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PROSPECTUS

Initial Public Offering

April 19, 2013



**NORTH AMERICAN
PREFERRED SHARE FUND**

**\$150,000,000 (6,000,000 Units) Maximum
\$25.00 per Unit**

North American Preferred Share Fund (the “Fund”) is a closed-end investment trust established under the laws of the Province of Ontario that proposes to issue redeemable, transferable trust units (the “Units”) of the Fund (the “Offering”) at a price of \$25.00 per Unit.

The Fund’s investment objectives are to provide holders of Units (“Unitholders”) with:

- (a) stable monthly cash distributions; and
- (b) preservation of capital.

The Fund has been created to invest in an actively managed portfolio consisting principally of Canadian and U.S. preferred shares (the “Portfolio”).

Propel Capital Corporation (“Propel” or the “Manager”) is the Manager and promoter of the Fund. Propel is responsible for creating, structuring, managing and promoting the Fund. Propel has retained Fiera Capital Corporation (“Fiera” or the “Portfolio Manager”) to provide portfolio management services to the Fund.

**Price: \$25.00 per Unit
Minimum Purchase: 100 Units**

| | <u>Price to the Public⁽¹⁾</u> | <u>Agents’ fees</u> | <u>Net Proceeds to the Fund⁽²⁾</u> |
|--|--|---------------------|---|
| Per Unit | \$25.00 | \$1.3125 | \$23.6875 |
| Total Minimum Offering ⁽³⁾⁽⁴⁾ | \$20,000,000 | \$1,050,000 | \$18,950,000 |
| Total Maximum Offering ⁽⁴⁾ | \$150,000,000 | \$7,875,000 | \$142,125,000 |

Notes:

- (1) The price of the Units was established by negotiation between the Manager on behalf of the Fund and the Agents (as defined herein).
- (2) Before deducting the expenses of the Offering, estimated to be \$750,000, and subject to a maximum of 1.5% of the gross proceeds of the Offering, which together with the Agents’ fees, will be paid by the Fund from the proceeds of the Offering.
- (3) There will be no closing unless a minimum of 800,000 Units are sold. If subscriptions for such minimum have not been received within 90 days after a final receipt for this prospectus is issued, the Offering may not continue and subscription proceeds will be returned to subscribers, without interest or deduction, unless an amendment to this prospectus is filed.
- (4) The Fund has granted to the Agents an option (the “Over-Allotment Option”), exercisable, in whole or in part, for a period of 30 days following the closing of the Offering, to purchase up to 15% of the aggregate number of Units issued at the closing of the Offering on the same terms as set forth above solely to cover over-allotments, if any. To the extent that the Over-Allotment Option is exercised, the Agents will be entitled to a fee equal to \$1.3125 per Unit, and if 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 \$172,500,000, \$9,056,250 and \$163,443,750, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Agents’ over-allocation position acquires such 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”.

(continued on next page)

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Prospective purchasers may purchase Units either by (i) cash payment or (ii) an exchange of freely tradeable securities of any Exchange Eligible Issuer. The number of Units issuable in exchange for the securities of an Exchange Eligible Issuer deposited by a prospective purchaser pursuant to the Exchange Option will be determined by dividing the volume weighted average trading price of such securities on the TSX (or such other exchange or market on which such security is then listed) during the five consecutive trading days ending on April 29, 2013, as adjusted to reflect dividends declared by any Exchange Eligible Issuer that will not be received by the Fund, by \$25.00. Prospective purchasers under the Exchange Option were required to deposit securities of Exchange Eligible Issuers with the Exchange Agent, Computershare Investor Services Inc., prior to 5:00 p.m. (Toronto time) on March 22, 2013. See “Purchases of Securities — Method to Purchase Units”.

There is no assurance that the Fund will meet its objectives. The Units may trade at a significant discount to the NAV per Unit. See “Risk Factors” for a discussion of certain factors that should be considered by prospective investors in Units including with respect to the Fund’s use of leverage. An investment in the Fund is appropriate only for investors who have capacity to absorb a loss. There is currently no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity and the extent of issuer regulation. See “Description of the Units — Description of the Units Distributed”. The Toronto Stock Exchange (“TSX”) has conditionally approved the listing of the Units, subject to the Fund fulfilling all of the requirements of the TSX on or before June 17, 2013.

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 provisions of that Act or any other legislation.

CIBC World Markets Inc., National Bank Financial Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., GMP Securities L.P., Scotia Capital Inc., TD Securities Inc., Macquarie Private Wealth Inc., Raymond James Ltd., Canaccord Genuity Corp., Desjardins Securities Inc., Dundee Securities Ltd. and Manulife Securities Incorporated (collectively, the “Agents”) have agreed to 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 Stikeman Elliott LLP on behalf of the Fund and McCarthy Tétrault LLP on behalf of the Agents. The Agents may over-allot and effect transactions to cover their over-allotted position. See “Plan of Distribution”.

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 without notice. Closing is expected to occur on or about May 8, 2013, but, in any event, not later than 90 days after a receipt for the final prospectus is issued.

Capitalized terms used, but not defined, in the foregoing are defined in the “Glossary of Terms”.

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GLOSSARY OF TERMS

In this prospectus, the following terms shall have the meanings set forth below, unless otherwise indicated:

“**affiliate**” has the meaning ascribed thereto in the *Business Corporations Act* (Ontario).

“**Affiliated Fund(s)**” has the meaning ascribed thereto under “Matters Requiring Unitholder Approval”.

“**Agency Agreement**” means an agreement dated as of April 19, 2013 among the Fund, the Manager, the Portfolio Manager and the Agents.

“**Agents**” means, collectively, CIBC World Markets Inc., National Bank Financial Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., GMP Securities L.P., Scotia Capital Inc., TD Securities Inc., Macquarie Private Wealth Inc., Raymond James Ltd., Canaccord Genuity Corp., Desjardins Securities Inc., Dundee Securities Ltd. and Manulife Securities Incorporated.

“**Annual Redemption Date**” means the second last Business Day of November of each year commencing in 2014.

“**Borrowings**” means any amount that the Fund borrows under a loan facility or prime broker facility.

“**Business Day**” means any day on which the TSX is open for business.

“**Canadian GAAP**” means Canadian generally accepted accounting principles.

“**CDS**” means CDS Clearing and Depository Services Inc. and includes any successor thereto or any other depository subsequently appointed by the Fund as the depository in respect of the Units.

“**CDS Participant**” means a participant in CDS.

“**Closing**” means the closing of the Offering.

“**Closing Date**” means the date of Closing, which is expected to be on or about May 8, 2013, or such later date as the Fund and the Agents may agree, but, in any event, not later than 90 days after a receipt for the final prospectus is issued.

“**Closing Market Price**” in respect of a Unit on a Monthly Redemption Date means (i) the closing price of the Units on the TSX on such Monthly Redemption Date (or such other stock exchange on which the Units are listed) if there was a trade on the applicable Monthly Redemption Date and the market provides a closing price; (ii) the average of the highest and lowest prices of the Units on the TSX on such Monthly Redemption Date (or such other stock exchange on which the Units are listed) if there was trading on the applicable Monthly Redemption Date and the market provides only the highest and lowest prices of the Units traded on a particular day; or (iii) the average of the last bid and the last asking prices of the Units on the TSX on such Monthly Redemption Date (or such other stock exchange on which the Units are listed) if there was no trading on the applicable Monthly Redemption Date.

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

“**Custodian**” means NBCN Inc., the custodian of the assets of the Fund, and its successors or assigns.

“Custodian Agreement” means the custodial services agreement to be entered into on or before the Closing Date among the Manager on behalf of the Fund and the Custodian, as it may be amended from time to time.

“Declaration of Trust” means the amended and restated declaration of trust of the Fund dated as of April 19, 2013, establishing the Fund under the laws of the Province of Ontario, as it may be amended from time to time.

“Distribution Payment Date” means a Business Day designated by the Manager that will be no later than the 15th day of the month following the relevant Distribution Record Date.

“Distribution Record Date” means the last Business Day of each month.

“Exchange Agency Agreement” means the exchange agency agreement dated as of February 27, 2013, between the Fund and the Exchange Agent.

“Exchange Agent” means Computershare Investor Services Inc.

“Exchange Eligible Issuer” has the meaning given under “Purchases of Securities – Method to Purchase Units”.

“Exchange Option” has the meaning given under “Purchases of Securities – Method to Purchase Units”.

“Exchange Ratio” has the meaning given under “Purchases of Securities – Method to Purchase Units”.

“Exchanged Securities” has the meaning given under “Income Tax Considerations – The Exchange Option”.

“Extraordinary Resolution” means a resolution passed by the affirmative vote of at least 66 ²/₃% of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

“Fund” means North American Preferred Share Fund.

“IFRS” means International Financial Reporting Standards.

“illiquid assets” has the meaning set out in NI 81-102, and currently means (a) a portfolio asset that cannot be readily disposed of through market facilities on which public quotations in common use are widely available at an amount that at least approximates the amount at which the portfolio asset is valued in calculating the net asset value per security of the mutual fund, or (b) a restricted security held by a mutual fund, the resale of which is prohibited by a representation, undertaking or agreement by the mutual fund or by the predecessor in title of the mutual fund.

“Independent Review Committee” or **“IRC”** means the independent review committee of the Fund.

“Indicative Portfolio” means the Portfolio Securities that would have been included the Portfolio if it had been formed and fully invested on April 11, 2013, as described under “Investment Strategies - Indicative Portfolio”.

“Leverage Threshold” means 30% of Total Assets.

“Management Agreement” has the meaning ascribed thereto under “Organization and Management Details of the Fund – Manager of the Fund – Duties and Services to be Provided by the Manager to the Fund”.

“Management Fee” means the management fee payable to the Manager as more fully described under “Fees and Expenses – Management Fee”.

“Manager” means Propel Capital Corporation, in its capacity as investment fund manager of the Fund, and any successor thereto.

“Market Price” means, in respect of a Unit on a Monthly Redemption Date, the weighted average trading price of the Units on the TSX (or such other stock exchange on which the Units are listed), for the 10 trading days immediately preceding such Monthly Redemption Date.

“Maximum Ownership Level” has the meaning given in “Purchases of Securities – Method to Purchase Units”.

“Monthly Redemption Date” means the second last Business Day of each month (other than the Annual Redemption Date).

“Net Asset Value of the Fund” or **“NAV of the Fund”** on a particular date will be equal to (i) the aggregate fair value of the assets of the Fund, less (ii) the aggregate fair value of the liabilities of the Fund.

“Net Asset Value per Unit” or **“NAV per Unit”** means the Net Asset Value divided by the number of Units outstanding on the date on which the calculation is made.

“NI 81-102” means National Instrument 81-102 – *Mutual Funds* of the Canadian Securities Administrators, as amended from time to time.

“NI 81-106” means National Instrument 81-106 – *Investment Fund Continuous Disclosure* of the Canadian Securities Administrators, as amended from time to time.

“NI 81-107” means National Instrument 81-107 – *Independent Review Committee for Investment Funds* of the Canadian Securities Administrators, as amended from time to time.

“non-residents” has the meaning ascribed thereto under “Unitholder Matters – Non-Resident Unitholders”.

“Notice Period” has the meaning ascribed thereto under “Redemption of Securities – Annual Redemptions of Units”.

“Offering” means the offering of a minimum of 800,000 Units and a maximum of 6,000,000 Units at a price of \$25.00 per Unit, as contemplated by this prospectus.

“Over-Allotment Option” means the option granted by the Fund to the Agents, exercisable, in whole or in part, and from time to time for a period of 30 days following the Closing Date, to purchase an aggregate of up to 15% of the aggregate number of Units issued on Closing at a price of \$25.00 per Unit.

“Permitted Merger” has the meaning ascribed thereto under “Matters Requiring Unitholder Approval”.

“Portfolio” means an actively managed portfolio consisting principally of Canadian and U.S. preferred shares together with any cash.

“Portfolio Management Agreement” has the meaning ascribed thereto under “Organization and Management Details of the Fund – Portfolio Manager – Duties and Services to be Provided by the Portfolio Manager”.

“Portfolio Manager” means Fiera Capital Corporation and any successor thereto.

“Portfolio Securities” means the securities included in the Portfolio.

“Pricing Period” has the meaning given under “Purchases of Securities – Determination of Exchange Ratios”.

“Proxy Voting Policy” means the proxy voting policy established by the Portfolio Manager.

“Redemption Notice” has the meaning ascribed thereto under “Redemptions – Exercise of Redemption Right”.

“Redemption Payment Date” means the Business Day that is on or before the 15th Business Day in the month following an Annual Redemption Date or Monthly Redemption Date, as applicable.

“Registered Plan” means a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan, a registered education savings plan, a registered disability savings plan and a tax-free savings account.

“SIFT Partnership” means a specified investment flow-through partnership for the purposes of the Tax Act.

“SIFT Rules” means the specified investment flow-through rules in the Tax Act which apply to a SIFT Trust, a SIFT Partnership and their unitholders.

“SIFT Trust” means a specified investment flow-through trust for purposes of the Tax Act.

“Tax Act” means the *Income Tax Act* (Canada) and the regulations thereunder, as may be amended from time to time.

“Tax Proposals” means all specified 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.

“Termination Date” means the date on which the Fund terminates as described under “Termination of the Fund”.

“Total Assets” means the aggregate value of the assets of the Fund determined in accordance with the terms of the Declaration of Trust.

“Trustee” means Computershare Trust Company of Canada, in its capacity as trustee of the Fund under the Declaration of Trust, and any successor thereto.

“TSX” means the Toronto Stock Exchange.

“Unitholders” means holders of Units.

“Units” means the redeemable, transferable units of the Fund.

“**U.S.**” means the United States of America, its territories and possessions, any state thereof and the District of Columbia.

“**Valuation Agent**” means such person as may from time to time be appointed by the Manager to calculate the Net Asset Value per Unit and the Net Asset Value of the Fund. The initial Valuation Agent will be the Custodian.

“**Valuation Date**” has the meaning ascribed thereto under “Calculation of Net Asset Value”.

“**Valuation Time**” has the meaning ascribed thereto under “Calculation of Net Asset Value”.

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. Certain capitalized terms used, but not defined in this summary, are defined in the "Glossary of Terms". Unless otherwise indicated, all references to dollar amounts in this prospectus are to Canadian dollars.

Issuer: North American Preferred Share Fund (the "**Fund**") is a closed-end investment trust established under the laws of the Province of Ontario pursuant to an amended and restated declaration of trust dated as of April 19, 2013. See "Overview of the Legal Structure of the Fund".

Offering: The Fund is offering Units. See "Plan of Distribution" and "Description of the Units".

Price: \$25.00 per Unit

Maximum Issue: \$150,000,000 (6,000,000 Units)

Minimum Issue: \$20,000,000 (800,000 Units)

Minimum Cash Subscription: \$2,500 (100 Units)

Investment Objectives: The Fund's investment objectives are to provide holders of Units ("**Unitholders**") with:

- (a) stable monthly cash distributions; and
- (b) preservation of capital.

The Fund has been created to invest in an actively managed portfolio consisting principally of Canadian and U.S. preferred shares (the "**Portfolio**").

See "Investment Objectives".

Investment Strategies: The Portfolio will be managed by Fiera Capital Corporation ("**Fiera**" or the "**Portfolio Manager**").

Fiera Capital Corporation ("**Fiera**" or "**Portfolio Manager**"), as portfolio manager, will actively manage the Portfolio with the intention of preserving capital while generating current income. The Portfolio Manager intends to acquire preferred shares of North American issuers in the new issue and secondary markets. The Fund may also invest up to 20% of Total Assets in North American fixed income securities, including high yield bonds, convertible debentures and equities. The Portfolio Manager will use tactical asset allocation to determine the relative weights of the Canadian preferred shares and U.S. preferred shares based on the relative attractiveness of each market, while also taking into account criteria such as the credit quality, liquidity, and overall duration of the Portfolio.

See "Investment Strategies".

**Portfolio
Manager:**

Fiera will act as the Portfolio Manager to the Fund. Fiera is one of the largest independent money managers in Canada with over \$58 billion in assets under management as of December 31, 2012, including over \$36 billion in fixed income assets. Fiera is also one of the largest preferred share managers in Canada with approximately \$1.75 billion in preferred securities. In addition to its fixed income capabilities, Fiera has depth and expertise in equity management, asset allocation and alternative investment solutions. With offices in Montreal, Toronto, Calgary, Vancouver, Halifax and New York, Fiera has over 260 employees and approximately 100 investment professionals servicing diverse clientele comprised of pension funds, foundations, religious and charitable organizations, high net worth individuals, financial institutions, mutual funds and managed asset platforms. See "Organization and Management Details of the Fund - Portfolio Manager of the Fund".

See "Organization and Management Details of the Fund - Portfolio Manager".

Manager:

Propel Capital Corporation ("**Propel**" or the "**Manager**") is the manager and promoter of the Fund. The Manager, in its capacity as investment fund manager of the Fund, will retain the Portfolio Manager to act as portfolio manager to the Fund. The Manager is a leading provider of investment products, having raised over \$600 million in assets.

See "Organization and Management Details of the Fund- Manager of the Fund".

Distributions:

The Fund intends to make monthly cash distributions to Unitholders of record on the last Business Day of each month (each, a "**Distribution Record Date**"), commencing in June, 2013. Distributions will be paid on a Business Day designated by the Manager that will be no later than the 15th day of the following month (each, a "**Distribution Payment Date**"). The Fund will not have a fixed monthly distribution amount but intends to at least annually in December each year determine and announce expected monthly distributions for the following calendar year based on the Manager's and Portfolio Manager's estimate of distributable cash flow in the Fund.

Based on the Manager's and Portfolio Manager's current estimates, the initial monthly distribution target for the Fund is \$0.1146 per Unit per month \$1.375 per annum to yield 5.5% on the subscription price of \$25.00 per Unit. The initial cash distribution will be payable to Unitholders of record on June 30, 2013 and is expected to be paid on or about July 15, 2013, based on an anticipated Closing Date of May 8, 2013.

Based on current estimates and assuming (i) an aggregate size of the Offering of \$100 million, (ii) using the anticipated initial leverage of 30% of Total Assets, (iii) the employment of the investment strategies as described under "Investment Strategies", (iv) the fees and expenses described under "Fees and Expenses", and (v) the current price and yield of the securities anticipated to be included in the Portfolio, it is expected that the Fund will be able to pay such distributions at the current target level and maintain a stable NAV per Unit. If the total return on the Portfolio is less than the amount necessary to fund the monthly distributions and all expenses of the Fund, and if the Manager chooses to nevertheless ensure that the monthly distributions are paid to Unitholders, this will result in a portion of the capital of the Fund being returned to Unitholders, and accordingly, NAV per Unit

would be reduced. As to future indicative distribution rates, see "Distribution Policy". **The amount of monthly distributions may fluctuate from month to month and there can be no assurance that the Fund will make any distribution in any particular month or months. The amount of monthly distributions may vary if there are changes in any of the factors that affect the net cash flow on the Portfolio, including the amount of leverage employed by the Fund and the other assumptions noted above.** See "Investment Strategies - Leverage", "Distribution Policy" and "Risk Factors".

Amounts distributed on the Units that represent returns of capital are generally non-taxable to a Unitholder but reduce the Unitholder's adjusted cost base of the Units for tax purposes. See "Income Tax Considerations".

If the Fund's net income for tax purposes, including net realized capital gains, for any year exceeds the aggregate amount of the regular monthly distributions made in the year to Unitholders, the Fund will also be required to pay one or more special distributions (in either cash or Units) in such year to Unitholders as is necessary to ensure that the Fund will not be liable for income tax on such amounts under the Tax Act (after taking into account all available deductions, credits and refunds). See "Income Tax Considerations".

Exchange Option:

Units purchased may be paid for either by cash or by an exchange of freely tradeable securities of an Exchange Eligible Issuer set out under "Exchange Option - Exchange Eligible Issuers".

A prospective purchaser of Units who elected to pay for such Units by using the Exchange Option was required to do so by means of a book-entry deposit with the Exchange Agent prior to 5:00 p.m. (Toronto time) on March 22, 2013. See "Purchases of Securities - Exchange Option Procedure".

The purchase of Units by the exchange of securities of an Exchange Eligible Issuer pursuant to the Exchange Option will be a taxable event for the purchaser. See "Income Tax Considerations - The Exchange Option".

Redemptions:

Annual Redemption: Commencing in 2014, Units may be surrendered annually for redemption during the period from October 15th until 5:00 p.m. (Toronto time) on the last Business Day of October of each year (the "**Notice Period**"). Subject to the Fund's right to suspend redemptions in certain circumstances, Units properly surrendered for redemption during the Notice Period will be redeemed on the second last Business Day in November of each year (the "**Annual Redemption Date**") and the Unitholder will receive a redemption price per Unit equal to 100% of the NAV per Unit as determined on the Annual Redemption Date, less any costs associated with the redemption, including commissions and such other costs, if any, on or before the Redemption Payment Date.

Monthly Redemption: Units may also be redeemed at the option of Unitholders on the second last Business Day of each month (other than the Annual Redemption Date) ("**Monthly Redemption Date**"), subject to certain conditions. See "Risk Factors", "Redemptions" and "Calculation of Net Asset Value".

Leverage: The Fund may borrow under a loan facility or prime broker facility (“**Borrowings**”) to purchase additional assets for the Portfolio. At the time such leverage is incurred, the maximum leverage the Fund may utilize, or be exposed to, is 30% of Total Assets or 1.43 to 1 (total long positions (including leveraged positions) divided by net assets of the Fund). The aggregate leverage of the Fund that can be obtained through Borrowings, determined at the time of borrowing, will not exceed 30% of Total Assets (the “**Leverage Threshold**”). Derivatives and short sales, that the Fund is restricted to using solely for the purposes of hedging (as such term is defined in NI 81-102), will not be included in the Leverage Threshold calculation. If at any time leverage exceeds the Leverage Threshold, the Portfolio Manager will, as soon as practicable thereafter, cause the leverage to be reduced below such threshold. Initially, the Fund is expected to employ leverage of approximately 30% of Total Assets. See “Investment Strategies – Leverage” and “Investment Restrictions”.

Currency Hedging: A portion of the Portfolio will be invested in securities denominated in U.S. dollars. The Portfolio Manager will take currency exposure into account in managing the Portfolio. Initially, substantially all of the Fund’s U.S. dollar exposure will be hedged back to the Canadian dollar. See “Indicative Portfolio – Foreign Currency Hedging”.

Termination: The Fund does not have a fixed termination date. See “Unitholder Matters” and “Termination of the Fund”.

Use of Proceeds: The net proceeds from the sale of Units (prior to the exercise of the Over-Allotment Option) will be as follows:

| | <u>Maximum Offering</u> ⁽¹⁾⁽²⁾ | <u>Minimum Offering</u> ⁽¹⁾ |
|---|---|--|
| Gross Proceeds to the Fund | \$150,000,000 | \$20,000,000 |
| Agents’ fees | \$7,875,000 | \$1,050,000 |
| Expenses of the Offering ⁽³⁾ | \$750,000 | \$300,000 |
| Net Proceeds to the Fund | \$141,375,000 | \$18,650,000 |

Notes:

- (1) There will be no Closing unless a minimum of 800,000 Units are sold. The maximum Offering assumes 6,000,000 Units are sold. If subscriptions for a minimum of 800,000 Units have not been received within 90 days following the date of issuance of a final receipt for this prospectus, this Offering may not continue unless an amendment to this prospectus is filed.
- (2) The Fund has granted to the Agents an Over-Allotment Option, exercisable for a period of 30 days from the Closing Date, to purchase additional Units, at a price of \$25.00 per Unit, in an amount up to 15% of the aggregate number of Units issued at Closing on the same terms as set forth above solely to cover over-allotments, if any. To the extent that the Over-Allotment Option is exercised, the Agents will be entitled to a fee equal to \$1.3125 per Unit, and if 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 \$172,500,000, \$9,056,250 and \$163,443,750, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Agents’ over-allocation position acquires such 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”.
- (3) Subject to a maximum of 1.5% of the gross proceeds of the Offering.

The Fund will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option), after payment of the Agents’ fees and

the Offering expenses, to acquire Portfolio Securities. See “Use of Proceeds”.

Eligibility for Investment:

In the opinion of Stikeman Elliott LLP, counsel to the Fund, and McCarthy Tétrault LLP, counsel to the Agents, provided that the Fund qualifies, and continues at all times to qualify, as a “mutual fund trust” within the meaning of the Tax Act, the Units will be qualified investments for trusts governed by Registered Plans. In addition, a Unit that is listed on a stock exchange that, for purposes of the Tax Act, is a designated stock exchange (which includes the TSX) will be a qualified investment for trusts governed by Registered Plans. Holders or annuitants, as the case may be, of trusts governed by tax-free savings accounts, registered retirement savings plans or registered retirement income funds should consult their own tax advisors to ensure that Units would not be a “prohibited investment” (as defined in the Tax Act and in certain Tax Proposals) for such accounts in their particular circumstances. See “Income Tax Considerations – Taxation of Registered Plans”.

Income Tax Considerations:

A Unitholder who is resident in Canada will generally be required to include in computing income for a taxation year that part of the net income of the Fund, including net taxable capital gains, if any, that is paid or becomes payable to the Unitholder by the Fund in the year (whether in cash or in Units). To the extent that amounts payable to a Unitholder are designated by the Fund as taxable dividends from taxable Canadian corporations, the taxable portion of net realized capital gains, or foreign source income, such 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 generally not result in an income inclusion, but will reduce the adjusted cost base of the Unitholder’s Units. To the extent that the adjusted cost base of a Unit held as capital property would otherwise be less than zero, the Unitholder will be deemed to have realized a capital gain equal to such negative amount. A Unitholder who disposes of Units held as capital property (on a redemption or otherwise) will realize a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are less than) the aggregate adjusted cost base of the Units disposed of and any reasonable costs of disposition.

A purchaser who disposes of Exchanged Securities pursuant to the Exchange Option and holds such Exchanged Securities as capital property will realize a capital gain (or a capital loss) in the taxation year of the purchaser in which the disposition of Exchanged Securities takes place to the extent that the proceeds of disposition exceed (or are less than) the adjusted cost base to the purchaser of such Exchanged Securities and any reasonable costs of disposition.

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

Risk Factors:

An investment in Units will be subject to certain risk factors, including:

- (i) there can be no assurance that the Fund will be able to achieve its investment objectives;
- (ii) loss on investment;
- (iii) performance of the Portfolio;
- (iv) risks relating to investments in preferred shares;
- (v) sensitivity to interest rates;
- (vi) repayment or call risk;
- (vii) risks associated with investments in high-yield securities;
- (viii) risks relating to investments in equity securities;
- (ix) risks associated with the issuers of preferred shares;
- (x) concentration risks;
- (xi) risk related to leverage;
- (xii) risks relating to the use of derivatives;
- (xiii) risks relating to futures contracts;
- (xiv) risk related to significant redemptions;
- (xv) risks related to market disruptions;
- (xvi) risks related to global financial developments;
- (xvii) reliance on the Manager, the Portfolio Manager and key employees of each;
- (xviii) the possibility that the Fund will be unable to acquire or dispose of illiquid securities;
- (xix) risks associated with foreign currency exposure;
- (xx) risks related to securities lending;
- (xxi) risks relating to the Exchange Option;
- (xxii) risks regarding the possibility that the Units may trade at less than the NAV per Unit;
- (xxiii) the Fund is not subject to regulation as a mutual fund;
- (xxiv) potential conflicts of interest;
- (xxv) changes in legislation;
- (xxvi) risks relating to taxation of the Fund and the tax treatment of holding Units by Unitholders;
- (xxvii) the Fund's lack of operating history and the current absence of a public trading market for the Units;
- (xxviii) the fact that the Fund is not a trust company and the Units are not insured deposits; and
- (xxix) risks relating to the nature of the Units.

See "Risk Factors".

ORGANIZATION AND MANAGEMENT OF THE FUND

| <u>Management of the Fund</u> | <u>Name and Municipality of Residence</u> | <u>Services Provided to the Funds</u> |
|-------------------------------|---|---|
| Manager and Promoter | Propel Capital Corporation Toronto, Ontario | Promoting and providing, or arranging for the provision of, management, investment management and administrative services to the Fund. |
| Portfolio Manager | Fiera Capital Corporation Montreal, Québec | Providing investment management services to the Fund. |
| Trustee | Computershare Trust Company of Canada Toronto, Ontario | Acting as trustee of the Fund in accordance with the Declaration of Trust, and performing the duties and services and exercising the rights accorded to it therein. |
| Custodian | NBCN Inc. Toronto, Ontario | Providing custodial services to the Fund. |
| Auditor | PricewaterhouseCoopers LLP Toronto, Ontario | Providing auditing services to the Fund. |
| Registrar and Transfer Agent | Computershare Investor Services Inc. Toronto, Ontario | Maintaining the securities register and the register of transfers of Units for the Fund. |

AGENTS

CIBC World Markets Inc., National Bank Financial Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., GMP Securities L.P., Scotia Capital Inc., TD Securities Inc., Macquarie Private Wealth Inc., Raymond James Ltd., Canaccord Genuity Corp., Desjardins Securities Inc., Dundee Securities Ltd. and Manulife Securities Incorporated (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, and subject to the approval of certain legal matters by Stikeman Elliott LLP on behalf of the Fund and McCarthy Tétrault LLP on behalf of the Agents. See “Plan of Distribution”.

| <u>Agents’ Position</u> | <u>Maximum Size</u> | <u>Exercise Period</u> | <u>Exercise Price</u> |
|-------------------------|---------------------|--------------------------------------|-----------------------|
| Over-allotment Option | 900,000 Units | Within 30 days following the Closing | \$25.00 per Unit |

SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable or incurred by the Fund, which will therefore reduce the value of your investment in the Fund. For further particulars, see "Fees and Expenses".

Fees and Expenses Payable by the Fund

| <u>Type of Fee</u> | <u>Amount and Description</u> |
|--|---|
| Fees Payable to the Agents: | \$1.3125 per Unit (5.25%) |
| Expenses of the Offering: | In addition to the Agents' fees, the Fund will pay the expenses incurred in connection with the Offering, estimated to be \$750,000 (subject to a maximum of 1.5% of the gross proceeds of the Offering). |
| Management Fee: | An annual management fee (the " Management Fee ") equal to 0.85% of the NAV of the Fund, calculated daily and payable monthly in arrears, plus applicable taxes, will be paid to the Manager. The Manager is responsible for paying the fees payable to the Portfolio Manager out of the Management Fee. |
| Operating Expenses of the Fund: | <p>The Fund will pay for all ordinary expenses incurred in connection with its operation and administration. The Manager estimates that operational expenses of the Fund, exclusive of management fees, debt service and other costs and brokerage expenses related to portfolio transactions, will be approximately \$250,000 per year.</p> <p>Any arrangements for additional services between the Fund and the Manager, or any affiliate thereof, that have not been described in this prospectus will be on terms that are no less favourable to the Fund than those available from arm's length persons (within the meaning of the Tax Act) for comparable services and the Fund will pay all expenses associated with such additional services.</p> |

INFORMATION REGARDING PUBLIC ISSUERS

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

FORWARD LOOKING STATEMENTS

Certain statements included in this prospectus constitute forward looking statements. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as “expects”, “anticipates”, “plans”, “believes”, “estimates”, “intends”, “targets”, “projects”, “forecasts” or negative versions thereof and other similar expressions, or future or conditional verbs such as “may”, “will”, “should”, “would” and “could”, and similar expressions to the extent they relate to the Manager, the Portfolio Manager or the Fund. The forward looking statements are not historical facts but reflect the current expectations regarding future results or events including results of the Fund. These forward looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including but not limited to, the matters discussed under “Risk Factors” and in other sections of this prospectus.

These and other factors should be considered carefully and readers should not place undue reliance on the Fund’s forward-looking statements. The Fund does not undertake to update any forward-looking statement that is contained in this prospectus.

OVERVIEW OF THE LEGAL STRUCTURE OF THE FUND

North American Preferred Share Fund (the “**Fund**”) is a closed-end investment trust established under the laws of the Province of Ontario pursuant to an amended and restated declaration of trust dated as of April 19, 2013. The manager and promoter of the Fund is Propel Capital Corporation (the “**Manager**” or “**Propel**”). The principal office of the Fund and Propel is located at Brookfield Place, 161 Bay Street, 27th Floor, Toronto, Ontario, M5J 2S1. The trustee of the Fund is Computershare Trust Company of Canada (the “**Trustee**”). The principal office of the Trustee is located at 100 University Ave, 9th Floor – North Tower, Toronto, Ontario, M5J 2Y1.

The Fund is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to mutual funds under such legislation.

INVESTMENT OBJECTIVES

The Fund’s investment objectives are to provide holders of Units (“**Unitholders**”) with:

- (a) stable monthly cash distributions; and
- (b) preservation of capital.

The Fund has been created to invest in an actively managed portfolio consisting principally of Canadian and U.S. preferred shares (the “**Portfolio**”).

INVESTMENT STRATEGIES

The Fund has been designed to provide investors with a low-cost investment in preferred securities in Canada and the U.S. through an actively managed asset allocation strategy of a portfolio consisting principally of Canadian and U.S. preferred shares.

Fiera Capital Corporation (“**Fiera**” or “**Portfolio Manager**”), as portfolio manager, will actively manage the Portfolio with the intention of preserving capital while generating current income. The Portfolio Manager intends to acquire preferred shares of North American issuers in the new issue and secondary markets. The Fund may also invest up to 20% of Total Assets in North American fixed income securities, including high yield bonds, convertible debentures and equities. The Portfolio Manager will use tactical asset allocation to determine the relative weights of Canadian preferred shares and the U.S. preferred shares based on the relative attractiveness of each market, while also taking into account criteria such as the credit quality, liquidity, and overall duration of the Portfolio.

Investment Process

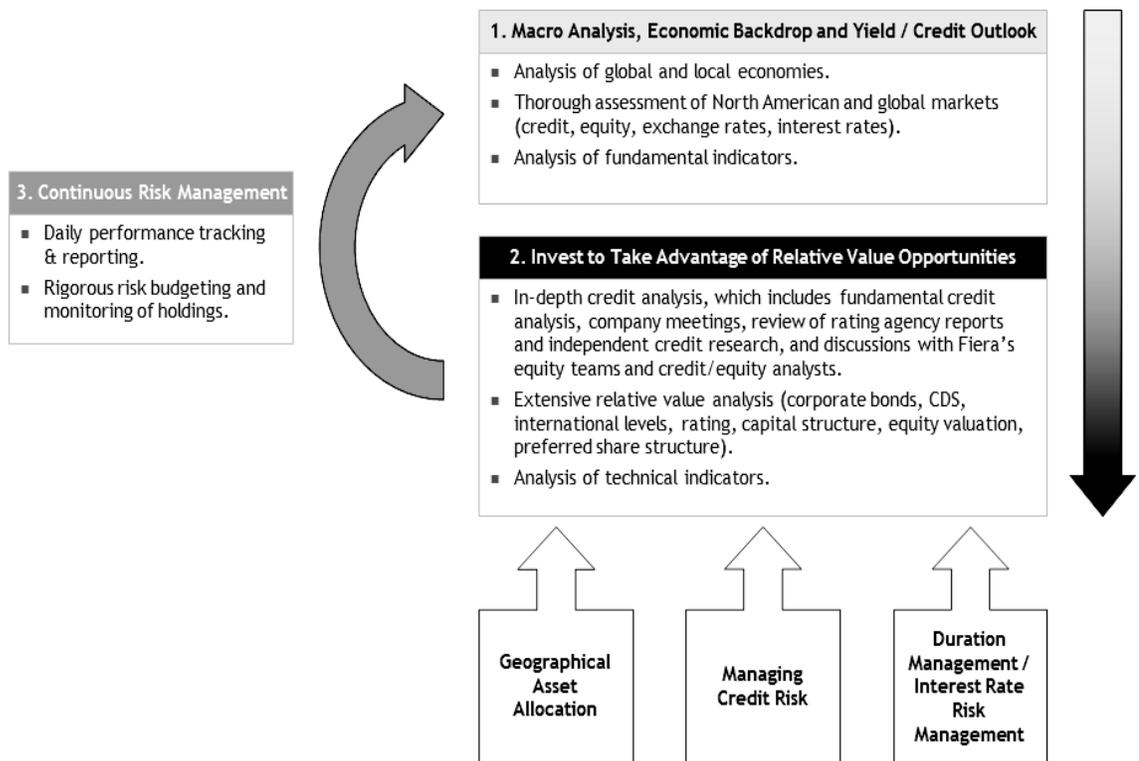
The Portfolio Manager will use a three step investment process in making investment and allocation decisions:

1. Analysis of macro factors, economic backdrop, outlook for yields and credit
 - Analysis of global and local economies.
 - Thorough assessment of North American and global markets (credit, equity, exchange rates, interest rates).
 - Analysis of fundamental indicators.
2. Invest to take advantage of relative value opportunities

- In-depth credit analysis, which includes fundamental credit analysis, company meetings, review of rating agency reports and independent credit research, and discussions with Fiera’s equity teams and credit/equity analysts.
 - Extensive relative value analysis (corporate bonds, CDS, international levels, rating, capital structure, equity valuation, preferred share structure).
 - Analysis of technical indicators.
3. Continuously manage risks and deviations
- Daily performance tracking & reporting.
 - Rigorous risk budgeting and monitoring of holdings.

The portfolio construction process to manage the Portfolio relies on evaluating the most attractive segments of the preferred share market and assessing the relative attractiveness of each available security within the desired segments. The Portfolio Manager intends to achieve the best risk-reward composition of investments continuously. The analytical process relies on macro-economic analysis to identify the desired interest rate exposure. This process is complemented by in-depth understanding of the structure of the preferred share market that allows for optimal positioning throughout the investment cycle. For security selection, the Portfolio Manager performs bottom-up credit analysis for each issuer in the Portfolio. This fundamental analysis relies on assessing the strength of the balance sheet of the issuer and its liquidity position.

The table below illustrates the Fiera investment process:



Geographical Asset Allocation

Over the next 10 years, Fiera believes that the North American economy will be the global winner. The competitiveness of the U.S. has dramatically improved in recent years. The Portfolio Manager believes there are three main reasons for this improvement in U.S. competitiveness; a currency

that has depreciated significantly, a more competitive labor force stemming from a high unemployment rate and a slow rise in labor cost while emerging markets have seen rapidly rising labor cost, and relatively cheap energy prices in the U.S. compared to Asia and Europe. Moreover, the deleveraging process in the U.S. is well under way. The banking system in the U.S. is much healthier than 5 years ago and the private sector has substantially reduced its debt load.

Despite the strong performance of the U.S. preferred share market in 2012, the Portfolio Manager believes that the U.S. currently offers more value versus the Canadian market in this slow, but positive growth environment. Credit spreads on U.S. financials are still attractive and trade at wider levels as compared to Canadian financials. Moreover, credit spreads on U.S. financials continue to trade at wider levels than U.S. industrials and the Portfolio Manager believes that these should trade at similar credit spread levels as the capital ratios of U.S. financials continue to improve. Additionally, the Portfolio Manager believes that the U.S. preferred share market offers substantial liquidity benefits as a result of its' significant breadth and depth versus the Canadian preferred share market.

While the Portfolio Manager believes the Canadian market currently provides some attractive investment opportunities, particularly as a result of certain sectors benefitting from the rise of U.S. manufacturing, the overall competitive level of Canada has deteriorated in recent years primarily as a result of a strong currency. Also, while upside potential might be more limited in the Canadian market in comparison to the U.S. market, the Portfolio Manager believes that the Canadian preferred share market still has an attractive risk/return profile.

Managing Credit Risk

In managing the Portfolio, Fiera will 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 Portfolio Manager considers not only fundamental analysis, but also an issuer's corporate and capital structure and the placement of the preferred securities within that structure.

To better manage the risk profile, the Portfolio Manager may also invest in Canadian and provincial government bonds and in investment grade corporate bonds of Canadian and U.S. issuers. At least 50% of the Portfolio will be invested in investment grade issuers at all times.

In a deteriorating credit environment, the Portfolio Manager may use futures to reduce credit exposure to the Portfolio Securities. The assessment of the market environment will stem from macro analysis and flow analysis.

Duration Management/ Interest Rate Risk Management

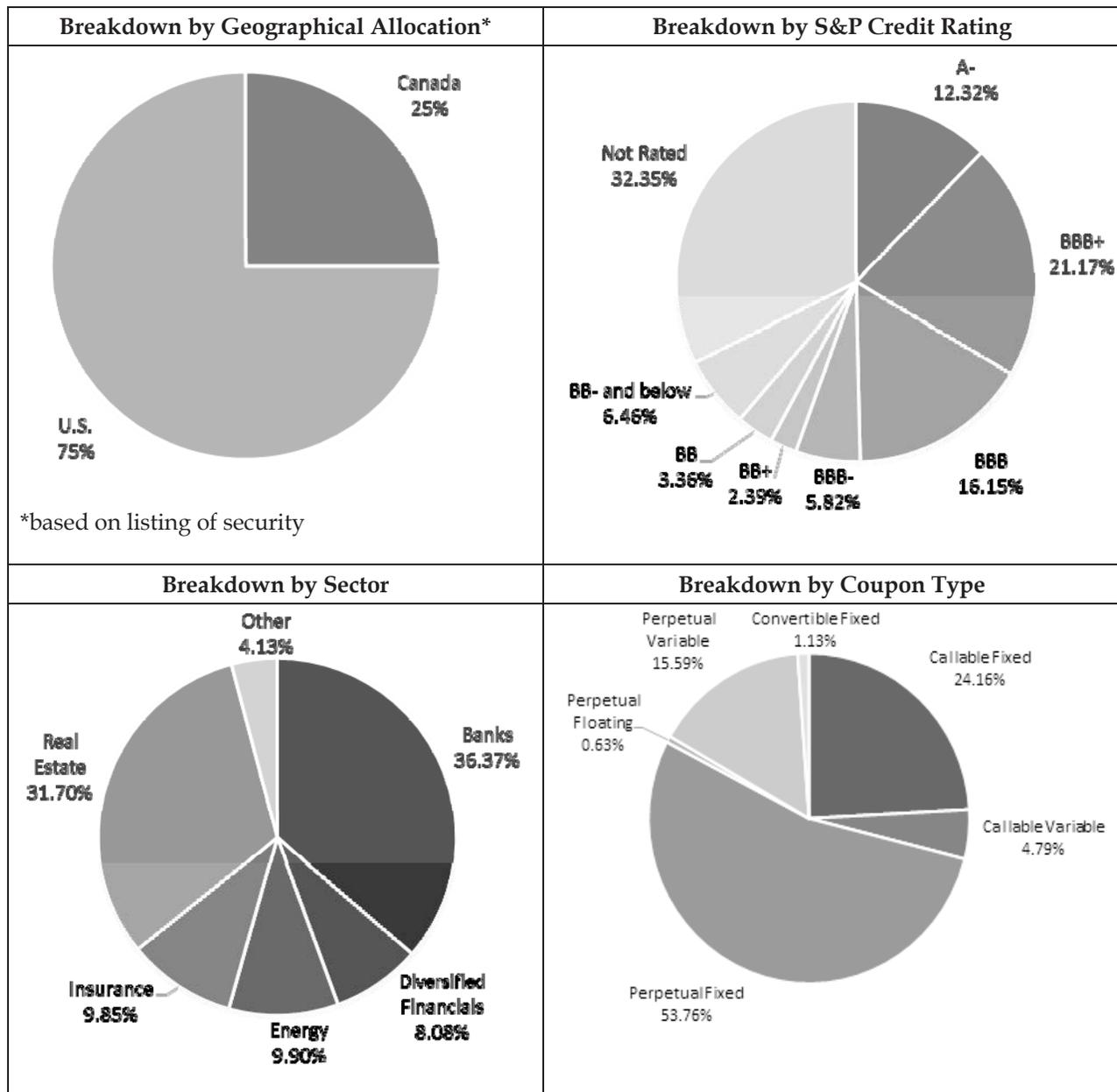
Exposure to interest rate movements is an important element in the performance of preferred shares. The measure the Portfolio Manager monitors to determine the sensitivity of the Portfolio to movements in interest rates is duration. In assessing duration, the Portfolio Manager will consider potential changes to interest rates, and a security's yield, coupon payments (including, where applicable, the frequency of the coupon resets), price and par value and call features, in addition to the amount of time until the security matures.

In the current low yielding environment, the Portfolio Manager will consider hedging some of the Portfolio's interest rate exposure by reducing the duration of the Portfolio Securities when market conditions are appropriate. The decision to reduce the duration of the Portfolio will reflect the outlook of the Portfolio Manager for the economy and interest rates in general. A special consideration will be given to generate positive absolute returns. In a rising rate environment, the Portfolio Manager will use

derivatives to reduce duration of U.S. and Canadian preferred shares with U.S. Treasury Bond Futures or Government of Canada Bond Futures.

Indicative Portfolio

The indicative portfolio (the “**Indicative Portfolio**”) is illustrative of the issuers that would have made up the Portfolio if it had existed on April 11, 2013. The following charts show the Indicative Portfolio’s exposure by geography, credit rating, sector and coupon type, respectively:



The information set out above is provided for illustrative purposes only. The Portfolio may or may not include securities of issuers considered in compiling the foregoing analysis and will include securities of issuers that were not included in compiling this analysis. The Portfolio Manager will actively manage the Portfolio to seek to meet the Fund’s investment objectives and therefore the composition of the Portfolio will vary from time to time

based on the Portfolio Manager's assessment of market conditions and the availability of suitable securities and may differ substantially from the Indicative Portfolio whose information is described above. See "Risk Factors".

Use of Derivatives

The Fund may invest in or use derivative instruments, other than commodity derivatives, for hedging purposes consistent with its investment objectives and subject to the Fund's investment restrictions. In a rising rate environment, the Portfolio Manager will use derivatives to reduce duration of U.S. and Canadian preferred shares with U.S. Treasury Bond Futures or Government of Canada Bond Futures. No assurance can be given that the Portfolio will be hedged from any particular risk from time to time. See "Risk Factors – Use of Futures Contracts and Other Derivatives".

Leverage

The Fund may borrow under a loan facility or prime broker facility ("**Borrowings**") to purchase additional assets for the Portfolio. At the time such leverage is incurred, the maximum leverage the Fund may utilize, or be exposed to, is 30% of Total Assets or 1.43 to 1 (total long positions (including leveraged positions) divided by net assets of the Fund). The aggregate leverage of the Fund that can be obtained through Borrowings, determined at the time of borrowing, will not exceed 30% of Total Assets (the "**Leverage Threshold**"). Derivatives and short sales, that the Fund is restricted to using solely for the purposes of hedging (as such term is defined in NI 81-102), will not be included in the Leverage Threshold calculation. If at any time leverage exceeds the Leverage Threshold, the Portfolio Manager will, as soon as practicable thereafter, cause the leverage to be reduced below such threshold. Initially, the Fund is expected to employ leverage of approximately 30% of Total Assets. See "Investment Restrictions".

The Portfolio Manager believes that the Portfolio can in certain circumstances benefit from the use of leverage. Currently, the spread between the cost of borrowing and the anticipated enhanced returns on the Portfolio's investments on both a yield and total return basis is, in the opinion of the Portfolio Manager, extremely attractive. The Portfolio Manager will assess the market on an ongoing basis and increase or reduce leverage as it believes appropriate with a view to maximizing returns while managing the overall risk of the Portfolio.

The amount of leverage employed by the Fund may vary from time to time depending on the cost of borrowing, the Portfolio Manager's view of the underlying risk of the Portfolio and other factors that affect the net cash flow on the Portfolio. Other factors that would affect the net cash flow on the Portfolio include (but are not limited to), the yield on Portfolio Securities, performance of the Portfolio Securities, the geographic distribution of the underlying investments as well as the prevailing market environment. Typically, the yield on individual securities is indicative of the inherent risk of that security. The Portfolio Manager endeavors to have a moderate risk profile in the Portfolio, while paying out distributions in the Portfolio, and as result will, from time to time, modify the securities in the Portfolio and the amount of leverage employed by the Fund, depending on the market conditions that exist at that point in time. The Portfolio Manager will consider and manage the Portfolio in its entirety, and the investment strategies and all of the factors (including varying the amount of leverage employed by the Fund) which will determine the ultimate yield and the overall investment returns achieved by the Portfolio. For example, the Portfolio Manager may reduce the amount of leverage employed by the Fund and invest in securities with higher yields to achieve the same net cash flow result. Ultimately, the Portfolio Manager's judgment and view of the investment conditions will determine the investment strategies employed to achieve the investment objectives. See "Risk Factors".

The Manager and the Portfolio Manager anticipate that the lenders or brokers with respect to such Borrowings will require the Fund to provide a security interest in some or all of its assets to secure such Borrowings.

Foreign Currency Hedging

A portion of the Portfolio will be invested in securities denominated in U.S. dollars. The Portfolio Manager will take currency exposure into account in managing the Portfolio. Initially, substantially all of the Fund's U.S. dollar exposure will be hedged back to the Canadian dollar.

Securities Lending

In order to generate additional returns, the Fund may lend securities in the Portfolio. Any securities lending by the Fund must be pursuant to a securities lending agreement to be entered into between the Fund and a securities borrower acceptable to the Fund pursuant to which the Fund will loan securities in the Portfolio to the securities borrower on the terms therein, which terms shall include that: (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. The Manager will be responsible for setting and reviewing any securities lending agreements. If a securities lending agent is appointed for the Fund, 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. The terms of each securities lending agreement will comply with the conditions for securities lending transactions set out in section 2.12 of NI 81-102.

OVERVIEW OF THE SECTORS THE FUND INVESTS IN

Attributes of the Preferred Share Market

The Portfolio Manager believes that the demand for preferred shares has increased significantly with the increasing number of retirees and the current low interest rate environment. The preferred share market is complex and is often thinly traded and the Portfolio Manager believes that individual investors may benefit from a portfolio of actively managed preferred shares.

The Portfolio Manager believes that preferred shares offer an attractive opportunity as they have the potential to provide:

- attractive yield.
- attractive risk/return profile, particularly in low economic growth environments as issuers have substantially improved their capital level over the last three years.
- portfolio diversification, given low volatility and low correlation with equity markets.

Canadian and U.S. Preferred Share Market

The preferred share market in Canada was more than \$66 billion as of December 31st 2012. Fixed-floating preferred shares, a structure that was nonexistent before the credit crisis, account for approximately 65.0% of the market. Perpetual fixed rate preferred shares account for approximately 30.8% of the market while retractable (3.1%) and perpetual floating preferred shares (1.1%) make up the remaining market. Financial remains the major sector (67.9%) followed by Energy (11.6%), Communications (9.5%) and Utilities (6.7%) sectors and Consumer Cyclical/Non-cyclical, Base Materials, Diversified and Industrial sectors (collectively, 4.3%).

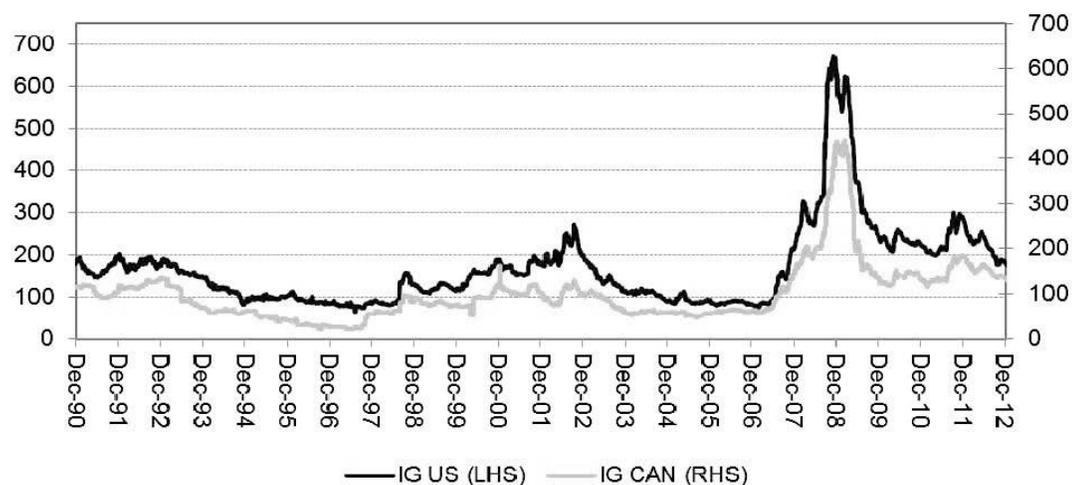
The U.S. preferred share market is a much deeper market versus the Canadian market and was more than \$341 billion as of December 31st 2012. Perpetual preferred shares are the dominant structure in the U.S. market with a weight of 56.7%. Financial was the major sector (68.3%) followed by Government (9.9%), Consumer Cyclical/Non-Cyclical (10.1%), Utilities (5.6%), Communications (3.2%) and Energy (3.2%) sectors and Basic Materials, Diversified, Industrial and Technology sectors (collectively, 1.6%).

The Portfolio Manager believes that the main factors which impact the performance of preferred shares are:

- Credit risk
- Interest rates
- Supply and demand dynamics
- Technicals

Over the medium term, the Portfolio Manager believes the outlook for credit remains positive, with the current slow-growth environment, global central banks still in easing mode, strong corporate balance sheets and investors' appetite for income positioning the asset class for robust performance. As reflected in the chart below, despite the rally in credit spreads since the onset of the credit crisis, the credit premium remains relatively attractive.

INVESTMENT GRADE CREDIT SPREADS Canada vs. United States



Sources: Datastream, Fiera - December 2012

Exposure to interest rate movements is an important element in the performance of preferred shares. Due to the low yielding environment, the Portfolio Manager will consider hedging some of its interest rate exposure when market conditions are appropriate.

Fiera is one of the largest portfolio managers of preferred shares in Canada allowing the Portfolio Manager to benefit from good trading relations with the dedicated institutional preferred share trading desks. This is important as this market is often thinly traded.

New issues of preferred shares in Canada reached an almost all-time high in 2012 with \$9.25 billion of issuance. The Portfolio Manager believes the all-time high (\$9.37 billion reached in 2009) could be surpassed in 2013 as funding cost for issuers remains attractive and the need for capital remains a priority. The banking sector may also become more active in the primary market as they start redeeming expensive perpetual fixed-rate or fixed-floater reset preferred shares. As of January 1, 2013, any Canadian chartered bank new issues must contain a NVCC (Non Viability Contingent Capital) clause.

The Office of the Superintendent of Financial Institutions (OSFI) is expected to introduce new capital rules for insurance companies by the first quarter of 2014. The Portfolio Manager believes this potential announcement should help strengthen the 2013 performance of perpetual preferred shares issued by insurance companies.

As demonstrated in the table below, preferred shares have had low correlation with equities and bonds since 1986. Additionally, preferred shares have typically had lower volatility versus equities. As for U.S. preferred shares, they have diversification benefits with equities and bonds and even with Canadian preferred shares. U.S. preferred shares have been more volatile versus Canadian preferred shares, however, since the credit crisis, U.S. financials have substantially improved their capital levels.

| Correlation Matrix (2003 - 2012) | | | | | |
|---|---|---------------------------------|------------------------------|------------------------------|------------------------------------|
| | Merrill Lynch US Corporate Index | Merrill Lynch High Yield | S&P/TSX 60 Capped | S&P/TSX Preferred | S&P Preferred Stock US* |
| Merrill Lynch US Corporate Index | 1.00 | | | | |
| Merrill Lynch High Yield | 0.65 | 1.00 | | | |
| S&P/TSX 60 Capped | 0.37 | 0.65 | 1.00 | | |
| S&P/TSX Preferred CDN | 0.46 | 0.72 | 0.42 | 1.00 | |
| S&P Preferred Stock US* | 0.50 | 0.57 | 0.55 | 0.47 | 1.00 |

Source: Datastream, Fiera – December 2012

INVESTMENT RESTRICTIONS

The Fund will be subject to the investment restrictions set out below. The investment restrictions of the Fund may not be changed without the approval of Unitholders by an Extraordinary Resolution. The investment restrictions of the Fund, which are set forth in the Declaration of Trust, provide that the Fund will not:

- (i) For a period of more than 90 consecutive days have:
 - (a) U.S. preferred shares comprise more than 80% of the value of the Total Assets;
 - (b) Canadian preferred shares comprise less than 20% of the value of the Total Assets;
 - (c) the Portfolio consist of less than 80% of the value of the Total Assets of preferred shares of Canadian and/or U.S. issuers, with the remainder being comprised of

North American fixed income securities, including high yield bonds and convertible debentures, and equities; and

- (d) more than 50% of the Total Assets will consist of securities with a credit rating of lower than BBB- from S&P or, if a security is not rated by S&P, a rating of less than BBB low by DBRS;
- (ii) invest more than 10% of the Total Assets in the securities of any single issuer, other than securities issued or guaranteed by the Government of Canada or a province or territory thereof;
- (iii) purchase the securities of an issuer for the purpose of exercising control over management of that issuer;
- (iv) borrow money, including pursuant to a loan facility or by purchasing securities on margin, if, immediately following the borrowings, the aggregate amount borrowed would exceed 30% of the Total Assets;
- (v) invest more than 10% of Total Assets in “illiquid assets” as such term is defined in NI 81-102;
- (vi) invest in or use derivative instruments, except for the purposes of hedging as such term is defined in NI 81-102;
- (vii) make short sales or take short positions, except for the purposes of hedging as such term is defined in NI 81-102;
- (viii) purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with the Manager, the Portfolio Manager or any of their affiliates, any officer, director or shareholder of the Manager, the Portfolio Manager, any person, trust, firm or corporation managed by the Manager or the Portfolio Manager or any of their affiliates or any firm or corporation in which any officer, director or shareholder of the Manager or the Portfolio Manager may have a material interest (which, for these purposes, includes beneficial ownership of more than 10% of the voting securities of such entity) unless, with respect to any purchase or sale of securities, any such transaction is effected through normal market facilities, pursuant to a non-pre-arranged trade, and the purchase price approximates the prevailing market price or is approved by the Fund’s IRC;
- (ix) own securities of an issuer if as a result of such ownership the Manager or Portfolio Manager would, either directly or indirectly, hold or exercise control or direction over greater than 19.99% of the securities of such issuer;
- (x) engage in securities lending that does not constitute a “securities lending arrangement” for purposes of the Tax Act;
- (xi) 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 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 income in connection with such interest pursuant to the rules in proposed section

94.2 of the Tax Act, or (iii) any interest in a non-resident trust (or a partnership which holds such an interest) other than an “exempt foreign trust” for the purposes of proposed section 94 of the Tax Act, each as set forth in the proposed amendments to the Tax Act currently contained in Bill C-48, which received its second reading in the Parliament of Canada on March 8, 2013 (or pursuant to any amendments to such provisions, subsequent provisions as enacted into law, or successor provisions thereto);

- (xii) make any investment or conduct any activity that would result in the Fund failing to qualify as a “unit trust” or “mutual fund trust” within the meaning of the Tax Act;
- (xiii) acquire or hold any property that is “taxable Canadian property” within the meaning of the Tax Act if the definition were read without paragraph (b) thereof (or any amendments to that definition) or “specified property” as defined in subsection 18(1) of the Tax Proposals released on September 16, 2004 if the fair market value of such property exceeds 10% of the fair market value of all property owned by the Fund;
- (xiv) acquire or hold any “non-portfolio property” as defined in the SIFT Rules;
- (xv) enter into any arrangement where the result is a dividend rental arrangement for purposes of the Tax Act;
- (xvi) make or hold any investments in entities that would be “foreign affiliates” of the Fund for purposes of the Tax Act; or
- (xvii) invest in any security that would be a “tax shelter investment” within the meaning of section 143.2 of the Tax Act.

If a percentage restriction on investment or use of assets or borrowing or financing arrangements set forth above as an investment restriction is adhered to at the time of the transaction, later changes to the market value of the investment or Total Assets will not be considered a violation of the investment restrictions (except for the restrictions in paragraphs (i), (v), (viii) and (xiii) above which must be complied with at all times and which may necessitate the selling of investments from time to time). 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 constitute 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.

The Fund may also hold cash equivalents from time to time.

In the event that leverage exceeds 30% of Total Assets, in order to reduce the leverage to or below 30%, the Fund will sell Portfolio Securities in an orderly manner and use the proceeds therefrom to reduce leverage.

Unitholder approval is required to change the investment restrictions, investment objectives and investment strategies of the Fund. See “Unitholder Matters – Matters Requiring Unitholder Approval”.

FEES AND EXPENSES

Agents' Fees

The Agents' fees will be \$1.3125 per Unit (5.25%), which will be paid by the Fund out of the proceeds of the Offering. See "Plan of Distribution".

Expenses of the Offering

The expenses of the Offering, which are estimated to be \$750,000 (including the costs of creating the Fund, the costs of printing and preparing this prospectus, legal expenses of the Fund, marketing expenses and other out-of-pocket expenses incurred by the Agents and certain other expenses), subject to a maximum of 1.5% of the gross proceeds of the Offering, will, together with the Agents' fees, be paid from the gross proceeds of the Offering.

Management Fee

An annual management fee (the "**Management Fee**") equal to 0.85% of the NAV of the Fund, calculated daily and payable monthly in arrears, plus applicable taxes, will be paid to the Manager. The Manager is responsible for paying the fees payable to the Portfolio Manager out of the Management Fee.

Ongoing Fees and Expenses

The Fund will pay for all ordinary expenses incurred in connection with its operation and administration. It is expected that the expenses for the Fund will include, without limitation, all costs of portfolio transactions, fees payable to the Manager, the Trustee and other third party service providers, custodial fees, legal, accounting, audit and valuation fees and expenses, fees and expenses of the members of the IRC, expenses related to compliance with NI 81-107, fees and expenses relating to the voting of proxies by a third party, premiums for directors' and officers' insurance coverage for the directors and officers of the Manager and members of the IRC, costs of reporting to Unitholders, registrar, transfer and distribution agency costs, printing and mailing costs, listing fees and expenses and other administrative expenses and costs incurred in connection with the continuous public filing requirements and investor relations, website maintenance costs, taxes, brokerage commissions, costs and expenses relating to the issue of Units, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies, extraordinary expenses that the Fund may incur and all amounts paid on account of indebtedness. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager, the Portfolio Manager, the Custodian, the IRC and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Fund.

The Manager estimates that operational expenses of the Fund, exclusive of management fees, debt service and other costs and brokerage expenses related to portfolio transactions, will be approximately \$250,000 per year, plus applicable taxes.

Any arrangements for additional services between the Fund and the Manager, or any affiliate thereof, that have not been described in this prospectus will be on terms that are no less favourable to the Fund than those available from arm's length persons (within the meaning of the Tax Act) for comparable services and the Fund will pay all expenses associated with such additional services.

RISK FACTORS

In addition to the considerations set out elsewhere in this prospectus, the following are certain considerations relating to an investment in Units which prospective investors should consider before purchasing such Units:

No Assurances of Achieving Objectives

There is no assurance that the Fund will be able to achieve its investment objectives. It is possible that, due to declines in the market value of the Portfolio, the Fund will have insufficient assets to achieve in full its investment objectives.

There is no assurance that the Fund will be able to achieve its distribution objective. The funds available for distribution to Unitholders will vary according to, among other things, the levels of dividends or distributions paid on the Portfolio Securities and the value of the Portfolio. There is no assurance that the Portfolio will earn any return. If the return on the Portfolio or the increase in the value of the Portfolio is less than the amount necessary to fund the monthly distributions and all expenses of the Fund and if the Manager chooses to nevertheless pay the monthly distributions to Unitholders, this will result in a portion of the capital of the Fund being returned to Unitholders and, accordingly, Net Asset Value per Unit would be reduced. The amount of monthly distributions may vary if there are changes in any of the factors that affect the net cash flow on the Portfolio, including the amount of leverage employed by the Fund and the other assumptions noted under "Distribution Policy".

Loss on Investment

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss on their investment and who can withstand the effect of a distribution not being made in any period.

Performance of the Portfolio

The NAV per Unit will vary as the fair value of the Portfolio Securities varies. The Fund has no control over the factors that affect the fair value of the Portfolio Securities, including factors that affect the equity markets generally, such as general economic and political conditions and fluctuations in interest rates, 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 are experiencing significantly diminished growth and some may suffer or have suffered a recession. No assurance can be given that diminished availability of credit and significant equity devaluations will not adversely affect the markets into which the Fund will invest in the near to medium term.

Preferred Shares

The Fund will hold investments in preferred shares and debt securities which involve risks of default on interest, dividends and/or principal and price changes due to such factors as an issuer's credit worthiness, changes in interest rates and general economic conditions. Unlike interest payments on a debt security, there is generally no obligation to make dividend payments on a preferred share (even if such dividends have accrued), and the payment of dividends on preferred shares may be suspended at any time. In the event an issuer of preferred shares experiences economic difficulties, the issuer's preferred shares may lose substantial value due to the reduced likelihood that a dividend will be declared and the fact that the preferred shares may be subordinated to other securities of the same issuer. Certain additional risks associated with preferred shares could adversely affect investments in the Fund. In

addition, the ability of the board of directors of an issuer to declare dividends (even if such dividends have accrued) on outstanding preferred shares may be constrained by restrictions imposed by such issuer's lenders.

Sensitivity to Interest Rates

As many preferred shares pay dividends at a fixed rate, their market price can be sensitive to changes in interest rates in a manner similar to bonds in that, as interest rates decline, the market value of fixed income securities tends to increase. Conversely, when interest rates increase, the market value of fixed income securities tends to decline. To the extent that the Portfolio invests in, or is exposed to, fixed rate securities, rising interest rates may cause the value of the Portfolio's investments to decline significantly. The volatility of a security's market value will differ depending upon the security's duration, the issuer and the type of instrument. The longer the time to maturity the greater the potential for variations in value.

Prepayment or Call Risk

Many issuers of preferred shares have a right to prepay or call their securities. If interest rates fall, the issuer of preferred shares may call (or redeem) such preferred shares and replace them with a new preferred share issue at lower rates, conventional debt, or perhaps even equity. If securities owned by the Fund are prepaid, called or redeemed, the Fund typically will be forced to reinvest proceeds at a time when yields on securities available in the market are lower than the yield on the security prepaid, called or redeemed. The Fund may also lose any premium it paid on the security.

High-Yield Bonds

High yield bonds involve greater risks than investment grade bonds, including risks of default in the payment of interest and principal, lower recovery rates on a bond that is in default and greater price changes due to such factors as general economic conditions and the issuer's creditworthiness. Such securities can be regarded as predominantly speculative, and involve certain risk exposure to adverse conditions and may be subject to substantial price volatility, especially during times of economic change. Lower rated bonds may be less liquid than investment grade securities. During periods of thin trading, the spread between bid and ask prices is likely to increase significantly and the Portfolio Manager may have difficulty selling such securities. There are no formal exchanges on which such high yield bonds trade; accordingly, there may be limited liquidity for holders of such bonds.

In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of the securities.

High-yield bonds that are rated BB or lower by S&P or Ba or lower by Moody's are often referred to in the financial press as "junk bonds" and may include securities of issuers in default. "Junk bonds" are considered by the ratings agencies to be predominantly speculative and may involve major risk exposures such as: (i) vulnerability to economic downturns and changes in interest rates; (ii) sensitivity to adverse economic changes and corporate developments; (iii) redemption or call provisions which may be exercised at inopportune times; and (iv) difficulty in accurately valuing or disposing of such securities.

Equity Risk

Equities such as preferred shares or common shares give the holder part ownership in an issuer. The value of an equity security changes with the fortunes of the issuer that issued it. General market conditions and the health of the economy as a whole can also affect equity prices. Equity related

securities that provide indirect exposure to the equity securities of an issuer can also be affected by equity risk. Present economic conditions may adversely affect global companies and the pricing of their securities. Further continued volatility or illiquidity could impair materially the profitability of these issuers.

Issuer Risk

As many preferred shares allow holders to convert preferred shares into common shares of the issuer, their market price can be sensitive to changes in the value of the issuer's common shares. To the extent that the Portfolio includes convertible preferred shares, declining common share values may also cause the value of the Portfolio's investments to decline.

Concentration Risk

The Portfolio will be concentrated in preferred shares of Canadian and U.S. issuers and may be concentrated in preferred shares in specialized industries or market sectors. As a result, the performance of the Portfolio may be more volatile than a more broadly diversified portfolio and may fluctuate substantially over short periods of time in response to economic conditions and regulatory changes that affect the issuers. This concentration and possible volatility may have a negative effect on the value of the Units.

Use of Leverage

One element of the Fund's investment strategy is the utilization of leverage. By adding leverage, the Fund has the potential to enhance returns but this also involves additional risks. There can be no assurance that the leveraging strategy employed for the Fund will enhance returns. The use of leverage may reduce returns (both distributions and capital) to Unitholders. If the securities in the Portfolio suffer a substantial decrease in value, the leverage component will magnify the decrease in value of the Units. If a loan facility is called by a lender, or if assets of the Fund have to be liquidated in order to comply with the terms of the borrowings, the Fund may have to liquidate its assets at a time when market conditions are not favourable, resulting in a loss.

The expenses and fees incurred in respect of the leverage may exceed the incremental capital gains/losses and income generated by the incremental investment by the Fund. In addition, the Fund may not be able to renew such borrowings on acceptable terms at the expiry of its term or in the event of early termination.

Use of Futures Contracts and other Derivatives

The Fund may invest in or use derivative instruments, other than commodity derivatives, for hedging purposes consistent with its investment objectives and subject to the investment restrictions. In particular the Fund may invest in futures on government bonds to hedge interest rate exposure by reducing the duration of the Portfolio Securities. There can be no assurance that the hedging strategies will be effective. The Fund is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange traded instruments or another third party in the case of over-the-counter instruments) may be unable to meet its obligations. In addition, there is a risk of loss by the Fund of margin deposits in the event of the bankruptcy of the dealer with whom the Fund has an open position in a futures or forward contract.

Redemptions

If Unitholders of a substantial number of Units exercise their redemption rights, the number of Units outstanding and the NAV could be significantly reduced. A significant number of redemptions would increase the management expense ratio of the Fund. Many closed-end funds, like the Fund, with an annual redemption feature have experienced significant redemptions and as a result, some have ceased to be economically feasible and have been terminated or merged with other funds. The Manager may terminate the Fund upon notice to Unitholders if, in the opinion of the Manager, it would be in the best interest of the Fund and the Unitholders to terminate the Fund.

Market Disruptions

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

For all securities traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities that it lists. Such a suspension could render it impossible to liquidate its positions and thereby expose the Fund to losses. In addition, there is no guarantee that non-exchange markets will remain liquid enough to close out positions.

Global Financial Developments

Global financial markets have experienced a sharp increase in volatility in the last several years. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. While central banks as well as global governments are attempting to restore much needed liquidity to the global economies, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world. No assurance can be given that this stimulus will continue or that if it continues, it will be successful or, that these economies will not be adversely affected by the inflationary pressures resulting from such stimulus or central banks' efforts to slow inflation. Further, market concerns about the economies of certain European Union countries and their ability to continue to borrow may adversely impact global equity markets. Some of these economies have experienced significantly diminished growth and some are experiencing or have experienced a recession. These market conditions and further volatility or illiquidity in capital markets may also adversely affect the prospects of the Fund and the value of the Portfolio. A substantial drop in the markets in which the Fund invests could be expected to have a negative effect on the Fund.

Reliance on the Manager and the Portfolio Manager

Unitholders will be dependent on the ability of the Manager to effectively manage the Fund in a manner consistent with the investment objectives, strategy and restrictions of the Fund. Performance of the investments in the Portfolio will be dependent on the Portfolio Manager, which provides investment advisory services to the Fund. There is no certainty that the individuals who are principally responsible for providing administration and investment advisory services to the Fund will continue to be employed by the Manager and the Portfolio Manager respectively.

Liquidity of the Fund's Investments

Some of the securities in which the Fund intends to invest may be thinly traded. It is possible that the Fund may not be able to sell portions of such positions without facing substantially adverse prices. If the Fund is required to transact in such securities or other assets before their intended investment horizon, the performance of the Fund could suffer.

Currency Exposure

As the Fund will own U.S. preferred shares denominated in U.S. dollars, the NAV of the Fund, when measured in Canadian dollars, will, to the extent this has not been hedged against, be affected by changes in the value of the U.S. dollar relative to the Canadian dollar. The Fund may not be fully hedged and accordingly no assurance can be given that the Fund will not be adversely impacted by changes in foreign exchange rates or other factors. The use of hedges, if used, involves special risks, including to the extent the Portfolio Manager's assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if the hedging had not been used. Hedging arrangements may have the effect of limiting or reducing the total returns to the Fund if the Portfolio Manager's expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

Securities Lending

The Fund may engage in securities lending. Although it will receive collateral for the loans and such collateral will be marked-to-market, the Fund will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral be insufficient to reconstitute the portfolio of loaned securities.

Exchange Option

A significant portion of the proceeds realized pursuant to the Offering may be by way of deposits under the Exchange Option. Accordingly, the Fund may be initially exposed to the value of the securities of a number of issuers. The Portfolio Manager may be required to dispose of securities at prices below the prices at which they are then trading and perhaps at prices which are below what the Portfolio Manager believes they are worth. This may have a negative impact on Net Asset Value of the Fund during the period in which the Portfolio is being established. No assurance can be given that this will not adversely and materially affect the performance of the Fund in the near term. Additionally, the price of these securities on the Closing Date may be higher or lower than the price that was used to calculate the Exchange Ratios for such securities. Notwithstanding any such change, the Exchange Ratios will not, unless otherwise disclosed, change from the date on which they are established and, accordingly, if the price of an Exchange Eligible Security on the Closing Date is less than the price used to calculate the Exchange Ratio, the Fund will in effect pay more to acquire the Exchange Eligible Securities than it would if it had acquired the same security in the market on the Closing Date.

Trading Price of Units

Units may trade in the market at a premium or discount to the NAV per Unit and there can be no assurance that the Units will trade at prices that reflect their net asset value.

Status of the Fund for Securities Law Purposes

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

Potential Conflicts of Interest

The Manager and the Portfolio Manager and their respective directors and officers and affiliates and associates may engage in the promotion, management or investment management of other accounts, funds or trusts which invest primarily in the securities held by the Fund.

Although officers, directors and professional staff of the Manager and the Portfolio Manager will devote as much time to the Fund as is deemed appropriate to perform their duties, they may have conflicts in allocating their time and services among the Fund and the other funds managed by the Manager and the Portfolio Manager, as the case may be.

Changes in Legislation

There can be no assurance that income tax, securities and other laws will not be changed in a manner which adversely affects the distributions or dividends received by the Fund or by the Unitholders.

Taxation of the Fund

In determining its income for tax purposes, the Fund will treat gains and losses realized on the disposition of securities held by it as capital gains and capital losses. In addition, gains or losses in respect of foreign currency hedges entered into in respect of amounts invested in securities held by the Fund will likely constitute capital gains and capital losses to the Fund if such securities are capital property to the Fund and there is sufficient linkage. Designations with respect to the Fund’s income and capital gains will be made and reported to Unitholders on this basis. The CRA’s practice is not to grant advance income tax rulings on the character of items as capital or income and no advance income tax ruling has been applied for, or received from, the CRA. If some or all of the dispositions or transactions undertaken by the Fund were treated on income rather than capital account, the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders could increase.

The SIFT Rules will apply to a mutual fund trust that is a SIFT Trust. Generally, a trust will be a SIFT Trust if it is resident in Canada, its units are listed on a stock exchange, and it holds “**non-portfolio property**” (as defined in the Tax Act). Provided the Fund complies with its investment restrictions, the Fund will not be a SIFT Trust.

On September 16, 2004, the Minister of Finance (Canada) released Tax Proposals under which a trust would lose its status as a mutual fund trust if, at any time after 2004, the aggregate fair market value of all units issued by the trust held by one or more non-residents (including partnerships with one or more non-resident members) is more than 50% of the aggregate fair market value of all units issued by the trust where more than 10% (based on fair market value) of the trust’s property is “taxable Canadian property” within the meaning of the Tax Act or certain other types of specified property. Such draft amendments do not provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion which did not include these proposed changes. The Minister of Finance (Canada) has suspended implementation of those proposed changes pending further consultation with interested parties. Under the Declaration of Trust,

the Fund is restricted from acquiring or holding investments that are “taxable Canadian property”, as such term is defined in the Tax Act (without reference to paragraph (b) of that definition), or other types of specified property, if the fair market value of such property exceeds 10% of the fair market value of all property owned by the Fund.

If the Fund ceases to qualify as a “mutual fund trust” under the Tax Act, the income tax considerations described under “Income Tax Considerations” would be materially and adversely different in certain respects. There can be no assurance that Canadian federal and provincial income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders.

On October 31, 2003, the Department of Finance (Canada) announced a Tax Proposal relating to the deductibility of losses under the Tax Act. Under this Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include net capital gains. If this Tax Proposal were to apply to the Fund, deductions that would otherwise reduce the Fund’s taxable income could be denied, with after-tax returns to the Unitholders reduced as a result. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace this Tax Proposal would be released for comment. No such alternative proposal has been released to date. There can be no assurance that such alternative proposal will not adversely affect the Fund.

U.S. Tax Risk

The Foreign Account Tax Compliance provisions of the U.S. Hiring Incentive to Restore Employment Act (“**FATCA**”) generally impose a reporting and 30% withholding tax regime with respect to (a) certain U.S. source income (including interest, dividends, and other types of passive income (“**FDAP income**”)) and gross proceeds from the sale or other disposition of property that can produce U.S. source interest or dividends (collectively referred to as “withholdable payments”) and (b) “passthru payments” (generally, withholdable payments and payments that are attributable to withholdable payments) made to certain non-U.S. financial institutions. Under FATCA, unless the Fund enters into an agreement with the U.S. Internal Revenue Service (the “**IRS**”) pursuant to which it agrees to report to the IRS information regarding the U.S. holders of, and certain U.S. persons that indirectly hold, interests in the Fund (other than equity and debt interests that are regularly traded on an established securities market), and to comply with other reporting, verification, due diligence and other procedures established by the IRS, the Fund will be subject to 30% withholding tax on FDAP income paid to it after December 31, 2013, on the gross proceeds from the disposition of property that produces U.S.-source FDAP income paid to it after December 31, 2016 and on foreign passthru payments made to it after December 31, 2016 (or six months after the date of publication of the final regulations defining the term foreign passthru payment, if later). If any interests in the Fund are not regularly traded on an established securities market, the Fund generally will be required to withhold 30% U.S. tax on a portion of the distributions that it makes to holders of such interests that fail to provide information requested by the Fund to comply with FATCA. It is expected that the Units will be regularly traded on an established securities market. In addition, regardless of whether Units are regularly traded on an established securities market, the Fund may be required to withhold U.S. tax on a portion of payments made by the Fund after December 31, 2013 to any non-U.S. financial institution (for example, a Unitholder’s Canadian investment dealer) that has not entered into a FATCA agreement with the IRS, including any non-U.S. financial institution through which distributions on the Units are made or to a Unitholder that fails to provide information requested by such non-U.S. financial institution to comply with FATCA. These rules may be modified if Canada and the United States enter into an inter-governmental agreement. It is important to note that proposed regulations that were recently issued explicitly reserve the position on passthru payments, and

the U.S. Treasury and IRS have requested further comment on the scope and ultimate implementation of passthru payments.

This description is based on guidance issued by the IRS, including recently issued regulations. Future guidance may affect the application of FATCA to the Units. Prospective investors are advised to consult their own tax advisors as to the application of FATCA to an investment in the Units.

Operating History

The Fund is a newly organized investment trust 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 for the Units will develop or be sustained after completion of the offering.

Not a Trust Company

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 provisions of that Act or any other legislation.

Nature of Units

The Units represent a fractional interest in the net assets of the Fund. Units are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. 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.

DISTRIBUTION POLICY

In accordance with the Fund’s investment objective to provide Unitholders with monthly cash distributions, the Fund intends to make monthly distributions to Unitholders of record on the last Business Day of each month (each, a “**Distribution Record Date**”), commencing in June, 2013. Distributions will be paid on a Business Day designated by the Manager that will be no later than the 15th day of the following month (each, a “**Distribution Payment Date**”). The initial monthly distribution target will be \$0.1146 per Unit (\$1.375 per Unit per annum representing an annual cash distribution of 5.5% based on the \$25.00 per Unit issue price). The Fund will not have a fixed monthly distribution amount but will at least annually in December each year determine and announce expected monthly distributions for the following calendar year based on the Manager and Portfolio Manager’s estimate of distributable cash flow in the Fund. The initial cash distribution is anticipated to be payable on July 15, 2013 to Unitholders of record on June 30, 2013, based on an anticipated Closing Date of May 8, 2013.

Based on current estimates and assuming (i) an aggregate size of the Offering of \$100 million, (ii) using the anticipated initial leverage of 30% of Total Assets, (iii) the employment of the investment strategies as described under “Investment Strategies”, (iv) the fees and expenses described under “Fees and Expenses”, and (v) the current price and yield of the securities anticipated to be included in the Portfolio, it is expected that the Fund will be able pay such distributions at the current target level and maintain a stable Net Asset Value. If the return on the Portfolio or the total return of the Portfolio is less than the amount necessary to fund the monthly distributions and all expenses of the Fund, and if the Manager chooses to nevertheless ensure that the monthly distributions are paid to Unitholders, this will result in a portion of the capital of the Fund being returned to Unitholders, and accordingly, NAV per Unit would be reduced. **The amount of monthly distributions may fluctuate from month to month and there can be no assurance that the Fund will make any distribution in any particular month or months. The amount of monthly distributions may vary if there are changes in any of the factors that affect the**

net cash flow on the Portfolio, including the amount of leverage employed by the Fund and the other assumptions noted above. See “Investment Strategies – Leverage”.

Amounts distributed on the Units that represent returns of capital are generally non-taxable to a Unitholder but reduce the Unitholder’s adjusted cost base of the Units for tax purposes. See “Income Tax Considerations”.

If the Fund’s net income for tax purposes, including net realized capital gains, for any year exceeds the aggregate amount of the regular monthly distributions made in the year to Unitholders, the Fund will also be required to pay one or more special distributions (either in cash or Units) in such year to Unitholders as is necessary to ensure that the Fund will not be liable for income tax on such amounts under the Tax Act (after taking into account all available deductions, credits and refunds). Immediately after a *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will automatically be consolidated such that each Unitholder will hold, after the consolidation, the same number of Units as the Unitholder held before the non-cash distributions, 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”.

There can be no assurance given as to the amount of targeted distributions in the future.

PURCHASES OF SECURITIES

The Fund proposes to offer Units at a price of \$25.00 per Unit. Prospective purchasers may subscribe for Units through one of the Agents or any member of a sub-agency group that the Agents may form. Closing of the Offering will take place on or about May 8, 2013, 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 distribution price was determined by negotiation between the Agents and the Fund. The minimum subscription for cash payment is 100 Units (\$2,500). See “Plan of Distribution”.

Method to Purchase Units

Prospective purchasers may acquire Units either by (i) cash payment or (ii) an exchange of freely tradeable securities of any issuer listed below (each, an “**Exchange Eligible Issuer**”). The maximum number of securities of any one Exchange Eligible Issuer that the Fund may acquire under the Offering pursuant to an exchange of securities of an Exchange Eligible Issuer (the “**Exchange Option**”) is the lesser of (i) that number of securities with a fair market value which constitutes 9.9% of the equity value of such Exchange Eligible Issuer for purposes of section 122.1 of the Tax Act; and (ii) that number which would constitute 10% of the Total Assets (such lesser number being referred to as the “**Maximum Ownership Level**”). To the extent the Maximum Ownership Level has been achieved in respect of the securities of any one Exchange Eligible Issuer, and an excess of securities of such Exchange Eligible Issuer above the Maximum Ownership Level has been deposited and not rescinded, then the securities of such Exchange Eligible Issuer will be accepted by the Manager up to the Maximum Ownership Level and the balance will be re-credited pro rata to purchasers’ accounts through CDS.

A purchaser who holds securities of an Exchange Eligible Issuer as capital property may realize a capital gain or capital loss on the exchange of securities of an Exchange Eligible Issuer for Units pursuant to the Exchange Option. See “Income Tax Considerations – The Exchange Option”.

Exchange Option Procedure

A prospective purchaser of Units who elected to pay for such Units by using the Exchange Option must have done so by means of a book-entry deposit with the Exchange Agent prior to 5:00 p.m.

(Toronto time) on March 22, 2013. Once submitted to the Exchange Agent through CDS, a deposit of securities of an Exchange Eligible Issuer under the Exchange Option (including the transfer authorized thereby) is, subject to the completion of the Offering, irrevocable unless withdrawn as described below under the heading "Rescission". By authorizing a deposit of securities of an Exchange Eligible Issuer under the Exchange Option through CDS, a prospective purchaser authorizes the transfer to the Fund of each such security and represents and warrants that the prospective purchaser has full right and authority to transfer the securities and is the beneficial owner of such securities, that such securities have not previously been conveyed, that the transfer of such securities is not prohibited by laws applicable to the prospective purchaser and that such securities are free and clear of all liens, encumbrances and adverse claims. Such representations and warranties will survive the issuance of Units in exchange for such securities of Exchange Eligible Issuers. The Manager's interpretation of the terms and conditions of the Exchange Option will be final and binding. The Manager reserves the right to waive any conditions of the Exchange Option (other than the Maximum Ownership Level) and to accept or reject, in whole or in part, any deposit of securities made pursuant to the Exchange Option for any reason including, without limitation, an unfavourable relationship between the Exchange Ratio as described below and the value of the securities of the Exchange Eligible Issuer.

There can be no assurance that the Fund will accept deposits of securities made pursuant to the Exchange Option. If for any reason securities of an Exchange Eligible Issuer deposited pursuant to the Exchange Option are not acquired by the Fund, the holders of such securities will be notified of such fact as soon as practicable following the Closing or the termination of the Offering, as the case may be, and such securities will be re-credited to their accounts through CDS.

Determination of Exchange Ratios

The number of Units issuable in exchange (the "**Exchange Ratio**") for the securities of an Exchange Eligible Issuer deposited by a prospective purchaser pursuant to the Exchange Option will be determined by dividing the volume weighted average trading price of such securities on the TSX (or such other exchange or market on which such security is then listed) during the five consecutive trading days ending on April 29, 2013 (the "**Pricing Period**"), as adjusted to reflect distributions declared by any Exchange Eligible Issuer that will not be received by the Fund, by \$25.00. For greater certainty, the distribution payable on the securities of any Exchange Eligible Issuer that are deposited under the Exchange Option and which have a record date before the Closing will be received by the prospective purchaser who deposited such securities and not by the Fund. The Exchange Ratios will be rounded down to four decimal places. If a prospective purchaser of Units deposits securities of one or more Exchange Eligible Issuers pursuant to the Exchange Option, and if the exchange of such securities for Units would otherwise result in the issuance of a fractional Unit, the Fund will, after the applicable withdrawal period has expired, forward a cash payment to CDS equal to \$25.00 multiplied by such fraction of a Unit, in lieu of issuing a fractional Unit.

Delivery of Final Prospectus

Each prospective purchaser who authorized the deposit of securities of an Exchange Eligible Issuer through CDS by 5:00 p.m. (Toronto time) on or before March 22, 2013 will be furnished with a copy of the final prospectus relating to the Offering.

The Fund will issue a press release as soon as practicable after the close of business on April 29, 2013 announcing for each of the Exchange Eligible Issuers, the name of the Exchange Eligible Issuer, the volume weighted average trading price of the Exchanged Securities during the Pricing Period and the Exchange Ratio.

Rescission

A purchaser may rescind its purchase of Units hereunder by a written notice of rescission which must be received by the CDS Participant who effected such deposit on or before midnight on the second Business Day after the later of (i) receipt or deemed receipt of the final prospectus of the Fund relating to the Offering and any amendment thereto or (ii) the date on which the press release referred to above is issued. Any such notice of rescission must specify the securities of each Exchange Eligible Issuer to be so rescinded and the name of the prospective purchaser. A prospective purchaser also has the rights described under “Purchasers’ Statutory Rights of Withdrawal and Rescission”.

Maximum Offering

The maximum Offering (prior to the exercise of the Over-Allotment Option), comprised of the aggregate cash subscriptions and securities of the Exchange Eligible Issuers (based on the applicable Exchange Ratio and excluding that number of securities of Exchange Eligible Issuers deposited and not acquired as a result of such securities causing the Fund to hold more than the Maximum Ownership Level of the outstanding securities of an Exchange Eligible Issuer), shall not be more than \$150,000,000. If the maximum Offering (prior to the exercise of the Over-Allotment Option) is exceeded, the Fund will accept cash subscriptions first and will then accept securities of Exchange Eligible Issuers on a pro rata basis or such other reasonable basis that it may determine appropriate until the maximum Offering size of \$150,000,000 is achieved, subject to the conditions set forth above under the heading “Purchase of Securities – Method to Purchase Units”.

Exchange Eligible Issuers

The table below set out the name of the Exchange Eligible Security or the issuer, its CUSIP number and its TSX symbol.

| Name | TSX Symbol | CUSIP |
|---------------------------------------|------------|-----------|
| Bell Aliant Preferred EQ | BAF A PFD | 07787C206 |
| Brookfield Asset Management Inc. | BAM A PFD | 112585641 |
| Brookfield Asset Management Inc. | BAM P PFD | 112585120 |
| Brookfield Asset Management Inc. | BAM R PFD | 112585740 |
| Brookfield Asset Management Inc. | BAM T PFD | 112585724 |
| Brookfield Asset Management Inc. | BAM Z PFD | 112585666 |
| Brookfield Asset Management Inc. | BAM/FB PFD | 112585625 |
| BCE Inc. | BCE A PFD | 05534B794 |
| BCE Inc. | BCE B PFD | 05534B695 |
| BCE Inc. | BCE D PFD | 05534B687 |
| BCE Inc. | BCE F PFD | 05534B745 |
| BCE Inc. | BCE G PFD | 05534B737 |
| BCE Inc. | BCE I PFD | 05534B711 |
| BCE Inc. | BCE K PFD | 05534B679 |
| Bank of Montreal | BMO J PFD | 063671812 |
| Bank of Montreal | BMO K PFD | 063671143 |
| Bank of Montreal | BMO L PFD | 063671796 |
| Bank of Montreal | BMO M PFD | 063671788 |
| Bank of Montreal | BMO O PFD | 063671762 |
| Bank of Montreal | BMO P PFD | 063671747 |
| Bank of Nova Scotia | BNS K PFD | 064149792 |
| Bank of Nova Scotia | BNS L PFD | 064149784 |
| Bank of Nova Scotia | BNS M PFD | 064149776 |

| Name | TSX Symbol | CUSIP |
|--|------------|-----------|
| Bank of Nova Scotia | BNS N PFD | 064149768 |
| Bank of Nova Scotia | BNS P PFD | 064149743 |
| Bank of Nova Scotia | BNS Q PFD | 064149727 |
| Bank of Nova Scotia | BNS R PFD | 064149693 |
| Bank of Nova Scotia | BNS T PFD | 064149677 |
| Bank of Nova Scotia | BNS X PFD | 064149651 |
| Bank of Nova Scotia | BNS Z PFD | 064149610 |
| Brookfield Office Properties..... | BPO L PFD | 112900857 |
| Brookfield Office Properties..... | BPO N PFD | 112900832 |
| Brookfield Office Properties..... | BPO P PFD | 112900816 |
| Brookfield Office Properties..... | BPO R PFD | 112900782 |
| Brookfield Office Properties..... | BPO T PFD | 112900766 |
| Brookfield Renew Power Pfd..... | BRF A PFD | 11283Q206 |
| Brookfield Renew Power Pfd..... | BRF C PFD | 11283Q404 |
| Canadian Imperial Bank of Commerce | CM G PFD | 136069564 |
| Canadian Imperial Bank of Commerce | CM K PFD | 136069499 |
| Canadian Imperial Bank of Commerce | CM L PFD | 136069481 |
| Canadian Utilities Ltd..... | CU C PFD | 136717691 |
| Emera Inc. | EMA C PFD | 290876507 |
| Enbridge Inc. | ENB B PFD | 29250N709 |
| Enbridge Inc. | ENB D PFD | 29250N881 |
| Enbridge Inc. | ENB F PFD | 29250N865 |
| Enbridge Inc. | ENB H PFD | 29250N840 |
| Enbridge Inc. | ENB N PFD | 29250N774 |
| Enbridge Inc. | ENB P PFD | 29250N758 |
| Enbridge Inc. | ENB T PFD | 29250N733 |
| Enbridge Inc. | ENB/FU PFD | 29250N790 |
| Fairfax Financial Holdings Ltd..... | FFH C PFD | 303901508 |
| Fairfax Financial Holdings Ltd..... | FFH E PFD | 303901888 |
| Fairfax Financial Holdings Ltd..... | FFH G PFD | 303901862 |
| Fairfax Financial Holdings Ltd..... | FFH I PFD | 303901847 |
| Great-West Lifeco Inc..... | GWO G PFD | 39138C882 |
| Great-West Lifeco Inc..... | GWO H PFD | 39138C874 |
| Great-West Lifeco Inc..... | GWO I PFD | 39138C866 |
| Great-West Lifeco Inc..... | GWO P PFD | 39138C775 |
| HSBC Bank Canada..... | HSB E PFD | 40427H806 |
| Husky Energy Inc. | HSE A PFD | 448055202 |
| Industrial Alliance | IAG F PFD | 455871509 |
| Industrial Alliance | IAG G PFD | 455871806 |
| Intact Financial Corp..... | IFC A PFD | 45823T304 |
| Intact Financial Corp..... | IFC C PFD | 45823T601 |
| Manulife Financial Corp..... | MFC A PFD | 56501R304 |
| Manulife Financial Corp..... | MFC B PFD | 56501R403 |
| Manulife Financial Corp..... | MFC C PFD | 56501R502 |
| Manulife Financial Corp..... | MFC D PFD | 56501R809 |
| Manulife Financial Corp..... | MFC E PFD | 56501R874 |
| Manulife Financial Corp..... | MFC H PFD | 56501R817 |
| Manulife Financial Corp..... | MFC I PFD | 56501R783 |
| National Bank Financial | NA M PFD | 633067418 |
| Power Corporation Canada | POW D PFD | 739239861 |
| Power Financial Corp..... | PWF K PFD | 73927C837 |

| Name | TSX Symbol | CUSIP |
|------------------------------|------------|-----------|
| Power Financial Corp..... | PWF R PFD | 73927C753 |
| Royal Bank of Canada..... | RY A PFD | 780085445 |
| Royal Bank of Canada..... | RY B PFD | 780085247 |
| Royal Bank of Canada..... | RY D PFD | 780102844 |
| Royal Bank of Canada..... | RY E PFD | 780102760 |
| Royal Bank of Canada..... | RY G PFD | 780102554 |
| Royal Bank of Canada..... | RY I PFD | 78010A416 |
| Royal Bank of Canada..... | RY L PFD | 78010A333 |
| Royal Bank of Canada..... | RY P PFD | 780086500 |
| Royal Bank of Canada..... | RY R PFD | 780086708 |
| Royal Bank of Canada..... | RY T PFD | 780086872 |
| Royal Bank of Canada..... | RY W PFD | 780085502 |
| Royal Bank of Canada..... | RY X PFD | 780086856 |
| Royal Bank of Canada..... | RY Y PFD | 780086815 |
| Shaw Communications Inc..... | SJR A PFD | 82028K879 |
| Sun Life Financial Inc..... | SLF A PFD | 866796204 |
| Sun Life Financial Inc..... | SLF B PFD | 866796303 |
| Sun Life Financial Inc..... | SLF C PFD | 866796402 |
| Sun Life Financial Inc..... | SLF D PFD | 866796501 |
| Sun Life Financial Inc..... | SLF E PFD | 866796600 |
| Sun Life Financial Inc..... | SLF F PFD | 866796709 |
| Sun Life Financial Inc..... | SLF I PFD | 866796832 |
| TransAlta Corp..... | TA F PFD | 89346D735 |
| Toronto-Dominion Bank..... | TD AE PFD | 891145831 |
| Toronto-Dominion Bank..... | TD AG PFD | 891145799 |
| Toronto-Dominion Bank..... | TD AK PFD | 891145740 |
| Toronto-Dominion Bank..... | TD I PFD | 891145773 |
| Toronto-Dominion Bank..... | TD O PFD | 891160681 |
| TransCanada Corp..... | TRP A PFD | 89353D404 |

REDEMPTIONS

Annual Redemptions of Units

Commencing in 2014, Units may be surrendered annually for redemption during the period from October 15th until 5:00 p.m. (Toronto time) on the last Business Day of October of each year (the “**Notice Period**”). Subject to the Fund’s right to suspend redemptions in certain circumstances, Units properly surrendered for redemption during the Notice Period will be redeemed on the second last Business Day in November of each year (the “**Annual Redemption Date**”) and the Unitholder will receive a redemption price per Unit (the “**Annual Redemption Amount**”) equal to 100% of the NAV per Unit as determined on the Annual Redemption Date, less any costs associated with the redemption, including commissions and such other costs, if any, on or before the Redemption Payment Date.

Monthly Redemptions

In addition to the annual redemption right, Unitholders 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 (other than the Annual Redemption Date) (“**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 Unit for redemption on a Monthly Redemption Date, will receive the amount (the "**Monthly Redemption Amount**"), if any, equal to the lesser of (i) 95% of the Market Price and (ii) 100% of the Closing Market Price of a Unit on the applicable Monthly Redemption Date, less, in each case, any costs associated with the redemption including commissions and such other costs, if any, and less any net realized capital gains of the Fund that are distributed to a Unitholder concurrently with the proceeds of a disposition on redemption, being the Monthly Redemption Amount. Notwithstanding the foregoing, a Unitholder who properly surrenders a Unit for redemption during the Notice Period for an annual redemption will receive the annual redemption price.

Redeeming Unitholders will be entitled to receive a redemption price per Unit equal to the applicable Monthly Redemption Amount determined as of the Monthly Redemption Date. Any unpaid distribution payable on or before the date of redemption in respect of the redeemed Units will be paid on the same day as the redemption proceeds are paid.

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 Fund and if these securities are not traded on any other exchange that represents a reasonably practical alternative for the Fund or (ii) for a period not exceeding 30 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by 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 Redemption Payment 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.

INCOME TAX CONSIDERATIONS

In the opinion of Stikeman Elliott LLP, counsel to the Fund, and McCarthy Tétrault LLP, counsel to the Agents, the following is, as at the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units by a Unitholder who acquires Units pursuant to this prospectus. This summary is applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act and at all relevant times, is resident in Canada, deals at arm's length and is not affiliated with the Fund and holds Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them and all other "Canadian securities" (within the meaning of the Tax Act) owned or subsequently owned by them treated as capital property by making an irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is based on the current provisions of the Tax Act, counsel's understanding of the current administrative policies and assessing practices of the CRA published by it in writing prior to the date hereof, all Tax Proposals and certificates of the Manager and the Agents as to certain factual matters. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations. There can be no assurance that any Tax Proposals will be enacted in the form publicly announced or at all.

This summary is based on the assumption that the Fund will comply at all times with the investment restrictions set out under the heading "Investment Restrictions".

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on an investor's particular circumstances including the province or territory or provinces or territories in which the investor resides or carries on business. Counsel expresses no views herein in respect of the deductibility of interest on any funds borrowed by a Unitholder to purchase Units. This summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units based on their particular circumstances.

Status of the Fund

This summary is based on the assumptions that the Fund will qualify, at all times, as a "unit trust" and a "mutual fund trust" within the meaning of the Tax Act and that the Fund will elect under the Tax Act to be a mutual fund trust from the date it was established. To qualify as a mutual fund trust, the Fund must, among other things, comply on a continuous basis with certain minimum requirements respecting the ownership and dispersal of Units. The Manager has advised counsel that the Fund intends to make the election so that it will qualify as a mutual fund trust under the Tax Act from the commencement of its first taxation year. If the Fund were not to qualify as a mutual fund trust at all times, the income tax consequences described below would in some respects be materially and adversely different.

Provided that, at all relevant times, the Fund qualifies as a "mutual fund trust" within the meaning of the Tax Act or the Units are listed on a designated stock exchange (which currently includes the TSX), the Units will be qualified investments under the Tax Act for trusts governed by Registered Plans. See "Income Tax Considerations - Eligibility for Investment" for the consequences of holding Units in trusts governed by Registered Plans.

This summary is also based on the assumption that the Fund will at no time be a SIFT Trust. Provided the Fund complies with the investment restrictions, as described under the heading "Investment Restrictions", the Fund should not hold any investment that would result in the Fund being subject to the special tax for SIFT Trusts.

Taxation of the Fund

The Fund is subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the year. The Manager has advised counsel that the Fund intends to make distributions to Unitholders as described under "Distribution Policy" and to deduct, in computing its income in each taxation year, such amount as will be sufficient to ensure that the Fund will not be liable for income tax under Part I of the Tax Act for each year other than such tax on net realized capital gains that will be recoverable by the Fund in respect of such year by reason of the capital gains refund mechanism.

The Fund will be required to include in its income for each taxation year any dividends received (or deemed to be received) by it in such year on a Portfolio Security and all interest that accrues 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 indebtedness, the Fund will be required to include in computing its income for the year of disposition all interest that accrued on such indebtedness 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 another taxation year and such interest will not be included in the proceeds of disposition for purposes of computing any capital gain or loss.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income in accordance with the detailed rules in the Tax Act. The Fund may deduct the costs and expenses of the Offering paid by the Fund and not reimbursed at a rate of 20% per year, pro-rated where the Fund's taxation year is less than 365 days. 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 in the Tax Act.

Upon the actual or deemed disposition of a security included in the Portfolio, the Fund will realize a capital gain (or capital loss) to the extent the proceeds of disposition and any reasonable costs of disposition exceed (or are less than) the adjusted cost base of such security unless the Fund were 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 security in a transaction or transactions considered to be an adventure in the nature of trade. The Manager has advised counsel that the Fund will purchase securities in the Portfolio with the objective of receiving distributions and income thereon and will take the position that gains and losses realized on the disposition thereof are capital gains and capital losses. The Manager has also advised counsel that the Fund will elect under subsection 39(4) of the Tax Act so that all securities included in the Portfolio that are "Canadian securities" (as defined in the Tax Act) are deemed to be capital property to the Fund.

The Fund will be entitled for each taxation year throughout which it is a mutual fund trust for purposes of the Tax Act 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"). 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 or other disposition of securities included in the Portfolio in connection with the redemption of Units.

One-half of the amount of any capital gain (a "taxable capital gain") realized by the Fund in a taxation year on the disposition of securities in the Portfolio that are capital property of the Fund must be included in computing the Fund's income for the year, and one-half of the amount of any capital loss (an "allowable capital loss") realized by the Fund in a taxation year must be deducted against any taxable capital gains realized by the Fund in the year. Any excess of allowable capital losses over taxable capital gains for a taxation year may be deducted against net taxable capital gains realized by the Fund to the extent and under the circumstances described in the Tax Act.

The Fund will enter into transactions denominated in currencies other than the Canadian dollar, including the acquisition of securities in the Portfolio. The cost and proceeds of disposition of securities, interest and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars using the appropriate exchange rates on the date of the transactions determined in accordance with the detailed rules in the Tax Act in that regard. The amount of income, gains and losses realized by the Fund may be affected by fluctuations in the value of foreign currencies relative to the Canadian dollar. Gains or losses in respect of currency hedges entered into in respect of amounts invested in the Portfolio will likely constitute capital gains and capital losses to the Fund if the securities in the Portfolio are capital property to the Fund and there is sufficient linkage to them.

In accordance with the CRA's published administrative practice, the Fund will include gains and deduct losses in connection with investments made through derivative securities on income account, except where such derivatives are used to hedge securities held on capital account provided there is sufficient linkage, and the Fund will recognize such gains and losses for tax purposes at the time they are realized.

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

Taxation of Unitholders

A Unitholder will generally be required to include in computing income for a taxation year the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder (whether in cash or in Units) in the taxation year. The non-taxable portion of the Fund's net realized capital gains paid or payable to a Unitholder, the taxable portion of which was designated to the Unitholder in a taxation year, will not be included in the Unitholder's income for the year. Any other amount in excess of the Unitholder's share of the Fund's net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder's income, but will generally reduce the adjusted cost base of the Unitholder's Units. Under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the year. This will enable the Fund to utilize, in a taxation year, losses from prior years without affecting the ability of the Fund to distribute its income annually. The amount distributed to a Unitholder but not deducted by the Fund will not be included in the Unitholder's income. However, the adjusted cost base of the Unitholder's Units will be reduced by such amount. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain to zero.

Provided that appropriate designations are made by the Fund, such portion of (i) the net realized taxable capital gains of the Fund, (ii) the foreign source income of the Fund, and (iii) 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 Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act and, in the case of foreign source income, the related foreign taxes will be regarded as having been paid by the Unitholder for foreign tax credit purposes. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules in the Tax Act will apply, including the enhanced gross-up and tax credit applicable to designated eligible dividends. Any loss incurred by the Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Unitholder.

On the disposition or deemed disposition of a Unit, including on a redemption of a Unit, a Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition (other than any amount payable by the Fund to the Unitholder which represents an amount that is otherwise required to be included in the Unitholder's income as described above) exceed (or are exceeded by) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition.

For the purpose of determining the adjusted cost base to a Unitholder of a Unit, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property immediately before that time. The cost of Units acquired as a distribution of income or capital gains will generally be equal to the amount of the distribution. A consolidation of Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Units and will not affect the aggregate adjusted cost base to a Unitholder of Units.

One-half of any capital gain (“**taxable capital gain**”) realized on the disposition of Units will be included in the Unitholder’s income and one-half of any capital loss (an “**allowable capital loss**”) realized must be deducted from taxable capital gains 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 net 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 Unitholder that is designated as taxable dividends from taxable Canadian corporations or as net realized taxable capital gains as well as taxable capital gains realized on the disposition of Units may increase the Unitholder’s liability for alternative minimum tax.

The Exchange Option

A purchaser who disposes of Exchanged Securities pursuant to the Exchange Option and holds such Exchanged Securities as capital property will realize a capital gain (or a capital loss) in the taxation year of the purchaser in which the disposition of Exchanged Securities takes place to the extent that the proceeds of disposition of such Exchanged Securities, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the purchaser of such Exchanged Securities. For this purpose, the proceeds of disposition to the purchaser will equal the aggregate of the fair market value of the Units received and the amount of any cash received in lieu of fractional Units. The cost to a purchaser of Units so acquired will be equal to the fair market value of the Exchanged Securities at the time of exchange less any cash received by the purchaser of Units. See “Taxation of Unitholders” above with respect to the taxation of capital gains and losses.

Taxation of Registered Plans

Amounts of income and capital gains distributed by the Fund to a Registered Plan and capital gains realized on the disposition of Units are generally not taxable under Part I of the Tax Act while retained in a trust governed by a Registered Plan, provided that the Units are qualified investments for such Registered Plan. See “Eligibility for Investment”. A Unitholder that is a Registered Plan will not be entitled to a foreign tax credit under the Tax Act in respect of any foreign tax that is deemed paid by the Registered Plan as a result of a designation by the Fund to the Registered Plan in respect of its foreign source income. See “Taxation of Unitholders”. Unitholders should consult with their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Registered Plan.

Tax Implications of the Fund’s Distribution Policy

The Net Asset Value per Unit will reflect any income and gains of the Fund that have accrued or have been realized but have not been made payable at the time the Units are acquired. Accordingly, a Unitholder who acquires Units may become taxable on the Unitholder’s share of income and gains of the Fund that accrued before the Units were acquired, notwithstanding that such amounts will 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 whether an additional distribution is necessary late in the calendar year to ensure that the Fund will not be liable for non-refundable income tax on such amounts under the Tax Act.

Eligibility for Investment

In the opinion of Stikeman Elliott LLP, counsel for the Fund, and McCarthy Tétrault LLP, counsel for the Agents, provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act

or the Units are listed on a designated stock exchange (which currently includes the TSX), the Units will be qualified investments under the Tax Act for trusts governed by Registered Plans.

Notwithstanding the foregoing, if the Units are “prohibited investments” for a tax-free savings account (“TFSA”), a registered retirement savings plan (“RRSP”) or a registered retirement income fund (“RRIF”), the holder of the TFSA or the annuitant of the RRSP or RRIF, as the case may be, will be subject to a penalty tax as set out in the Tax Act. The Units will generally not be a “prohibited investment” for a TFSA, RRSP, or RRIF unless the holder of the TFSA or the annuitant under the RRSP or RRIF, as applicable, (i) does not deal at arm’s length with the Fund for purposes of the Tax Act, (ii) has a “significant interest” as defined in the Tax Act in the Fund, or (iii) has a “significant interest” as defined in the Tax Act in a corporation, partnership or trust with which the Fund does not deal at arm’s length for purposes of the Tax Act. Generally, a holder or annuitant, as the case may be, will not have a significant interest in the Fund unless the holder or annuitant, as the case may be, owns interests as a beneficiary under the Fund that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the Fund, either alone or together with persons and partnerships with which the holder or annuitant, as the case may be, does not deal at arm’s length. Proposed amendments to the Tax Act released on December 21, 2012 (the “December 2012 Proposals”) propose to delete the condition in (iii) above. In addition, pursuant to the December 2012 Proposals, the Units will generally not be a “prohibited investment” if the Units are “excluded property” as defined in the December 2012 Proposals for a TFSA, RRSP or RRIF.

Holders or annuitants should consult their own tax advisors with respect to whether Units would be prohibited investments, including with respect to whether the Units would be “excluded property” as defined in the December 2012 Proposals.

ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND

Manager of the Fund

Propel Capital Corporation (“Propel” or the “Manager”) is the manager and promoter of the Fund. The Manager, in its capacity as investment manager of the Fund, will retain the Portfolio Manager to act as portfolio manager to the Fund. The Manager is a leading provider of investment products, having raised over \$600 million in assets. Propel currently provides management and administrative services to Propel Multi-Strategy Fund, Canadian Convertibles Plus Fund, Canadian High Yield Focus Fund, Diversified Alpha Fund II, Strategic Income Allocation Fund and North American REIT Income Fund. Its head office is located at Brookfield Place, 161 Bay Street, 27th Floor, Toronto, Ontario, M5J 2S1.

Duties and Services to be Provided by the Manager

The Manager will provide or arrange for the provision of all administrative services and investment management services required by the Fund including the execution of its investment strategies.

Pursuant to the management agreement between the Manager and the Fund to be entered into on or before the Closing Date (the “Management Agreement”), the Manager will be appointed as the manager to direct the operations and affairs of the Fund.

Under the terms of the Management Agreement, the Manager is responsible for providing, or causing to be provided, management, portfolio management and administrative services and facilities to the Fund, including, without limitation (a) entering into, on behalf of the Fund, the Portfolio Management Agreement; (b) authorizing and paying expenses incurred on behalf of the Fund; (c) appointing the Custodian, registrar and transfer agent, auditors, legal counsel and other organizations or professionals

servicing the Fund; (d) providing office space and facilities; (e) preparing accounting, management and other reports, including such interim and annual reports to Unitholders, financial statements, tax reporting to Unitholders, filings and income tax returns as may be required by applicable law; (f) monitoring the ability of the Fund to pay distributions; (g) communicating with Unitholders; (h) ensuring that the Net Asset Value per Unit is calculated and published; (i) ensuring that the Fund complies with all regulatory and statutory requirements and applicable stock exchange listing requirements; (j) calling meetings of Unitholders as required; (k) providing such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Fund; and (l) monitoring and reviewing the services provided by third parties where the Manager further delegated administration of the Fund.

The Manager may delegate certain of its powers to third parties at no additional cost to the Fund where, in the discretion of the Manager, it would be in the best interests of the Fund to do so. The Manager will be responsible for monitoring and reviewing the services provided to such third parties on an on-going basis.

The Manager has entered into the Portfolio Management Agreement with the Portfolio Manager and the Fund, pursuant to which the Portfolio Manager acts as portfolio manager to the Fund.

The Manager is required to exercise its powers and perform its duties honestly, in good faith and in the best interests of the Fund and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Management Agreement provides that the Manager will not be liable in any way for any default, failure or defect of the assets of the Fund if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager will incur liability, however, in cases of wilful misconduct, bad faith, negligence or breach of its duties or standard of care, diligence and skill. Among other restrictions imposed on the Manager, it may not dissolve the Fund or wind up the affairs of the Fund except if, in its opinion, it would be in the best interests of the Unitholders to terminate the Fund or otherwise in accordance with the provisions of the Declaration of Trust.

In consideration for these services, the Fund will pay to the Manager the Management Fee (and the Manager will pay the Portfolio Manager a portion of such fee) and reimburse the Manager for all reasonable costs and expenses incurred by the Manager on behalf of the Fund. See "Fees and Expenses". In addition, the Manager and each of its directors, officers, employees, consultants and agents are indemnified and will be reimbursed by the Fund to the fullest extent permitted by law against all liabilities and expenses (including judgments, fines, penalties, interest, amounts paid in settlement with the approval of the Fund, and counsel fees and disbursements on a solicitor and client basis) reasonably incurred in connection with the services provided to the Fund described herein or as a director, officer, employee, consultant or agent thereof, including in connection with any civil, criminal, administrative, investigative or other action, suit or proceeding to which any such person may hereafter be made a party by reason of being or having been the manager, the portfolio manager, trustee or a director, officer, employee, consultant or agent thereof, except for liabilities and expenses resulting from the person's wilful misconduct, bad faith, negligence, breach of their duties or standard of care, diligence and skill or material breach or default of their obligations under the Management Agreement.

The appointment of the Manager continues in effect until the termination of the Fund unless terminated earlier by the Fund or in accordance with the Management Agreement. The appointment of the Manager may be terminated by the Fund: (i) on 10 days' notice for any uncured material breach following 30 days' notice of such breach to the Manager; or (ii) immediately, upon the insolvency, liquidation or bankruptcy of the Manager. The Manager may also resign by giving 90 days' prior written notice to the Fund. Any removal of the Manager becomes effective only upon the appointment of a successor manager. Such appointment must be approved by an Ordinary Resolution (as defined herein)

of the Unitholders, unless the successor is an affiliate of the Manager, in which case, no notice or approval of Unitholders is required. Unitholders may terminate the appointment of the Manager by way of an Extraordinary Resolution. Upon termination, the Manager is entitled to the payment of its fee and the reimbursement of the Manager's expenses up to the date of its termination.

Directors and Executive Officers of Manager and Promoter

The Board of Directors of the Manager currently consists of four members. Directors are appointed to serve on the Board of Directors until such time as they retire or are removed and their successors are appointed.

The name, municipality of residence and principal occupation of each director and executive officer of the Manager are set out below:

| Name and Municipality of Residence | Position with the Manager | Principal Occupation |
|---|--|--|
| MICHAEL SIMONETTA Toronto, Ontario | Chairman and Director | Chairman, Propel Capital Corporation |
| RAJ LALA Toronto, Ontario | President, Chief Executive Officer and Director | President and Chief Executive Officer, Propel Capital Corporation |
| KRISTA MATHESON Toronto, Ontario | Senior Vice President, Chief Financial Officer, Corporate Secretary and Director | Senior Vice President, Chief Financial Officer, and Corporate Secretary Propel Capital Corporation |
| KEITH CRONE Brampton, Ontario | Vice President and Director | Vice President, Propel Capital Corporation |

The background and experience of each director and executive officer of the Manager are set out below:

Michael Simonetta, Chairman and Director: Mr. Simonetta has a broad background in management, investment and capital markets. Mr. Simonetta was one of the founding partners of First Asset Management Inc. ("FAMI"), and served as President and CEO of FAMI from 1997 to 2006. At the time FAMI was sold in 2005, FAMI managed in excess of \$30 billion in assets and was one of Canada's top ten largest companies in the pension and high net worth asset management business. FAMI's affiliates have included: Beutel, Goodman & Company Ltd.; Foyston Gordon & Payne, Inc.; Deans Knight Capital Management Ltd., Montrusco Bolton Investments Inc.; Covington Capital Corporation; First Asset Funds Inc. (formerly Triax Capital Corporation); and Northwest Mutual Funds Inc. FAMI was sold in 2005 to Affiliated Managers Group, Inc. (NYSE: AMG), a publicly listed investment management company based in Boston.

Mr. Simonetta is a member of the Institute of Chartered Accountants of Ontario, obtaining his C.A. designation in 1984 while achieving Top 20 Honour Roll standing, and holds a Bachelor of Arts from the University of Waterloo (1983 - Gold Medal).

Raj Lala, President, Chief Executive Officer and Director: Mr. Lala worked with Jovian Capital from 2003 to 2008. From 2007 to 2008, Mr. Lala served as President of JovFunds Inc., an asset management division of Jovian Capital. Jovian Capital is a TSX-listed diversified financial services firm

with over \$14 billion in assets under management. Mr. Lala was responsible for all product development, sales and distribution for JovFunds Inc. In less than three years, Mr. Lala structured and raised approximately \$2.5 billion in financial products, including mutual funds, ETFs, hedge funds, PPNs, and closed-end funds.

Prior to his involvement with JovFunds Inc., from 2001 to 2002, Mr. Lala served as President and CEO of an Ontario-based hedge fund of funds company, which he founded, that was subsequently sold to Jovian Capital. From 1997 to 2001, Mr. Lala served as Vice President and Marketing Director for an Ontario-based mutual fund company that focused on specialty areas of investing.

Mr. Lala holds a Bachelor's degree in Economics from the University of Toronto (1994).

Krista Matheson, Senior Vice President, Chief Financial Officer, Corporate Secretary and Director: Ms. Matheson has over 12 years of experience in the financial services industry, most recently, Ms. Matheson served as the Strategic Director of Index Products and Services at the TSX from 2008 to 2009. From 2006 to 2008, she served as Senior Vice President at Markland Street Asset Management, a Canadian asset management firm with over \$500 million in assets under management. In such capacity, Ms. Matheson was responsible for the development of investment products. From 2003 to 2006, Ms. Matheson served as Vice President, Structured Products at Brookfield Asset Management Inc. ("**Brookfield**") where she was primarily responsible for launching a number of Brookfield's public funds. Prior to serving as Vice President, Structured Products, she also worked in a number of other capacities within Brookfield, such as their private equity and corporate marketing departments as well as in their mergers and acquisitions group.

Ms. Matheson holds a Bachelor of Business Administration degree from the University of Prince Edward Island (1996) an MBA degree from Dalhousie University (2000), as well as a degree in Applied Information Technology from the Information Technology Institute (2001).

Keith Crone, Vice President and Director: Mr. Crone brings over 14 years of experience in the financial services industry, and is responsible for strategic business development through sales and marketing. From 2005 to 2008, Mr. Crone served as Senior Vice President, Sales within JovFunds Inc., the specialty investment arm of Jovian Capital Corporation (TSX: JOV) a \$14 billion fully-diversified financial services company. In such capacity, Mr. Crone was responsible for the management of inside sales and administration staff. Prior to 2005, Mr. Crone served in various sales and marketing capacities at Dynamic Funds, a subsidiary of DundeeWealth Inc., which is now a wholly-owned subsidiary of Scotiabank.

Portfolio Manager

Fiera will act as the Portfolio Manager to the Fund. Fiera is one of the largest independent money managers in Canada with over \$58 billion in assets under management as of December 31, 2012, including over \$36 billion in fixed income assets and approximately \$1.75 billion in preferred securities. In addition to its fixed income capabilities, Fiera has depth and expertise in equity management, asset allocation and alternative investment solutions. With offices in Montreal, Toronto, Calgary, Vancouver, Halifax and New York, Fiera has over 260 employees and approximately 100 investment professionals servicing diverse clientele comprised of pension funds, foundations, religious and charitable organizations, high net worth individuals, financial institutions, mutual funds and managed asset platforms. The Class A common shares of Fiera are listed on the TSX and trade under the ticker symbol FSZ.

The Portfolio Manager will be appointed by the Manager pursuant to the Portfolio Management Agreement.

Duties and Services to be Provided by the Portfolio Manager

The Portfolio Manager will provide investment advice to the Fund in a manner consistent with the investment objectives, investment strategies and investment restrictions of the Fund pursuant to a portfolio management agreement among the Manager, the Portfolio Manager and the Fund to be entered into on or about the Closing Date (the “**Portfolio Management Agreement**”). The Portfolio Management Agreement has a term commencing on the Closing Date and continues for the life of the Fund unless otherwise terminated in accordance with its terms.

Under the Portfolio Management Agreement, the Portfolio Manager is required to act at all times on a basis which is fair and reasonable to the Fund, to act honestly and in good faith with a view to the best interests of the Fund, and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent portfolio manager would exercise in comparable circumstances. The Portfolio Management Agreement provides that the Portfolio Manager will not be liable in any way to the parties indemnified under the Portfolio Management Agreement for any default, failure or defect in any of the securities comprising the Portfolio if it satisfied the standard of care, diligence and skill set forth above. The Portfolio Management Agreement further provides that the Portfolio Manager will not be liable for any losses in the Net Asset Value of the Fund if it has satisfied the standard of care, diligence and skill set forth above. Pursuant to the Portfolio Management Agreement, the Portfolio Manager and its officers, directors and employees shall be indemnified from the assets of the Fund against all losses (other than loss of profits), expenses and liabilities incurred by any of them in connection with any matter relating to their respective duties under the Portfolio Management Agreement, unless any such indemnified person is finally adjudicated to have committed a material breach or default of its obligations under the Portfolio Management Agreement or an act or omission involving wilful misconduct, bad faith, negligence or reckless disregard of such person’s duties under the Portfolio Management Agreement.

The Portfolio Manager may terminate the Portfolio Management Agreement, without payment of any penalty, including in the following circumstances: (i) upon 120 days’ written notice to the Manager; (ii) in the event that the Manager is in material breach of the Portfolio Management Agreement and the material breach has not been cured within 20 Business Days’ notice thereof to the Manager; (iii) if there is a material change in the investment objectives, investment strategies and/or investment restrictions of the Fund to which the Portfolio Manager has not previously agreed; (iv) if there is a dissolution and commencement of winding-up of the Fund; (v) if the Fund becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors or a receiver is appointed in respect of the Fund or a substantial portion of its assets; or (vi) if the assets of the Fund become subject to seizure or confiscation by any public or governmental organization.

The Manager may terminate the Portfolio Management Agreement, without payment of any penalty, including in the following circumstances: (i) subject to a minimum term of one year, upon 120 days’ written notice to the Portfolio Manager; (ii) subject to a minimum term of one year, upon 60 days’ written notice to the Portfolio Manager, provided that the Manager internalizes the portfolio management services required by the Fund; (iii) in the event that the Portfolio Manager is in material breach of the Portfolio Management Agreement and the material breach has not been cured within 30 Business Days’ notice thereof to the Portfolio Manager; (iv) if there is a dissolution and commencement of winding-up of the Portfolio Manager; (v) if the Portfolio 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 Portfolio Manager or a substantial portion of the assets of the Portfolio Manager; (vi) if the assets of the Portfolio Manager become subject to seizure or confiscation by any public or governmental organization; (vii) if the Portfolio Manager has lost any registration, license or other authorization or cannot rely on an exemption therefrom required by the Portfolio Manager for it to perform the services delegated to it thereunder; or (viii) if the Portfolio Manager acted with wilful misconduct, fraud or negligence.

The Portfolio Management Agreement will not be subject to termination under clause (iii) in the preceding paragraph if a material breach by the Portfolio Manager cannot be cured within 30 Business Days' notice thereof but the Portfolio Manager commences the cure within the 30 Business Day period and completes the cure within 45 days of such notice. In addition, if the Portfolio Manager purchases a security for the Portfolio or takes any other action with respect to the assets of the Portfolio that through inadvertence violates any investment strategy or restriction set forth in the Portfolio Management Agreement and the violation has or will have a material adverse effect on the Portfolio, then it will not be considered a material breach for purposes of the termination right in clause (iii) in the preceding paragraph if the Portfolio Manager takes action that returns the Portfolio to compliance with such investment strategy or restriction within the cure period described above, as the same may be extended by agreement in writing by all the parties to the Portfolio Management Agreement.

The Manager is responsible for payment of the investment management fees of the Portfolio Manager out of the Management Fee. See "Fees and Expenses - Ongoing Fees and Expenses".

The background and experience of the key management officers of Fiera who will be actively involved in the day-to-day management of the Fund are set out below:

François Bourdon, Associate Chief Investment Officer / Vice President, Asset Allocation and Fixed Income. François Bourdon is Associate Chief Investment Officer of Fixed Income, is a member of the Asset Allocation team and shares responsibility for asset allocation decisions. Mr. Bourdon is the lead manager of the Global Macro Fund and also oversees the investment activities of Traditional and Non-Traditional Income strategies. Mr. Bourdon has 17 years of industry experience and has been with the firm since its inception. Prior experience includes positions as Portfolio Manager - Quantitative Research, Director - Sales Strategies and Product Development as well as Actuarial 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.

Nicolas Normandeau, Vice President and Portfolio Manager, Fixed Income. Nicolas Normandeau is a member of the Corporate Fixed Income team and is a portfolio manager for the Corporate Fixed Income strategy. Mr. Normandeau has 9 years of industry experience and has been with the firm and a predecessor since 2009. Prior experience includes 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 Chartered Financial Analyst (CFA) designation.

Conflicts of Interest

The services of the Manager and the Portfolio Manager, and their respective officers and directors are not exclusive to the Fund. The Manager and the Portfolio Manager currently act and may in the future act as the investment fund manager and/or portfolio manager, as applicable, of other funds and may, at any time, engage in the promotion, management or investment management of any other investment fund or account, and provide similar services to other investment funds and other clients and engage in other activities.

Securities held by the Fund may also be held by other investment funds or clients for which the Portfolio Manager or its affiliates provide investment advice. Because of different investment objectives or other factors, a particular security may be bought for one or more investment funds or clients when

one or more other investment funds or clients are selling the same security. If opportunities for purchase or sale of securities by the Portfolio Manager for the Fund or for other investment funds or clients for which the Portfolio Manager renders investment advice arise for consideration at or about the same time, transactions in such securities will be effected, insofar as feasible, for the respective investment funds or clients on an equitable basis in accordance with the Portfolio Manager's trade allocation policy in effect from time to time.

The Fund will refer conflict of interest matters to the Independent Review Committee for review or approval. See "Organization and Management Details of the Fund - Independent Review Committee".

Independent Review Committee

National Instrument 81-107 - *Independent Review Committee for Investment Funds* of the Canadian Securities Administrators ("**NI 81-107**") requires all publicly offered investment funds, such as the Fund, to establish an independent review committee (the "**IRC**"). The IRC 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 IRC functions in accordance with applicable securities law, including NI 81-107. The mandate of the IRC is to review and provide its decisions to the Manager on conflict of interest matters that the Manager has referred to the IRC for review. The Manager is required to identify conflict of interest matters inherent in its management of the Fund and request input from the IRC 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 IRC 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 IRC will report annually to Unitholders which report will be available free of charge upon request to the Manager and will also be posted on Propel's website at www.propelcapital.ca.

Each member of the IRC is paid an annual fee of \$2,500 (the Chair of the IRC is paid an annual fee of \$3,750). These fees and other reasonable expenses of the IRC 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 IRC acts as the independent review committee. The Manager has appointed the following members to the IRC:

Gerry O'Connor: Mr. O'Connor is the founder and President, Blackrock Corporate Services, an independent consulting company specializing in the provision of defined benefit and defined contribution pension plan and investment services to pension plan sponsors. He has more than 20 years of experience in the pension industry.

From 1997 to 2003, his career at Sun Life Assurance Company of Canada included responsibilities as Director, Investment Advisory Services, Group Retirement Services; Director, Planning; AVP Business Development and AVP Retail Integration. From 1995 to 1997, he served as Director and Company Secretary, Canada Starch Company Inc. and Chairman, Pension Committee. His corporate responsibilities included pension plan governance and administration; fiduciary responsibility and due diligence; investment and risk management; compliance with federal and provincial pension legislation; financial reporting; liaison with actuarial firms; employee and pensioner communications. From 2006-2010, he served as Director, The Toronto Board of Trade. He served as a Director, T.E. Financial from 2000 to 2003.

Mr. O'Connor holds a B.A. Degree from the National University of Ireland, University College Dublin (1967).

Mr. O'Connor is the Chair of the IRC.

Mark Leung: Mr. Leung is the Head of Finance & Accounting at INC Early Phase, a division of INC Research, a global clinical research organization. He has more than 20 years of experience in the financial industry.

From 2002 to 2008, he was the chief financial officer at DecisionLine Clinical Research Corporation, a clinical research organization that was acquired by Kendle International Inc. in 2008. From 2000 to 2002, he served as Assistant Director, Accounting, at Syndesis Limited. From 1997 to 2000, he served as controller at Triversity Inc. From 1996 to 1997 he served as financial planning manager at Cotton Ginny Ltd. From 1994 to 1996, he served as financial accounting manager at KFC Canada. From 1989 to 1994, he was an auditor at PricewaterhouseCoopers LLP.

Mr. Leung was a past President and has served as Director, CMHA York Region, since 2002.

Michael Boyd: Mr. Boyd has over 36 years of investment management experience in the Canadian financial services industry in credit, investment banking, venture capital and private equity. He is currently a director of several publicly traded and private companies and serves on two other independent review committees.

Mr. Boyd founded Argosy Bridge Fund L.P. in 2002, an institutionally funded limited partnership specializing in short-term bridge financings, and was managing general partner until 2008. From 1997 to 2002, he served as Managing Director at HSBC Capital (Canada) Inc. and was involved with raising a private equity fund, with \$85 million in assets under management, and managing its investing strategy. During this time, Mr. Boyd was also involved in bridge lending transactions. Prior to 1997, Mr. Boyd served in various capacities at Marleau Lemire Securities Inc., BG Acorn Capital Fund, Citibank Canada, TD Capital Group and RoyNat Inc.

Mr. Boyd has served on the board of directors of a number of public and private companies and is a member of the Institute of Corporate Directors.

Mr. Boyd holds an Honours BA in Philosophy and Psychology from the University of Western Ontario (1974) and an MBA degree from the Ivey School of Business (1976).

The Trustee

Computershare Trust Company of Canada is the Trustee of the Fund. The Trustee is responsible for certain aspects of the administration of the Fund as described in the Declaration of Trust. The address of the Trustee is 100 University Ave, 9th Floor – North Tower, Toronto, Ontario, M5J 2Y1.

The Trustee or any successor trustee may resign upon 90 days' written notice to the Manager or may be removed by an Extraordinary Resolution passed at a meeting of Unitholders called for such purpose. Any such resignation or removal will become effective only on the appointment of a successor trustee. If, after notice of resignation has been received from the Trustee, no successor has been appointed within 90 days of such notice, the Trustee, the Manager or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor trustee. In addition, the Manager may remove the Trustee in accordance with the Declaration of Trust, including if the Trustee ceases to be a resident in Canada for the purposes of the Tax Act. The Manager will provide notice of such event upon at least 30

days' notice to Unitholders of such termination by way of press release. Any such termination will become effective only on the appointment of a successor trustee by the Manager.

Pursuant to the Declaration of Trust, the Trustee is required to exercise its powers and discharge its duties 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 trustee would exercise in comparable circumstances. The Declaration of Trust of each of the Fund provides that the Trustee will not be liable in carrying out its duties under the relevant Declaration of Trust except in cases of wilful misconduct, bad faith, negligence or the disregard of its obligations or duties or breach of its standard of care and duty. The Declaration of Trust of the Fund provides that the Trustee will not be liable in any way for any default, failure or defect in any of the securities of the Portfolio if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Trustee 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 the Trustee or any of its officers, directors or employees in the exercise of its duties under the relevant Declaration of Trust, except those resulting from such person's wilful 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. In addition, the Declaration of Trust of each of the Fund contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The Trustee is entitled to receive fees from the Fund as described under "Fees and Expenses - On-going Expenses" 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.

The Custodian

NBCN Inc. (the "Custodian"), at its principal offices in Toronto, Ontario, will be appointed the custodian and valuation agent of the Fund's assets on or prior to the Closing Date pursuant to the Custodian Agreement. The Custodian may employ sub-custodians as considered appropriate in the circumstances.

The Manager or the Custodian may terminate the Custodian Agreement without any penalty: (a) upon at least 90 days' written notice or such lesser notice as the other may agree to; or (b) immediately, if (i) any party to the agreement becomes insolvent, or makes, an assignment for the benefit of creditors, (ii) a petition in bankruptcy is filed by or against that party and is not discharged within 30 days, or (iii) proceedings for the appointment of a receiver for that party are commenced and not discontinued within 30 days.

The Custodian shall exercise the same degree of care, diligence and skill in the safekeeping of the Fund's accounts and providing the services described under the Custodian Agreement that a reasonably prudent person would exercise in the circumstances, or, if higher, the degree of care, diligence and skill that the Custodian uses in respect of its own property of a similar nature in its custody.

The Custodian shall indemnify and hold harmless the Manager and the Fund in respect of all direct loss, damage or expense arising out of any breach of the standard of care (as previously set forth) by the Custodian, provided, however, that the liability for any loss, damage or expense to which the above indemnity would apply shall be limited as follows: (a) in the case of a loss of a security, the security shall be replaced where commercially practicable and reasonably feasible; (b) where replacement of such security is not commercially practicable and reasonably feasible, the Manager shall be paid the market value of such security at the time the loss is discovered; and (c) in any other case, the amount of any

interest or income arising from the security to which the Manager or the Fund, as the case may be, is entitled, but which is not received by the Manager of the Fund shall be paid to it.

In addition to and without derogation from any other indemnity afforded to any of them under the Custodian Agreement or otherwise by law, the Fund shall indemnify and hold harmless the Custodian, from any loss, damage or expense, including reasonable counsel fees and expenses, arising in connection with the Custodian Agreement, except to the extent caused by a breach of the standard of care as set forth in this section.

Auditor

The auditor of the Fund is PricewaterhouseCoopers LLP, Chartered Accountants at its principal address PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, M5J 0B2.

Transfer Agent and Registrar

Computershare Investor Services Inc. will be appointed the registrar, transfer agent and distribution agent for the Units on or prior to the Closing Date. The register and transfer ledger for the Units will be kept by the Transfer Agent, at their principal offices located in Toronto, Ontario.

Promoter

Propel 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, Propel will not receive any benefits, directly or indirectly, from the issuance of the Units offered hereunder. See “Fees and Expenses”.

CALCULATION OF NET ASSET VALUE

The NAV of the Fund on a particular date will be equal to the aggregate fair value of the assets of the Fund less the aggregate fair value of the liabilities of the Fund expressed in Canadian dollars. The NAV per Unit on any day will be obtained by dividing the NAV of the Fund on such day by the number of Units then outstanding.

The NAV and NAV per Unit will be calculated as of 4:00 p.m. (Toronto time) (the “**Valuation Time**”) every Business Day (each, a “**Valuation Date**”).

Valuation Policies and Procedures of the Fund

In determining the NAV of the Fund at any time:

- (a) the value of any cash on hand or on deposit, bill, demand note, account receivable, prepaid expense, distribution, dividend or other amount received (or declared to Unitholders of record of securities owned by the Fund on a date before the Valuation Date as of which the NAV is being determined, and to be received) and interest accrued and not yet received shall be deemed to be the full amount thereof provided that if the Manager has determined that any such deposit, bill, demand note, account receivable, prepaid expense, distribution, dividend or other amount received (or declared to Unitholders of record of securities owned by the Fund on a date before the Valuation Date as of which the NAV is being determined, and to be received) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof

shall be deemed to be such value as the Valuation Agent, with input from the Manager, determines to be the fair market value thereof;

- (b) the value of any bonds, debentures or other debt obligations shall be valued by taking the average of the bid and ask prices on a Valuation Date at such times as the Valuation Agent, with input from the Manager, in its discretion, deems appropriate. Short-term investments including notes and money market instruments shall be valued at cost plus accrued interest;
- (c) the value of any security that is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Manager) shall be determined by taking the latest available sale price of recent date or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Valuation Agent, with input from the Manager, such value does not reflect the value thereof, in which case the latest offer price or bid price will be used), as at the Valuation Date on which the Total Assets of the Fund are being determined, all as reported by any means in common use;
- (d) the value of any security which is traded over-the-counter will be priced at the average of the last bid and asked prices quoted by a major dealer or recognized information provider in such securities;
- (e) the value of a futures contract shall be the gain or loss with respect thereto that would be realized if, on the Valuation Date, the position in the futures contract were closed out unless "daily limits" are in effect, in which case fair value shall be based on the current market value of the underlying interest;
- (f) the value of any security or other asset for which a market quotation is not readily available will be its fair market value on the Valuation Date on which the Total Assets of the Fund are being determined, as determined by the Valuation Agent, with input from the Manager (generally the Valuation Agent will value such security at cost until there is a clear indication of an increase or decrease in value);
- (g) any market price reported in currency other than Canadian dollars shall be translated into Canadian currency at the rate of exchange available to the Fund from the Custodian on the Valuation Date on which the NAV is being determined; and
- (h) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Valuation Agent, with input from the Manager, and investments in private companies and other assets for which no published market exists will be valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the Valuation Agent.

The value of any security or property to which, in the opinion of the Valuation Agent, with input from the Manager, the above principles cannot be applied or are inappropriate (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair market value thereof determined in good faith in such manner as the Valuation Agent, with input from the Manager, from time to time adopts.

The NAV of the Fund and NAV per Unit will be calculated in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Fund may obtain. The rules and policies may differ from Canadian generally accepted accounting principles (“GAAP”), or International Financial Reporting Standards (“IFRS”) when applicable, used for the preparation of annual or interim financial statements to Unitholders.

Reporting of Net Asset Value

The Fund’s Net Asset Value 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.propelcapital.ca.

DESCRIPTION OF THE UNITS

The Offering consists of a minimum of 800,000 Units and a maximum of 6,000,000 Units. The following is a summary of the material attributes and characteristics of the Units as set out in the Declaration of Trust. This summary does not purport to be complete and is subject to, and qualified by, the terms of the Declaration of Trust.

Description of the Units Distributed

The Fund is authorized to issue an unlimited number of transferable, redeemable Units, issuable in classes, which evidence the proportionate ownership interest of a Unitholder in the capital of the Fund. 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.

Except as provided under “Unitholder Matters – Non-Resident Unitholders”, each Unit entitles the Unitholder to the same rights and obligations as a holder of any other Unit and no Unitholder is entitled to any privilege, priority or preference in relation to any other Unitholder. Each Unitholder is entitled to one vote for each Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, if any. Any special distributions of net income and/or realized net capital gains payable in Units will increase the aggregate adjusted cost base of a Unitholder’s Units. See “Income Tax Considerations”. Immediately after a *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will automatically be consolidated such that each Unitholder will hold, after the consolidation, the same number of Units as the Unitholder held before the non-cash distribution, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution. On termination or liquidation of the Fund, the Unitholders of record are entitled to receive on a *pro rata* basis all of the assets of the Fund remaining after payment of all liabilities of the Fund.

No holder of a fraction of a Unit, as such, is entitled to notice of, or to attend or to vote at, meetings of Unitholders, except to the extent that such fractional Units may represent in the aggregate one or more whole Units.

Units are transferable and, in certain circumstances, redeemable at the option of the Fund. Unitholders have rights of redemption and will be entitled to receive distributions declared by the Fund. See “Redemption of Units” and “Distribution Policy”.

On December 16, 2004, the *Trust Beneficiaries’ Liability Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default,

obligation or liability of the trust if, when the act or default occurs or the liability arises (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 is a reporting issuer under the *Securities Act* (Ontario) and it is governed by the laws of Ontario as a result of the provisions of the Declaration of Trust.

The Declaration of Trust provides that the Fund may not issue additional Units (or securities convertible into or exchangeable for Units) following completion of the Offering except: (i) at a price that yields net proceeds per Unit to the Fund of not less than 100% of NAV per Unit calculated immediately prior to the pricing of such offering; (ii) by way of Unit distributions; or (iii) with the approval of Unitholders.

Market Purchases

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 and stock exchange requirements and limitations. It is expected that such purchases, if made, will be made as normal course issuer bids through the facilities and under the rules of the exchange or market on which the Units are listed, if applicable, as provided for in the Declaration of Trust or as otherwise permitted by applicable securities laws.

Following the closing of this Offering, the Fund may submit an application to the Canadian securities regulatory authorities to obtain the necessary regulatory approvals in order that the Fund may arrange for one or more securities dealers to find purchasers for any such Units. There is no guarantee that the Fund will make such application or, if made, receive the necessary regulatory and stock exchange approvals.

Book-Entry Only System

Registration of interests in, and transfers of, the Units will be made only through non-certificated interests issued under the Book-Entry Only System. On the Closing Date, Non-certificated interests representing the aggregate number of Units subscribed for under the Offering will be recorded in the name of CDS, or its nominee, on the register of the Fund maintained by the Transfer Agent. Units must be purchased, converted, transferred and surrendered for redemption through a CDS Participant. All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholders are entitled will be made or delivered by, CDS or the CDS Participant through which the Unitholder holds such Units. Upon purchase of any Units, the Unitholder will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Units are purchased.

The Fund, the Manager, and the Agents will not have any liability for (i) records maintained by CDS relating to the beneficial interests in the Units or the book-based 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 or given by CDS and 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 ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such holder's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

Purchase for Cancellation or Resale

Subject to applicable law, the Fund may at any time or times purchase Units for cancellation at prices per Unit not exceeding the NAV per Unit on the Business Day immediately prior to such purchase up to a maximum in any 12 month period of 10% of the outstanding public float of Units.

UNITHOLDER MATTERS

The following description of the Declaration of Trust does not purport to be complete and is subject to, and is qualified in its entirety by, the terms of the Declaration of Trust.

Meetings of Unitholders

A meeting of Unitholders may be convened by the Manager at any time and must be convened if requisitioned by Unitholders holding not less than 10% of the Units then outstanding by a written requisition specifying the purpose of the meeting. Not less than 21 days' and not more than 50 days' notice will be given of any meeting of Unitholders. The quorum at any such meeting is one or more Unitholders present in person or by proxy holding not less than 5% of the outstanding Units. Quorum for a meeting held to consider an Extraordinary Resolution is one or more Unitholders present in person or by proxy holding not less than 15% of the outstanding Units. If no quorum is present at such meeting when called, the meeting, if called on the requisition of Unitholders, will be terminated and otherwise will be adjourned for not more than 10 days and at the adjourned meeting the Unitholders then present in person or represented by proxy will form the necessary quorum. At any such meeting, each Unitholder will be entitled to one vote for each whole Unit registered in the Unitholder's name.

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

Pursuant to the Declaration of Trust, the following matters require the approval of Unitholders by an Extraordinary Resolution:

- (i) a change in the investment objectives of the Fund as described under "Investment Objectives";
- (ii) a change in the investment strategies of the Fund as described under "Investment Strategies";
- (iii) a change in the investment restrictions of the Fund as described under "Investment Restrictions";
- (iv) any change in the basis of calculating fees or other expenses that are charged to the Fund which could result in an increase in charges to the Fund other than a fee or expense charged by a person or company that is at arm's length to the Fund;
- (v) except as described under "Organization and Management Details of the Fund - The Manager of the Fund", a change in the Manager of the Fund, other than a change resulting in an affiliate of such person assuming such position;

- (vi) except as described under “Organization and Management Details of the Fund – The Trustee”, a change in the Trustee of the Fund, other than a change resulting in an affiliate of such person assuming such position;
- (vii) a reorganization (other than a Permitted Merger (as defined herein)) with, or transfer of assets to, a mutual fund trust, if:
 - (a) the Fund ceases to continue after the reorganization or transfer of assets; and
 - (b) the transaction results in Unitholders becoming unitholders in a mutual fund trust;
- (viii) a reorganization (other than a Permitted Merger) with, or acquisition of assets of, a mutual fund trust, if:
 - (a) the Fund continues after the reorganization or acquisition of assets;
 - (b) the transaction results in the unitholders of the mutual fund trust becoming Unitholders; and
 - (c) the transaction would be a significant change to the Fund;
- (ix) a termination of the Fund, other than as described under “Termination of the Fund” or in connection with a Permitted Merger;
- (x) an amendment, modification or variation in the provisions or rights attaching to the Units;
- (xi) the issuance of additional Units, either directly or indirectly through securities convertible into or exchangeable for such Units, at a price that yields net proceeds per Unit less than 100% of the most recently calculated NAV per Unit calculated immediately prior to the pricing of such issuance, other than by way of Unit distribution; or
- (xii) a reduction in the frequency of calculating the NAV per Unit.

In addition, the Manager may, without obtaining Unitholder approval, merge the Fund (a “**Permitted Merger**”) with another fund or funds, provided that:

- (i) the fund(s) with which the Fund is merged must be managed by the Manager or an affiliate of the Manager (the “**Affiliated Fund(s)**”);
- (ii) Unitholders are permitted to redeem their Units at a redemption price equal to 100% of the NAV per Unit, less any costs of funding the redemption, including commissions prior to the effective date of the merger;
- (iii) the funds being merged have similar investment objectives as set forth in their respective declarations of trust, as determined in good faith by the Manager in its sole discretion;
- (iv) the Manager must have determined in good faith that there will be no increase in the management expense ratio borne by the Unitholders as a result of the merger;

- (v) the merger of the funds is completed on the basis of an exchange ratio determined with reference to the net asset value per unit of each fund; and
- (vi) the merger of the funds must be capable of being accomplished on a tax-deferred rollover basis for Unitholders.

If the Manager determines that a merger is appropriate and desirable, the Manager can effect the merger, including any required changes to the Declaration of Trust, without seeking Unitholder approval for the merger or such amendments. If a decision is made to merge, the Manager will issue a press release at least thirty (30) Business Days prior to the proposed effective date thereof disclosing details of the proposed merger. While the funds to be merged will have similar investment objectives, the funds may have different investment strategies, guidelines and restrictions and, accordingly, the units of the merged funds will be subject to different risk factors.

The Unitholders will also be permitted to vote on any modification, amendment, alteration or deletion of rights, privileges or restrictions attaching to the Units which would have a material adverse effect on the interest of the Unitholders. No amendment may be made to the Declaration of Trust which would have the effect of reducing the expenses reimbursable to the Manager or terminating the Manager unless the Manager, in its sole discretion, consents.

Amendments to the Declaration of Trust

Notwithstanding the foregoing, the Trustee is entitled to amend the Declaration of Trust without the consent of, or notice to, the Unitholders, to:

- (i) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law, regulation or requirements of any governmental authority applicable to or affecting the Fund;
- (ii) 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;
- (iii) bring the Declaration of Trust into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities or investment fund industries, provided such amendments do not in the opinion of the Manager adversely affect the pecuniary value of the interest of the Unitholders or restrict any protection for the Trustee or the Manager or increase their respective responsibilities;
- (iv) maintain the status of the Fund as a “mutual fund trust” for the purposes of the Tax Act or to respond to amendments to such Act or to the interpretation or administration thereof; or
- (v) provide added protection or benefit to Unitholders.

Reporting to Unitholders

The Fund will furnish to Unitholders such financial statements (including interim unaudited and annual audited financial statements, accompanied by management reports of fund performance) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders’ tax returns under the Tax Act and equivalent provincial legislation. Such financial statements and reports will also be available on the Manager’s website at www.propelcapital.ca.

The Fund will comply with all of the continuous disclosure requirements applicable to it as a reporting issuer under applicable securities laws. Prior to any meeting of Unitholders, the Fund will provide to Unitholders (along with notice of such meeting) all such information as is required by applicable law to be provided to Unitholders.

Accounting and Reporting

The Fund’s fiscal year will be the calendar year. The annual financial statements of the Fund shall be audited by the Fund’s auditor in accordance with GAAP or IFRS, as applicable. The auditor will be asked to report on the fair presentation of the annual financial statements in accordance with Canadian generally accepted accounting principles. The Manager will ensure that the Fund complies with all applicable reporting and administrative requirements, including preparing and issuing unaudited interim financial statements.

The Manager will keep adequate books and records reflecting the activities of the Fund. A Unitholder or his or her duly authorized representative will have the right to examine the books and records of the Fund during normal business hours at the offices of the Manager. Notwithstanding the foregoing, a Unitholder shall not have access to any information that, in the opinion of the Manager, should be kept confidential in the interests of the Fund.

TERMINATION OF THE FUND

The Fund does not have a fixed termination date. Pursuant to the Declaration of Trust, the Fund may be terminated at any time by the Manager provided that the prior approval of Unitholders has been obtained by a simple majority vote at a meeting called and held for such purpose (an “**Ordinary Resolution**”) passed at a meeting of Unitholders called for that purpose; provided, however, that the Manager may, in its discretion, terminate the Fund without the approval of Unitholders if, in the opinion of the Manager, it is no longer economically practical to continue the Fund or it would be in the best interests of the Fund. Upon termination, the net assets of the Fund will be distributed to Unitholders on a pro rata basis. Immediately prior to the termination of the Fund, including on the termination date, the Manager will, to the extent possible, convert the assets of the Fund to cash and after paying or making adequate provision for all of the Fund’s liabilities, distribute the net assets of the Fund to the Unitholders as soon as practicable after the date of termination. Any unliquidated assets may be distributed in specie rather than in cash, subject to compliance with any securities or other laws applicable to such distributions. See “Description of the Units” and “Unitholder Matters – Matters Requiring Unitholder Approval”.

The Declaration of Trust provides that prior to the termination of the Fund, the Manager will dispose of all of its assets and will satisfy or make appropriate provision for all liabilities of the Fund. The Declaration of Trust provides that the Manager may, in its discretion and upon not less than 30 days’ prior written notice to Unitholders, postpone any termination date by a period of up to 180 days if the Manager determines that it will be unable to convert all of its assets to cash prior to any termination date and the Manager determines that it would be in the best interests of Unitholders to do so.

USE OF PROCEEDS

The net proceeds from the sale of Units (prior to the exercise of the Over-Allotment Option) will be as follows:

| | Maximum Offering ^{(1) (2)} | Minimum Offering ⁽¹⁾ |
|----------------------------|--|--|
| Gross Proceeds to the Fund | \$150,000,000 | \$20,000,000 |

| | | |
|---|---------------|--------------|
| Agents' fee | \$7,875,000 | \$1,050,000 |
| Expenses of the Offering ⁽³⁾ | \$750,000 | \$300,000 |
| Net proceeds to the Fund | \$141,375,000 | \$18,650,000 |

Notes:

⁽¹⁾ There will be no Closing unless a minimum of 800,000 Units are sold. The maximum Offering assumes 6,000,000 Units are sold. If subscriptions for a minimum of 800,000 Units have not been received within 90 days following the date of issuance of a final receipt for this prospectus, this Offering may not continue unless an amendment to this prospectus is filed.

⁽²⁾ The Fund has granted to the Agents an Over-Allotment Option, exercisable for a period of 30 days from the Closing Date, to purchase additional Units, at a price of \$25.00 per Unit, in an amount up to 15% of the aggregate number of Units issued at Closing on the same terms as set forth above solely to cover over-allotments, if any. To the extent that the Over-Allotment Option is exercised, the Agents will be entitled to a fee equal to \$1.3125 per Unit, and if exercised in full, under the maximum Offering, the price to the public, the Agents' fee and the net proceeds to the Fund before deducting the expenses of the Offering will be \$172,500,000, \$9,056,250 and \$163,443,750 respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Agents' over-allocation position acquires such 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".

⁽³⁾ Subject to a maximum of 1.5% of the gross proceeds of the Offering.

The Fund will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option), together with any Borrowings, to acquire Portfolio Securities in accordance with the investment objectives and restrictions of the Fund as soon as possible after Closing.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents have agreed to conditionally offer the Units for sale, as agents of the Fund, on a best efforts basis, if, as and when issued by the Fund. The Agents will receive a fee equal to \$1.3125 per Unit sold and will be reimbursed for reasonable out-of-pocket expenses incurred by them. The Agents may form a sub-agency group including other qualified investment 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 Units that are not sold.

The Offering price of \$25.00 per Unit was established by negotiation between the Agents and the Manager. There is currently no market through which the Units can be sold.

The Fund has granted the Agents an option (the "**Over-Allotment Option**"), exercisable for a period of 30 days from the closing of the Offering to purchase up to 15% of the aggregate number of the Units issued at the Closing on the same terms as set forth above. This prospectus also qualifies the distribution of the Over-Allotment Option and the Units issuable on the exercise thereof. The Agents may exercise the Over-Allotment Option in whole or in part at any time on or before the close of business on the 30th day following the Closing. To the extent that the Over-Allotment Option is exercised, the additional Units will be offered at the offering price hereunder and the Agents will be entitled to a fee of \$1.3125 per Unit purchased.

If subscriptions for a minimum of 800,000 Units (\$20,000,000) 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 is filed. There will be no Closing unless a minimum number of 800,000 Units has been 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. In the event the minimum offering is not achieved by the Fund and the necessary consents are not obtained or if the Closing does not occur for any reason, subscription proceeds received from prospective purchasers will be returned to such purchasers

promptly without interest or deduction. Subscriptions for Units will be received subject to rejection or allotment in whole or in part. Subscription proceeds pursuant to the Offering will be received by the Agents and held in trust in a segregated account until subscriptions for the minimum Offering are received and the other closing conditions of the Offering have been satisfied. The right is reserved to close the subscription books at any time without notice. Closing is expected to occur on or about May 8, 2013, but, in any event, not later than 90 days after a receipt for the final prospectus is issued. The TSX has conditionally approved the listing of the Units, subject to the Fund fulfilling all of the requirements of the TSX on or before June 17, 2013.

This prospectus qualifies the distribution by the Fund of the Units. Purchases of Units are subject to certain ownership restrictions as set out in the Declaration of Trust. See “Unitholders Matters – Non-Resident Unitholders”.

Pursuant to policy statements of the Ontario Securities Commission and the Autorité des marchés financiers, the Agents may not, throughout the period of distribution under this prospectus, bid for or purchase Units. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market making activities and a bid or purchase made for or on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing and applicable laws an Agent may, in connection with this Offering, over-allot or effect transactions in connection with its over-allotted position. Such transactions, if commenced, may be discontinued at any time.

Pursuant to the Agency Agreement, the Fund and the Manager have agreed to indemnify the Agents and their controlling persons, directors, officers and employees against certain liabilities.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Each of the Manager, the Portfolio Manager and the Trustee will receive fees from the Fund for its services and will be reimbursed by the Fund for all reasonable expenses and liabilities incurred in connection with the operation and management of the Fund. See “Fees and Expenses”.

PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD

The Manager has delegated the right and obligation to vote proxies relating to the Portfolio Securities to the Portfolio Manager as part of the Portfolio Manager’s portfolio management responsibilities.

The Portfolio Manager has established a proxy voting policy (the “**Proxy Voting Policy**”) that provides that the Portfolio Manager will vote the Portfolio Securities in the best interests of its clients, including the Fund and its Unitholders.

The Portfolio Manager has established detailed proxy voting guidelines covering both routine and non-routine matters and maintains procedures to monitor for upcoming votes. When a pending vote is identified, an analyst reviews the ballot, along with supplemental information about the vote provided by third party vendors and research providers. The analyst makes the voting decision. If the analyst votes in contravention of the Portfolio Manager’s guidelines, the rationale must be documented and approved by a senior portfolio manager.

The Proxy Voting Policy also outlines the specific responsibilities of third party service providers for administration and recordkeeping services. The Portfolio Manager will identify any conflicts in

voting proxies which may exist between the interests of the Portfolio Manager and its clients, including the Fund. If a material conflict exists CBRE Clarion will determine whether voting in accordance with its voting guidelines is in the best interests of its clients (or particular affected clients).

The Manager will publish these records on an annual basis, commencing in 2013, on its website at www.propelcapital.ca. A copy of the Proxy Voting Policy is available on request by contacting the Manager at 1-866-995-0050.

MATERIAL CONTRACTS

The following contracts can reasonably be regarded as material to purchasers of Units:

- (a) the Declaration of Trust described under "Organization and Management Details of the Fund", "Description of the Units" and "Unitholder Matters";
- (b) the Agency Agreement described under "Plan of Distribution";
- (c) the Management Agreement described under "Organization and Management Details of the Fund - Manager of the Fund - Duties and Services to be Provided by the Manager to the Fund";
- (d) the Portfolio Management Agreement described under "Organization and Management Details of the Fund; and
- (e) the Custodian Agreement described under "Organization and Management Details of the Fund".

Copies of the foregoing documents, 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. Any of the foregoing contracts that are not executed prior to the filing of this prospectus will be filed with the securities regulatory authorities forthwith after such contract is entered into.

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 Stikeman Elliott LLP, on behalf of the Fund and McCarthy Tétrault LLP, on behalf of the Agents.

The auditor of the Fund is PricewaterhouseCoopers LLP, Chartered Accountants, who have prepared an independent auditor's report dated April 19, 2013 on the statement of financial position of the Fund as of April 19, 2013. PricewaterhouseCoopers LLP is independent with respect to the Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

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 adviser.

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INDEPENDENT AUDITOR'S REPORT

To the Unitholder and the Trustee of North American Preferred Share Fund (the "Fund")

We have audited the accompanying Statement of Financial Position of the Fund as at April 19, 2013 and the related notes, which comprise a summary of significant accounting policies and other explanatory information (the financial statement).

Management's responsibility for the financial statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the 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 auditors' 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 April 19, 2013 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
April 19, 2013

(Signed) PRICEWATERHOUSECOOPERS LLP
Chartered Accountants
Licensed Public Accountants

NORTH AMERICAN PREFERRED SHARE FUND

STATEMENT OF FINANCIAL POSITION

As at April 19, 2013

ASSETS

| | |
|------|----------------|
| Cash | <u>\$25.00</u> |
|------|----------------|

UNITHOLDER'S EQUITY

| | |
|---------------------------------------|----------------|
| Unitholder's Equity (1 Unit) (Note 1) | <u>\$25.00</u> |
|---------------------------------------|----------------|

| | |
|---------------------------------|----------------|
| NET ASSET VALUE PER UNIT | <u>\$25.00</u> |
|---------------------------------|----------------|

Approved by the Manager:

PROPEL CAPITAL CORPORATION

(Signed) RAJ LALA
Director

(Signed) KRISTA MATHESON
Director

The accompanying notes are an integral part of these financial statements.

NORTH AMERICAN PREFERRED SHARE FUND

NOTES TO STATEMENT OF FINANCIAL POSITION

1. ORGANIZATION AND UNITHOLDER'S EQUITY

North American Preferred Share Fund (the "**Fund**") was established under the laws of the Province of Ontario by an amended and restated declaration of trust made as of April 19, 2013 (the "**Declaration of Trust**"). The Manager of the Fund is Propel Capital Corporation ("**Propel**" or the "**Manager**"). The Fund is authorized to issue an unlimited number of redeemable, transferable trust units of the Fund (the "**Units**"), issuable in classes. On February 28, 2013, the Fund issued one Unit for \$25.00 cash to a director of the Manager. The trustee of the Fund is Computershare Trust Company of Canada.

The Fund's investment objectives are to provide holders of Units ("**Unitholders**") with:

- (a) stable monthly cash distributions; and
- (b) preservation of capital.

The Fund has been created to invest in an actively managed portfolio consisting principally of Canadian and U.S. preferred shares (the "**Portfolio**").

Fiera Capital Corporation ("**Fiera**" or "**Portfolio Manager**"), as portfolio manager, will actively manage the Portfolio with the intention of preserving capital while generating current income. The Portfolio Manager intends to acquire preferred shares of North American issuers in the new issue and secondary markets. The Fund may also invest up to 20% of Total Assets in North American fixed income securities, including high yield bonds, convertible debentures and equities. The Portfolio Manager will use tactical asset allocation to determine the relative weights of the Canadian preferred shares and the U.S. preferred shares based on the relative attractiveness of each market, while also taking into account criteria such as the credit quality, liquidity, and overall duration of the Portfolio.

The Fund may borrow under a loan facility or prime broker facility ("**Borrowings**") to purchase additional assets for the Portfolio. At the time such leverage is incurred, the maximum leverage the Fund may utilize, or be exposed to, is 30% of Total Assets or 1.43 to 1 (total long positions (including leveraged positions) divided by net assets of the Fund). The aggregate leverage of the Fund that can be obtained through Borrowings, determined at the time of borrowing, will not exceed 30% of Total Assets (the "**Leverage Threshold**"). Derivatives and short sales, that the Fund is restricted to using solely for the purposes of hedging (as such term is defined in NI 81-102), will not be included in the Leverage Threshold calculation. If at any time leverage exceeds the Leverage Threshold, the Portfolio Manager will, as soon as practicable thereafter, cause the leverage to be reduced below such threshold. Initially, the Fund is expected to employ leverage of approximately 30% of Total Assets.

2. SIGNIFICANT ACCOUNTING POLICIES

"**Net Asset Value of the Fund**" on a particular date will be equal to (i) the aggregate fair value of the assets of the Fund as determined in accordance with the terms of the Declaration of Trust (the "**Total Assets**"), less (ii) the aggregate fair value of the liabilities of the Fund. "**Net Asset Value per Unit**" means the Net Asset Value of the Fund divided by the number of Units then outstanding.

The financial statement of the Fund has been prepared in accordance with Canadian generally accepted accounting principles.

3. AGENCY AGREEMENT AND CUSTODIAN

The Fund and the Manager have entered into an agency agreement with CIBC World Markets Inc., National Bank Financial Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., GMP Securities L.P., Scotia Capital Inc., TD Securities Inc., Macquarie Private Wealth Inc., Raymond James Ltd., Canaccord Genuity Corp., Desjardins Securities Inc., Dundee Securities Ltd. and Manulife Securities Incorporated (collectively, the “**Agents**”) and Fiera Capital Corporation (the “**Portfolio Manager**”) dated as of April 19, 2013 pursuant to which the Fund has agreed to create, issue and sell, and the Agents have agreed to offer for sale to the public, a minimum of 800,000 Units and a maximum of 6,000,000 Units at \$25.00 per Unit.

The Fund will retain NBCN Inc. (the “**Custodian**”) under a custodial services agreement between the Manager and the Custodian, as it may be amended from time to time.

4. MANAGEMENT FEES AND OTHER EXPENSES

The Agents’ fee will be \$1.3125 per Unit (or 5.25%). In addition to the Agents’ fee, the Fund will pay the expenses incurred in connection with the Offering (subject to a maximum of 1.5% of the gross proceeds of the Offering). The issue costs will be recorded as a charge against capital.

The Manager will receive a management fee from the Fund equal to 0.85% per annum of the Net Asset Value of the Fund (the “**Management Fee**”), calculated daily and payable monthly in arrears plus applicable taxes.

The Portfolio Manager will act as portfolio manager to the Fund. The Manager will pay a portion of the Management Fee to the Portfolio Manager and no further fees will be payable to the Portfolio Manager by the Fund.

The Fund will pay for all ordinary expenses incurred in connection with its operation and administration.

Any arrangements for additional services between the Fund and the Manager, or any affiliate thereof, that have not been described in this prospectus will be on terms that are no less favourable to the Fund than those available from arm’s length persons (within the meaning of the Tax Act) for comparable services and the Fund will pay all expenses associated with such additional services.

5. UNITHOLDER EQUITY

Purchase of Units

Prospective purchasers may acquire Units either by (i) cash payment or (ii) an exchange of freely tradeable securities of any issuer listed below (each, an “**Exchange Eligible Issuer**”). The maximum number of securities of any one Exchange Eligible Issuer that the Fund may acquire under the Offering pursuant to an exchange of securities of an Exchange Eligible Issuer is the lesser of (i) that number of securities with a fair market value which constitutes 9.9% of the equity value of such Exchange Eligible Issuer for purposes of section 122.1 of the Tax Act; and (ii) that number which would constitute 10% of the Total Assets (such lesser number being referred to as the “**Maximum Ownership Level**”). To the extent the Maximum Ownership Level has been achieved in respect of the securities of any one Exchange Eligible Issuer, and an excess of securities of such Exchange Eligible Issuer above the Maximum Ownership Level has been deposited and not rescinded, then the securities of such Exchange Eligible Issuer will be accepted by the Manager up to the Maximum Ownership Level and the balance will be re-credited pro rata to purchasers’ accounts through CDS.

Annual Redemption

Annual Redemption: Commencing in 2014, Units may be surrendered annually for redemption during the period from October 15th until 5:00 p.m. (Toronto time) on the last Business Day of October of each year (the “**Notice Period**”). Subject to the Fund’s right to suspend redemptions in certain circumstances, Units properly surrendered for redemption during the Notice Period will be redeemed on the second last Business Day in November of each year (the “**Annual Redemption Date**”) and the Unitholder will receive a redemption price per Unit equal to 100% of the NAV per Unit as determined on the Annual Redemption Date, less any costs associated with the redemption, including commissions and such other costs, if any, on or before the Redemption Payment Date.

Monthly Redemptions

Units may be redeemed at the option of Unitholders on the second last Business Day of each month (other than the Annual Redemption Date) (the “**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 or before the 15th Business Day of the month following the Monthly Redemption Date, subject to the Manager’s right to suspend redemptions in certain circumstances. Unitholders surrendering a Unit for redemption, except in connection with the Annual Redemption Date, will receive the redemption price per Unit equal to the lesser of (i) 95% of the weighted average trading price of the Units on the principal exchange or market on which the Units are quoted for trading for the 10 Business Days immediately preceding the applicable Monthly Redemption Date and (ii) 100% of the closing market price of a Unit on the applicable Monthly Redemption Date, less, in each case, any costs and expenses incurred by the Fund in order to fund such redemption. The “closing market price” means, on a particular date: (i) an amount equal to the closing price of the Units on the principal exchange or market on which the Units are quoted for trading if there was a trade on such date and the exchange or market provides a closing price; (ii) an amount equal to the weighted average of the highest and lowest prices of the Units if there was trading on such date on the principal exchange or market on which Units are quoted for trading and the exchange or market provides only the highest and lowest trading prices of the Units traded on such date; or (iii) the weighted average of the last bid and last asking prices if there was no trading on the date.

Market Purchases

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 and stock exchange requirements and limitations. It is expected that such purchases, if made, will be made as normal course issuer bids through the facilities and under the rules of the exchange or market on which the Units are listed, if applicable, as provided for in the Declaration of Trust or as otherwise permitted by applicable securities laws.

Following the closing of the offering, the Fund may submit an application to the Canadian securities regulatory authorities to obtain the necessary regulatory approvals in order that the Fund may arrange for one or more securities dealers to find purchasers for any such Units. There is no guarantee that the Fund will make such application or, if made, receive the necessary regulatory and stock exchange approvals.

Distributions

The Fund intends to make monthly cash distributions to Unitholders of record on the last Business Day of each of month, commencing in June, 2013. Distributions will be paid on a Business Day designated by the Manager that will be no later than the 15th day of the following month. The Fund will not have a fixed monthly distribution amount but intends to at least annually in December each year determine and announce expected monthly distributions for the following calendar year based on the Manager and Portfolio Manager's estimate of distributable cash flow in the Fund.

The Fund will not have a fixed distribution amount. The amount of monthly distributions will be based on the Manager and the Portfolio Manager's (as defined herein) estimate of distributable cash flow in the Fund for the period.

6. SUBSEQUENT EVENT

As set forth in this prospectus, the Fund proposes to issue a minimum of 800,000 Units and a maximum of 6,000,000 Units at a price of \$25.00 per Unit. The Fund has granted to the Agents an option exercisable for a period of 30 days following the closing of the offering of the Units to purchase additional Units in an amount up to 15% of the aggregate number of Units issued at the closing of the offering on the same terms as the offering of Units to cover over-allotments, if any.

CERTIFICATE OF THE FUND, THE MANAGER AND THE PROMOTER

Dated: April 19, 2013

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 each of the provinces and territories of Canada.

**NORTH AMERICAN PREFERRED SHARE FUND
by its Manager, Propel Capital Corporation**

(Signed) RAJ LALA
President and Chief Executive
Officer

(Signed) KRISTA MATHESON
Senior Vice President and Chief
Financial Officer

On behalf of the Board of Directors of
Propel Capital Corporation

(Signed) MICHAEL SIMONETTA
Director

(Signed) KEITH CRONE
Director

**PROPEL CAPITAL CORPORATION
(as Promoter)**

(Signed) RAJ LALA
President and Chief Executive
Officer

(Signed) KRISTA MATHESON
Senior Vice President and Chief
Financial Officer

On behalf of the Board of Directors of
Propel Capital Corporation

(Signed) MICHAEL SIMONETTA
Director

(Signed) KEITH CRONE
Director

CERTIFICATE OF THE AGENTS

Dated: April 19, 2013

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 each of the provinces and territories of Canada.

CIBC WORLD MARKETS INC.

**NATIONAL BANK FINANCIAL
INC.**

RBC DOMINION SECURITIES INC.

By: (Signed) MICHAEL D. SHUH

By: (Signed) TIMOTHY EVANS

By: (Signed) EDWARD V. JACKSON

**BMO NESBITT BURNS
INC.**

GMP SECURITIES L.P.

SCOTIA CAPITAL INC.

TD SECURITIES INC.

By: (Signed) ROBIN G.
TESSIER

By: (Signed) NEIL
SELFE

By: (Signed) BRIAN D.
MCCHESNEY

By: (Signed) CAMERON
GOODNOUGH

**MACQUARIE PRIVATE
WEALTH INC.**

RAYMOND JAMES LTD.

By: (Signed) BRENT LARKAN

By: (Signed) J. GRAHAM FELL

CANACCORD GENUITY CORP.

**DESJARDINS SECURITIES
INC.**

By: (Signed) RON SEDRAN

By: (Signed) BETH A. SHAW

DUNDEE SECURITIES LTD.

**MANULIFE SECURITIES
INCORPORATED**

By: (Signed) AARON UNGER

By: (Signed) WILLIAM PORTER



**NORTH AMERICAN
PREFERRED SHARE FUND**