bank Financial Inc.) to perform market making functions for the Fund with the objective of encouraging the Class T Units to trade through the facilities of the TSX at prices within 0.50% of their estimated real time NAV per Unit. Under the arrangement, the market maker generally would (i) purchase, in aggregate, up to 10% of the outstanding Class T Units when they are trading over the TSX at a price below 99.50% of their estimated real time NAV per Unit, and (ii) sell those Class T Units when they are trading over the TSX at a price above 100.50% of their estimated real time NAV per Unit. The market maker would not purchase Class T Units if it would result in the market maker holding more than 10% of the Fund’s outstanding Class T Units.

See “*Unit Traded Fund Structure*”.

**Offering:** This offering (the “**Offering**”) consists of convertible Class A Units (the “**Class A Units**”) and traded Class T Units (the “**Class T Units**” and, together with the Class A Units, the “**Units**”). While at the closing of the Offering the NAV per Unit of each class will be the same, after the closing of the Offering the NAV per Unit of each class will not be the same as a result of the different distributions payable and fees allocable to each class of Units. See “Attributes of the Securities”, “Plan of Distribution” and “Fees and Expenses”.

No commission will be paid at the closing of the Offering to Agents that sell Class T Units, and the Class T Units will immediately commence trading in the market.

A commission of \$0.15 per Class A Unit will be paid at the closing of the Offering by the UTF Service Provider to Agents that sell Class A Units. Thirty (30) months after the closing of the Offering (the “**Automatic Conversion Date**”), the Class A Units will be automatically converted into Class T Units and trade in the market. Class A Units are therefore intended to be purchased under the Offering by investors who compensate their dealers by paying commissions when they trade in securities, rather than through payment of annual fees, and who intend to hold their Class A Units until the Automatic Conversion Date with the understanding that an Early Exchange Fee (as defined below) will apply if their Class A Units are redeemed or converted prior to the Automatic Conversion Date. The “**Early Exchange Fee**” for each Class A Unit redeemed or converted prior to the Automatic Conversion Date is equal to 2.00% of the NAV per Class A Unit for the first three-months after the closing of the Offering and, thereafter, 2.00% minus incremental decreases of 0.20% per three-month period until the Early Exchange Fee becomes nil on the Automatic Conversion Date.

A holder of Class A Units may convert Class A Units into Class T Units on a weekly basis and it is expected that liquidity for the Class A Units will be primarily obtained by means of conversion into Class T Units and the sale of those Class T Units. Class A Units may be converted in any week on the first Business Day of such week (each a “**Conversion Date**”) by delivering a notice and surrendering such Class A Units by 3:00 p.m. (Toronto time) at least five Business Days prior to the relevant Conversion Date. **Any conversion of Class A Units into Class T Units prior to the Automatic Conversion Date will be subject to an Early Exchange Fee of up to 2.00%, declining over time, as described under “Fees and Expenses”.**

Based in part on the current published administrative policies and assessing practices of the CRA (as defined herein), a conversion of Class A Units into Class T Units will not constitute a disposition of the Class A Units for the purposes of the Tax Act (as defined herein), except to the extent that Class A Units are redeemed to pay the Early Exchange Fee.

See “Attributes of the Securities”.

**Amounts:** Maximum — \$75,000,000 (7,500,000 Units)  
Minimum — \$15,000,000 (1,500,000 Units)

**Price:** \$10.00 per Unit

**Minimum Subscription:** 100 Units (\$1,000)

**Investment Objectives:** The Fund’s investment objectives are to:

- (i) return to holders of Units (“**Unitholders**”), including through Principal Distributions (as defined below), the original issue price of \$10.00 per Unit on or before June 30, 2021 (the “**Scheduled Termination Date**”); and
- (ii) generate over the term of the Fund an average annual total return after fees and expenses of 3.10% for investors in the initial public offering who purchased Class A Units and 3.55% for investors in the initial public offering who purchased Class T Units,

by investing primarily in debt securities of Canadian and U.S. companies (“**Eligible Debt Securities**”).

The total return, after fees and expenses, for each class of Unitholders, means the amount by which the total of all amounts paid by the Fund to Unitholders of that class (including all Principal Distributions, other distributions and any amount paid on the Scheduled Termination Date) exceeds \$10.00. The average annual total return for Unitholders of that class is such difference divided by the weighted average capital invested in the Fund by Unitholders of that class over the term of the Fund (namely, \$10.00 per Unit less Principal Distributions as they occur) and further divided by the number of years for the term of the Fund.

See “Investment Objectives”.

**Investment Strategies:** To achieve its investment objectives, the Fund will acquire, or obtain exposure to, a portfolio (the “**Portfolio**”) comprised primarily of Eligible Debt Securities with a weighted average term to maturity initially of approximately 49 months and a modified duration initially of approximately 43 months. The Fund generally will hold the securities in its Portfolio (the “**Portfolio Securities**”) until their respective maturities. The median credit rating of the Portfolio Securities in the initial Portfolio is expected to be not less than BBB- based on the Bloomberg Composite Credit Ratings.

At least 75% of the initial Portfolio will be invested in Portfolio Securities rated Investment Grade (“**Investment Grade Securities**”). The majority of the Investment Grade Securities included in the initial Portfolio are expected to be issued by Canadian companies in Canadian dollars.

Up to 25% of the initial Portfolio may be invested in Eligible Debt Securities that are not Investment Grade Securities (“**High Yield Debt Securities**”) and/or in Cash or Cash Equivalents. It is expected that the majority of the High Yield Debt Securities included in the initial Portfolio will be issued by U.S. companies in U.S. dollars.

It is anticipated that none of the Portfolio Securities in the initial Portfolio will mature before March 27, 2019 or after April 30, 2022.

Portfolio Securities generally will be held by the Fund until their maturities whereupon the principal amounts received by the Fund, net of repayment of borrowings used as leverage for the purchase of (or the acquisition of exposure to) such matured Portfolio Securities and less amounts used to fund the redemption or retraction of Units during the quarter, generally will be distributed to Unitholders in the form of returns of capital or as a retraction of Units. The Investment Advisor will monitor the credit quality of the Portfolio Securities in the Portfolio and, where the Investment Advisor believes that the credit quality of a Portfolio Security has changed materially (including if the Investment Advisor believes that the likelihood of default has materially increased from when the Portfolio Security was initially included in the Portfolio), the Investment Advisor may dispose of that Portfolio Security and, if deemed appropriate in the circumstances, replace that Portfolio Security with another.

See “Investment Strategies”.

- Manager:** Redwood Asset Management Inc. (“**Redwood**”), which is a wholly-owned subsidiary of Purpose Investments Inc., is the manager (in such capacity, the “**Manager**”) of the Fund. See “Organization and Management Details of the Fund – Manager of the Fund”.
- Portfolio Adviser:** Fiera Capital Corporation (“**Fiera**”) is the portfolio advisor (in such capacity, the “**Investment Advisor**”) to the Fund. See “Organization and Management Details of the Fund – Investment Advisor”.
- UTF Service Provider:** National Bank Financial Inc. is the UTF service provider to the Fund (in such capacity, the “**UTF Service Provider**”) and is responsible for providing certain services to the Fund relating to the UTF structure. See “Organization and Management Details of the Fund – UTF Service Provider”.

**Distribution Policy:**

The Fund intends to provide Unitholders with quarterly cash distributions to be declared payable to Unitholders of record on the last day of each of March, June, September and December (commencing June 30, 2017) or such other date as the Manager may set from time to time (any such date being the “**Record Date**”) and to be paid on or before the 10<sup>th</sup> Business Day of the first month following the end of the quarter for which the distribution is payable (the “**Distribution Date**”). The Fund will not have a fixed quarterly distribution amount, but intends to annually determine and announce (commencing in March 2018) a target quarterly distribution amount (the “**Target Distribution Amount**”) based upon the estimate by the Manager of distributable cash flow for the period to which such Target Distribution Amount pertains. The initial Target Distribution Amount is approximately \$0.0887 per Class T Unit (corresponding to an annualized distribution of \$0.355 per Class T Unit per annum and representing an annualized yield of 3.55% per annum based on the original subscription price of \$10.00 per Class T Unit) and \$0.0775 per Class A Unit (corresponding to an annualized distribution of \$0.310 per Class A Unit per annum and representing an annualized yield of 3.10% per annum based on the original subscription price of \$10.00 per Class A Unit). The initial distribution is expected to be declared payable to Unitholders of record on June 30, 2017.

In addition, the Fund generally expects to pay quarterly cash distributions to Unitholders on a relevant Distribution Date equal to the principal amounts received by the Fund during the quarter to which the distribution relates for Portfolio Securities that matured during such quarter, net of repayment of borrowings used as leverage for the purchase of (or the acquisition of exposure to) such matured Portfolio Securities and less amounts used to fund the redemption or retraction of Units during the quarter (“**Principal Distributions**”). Principal Distributions will generally constitute a return of capital by the Fund unless the Principal Distribution is effected by retracting Units in which event the Unitholder will be treated as having disposed of their Units that were retracted. Returns of capital are generally not subject to tax but will reduce the Unitholder’s adjusted cost base of the Units for tax purposes. See “Income Tax Considerations”. Since it is anticipated that none of the Portfolio Securities in the initial Portfolio will mature before March 27, 2019, it is not expected that any Principal Distributions will be made before March 2019. Following a Principal Distribution that is not effected by retracting Units, the Manager may consolidate the number of Units outstanding such that the NAV per Unit immediately following such Principal Distribution approximates the NAV per Unit immediately prior to such Principal Distribution.

Based on the anticipated composition of the initial Portfolio, it is expected that the interest received from the Portfolio will be sufficient to fund distributions at the initial Target Distribution Amount for the first four quarterly periods. Because Portfolio Securities generally will be held by the Fund until their maturities whereupon the principal amounts received by the Fund (net of repayment of borrowings used as leverage for the purchase of (or the acquisition of exposure to) such matured Portfolio Securities and less amounts used to fund the redemption or retraction of Units during the quarter) are expected to be distributed to Unitholders as Principal Distributions, the size of the Portfolio and the amount of interest generated thereon will decrease over time and, notwithstanding a consolidation of Units following a Principal Distribution or a Principal Distribution effected by retracting Units, the Target Distribution Amount could change. **The amount of quarterly distributions may fluctuate from quarter to quarter and there can be no assurance as to the amount of the targeted distributions or that the Fund will make any distribution in any particular quarter.**

See “Distribution Policy”.

**Leverage:**

The Fund may utilize leverage through borrowings (such as the Loan Facility and the Prime Brokerage Facility), through the use of derivatives or a combination of both, in an amount not exceeding 30% of the value of the Total Assets (equivalent to a ratio of approximately 1.43:1 of the maximum Total Assets divided by the net asset value of the Fund) at the time leverage is initially employed for the purposes of purchasing or obtaining exposure to additional Portfolio Securities. The Fund initially intends to borrow an amount equal to approximately 30% of the Total Assets for the purpose of purchasing or obtaining exposure to additional Portfolio Securities. The amount of leverage employed could increase beyond the 30% limit due to changes in the value of the Fund's investments or Total Assets rather than the amount borrowed by the Fund. In these circumstances, the Fund is not required to sell Portfolio Securities in order to reduce the amount of leverage employed, and there is no theoretical limit on the amount of such increased leverage. As Portfolio Securities mature, the Fund will use the principal amounts received on such maturities to repay the amounts borrowed under the Loan Facility of Prime Brokerage Facility to purchase such Portfolio Securities and to fund the redemption or retraction of Units. For greater certainty, (i) derivatives used by the Fund for currency hedging purposes are not considered to constitute leverage, and (ii) derivatives used by the Fund for non-hedging purposes are not considered to constitute leverage to the extent that the Fund sets aside cash cover for its exposure under the derivative.

The Manager is responsible for all leverage decisions and will monitor the Fund's use of leverage and, based on factors such as changes in interest rates, the Manager's economic outlook and the composition of the Portfolio, the Fund may from time to time alter the amount of leverage it employs.

The Loan Facility or Prime Brokerage Facility, as applicable, also will permit the Fund to borrow an amount not exceeding 5% of the value of the Total Assets for various purposes, including effecting market purchases of Class T Units, maintaining liquidity and funding redemptions. See "Investment Strategies – Leverage".

**Currency Hedging:**

The Portfolio will include securities denominated in U.S. dollars and, therefore, the Fund will be exposed to changes in the value of the U.S. dollar against the Canadian dollar. Between 0% and 100% of the Fund's exposure to the U.S. dollar will be hedged back to the Canadian dollar. The Fund initially intends to hedge substantially all of the value of the Portfolio denominated in U.S. dollars back to the Canadian dollar by using derivatives, including currency forward contracts.

**Redemptions:**

Units will be redeemable on a monthly basis at the applicable Class T Monthly Redemption Price in the case of Class T Units and at the applicable Class A Monthly Redemption Price in the case of Class A Units . **Any redemption of Class A Units prior to the Automatic Conversion Date will be subject to an Early Exchange Fee of up to 2.00%, declining over time, as described under "Fees and Expenses"**. See "Redemptions of Securities", "Risk Factors" and "Calculation of Net Asset Value".

**Mandatory Market Purchase Program:**

In order to enhance liquidity and provide market support for the Class T Units, the Declaration of Trust provides that the Fund will undertake a mandatory market purchase program (the "MMPP") pursuant to which the Fund will offer to purchase any Class T Units offered in the market at a price that is 98.50% or less of the latest NAV per Class T Unit. Pursuant to the MMPP, the Fund will purchase up to a maximum amount in any rolling 10 trading day period of 10% of the number of Class T Units outstanding at the beginning of such 10 trading day period, subject to a limit of 2% of the number of Class T Units outstanding each trading day and subject to the terms set out in the Declaration of Trust. See "Attributes of Securities – Mandatory Market Purchase Program".

**Termination:**

The Fund will terminate on June 30, 2021 (the “**Scheduled Termination Date**”), provided that the Manager may extend the Scheduled Termination Date by a maximum of 180 days if the Manager would be unable to convert all of the Fund’s assets to cash and the Manager determines it would be in the interests of Unitholders to do so. Subject to the foregoing, the Fund’s investments will be liquidated prior to the Scheduled Termination Date at the then available market prices. It is expected that most of the Portfolio Securities will mature and the principal amounts thereof, net of repayment of borrowings used as leverage for the purchase of (or the acquisition of exposure to) such matured Portfolio Securities and less amounts used to fund the redemption or retraction of Units, generally will be distributed to Unitholders as Principal Distributions prior to the Scheduled Termination Date. See “Distribution Policy – Quarterly Principal Distributions”.

The Manager, in its discretion, may terminate the Fund at any time prior to the Scheduled Termination Date if the Manager believes it is no longer economically practical to continue the Fund or because the Manager believes that it would be in the best interests of Unitholders to terminate the Fund. The Fund also may be terminated pursuant to a merger, combination or other consolidation.

Upon termination, the Fund will distribute to Unitholders of a particular class of Units their *pro rata* portions (based on NAV) of the remaining assets of the Fund after all liabilities of the Fund attributable to that class have been satisfied or appropriately provided for. In the case of termination pursuant to a merger, combination or other consolidation, such distribution may be made in the securities of the resulting or continuing investment fund. See “Termination of the Fund”.

**Agents:**

National Bank Financial Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., GMP Securities L.P., Canaccord Genuity Corp., Desjardins Securities Inc., Industrial Alliance Securities Inc., Raymond James Ltd., Manulife Securities Incorporated, Echelon Wealth Partners Inc. and Mackie Research Capital Corporation (collectively, the “**Agents**”). See “Plan of Distribution”.

**Use of Proceeds:**

The net proceeds from the sale of Units will be as follows:

	<u>Maximum Offering</u>	<u>Minimum Offering<sup>(1)</sup></u>
Gross proceeds to the Fund:	\$75,000,000	\$15,000,000
Agents' fee <sup>(2)</sup> :	Nil	Nil
Estimated expenses of the Offering <sup>(3)</sup> :	<u>\$375,000</u>	<u>\$75,000</u>
Net proceeds to the Fund:	<u>\$74,625,000</u>	<u>\$14,925,000</u>

**Notes:**

(1) There will be no closing unless a minimum of 1,500,000 Units are sold. If subscriptions for a minimum of 1,500,000 Units have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the Offering may not continue unless an amendment to this prospectus has been filed and a receipt therefor has been issued. The Fund has granted the Agents an option (the "Over-Allotment Option"), exercisable for a period of 30 days following the closing of the Offering, to purchase additional Class T Units in an amount up to 15% of the aggregate number of Class T Units issued at the closing of the Offering on the same terms as those under the Offering. If only Class T Units are issued under the Offering and the Over-Allotment Option is exercised in full, under the maximum Offering, the price to the public, the Agents' fees and the net proceeds to the Fund, before deducting the expenses of the Offering, will be \$86,250,000, nil and \$86,250,000, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Class T Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Class T Units forming part of the over-allocation position acquires those Class T Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

(2) No compensation will be paid by the Fund to the Agents. The UTF Service Provider will pay a fee to the Agents equal to \$0.15 per Class A Unit issued. In addition, the Manager will pay annual deferred compensation to the Agents for a period of time. See "Plan of Distribution".

(3) The estimated expenses of the Offering are \$500,000, but the Fund will bear offering expenses only up to a maximum of 0.50% of the gross proceeds of the Offering (being \$375,000 in the case of the maximum Offering and without giving effect to the Over-Allotment Option). The UTF Service Provider will bear the expenses of the Offering in excess of 0.50% of the gross proceeds of the Offering.

The Fund will use the net proceeds of the Offering to: (i) invest in securities in accordance with the Fund's investment objectives, strategies and restrictions as described herein and (ii) fund the ongoing fees and expenses of the Fund as described under "Fees and Expenses". See "Use of Proceeds".

**Income Tax Considerations:**

The Fund will be subject to tax under Part I of the *Income Tax Act* (Canada) (together with the regulations thereunder, the "Tax Act") in each taxation year on its income for the year less the portion thereof that it claims in respect of the amount paid or made payable to Unitholders in the year. The Fund will be required to make sufficient amounts of income paid or payable to Unitholders in each taxation year so that the Fund is not liable to pay tax under Part I of the Tax Act for the taxation year.

A Unitholder who is resident in Canada generally will be required to include in computing income for a taxation year that part of the net income, and the taxable portion of the net realized capital gains, of the Fund, if any, that is paid or becomes payable to the Unitholder by the Fund in that year (whether in cash or Units). To the extent that amounts payable to a Unitholder are designated by the Fund as (i) taxable dividends from taxable Canadian corporation, (ii) the taxable portion of net realized capital gains, or (iii) foreign source income, those amounts will retain their character and be treated as such in the hands of the Unitholder. Distributions by the Fund to a Unitholder in excess of the Unitholder's share of the Fund's net income and net realized capital gains will not be taxable but will reduce the adjusted cost base of the Unitholder's Units.

A Unitholder who disposes of Units held as capital property will generally realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the aggregate adjusted cost base of the Units disposed of.

**Each investor should satisfy himself or herself as to the federal, provincial, territorial and other tax consequences of an investment in Units by obtaining advice from his or her tax advisor. See “Income Tax Considerations”.**

**Eligibility:**

Provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act or, in the case of the Class T Units, the Class T Units are listed on a “designated stock exchange” for purposes of the Tax Act, the Units, if issued on the date hereof, would be on such date qualified investments under the Tax Act for trusts governed by registered retirement savings plans, tax-free savings accounts, deferred profit sharing plans, registered disability savings plans, registered retirement income funds and registered education savings plans. See “Income Tax Considerations – Status of the Fund” and Income Tax Considerations – Taxation of Registered Plans”.

**Risk Factors:**

An investment in Units is subject to various risk factors, including but not limited to:

- (i) there being no assurance that the Fund will be able to achieve its objectives, including being able to pay distributions to Unitholders in an amount equal to the Target Distribution Amount or at all;
- (ii) the Portfolio will not be actively managed and the Investment Advisor will not sell a security due to current or projected underperformance of a security, industry or sector; The Fund will not take defensive positions under any market conditions, including conditions that are adverse to the performance of the Fund;
- (iii) exposure to credit risk;
- (iv) the NAV will vary depending on a number of factors which are not within the control of the Fund, including performance of the Portfolio, which performance will be affected by various factors impacting the performance of the securities in which the Fund invests including the performance of capital markets generally;
- (v) the NAV and the market price of the Units will be sensitive to interest rate fluctuations;
- (vi) the NAV and the market price of the Units will be sensitive to duration;
- (vii) concentration risk as a result of the Fund investing primarily in debt securities of Canadian and U.S. companies;
- (viii) due to the Fund’s investment strategies and distribution policy, the composition of the Portfolio will change as Eligible Debt Securities mature and the Portfolio could develop attributes materially different from the initial Portfolio;
- (ix) risks relating to investments in issuers operating in the financial sector;
- (x) the risks of investing in high yield debt securities;
- (xi) risks relating to foreign currency exposure;

- (xii) because Portfolio Securities generally will be held by the Fund until their maturities whereupon the principal amounts received by the Fund (net of repayment of borrowings used as leverage for the purchase of (or the acquisition of exposure to) such matured Portfolio Securities and less amounts used to fund the redemption or retraction of Units) are expected to be distributed to Unitholders as Principal Distributions, the size of the Portfolio and the amount of interest generated thereon will decrease over time and, notwithstanding a consolidation of Units following a Principal Distribution or a Principal Distribution effected by retracting Units, the Target Distribution Amount could change;
- (xiii) there is no certainty that the individuals primarily responsible for providing investing advice to the Fund will continue to be employees of the Investment Advisor, or that the Investment Advisor will continue to be engaged by the Fund;
- (xiv) risks associated with the use of leverage by the Fund;
- (xv) risks associated with the use of derivative instruments;
- (xvi) there being no guaranteed return on investment;
- (xvii) the possible loss of an investment in Units;
- (xviii) the possibility of the Fund being unable to dispose of illiquid securities;
- (xix) risks relating to the Fund's mandatory market purchase program;
- (xx) Units may trade in the market at a premium or a discount to the NAV per Unit and the market price of the Units is subject to factors beyond the control of the Fund, the Manager or the Investment Advisor;
- (xxi) risks relating to securities lending;
- (xxii) risks relating to repurchase and reverse repurchase transactions;
- (xxiii) the lack of operating history of the Fund and the current absence of a public trading market for the Units;
- (xxiv) in the event the Fund enters into a loan facility or a prime brokerage facility, the ongoing availability of credit and the terms of such credit, including interest cost and margin requirements, will be subject to change at the lender's sole discretion at any time and there will be no guarantee that the Fund will be able to borrow on terms satisfactory to the Fund or at all;
- (xxv) risks associated with substantial redemptions of Units and with redemption costs varying from time to time;
- (xxvi) the Fund will not be subject to regulation as a public mutual fund and the Fund will not be a trust company or registered under legislation of any jurisdiction governing trust companies;
- (xxvii) risks related to potential conflicts of interest of the Manager and the Investment Advisor;
- (xxviii) Units being different from traditional equity securities and debt instruments;

- (xxix) the absence of an organized market for the trading of Class A Units;
- (xxx) Unitholders will have no ownership interest in the securities comprising the Portfolio;
- (xxxi) tax related risks, including risks relating to taxation of the Fund and of Unitholders, which are dependent on the tax status of the Fund, including its potential status as a “SIFT trust” under the Tax Act, administrative positions of the CRA regarding the deductibility of interest and other expenses, and risks relating to withholding tax legislation; and
- (xxxii) potential changes in legislation, including tax legislation.

See “Risk Factors”.

**ORGANIZATION AND MANAGEMENT  
OF THE FUND**

<b>Management of the Fund</b>	<b>Services Provided to the Fund</b>	<b>Municipality of Residence</b>
Manager, Trustee and Promoter:	<b>Redwood Asset Management Inc.</b> is the manager, trustee and promoter of the Fund. See “Organization and Management Details of the Fund – Manager of the Fund”.	Toronto, Ontario
Portfolio Adviser	<b>Fiera Capital Corporation</b> is the portfolio adviser to the Fund. See “Organization and Management Details of the Fund – Investment Advisor”.	Montréal, Québec
UTF Service Provider:	<b>National Bank Financial Inc.</b> is the UTF service provider to the Fund. See “Organization and Management Details of the Fund – UTF Service Provider”.	Montréal, Québec
Custodian:	<b>NBCN Inc.</b> is the custodian of the assets of the Fund. See “Organization and Management Details of the Fund – Custodian”.	Toronto, Ontario
Registrar and Transfer Agent	<b>TSX Trust Company</b> is the registrar and transfer agent for the Units. See “Organization and Management Details of the Fund – Registrar and Transfer Agent”.	Toronto, Ontario
Auditor:	<b>Ernst &amp; Young LLP</b> is the auditor of the Fund. See “Organization and Management Details of the Fund – Auditor”.	Toronto, Ontario
Valuation Agent:	<b>CIBC Mellon Global Securities Services Company</b> is the Fund’s valuation agent and will calculate the NAV. See “Calculation of Net Asset Value”.	Toronto, Ontario
Securities Lending Agent:	<b>NBCN Inc.</b> will be the securities lending agent of the Fund. See “Organization and Management Details of the Fund - Securities Lending Agent”.	Toronto, Ontario

## SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable by the Fund and the Unitholders. Unitholders may have to pay some of these fees and expenses directly, as set out below under “Fees and Expenses Payable by Unitholders”. The fees and expenses payable by the Fund will reduce the value of your investment in the Fund. For further particulars, see “Fees and Expenses”.

The Fund uses the *Unit Traded Fund* (UTF) structure which has been developed to accomplish two goals, namely (a) to enable the Fund to invest virtually all of the gross proceeds from the Offering in the Portfolio, and (b) to encourage the Fund’s Class T Units to trade in the market at a price not less than 98.50% of their NAV per Unit throughout the life of the Fund.

### Fees and Expenses Payable by the Fund

<u>Type of Fee</u>	<u>Description</u>
Expenses of the Offering:	The Fund will bear the expenses incurred in connection with the Offering, estimated to be \$500,000, subject to a maximum of 0.50% of the gross proceeds of the Offering.
Management Fee :	<p>Pursuant to the terms of the Management Agreement, the Fund will pay the Manager an annual management fee (the “<b>Management Fee</b>”) equal to the sum of (i) 0.75% of the NAV, plus applicable taxes, calculated daily and payable monthly, and (ii) an amount equal to the Contingent Agents Fee (as defined below), plus applicable taxes. The portion of the Management Fee described in (ii) above will be waived by the Manager from time to time during such periods when it is under no obligation to be compensating registered dealers for selling Units (either under this Offering or a future distribution of Units). In other words, if the Fund makes no distributions of Units after the Offering, the waiver described above will commence once the aggregate amount of compensation paid by the Manager to the Agents equals 1.50% of the gross proceeds of the Offering. The Manager will pay to the Agents the annual deferred compensation described under “Plan of Distribution” out of the Management Fee.</p> <p>The “<b>Contingent Agents Fee</b>” means the annual deferred compensation paid by the Manager to the Agents equal to 1.32% of the aggregate NAV per Unit of all Class T Units that are purchased and cancelled by the Fund during the year under the MMPP.</p>
UTF Services Fee:	Pursuant to the terms of the UTF Services Agreement, the Fund will pay the UTF Service Provider a fee of 0.25% per annum of the NAV attributable to the Class T Units, calculated daily and payable quarterly, and 0.85% per annum of the NAV attributable to the Class A Units, calculated daily and payable quarterly (collectively, the “ <b>UTF Services Fee</b> ”), plus applicable taxes. The UTF Service Provider will be reimbursed by the Fund for all reasonable costs and expenses incurred in connection with its services, other than those costs and expenses which it has agreed to bear. See “Organization and Management Details of the Fund – UTF Service Provider”.
Operating expenses of the Fund:	The Fund will pay all expenses incurred in connection with its operation and administration, estimated to be \$175,000 per annum. The Fund also will be responsible for commissions and other costs of the Portfolio, debt service and costs relating to any loan facility or prime brokerage facility entered into by the Fund and all liabilities and any extraordinary expenses that it may incur from time to time. See “Fees and Expenses – Fees and Expenses Payable by the Fund – Operating Expenses of the Fund”.

## Fees and Expenses Payable by the Unitholders

### Type of Fee

Early Exchange Fee:

### Description

Any redemption of Class A Units and any conversion of Class A Units into Class T Units prior to the Automatic Conversion Date will be subject to an Early Exchange Fee per Class A Unit redeemed or converted, as the case may be, equal to the following percentage of the NAV per Class A Unit:

<u>Period during which the redemption or conversion is effected</u>	<u>Early Exchange Fee (% of NAV per Class A Unit)</u>
From the Closing Date to and including the 3-month anniversary of the Closing Date	2.00%
After the 3-month anniversary of the Closing Date to and including the 6-month anniversary of the Closing Date	1.80%
After the 6-month anniversary of the Closing Date to and including the 9-month anniversary of the Closing Date	1.60%
After the 9-month anniversary of the Closing Date to and including the 12-month anniversary of the Closing Date	1.40%
After the 12-month anniversary of the Closing Date to and including the 15-month anniversary of the Closing Date	1.20%
After the 15-month anniversary of the Closing Date to and including the 18-month anniversary of the Closing Date	1.00%
After the 18-month anniversary of the Closing Date to and including the 21-month anniversary of the Closing Date	0.80%
After the 21-month anniversary of the Closing Date to and including the 24-month anniversary of the Closing Date	0.60%
After the 24-month anniversary of the Closing Date to and including the 27-month anniversary of the Closing Date	0.40%
After the 27-month anniversary of the Closing Date to but excluding the Automatic Conversion Date	0.20%

In the case of a conversion of Class A Units, the Fund will redeem such number of Class A Units from those otherwise being converted as is necessary to pay the Early Exchange Fee and will deduct the Early Exchange Fee from the redemption proceeds. In the case of a redemption of Class A Units, the Fund will deduct the Early Exchange Fee from the redemption proceeds. The Early Exchange Fee so deducted by the Fund will be remitted by the Fund, on behalf of the Unitholder, to the UTF Service Provider.

The Early Exchange Fee also is payable upon termination of the UTF Services Agreement by the Fund and the Manager in certain circumstances. See “Fees and Expenses – Fees and Expenses Payable by Unitholders” and “Organization and Management Details of the Fund – UTF Service Provider”.

Redemption Expenses:

In connection with the redemption of Units, any costs associated with the redemption, including all brokerage fees, commissions, wire transfer fees and other transaction costs incurred by the Fund in order to fund such redemption will be deducted from the applicable redemption price payable to the Unitholder exercising the redemption privilege.

See “Fees and Expenses – Fees and Expenses Payable by Unitholders”, “Risk Factors – Risks Related to the Structure of the Fund – Risks Related to Redemption” and “Redemptions of Securities”.

## GLOSSARY OF TERMS

“**1933 Act**” means the United States Securities Act of 1933, as amended;

“**Agency Agreement**” means the agency agreement dated February 24, 2017 among the Fund, the Manager, the Investment Advisor, the UTF Service Provider and the Agents;

“**Agents**” means National Bank Financial Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., GMP Securities L.P., Canaccord Genuity Corp., Desjardins Securities Inc., Industrial Alliance Securities Inc., Raymond James Ltd., Manulife Securities Incorporated, Echelon Wealth Partners Inc. and Mackie Research Capital Corporation acting as agents of the Fund in connection with the Offering pursuant to the terms of the Agency Agreement;

“**Automatic Conversion Date**” means the date which is the thirty (30) month anniversary of the Closing Date;

“**Bloomberg Composite Credit Ratings**” means an equally weighted blend of the ratings of a security by Moody’s, S&P, Fitch, and DBRS as published by Bloomberg.

“**Business Day**” means any day except a Saturday, Sunday or a statutory holiday in Toronto, Ontario or any other day on which the TSX or the Canadian chartered banks are not opened for business in Ontario;

“**Cash and Cash Equivalents**” means (a) cash on deposit with the Custodian or a broker; or (b) an evidence of indebtedness that has a remaining term to maturity of 365 days or less and that is issued, or fully and unconditionally guaranteed as to principal and interest, by (i) any of the federal or a provincial governments of Canada; (ii) the Government of the United States; (iii) a Canadian financial institution (provided that, in the case of (ii) or (iii), such evidence of indebtedness has a rating of at least R-1 (mid) by DBRS or the equivalent rating from another “designated rating organization” as defined in NI 81-102); or (iv) other cash cover as defined in NI 81-102;

“**CDS**” means CDS Clearing and Depository Services Inc.;

“**CFA**” means Chartered Financial Analyst;

“**Class A Units**” means the convertible Class A Units of the Fund;

“**Class A Monthly Redemption Price**” means the amount received by a Unitholder who properly surrenders a Class A Unit for redemption on a Monthly Redemption Date as described under “Redemption of Securities”;

“**Class T Monthly Redemption Price**” means the amount received by a Unitholder who properly surrenders a Class T Unit for redemption on a Monthly Redemption Date as described under “Redemption of Securities”;

“**Class T Units**” means the traded Class T Units of the Fund;

“**Closing Date**” means the date of the closing of the Offering, which is expected to take place on or about March 22, 2017, or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after the issuance of a receipt for the final prospectus of the Fund;

“**Closing Price**” means an amount equal to (a) the closing price of the Class T Units if there was a trade on the applicable Valuation Date and such principal market provides a closing price; (b) the average of the highest and lowest prices of the Units if there was trading on the applicable Valuation Date and such principal market provides only the highest and lowest prices of the Units traded on a particular day; or (c) the average of the last bid and last asking prices of the Class T Units on such principal market if there was no trading on the applicable Valuation Date;

“**Contingent Agents Fee**” means the annual deferred compensation paid by the Manager to the Agents equal to 1.32% of the aggregate NAV per Unit of all Class T Units that are purchased and cancelled by the Fund during the year under the MMPP;

“**Conversion Date**” means the first Business Day of any week on which Class A Units may be converted;

“**Counterparty**” means the registered dealer that is the counterparty to the Swap;

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

“**Custodian**” means NBCN Inc. as custodian of the Fund;

“**Custodian Agreement**” means the custodian agreement to be entered into on or before the Closing Date pursuant to which the Custodian acts as custodian to the Fund;

“**DBRS**” means DBRS Limited;

“**DFA Rules**” means the rules in the Tax Act that target certain financial arrangements that seek to deliver a return based on an “underlying interest”;

“**Declaration of Trust**” means the declaration of trust dated as of February 24, 2017 establishing the Fund;

“**Distribution Date**” means, in connection with the quarterly cash distributions of the Fund, the day on which the distribution is paid, which is on or before the 10<sup>th</sup> Business Day of the month following a Record Date;

“**Early Exchange Fee**” means the early exchange fee applicable to any redemption of Class A Units and any conversion of Class A Units into Class T Units prior to the Automatic Conversion Date, and upon termination of the UTF Services Agreement by the Fund and the Manager in certain circumstances;

“**Eligible Debt Securities**” means debt securities of Canadian and U.S. companies including, without limitation, bonds, notes and debentures, as well as term loans;

“**Extraordinary Resolution**” means a resolution passed by holders of not less than 66 2/3% of the Units voted thereon at a meeting duly convened for the consideration of the matter listed in “Securityholder Matters – Matters Requiring Unitholder Approval”;

“**Fiera**” means Fiera Capital Corporation;

“**Fitch**” means Fitch Ratings, a division of Fitch Ratings, Inc.

“**Fund**” means the June 2021 Investment Grade Bond Pool;

“**High Yield Debt Securities**” means Eligible Debt Securities that are not Investment Grade Securities at the time of investment;

“**Holder**” has the meaning ascribed thereto under “Income Tax Considerations”;

“**IFRS**” means the International Financial Reporting Standards;

“**Independent Review Committee**” means the independent review committee of the Fund established pursuant to NI 81-107;

“**Indicative Portfolio**” has the meaning ascribed thereto under “Investment Strategies – Indicative Portfolio”;

“**Investment Advisor**” means Fiera acting specifically as the portfolio adviser to the Fund;

“**Investment Advisory Agreement**” means the investment advisory agreement dated February 24, 2017 among the Fund, the Manager and the Investment Advisor pursuant to which the Investment Advisor acts as the portfolio adviser to the Fund;

“**Investment Grade**” in respect of a security (or loan) means a security (or loan), and in respect of an issuer means an issuer, which, at the time of investment, is rated at least BBB- by S&P, at least Baa3 by Moody’s, at least BBB- by Fitch, or at least BBB (low) or Pfd-2 (low) by DBRS, or a similar rating from another “designated rating organization” as defined in NI 81-102 or which is unrated but judged by the Investment Advisor to be of comparable quality;

**“Investment Grade Securities”** means Eligible Debt Securities and other securities of issuers which, at the time of investment, are rated Investment Grade;

**“Investment Restrictions”** has the meaning ascribed thereto under “Investment Restrictions”;

**“Lender”** means one or more Canadian chartered banks or affiliates thereof acting as lender pursuant to the Loan Facility and/or the Prime Brokerage Facility;

**“Loan Facility”** means the loan facility which may be entered into by the Fund following the closing of the Offering with the Lender;

**“Management Agreement”** means the management agreement dated as of February 24, 2017 pursuant to which Redwood acts as the Manager of the Fund;

**“Management Fee”** means the annual management fee payable to the Manager by the Fund as described under “Fees and Expenses – Fees and Expenses Payable by the Fund – Management Fee”;

**“Manager”** means Redwood in its capacity as the manager of the Fund;

**“Market Price”** means the weighted average trading price of the Class T Units on the TSX (or such other exchange or market on which the Class T Units are then listed and primarily traded) for the 10 trading days immediately preceding the relevant Monthly Redemption Date;

**“MMPP”** means the mandatory market purchase program of the Fund described under “Attributes of Securities – Mandatory Market Purchase Program”;

**“modified duration”** is a measure of a bond value’s sensitivity to changes in prevailing interest rates. As interest rates increase, the value of a bond tends to decrease, and vice versa. Bonds with shorter modified durations are less sensitive to changes in value due to interest rate changes than bonds with longer modified durations.

**“Monthly Redemption Date”** means, in connection with monthly redemptions, the second last Business Day of each month;

**“Moody’s”** means Moody’s Investor Services, Inc.;

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

**“NAV per Unit”** means, in respect of a Unit of a particular class, the NAV per Unit of that class calculated as described under “Calculation of Net Asset Value”, the **“NAV per Class A Unit”** is the NAV per Unit of a Class A Unit; and the **“NAV per Class T Unit”** is the NAV per Unit of a Class T Unit;

**“NI 81-102”** means National Instrument 81-102 *Investment Funds*;

**“NI 81-106”** means National Instrument 81-106 *Investment Fund Continuous Disclosure*;

**“NI 81-107”** means National Instrument 81-107 *Independent Review Committee for Investment Funds*;

**“Offering”** means the offering of Class A Units and Class T Units at a price of \$10.00 per Unit as provided herein;

**“Ordinary Resolution”** means a resolution passed by holders of more than 50% of the Units voted thereon;

**“Permitted Merger”** has the meaning ascribed thereto under “Securityholder Matters – Permitted Mergers”;

**“Portfolio”** means the portfolio of securities and other investments that the Fund will invest in pursuant to its investment objectives and investment restrictions;

**“Portfolio Securities”** means securities and investments held in the Portfolio from time to time;

**“Prime Brokerage Facility”** means the prime brokerage facility which may be entered into by the Fund following the closing of the Offering with the Lender;

**“Principal Distributions”** means the quarterly cash distributions paid by the Fund to Unitholders that are expected to equal the principal amounts received by the Fund during the quarter to which the distribution relates for Portfolio Securities that matured during such quarter, net of repayment of borrowings used as leverage for the purchase of (or the acquisition of exposure to) such matured Portfolio Securities and less amounts used to fund the redemption or retraction of Units during the quarter. A Principal Distribution may be effected by retracting Units having an aggregate NAV per Unit equal to the amount of the Principal Distribution.

**“Record Date”** means, in connection with the quarterly cash distributions of the Fund, the last day of each of March, June, September and December or such other date as the Trustee may set from time to time;

**“Redemption Notice”** means a written notice delivered by a CDS participant to CDS on behalf of an owner of Units who desires to exercise redemption privileges;

**“Redemption Payment Date”** means the Business Day that is on or before the 15<sup>th</sup> Business Day following the Monthly Redemption Date;

**“Redwood”** means Redwood Asset Management Inc.;

**“Registered Plans”** means trusts governed by RRSPs, RRIFFs, TFSA, deferred profit sharing plans, registered disability savings plans or registered education savings plans;

**“RRIF”** means registered retirement income funds, as defined in the Tax Act;

**“RRSP”** means registered retirement savings plans, as defined in the Tax Act;

**“S&P”** means S&P Global Ratings, a division of S&P Global, Inc.;

**“Scheduled Termination Date”** means the scheduled termination date of the Fund, being on June 30, 2021, subject to possible extension as described under “Termination of the Fund”;

**“SIFT Rules”** means the rules found in sections 122 and 122.1 of the Tax Act relating to the taxation of SIFT trusts;

**“Swap”** means the total return swap or similar transaction described under “Investment Strategies – Use of Derivatives Instruments”;

**“Target Distribution Amount”** means the target quarterly distribution amount determined and announced annually (starting in March 2018) by the Manager and initially being approximately \$0.0887 per Class T Unit and \$0.0775 per Class A Unit for the first four quarterly periods (subject to proration for the quarter in which the Closing Date occurs) ;

**“Tax Act”** means the *Income Tax Act* (Canada) and the regulations thereunder;

**“Tax Proposals”** means all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof;

**“Tax Treaties”** means the tax conventions between Canada and foreign countries with respect to taxes on income and on capital;

**“TFSA”** means tax-free savings accounts, as defined in the Tax Act;

**“Total Assets”** means the aggregate value of the assets of the Fund including the principal amount of any borrowings made on behalf of the Fund by the Manager;

**“Trustee”** means Redwood in its capacity as the trustee of the Fund, or any successor thereof;

**“TSX”** means the Toronto Stock Exchange;

“**Unitholder**” means a holder of Units of the Fund;

“**Units**” means the units of the Fund, currently being the Class A Units and the Class T Units;

“**UTF Service Provider**” means National Bank Financial Inc. in its capacity as the UTF service provider to the Fund;

“**UTF Services Agreement**” means the UTF services agreement dated February 24, 2017 pursuant to which the UTF Service Provider provides certain services to the Fund;

“**UTF Services Fee**” means the fee of 0.25% per annum of the NAV attributable to the Class T Units, calculated daily and payable quarterly, and 0.85% per annum of the NAV attributable to the Class A Units, calculated daily and payable quarterly, plus applicable taxes, payable by the Fund to the UTF Service Provider as described under “Fees and Expenses – Fees and Expenses Payable by the Fund – Fee to the UTF Services Provider”;

“**Valuation Agent**” means CIBC Mellon Global Securities Services Company;

“**Valuation Date**” means each Business Day and any other day on which the Manager elects, in its discretion, to calculate the NAV per Unit;

“**Valuation Time**” means 4:00 p.m. (Toronto time), or such other time as the Manager deems appropriate; and

“**\$**” means Canadian dollars unless otherwise indicated.

## CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements and information set forth in this prospectus including statements with respect to benefits of the Fund's investment strategies and the expected initial Portfolio composition, constitute forward-looking information, which involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. When used in this prospectus, the words "expects", "anticipates", "intends", "plans", "may", "believes", "seeks", "estimates", "appears" and similar expressions (including negative and grammatical variations) generally identify forward-looking information. In developing the forward-looking information contained herein related to the Fund, the Manager has made assumptions with respect to, among other things, the outlook for the global economy, including, in particular, the consumer, financials, industrials and information technology sectors and also including the payment of dividends by issuers and any increases to the rates of such payments. These assumptions are based on the Manager's perception of historical trends, current conditions and expected future developments, as well as other factors believed to be relevant. Although the Manager believes that the assumptions made and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information contained herein will prove to be accurate. Factors which could cause actual results, events, circumstances, expectations or performance to differ materially from those expressed or implied in forward looking information include, but are not limited to: general economic, political, tax, market and business factors and conditions; interest rate and foreign exchange rate fluctuations; volatility in global equity and capital markets; statutory and regulatory developments; unexpected judicial or regulatory proceedings; catastrophic events; and other factors set out under the heading "Risk Factors". Readers are cautioned that the foregoing list of factors is not exhaustive and readers should not place undue reliance on forward-looking information due to the inherent uncertainty of such information. All forward-looking information in this prospectus is qualified by the foregoing caution. The Fund undertakes no obligation to publicly update or revise these forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

## INFORMATION REGARDING PUBLIC ISSUERS

Certain information contained in this prospectus relating to publicly traded securities, the issuers of those securities and the sectors in which the Fund will invest is taken from and based solely upon information published by those issuers. None of the Fund, the Trustee, the Manager or the Agents has independently verified the accuracy or completeness of any such information.

## OVERVIEW OF THE STRUCTURE OF THE FUND

June 2021 Investment Grade Bond Pool (the "**Fund**") is an investment fund established as a trust under the laws of the Province of Ontario pursuant to a declaration of trust dated as of February 24, 2017 (the "**Declaration of Trust**"). The beneficial interest in the net assets and net income of the Fund is divided into units of such classes as may be designated from time to time in the Declaration of Trust. Initially, the Fund will offer two classes of units: convertible Class A Units (the "**Class A Units**") and traded Class T Units (the "**Class T Units**" and, together with the Class A Units, the "**Units**") at a price of \$10.00 per Unit (the "**Offering**").

Redwood Asset Management Inc. ("**Redwood**"), which is a wholly-owned subsidiary of Purpose Investments Inc., is the manager (in such capacity, the "**Manager**") and trustee (in such capacity, the "**Trustee**") of the Fund, and Fiera Capital Corporation ("**Fiera**") is the portfolio adviser (in such capacity, the "**Investment Advisor**") to the Fund.

The Trustee and the Manager (or any replacement thereof) will at all times be a resident of Canada for the purposes of the Tax Act and will manage the affairs of the Fund from a place or places within Canada.

The principal office of the Fund and the Manager is located at 130 Adelaide Street West, Suite 1700, Toronto, Ontario M5H 3P5.

The Fund is a non-redeemable investment fund that is a reporting issuer under the securities legislation of all the provinces and territories of Canada. Consequently, the Fund is subject to the various policies and regulations that apply to non-redeemable investment funds which are reporting issuers, including parts of National Instrument 81-102 *Investment Funds* ("**NI 81-102**").

## UNIT TRADED FUND STRUCTURE

The Fund uses the *Unit Traded Fund* (UTF) structure which has been developed to accomplish two goals, namely (a) to enable the Fund to invest virtually all of the gross proceeds from the Offering in the Portfolio, and (b) to encourage the Fund's Class T Units to trade in the market at a price not less than 98.50% of their NAV per Unit throughout the life of the Fund.

The *Unit Traded Fund* structure has been used previously in Canada by Investment Grade Managed Duration Income Fund (“**PFU**”) and U.S. Banks Income & Growth Fund (“**PUB**”) which are managed by Purpose Investments Inc., and by Canadian Investment Grade Preferred Share Fund (P2L) (“**RIGP**”) which is managed by the Manager. The Unit Traded Fund structure also has been used by June 2020 Corporate Bond Trust (“**CBT**”) which is managed by the Investment Advisor. Below is a table summarizing for each of PFU, PUB, RIGP and CBT the variance between the daily volume-weighted average trading price of its Class T Units on the TSX and the net asset value of its Class T Units since its inception.

### Comparison of Daily Volume-Weighted Average Trading Prices to Net Asset Values per Class T Unit Since Inception

	<u>Largest Discount</u>	<u>Largest Premium</u>	<u>Average Premium (Discount)</u>
<b>PFU</b> <sup>1</sup>	(3.40)%	6.65%	(1.04)%
<b>PUB</b> <sup>2</sup>	(5.56)%	13.27%	1.01%
<b>RIGP</b> <sup>3</sup>	(3.31)%	6.73%	1.27%
<b>CBT</b> <sup>4</sup>	(1.72)%	0.58%	(0.52)%

1. From August 21, 2015 to January 27, 2017.
2. From December 14, 2015 to January 27, 2017.
3. From December 19, 2016 to January 27, 2017.
4. From October 31, 2016 to January 27, 2017.

Using the *Unit Traded Fund* structure, the Fund will not be responsible for paying any of the compensation to the Agents relating to the Offering and will not bear expenses relating to the Offering of more than 0.50% of the gross proceeds from the Offering. As a result, the NAV per Unit immediately after closing of the Offering is expected to be at least \$9.95. All other Offering expenses (including the compensation to the Agents) will be borne by the UTF Service Provider or the Manager. This approach will enable the Fund to invest at least 99.50% of the gross proceeds of the Offering in the Portfolio.

The *Unit Traded Fund* structure also includes a mandatory market purchase program (the “**MMPP**”) under which the Fund will purchase and cancel Class T Units which are trading in the market at 98.50% or less of their NAV per Unit (up to a maximum of 10% of the Fund's outstanding Class T Units over any 10 trading day period, subject to a limit of 2% of the number of Class T Units outstanding each trading day and subject to the terms set out in the Declaration of Trust).

Subject to obtaining certain discretionary relief from the Canadian securities regulators, the Fund also intends to enter into an arrangement with a registered dealer (which may be National Bank Financial Inc.) to perform market making functions for the Fund with the objective of encouraging the Class T Units to trade through the facilities of the TSX at prices within 0.50% of their estimated real time NAV per Unit. Under the arrangement, the market maker generally would (i) purchase, in aggregate, up to 10% of the outstanding Class T Units when they are trading over the TSX at a price below 99.50% of their estimated real time NAV per Unit, and (ii) sell those Class T Units when they are trading over the TSX at a price above 100.50% of their estimated real time NAV per Unit. The market maker would not purchase Class T Units if it would result in the market maker holding more than 10% of the Fund's outstanding Class T Units.

The Offering consists of Class T Units and Class A Units. No commission will be paid at the closing of the Offering to Agents that sell Class T Units, and the Class T Units will immediately commence trading in the market.

Class A Units are intended to be purchased under the Offering by investors who compensate their dealers by paying commissions when they trade in securities, rather than through payment of annual fees, and who intend to hold their Class A Units for at least thirty (30) months. At the closing of the Offering, the UTF Service Provider will pay a commission of 1.50% to the Agents for selling Class A Units, substantially all of which is expected to be paid by the Agents to their individual representatives who sold the Class A Units. Thirty (30) months after the closing of the Offering, the Class A Units will automatically convert into Class T Units, based on their relative NAV per Unit at the time, and trade in the market.

Though Class A Units are intended for investors who expect to hold their Class A Units for at least thirty (30) months, investors may, at their option, convert some or all of their Class A Units into Class T Units on a weekly basis before the end of the thirty (30) month period, as well as redeem some or all of their Class A Units under the monthly redemption right. In either case, the investor will pay to the UTF Service Provider an Early Exchange Fee that initially will be 2.00% of the NAV per Unit of the Class A Units being converted or redeemed during the first three-month period and, thereafter, 2.00% minus incremental decreases of 0.20% per three-month period. In the case of a conversion of Class A Units, the Fund will redeem such number of Class A Units from those otherwise being converted as is necessary to pay the Early Exchange Fee and will deduct the Early Exchange Fee from the redemption proceeds. In the case of a monthly redemption of Class A Units, the Fund will deduct the Early Exchange Fee from the redemption proceeds. The Early Exchange Fee so deducted by the Fund will be remitted by the Fund, on behalf of the Unitholders, to the UTF Service Provider.

For its services under the UTF Services Agreement, the Fund will pay an annual UTF Services Fee to the UTF Service Provider of 0.25% per annum of the NAV attributable to the Class T Units, calculated daily and payable quarterly, and 0.85% per annum of the NAV attributable to the Class A Units, calculated daily and payable quarterly, plus applicable taxes. See “Fees and Expenses – Fees and Expenses Payable by the Fund”.

The Fund also will pay an annual Management Fee to the Manager that is 0.75% of the NAV, together with an amount equal to the Contingent Agents Fee (as defined under “Plan of Distribution” below), plus applicable taxes. A portion of the Management Fee will be waived by the Manager from time to time. See “Fees and Expenses – Fees and Expenses Payable by the Fund”. In other words, if the Fund makes no distributions of Units after the Offering, the waiver described above will commence once the aggregate amount of compensation paid by the Manager to the Agents equals 1.50% of the gross proceeds of the Offering. Out of its Management Fee, the Manager will further compensate the Agents for their services related to the Offering. No portion of the compensation paid by the Manager to the Agents after completion of the Offering is expected to be paid by the Agents to their individual representatives. See “Plan of Distribution”.

## INVESTMENT OBJECTIVES

The Fund’s investment objectives are to:

- (i) return to holders of Units (“**Unitholders**”), including through Principal Distributions (as defined herein), the original issue price of \$10.00 per Unit on or before June 30, 2021 (the “**Scheduled Termination Date**”); and
- (ii) generate over the term of the Fund an average annual total return after fees and expenses of 3.10% for investors in the initial public offering who purchased Class A Units and 3.55% for investors in the initial public offering who purchased Class T Units,

by investing primarily in debt securities of Canadian and U.S. companies (“**Eligible Debt Securities**”).

The total return, after fees and expenses, for each class of Unitholders, means the amount by which the total of all amounts paid by the Fund to Unitholders of that class (including all Principal Distributions, other distributions and any amount paid on the Scheduled Termination Date) exceeds \$10.00. The average annual total return for Unitholders of that class is such difference divided by the weighted average capital invested in the Fund by Unitholders of that class over the term of the Fund (namely, \$10.00 per Unit less Principal Distributions as they occur) and further divided by the number of years for the term of the Fund.

## INVESTMENT STRATEGIES

### Initial Portfolio

To achieve its investment objectives, the Fund will acquire, or obtain exposure to, a portfolio (the “**Portfolio**”) comprised primarily of Eligible Debt Securities with a weighted average term to maturity initially of approximately 49 months and a modified duration initially of approximately 43 months. The Fund generally will hold the securities in its Portfolio (the “**Portfolio Securities**”) until their respective maturities.

The median credit rating of the Portfolio Securities in the initial Portfolio is expected to be not less than BBB-based on the Bloomberg Composite Credit Ratings. The Bloomberg Composite Credit Ratings is an equally weighted blend of the ratings of a security by Moody’s, S&P, Fitch, and DBRS as published by Bloomberg where the ratings of the rating agencies for the same security are evenly weighted and calculated by taking the average of the existing ratings, rounded down to the lower rating in case the composite is between two ratings.

At least 75% of the initial Portfolio will be invested in Portfolio Securities rated Investment Grade (“**Investment Grade Securities**”). The majority of the Investment Grade Securities included in the initial Portfolio are expected to be issued by Canadian companies in Canadian dollars.

Up to 25% of the initial Portfolio may be invested in Eligible Debt Securities that are not Investment Grade Securities (“**High Yield Debt Securities**”) and/or in Cash or Cash Equivalents. It is expected that the majority of the High Yield Debt Securities included in the initial Portfolio will be issued by U.S. companies in U.S. dollars.

Portfolio Securities generally will be held by the Fund until their maturities whereupon the principal amounts received by the Fund, net of repayment of borrowings used as leverage for the purchase of (or the acquisition of exposure to) such matured Portfolio Securities and less amounts used to fund the redemption or retraction of Units during the quarter, generally will be distributed to Unitholders in the form of returns of capital or as a retraction of Units. It is anticipated that none of the Portfolio Securities in the initial Portfolio will mature before March 27, 2019 or after April 30, 2022. See “Distribution Policy – Quarterly Principal Distributions”.

### Investment Process

The Investment Advisor will employ a combination of qualitative, top-down macroeconomic analysis and quantitative bottom-up credit analysis in selecting the Portfolio Securities. This will assist in assessing the credit quality, liquidity, and overall duration of the Portfolio.

The Investment Advisor will use a multi-step investment process in making investment decisions with respect to the initial composition of the Portfolio which involves the following items which are described in more details below: (i) the analysis of global and local economies, (ii) the thorough assessment of North American and global credit markets, (iii) regular company meetings with senior management, and (iv) management of risk.

#### *Analysis of global and local economies*

Through a review of global rate trends and central bank monetary policies, a fundamental analysis is prepared by the Investment Advisor on how the corporate bond market is expected to react to trends and changes in such policies, specifically changes in respect of yield compensation, credit sentiment and credit quality. Employment growth, total full employment, wage inflation, retail sales, industrial production, housing starts and existing home sales are all important economic factors that are considered in the fundamental analysis regarding credit and interest rate sentiments and global economic growth expectations. The Investment Advisor considers Citigroup Economic Surprise indices to evaluate how economic data, especially in Europe and in the United States, may impact credit and interest rate sentiments and growth expectations.

#### *Thorough assessment of North American and global credit markets*

A robust analysis of global credit focused primarily on historical defaults, default rates, and credit sentiment is prepared by the Investment Advisor and includes all major indices. This analysis gives the Investment Advisor a view on the credit tone of the market. Canadian and U.S. market flows regarding preferred shares, high yield bonds and investment grade bonds are also monitored and considered in the credit fundamental analysis.

### ***Regular company meetings with senior management***

Company meetings with management of issuers are an important part of the credit process. In these meetings, the Investment Advisor endeavors to evaluate the senior management, to understand, among other things, their objectives, compensation, expectation on acquisitions, capital expenditure and dividend policy. Fiera's credit team has a presence in both Toronto and Montréal and as such has access to all the major issuers in the Canadian market. Over the last five years, the team has on average, met with 75 companies per year.

### ***Risk Management***

The Investment Advisor will also select the Portfolio Securities with a focus on risk management. This process will include the following principal elements:

- i. An initially diversified Portfolio with a focus on capital preservation with credit analysis across all issuers in the Portfolio;
- ii. Analysis of call risks based on internal assumptions of capital requirements for all issuers in the Portfolio. A target callable date is maintained through the risk management process for all issuers including monitoring of yield-to-worst and duration metrics for all issuers based on the callable date assumptions;
- iii. Aligning return opportunities with risk exposures by sectors and by issuers; and
- iv. Daily performance tracking and reporting with attribution analysis by sector and by issuer.

In selecting Portfolio Securities, Fiera will also evaluate the fundamental characteristics of an issuer including, but not limited to, the issuer's creditworthiness while also taking into account prevailing market factors. In analyzing credit quality, the Investment Advisor considers not only fundamental analysis, but also an issuer's corporate and capital structure.

### **Buy and Hold Approach with Credit Oversight**

The Fund generally will hold Portfolio Securities until their maturities. The Investment Advisor will monitor the credit quality of the Portfolio Securities in the Portfolio and, where the Investment Advisor believes that the credit quality of a Portfolio Security has changed materially (including if the Investment Advisor believes that the likelihood of default has materially increased from when the Portfolio Security was initially included in the Portfolio), the Investment Advisor may dispose of that Portfolio Security and, if deemed appropriate in the circumstances, replace that Portfolio Security with another.

### **Leverage**

Following the closing of this Offering, the Manager, on behalf of the Fund, will enter into a loan facility (the "**Loan Facility**") and/or a prime brokerage facility (the "**Prime Brokerage Facility**") with one or more Canadian chartered banks or affiliates thereof (the "**Lender**"). It is expected that initially, the Lender will be a Canadian chartered bank that is at arm's length to the Trustee but which is affiliated with one of the Agents and the UTF Service Provider. See "Interest of Manager and Others in Material Transactions".

The Fund will be entitled to utilize leverage, whether through borrowings (such as the Loan Facility and the Prime Brokerage Facility), through the use of derivatives or a combination of both, in an amount not exceeding 30% of the Total Assets at the time leverage is initially employed for the purposes of purchasing or obtaining exposure to additional Portfolio Securities. The amount of leverage employed could increase beyond the 30% limit due to changes in the value of the Fund's investments or Total Assets rather than the amount borrowed by the Fund. In these circumstances, the Fund is not required to sell Portfolio Securities in order to reduce the amount of leverage employed, and there is no theoretical limit on the amount of such increased leverage. As Portfolio Securities mature, the Fund will use the principal amounts received on such maturities to repay the amounts borrowed under the Loan Facility of Prime Brokerage Facility to purchase such Portfolio Securities and to fund the redemption or retraction of Units.

The Loan Facility or Prime Brokerage Facility, as applicable, also will permit the Fund to borrow an amount not exceeding 5% of the Total Assets at the time leverage is initially employed for various purposes, including effecting market purchases of Class T Units, maintaining liquidity and funding redemptions. The interest rates, fees and expenses under the Loan Facility or Prime Brokerage Facility, as applicable, will be typical of credit facilities of this nature and the Fund expects that the Lender will require the Fund to provide a security interest in favour of the Lender over the assets of the Fund to secure such borrowings.

The Manager is responsible for all leverage decisions and will monitor the Fund's use of leverage and, based on factors such as changes in interest rates, the Manager's economic outlook and the composition of the Portfolio, the Fund may from time to time decide to use leverage and alter the amount of leverage it employs. The maximum amount of leverage that the Fund could employ at the time leverage is initially employed through the Loan Facility, Prime Brokerage Facility or derivatives to purchase or obtain exposure to additional Portfolio Securities is 30% of the Total Assets (equivalent to approximately 1.43:1 of the maximum Total Assets divided by the NAV). The Fund initially intends to borrow an amount equal to approximately 30% of the Total Assets for the purpose of purchasing or obtaining exposure to additional Portfolio Securities.

The Loan Facility or Prime Brokerage Facility, as applicable, will contain provisions to the effect that in the event of a default under the Loan Facility or Prime Brokerage Facility, as applicable, the Lender's recourse will be limited solely to the assets of the Fund. Such provisions are intended to ensure that Unitholders will not be liable for the obligations of the Fund under the Loan Facility or Prime Brokerage Facility, as applicable. Other than borrowing by the Fund under the Loan Facility or Prime Brokerage Facility, as applicable, the Fund does not contemplate engaging in other borrowings.

A prime brokerage facility differs from a committed loan facility. Among other things, differences include: (i) under a committed loan facility the lender commits to making the loan available so long as the borrower adheres to certain covenants, in exchange for a commitment fee and a standby fee, in addition to interest on the loan, whereas under a prime brokerage facility, the ongoing availability of credit and the terms of such credit, including interest cost and margin requirements, are subject to change at the lender's sole discretion at any time; and (ii) the interest rate charged for a prime brokerage facility is typically less than a committed loan facility due to the lack of a term commitment from the lender. See "Risk Factors – Risks Related to the Structure of the Fund – Availability of Leverage".

### **Currency Hedging**

The Portfolio will include securities denominated in U.S. dollars and, therefore, the Fund will be exposed to changes in the value of the U.S. dollar against the Canadian dollar. Between 0% and 100% of the Fund's exposure to the U.S. dollar will be hedged back to the Canadian dollar. The Fund initially intends to hedge substantially all of the value of the Portfolio denominated in U.S. dollars back to the Canadian dollar by using derivatives, including currency forward contracts.

### **Use of Derivative Instruments**

Subject to the Fund's investment restrictions, the Fund may invest in or use derivative instruments for the purposes of hedging its exposure to currency exchange rate fluctuations and for other purposes such as a substitute for purchasing or selling securities consistent with its investment objectives. The Fund intends to use derivatives for non-hedging purposes mainly to obtain exposure to individual Portfolio Securities that are trading at a premium to their par value in order to better match the yield-to-maturity of the Portfolio Security to the income (current yield) per annum received from the Portfolio Security. A maximum of 50% of the NAV may be invested in or used for derivative instruments for purposes other than hedging or for the Swap (as defined below).

Subject to obtaining certain discretionary relief from the Canadian securities regulators, the Fund intends to enter into a total return swap or similar transaction (the "**Swap**") in respect of its Class T Units with a registered dealer (which may be National Bank Financial Inc.) (the "**Counterparty**") that performs market making functions for the Fund. One of the objectives of the market making function will be to encourage the Class T Units to trade through the facilities of the TSX at prices within 0.50% of their NAV per Unit. By entering into the Swap, (i) the Counterparty will be able to hedge some or all of its exposure resulting from the market making function and (ii) the Fund will obtain synthetic exposure to its returns resulting from changes in the value of the Class T Units. Pursuant to the Swap, (i) the Counterparty would agree to make payments to the Fund based on increases in the value of the

Class T Units acquired by the Counterparty through its market making function (plus amounts equal to all cash distributions actually received on such Class T Units), and (ii) the Fund would agree to make payments to the Counterparty based on decreases in the value of the Class T Units acquired by the Counterparty through its market making function (plus amounts equal to all cash distributions actually received on such Class T Units). The Swap may provide exposure of up to 10% of the outstanding Class T Units of the Fund.

### **Securities Lending**

In order to generate additional returns, the Fund may lend Portfolio Securities to securities borrowers acceptable to the Fund pursuant to the terms of a securities lending agreement between the Fund and such borrower. Under a securities lending agreement (i) the borrower will pay to the Fund a negotiated securities lending fee and will make compensation payments to the Fund equal to any distributions received by the borrower on the securities borrowed, (ii) the securities loans must qualify as “securities lending arrangements” for the purposes of the Tax Act, and (iii) the Fund will receive collateral security. Any securities lending by the Fund will comply with the requirements of NI 81-102.

### **Repurchase and Reverse Repurchase Transactions**

The Fund may enter into repurchase and reverse repurchase transactions in order to generate additional returns. A repurchase transaction involves the Fund selling a security and agreeing to buy it back from the same party at a future time. A reverse repurchase transaction involves the opposite, namely the Fund buying a security and agreeing to sell it back to the same party at a future time. The terms of repurchase and reverse repurchase transactions will comply with the conditions for such transactions set out in sections 2.13 and 2.14 of NI 81-102.

## **SECTOR IN WHICH THE FUND INVESTS**

### **Corporate Debt Markets**

Corporate debt is issued by companies to finance growth and operations or refinance existing debt maturities. This debt generally pays interest quarterly or semi-annually and repays principal on the maturity date. Corporate debt is typically issued for terms of two to 30 years and generally ranks higher in the capital structure than equity and therefore ranks higher in priority for payment. Bonds are traded “over the counter”, which makes liquidity and transparency a concern for individual investors. In addition to this, new issue bonds are usually sold almost entirely to professional investors, pension/endowment funds and mutual funds making it difficult for individuals to directly participate in the primary bond market.

#### ***Investment Grade Eligible Debt Securities***

Investment grade debt securities and issuers generally are those with credit ratings at or above BBB- from S&P, Baa3 Moody’s or BBB (low) from DBRS. The Canadian investment grade corporate bond market is approximately \$317 billion in size (source: Bloomberg Canadian Investment Grade Corporate Bond Index).

#### ***High Yield Debt Securities***

High yield debt securities and issuers generally are those with credit ratings at or below BB+ from S&P, Ba1 from Moody’s or BB (high) from DBRS.

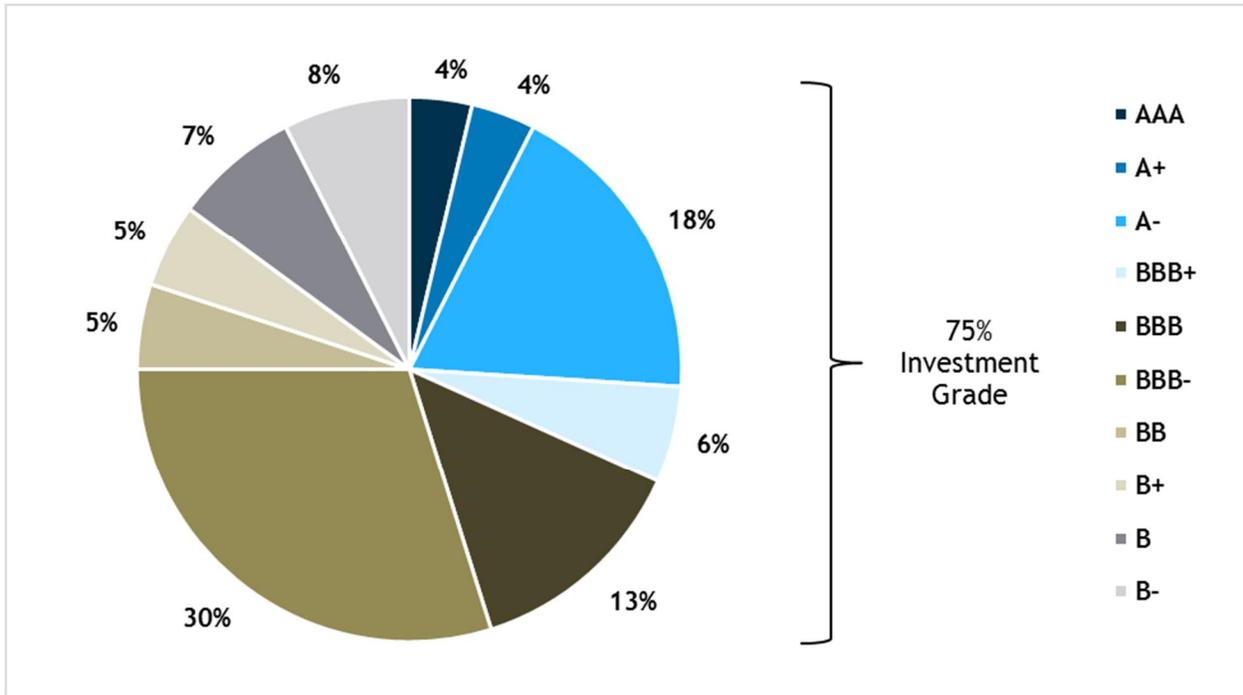
The global high yield bond market is approximately \$1,536 billion in size (source: Bloomberg Canadian Investment Grade Corporate Bond Index).

### **Indicative Portfolio**

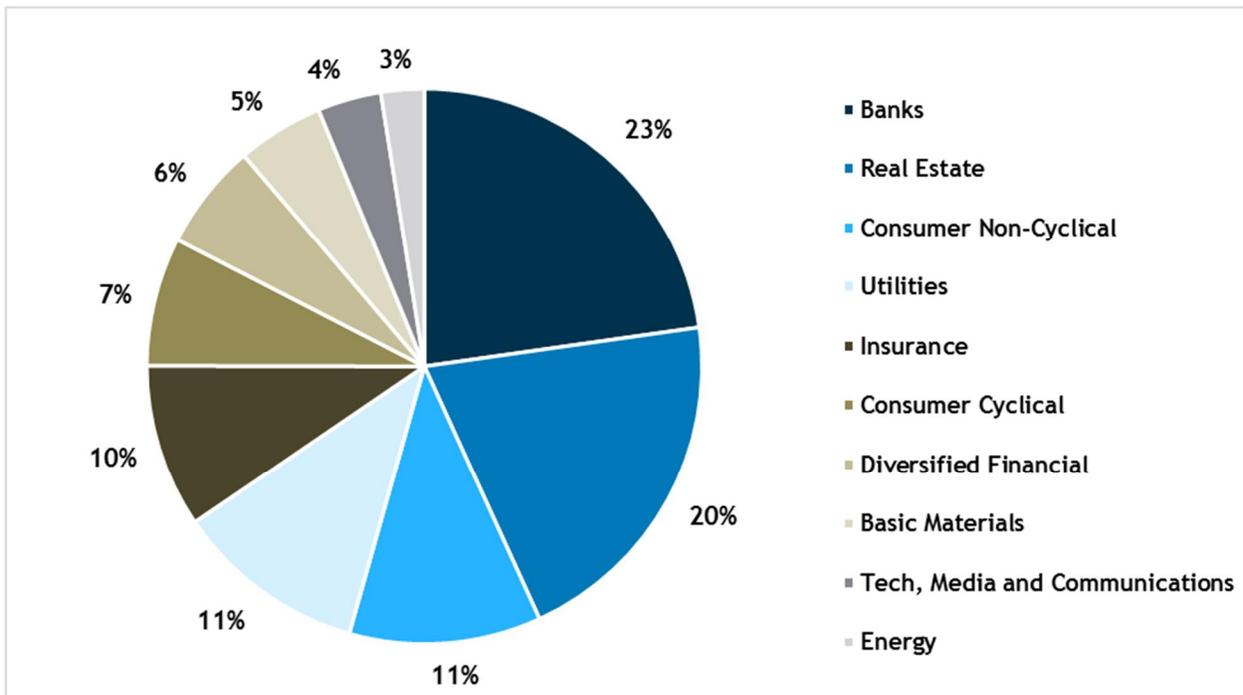
The following charts illustrate the percentage composition of the initial Portfolio in respect of the structure and geography on an indicative basis if the initial Portfolio had existed on January 27, 2017 (the “**Indicative Portfolio**”) and other characteristics of the Indicative Portfolio. The credit ratings in the chart below reflect the Bloomberg Composite Credit Ratings. The yield to maturity of the Indicative Portfolio as at January 27, 2017 is 3.84%, which represents the yield from (i) the interest generated by the Portfolio Securities until their maturities and

(ii) the difference between the market price of such securities and the face value thereof, as sourced from Bloomberg.

**Credit Profile**



**Industry Breakdown**



***Top 10 Indicative Holdings by Issuer***

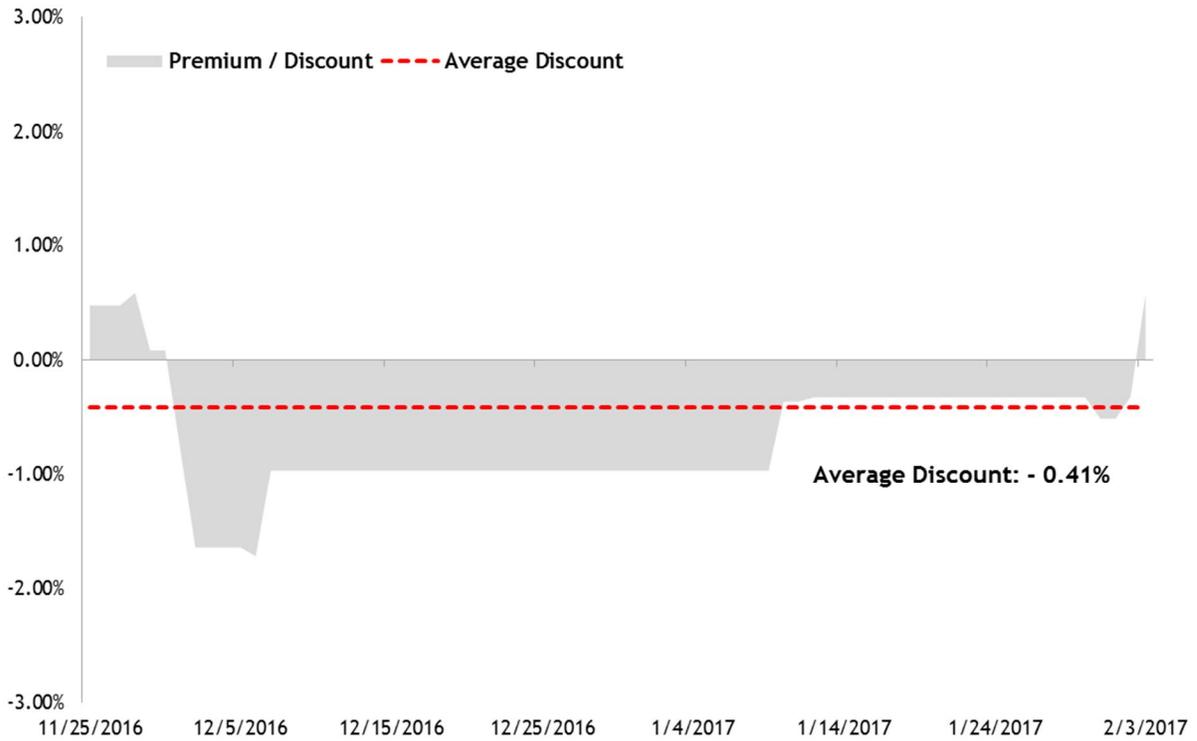
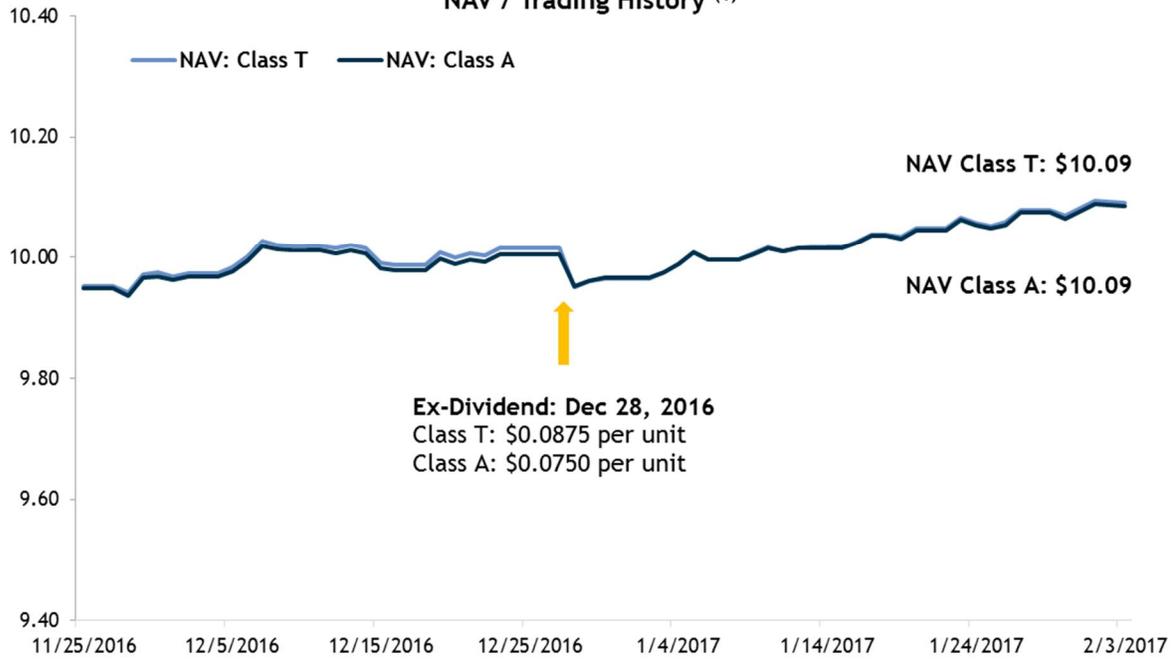
<b><u>Name</u></b>	<b><u>% of Holding</u></b>
Crombie Real Estate Investment Trust	7.4%
Bank of Nova Scotia/The	5.7%
Bank of Montreal	5.7%
Genworth MI Canada Inc	3.8%
Chip Mortgage Trust	3.7%
Brookfield Infrastructure Finance ULC	3.7%
Artis Real Estate Investment Trust	3.7%
Algonquin Power Co	3.7%
Cogeco Communications Inc	3.7%
Morguard Corp	3.7%
<b>Total</b>	<b>44.9%</b>

**The foregoing list of issuers is provided for informational purposes only. Although the Portfolio may from time to time include the securities of any of the issuers referred to in the above table, it is possible that the Portfolio may not include the securities of any of the foregoing issuers at any time. The actual securities included in the Portfolio will be determined by the Investment Advisor based on its assessment of market and other conditions.**

**June 2020 Corporate Bond Trust**

The Investment Advisor also is the manager of and portfolio adviser to CBT which, similar to the Fund, invests primarily in Eligible Debt Securities which CBT generally will hold until their maturities. Approximately 72% of the initial portfolio of CBT was comprised of Eligible Debt Securities that were rated Investment Grade and approximately 28% of its initial portfolio was comprised of High Yield Debt Securities. The following charts show the net asset values per unit of the Class A units and Class T units of CBT from its inception to February 3, 2017, and the premium (or discount) to the net asset value per unit at which the Class T units of CBT traded on the TSX over such period.

**June 2020 Corporate Bond Trust  
NAV / Trading History <sup>(1)</sup>**



(1) Sourced from Bloomberg since inception to February 3, 2017.

## INVESTMENT RESTRICTIONS

The Fund cannot engage in any undertaking other than the investment of its assets in accordance with its investment objectives and investment strategies and subject to the investment restrictions applicable to it set out in NI 81-102. The Fund also is subject to the following additional investment restrictions (the “**Investment Restrictions**”):

- (a) the Fund will only invest in Investment Grade Securities, High Yield Debt Securities, Cash and Cash Equivalents, derivatives and transactions in accordance with the restrictions set forth below, and at least 90% of the Total Assets shall be initially invested (directly or indirectly as permitted herein) in Eligible Debt Securities;
- (b) at least 75% of the Total Assets shall be initially invested (directly or indirectly as permitted herein) in Investment Grade Securities of which not more than 20% of the Total Assets shall be initially invested (directly or indirectly as permitted herein) in Investment Grade Securities that are not Eligible Debt Securities;
- (c) not more than 25% of the Total Assets will be initially invested (directly or indirectly as permitted herein) in High Yield Debt Securities and/or in Cash and Cash Equivalents;
- (d) not more than 10% of the Total Assets will be initially invested in the securities of any one issuer (other than in respect of Cash and Cash Equivalents);
- (e) the Fund will not purchase preferred shares of a non-Canadian issuer;
- (f) the Fund will not purchase securities or other instruments convertible into, or exchangeable or exercisable for, securities which are not Eligible Debt Securities;
- (g) the Fund will not borrow or enter into any leverage transaction to purchase additional securities if, at the time of such transaction, the aggregate amount of leverage employed by the Fund would exceed 30% of the Total Assets. The maximum amount of leverage that the Fund may employ through a loan facility, prime brokerage facility or derivatives used to purchase additional securities at the time such leverage is initially employed is approximately 1.43:1 (maximum Total Assets divided by the NAV);
- (h) the Fund will not invest in or use derivatives, except for (A) currency hedging purposes and (B) to a maximum of 50% of NAV for purposes other than currency hedging (not including exposure under the Swap);
- (i) the Fund will not sell securities short;
- (j) not more than 10% of the Total Assets may be initially invested in “illiquid assets” within the meaning of NI 81-102 (provided, for greater certainty, that this restriction shall not limit the use of derivatives by the Fund as permitted herein);
- (k) all securities lending, repurchase and reverse repurchase transactions effected by the Fund will be in compliance with NI 81-102;
- (l) the Fund will not invest in or hold (i) securities of or an interest in any non-resident entity, an interest in or a right or option to acquire such property, or an interest in a partnership which holds any such property if the Fund (or the partnership) would be required to include any significant amounts in income pursuant to section 94.1 of the Tax Act, (ii) an interest in a trust (or a partnership which holds such an interest) which would require the Fund (or the partnership) to report significant amounts of income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act, or (iii) any interest in a non-resident trust other than an “exempt foreign trust” for the purposes of section 94 of the Tax Act (or a partnership which holds such an interest) (or amendments to such provisions as enacted into law or successor provisions thereto);

- (m) the Fund will manage its investments and affairs to ensure that it will be a “mutual fund trust” for purposes of the Tax Act and will not acquire any property that would be “taxable Canadian property” of the Fund as such term is defined in the Tax Act (if the definition were read without reference to paragraph (b) thereof) (or any amendment to such definition);
- (n) the Fund will not make or hold any investments that would result in the Fund itself being subject to the tax for “SIFT trusts” as provided for in section 122 of the Tax Act;
- (o) the Fund will not purchase or hold: (i) any securities of an entity that would be a “foreign affiliate” of the Fund for purposes of the Tax Act; or (ii) any security that would be a “tax shelter investment” within the meaning of section 143.2 of the Tax Act;
- (p) the Fund will not engage in securities lending that does not constitute a “securities lending arrangement” for purposes of the Tax Act; and
- (q) the Fund will not enter into any arrangement where the result is a dividend rental arrangement for purposes of the Tax Act.

For greater certainty, for purposes of the restriction in paragraph (g): (i) derivatives used by the Fund for currency hedging purposes are not considered to constitute leverage, and (ii) derivatives used by the Fund for non-hedging purposes are not considered to constitute leverage to the extent that the Fund has set aside cash cover for its exposure under the derivative.

If a percentage restriction on investment or use of assets set forth above is adhered to at the time of the transaction, later changes to the market value of the investment or the Total Assets will not be considered a violation of the restriction (except for the restrictions in paragraphs (l) to (q) which shall be complied with at all times). Investment Restrictions that do not provide for a percentage restriction must be adhered to at all times. If the Fund receives from an issuer subscription rights to purchase securities of that issuer, and if the Fund exercises those subscription rights at a time when the Fund’s holdings of securities of that issuer would otherwise exceed the limits set forth above, the exercise of those rights will not be considered a violation of the investment restrictions if, prior to the receipt of securities of that issuer on exercise of these rights, the Fund has sold at least as many securities of the same class and value as would result in the restriction being complied with. Moreover, if the Fund holds Portfolio Securities that are converted into or exchanged for securities that are not Eligible Debt Securities (including securities of the type described in paragraph (f) above) as a result of an event affecting the issuer of those Portfolio Securities (including a forced conversion), the Fund will not be considered in violation of the investment restrictions above and will be entitled to hold, exercise, lend, sell or otherwise dispose of such securities as it deems advisable. Moreover, the Investment Advisor will have discretion to reinvest proceeds from such disposition into additional Portfolio Securities and/or other permitted investments and, in such case, such proceeds will not be distributed to Unitholders as part of any Principal Distribution.

For purposes of the restrictions in paragraphs (b) and (c) above: (i) a security is considered to have the highest rating assigned to it by a designated rating organization, (ii) the restriction is considered to apply only at the time of purchase of the security, and (iii) the restriction will not be considered violated unless it occurs or exists immediately after, and as a result of, an acquisition of securities. For the purposes of the restriction in paragraph (j) above, Eligible Debt Securities will not be considered “illiquid assets” within the meaning of NI 81-102 to the extent that they can be traded over-the-counter.

Unitholder approval is required to change the investment objectives or Investment Restrictions of the Fund. See “Unitholder Matters – Matters Requiring Unitholder Approval”. The Manager may change the investment strategies of the Fund at any time without notice to, or approval by, Unitholders.

## **FEES AND EXPENSES**

The Fund uses the *Unit Traded Fund* structure which has been developed by the UTF Service Provider to accomplish two goals, namely (a) to enable the Fund to invest virtually all of the gross proceeds from the Offering in the Portfolio, and (b) to encourage the Fund’s Class T Units to trade in the market at a price not less than 98.50% of their NAV per Unit throughout the life of the Fund.

## **Fees and Expenses Payable by the Fund**

### ***Expenses of the Offering***

The initial expenses of the Offering (including the costs of creating and organizing the Fund, the costs of printing and preparing this prospectus, legal expenses of the Fund, marketing expenses, certain expenses incurred by the Agents and certain other expenses) (but excluding the Agents' fees) are estimated to be \$500,000 and will be borne by the Fund subject to a maximum of 0.50% of the gross proceeds of the Offering. The UTF Service Provider will bear the expenses of the Offering in excess of 0.50% of the gross proceeds of the Offering.

### ***Management Fee***

Pursuant to the terms of the Management Agreement, the Fund will pay the Manager an annual management fee (the "**Management Fee**") equal to the sum of (i) 0.75% of the NAV of the Fund, plus applicable taxes, calculated daily and payable monthly, and (ii) an amount equal to the Contingent Agents Fee (as defined under "Plan of Distribution"), plus applicable taxes. The portion of the Management Fee described in (ii) above will be waived by the Manager from time to time during such periods when it is under no obligation to be compensating registered dealers for selling Units (either under this Offering or a future distribution of Units). In other words, if the Fund makes no distributions of Units after the Offering, the waiver described above will commence once the aggregate amount of compensation paid by the Manager to the Agents equals 1.50% of the gross proceeds of the Offering. The Manager will pay to the Agents the annual deferred compensation described under "Plan of Distribution" out of the Management Fee.

### ***Fee to the UTF Service Provider***

Pursuant to the terms of the UTF Services Agreement, the Fund will pay the UTF Service Provider a fee of 0.25% per annum of the NAV attributable to the Class T Units, calculated daily and payable quarterly, and 0.85% per annum of the NAV attributable to the Class A Units, calculated daily and payable quarterly (collectively, the "**UTF Services Fee**"), plus applicable taxes. The UTF Service Provider will be reimbursed by the Fund for all reasonable costs and expenses incurred in connection with its services, other than those costs and expenses which it has agreed to bear. See "Organization and Management Details of the Fund – UTF Service Provider."

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

The Fund will pay for all expenses incurred in connection with the operation and management of the Fund. 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 to the fees and expenses referenced elsewhere in this prospectus, it is expected that these expenses will include, without limitation: (a) financial reporting costs, and mailing and printing expenses for periodic reports to Unitholders and other Unitholder communications including marketing and advertising expenses; (b) any taxes payable by the Fund; (c) fees (if any) and expenses payable to the Trustee for acting as trustee of the Fund; (d) fees payable to the Fund's custodian; (e) fees payable to the Fund's valuation agent; (f) fees payable to the registrar and transfer agent for the Units for performing certain financial, record-keeping, Unitholder reporting and general administrative services; (g) costs and fees payable to any agent, legal counsel, actuary, valuation agent, technical consultant, accountant and auditor of the Fund and costs and expenses payable to any portfolio adviser or investment counsel; (h) ongoing regulatory filing fees, stock exchange fees, listing fees and other fees; (i) any expenses incurred by the Fund in connection with any legal proceedings in which the Manager participates on behalf of the Fund or any other acts of the Manager in connection with the protection of the Fund Property (as defined in the Declaration of Trust) or of any investment included therein; (j) the fees and other expenses of members of the Independent Review Committee, as well as premiums for insurance coverage for such members of the Independent Review Committee and for directors and officers of the Manager, which fees will be paid on a *pro rata* basis by the Fund and other applicable investment funds managed by the Manager and, in the case of the Independent Review Committee, of which the same individuals form the independent review committee; (k) any expenditures which may be incurred upon the termination of the Fund; (l) consulting fees including website maintenance costs and expenses associated with the preparation of tax filings; and (m) other administrative expenses, including the expenses of the Investment Advisor. The aggregate annual amount of these fees and expenses is estimated to be \$175,000 per annum. The Fund also will be responsible for all commissions and other costs of securities transactions, debt service and costs relating to borrowings by the Fund,

including under the Loan Facility or Prime Brokerage Facility, as applicable, and any extraordinary expenses that it may incur from time to time.

***Additional Services***

Any arrangements for additional services between the Fund and the Manager, or any affiliate thereof, that have not been described in this prospectus shall be on terms that are no less favorable to the Fund than those available from third parties for comparable services and the Fund shall pay all expenses associated with such additional services.

**Fees and Expenses Payable by Unitholders**

***Early Exchange Fee***

Any redemption of Class A Units and any conversion of Class A Units into Class T Units prior to the Automatic Conversion Date will be subject to an Early Exchange Fee per Class A Unit redeemed or converted, as the case may be, equal to the following percentages of the NAV per Class A Unit:

<u>Period during which the redemption or conversion is effected</u>	<u>Early Exchange Fee (% of NAV per Class A Unit)</u>
From the Closing Date to and including the 3-month anniversary of the Closing Date	2.00%
After the 3-month anniversary of the Closing Date to and including the 6-month anniversary of the Closing Date	1.80%
After the 6-month anniversary of the Closing Date to and including the 9-month anniversary of the Closing Date	1.60%
After the 9-month anniversary of the Closing Date to and including the 12-month anniversary of the Closing Date	1.40%
After the 12-month anniversary of the Closing Date to and including the 15-month anniversary of the Closing Date	1.20%
After the 15-month anniversary of the Closing Date to and including the 18-month anniversary of the Closing Date	1.00%
After the 18-month anniversary of the Closing Date to and including the 21-month anniversary of the Closing Date	0.80%
After the 21-month anniversary of the Closing Date to and including the 24-month anniversary of the Closing Date	0.60%
After the 24-month anniversary of the Closing Date to and including the 27-month anniversary of the Closing Date	0.40%
After the 27-month anniversary of the Closing Date to but excluding the Automatic Conversion Date	0.20%

In the case of a conversion of Class A Units, the Fund will redeem such number of Class A Units from those otherwise being converted as is necessary to pay the Early Exchange Fee and will deduct the Early Exchange Fee from the redemption proceeds. In the case of a redemption of Class A Units, the Fund will deduct the Early Exchange Fee from the redemption proceeds. The Early Exchange Fee so deducted by the Fund will be remitted by the Fund, on behalf of the Unitholder, to the UTF Service Provider.

The Early Exchange Fee also is payable upon termination of the UTF Services Agreement by the Fund and the Manager in certain circumstances. See “Organization and Management Details of the Fund – UTF Service Provider”.

### ***Redemption Expenses***

In connection with the redemption of Units, any costs associated with the redemption, including all brokerage fees, commissions, wire transfer fees and other transaction costs incurred by the Fund in order to fund such redemption will be deducted from the applicable redemption price payable to the Unitholder exercising the redemption privilege.

## **RISK FACTORS**

An investment in Units is subject to various risk factors, including but not limited to the following risks which prospective purchasers should consider before purchasing Units.

### **Risks Related to Investment Objectives and Strategies**

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

There is no assurance that the Fund will be able to achieve its investment objectives, including being able to pay distributions to Unitholders in an amount equal to the Target Distribution Amount or at all. In addition, in the event the Fund varies the amount of leverage it employs and/or the composition of the Portfolio, the rate of return required to be generated by the Portfolio in order to achieve the Target Distribution Amount from time to time also may vary. The Fund will attempt to achieve its investment objectives through its investment strategies as described above under the heading “Investment Strategies”.

#### ***Passive Investment Strategy***

The Portfolio will not be actively managed and the Investment Advisor will not sell a Portfolio Security due to current or projected underperformance of a security, industry or sector. The Fund will not take defensive positions under any market conditions, including conditions that are adverse to the performance of the Fund. Except in the limited circumstances described under “Investment Strategies – Buy and Hold Approach with Credit Oversight”, the adverse financial condition of an issuer of a Portfolio Security included in the Portfolio will not result in the elimination of exposure to such Portfolio Security and the risk of default or default of such issuer.

### **Risks Relating to Portfolio Securities**

#### ***Credit Risk***

Credit risk is the possibility that a borrower, or the counterparty to a derivatives contract, is unable or unwilling to repay the loan or obligation, either on time or at all. Debt securities issued by companies or governments in emerging markets often have higher credit risk (a lower credit rating assigned by specialized credit rating agencies), while debt securities issued by well-established companies or by governments of developed countries tend to have lower credit risk (a higher credit rating). A downgrade in an issuer’s credit rating can negatively affect a debt security’s market value. Other factors can also influence a debt security’s market value, such as the level of liquidity of the security and a change in the market perception of the creditworthiness of the security. Lower rated and unrated debt instruments generally offer a better return than higher grade debt instruments but have the potential for substantial loss if the borrower defaults on payment. Investments in companies or markets with higher credit risk tend to be more volatile in the short term. However, they may offer the potential of higher returns over the long term.

#### ***Fluctuations in Net Asset Value***

The NAV per Unit and the funds available for distribution will vary according to, among other things, the value of the Portfolio Securities acquired by the Fund and any dividends or interest paid thereon and net realized capital gains therefrom. Fluctuations in the market values of the Portfolio Securities and fluctuations in the NAV per Unit may occur for a number of reasons beyond the control of the Manager and the Fund including factors that affect capital markets generally such as general economic and political conditions and factors unique to each issuer included in the Portfolio, such as changes in management, changes in strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures, changes in distribution policies and other events that may affect the value of its securities. Some global economies have recently experienced a recession or diminished growth. No

assurance can be given that such conditions will not continue or re-emerge, which may adversely affect the issuers in which the Fund from time to time may invest and the value of their securities included in the Portfolio.

In addition, standards prescribed by the IFRS apply to investment funds which, among other things, require investment funds to refer to the closing bid price of an investment for NAV calculation purposes for financial statement reporting (rather than the closing trade price of an investment). NI 81-106 requires investment funds to calculate NAV for purposes other than financial statement reporting using the “fair value” of an investment fund’s assets and liabilities. Accordingly, there may be differences, which could be significant, between NAV set out in the financial statements of the Fund calculated in accordance with IFRS and NAV used for other purposes calculated using “fair value” pursuant to NI 81-106.

### ***Sensitivity to Interest Rates***

The market price of the Units may be affected by the level of interest rates prevailing from time to time. In addition, the NAV may be highly sensitive to interest rate fluctuations because the value of the Portfolio will fluctuate based on interest rates. Further, any decrease in the NAV resulting from any fluctuation in interest rates also may negatively affect the market price of the Units. Unitholders wishing to sell their Units will, therefore, be exposed to the risk that the NAV or the market price of the Units will be negatively affected by interest rate fluctuations. Increases in interest rates will also increase the Fund’s costs of borrowing.

The Portfolio’s income could decline due to falling market interest rates. This is because, in a falling interest rate environment, the Fund generally will have to invest the proceeds from the maturing Portfolio Securities (to the extent the principal amounts thereof is not paid to Unitholders as Principal Distributions) in lower-yielding securities.

Moreover, fixed rate securities will decline in value because of changes in market interest rates. When market interest rates rise, the market values of such securities generally will fall. The Fund seeks to mitigate these risks by generally holding its Portfolio Securities until their maturities and distributing the principal amounts received therefrom to Unitholders (net of repayment of borrowings used as leverage for the purchase of (or the acquisition of exposure to) such matured Portfolio Securities and less amounts used to fund the redemption or retraction of Units) as Principal Distributions. Longer-term fixed rate securities are generally more sensitive to interest rate changes. The Fund’s investment in such securities means that the NAV and market price of Units will tend to decline if market interest rates rise. Currently, market interest rates are at or near record historical lows.

### ***Sensitivity to Duration***

Duration measures the time-weighted expected cash flows of a security, which can determine the security’s sensitivity to changes in the general level of interest rates (or yields). Securities with longer durations tend to be more sensitive to interest rate (or yield) changes than securities with shorter durations. Duration differs from maturity in that it considers potential changes to interest rates, and a security’s coupon payments, yield, price and par value and call features, in addition to the amount of time until the security matures. Various techniques may be used to shorten or lengthen the duration of Portfolio Securities. The duration of a security will be expected to change over time with changes in market factors and time to maturity. Because the Fund intends to buy and hold Portfolio Securities until their maturities, the Investment Advisor will not be managing the duration of the Portfolio.

### ***Portfolio Concentration***

It is contemplated that the Portfolio assets will be concentrated in debt securities of Canadian and U.S. companies. Accordingly, this Portfolio concentration may have a negative impact on the value of the Units and the general risk of the Portfolio may be increased as a result of such concentration.

The Portfolio Securities may not be diversified by country or industry. It is expected that a majority of the Investment Grade Securities in the initial Portfolio will be from Canadian issuers denominated in Canadian dollars, and that a majority of the High Yield Debt Securities in the initial Portfolio will be from U.S. issuers denominated in U.S. dollars. The NAV of the Fund may be more volatile than the net asset value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time. This may have a negative effect on the value of the Units and the Fund’s capital return objectives. The value of such securities and the operations and profitability of such issuers will be affected by Canadian, U.S. and global economic and political factors such as unemployment, the

amount of consumer spending, business investment, government spending, the volatility and strength of Canadian, U.S. and global capital markets, political instability and inflation. Any downturn in the Canadian, U.S. or global economies or political instability, which may result in higher unemployment, lower family income, lower corporate earnings, lower business investment and/or lower consumer spending, may adversely impact the performance and/or financial condition of the issuers whose securities comprise the Portfolio and the NAV.

### ***Portfolio Composition***

The Fund's initial Portfolio will have the attributes (such as diversification, weighted average term to maturity, modified duration and median credit rating) described elsewhere in this document. Since it is the intention of the Fund to generally hold Portfolio Securities until their maturities and make Principal Distributions to Unitholders of the principal amounts received by the Fund (net of repayment of borrowings used as leverage for the purchase of (or the acquisition of exposure to) such matured Portfolio Securities and less amounts used to fund the redemption or retraction of Units), the composition of the Portfolio will change and may develop attributes materially different from the initial Portfolio, including less diversification and a lower median credit rating.

### ***Risks Related to Issuers Operating in the Financial Sector***

The Fund will at all times invest in the Portfolio Securities selected in accordance with the Fund's investment strategy. A portion of the Portfolio may be concentrated in the financial services sector. A financial services company is one that is primarily involved in banking, mortgage finance, consumer finance, specialized finance, investment banking and brokerage, asset management and custody, corporate lending, insurance or financial investments. This makes the Fund more susceptible to adverse economic or regulatory occurrences affecting this sector. Concentration of investments in financial services companies include the following risks: (a) financial services companies may suffer a setback if regulators change the rules under which they operate; (b) unstable interest rates can have a disproportionate effect on the financial services sector; (c) financial services companies whose securities the Fund may purchase may themselves have concentrated portfolios, such as a high level of loans to real estate developers, which makes them vulnerable to economic conditions that affect that sector; (d) financial services companies have been affected by increased competition, which could adversely affect the profitability or viability of such companies; and (e) financial services companies have been significantly and negatively affected by the downturn in the subprime mortgage lending markets and the resulting impact on the world's economies.

### ***Risks of Investing in High Yield Debt Securities***

In general, lower rated debt securities carry a greater degree of risk that the issuer will lose its ability to make interest and principal payments, which could have a negative effect on the NAV of the Fund. Securities of below investment grade quality are regarded as having predominantly speculative characteristics with respect to capacity to pay interest and repay principal, and are commonly referred to as "high yield" securities. High Yield Debt Securities involve a greater risk of default and their prices are generally more volatile and sensitive to actual or perceived negative developments, such as a decline in the issuer's revenues or revenues of underlying borrowers or a general economic downturn, than are the prices of higher grade securities. Debt securities in the lowest investment grade category also may be considered to possess some speculative characteristics by certain rating agencies. An economic downturn could severely affect the ability of issuers (particularly those that are highly leveraged) to service their debt obligations or to repay their obligations upon maturity. Lower-rated securities are generally less liquid than higher-rated securities, which may have an adverse effect on the Fund's ability to dispose of a particular security. For example, under adverse market or economic conditions, the secondary market for High Yield Debt Securities could contract further, independent of any specific adverse changes in the condition of a particular issuer, and certain High Yield Debt Securities in the Portfolio may become illiquid or less liquid. As a result, the Fund could find it more difficult to sell High Yield Debt Securities or may be able to sell these securities only at prices lower than if such securities were widely traded.

The Fund's credit quality policies apply only at the time a security is purchased, and the Fund is not required to dispose of a security in the event that a rating agency downgrades its assessment of the credit characteristics of a particular issue. In determining whether to retain or sell such a security, the Investment Advisor may consider factors including, but not limited to, the Investment Advisor's assessment of the credit quality of the issuer of such security, the price at which such security could be sold and the rating, if any, assigned to such security by other rating agencies. Analysis of creditworthiness may be more complex for issuers of High Yield Debt Securities than

for issuers of higher quality debt securities. For purposes of applying the Fund's credit-quality policies, in the case of securities with split ratings (i.e., a security receiving more than one different rating from the different rating agencies), the Fund will apply the highest of the applicable ratings.

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

The Portfolio will include securities denominated and paying interest in U.S. dollars and Canadian dollars. As the NAV will be calculated in Canadian dollars, to the extent the value of the Portfolio denominated in U.S. dollars has not been hedged back to the Canadian dollar, the NAV will be affected by changes in the value of the U.S. dollar against the Canadian dollar. While the Fund initially intends to hedge substantially all of the value of the Portfolio denominated in U.S. dollars back to the Canadian dollar, it may not be fully hedged at all times. Interest received on Portfolio Securities will not be hedged and any hedging strategy of the Fund may not be successful. Accordingly, no assurance can be given that the Fund will not be adversely impacted by changes in foreign exchange rates or other factors.

### **Risks Related to the Structure of the Fund**

#### ***Distributions***

The Fund initially intends to pay quarterly distributions based on the cash flow received on securities making up the Portfolio, which the Manager estimates to be initially in an amount equal to approximately \$0.0887 per Class T Unit (corresponding to an annualized distribution of \$0.355 per Class T Unit and an annualized yield of 3.55% per annum based on the original subscription price of \$10.00 per Class T Unit) and of approximately \$0.0775 per Class A Unit (corresponding to an annualized distribution of \$0.310 per Class A Unit and an annualized yield of 3.10% per annum based on the original subscription price of \$10.00 per Class A Unit). The Manager will review such distribution policy from time to time and the distribution amount may change based upon prevailing market conditions and the estimate by the Manager of distributable cash flow for the period to which the Target Distribution Amount pertains. The amount of quarterly distributions may fluctuate from quarter to quarter and there can be no assurance as to the amount of the targeted distributions or that the Fund will make any distribution in any particular quarter.

Based on the anticipated composition of the initial Portfolio, it is expected that the interest received from the Portfolio will be sufficient to fund distributions at the initial Target Distribution Amount for the first four quarterly periods. Because Portfolio Securities generally will be held by the Fund until their maturities whereupon the principal amounts received by the Fund (net of repayment of borrowings used as leverage for the purchase of (or the acquisition of exposure to) such matured Portfolio Securities and less amounts used to fund the redemption or retraction of Units) are expected to be distributed to Unitholders as Principal Distributions, the size of the Portfolio and the amount of interest generated thereon will decrease over time and, notwithstanding a consolidation of Units following a Principal Distribution or a Principal Distribution effected by retracting Units, the Target Distribution Amount could change.

#### ***Reliance on the Investment Advisor***

The Investment Advisor will provide investment advice regarding the Portfolio in a manner consistent with the Fund's investment objectives, strategy and restrictions. Although the employees of the Investment Advisor who will be primarily responsible for providing such advice in respect of the Portfolio have extensive experience in managing investment portfolios, there is no certainty that such individuals will continue to be employees of the Investment Advisor throughout the life of the Fund, or that the Investment Advisor will continue to be engaged by the Fund.

#### ***Use of Leverage by the Fund***

The use of leverage by the Fund may result in a decrease in distributions to Unitholders. The interest expense and banking and other fees incurred in respect of any loan facility or prime brokerage facility entered into by the Fund will decrease the value of the assets of the Fund, thereby reducing the amounts available to pay distributions on the Units. If the value of the Portfolio decreases, the amount utilized as leverage by the Fund for the purpose of purchasing or obtaining exposure to additional securities represent more than 30% of the Total Assets (representing a ratio in excess of approximately 1.43:1 maximum Total Assets divided by NAV), and the Fund will not be required to sell Portfolio Securities to bring back the level within the limit that applied at the time leverage was

initially employed. In addition, the Fund may not be able to renew any borrowings on acceptable terms or at all. There can be no assurance that the borrowing strategy employed by the Fund will assist the Fund in achieving its objectives.

### ***Use of Derivatives***

The Fund may also invest in or use derivative instruments for currency hedging purposes and other purposes such as a substitute for purchasing or selling securities consistent with its investment strategies and investment restrictions. The Fund intends to use derivatives for non-hedging purposes mainly to obtain exposure to individual Eligible Debt Securities that are trading at a premium to their par value in order to better match the yield-to-maturity of the Eligible Debt Security to the income (current yield) per annum received from the Eligible Debt Security.

There are many different types of derivatives. They usually take the form of a contract to buy or sell a specific currency or security index. The most common types of derivatives are:

- (a) *Futures or forward contract.* These types of contract are agreements made today to buy or sell a particular currency, security or market index on a specific day in the future at a specified price.
- (b) *Option contract.* This type of contract gives the buyer the right, but not the obligation, to buy or sell certain securities within a certain time period at a specified price.
- (c) *Swap agreement.* This type of agreement is a negotiated contract between parties agreeing to exchange payments based on returns of different investments. The most common type is an interest rate swap. Under an interest rate swap, Party A agrees to pay Party B a fixed amount based on a pre-set interest rate. In return, Party B agrees to pay Party A a floating amount based on a reference rate such as bankers' acceptance or the London Inter-Bank Offered Rate.

The use of derivative instruments involves risks different from and possibly greater than, the risks associated with investing directly in securities and other traditional investments. Risks associated with the use of derivatives include: (i) hedging to reduce risk does not guarantee that there will not be a loss or that there will be a gain; (ii) there is no guarantee that a market will exist when the Fund wants to complete the derivative contract, which could prevent the Fund from reducing a loss or making a profit; (iii) securities exchanges may impose trading limits on options and futures contracts, and these limits may prevent the Fund from completing the derivative contract; (iv) the Fund could experience a loss if the other party to the derivative contract is unable to fulfill its obligations; and (v) if the Fund has an open position in an option, a futures contract or a forward contract with a dealer who goes bankrupt, the Fund could experience a loss and, for an open futures or forward contract, a loss of margin deposits with that dealer. Forward agreements may be considered to be illiquid. The forward market is largely unregulated.

In addition, to the extent that derivatives are used by the Fund for non-hedging purposes, there is a risk that the non-hedging purposes for which such derivatives have been utilized by the Fund result in losses, which in turn could have an adverse effect on the performance of the Fund and its ability to meet its objectives.

### ***No Guaranteed Returns***

There is no guarantee that an investment in the Fund will earn any positive returns in the short or long term.

### ***Loss of Investment***

An investment in Units is appropriate only for an investor that can withstand distributions not being made on the Units for any period of time, and that can withstand a partial or total loss of its investment.

### ***Illiquid Assets***

A liquid asset typically trades on an organized market, such as a stock exchange, which provides price quotations for the asset. The use of an organized market means that it should be possible to convert the asset to cash at, or close to, the quoted price or the price used to calculate the NAV. An asset is considered illiquid if it is more difficult to convert it to a liquid investment such as cash. In highly volatile markets, investments that were considered liquid may suddenly and unexpectedly become illiquid.

There is no assurance that an adequate market will exist for the Fund's investments. The Fund cannot predict whether its investments will trade at a discount to, a premium to, or at their respective values used by the Fund for calculating its NAV. If the market for a specific investment is particularly illiquid, the Fund may be unable to dispose of such investments or may be unable to dispose of such investments at an acceptable price.

Illiquid investments may cause the NAV to rise and fall substantially because the Fund may not be able to sell the assets for the value used in calculating the NAV.

### ***Risks Relating to the Mandatory Market Purchase Program***

Pursuant to the Declaration of Trust, the Fund will undertake the MMPP pursuant to which the Fund will offer to purchase any Class T Units offered in the market when the market price is 98.50% or less of the latest NAV per Class T Unit. The Manager will publish this price on the Manager's website at [www.redwoodasset.com](http://www.redwoodasset.com) each day on which the TSX is open for business. Pursuant to the MMPP, the Fund will purchase up to a maximum amount in any rolling 10 trading day period of 10% of the number of Class T Units outstanding at the beginning of such 10 trading day period, subject to a limit of 2% of the number of Class T Units outstanding each trading day and subject to the terms set out in the Declaration of Trust. If a significant number of Class T Units are purchased and cancelled, the expenses of the Fund would be spread among fewer Units resulting in a potentially lower distribution per Unit. The Manager has the ability to terminate the Fund at any time without the approval of Unitholders if, in its opinion, it is no longer economically feasible to continue the Fund and/or it would be in the best interests of the Unitholders to terminate the Fund. If the Fund is terminated as a consequence of market purchases and/or redemptions, it may be terminated before the Manager would otherwise choose to do so and the return to Unitholders may be less than anticipated as the Portfolio may not have had sufficient time to provide a return that equals or exceeds the expenses of the Offering borne by the Fund.

Given the procedures and rules of the TSX relating to the placement of purchase and sell orders and the filling of such orders, and with the objective of avoiding arbitrage in the market detrimental to Unitholders, the Fund may place bids on the Class T Units at 98.50% of the NAV per Class T Unit even if the trading price is lower. As a result, and because an amount of 1.32% of the NAV per Class T Unit plus applicable taxes purchased by the Fund will be paid to the Manager as part of the Management Fee, the purchase of Class T Units under the MMPP will not be accretive to the Fund and Unitholders to the extent that this portion of the Management Fee is not being waived by the Manager. However, as the purchases made under the MMPP are being effected at a maximum of 98.50% of the NAV per Class T Unit (calculated as at the latest Valuation Time), they will not be dilutive to the Fund or Unitholders.

### ***Trading Price of Units***

Class T Units may trade in the market at a premium or discount to their NAV per Unit and there can be no assurance that Units will trade at a price equal to such amount. This risk is separate and distinct from the risk that the NAV per Unit may decrease, or possibly be zero.

Due to the possibility that Class T Units may trade at a discount to their NAV per Unit, the terms and conditions attaching to Class T Units have been designed to attempt to reduce or eliminate such trading discount by way of the Fund's MMPP, as described under "Attributes of Securities – Mandatory Market Purchase Program". Subject to obtaining certain discretionary relief from the Canadian securities regulators, the Fund also intends to enter into an arrangement with a registered dealer to perform certain market making functions. There can be no assurance that purchases of Class T Units by the Fund or the proposed market maker will result in Class T Units trading at a price which is equal to the NAV per Unit. The Fund anticipates that the market price of Class T Units will in any event vary from the NAV per Unit. The market price of Class T Units will be determined by, among other things, the relative demand for and supply of Class T Units in the market, the performance of the Portfolio and investor perception of the Fund's overall attractiveness as an investment as compared with other investment alternatives. The NAV per Unit and the market price of Class T Units is subject to factors beyond the control of the Fund, the Manager, the Trustee and the Investment Advisor.

### ***Securities Lending***

The Fund may engage in securities lending. Although the Fund will receive collateral for the loans, and such collateral is marked to market, the Fund will be exposed to the risk of loss should the borrower default on its

obligation to return the borrowed securities and should the collateral be insufficient to reconstitute the portfolio of loaned securities. In addition, the Fund will bear the risk of loss of any investment of cash collateral.

### ***Repurchase and Reverse Repurchase Transactions***

The Fund may enter into purchase and reverse repurchase transactions in order to generate additional returns. A repurchase transaction involves the Fund selling a security and agreeing to buy it back from the same party at a future time. A reverse repurchase transaction involves the opposite, namely the Fund buying a security and agreeing to sell it back to the same party at a future time. Over time, the value of the securities purchased by the Fund under a reverse repurchase transaction may decline below the amount of cash paid by the Fund to the other party. If the other party defaults on its obligation to repurchase the securities from the Fund, the Fund may need to sell the securities for a lower price and suffer a loss for the difference.

### ***Marketability and Operating History***

The Fund is a newly organized investment fund with no previous operating history. There is currently no public market for the Units and there can be no assurance that an active public market will develop or be sustained after completion of this Offering.

### ***Availability of Leverage***

Given the nature of prime brokerage facilities, in the event the Fund enters into the Loan Facility and/or Prime Brokerage Facility, the ongoing availability of credit and the terms of such credit, including interest cost and margin requirements, will be subject to change at the Lender's sole discretion at any time and there will be no guarantee that the Fund will be able to borrow on terms satisfactory to the Fund or at all, which may affect the total returns of the Portfolio.

### ***Risks Related to Redemptions***

If holders of a substantial number of Units exercise their redemption rights, the number of Units outstanding and the NAV could be significantly reduced. If a substantial number of Units are redeemed, this could decrease the liquidity of the Class T Units in the market and increase the management expense ratio of the Fund. In any such circumstance, the Manager may determine it appropriate to terminate the Fund without the approval of the Unitholders if, in the opinion of the Manager, it is no longer economically feasible to continue the Fund or the Manager determines that it would be in the best interests of Unitholders to terminate the Fund.

Redemption costs will be paid by the redeeming Unitholder. The amount of any such redemption costs will depend on the circumstances at the time of the redemption, including the NAV, the number of Units surrendered for redemption, the available cash of the Fund, the interest rate under the Loan Facility and/or Prime Brokerage Facility, the current market price of the securities of each issuer included in the Portfolio at the time of the redemption, and the brokerage fees, commissions and other transaction costs as described under "Redemptions of Securities". As a result of the foregoing variables, the amount of redemption costs payable by a Unitholder upon the redemption of Units may vary from time to time.

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

The Fund is non-redeemable investment fund that is a reporting issuer under the securities legislation of all the provinces and territories of Canada. Consequently, the Fund is subject to the various policies and regulations that apply to non-redeemable investment funds which are reporting issuers, including parts of NI 81-102, as well as NI 81-106 and NI 81-107. The Fund is not a "mutual fund" under applicable securities legislation and is not subject to the added regulation applicable to mutual funds.

The Fund is not a trust company and is not registered under legislation of any jurisdiction governing trust companies as it does not carry on, nor does it intend to carry on, the business of a trust company. The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that Act or any other legislation.

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

The services to be provided or caused to be provided by the Manager under the Management Agreement and by the Investment Advisor under the Investment Advisory Agreement are not exclusive to the Fund. Neither the Manager nor the Investment Advisor is prevented from offering its services to other funds, some of which may invest primarily in the same securities as the Fund from time to time invests and which may be considered competitors of the Fund.

In addition, the directors and officers of the Manager, the Investment Advisor or their respective affiliates may be directors, officers, shareholders or unitholders of one or more issuers in which the Fund may acquire securities or of corporations which act as the manager of other funds that invest primarily in the same securities as the Fund from time to time invests and which may be considered competitors of the Fund. The Manager and the Investment Advisor or its affiliates may be managers or portfolio managers of one or more issuers in which the Fund may acquire securities.

### ***Nature of Units***

A Unit represents an undivided beneficial interest in the net assets of the Fund. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions. Units are dissimilar to debt instruments in that there is no principal amount nor interest obligations owing to Unitholders.

### ***No Market for Class A Units***

The Class A Units will not be listed on any stock exchange. It is expected that liquidity for Class A Units will be obtained primarily by means of conversion of Class A Units into Class T Units and the subsequent sale of such Class T Units on the exchange.

### ***No Ownership Interest***

An investment in Units does not constitute an investment by Unitholders in the securities comprising the Portfolio. Unitholders will not own the securities held by the Fund.

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

If the Fund fails to or ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading “Income Tax Considerations” would be materially and adversely different in certain respects. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund trusts or in general will not be changed in a manner which adversely affects the Unitholders or the Fund. There can be no assurances that the CRA will agree with the tax treatment adopted by the Fund in filing its tax return (e.g., deduction of expenses or recognition of income) and the CRA could reassess the Fund on a basis that results in additional tax being paid by Unitholders.

The tax treatment of gains and losses realized by the Fund will depend on whether such gains or losses are treated as being on income or capital account, and whether they result from a “derivative forward agreement”. In determining its income for tax purposes, the Fund will treat gains or losses realized on the disposition of Portfolio Securities held by it as capital gains and losses. Generally, the Fund will include gains and deduct losses on income account in connection with investments made through certain derivatives, except where such derivatives are used to hedge Portfolio Securities held on capital account provided there is sufficient linkage, subject to the DFA Rules discussed below, and will recognize such gains or losses for tax purposes at the time they are realized by the Fund. For example, the Fund intends to take the position that gains or losses in respect of foreign currency hedges entered into in respect of amounts invested in the Portfolio will constitute capital gains and capital losses to the Fund if the Portfolio Securities are capital property to the Fund and there is sufficient linkage. Recent amendments to the Tax Act clarify that the DFA Rules generally should not apply to such foreign currency hedges. Designations with respect to the Fund’s income and capital gains will be made and reported to Unitholders on the foregoing basis. The CRA’s practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained. If these foregoing dispositions or transactions of the Fund are determined not to be on capital account, the net income of the Fund for tax purposes and the taxable

component of distributions to Unitholders could increase. Any such redetermination by the CRA may result in the Fund being liable for unremitted withholding taxes on prior distributions made to Unitholders who were not resident in Canada for purposes of the Tax Act at the time of the distribution. Such potential liability may reduce the NAV of the Fund and NAV per Unit.

The DFA Rules target certain financial arrangements (described in the DFA Rules as “derivative forward agreements”) that seek to deliver a return based on an “underlying interest” (other than certain excluded underlying interests) for purposes of the DFA Rules. The DFA Rules are broad in scope and could apply to other agreements or transactions and other derivatives, in certain circumstances). If the DFA Rules were to apply in respect of any derivatives used by the Fund, gains realized in respect of the property underlying such derivatives could be treated as ordinary income rather than capital gains.

The SIFT Rules will apply to the Fund if it is a SIFT trust (as defined in the Tax Act). The Fund should not be a SIFT Trust for the purposes of these rules because the Fund should not hold “non-portfolio property”, as defined in the SIFT Rules, based on its investment restrictions, as described under the heading “Investment Restrictions”. If the SIFT Rules were to apply to the Fund, they may have an adverse impact on the Fund including on distributions received by Unitholders.

### *Changes in Legislation*

There can be no assurance that income tax, securities and other laws and government incentive programs relevant to the Fund and its investments will not be changed in a manner which adversely affects the Fund and/or the distributions, if any, received by the Fund or by the Unitholders.

## **DISTRIBUTION POLICY**

### **Quarterly Distributions of Target Distribution Amounts**

The Fund intends to provide Unitholders with quarterly cash distributions to be declared payable to Unitholders of record on the last day of each of March, June, September and December (commencing June 30, 2017) or such other date as the Manager may set from time to time (any such date being the “**Record Date**”) and to be paid on or before the 10<sup>th</sup> Business Day of the first month following the end of the quarter for which the distribution is payable (the “**Distribution Date**”). The Fund will not have a fixed quarterly distribution amount, but intends to annually determine and announce (commencing in March 2018) a target quarterly distribution amount (the “**Target Distribution Amount**”) based upon the estimate by the Manager of distributable cash flow for the period to which such Target Distribution Amount pertains. The initial Target Distribution Amount is approximately \$0.0887 per Class T Unit (corresponding to an annualized distribution of \$0.355 per Class T Unit per annum and representing an annualized yield of 3.55% per annum based on the original subscription price of \$10.00 per Class T Unit) and approximately \$0.0775 per Class A Unit (corresponding to an annualized distribution of \$0.310 per Class A Unit per annum and representing an annualized yield of 3.10% per annum based on the original subscription price of \$10.00 per Class A Unit). The initial distribution is expected to be declared payable to Unitholders of record on June 30, 2017 and to be paid on or before the 10<sup>th</sup> Business Day of the first month following such quarterly period.

Based on the anticipated composition of the initial Portfolio, it is expected that the interest received from the Portfolio will be sufficient to fund distributions at the initial Target Distribution Amount for the first four quarterly periods. Because Portfolio Securities generally will be held by the Fund until their maturities whereupon the principal amounts received by the Fund (net of repayment of borrowings used as leverage for the purchase of (or the acquisition of exposure to) such matured Portfolio Securities and less amounts used to fund the redemption or retraction of Units) are expected to be distributed to Unitholders as Principal Distributions, the size of the Portfolio and the amount of interest generated thereon will decrease over time and, notwithstanding a consolidation of Units following a Principal Distribution or a Principal Distribution effected by retracting Units, the Target Distribution Amount could change. **The amount of the quarterly distributions may fluctuate from quarter to quarter and there can be no assurance that the Fund will make any distributions in any particular quarter or quarters or that the Target Distribution Amount will be satisfied each quarter.** See “Risk Factors”. The Fund intends to fund the Target Distribution Amount from the interest and other income received from, and any capital gains realized on, the Portfolio.

## **Quarterly Principal Distributions**

In addition, the Fund generally expects to pay quarterly cash distributions to Unitholders on a relevant Distribution Date equal to the principal amounts received by the Fund during the quarter to which the distribution relates for Portfolio Securities that matured during such quarter, net of repayment of borrowings used as leverage for the purchase of (or the acquisition of exposure to) such matured Portfolio Securities and less amounts used to fund the redemption or retraction of Units during the quarter (“**Principal Distributions**”). Principal Distributions may be effected by the Fund, at its option, by retracting Units having an aggregate NAV per Unit equal to the amount of the Principal Distribution. Principal Distributions will generally constitute a return of capital by the Fund unless the Principal Distribution is effected by retracting Units in which event the Unitholder will be treated as having disposed of their Units that were retracted. Returns of capital are generally not subject to tax but will reduce the Unitholder’s adjusted cost base of the Units for tax purposes. See “Income Tax Considerations”. Since it is anticipated that none of the Eligible Debt Securities in the Portfolio will mature before March 27, 2019, it is not expected that any Principal Distributions will be made before March 2019.

Following a Principal Distribution that is effected other than by retracting Units, the Manager may consolidate the number of Units outstanding such that the NAV per Unit immediately following such Principal Distribution approximates the NAV per Unit immediately prior to such Principal Distribution.

## **Other Distributions**

The Fund also may, at the discretion of the Manager, make other distributions of cash and/or in Units at any time if it considers it appropriate.

Distributions of cash by the Fund to Unitholders will decrease the net assets of the Fund and accordingly will reduce the NAV per Unit, subject to any consolidation of Units effected by the Manager to avoid such reduction in the NAV per Unit. It is expected that distributions to Unitholders will be characterized as income, dividends from taxable Canadian corporations, capital gains and returns of capital. See “Income Tax Considerations”.

If, in any taxation year, after payment of any distributions paid on the Units, there would otherwise remain in the Fund additional net income or net realized capital gains, the Fund will be required to pay, or make payable, on or before the last day of that taxation year, a special distribution of such portion of the remaining net income and net realized capital gains on the Units as is necessary to ensure that the Fund will not be liable for non-refundable income tax thereon under Part I of the Tax Act. If the Fund elects to have a December 15 taxation year-end, then the Fund will make such distribution payable after December 15 but on or before December 31 of that year. Such distributions may be made in Units and/or cash. A distribution payable in Units of a class will increase the aggregate adjusted cost base to the Unitholders of their Units of that class. Immediately following payment of such distribution in Units, the number of Units outstanding will be automatically consolidated such that the number of Units held by each Unitholder will be equal to the number of Units held immediately prior to such payment, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution. See “Income Tax Considerations”.

## **PURCHASES OF SECURITIES**

The Offering consists of Class A Units and Class T Units. While at the closing of the Offering the NAV per Unit of each class will be the same, after the closing of the Offering the NAV per Unit of each class will not be the same as a result of the different distributions payable and fees allocable to each class of Units.

No commission will be paid at the closing of the Offering to Agents that sell Class T Units, and the Class T Units will immediately commence trading in the market. Class A Units are intended to be purchased under the Offering by investors who intend to hold their Class A Units until the Automatic Conversion Date with the understanding that an Early Exchange Fee will apply if their Class A Units are redeemed or converted prior to the Automatic Conversion Date.

Prospective purchasers may acquire Units only by a cash payment of the subscription price of \$10.00 per Unit with the minimum subscription being 100 Units (\$1,000). Prospective purchasers may purchase Units through any one of the Agents or any member of a sub-agency group that the Agents may form. The Agents have agreed to offer the Units for sale, as agents of the Fund, on a best efforts basis, if, as and when issued by the Fund.

Closing will take place on or about March 22, 2017, or such later date as may be agreed upon by the Fund and the Agents, but, in any event, not later than 90 days after a receipt for the final prospectus is issued. The offering price was determined by negotiation between the Agents and the Fund.

The maximum Offering (prior to the exercise of the Over-Allotment Option) will not be more than \$75,000,000. If the maximum Offering (prior to the exercise of the Over-Allotment Option) is exceeded, the Fund will accept subscriptions on a pro rata basis or such other reasonable basis that it may determine appropriate until the maximum Offering size of \$75,000,000 is achieved.

## REDEMPTIONS OF SECURITIES

### Redemptions of Class A Units and Class T Units

Holders of Class A Units and Class T Units may make a redemption request at any time, in which case the Fund will redeem the Units on the second last Business Day of each month (“**Monthly Redemption Date**”), subject to certain conditions, and in order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the date which is the last Business Day of the month preceding the month in which the Monthly Redemption Date falls. Payment of the redemption price will be made on the Redemption Payment Date, subject to the Manager’s right to suspend redemptions in certain circumstances.

A Unitholder who properly surrenders a Class T Unit for redemption on a Monthly Redemption Date, will receive the amount, if any, equal to the lesser of (i) 95% of the Market Price and (ii) 100% of the Closing Price of a Class T Unit on the applicable Monthly Redemption Date (the “**Class T Monthly Redemption Price**”), less, in each case, any costs associated with the redemption including brokerage fees, commissions and other transaction costs incurred by the Fund in order to fund such redemption, if any. Notwithstanding the foregoing, the Class T Monthly Redemption Price with respect to a Class T Unit being redeemed on such date will not be greater than 100% of the NAV per Class T Unit on the Monthly Redemption Date.

Unitholders surrendering a Class A Unit for redemption will receive an amount equal to the product of (i) the Class T Monthly Redemption Price on such Monthly Redemption Date, and (ii) a fraction, the numerator of which is the most recently calculated NAV per Class A Unit and the denominator of which is the most recently calculated NAV per Class T Unit (the “**Class A Monthly Redemption Price**”), less, in each case, any costs associated with the redemption including brokerage fees, commissions and other transaction costs incurred by the Fund in order to fund such redemption, if any. Notwithstanding the foregoing, the Class A Monthly Redemption Price with respect to a Class A Unit being redeemed on such date will not be greater than 100% of the NAV per Class A Unit on the Monthly Redemption Date. **Any redemption of Class A Units prior to the Automatic Conversion Date will be subject to an Early Exchange Fee of up to 2.00%, declining over time, as described under “Fees and Expenses”.**

Pursuant to the Declaration of Trust, the Fund may allocate and designate as payable any capital gains realized by the Fund as a result of any disposition of property of the Fund undertaken to permit or facilitate the redemption of Units to a Unitholder whose Units are being redeemed. Any such allocations and designations will reduce the redemption price otherwise payable to the redeeming Unitholder.

### Exercise of Redemption Right

An owner of Units who desires to exercise redemption privileges thereunder must do so by causing a CDS participant to deliver to CDS on behalf of the owner a written notice (the “**Redemption Notice**”) of the owner’s intention to redeem Units. An owner who desires to redeem Units should ensure that the CDS participant is provided with notice of his or her intention to exercise his or her redemption privilege sufficiently in advance of the relevant notice date so as to permit the CDS participant to deliver notice to CDS and so as to permit CDS to deliver notice to the registrar and transfer agent of the Fund in advance of the required time. The form of Redemption Notice will be available from a CDS participant or the registrar and transfer agent. Any expense associated with the preparation and delivery of Redemption Notices will be for the account of the owner exercising the redemption privilege.

Except as provided under “Suspension of Redemptions”, by causing a CDS participant to deliver to CDS a notice of the owner’s intention to redeem Units, an owner shall be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS participant to act as his or her exclusive settlement agent with respect

to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any Redemption Notice delivered by a CDS participant regarding an owner's intent to redeem which CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with the owner's instructions will not give rise to any obligations or liability on the part of the Fund or the Manager to the CDS participant or to the owner.

Any and all Units which have been properly surrendered to the Fund for redemption are, subject to the Fund's right to recirculate Units described below, deemed to be outstanding until (but not after) the close of business on the applicable Valuation Date, unless the redemption proceeds are not paid on or before the applicable Redemption Payment Date in which event such Units will remain outstanding.

### **Suspension of Redemptions**

The Manager may suspend the redemption of Units or payment of redemption proceeds: (i) during any period when normal trading is suspended on stock exchanges or other markets on which securities owned by the Fund are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the Total Assets without allowance for liabilities and if these securities are not traded on any other exchange that represents a reasonably practical alternative for the Fund or (ii) during any period, with the consent of the securities regulatory authorities. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first Business Day following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager shall be conclusive.

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

The Fund may enter into a recirculation agreement with a recirculation agent whereby such recirculation agent will agree to use commercially reasonable efforts to find purchasers for Units tendered for redemption prior to the relevant Monthly Redemption Date. The Fund may, but is not obligated to, require a recirculation agent to seek such purchasers. In such event, the amount to be paid to the Unitholder on or before the Redemption Payment Date will be an amount equal to the proceeds of the sale thereof less any applicable fees and commissions. Such amount will not be less than the amount that a Unitholder would have been otherwise entitled to receive on a Redemption Payment Date. The recirculation agreement will provide that the recirculation agent will not recirculate Units unless the price achieved by the recirculation agent in selling Units tendered for redemption is equal to or in excess of the redemption price to be paid to the redeeming Unitholder net of applicable fees and expenses. A Unitholder is entitled to require the Fund to redeem any Unit surrendered for redemption and is not obligated to have such Unit recirculated.

## **INCOME TAX CONSIDERATIONS**

In the opinion of Fasken Martineau DuMoulin LLP, counsel to the Fund, 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 purchaser who acquires Units pursuant to this prospectus. This summary only applies to a purchaser who is an individual (other than a trust that is not a Registered Plan) and who, for purposes of the Tax Act, is resident in Canada, deals at arm's length with the Fund, is not affiliated with the Fund and holds Units as capital property (a "**Holder**"). Generally, the Units will be considered to be capital property to a purchaser provided that the purchaser does not hold such securities in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Holders who might not otherwise be considered to hold Units as capital property may, in certain circumstances, be entitled to have their Units and all other "Canadian securities" owned or subsequently

acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary does not apply to a Holder who has entered or will enter into a “derivative forward agreement” as that term is defined in the Tax Act with respect to the Units.

This summary is based on the assumption that the Fund will 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 or an immovable or a real right in an immovable); and (iii) the Fund must comply with certain minimum requirements respecting the ownership and dispersal of a particular class of Units. The Manager has advised counsel that the Fund will satisfy the criteria to be a “mutual fund trust” and that the Fund intends to make an election so that it will qualify under the Tax Act as a mutual fund trust from the commencement of its first taxation year. **In the event the Fund were not to qualify as a mutual fund trust at all times, the income tax consequences described below would be materially different and in some respects adverse.**

This summary is based on the facts set out in this prospectus, the provisions of the Tax Act in force on the date hereof, counsel’s understanding of the current publicly available administrative policies and assessing practices of the CRA published in writing by it prior to the date hereof and 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**”). This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations. There is no assurance that the Tax Proposals will be enacted in the form proposed or at all. This summary also relies on advice from the Manager and the Agents relating to certain factual matters.

This summary is also based on the assumption that the Fund will comply with its investment restrictions at all times and that the Fund will not be subject to a “loss restriction event” within the meaning of the Tax Act.

**This summary is not exhaustive of all possible Canadian federal income tax considerations that may apply to an investment in Units and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the investor’s particular circumstances including the province(s) or territory(ies) 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 particular investor. Prospective 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 and consider the information under “Risk Factors – Taxation of the Fund”.**

### **Status of the Fund**

As noted above, this summary is based on the assumption that the Fund will be a “mutual fund trust” for purposes of the Tax Act.

Provided the Fund qualifies as a mutual fund trust within the meaning of the Tax Act, or, in the case of Class T Units, the Class T Units are listed on a “designated stock exchange” within the meaning of the Tax Act, the Units will be qualified investments under the Tax Act for Registered Plans.

### **Taxation of the Fund**

The Fund may elect to have a taxation year that ends on December 15 of each calendar year. The Fund is subject to tax under Part I of the Tax Act in each taxation year on its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount payable to Unitholders in the year. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid in the year by the Fund or the Unitholder is entitled in that year to enforce payment of the amount. Pursuant to the Declaration of Trust, the Fund will be required to make sufficient income, including net realized taxable capital gains of the Fund, payable to Unitholders in each taxation year so that the Fund is not liable to pay tax under Part I of the Tax Act for the taxation year, other than tax on net realized taxable capital gains that would be refunded to it with respect to such taxation year.

The Fund will be required to include in its income for a taxation year all dividends received (or deemed to be received) in the year on shares of corporations. Distributions and allocations of certain income and capital gains from “SIFT trusts” and “SIFT partnerships” (as defined in the Tax Act) received by the Fund will be treated as dividends paid from taxable Canadian corporations.

With respect to each issuer included in the Portfolio that is a Canadian resident trust (other than a SIFT trust), for example, a “real estate investment trust,” the units of which are held by the Fund as capital property, the Fund will be required to include in the calculation of its income the net income, including net taxable capital gains, paid or payable to the Fund by the issuer in the year, notwithstanding that certain of such amounts may be reinvested in additional units of such issuer. Provided that appropriate designations are made by such an issuer, net taxable capital gains realized by the issuer, taxable dividends from taxable Canadian corporations received by the issuer and foreign source income of the issuer that are paid or payable by the issuer to the Fund will effectively retain their character in the hands of the Fund.

The Fund will be required to include in its income for each taxation year in respect of debt obligations held by the Fund all interest that accrues (or is deemed to accrue) to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year. Upon the actual or deemed disposition of a debt obligation, the Fund will be required to include in computing its income for the year of disposition all interest that accrued on such debt obligation from the last interest payment date to the date of disposition except to the extent such interest was included in computing the Fund’s income for that or a preceding taxation year and such income inclusion will reduce the proceeds of disposition for purposes of computing any capital gain or loss.

The Portfolio will include securities that are not denominated in Canadian dollars. Cost, proceeds of disposition of securities, distributions, interest and all other amounts will be determined in accordance with the rules in the Tax Act in Canadian dollars at the relevant exchange rate on the day the amount arose. The Fund may realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars.

The Fund generally intends to hold Eligible Debt Securities until their maturities. In the event that the Fund disposes of Portfolio Securities, in determining the income of the Fund, subject to the application of the DFA Rules, gains or losses realized upon such dispositions will constitute capital gains or capital losses of the Fund in the year realized unless the Fund is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the securities in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Manager has advised counsel that the Fund will purchase the Portfolio Securities with the objective of earning interest and income from the Portfolio Securities over the life of the Fund and will take the position that gains and losses realized on the disposition thereof are capital gains and capital losses. In addition, the Manager has advised counsel that the Fund will elect in accordance with the Tax Act to have each of its “Canadian securities” (as defined in the Tax Act) treated as capital property. Subject to the DFA Rules, such election will ensure that gains or losses realized by the Fund on the disposition of Canadian securities, generally including debt of persons resident in Canada, shares of most corporations and units of trusts structured as mutual fund trusts, are capital gains or capital losses, as the case may be.

Subject to the DFA Rules, gains and losses made through derivative securities will generally be treated as being on income account except where the derivative is used to hedge securities held on capital account provided there is sufficient linkage.

Subject to the DFA Rules, where the Portfolio Securities are capital property to the Fund and the currency hedging transactions are sufficiently linked, gains and losses on such transactions will be treated as capital gains and capital losses. Certain recent amendments to the Tax Act clarify that the DFA Rules generally should not apply to such foreign currency hedges.

The DFA Rules target certain financial arrangements that seek to deliver a return based on an “underlying interest” (other than certain excluded underlying interests). The DFA Rules are broad in scope and could apply to other agreements or transactions. If the DFA Rules were to apply in respect of any derivatives used by the Fund, gains realized in respect of the property underlying such derivatives could be treated as ordinary income rather than capital gains.

The Fund will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or 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**”). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale of securities in connection with redemptions of Units.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income, including interest on any loan facility or prime brokerage facility entered into by the Fund generally to the extent borrowed funds are used to purchase Portfolio Securities. The Fund may not deduct interest on any loan facility or prime brokerage facility entered into by the Fund to the extent that borrowed funds are used to fund redemptions and purchases for cancellation. The Fund may deduct rateably over a five year period (subject to reduction in any taxation year that is less than 365 days) the expenses of this Offering that are paid by the Fund and not reimbursed.

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 Holders**

A Holder generally will be required to include in computing income for a taxation year the amount of the Fund’s net income for the taxation year, including the taxable portion of the Fund’s net realized capital gains, paid or payable to the Holder in the taxation year whether received in cash or additional Units. The non-taxable portion of the net realized capital gains of the Fund for a taxation year, the taxable portion of which was designated in respect of a Holder for such taxation year, paid or payable to the Holder in the taxation year will not be included in computing the Holder’s income for the year. Any amount in excess of such Holder’s share of the net income and the net realized capital gains of the Fund for a taxation year that is paid or becomes payable to the Holder in such year generally will not be included in the Holder’s income for the year but will reduce the adjusted cost base of the Holder’s Units. To the extent that the adjusted cost base of a Unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain and the adjusted cost base of the Unit to the Holder will be increased by the amount of such deemed capital gain. If the Fund elects to have a taxation year that ends on December 15 of each calendar year, amounts paid or payable by the Fund to a Holder after December 15 and before December 31 of a particular year are deemed to have been paid or become payable to the Holder on December 15 of the year.

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 of income (including taxable capital gains) for the year in order to enable the Fund to utilize, in the year, losses from prior years. Such amount distributed to a Holder but not deducted by the Fund will not be included in the Holder’s income. However, the adjusted cost base of the Holder’s Units will be reduced by such amount. 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 Holder from the disposition of the Unit and the Holder’s adjusted cost base of the Unit will then be zero.

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 or deemed to be received by the Fund on shares of taxable Canadian corporations as is paid or payable to a Holder will effectively retain its character and be treated as such in the hands of the Holder 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 Holder, and subject to the rules in the Tax Act, the Holder will be deemed to have paid as tax to the government of a foreign country the Holder’s share of the taxes paid or considered to be paid by the Fund to that country. Any loss of the Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Holder.

A Holder who acquires additional Units may become taxable on the Holder's share of any income and gains of the Fund that have accrued or been realized but have not been made payable at the time the additional Units are acquired.

On the disposition or deemed disposition of Units (whether on a sale, redemption, retraction or otherwise), the Holder will realize a capital gain (or capital loss) to the extent that the Holder's proceeds of disposition (other than any amount payable by the Fund which represents a capital gain of the Fund that is allocated and designated to a redeeming Holder) exceed (or are less than) the aggregate of the adjusted cost base of the Units and any reasonable costs of disposition.

The Fund may, in its discretion, determine what portion, if any, of the amount paid to a redeeming Holder on a redemption of Units is an allocation and/or designation to the Holder of net realized capital gains of the Fund realized by the Fund to facilitate the redemption of Units. Any such allocation and/or designation will reduce the redemption price otherwise payable to the redeeming Holder and, therefore, the Holder's proceeds of disposition.

Based in part on the current published administrative policies and assessing practices of the CRA, a conversion of Class A Units into Class T Units will not constitute a disposition of the Class A Units for the purposes of the Tax Act. The redemption of any Class A Unit in order to pay an Early Exchange Fee will generally result in a capital gain (or capital loss) for the redeeming Holder. An amount equal to the Early Exchange Fee paid by a Holder on a conversion of Class A Units into Class T Units will be added to the cost of the Class T Units received on the conversion.

For the purpose of determining the adjusted cost base of Units of a particular class to a Holder, when a Unit of a particular class is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units of that class owned by the Holder as capital property at that time. The cost of Units acquired as a distribution by the Fund to a Holder 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.

One-half of any capital gain (a "taxable capital gain") realized on the disposition of Units, or a taxable capital gain paid or payable by the Fund to a Holder, will be included in the Holder's income and one-half of any capital loss (an "allowable capital loss") realized generally must be deducted from taxable capital gains realized in the same taxation year in accordance with the provisions of the Tax Act. Allowable capital losses for a taxation year in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains in accordance with the provisions of the Tax Act.

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

### **Taxation of Registered Plans**

Registered Plans will generally not be subject to tax under Part I of the Tax Act on amounts of income and capital gains received from the Fund or on capital gains realized on the disposition of Units, provided that the Units are qualified investments for the Registered Plan. See "Income Tax Considerations – Status of the Fund". Holders should consult their own advisors with respect to other tax considerations that are relevant to Registered Plans that invest in Units, including the taxation of amounts withdrawn from a Registered Plan.

As noted above, provided the Fund qualifies as a mutual fund trust within the meaning of the Tax Act, or, in the case of Class T Units, the Class T Units are listed on a "designated stock exchange" within the meaning of the Tax Act, the Units will be qualified investments under the Tax Act for Registered Plans.

Notwithstanding that Units may be qualified investments for a trust governed by a TFSA, an RRSP, or an RRIF, the holder of the TFSA, or the annuitant of the RRSP or the RRIF, as the case may be, will be subject to a penalty tax if such units are a "prohibited investment" for and held in the particular TFSA, RRSP or RRIF. Units will generally be a "prohibited investment" if the holder of the TFSA or the annuitant of the RRSP or RRIF, as the case may be, (i) does not deal at arm's length with the Fund for purposes of the Tax Act, or (ii) has a "significant interest" (within the meaning of the Tax Act) in the Fund. In addition, the Units generally will not be a "prohibited

investment” if such units are “excluded property”. Holders of a TFSA and annuitants of an RRSP or RRIF should consult their own tax advisors in regards to the application of these rules in their particular circumstances.

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

The NAV 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 Units are acquired. A Holder who acquires Units may become taxable on the Holder’s share of income and gains of the Fund that accrued before the Units were acquired notwithstanding that such amounts may have been reflected in the price paid by the Unitholder for the Units. The consequences of acquiring Units late in a calendar year will generally depend on the amount of the quarterly distributions throughout the year, if any, and whether one or more year-end special distributions to Unitholders are necessary late in the calendar year to ensure that the Fund will not be liable for income tax under Part I of the Tax Act. Further, in the event the Fund has a December 15 taxation year-end, if a Holder acquires Units after December 15 in such a calendar year, such Holder may become taxable on income earned or capital gains realized by the Fund in the taxation year ending on December 15 of such calendar year but that had not been made payable by the Fund before the Units were acquired.

## **ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND**

### **Manager of the Fund**

Redwood, an Ontario corporation incorporated under the laws of Ontario on January 1, 2010, is the Manager of the Fund. The head office and principal place of business of Redwood is located at 130 Adelaide Street West, Suite 1700, P.O. Box 83, Toronto, Ontario M5H 3P5. The Manager manages the day-to-day business and operations of the Fund and provides all general management and administrative services. The Manager is a wholly-owned subsidiary of Purpose Investments Inc.

### **Officers and Directors of the Manager of the Fund**

The name, municipality of residence, position with the Manager and current principal occupation of each of the directors and executive officers of the Manager are set out below:

<b>Name and Municipality of Residence</b>	<b>Position with the Manager</b>	<b>Principal Occupation</b>
PETER J. SHIPPEN Toronto, Ontario	Director, President, Chief Executive Officer and Chief Compliance Officer	President, Chief Executive Officer and Chief Compliance Officer of Redwood
SOM SEIF Toronto, Ontario	Director	President and Chief Executive Officer of Purpose Investments Inc.
SCOTT BARTHOLOMEW Milton, Ontario	Director and Chief Financial Officer	Chief Financial Officer and Chief Operating Officer of Purpose Investments Inc.

A description of the experience and background relevant to the business of the Fund of each of the directors and officers of the Manager is set out below.

#### *Peter J. Shippen*

Peter J. Shippen is the President, Chief Executive Officer and Chief Compliance Officer of Redwood. Mr. Shippen has been Chief Compliance Officer since September 2009. He was an executive officer and a Director of Ark Fund Management and its affiliated entities from September 2007 until its amalgamation with Redwood on January 1, 2010. From July 2002 until August 2007, Mr. Shippen worked at TD Waterhouse Canada Inc., most recently as Vice President, Fund Research and Product Due Diligence. Mr. Shippen is a CFA charterholder, a holder of the CAIA designation and earned a Bachelor of Arts in Economics from Wilfrid Laurier University.

### *Som Seif*

Som Seif is the founder and Chief Executive Officer of Purpose Investments Inc. which he formed following the sale of Claymore Investments, Inc. (“Claymore”) to BlackRock Inc. (“Blackrock”) in March 2012. Mr. Seif started Claymore in Canada in January 2005 and was the former President and Chief Executive Officer leading the implementation of the company’s business development and corporate strategies. Over the seven years of its operation, Claymore organically grew to \$8 billion in assets and established itself as a Canadian leader in bringing intelligent, low-cost exchange-traded funds to investors through its family of thirty-four exchange-traded funds across broad asset classes.

Prior to joining Claymore, Mr. Seif was an investment banker with RBC Capital Markets, where he worked since 1999. He played a key role in developing the structured products group at RBC Capital Markets in both Canada and the U.S., where he structured and raised capital for both Canadian and U.S. asset managers.

Mr. Seif is a CFA charterholder and has a Bachelor of Applied Science with an emphasis on Industrial and Systems Engineering from the University of Toronto.

### *Scott Bartholomew*

Scott Bartholomew is a partner and the Chief Financial Officer and Chief Operating Officer of Purpose Investments Inc. and the Chief Financial Officer and a Director of Redwood. He has 20 years of experience in the Canadian investment fund industry. Mr. Bartholomew was an integral part in the development of the Canadian mutual fund services business during his 14 years at State Street Fund Services Toronto Inc. as Assistant Vice-President of Fund Administration. From 2008 until 2012, Mr. Bartholomew ran the operations for Claymore Investments Inc. and, in 2011, Mr. Bartholomew became the Chief Compliance Officer of the firm. Upon the sale of Claymore Investments Inc. to BlackRock in 2012, Mr. Bartholomew assisted BlackRock in the transition and integration of the Claymore business, leaving BlackRock in late-2012 to start Purpose Investments Inc. with other partners. He has a Bachelor of Commerce from Ryerson University and is a CFA charterholder.

### **Duties and Services to be provided by the Manager**

Pursuant to a management agreement dated as of February 24, 2017 (the “**Management Agreement**”), the Manager has been appointed as the sole and exclusive manager of the affairs of the Fund. In such capacity, the Manager is responsible for the day-to-day activities of the Fund from time to time. The services to be provided by the Manager under the terms of the agreement include, without limitation: (i) appointing, supervising and removing service providers for the Fund as the Manager sees fit; (ii) carrying out all capital markets responsibilities, such as securities offerings; (iii) preparing or causing to be prepared the requisite continuous disclosure documents of the Fund; (iv) maintaining proper books, accounts and records of the Fund; (v) providing employees having the requisite experience and skill to perform the obligations of the Manager under the Management Agreement; and (vi) doing all such other acts or things and entering into agreements or documents on behalf of the Fund to seek to achieve the investment objectives of the Fund. In carrying out its obligations under the Management Agreement, the Manager will be required to exercise its powers and discharge its duties diligently, honestly and in good faith and in the best interests of the Fund, including, without limitation, exercising the standard of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances.

### **Details of the Management Agreement**

The Manager will continue as manager of the Fund until the termination of the Fund unless: (i) the Manager resigns upon 60 days’ written notice to the Fund; or (ii) the Manager is removed by written notice given by the Fund following the occurrence of certain specified events of default (as described below). The following comprise an event of default under the Management Agreement: (i) the bankruptcy or insolvency of the Manager, or if the Manager either voluntarily or under an order of a court of competent jurisdiction makes a general assignment for the benefit of its creditors or otherwise acknowledges its insolvency; (ii) the Manager’s wilful misconduct, bad faith, negligence or breach of its standard of care owed under the Management Agreement, which, in the case of negligence which is capable of being cured, is not cured within 30 days following written notice to the Manager from the Fund specifying in reasonable detail the nature of such negligence; or (iii) the Manager no longer holds the licenses, registrations or other authorizations necessary to carry out its obligations under the Management Agreement and is unable to obtain them within a reasonable period after their loss. There is no provision for the

termination of the Manager for breach of its obligations under the Management Agreement unless such breach constitutes a breach of the standard of care owed by the Manager.

The Management Agreement contains indemnification provisions whereby the Fund indemnifies the Manager against any loss, expense, damage or injury suffered in the scope of its authority under the Management Agreement, provided the same does not result from wilful misconduct, bad faith, negligence or breach of its standard of care owed under the Management Agreement. In addition, under the Management Agreement, the Manager indemnifies the Fund against any loss, expense, damage or injury suffered as a result of the Manager's wilful misconduct, bad faith, negligence or breach of its standard of care owed under the Management Agreement.

For its services, the Manager will be paid the Management Fee described under "Fees and Expenses – Fees and Expenses Payable by the Fund - Management Fee". Pursuant to the terms of the Management Agreement, the Manager will bear all costs and expenses incurred by the Manager in connection with all salaries, employee expenses, office rent and equipment, and other expenses customarily considered to be overhead expenses.

### **Investment Advisor**

Fiera is the Investment Advisor to the Fund. The Investment Advisor is responsible for the management of the investments of the Fund in accordance with the investment objectives and restrictions of the Fund.

Fiera is a North American independent asset management firm listed on the Toronto Stock Exchange with more than \$112 billion in assets under management as at September 30, 2016.

Below are the names, position and description of the experience and background of each of the members of the Investment Advisor that will be responsible for the management of the investments of the Fund in accordance with the investment objectives and restrictions of the Fund.

*Philippe Ouellette, M.Sc., CFA, Vice President and Senior Portfolio Manager, Fixed Income*

Philippe Ouellette is a member of the Integrated Fixed Income team and is a portfolio manager for the Integrated Fixed Income strategies.

Mr. Ouellette has 21 years of industry experience and has been with the firm and a predecessor since 1995. Prior experiences include positions as Portfolio Manager and Analyst, Fixed Income at a major investment management firm. Mr. Ouellette graduated from the University of Moncton with a Bachelor of Business Administration (BBA) majoring in Finance as well as a Master's in Management degree (M.Sc.) in Finance from Université de Sherbrooke. He later received the Chartered Financial Analyst (CFA) designation.

*François Bourdon, , FSA, FCIA, CFA, PRM Chief Investment Solutions Officer, Vice President, Asset Allocation & Fixed income*

François Bourdon is Chief Investment Solutions Officer at Fiera. In this role, Mr. Bourdon supports our business units in the development of new investment strategies, in collaboration with the CIO Office. He is also responsible for communicating Fiera's views related to the economy and investments and is jointly responsible for asset allocation decisions as well as for the management of the Global Bond, Multi Strategy Income and other non-traditional income strategies.

Mr. Bourdon has 21 years of industry experience and has been with the firm since its inception. Over the course of his career, he has held various positions including Associate Chief Investment Officer, Portfolio Manager - Quantitative Research, Director - Sales Strategies and Product Development as well as a consultant with leading Canadian investment management and life insurance organizations. Mr. Bourdon graduated from Concordia University with a Bachelor of Mathematics (BMath) with a major in Actuarial Sciences. He later became a Fellow of the Society of Actuaries (FSA) and a fellow of the Canadian Institute of Actuaries (FCIA). He also obtained the Chartered Financial Analyst (CFA) and Professional Risk Manager (PRM) designations.

*Angus Rogers, CFA, Vice President and Senior Portfolio Manager, High Yield Bond*

Angus Rogers is Vice President and Senior Portfolio Manager, High Yield Bonds at Fiera. Prior to joining the Manager, Angus was the Head of High Yield Trading and Co-head of the Leverage Finance Department at Jefferies Group LLC in Stamford, Connecticut. During his eight years at Jefferies, Angus oversaw a team of six traders and managed a total book size of US\$500 million. Prior to that, he was Head of Trading/Co-Head of the High Yield Group for RBC Capital Markets in New York. Angus has 26 years of experience in both U.S. and Canadian high-yield and has been Managing Director at RBC Capital Markets in both New York and Toronto. He has a Bachelor's degree in Economics, Politics, and Philosophy from the University of Western Ontario (1988) and received his CFA designation in 1992.

*Nicolas Normandeau, M.Sc., CFA, Vice President and Portfolio Manager, Fixed Income*

Nicolas Normandeau is a member of the Integrated Fixed Income team and is a portfolio manager for the Integrated Fixed Income strategies, including the team's Preferred Shares portfolios.

Mr. Normandeau has 13 years of industry experience and has been with the firm and a predecessor since 2009. Prior experiences include positions as Wealth Management Analyst for a leading Canadian financial institution and a consulting firm. Mr. Normandeau graduated from the Université de Sherbrooke with a Bachelor of Business Administration (BBA), majoring in Finance. He later received a Master's in Management degree (MSc) in Finance from the Université de Sherbrooke as well as the CFA designation.

#### **Details of the Investment Advisory Agreement**

Pursuant to the Investment Advisory Agreement, the Investment Advisor will manage the assets held by the Fund in accordance with the investment objectives of the Fund and subject to the investment restrictions set forth in the Declaration of Trust and described herein. In consideration for the services provided by the Investment Advisor pursuant to the Investment Advisory Agreement, the Investment Advisor will receive from the Manager a fee in an amount to be agreed upon by the Manager and the Investment Advisor from time to time payable out of the Management Fee.

Under the Investment Advisory Agreement, the Investment Advisor covenants to act honestly and in good faith with a view to the best interests of the Fund and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances. The Investment Advisory Agreement provides that the Investment Advisor will not be liable in any way to the parties indemnified under the Investment Advisory Agreement for any default, failure or defect in any of the securities comprising the Portfolio if it satisfied the degree of care, diligence and skill set forth above. The Investment Advisory Agreement further provides that the Investment Advisor will not be liable for any losses in the NAV or the Portfolio if it has satisfied the degree of care, diligence and skill set forth above. Pursuant to the Investment Advisory Agreement, the Investment Advisor, its affiliates and any of its officers, directors, employees, shareholders and agents shall be indemnified out of the Fund's property against all losses (other than loss of profits), expenses and liabilities incurred by any of them in connection with any matter relating to its respective duties under the Investment Advisory Agreement, unless any such indemnified person committed a material breach or default of its obligations under the Investment Advisory Agreement or an act or omission involving wilful misconduct, bad faith, negligence or reckless disregard of such person's duties under the Investment Advisory Agreement.

The Investment Advisory Agreement, unless terminated as described below, will continue until the termination of the Fund. The Manager may terminate the Investment Advisory Agreement, without payment of any penalty, in the following circumstances: (i) upon 120 days' written notice to the Investment Advisor; (ii) in the event that the Investment Advisor is in material breach of the Investment Advisory Agreement (a "**Material Breach**") and the Material Breach has not been cured within 30 Business Days' notice of the Material Breach to the Investment Advisor; (iii) immediately, if there is a dissolution and commencement of winding-up of the Investment Advisor; (iv) immediately, if the Investment Advisor becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors or a receiver is appointed in respect of the Investment Advisor or a substantial portion of its assets; (v) immediately, if the assets of the Investment Advisor become subject to seizure or confiscation by any public or governmental organization; (vi) immediately, if the Investment Advisor has lost any registration, license or other authorization or cannot rely on an exemption therefrom required by the Investment Advisor for it to perform

the services delegated to it thereunder; (vii) immediately if the Investment Advisor has breached its standard of care described above or acted with wilful misconduct or gross negligence and as a result of such action there has been a material adverse effect on the Portfolio; or (viii) in the event of persistent trading errors by the Investment Advisor. If the Investment Advisor purchases or sells a Portfolio Security that, through inadvertence (other than through a trading error), violates the Fund's investment restrictions and the violation has or will have a material adverse effect on the Fund, then it will not be considered a Material Breach for purposes of the termination right in clause (ii) above if the Investment Advisor takes action that returns the Fund to compliance with such investment restrictions within the cure period described above, as the same may be extended by agreement in writing by all parties hereto.

The Investment Advisor may terminate the Investment Advisory Agreement, without payment of any penalty, in the following circumstances: (i) upon 120 days' notice to the Manager; (ii) immediately upon termination of the Management Agreement; (iii) in the event that the Manager is in material breach of the Investment Advisory Agreement and the material breach has not been cured within 30 business days' notice thereof by the Manager; (iv) immediately if there is a dissolution and commencement of winding-up of the Manager; (v) immediately if the Manager becomes bankrupt or insolvent or makes a general assignment for the benefit of the creditors or a receiver is appointed in respect of the Manager or a substantial portion of the assets of the Manager; (vi) immediately if the assets of the Manager become subject to seizure or confiscation by any public or governmental organization; (vii) immediately if the Manager has lost any registration, license or other authorization or cannot rely on an exemption therefrom required by the Manager for it to perform the services delegated to it thereunder; (viii) immediately if the Manager has breached its standard of care or acted with wilful misconduct, fraud or gross negligence; or (ix) on 30 days' prior notice to the Manager in the event there is a material change in the investment objectives, investment strategies or investment restrictions to which the Investment Advisor has not previously agreed.

The Manager is responsible for payment of the fees of the Sub-Advisor.

### **Conflicts of Interest**

The services to be provided or caused to be provided by the Manager under the Management Agreement and by the Investment Advisor under the Investment Advisory Agreement are not exclusive to the Fund and nothing in the Management Agreement or the Investment Advisory Agreement prevents the Manager, the Investment Advisor or any of their respective affiliates from providing similar services to other investment funds and other clients (whether or not their activities are similar to those of the Fund) or from engaging in other activities.

The Investment Advisor's investment advice regarding the Portfolio and decisions with respect to the composition of the Portfolio will be made independently of those made for its other clients and independently of its own investments. On occasion, however, the Investment Advisor may decide on the same investment for the Fund and for one or more of its other clients. If the Fund and one or more of the other clients of the Investment Advisor or its affiliates are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis in accordance with the Investment Advisor's trade allocation policy in effect from time to time.

The Manager, the Investment Advisor and their respective affiliates may act as the manager of and/or the portfolio adviser to, other investment funds which may invest primarily in the same securities as the Fund from time to time invests and which may be considered competitors of the Fund. In addition, the directors and officers of the Manager, the Investment Advisor or any of their respective affiliates may be directors, officers, shareholders or unitholders of one or more issuers in which the Fund may acquire securities or of corporations which act as the manager of other investment funds that invest primarily in the same securities as the Fund from time to time invests and which may be considered competitors of the Fund. A decision to invest in such issuers will be made without consideration of the relationship of the Manager, the Investment Advisor or their respective affiliates with such issuers. Conflicts of interest between the Manager and the Fund will be addressed by the Independent Review Committee.

See also "Relationship between the Fund and the Agents", "Interest of Manager and Others in Material Transactions" and "Risk Factors – Risks Related to the Structure of the Fund – Conflicts of Interest".

## **Independent Review Committee**

An independent review committee (the “**Independent Review Committee**”) has been established by the Fund in accordance with NI 81-107. The Independent Review Committee will be required to be comprised of a minimum of three members, each of whom must be independent of the Manager, entities related to the Manager and the Fund.

The Independent Review Committee functions in accordance with applicable securities law, including NI 81-107. The mandate of the Independent Review Committee is to review and provide its decisions to the Manager on conflict of interest matters that the Manager has referred to the Independent Review Committee for review. The Manager is required to identify conflict of interest matters inherent in its management of the Fund and request input from the Independent Review Committee in respect of how it manages those conflicts of interest, as well as its written policies and procedures outlining its management of those conflicts of interest.

In performing their duties, members of the Independent Review Committee are required to act honestly, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Independent Review Committee will report annually to Unitholders which report will be available free of charge upon request to the Manager and will also be posted on Redwood’s website at [www.redwoodasset.com](http://www.redwoodasset.com).

Each member of the Independent Review Committee is paid an annual fee of \$7,500 per annum plus \$500 per meeting attended. These fees and other reasonable expenses of the Independent Review Committee will be paid pro rata out of the assets of the Fund, as well as out of the assets of the other investment funds managed by the Manager for which the Independent Review Committee acts as the independent review committee. The Manager has appointed the following members to the Independent Review Committee: Douglas G. Hall, Randall Barnes and Michael Hollend, which will also act as the independent review committee for other investment funds managed by the Manager. The backgrounds of such officers and directors are described below.

### *Douglas G. Hall*

Mr. Hall was a Managing Director at RBC Capital Markets covering public and private capital raising, mergers and acquisitions support and strategic advisory assignments for diversified industry groups from 1979 until his retirement in 2005. Mr. Hall is currently a director of Metamaterial Technologies, Millar Western Forest Products, Pattern Energy Group and Stanfield’s, and a member of the Advisory Board of Southwest Properties.

### *Randall C. Barnes*

Prior to his retirement in 1997, Mr. Barnes spent four years as Senior Vice President and Treasurer of PepsiCo, Inc., where he was employed since 1987. He was President of the Pizza Hut International division from 1991 to 1993, and prior to that time Senior Vice President, Strategic Planning and New Business Development. Mr. Barnes is a trustee of more than 80 NYSE-listed closed-end funds and exchange-traded funds advised, administered or serviced by Guggenheim Advisors, LLC or Claymore Securities, Inc. in the U.S.

### *Michael Hollend*

Michael Hollend joined TorQuest Partners in 2009. Prior to joining TorQuest, Michael was a Partner in the Venture Capital Funds of EdgeStone Capital Partners, where he invested in and worked closely with a number of successful technology companies. Earlier in his career, Michael was with Goodmans LLP, where he established the Venture Group. Outside TorQuest, Michael is a member of the Business Development Sub-Committee of Mount Sinai Hospital, is Director of Circle of Care and previously served as a Director of the Canadian Venture Capital & Private Equity Association. Michael holds both LL.B. and M.B.A. degrees from the University of Toronto and a B.A. (Economics) from the University of Western Ontario.

## **Trustee**

Redwood is the trustee of the Fund under the Declaration of Trust and is responsible for managing all of the Fund’s activities. The address of Redwood where it principally provides services to the Fund is 130 Adelaide Street West, Suite 1700, Toronto, Ontario M5H 3P5.

Pursuant to the Declaration of Trust, Redwood is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Unitholders and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that Redwood will not be liable in carrying out its duties under the Declaration of Trust except in cases of willful misconduct, bad faith, negligence or the disregard of its obligations or duties or breach of its standard of care and duty. Redwood and each of its directors, officers, and employees will be indemnified by the Fund for all liabilities and expenses reasonably incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against Redwood or any of its officers, directors or employees in the exercise of its duties under the Declaration of Trust, except those resulting from such person's willful misconduct, bad faith, negligence, disregard of such person's obligations or duties or breach of their standard of care in relation to the matter in respect of which indemnification is claimed.

Unless Redwood resigns or is removed as described below, Redwood will continue as the trustee of the Fund until the Termination Date. Redwood or any successor trustee may resign upon 60 days' written notice to Unitholders, and the Trustee is deemed to have resigned in certain circumstances, including if the Trustee (i) becomes bankrupt or insolvent, (ii) ceases to be resident in Canada for the purposes of the Tax Act, (iii) ceases to carry out its functions of managing the Fund in Canada, or (iv) ceases to exercise the main powers and discretions of the trustee in respect of the Fund in Canada. Any such resignation or removal shall become effective only upon the appointment of a successor trustee. If the Trustee resigns or is removed by Unitholders, the Manager will forthwith appoint a new Trustee. If, after the resignation or removal of the Trustee, no successor has been appointed within 90 days, the Manager or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor trustee. If a successor trustee is not appointed, the Fund shall be terminated.

The services to be provided by Redwood under the Declaration of Trust are not exclusive to the Fund and nothing in the Declaration of Trust prevents Redwood from providing similar services to other investment funds and other clients (whether or not their activities are similar to those of the Fund) or from engaging in other activities.

The Trustee is entitled to receive fees from the Fund as described under "Fees and Expenses – Fees and Expenses Payable by the Fund – Operating Expenses of the Fund" and to be reimbursed by the Fund for all expenses which are reasonably incurred by the Trustee in connection with the activities of the Fund.

### **Custodian**

NBCN Inc. (the "**Custodian**") will be the custodian of the assets of the Fund and may employ sub-custodians as considered appropriate in the circumstances. The address of the Custodian is 250 Yonge Street, Suite 1900, Toronto, Ontario M5B 2L7. Pursuant to an agreement (the "**Custodian Agreement**"), the Custodian will provide safekeeping and custodial services in respect of the assets of the Fund, other than such assets of the Fund which may be deposited with counterparties as collateral security for derivative transactions with such counterparties or deposited with dealers as margin for certain transactions, in each case as permitted by NI 81-102.

The Fund will pay the Custodian customary custodianship fees for its services as outlined in the Custodian Agreement. The Custodian Agreement may be terminated by either party on 60 days' notice, and immediately by either party on written notice if either party is declared bankrupt or becomes insolvent, the assets or the business of either party becomes liable to seizure or confiscation by any public or governmental authority, the Manager's powers and authorities to act on behalf of or represent the Fund have been revoked or terminated, or the Custodian ceases to be qualified under applicable laws.

### **Auditor**

The independent auditor of the Fund is Ernst & Young LLP. The address of the auditor is Ernst & Young Tower, 222 Bay Street, Toronto, Ontario M5K 1J7. The auditor of the Fund may not be changed unless the Independent Review Committee has approved the change and Unitholders have received at least 60 days' notice before the effective date of the change

### **Registrar and Transfer Agent**

TSX Trust Company is the registrar and transfer agent for the Units at its principal office in Toronto, Ontario.

## Valuation Agent

Pursuant to a valuation services agreement to be entered into on or before the closing of the Offering, CIBC Mellon Global Securities Services Company will be appointed by the Manager as the valuation agent of the Fund. The valuation agent will provide, among other things, valuation services to the Fund and will calculate the NAV in the manner described under the heading “Calculation of Net Asset Value”.

## UTF Service Provider

Pursuant to a UTF services agreement (the “**UTF Services Agreement**”) dated February 24, 2017 among the Fund, the Manager and the UTF Service Provider, the UTF Service Provider will provide the following services to the Fund: (a) ongoing dealer support using a dedicated client service team of the UTF Service Provider who will liaise on an ongoing basis with registered dealers and individual sales representatives that have clients who invest (or may invest) in the Fund; (b) assisting the Fund (or arranging for another qualified party to assist the Fund) with implementing the MMPP including (i) executing trades in Class T Units on behalf of the Fund under the MMPP at no additional cost to the Fund, (ii) confirming that the terms of each trade under the MMPP are consistent with the parameters of the MMPP relating to purchase price and volume limits, (iii) reporting to the Fund on trading under the MMPP, (iv) completing procedures with the Fund, its transfer agent and CDS to cancel Class T Units purchased under the MMPP, and (v) monitoring the effectiveness of the MMPP at maintaining the trading price of the Class T Units close to their net asset value and providing analysis and ongoing advice to the Fund regarding same; (c) arranging for a qualified party (which may be NBCN Inc. or another affiliate of the UTF Service Provider) to act as the custodian of the assets of the Fund at no additional cost to the Fund; (d) ongoing research and development relating to enhancements to the UTF structure including continuing to seek lower cost service providers for the Fund; (e) monitoring regulatory and market changes that could adversely affect the ability of the securities of the Fund to trade in the market at a price not less than 98.5% of their net asset value throughout the life of the Fund; (f) providing the Manager with access to market research conducted by the UTF Service Provider; and (g) assisting the Manager with the calculation of the amounts payable by the Manager to the Agents pursuant to the Agency Agreement and related reporting to the Agents, including disbursing these amounts to the Agents based on their relative entitlements. In addition, and regardless of whether the Offering is completed (and, if completed, regardless of the number of Units sold pursuant to the Offering), the UTF Service Provider will pay the expenses of the Offering (including reimbursing the Manager for expenses of the Offering it incurred on behalf of the Fund), but will be entitled to reimbursement from the Fund of the Offering expenses to an amount not exceeding 0.50% of the gross proceeds of the Offering; provided that the UTF Service Provider’s obligation with respect to any particular expense is subject, in each case, to the UTF Service Provider being satisfied with (i) the service providers (including legal counsel and the auditors) selected for the Fund in connection with the Offering, (ii) the terms on which such service providers are retained, and (iii) the reasonableness of the other expenses relating to the Offering.

In consideration for the services provided by the UTF Service Provider to the Fund under the UTF Services Agreement, the Fund will pay to the UTF Service Provider the UTF Services Fee described under “Fees and Expenses” and will be reimbursed by the Fund for all reasonable costs and expenses incurred in connection with its services, other than those costs and expenses which it has agreed to bear. The UTF Service Provider also is entitled to the Early Exchange Fee described under “Fees and Expenses”. In addition, the UTF Service Provider, and its directors, officers, employees and agents, will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced, or other claim that is made against, the UTF Service Provider, or any of its officers, directors, employees or agents, in the performance of its services, except those resulting from the UTF Service Provider’s wilful misconduct, bad faith or gross negligence.

The UTF Services Agreement, unless terminated as described below, will continue in effect until the Termination Date. The Fund and the Manager may terminate the UTF Services Agreement (i) if the UTF Service Provider has committed certain events of bankruptcy or insolvency (“**UTF Service Provider Bankruptcy**”); (ii) the UTF Service Provider is in material breach or default of the provisions thereof and, if capable of being cured, such breach has not been cured within 60 days after notice thereof has been given to the UTF Service Provider by the Fund and the Manager (“**UTF Service Provider Default**”); or (iii) upon not less than 90 days’ notice to the UTF Service Provider by the Fund and the Manager.

The UTF Service Provider may terminate the UTF Services Agreement if the Fund or the Manager is in material breach or default of the provisions thereof and, if capable of being cured, such breach has not been cured at least 2 Business Days prior to 60 days after notice thereof has been given to Fund and the Manager by the UTF Service Provider. The UTF Services Agreement also will be deemed terminated by the UTF Service Provider, without any requirement to provide notice of such termination to the Fund or the Manager, on the Business Day immediately prior to the date on which the Fund (i) terminates, winds-up, reorganizes or merges into another entity; or (ii) terminates the UTF Services Agreement other than due to UTF Service Provider Bankruptcy or UTF Service Provider Default.

In the event that the UTF Services Agreement is terminated by the Fund or the Manager other than due to UTF Service Provider Bankruptcy or UTF Service Provider Default, each holder of Class A Units will be required to pay the Early Exchange Fee to the UTF Service Provider in respect of all Class A Units held by the Unitholder as if such Unitholder had redeemed or converted all of his or her Class A Units, and the Class A Units will be automatically converted into Class T Units.

National Bank Financial Inc. also acts as an Agent and thereby receives certain fees as described herein. National Bank Financial Inc. also may be retained by the Fund in the future to provide certain market making services for which it would be compensated by the Fund. National Bank Financial Inc. will not receive any benefits, directly or indirectly, from the issuance of Units offered hereunder other than as described above and under “Fees and Expenses”, “Plan of Distribution” and “Interest of Manager and Others in Material Transactions”.

### **Securities Lending Agent**

The Fund will appoint NBCN Inc., at its office in Toronto, Ontario, as the Fund’s securities lending agent for purposes of engaging in securities lending as described under “Investment Strategies - Securities Lending”. Such agent will be responsible for the ongoing administration of the securities loans, including the obligation to mark-to-market the collateral on a daily basis. Collateral will generally be limited to liquid securities with a value equal to 105% of the value of the securities on loan. Any securities lending transactions entered into on behalf of the Fund may be terminated by the Fund at any time. NBCN Inc. is independent of the Manager.

### **Promoter**

Redwood has taken the initiative in founding and organizing the Fund and, accordingly, may be considered to be a “promoter” of the Fund within the meaning of applicable securities legislation of certain provinces and territories of Canada. Except as otherwise described herein, Redwood will not receive any benefits, directly or indirectly, from the issuance of the Units offered under. See “Fees and Expenses”.

## **CALCULATION OF NET ASSET VALUE**

The NAV of the Fund and NAV per Unit will be calculated as of 4:00 p.m. (Toronto time), or such other time as the Manager deems appropriate (the “**Valuation Time**”), on each Business Day and any other day on which the Manager elects, in its discretion, to calculate the NAV per Unit (each, a “**Valuation Date**”). Information that becomes known after the NAV has been calculated on a particular day will not generally be used to retroactively adjust the price of a security or the NAV determined earlier that day.

The NAV calculation on a particular date will be equal to the aggregate value of the assets of the Fund less the aggregate value of the liabilities of the Fund, expressed in Canadian dollars (the “**NAV**”). The “**NAV per Unit**” for each class of Units of the Fund on any Valuation Date is calculated by dividing (i) the NAV attributable to that class of Units on such date, by (ii) the total number of Units of the class issued and outstanding on such date, the result being rounded to the nearest whole cent.

### **Valuation Policies and Procedures**

In determining the NAV or the Total Assets at any time:

- (a) the value of any cash on hand, on deposit or on call, prepaid expenses, cash dividends declared and interest accrued and not yet received, is deemed to be the face amount thereof, unless the Valuation Agent determines that any such deposit or call loan is not worth the face amount thereof, in which event

the value thereof is deemed to be such value as the Valuation Agent determines to be the reasonable value thereof;

- (b) the value of any bonds, debentures, and other debt obligations are valued by taking the average of the bid and ask prices on a Valuation Date at such times as the Valuation Agent, in its discretion, deems appropriate. Short-term investments including notes and money market instruments are valued at cost plus accrued interest;
- (c) the value of any security, index futures or index options thereon which is listed on any recognized exchange is determined by the closing sale price at the Valuation Time or, if there is no sale price, the average between the closing bid and the closing asked price on the day on which the NAV of the Fund is being determined, all as reported by any report in common use or authorized as official by a recognized stock exchange; provided that if such stock exchange is not open for trading on that date, then on the last previous date on which such stock exchange was open for trading;
- (d) where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by the Fund shall be reflected as a deferred credit that shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation of such options shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the NAV;
- (e) purchased or written clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants shall be valued at the current market value thereof;
- (f) the value of any security or other asset for which a market quotation is not readily available is its fair market value as determined by the Valuation Agent;
- (g) the value of any security, the resale of which is restricted or limited, is the lesser of the value thereof based on reported quotations in common use and that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage that the Fund's acquisition cost was of the market value of such securities at the time of acquisition; provided that a gradual taking into account of the actual value of the securities may be made where the date on which the restriction will be lifted is known;
- (h) the value of a futures contract, or a forward contract, is the gain or loss with respect thereto that would be realized if, at the Valuation Time, the position in the futures contract, or the forward contract, as the case may be, were to be closed out unless daily limits are in effect in which case fair value will be based on the current market value of the underlying interest;
- (i) margin paid or deposited in respect of futures contracts and forward contracts is reflected as an account receivable and margin consisting of assets other than cash is noted as held as margin;
- (j) all securities, property and assets of the Fund valued in a foreign currency and all liabilities and obligations of the Fund payable by the Fund in foreign currency are converted into Canadian funds by applying the rate of exchange obtained from the best available sources to the Valuation Agent, including, but not limited to, the Valuation Agent or any of its affiliates;
- (k) all expenses or liabilities (including fees payable to the Valuation Agent or the Manager) of the Fund are calculated on an accrual basis; and
- (l) the value of any security or property to which, in the opinion of the Valuation Agent, the above valuation principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) is the fair value thereof determined in such manner as the Valuation Agent from time to time provides.

The Valuation Agent is entitled to rely on any values or quotations supplied to it by a third party, including the Manager, and is not required to make any investigation or inquiry as to the accuracy, completeness or validity of

such values or quotations. Provided that the Valuation Agent acts in accordance with its standard of care, it will be held harmless by the Fund and will not be responsible for any losses or damages resulting from relying on such information.

### **Reporting of NAV**

The NAV per Unit as at each Valuation Date will be available to the financial press for publication and at no cost, through the internet, at [www.redwoodasset.com](http://www.redwoodasset.com). The Manager will also provide such information at no cost to Unitholders who so request by calling toll-free at 1-877-789-1517 or by e-mailing to [invest@redwoodasset.com](mailto:invest@redwoodasset.com).

## **ATTRIBUTES OF SECURITIES**

### **Description of the Securities**

The beneficial interest in the net assets and net income of the Fund is divided into units of such classes and series as may be designated in the Declaration of Trust from time to time, and the Fund is authorized to issue an unlimited number of transferable, redeemable units which evidence the proportionate ownership interest of a Unitholder in the capital of the Fund. Initially, the Fund will offer two classes of units: Class A Units and Class T Units.

No commission will be paid at the closing of the Offering to Agents that sell Class T Units, and the Class T Units will immediately commence trading in the market. At the closing of the Offering, the UTF Service Provider will pay a commission of 1.50% to the Agents for selling Class A Units, substantially all of which is expected to be paid by the Agents to their individual representatives who sold the Class A Units. Class A Units are intended to be purchased under the Offering by investors who compensate their dealers by paying commissions when they trade in securities, rather than through payment of annual fees, and who intend to hold their Class A Units for at least thirty (30) months. Thirty (30) months after the closing of the Offering, the Class A Units will automatically convert into Class T Units and trade in the market.

While at the closing of the Offering the NAV per Unit of each class will be the same, after the closing of the Offering the NAV per Unit of each class may not be the same as a result of the different distributions payable and fees allocable to each class of Units. See “Plan of Distribution” and “Fees and Expenses”.

A holder of Class A Units may convert Class A Units into Class T Units on a weekly basis and it is expected that liquidity for the Class A Units will be primarily obtained by means of conversion into Class T Units and the sale of those Class T Units. Class A Units may be converted in any week on the first Business Day of such week (each a “**Conversion Date**”) by delivering a notice and surrendering such Class A Units by 3:00 p.m. (Toronto time) at least five Business Days prior to the relevant Conversion Date.

The Units are freely transferable, except as restricted by the Trustee in order to comply with any applicable laws, regulations or other requirements imposed by regulatory authorities or to obtain, maintain or renew any licences, rights, status or powers pursuant to any applicable laws, regulations or other requirements imposed by any stock exchange or other applicable regulatory authorities.

Each Unit of a class entitles the holder to the same rights and obligations as a Unitholder of that class and no Unitholder of a class is entitled to any privilege, priority or preference in relation to any other Unitholder of that class. Each Unitholder of a class is entitled to one vote at all meetings of Unitholders and at all meetings of Unitholders of that class. Each Unitholder of a class is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net realized capital gains, if any. On the redemption of the Units, however, the Fund may in its sole discretion, allocate and designate as payable to a redeeming Unitholder any capital gains realized by the Fund as a result of any disposition of property of the Fund undertaken to permit or facilitate the redemption. On termination or liquidation of the Fund, Unitholders of record of a class are entitled to receive on a pro rata basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund. Unitholders will have no voting rights in respect of securities held by the Fund. The rights attaching to the Units may be modified as described under “Unitholder Matters”.

Different fees are charged to the Fund in respect of its assets attributable to its Class A Units and its assets attributable to its Class T Units. As a result, the tax characterization of distributions may vary between the two

classes such that a different percentage of the distributions to the Unitholders of each such class may be characterized as return of capital rather than income (including net realized taxable capital gains).

Fractions of Units may be issued that will have the same rights, restrictions, conditions and limitations attaching to whole Units in the proportion that they bear to a whole Unit, except that fractional Units will not have the right to vote. Units are transferable, except as otherwise restricted by the Trustee or the Manager in order to comply with any applicable laws, regulations or other requirements imposed by regulatory authorities or to obtain, maintain or renew any licenses, rights, status or powers pursuant to any applicable laws, regulations or other requirements imposed by any stock exchange or other applicable regulatory authorities.

The Fund may subdivide or consolidate the Units from time to time in such manner as the Manager determines appropriate, including, without limitation, following a Principal Distribution, provided that any such subdivision or consolidation shall not change the rights attaching to the Units.

The Fund, solely at its option, may, from time to time, on any Valuation Date retract any number of its outstanding Units for an amount equal to their NAV per Unit on the relevant Valuation Date (i) if the Trustee or the Manager considers such retraction necessary to ensure that, at any time, not more than 50% of the Units (on a number of Units or on a fair market value basis) are beneficially owned by “non-residents”, (ii) if the Trustee or the Manager considers such retraction necessary to fund the payment of any fee or charge to which the Unitholder is subject, including Early Exchange Fees and withholding taxes; (iii) in order to cancel any outstanding fractional Units; (iv) to effect a Principal Distribution, or (v) concurrent with and equal to a reduction by the Fund of its exposure to Units of the same class pursuant to a derivative to which the Unitholder is the counterparty. The amount of Units to be retracted on a Valuation Date in order to effect a Principal Distribution will be announced by the Fund in a press release prior to the relevant Valuation Date. A Unitholder has no right to require that the Fund exercise the retraction feature described above.

Pursuant to the *Trust Beneficiaries’ Liability Act*, 2004 (Ontario), that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises: (i) the trust is a reporting issuer under the *Securities Act* (Ontario); and (ii) the trust is governed by the laws of Ontario. The Fund will be a reporting issuer under the *Securities Act* (Ontario) prior to the Closing Date and the Fund is governed by the laws of Ontario by virtue of the provisions of the Declaration of Trust.

The Declaration of Trust provides that the Fund will only issue additional units of any class following the initial Offering: (i) at a price that is not less than the most recent net asset value per unit of that class, or series of a class, calculated prior to the pricing of the offering and (ii) as far as reasonably practicable (within the meaning of NI 81-102), at a price that does not cause dilution of the net asset value of other outstanding securities of the Fund at the time the unit is issued.

Subject to the foregoing, the Fund may allot and issue additional Units and additional classes and series of units and other securities of the Fund at such time or times, and in such manner, as the Trustee in its sole discretion shall determine.

Units will be issued only through the book-entry only system administered by CDS as described below under “Book-Entry Only System”.

### **Conversion of Class A Units into Class T Units**

A holder of Class A Units may convert Class A Units into Class T Units on a weekly basis in accordance with the Declaration of Trust and it is expected that liquidity for the Class A Units will be primarily obtained by means of conversion into Class T Units and the sale of those Class T Units. Class A Units may be converted in any week on the first Business Day of such week (each a “**Conversion Date**”) by delivering a notice and surrendering such Class A Units by 3:00 p.m. (Toronto time) at least five Business Days prior to the relevant Conversion Date.

Class A Units will be automatically converted into Class T Units on the thirty month anniversary of the Closing Date (the “**Automatic Conversion Date**”), with no Early Exchange Fee. Class A Units will be automatically converted into Class T Units following any early termination of the UTF Services Agreement.

**Any conversion of Class A Units into Class T Units by the holder thereof prior to the Automatic Conversion Date will be subject to an Early Exchange Fee per Class A Unit converted of up to 2.00% of the NAV per Class A Unit, declining over time, as described under “Fees and Expenses – Fees and Expenses Payable by Unitholders”.** The Fund will redeem such number of Class A Units from those otherwise being converted as is necessary to pay the Early Exchange Fee and will deduct the Early Exchange Fee from the redemption proceeds. The Early Exchange Fee so deducted by the Fund will be remitted by the Fund, on behalf of the Unitholder, to the UTF Service Provider.

For each Class A Unit converted, the holder will receive the number of Class T Units that is equal to (i) the NAV per Class A Unit as of the close of trading on the relevant Conversion Date, divided by (ii) the NAV per Class T Unit as of the close of trading on such Conversion Date. No Early Exchange Fee will apply when Class A Units are automatically converted into Class T Units on the Automatic Conversion Date. With respect to the total number of Class A Units being converted by a holder on a Conversion Date or the Automatic Conversion Date, no fractional Class T Unit will be issued to the holder and, instead, the aggregate number of Class T Units issuable to the holder will be rounded down to the nearest whole number.

Holders of Class T Units cannot convert Class T Units into Class A Units, subject to what is contained below under “Attributes of the Securities – Take-over Bids”.

Based in part on the current published administrative policies and assessing practices of the CRA, a conversion of Class A Units into Class T Units will not constitute a disposition of the Class A Units so converted for the purposes of the Tax Act; however, to the extent that Class A Units are redeemed to pay an Early Exchange Fee, such redemption will constitute a disposition of the redeemed Class A Units for purposes of the Tax Act.

#### **Take-over Bids**

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for the Class T Units and not less than 90% of the aggregate of the Class T Units (but not including any Class T Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Class T Units held by the Unitholders who did not accept the take-over bid on the terms offered by the offeror.

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

## **Mandatory Market Purchase Program**

To enhance liquidity and to provide market support for the Class T Units, the Fund will have a mandatory market purchase program under which the Fund will, subject to the following exceptions and to compliance with any applicable regulatory requirements, be obligated to purchase any Class T Units offered on the TSX if, at any time, the price at which Class T Units are then offered on the TSX is 98.50% or less of the NAV per Class T Unit as at the close of business in Toronto, Ontario on the immediately preceding Business Day. The maximum number of Units to be purchased by the Fund pursuant to the MMPP in any rolling 10 trading day period is 10% of the number of Class T Units outstanding at the beginning of such 10 trading day period, subject to a limit of 2% of the number of Class T Units outstanding each trading day and subject to the terms set out in the Declaration of Trust. In addition, the Fund will not be obligated to make such purchases, if among other things: (i) the Manager reasonably believes that the Fund would be required to make an additional distribution in respect of the year to Unitholders of record on or before December 31 of that year in order that the Fund will generally not be liable to pay income tax after the making of such purchase, (ii) in the opinion of the Manager, the Fund lacks the cash, debt capacity or other resources to make such purchases, or (iii) in the opinion of the Manager, such purchases would adversely affect the ongoing activities of the Fund or the remaining Unitholders. In addition, the Fund will have the right (but not the obligation), exercisable in its sole discretion, at any time to purchase additional Units in the market, subject to any applicable regulatory requirements and limitations.

Given the procedures and rules of the TSX relating to the placement of purchase and sell orders and the filling of such orders, and with the objective of avoiding arbitrage in the market detrimental to unitholders, the Fund may place bids on the Class T Units at 98.50% of the NAV per Class T Unit even if the trading price is lower. As a result, and because 1.32% of the NAV per Class T Unit purchased by the Fund will be paid to the Manager as part of the Management Fee, the purchase of Class T Units under the MMPP will not be accretive to the Fund and Unitholders to the extent that this portion of the Management Fee is not being waived by the Manager. However, as the purchases made under the MMPP are being effected at a maximum of 98.50% of the NAV per Class T Unit (calculated as at the latest Valuation Time), they will not be dilutive to the Fund or Unitholders.

## **Book-Entry Only System**

Registration of interests in and transfers of the Units will be made only through the book-entry only system of CDS. On the date of closing of the Offering, the Fund will at its option either deliver to CDS a global certificate evidencing the aggregate number of Units subscribed for under the Offering or register a global uncertificated position in the name of CDS for the aggregate number of Units subscribed for under the Offering. Units must be purchased, transferred and surrendered for redemption only through a CDS participant. All rights of a Unitholder must be exercised through, and all payments or other property to which such Unitholder is entitled will be made or delivered by, CDS and the CDS participant through which the Unitholder holds such Units. Upon a purchase of Units, the holder will receive only the customary confirmation. All distributions in respect of Units will be made by the Fund to CDS, which will be forwarded by CDS to the CDS participants for forwarding by such CDS participants to the beneficial holders of Units.

None of the Fund, the Trustee, the Manager, the Custodian nor the Agents will have any liability for: (i) any aspect of the records maintained by CDS relating to the beneficial interests in the Units or the book-entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made by or given by or with respect to CDS, whether contained in this prospectus or otherwise, or made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS participants. The rules governing CDS provide that it acts as the agent and depository for the CDS participants. As a result, CDS participants must look solely to CDS. Persons, other than CDS participants, having an interest in the Units must look solely to CDS participants for payment made by the Fund to CDS.

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

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

## SECURITYHOLDER MATTERS

### Meetings of Unitholders

A meeting of Unitholders may be convened by the Manager by a written requisition specifying the purpose of the meeting, and must be convened by the Manager if requisitioned by Unitholders holding not less than 25% of then outstanding Units by a written requisition specifying the purpose of the meeting. Unitholders cannot requisition a meeting to approve any matter that would have the effect of changing the Trustee or the Manager unless the Trustee or Manager (as applicable) is in breach under the Declaration of Trust or the Management Agreement, respectively. Unitholders also cannot requisition a meeting to approve a merger of the Fund into another investment fund of which the Manager (or an affiliate of the manager) is not the manager.

Notice of all meetings of Unitholders will be given in accordance with applicable law. The quorum for a meeting of all Unitholders is two or more Unitholders holding not less than 5% of the outstanding Units (whether Class A Units or Class T Units), represented in person or by proxy at a meeting unless the meeting has been requisitioned by Unitholders, in which event the quorum will be two or more Unitholders holding not less than 25% of the outstanding Units (whether Class A Units or Class T Units), represented in person or by proxy at the meeting. If, within 30 minutes of the time called for such meeting, no quorum is present at a meeting convened by the Manager on the requisition of a Unitholder, the meeting will be terminated. In any other case, the meeting will be adjourned to be held on the day that is 14 days after the so adjourned meeting at the same time and place; provided that, if such day is not a Business Day, the meeting shall be held on the next Business Day. At the adjourned meeting, the Unitholders then present in person or represented by proxy will form the necessary quorum.

At all meetings of Unitholders, holders of Units of a class will vote as a single class unless the circumstances are such that one class is affected differently, in which case, the holders of differently affected class of Units will vote separately on such matters. Notwithstanding the foregoing, if the Unitholders of a class are not affected by the proposed matter, such Unitholders will not be entitled to vote thereon.

The Fund does not intend to hold annual meetings of Unitholders. However, the Fund will undertake to the TSX to hold annual meetings of Unitholders if so requested by the TSX.

### Matters Requiring Unitholder Approval

Subject to the matters requiring the approval of Unitholders by Extraordinary Resolution (as specified below) or unanimous approval of Unitholders (as discussed under “Unitholder Matters – Amendments to the Declaration of Trust”), any matter to be considered at a meeting of Unitholders (including matters specified in NI 81-102 as requiring Unitholder approval) will require the approval of Unitholders by a resolution passed by holders of more than 50% of the Units voted thereon (an “**Ordinary Resolution**”) at a meeting duly convened for the consideration of such matter. The matters currently specified in NI 81-102 as requiring Unitholder approval are the following:

- (a) the basis of the calculation of a fee or expense that is charged to the Fund or directly to Unitholders by the Fund or by the Manager in connection with the holding of Units is changed in a way that could result in any increase in charges to the Fund or to Unitholders;
- (b) a fee or expense, to be charged to the Fund or directly to Unitholders by the Fund or by the Manager in connection with the holding of Units that could result in an increase in charges to the Fund or to Unitholders is introduced;
- (c) the manager of the Fund is changed, unless the new manager is an affiliate of the current manager;
- (d) the investment objective of the Fund is changed;
- (e) the Fund decreases the frequency of the calculation of its NAV per Unit;
- (f) other than a Permitted Merger, the Fund undertakes a reorganization with, or transfers its assets to, another issuer if:
  - (i) the Fund ceases to continue after the reorganization or transfer of assets, and

- (ii) the transaction results in Unitholders becoming securityholders in the other issuer;
- (g) the Fund undertakes a reorganization with, or acquires assets from, another issuer, if:
  - (i) the Fund continues after the reorganization or transfer of assets;
  - (ii) the transaction results in securityholders of the other issuer becoming Unitholders in the Fund; and
  - (iii) the transaction would be a material change to the Fund; and
- (h) the Fund implements any of the following:
  - (i) a restructuring into a mutual fund; or
  - (ii) a restructuring into an issuer that is not an investment fund.

Notwithstanding the foregoing, the approval of Unitholders is not required under NI 81-102 to implement a change described in paragraph (a) or (b) above if the Fund is at arm's length to the person or company charging the fee or expense to the Fund and Unitholders are sent a written notice at least 60 days before the effective date of the change.

Further, but subject to the exceptions described below under "Amendment to the Declaration of Trust", the following matters may be undertaken only with the approval of Unitholders by a resolution passed by holders of not less than 66 $\frac{2}{3}$ % of the Units voted thereon at a meeting duly convened for the consideration of such matter (an "**Extraordinary Resolution**") even if NI 81-102 only would require such matter to be approved by an Ordinary Resolution:

- (a) any change in the investment objectives of the Fund or the Investment Restrictions, unless such change is necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (b) any amendment, modification or variation in the provisions or rights attaching to the Units; and
- (c) any amendment to the above provisions except as permitted by the Declaration of Trust.

A resolution in writing signed by Unitholders holding that number of Units which represent, in the aggregate, not less than the minimum number of votes that would be necessary to carry the resolution at a meeting of Unitholders is as valid as if it had been passed at a meeting of Unitholders.

For greater certainty, changes in the Fund's Target Distribution Amount or targeted yield levels do not require Unitholder approval.

### **Permitted Mergers**

The Fund may, without obtaining Unitholder approval, enter into a merger or other similar transaction which has the effect of combining the Fund or its assets on a tax-deferred "rollover basis" (a "**Permitted Merger**") with any other investment fund or funds managed or advised by the Manager or an affiliate thereof that has or have investment objectives and investment strategies that are substantially the same as the Fund's on an exchange ratio based on the relative NAVs of such funds, subject to NI 81-102 which requires, among other things:

- (a) approval of the Permitted Merger by the Fund's independent review committee;
- (b) written notice to Unitholders at least 60 days before the effective date of the Permitted Merger;
- (c) a special redemption right allowing Unitholders to redeem Units at 100% of the NAV per Unit if they so choose prior to the Permitted Merger (subject to any applicable Early Exchange Fee); and
- (d) the merging funds bearing none of the costs associated with the Permitted Merger.

## **Amendment to the Declaration of Trust**

Unless all of the Unitholders consent thereto, no amendment can be made to the Declaration of Trust which would have the effect of reducing the interests in the Fund of the Unitholders, increasing the liability of any Unitholder, or changing the right of any Unitholder to vote at any meeting of the Fund. No amendment may be made to the Declaration of Trust which would have the effect of reducing the fees payable or expenses reimbursable to the Manager or terminating the Manager unless the Manager, in its sole discretion, consents.

The Trustee may, without the approval of or notice to Unitholders, amend the Declaration of Trust to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions in this prospectus or any provisions of any law or regulation applicable to or affecting the Fund;
- (b) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Declaration of Trust into conformity with (i) applicable laws, rules and policies of Canadian securities regulators or (ii) current practice within the securities or investment fund industries, provided that any amendment contemplated by (ii) does not adversely affect the pecuniary value of the interests of the Unitholders;
- (d) maintain the status of the Fund as a “unit trust” and “mutual fund trust” for the purposes of the Tax Act or to respond to amendments (including proposed amendments) to such Act or to the interpretation thereof;
- (e) effect the termination the Fund without Unitholder approval as set forth under the heading “Termination of the Fund”;
- (f) effect a Permitted Merger as described under the heading “Permitted Mergers”;
- (g) create one or more new class or classes of securities of the Fund having rights or privileges inferior to or equal to the outstanding securities of any class and make consequential amendments to the Declaration of Trust related thereto;
- (h) change the name of the Fund; or
- (i) provide added protection or benefit to Unitholders or to the Fund.

Except for changes to the Declaration of Trust which require the approval of Unitholders or changes described above which require neither approval of nor prior notice to Unitholders, the Declaration of Trust may be amended from time to time by the Trustee at the request of the Manager upon not less than 30 days’ prior written notice to Unitholders. Such written notice may be given by the Fund by issuing a press release or by publishing an advertisement containing a summary description of the amendment in at least one major daily newspaper of general and regular paid circulation in Canada, or in any other manner the Manager determines to be appropriate.

## **Information and Reports to Unitholders**

The fiscal year end of the Fund is December 31. The Fund will deliver to Unitholders annual audited and interim unaudited financial statements of the Fund and other reports as from time to time are required by applicable law. Each Unitholder will be mailed annually, within the first 90 days of the year, information necessary to enable such holder to complete a Canadian federal income tax return with respect to amounts paid or payable by the Fund in respect of the preceding taxation year of the Fund. See “Income Tax Considerations”.

Prior to any meeting of Unitholders, the Fund will provide to Unitholders, together with the notice of such meeting, all such information as is required by applicable law to be provided to such Unitholders.

## Exchange of Tax Information

Part XVIII of the Tax Act imposes due diligence and reporting obligations on “reporting Canadian financial institutions” in respect of their “U.S. reportable accounts”. The Fund is a “reporting Canadian financial institution” but as long as Units continue to be registered in the name of CDS, the Fund should not have any “U.S. reportable accounts” and, as a result, should not be required to provide information to the CRA in respect of its Unitholders. However, dealers through which Unitholders hold their Units are subject to due diligence and reporting obligations with respect to financial accounts they maintain for their clients. Accordingly, Unitholders may be requested to provide information to their dealer to identify U.S. persons holding Units. If a Unitholder is a U.S. person (including a U.S. citizen) or if a Unitholder does not provide the requested information, Part XVIII of the Tax Act will generally require information about the Unitholder’s investments held in the financial account maintained by the dealer to be reported to the CRA, unless the investments are held within a Registered Plan. The CRA is expected to provide that information to the U.S. Internal Revenue Service.

The Tax Act also contains rules similar to the foregoing in respect of non-Canadian non-U.S. investors. Pursuant to these rules, “Canadian financial institutions” (as defined in these rules) are required to have procedures in place to identify accounts held by residents of foreign countries (other than the U.S.) or by certain entities the “controlling persons” of which are resident in such foreign countries and to report required information to the CRA. Such information will be exchanged on a reciprocal, bilateral basis with countries that have agreed to a bilateral information exchange with Canada under the Common Reporting Standard in which the account holders or such controlling persons are resident. Under these rules, after June 30, 2017, Unitholders will be required to provide certain information regarding their investment in the Fund for the purpose of such information exchange (which information exchange is expected to occur beginning in May 2018), unless the investment is held within certain Registered Plans.

## TERMINATION OF THE FUND

The Fund will terminate on June 30, 2021 (the “**Scheduled Termination Date**”), provided that the Manager may extend the Scheduled Termination Date as described below. Subject to any such extension, the Fund’s investments will either reach their maturity dates or be liquidated prior to the Scheduled Termination Date at the then available market prices. It is expected that most of the Portfolio Securities will mature and the principal amounts thereof, net of repayment of borrowings used as leverage for the purchase of (or the acquisition of exposure to) such matured Portfolio Securities and less amounts used to fund the redemption or retraction of Units, generally will be distributed to Unitholders as Principal Distributions prior to the Scheduled Termination Date. See “Distribution Policy – Quarterly Principal Distributions”.

Notwithstanding the foregoing, the Fund may be terminated at any time prior to the Scheduled Termination Date, by the Trustee upon the request of the Manager, without the approval of Unitholders, if the Manager, in its sole discretion, determines to terminate the Fund because the Manager believes it is no longer economically practical to continue the Fund or because the Manager believes that it would be in the best interests of Unitholders to terminate the Fund. The Fund also may be terminated pursuant to a merger, combination or other consolidation as described under “Unitholder Matters – Permitted Mergers”. Termination of the Fund within 30 months following the Closing Date will trigger payment of the Early Exchange Fee by holders of Class A Units as described under “Organization and Management Details of the Fund – UTF Service Provider”.

In the event of the termination of the Fund, the Manager will provide no less than 15 and no more than 90 days’ notice of the Scheduled Termination Date.

Upon termination of the Fund, the net assets of the Fund (after all liabilities of the Fund have been satisfied or appropriately provided for) will be distributed *pro rata* to the Unitholders of each class based on the NAV of each class of Units, less any applicable Early Exchange Fees to be remitted on behalf of the Unitholders to the UTF Service Provider. Prior to the Scheduled Termination Date, the Manager will, to the extent practicable and other than in the event that the Fund is terminated pursuant to a merger, combination or other consolidation, convert the assets of the Fund to cash. The Manager may, in its discretion and upon not less than 30 days prior written notice to Unitholders by press release, extend the Scheduled Termination Date by a maximum of 180 days if the Manager would be unable to convert all the Fund’s assets to cash and the Manager determines that it would be in the best interests of the Unitholders to do so. Should the liquidation of certain securities not be practicable or should the

Manager consider such liquidation not to be appropriate prior to the Scheduled Termination Date, such securities may be distributed to Unitholders in kind rather than in cash subject to compliance with any securities or other laws applicable to such distributions. In the case of termination pursuant to a merger, combination or other consolidation, the distribution may be made in the securities of the resulting or continuing investment fund. Following any such distribution, the Fund will be dissolved.

### USE OF PROCEEDS

The net proceeds from the sale of the Units will be as follows:

	<u>Maximum Offering</u>	<u>Minimum Offering<sup>(1)</sup></u>
Gross proceeds to the Fund.....	\$75,000,000	\$15,000,000
Agents' fees <sup>(2)</sup> .....	Nil	Nil
Estimated expenses of the Offering <sup>(3)</sup> .....	<u>\$375,000</u>	<u>\$75,000</u>
Net proceeds to the Fund.....	\$74,625,000	\$14,925,000

Notes:

- (1) There will be no closing unless a minimum of 1,500,000 Units are sold. If subscriptions for a minimum of 1,500,000 Units have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the Offering may not continue unless an amendment to this prospectus has been filed and a receipt therefor has been issued. The Fund has granted the Agents an option (the "**Over-Allotment Option**"), exercisable for a period of 30 days following the closing of the Offering, to purchase additional Class T Units in an amount up to 15% of the aggregate number of Class T Units issued at the closing of the Offering on the same terms as those under the Offering. If only Class T Units are issued under the Offering and the Over-Allotment Option is exercised in full, under the maximum Offering, the price to the public, the Agents' fees and the net proceeds to the Fund, before deducting the expenses of the Offering, will be \$86,250,000, nil and \$86,250,000, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Class T Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Class T Units forming part of the over-allocation position acquires those Class T Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.
- (2) No compensation will be paid by the Fund to the Agents. The UTF Service Provider will pay a fee to the Agents equal to \$0.15 per Class A Unit issued. In addition, the Manager will pay annual deferred compensation to the Agents for a period of time. See "Plan of Distribution".
- (3) The estimated expenses of the Offering are \$500,000, but the Fund will bear offering expenses only up to a maximum of 0.50% of the gross proceeds of the Offering (being \$375,000 in the case of the maximum Offering and without giving effect to the Over-Allotment Option). The UTF Service Provider will bear the expenses of the Offering in excess of 0.50% of the gross proceeds of the Offering.

The Fund will use the net proceeds of the Offering to: (i) invest in securities in accordance with the Fund's investment objectives, strategies and restrictions as described herein and (ii) fund the ongoing fees and expenses of the Fund as described under "Fees and Expenses".

### PLAN OF DISTRIBUTION

Pursuant to an agency agreement dated as of February 24, 2017 (the "**Agency Agreement**") among the Fund, the Manager, the Investment Advisor and National Bank Financial Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., GMP Securities L.P., Canaccord Genuity Corp., Desjardins Securities Inc., Industrial Alliance Securities Inc., Raymond James Ltd., Manulife Securities Incorporated, Echelon Wealth Partners Inc. and Mackie Research Capital Corporation (collectively, the "**Agents**"), the Agents have agreed to offer the Units for sale, as agents of the Fund, on a best efforts basis, if, as and when issued by the Fund. As negotiated between the Agents and the Manager, the Units will be issued at a price of \$10.00 per Unit with a minimum purchase of 100 Units. The price per Unit was established by negotiation between the Fund and the Agents. In consideration for their services in connection with this Offering, the UTF Service Provider will pay to the Agents a fee of \$0.15 per Class A Unit sold under this Offering, substantially all of which is expected to be paid by the Agents to their individual representatives who sold the Class A Units. Class A Units are therefore intended to be purchased under the Offering by investors who compensate their dealers by paying commissions when they trade in securities, rather than through payment of annual fees, and who intend to hold their Class A Units for at least thirty months. The Agents also will be reimbursed by the Fund for reasonable out-of-pocket expenses incurred by them. In addition, the Manager will pay to the Agents out of the Management Fee an annual deferred compensation equal to (i) 0.40% of the net asset value of the Fund, and (ii) an amount (the "**Contingent Agents Fee**") equal to 1.32% of the aggregate net asset value of all Units that are purchased and cancelled by the Fund during the year under the MMPP. No portion of the annual deferred compensation is expected to be paid by the Agents to their individual

representatives. The annual deferred compensation in relation to the Offering will be paid until the aggregate amount of all deferred compensation paid to the Agents in relation to the Offering equals 1.50% of the gross proceeds from the Offering. The Agents may form a sub-agency group including other qualified dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Units offered hereby, the Agents will not be obligated to purchase any Units that are not sold. Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement and withdraw all subscriptions for Units on behalf of subscribers.

The Fund has granted the Agents the Over-Allotment Option, exercisable for a period of 30 days following the closing of the Offering, to purchase additional Class T Units in an amount up to 15% of the aggregate number of Class T Units issued at the closing of the Offering on the same terms as those under the Offering. If only Class T Units are issued under the Offering and the Over-Allotment Option is exercised in full, under the maximum Offering, the price to the public, the Agents' fees and the net proceeds to the Fund, before deducting the expenses of the Offering, will be \$86,250,000, nil and \$86,250,000, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Class T Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Class T Units forming part of the over-allocation position acquires those Class T Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Subscriptions will be received for the Units offered hereby, subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time. Closing of this Offering is expected to occur on or about March 22, 2017 and, in any event, no later than 90 days after the issuance of a receipt for the final prospectus. The closing of the Offering is conditional upon receipt of subscriptions for the minimum aggregate number of 1,500,000 Units. If subscriptions for an aggregate minimum of 1,500,000 Units have not been received within a period of 90 days following the date of issuance of a final receipt for the final prospectus, the Offering may not continue unless an amendment to this prospectus has been filed and a receipt therefor obtained. The Agents will hold funds received from subscribers and if the closing of the Offering has not occurred within 90 days after the issuance of a receipt for the final prospectus, the Offering may be withdrawn in which case subscription proceeds received from prospective purchasers in respect of this Offering will be returned to such purchasers promptly without interest or deduction. The maximum aggregate number of Units which will be sold pursuant to this Offering is an aggregate of 7,500,000 Units (up to 8,625,000 Units in the event where only Class T Units are issued under the Offering and the Over-Allotment Option is exercised in full).

Registrations, transfers and redemptions of Units will be effected only through the book-entry only system administered by CDS. Beneficial owners of Units will not have the right to receive physical certificates evidencing their ownership. A purchaser of Units will receive a customer confirmation from the registered dealer from or through whom the Units are purchased. All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholder is entitled will be made or delivered by, CDS or the CDS participant through which the Unitholder holds such Units. This prospectus also qualifies the distribution of the right granted by the Fund to the Manager to receive payment of the management fee in Units.

The TSX has conditionally approved the listing of the Class T Units, subject to the Fund fulfilling all of the requirements of the TSX on or before May 12, 2017 including distribution of the Units to a minimum number of public holders.

Pursuant to policy statements of certain Canadian securities regulators, the Agents may not, throughout the period of distribution, bid for or purchase Units. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. Such exceptions include a bid or purchase permitted under applicable by-laws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with this Offering, the Agents may over-allot and effect transactions in connection with their over-allotted position. Such transactions, if commenced, may be discontinued at any time.

The Fund is not a trust company and is not registered under legislation of any jurisdiction governing trust companies as it does not carry on, nor does it intend to carry on, the business of a trust company. The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that Act or any other legislation.

The Agents have agreed that the Agents will not solicit acceptances or offer to sell Units in the United States or its territories or possessions or from United States Persons (as that term is defined in Regulation S under the United States Securities Act of 1933, as amended (the “**1933 Act**”)) except as permitted by United States securities laws. The Units have not been, and will not be, registered under the 1933 Act. Accordingly, except in limited circumstances, the Units will not be offered, sold or delivered in the U.S.

#### **RELATIONSHIP BETWEEN THE FUND AND THE AGENTS**

National Bank Financial Inc., which is one of the Agents and the UTF Service Provider, also is an affiliate of a Canadian chartered bank which is an influential securityholder of the Investment Advisor and an affiliate of NBCN Inc. which may provide the Fund with the Prime Brokerage Facility, the proceeds of which would be used by the Fund for various purposes, including purchasing or obtaining exposure to additional securities for the Portfolio, effecting market purchases of Units, maintaining liquidity and funding redemptions. See “Interest of Manager and Others in Material Transactions”. National Bank Financial Inc. also may be retained by the Fund in the future to provide certain market making services for which it would be compensated by the Fund. In addition, NBCN Inc., the Custodian and the securities lending agent of the Fund, is an affiliate of National Bank Financial Inc. For these reasons, the Fund may be considered to be a “related issuer” and/or a “connected issuer” of National Bank Financial Inc. under applicable securities legislation. National Bank Financial Inc. was involved, together with the other Agents, in the decision of the Fund to undertake the Offering and the determination of the terms of the distribution. National Bank Financial Inc. will receive no benefit in connection with the Offering other than the UTF Services Fee and a portion of the Agents’ fee described under “Fees and Expenses”. See “Unit Traded Fund Structure”, “Plan of Distribution” and “Fees and Expenses”.

#### **INTEREST OF MANAGER AND OTHERS IN MATERIAL TRANSACTIONS**

The Manager and the UTF Service Provider will receive the fees described under “Fees and Expenses – Fees and Expenses Payable by the Fund” for their respective services to the Fund and will be reimbursed by the Fund for all reasonable expenses and liabilities incurred in connection with such services.

The interest rates, fees and expenses under the Prime Brokerage Facility will be typical of a credit facility of that nature and the Fund may be required under the Prime Brokerage Facility to provide a security interest in favour of NBCN Inc. over the assets held by the Fund to secure such borrowings. See “Investment Strategies – Leverage”.

#### **PROXY VOTING POLICY**

The Manager votes proxies with respect to the Portfolio Securities in accordance with its established policies and procedures with respect to the voting of proxies (the “**Proxy Voting Guidelines**”) received from issuers of securities held in an investment fund’s portfolio. The Proxy Voting Guidelines provide that the Manager will vote (or refrain from voting) proxies for each fund for which it has voting power in the best economic interests of the Fund. The Proxy Voting Guidelines are not exhaustive and due to the variety of proxy voting issues that the Manager may be required to consider, are intended only to provide guidance and are not intended to dictate how proxies are to be voted in each instance. The Manager may depart from the Proxy Voting Guidelines in order to avoid voting decisions that may be contrary to the best interests of the Fund.

The proxies associated with securities held by the Fund will be voted in accordance with the best interests of the Fund determined at the time the vote is cast. The Manager maintains policies and procedures that are designed to be guidelines for the voting of proxies; however, each vote is ultimately cast on a case-by-case basis taking into consideration the relevant facts and circumstances at the time of the vote.

The Manager’s proxy voting policies and procedures set out various considerations that the Manager will address when voting, or refraining from voting, proxies, including that:

- (a) the Manager will generally vote with management on routine matters such as electing corporate directors, appointing external auditors and adopting or amending management compensation plans unless it is determined that supporting management's position would not be in the best interests of the securityholders;
- (b) the Manager will address on a case-by-case basis, non-routine matters, including those business issues specific to the issuer or those raised by securityholders of the issuer with a focus on the potential impact of the vote on the NAV of the Fund; and
- (c) the Manager has the discretion whether or not to vote on routine or non-routine matters. In cases where the Manager determines that it is not in the best interests of the securityholders to vote, or in cases where no value is added by voting, the Manager will not be required to vote.

The Fund's proxy voting record for each calendar year will be available at no cost to any Unitholder upon request and at [www.redwoodasset.com](http://www.redwoodasset.com) at any time after August 31 of the following calendar year. The Manager will post the proxy voting record of the Fund annually at [www.redwoodasset.com](http://www.redwoodasset.com). The Fund will send the most recent proxy voting record, without charge, to any Unitholder upon request made by the Unitholder.

### **MATERIAL CONTRACTS**

Other than contracts entered into in the ordinary course of business, the following contracts can reasonably be regarded as material to purchasers of Units:

- (a) the Declaration of Trust described under "Overview of the Structure of the Fund", "Organization and Management Details of the Fund – The Trustee", and "Unitholder Matters";
- (b) the Management Agreement described under "Organization and Management Details of the Fund – Details of the Management Agreement";
- (c) the Investment Advisory Agreement described under "Organization and Management Details of the Fund – Details of the Investment Advisory Agreement";
- (d) the UTF Services Agreement described under "Organization and Management Details of the Fund – UTF Service Provider";
- (e) the Custodian Agreement referenced under "Organization and Management Details of the Fund – Custodian"; and
- (f) the Agency Agreement described under "Plan of Distribution".

Copies of the agreements referred to above, after the execution thereof, may be inspected during business hours at the principal office of the Fund during the course of distribution of the Units offered hereby.

### **EXPERTS**

The matters referred to under "Income Tax Considerations" and certain other legal matters relating to the securities offered hereby will be passed upon by Fasken Martineau DuMoulin LLP, on behalf of the Fund, and Blake, Cassels & Graydon LLP, on behalf of the Agents.

Ernst & Young LLP has issued an independent auditor's report dated February 24, 2017 on the statement of financial position of the Fund as at February 24, 2017.

As of the date of this prospectus, none of these professional firms has any registered or beneficial interest, direct or indirect, in the Units.

## **PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two Business Days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

## INDEPENDENT AUDITOR'S REPORT

To the Trustee of  
June 2021 Investment Grade Bond Pool

We have audited the accompanying financial statement of June 2021 Investment Grade Bond Pool (the "Fund"), which comprises the statement of financial position as at February 24, 2017, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Fund as at February 24, 2017 in accordance with International Financial Reporting Standards.

(signed) "Ernst & Young LLP"  
Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants  
Toronto, Ontario  
February 24, 2017

**June 2021 Investment Grade Bond Pool**  
**STATEMENT OF FINANCIAL POSITION**  
**As at February 24, 2017**

<b>Assets</b>	
Cash.....	\$ <u>10</u>
	<u>\$ 10</u>
 <b>Unitholder's Equity</b>	
Net assets attributable to holders of redeemable units (Notes 1 and 3).....	\$ <u>10</u>
	<u>\$ 10</u>

The accompanying notes are an integral part of this financial statement.

**Approved by the Manager**  
**REDWOOD ASSET MANAGEMENT INC.**

By: (signed) *Peter J. Shippen*  
Director

By: (signed) *Scott Bartholomew*  
Director

## June 2021 Investment Grade Bond Pool

### NOTES TO STATEMENT OF FINANCIAL POSITION February 24, 2017

#### 1. FORMATION OF THE FUND

June 2021 Investment Grade Bond Pool (the “**Fund**”) is an investment fund established as a trust under the laws of the Province of Ontario pursuant to a declaration of trust dated February 24, 2017. Redwood Asset Management Inc. is the manager (in such capacity, the “**Manager**”), the trustee (in such capacity, the “**Trustee**”) and the promoter of the Fund. Fiera Capital Corporation will act as the portfolio adviser to the Fund. The Fund is authorized to issue an unlimited number of units, including Class A Units and Class T Units (the “**Units**”). On February 24, 2017, the Fund issued one Class A Unit for \$10.00 cash.

The Fund’s investment objectives are to (i) return to holders of Units (“**Unitholders**”), including through principal distributions (as defined in the Fund’s declaration of trust), the original issue price of \$10.00 per Unit on or before June 30, 2021 (the “**Scheduled Termination Date**”); and (ii) generate over the term of the Fund an average annual total return after fees and expenses of 3.10% for investors in the initial public offering who purchased Class A Units and 3.55% for investors in the initial public offering who purchased Class T Units, by investing in a portfolio (the “**Portfolio**”) comprised primarily of debt securities of Canadian and U.S. companies (“**Eligible Debt Securities**”).

The Fund will be entitled to utilize leverage, through borrowings (such as through a loan facility (the “**Loan Facility**”) and a prime brokerage facility (the “**Prime Brokerage Facility**”), through the use of derivatives or a combination of both, in an amount not exceeding 30% of the value of the total assets of the Fund at the time leverage is initially employed for the purposes of purchasing or obtaining exposure to additional securities for the Portfolio.

The Loan Facility or Prime Brokerage Facility, as applicable, will also permit the Fund to borrow an amount not exceeding 5% of the value of the total assets of the Fund at the time leverage is initially employed for various purposes, including effecting market purchases of Class T Units, maintaining liquidity and funding redemptions.

The statement of financial position has been prepared in accordance with International Financial Reporting Standards (“**IFRS**”).

#### 2. MANAGEMENT FEES AND OTHER EXPENSES

The Manager, as the manager of the Fund, is responsible for managing the business and day-to-day operations of the Fund and is entitled to a management fee equal to the sum of (i) 0.75% of the net asset value of the Fund, plus applicable taxes, calculated daily and payable monthly, and (ii) an amount equal to the Contingent Agents Fee, plus applicable taxes. The portion of the management fee described in (ii) above will be waived by the Manager from time to time during such periods when it is under no obligation to be compensating registered dealers for selling Units (either under its initial public offering of Units or a future distribution of Units).

“**Contingent Agents Fee**” means the annual deferred compensation paid by the Manager to the Agents equal to 1.32% of the aggregate net asset value of all Units that are purchased and cancelled by the Fund during the year under the mandatory market purchase program.

The Fund will pay to National Bank Financial Inc. a fee comprised of 0.25% per annum of the NAV of the Fund attributable to the Class T Units, calculated daily and payable quarterly, and 0.85% per annum of the NAV of the Fund attributable to the Class A Units, calculated daily and payable quarterly (collectively, the “**UTF Services Fee**”), plus applicable taxes.

The Fund also will be responsible for commissions and other costs of the Portfolio transactions, debt service and costs relating to any loan facility or prime brokerage facility, as applicable, entered into by the Fund and all liabilities and any extraordinary expenses that it may incur from time to time.

### 3. RELATED PARTY TRANSACTIONS

The Fund will pay the Manager an annual management fee (the “**Management Fee**”) equal to the sum of (i) 0.75% of the NAV of the Fund, plus applicable taxes, calculated daily and payable monthly, and (ii) an amount equal to the Contingent Agents Fee, plus applicable taxes. The portion of the Management Fee described in (ii) above will be waived by the Manager from time to time during such periods when it is under no obligation to be compensating registered dealers for selling Units (either under this Offering or a future distribution of Units).

The Manager may, from time to time, in its sole discretion, pay all or a portion of any costs and expenses which would otherwise be payable by the Fund.

**CERTIFICATE OF THE FUND, THE MANAGER AND THE PROMOTER**

Dated: February 24, 2017

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of the provinces and territories of Canada.

**JUNE 2021 INVESTMENT GRADE BOND POOL  
by its Manager, Redwood Asset Management Inc.**

(signed) *Peter J. Shippen*  
Chief Executive Officer

(signed) *Scott Bartholomew*  
Chief Financial Officer

**On Behalf of the Board of Directors of  
Redwood Asset Management Inc.**

(signed) *Peter J. Shippen*  
Director

(signed) *Som Seif*  
Director

(signed) *Scott Bartholomew*  
Director

**REDWOOD ASSET MANAGEMENT INC.  
as Promoter**

(signed) *Peter J. Shippen*  
Chief Executive Officer

**CERTIFICATE OF THE AGENTS**

Dated: February 24, 2017

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of the provinces and territories of Canada.

**NATIONAL BANK  
FINANCIAL INC.**

(signed) *Etienne Dubuc*

**BMO NESBITT BURNS  
INC.**

(signed) *Robin Tessier*

**CIBC WORLD MARKETS  
INC.**

(signed) *Valerie Tan*

**SCOTIA CAPITAL INC.**

(signed) *Robert Hall*

**GMP SECURITIES L.P.**

(signed) *Andrew Kiguel*

**CANACCORD GENUITY CORP.**

(signed) *Ron Sedran*

**DESJARDINS SECURITIES INC.**

(signed) *Naglaa Pacheco*

**INDUSTRIAL ALLIANCE SECURITIES INC.**

(signed) *Vilma Jones*

**RAYMOND JAMES LTD.**

(signed) *J. Graham Fell*

**MANULIFE SECURITIES INCORPORATED**

(signed) *David MacLeod*

**ECHELON WEALTH PARTNERS INC.**

(signed) *David Cusson*

**MACKIE RESEARCH CAPITAL CORPORATION**

(signed) *David J. Keating*