*A copy of this preliminary prospectus has been filed with the securities regulatory authority in each province of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. These securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or any state securities laws and may not be offered or sold in the United States or to U.S. persons. See "Plan of Distribution".*

**PRELIMINARY PROSPECTUS**

*Initial Public Offering* December 19, 2012

# Low Volatility U.S. Equity
## INCOME FUND

## $ ● Maximum

## ● Units

## $10.00 per Unit

Low Volatility U.S. Equity Income Fund (the "Fund"), an investment trust established under the laws of the Province of Ontario, proposes to issue units of the Fund ("Units") at a price of $10.00 per Unit. The offering of the Units is referred to herein as the "Offering".

The Fund is designed to provide investors with an actively managed investment in the common shares of low volatility, large capitalization, U.S. companies while mitigating downside risk and paying a monthly cash distribution. The Fund's investment objectives are:

(i) to maximize risk adjusted returns for Unitholders; and

(ii) to pay Unitholders monthly cash distributions in an amount targeted to be 5.0% per annum on the NAV per Unit. See "Investment Objectives".

The Fund will seek to achieve its investment objectives by actively investing in a conservative portfolio consisting of large capitalization equity securities selected from the S&P 100 Index with a Beta of less than 1.0, combined with selective covered call option writing designed to enhance portfolio income and mitigate downside risk. See "Investment Strategies". Beta is a financial term used as a measure of a security's or a portfolio's return in relation to the market. A beta of less than 1.0 indicates that the price of a security will generally vary to a lesser extent than the movement of the market and a beta of greater than 1.0 indicates that the price of a security will generally vary to a greater extent than the movement of the market.

Strathbridge Asset Management Inc., an experienced Canadian closed-end fund manager, will be responsible for the management and administration of the Fund and will also implement the Fund's investment strategies. See "Organization and Management Details of the Fund".

To generate additional income above the distributions earned on its equity securities, the Fund will from time to time write covered call options in respect of a portion of the securities in its Portfolio. The composition of the Portfolio, the securities that may be subject to call options and the terms of such options will vary from time to time, depending on market conditions. The Manager believes that in a flat or downward trending market, a portfolio that is subject to covered option writing will generally provide higher relative returns and lower volatility than one on which no options are written. However, in a rising market, the use of options may have the effect of limiting or reducing the total returns of the Fund since the premiums associated with writing covered options may be outweighed by the foregone opportunity of remaining fully invested in the securities comprising the Portfolio.

As a result of its holdings of U.S. dollar denominated securities, the Fund will be exposed to changes in the value of the U.S. dollar against the Canadian dollar. The Fund intends to hedge substantially all of its U.S. currency exposure back to the Canadian dollar.

*(continued on next page)*

*(continued from cover)*

# Price: $10.00 per Unit
# Minimum Purchase: 100 Units

| | Price to the Public(1) | Agents' Fees | Net Proceeds to the Fund(2) |
|---|---|---|---|
| Per Unit | $10.00 | $0.525 | $9.475 |
| Total Minimum Offering(3)(4) | $● | $● | $● |
| Total Maximum Offering(4) | $● | $● | $● |

Notes:

(1) The offering price was established by negotiation between the Agents and the Manager.

(2) Before deducting the expenses of issue (estimated to be $l) which, subject to a maximum of 1.5% of the gross proceeds of the Offering, together with the Agents' fees, will be paid out of the gross proceeds of the Offering.

(3) There will be no closing of the Offering unless a minimum of l Units are sold. If subscriptions for a minimum of l Units have not been received within 90 days following the date of issuance of a receipt for this prospectus, the Offering may not continue without the consent of the Canadian securities regulators and those who have subscribed for Units on or before such date.

(4) The Fund has granted the Agents an option (the "Over-Allotment Option"), exercisable until 30 days after 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 set forth above. This prospectus qualifies the distribution of the Over-Allotment Option and the Units issuable on the exercise thereof. If the Over-Allotment Option is exercised in full, the total price to the public under the maximum offering of Units will be $l, the Agents' fees will be $l and the net proceeds to the Fund will be $l. A purchaser who acquires Units forming part of the Agents' over-allotment position acquires such Units under this prospectus regardless of whether the over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

**There is no market through which these securities 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 of the securities and the extent of issuer regulation. See "Risk Factors". There is no assurance that the Fund will be able to achieve its investment objectives. See "Risk Factors" for a discussion of certain factors that should be considered by prospective investors in the Units.**

The Fund is not a trust company and, accordingly, the Fund is not registered under the trust company legislation of any jurisdiction as it does not carry on business as a trust company. The Fund is an investment trust which offers and sells its Units to the public. Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of such legislation or any other legislation. See "Risk Factors".

RBC Dominion Securities Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc., Canaccord Genuity Corp., Desjardins Securities Inc., GMP Securities L.P., Macquarie Private Wealth Inc., Raymond James Ltd. and Mackie Research Capital Corporation (collectively, the "Agents") conditionally offer the Units on a best efforts basis, subject to prior sale, 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 Osler, Hoskin & Harcourt LLP, on behalf of the Fund, and Davies Ward Phillips & Vineberg LLP, on behalf of the Agents. See "Plan of Distribution".

Subscriptions for Units will be received subject to acceptance or rejection in whole or in part, and the right is reserved to close the subscription books at any time without notice. Closing of the Offering is expected to occur on or about l, 2013, but no later than l, 2013. Registrations and transfers of Units will be effected only through CDS Clearing and Depository Services Inc. Beneficial owners will not have the right to receive physical certificates evidencing their ownership. See "Plan of Distribution" and "Attributes of the Units — Book-Entry-Only and Book-Based Systems".

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## PROSPECTUS SUMMARY

*The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Capitalized terms used but not defined herein shall have the meanings given to such terms in the Glossary.*

**Issuer:** The Fund is an investment trust established under the laws of the Province of Ontario pursuant to the Trust Agreement. Strathbridge is the manager and the investment manager of the Fund. See "Overview of the Legal Structure of the Fund".

**Offering:** The Fund is offering Units of the Fund.

**Maximum Issue:** $● (●Units)

**Minimum Issue:** $● (●Units)

**Price:** $10.00 per Unit

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

**Investment Objectives:** The Fund's investment objectives are:

(i) to maximize risk adjusted returns for Unitholders; and

(ii) to pay Unitholders monthly cash distributions in an amount targeted to be 5.0% per annum on the NAV per Unit.

See "Investment Objectives".

**Investment Strategies:** The Fund will seek to achieve its investment objectives by actively investing in a conservative portfolio consisting of large capitalization equity securities selected from the S&P 100 Index with a Beta of less than 1.0, combined with selective covered call option writing designed to enhance portfolio income and mitigate downside risk. Beta is a financial term used as a measure of a security's or a portfolio's return in relation to the market. A beta of less than 1.0 indicates that the price of a security will generally vary to a lesser extent than the movement of the market and a beta of greater than 1.0 indicates that the price of a security will generally vary to a greater extent than the movement of the market.

The Fund intends to strategically write covered call options on a portion of the securities in the Portfolio from time to time in order to:

(i) enhance the Fund's total returns;

(ii) enhance the dividend yield on the Portfolio securities; and

(iii) lower the overall volatility of the Portfolio.

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

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

The Fund may also hold a portion of its assets in cash or cash equivalents which may be used to provide cover for the writing of cash covered put options in respect of securities in which the Fund is permitted to invest.

The Fund intends to hedge substantially all of its U.S. currency exposure back to the Canadian dollar.

See "Investment Strategies".

**Investment Universe:**

The Portfolio will generally consist of 20 to 30 equity securities of issuers selected from the S&P 100 Index, a subset of the S&P 500 Index containing the largest issuers by market capitalization, and which have a Beta of less than 1.0. If the Portfolio was established on December 3, 2012, it would have consisted of 20 to 30 equity securities selected from the following equities.

| | |
|---|---|
| 3M Company | Johnson & Johnson |
| Abbott Laboratories | Lockheed Martin Corporation |
| Allstate Corporation | Lowe's Companies, Inc. |
| Altria Group Inc. | McDonald's Corporation |
| American Electric Power Company | Merck & Co. Inc. |
| Amgen Inc. | Mondelez International, Inc. - Cl A |
| AT&T Inc. | Nike Inc. - Cl B |
| Baxter International Inc. | Pepsico Inc |
| Berkshire Hathaway Inc. - Cl B | Pfizer Inc. |
| Bristol-Myers Squibb Company | Philip Morris International |
| Colgate-Palmolive Co. | Raytheon Co. |
| Comcast Corporation - Cl A | Target Corporation |
| Costco Wholesale Corporation | The Coca-Cola Company |
| CVS Caremark Corporation | The Procter & Gamble Company |
| Entergy Corp. | The Southern Company |
| Exelon Corporation | Time Warner Inc. |
| Exxon Mobil Corporation | United Parcel Service, Inc. - Cl B |
| Gilead Sciences, Inc. | UnitedHealth Group Inc. |
| Google Inc. - Cl A | Verizon Communications Inc |
| HJ Heinz Company | Visa Inc. - Cl A |
| Home Depot Inc. | Walgreen Co. |
| International Business Machines Corporation | Wal-Mart Stores, Inc. |

The Investment Universe will be reconstituted annually.

**Covered Call Option Writing and Volatility History:**

To generate additional income above the distributions earned on its equity securities, the Fund will from time to time write covered call options in respect of a portion of the securities in its Portfolio. The composition of the Portfolio, the securities that may be subject to options and the terms of such options will vary from time to time, depending on market conditions. The Manager believes that in a flat or downward trending market, a portfolio that is subject to covered option writing will generally provide higher relative returns and lower volatility than one on which no options are written. However, in a rising market, the use of options may have the effect of limiting or reducing the total returns of the Fund since the premiums associated with writing covered options may be outweighed by the foregone opportunity of remaining fully invested in the securities comprising the Portfolio.

Under the Black-Scholes Model (modified to include dividends), the price volatility of a security is one of the primary factors that affects the amount of option premium received by the seller of an option on such security. As at November 30, 2012, the 30-day average volatility level of the Investment Universe was 19.8%.

**No Leverage:** The Fund will not employ leverage.

**Use of Proceeds:** The net proceeds of the Offering (including the proceeds from the exercise, if any, by the Agents of the Over-Allotment Option) will be used to purchase securities for the Portfolio following the Closing Date. See "Use of Proceeds" and "Overview of the Sector in which the Fund Invests".

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

(i) the assets of the Fund are concentrated in the securities of U.S. issuers;

(ii) the risks associated with the changes in the value of the securities in the Portfolio;

(iii) the risks associated with recent and future global developments;

(iv) there is no assurance that the Fund will be able to achieve its investment objectives;

(v) the risks associated with the use of options and other derivative instruments;

(vi) the risks associated with currency hedging;

(vii) the risks associated with the Fund's reliance on its manager, Strathbridge;

(viii) fluctuations in prevailing interest rates may affect the market price of the Units;

(ix) the Units may trade at a discount to their NAV;

(x) the fact that redemptions of the Units by their holders could significantly reduce the trading liquidity of the Units;

(xi) the Fund is a newly organized investment trust with no previous operating history;

(xii) the Fund will be investing in securities of foreign issuers and distributions received by the Fund may be subject to withholding tax;

(xiii) as the Fund is not a "mutual fund" as defined under Canadian securities laws, the Fund is not subject to the policies and regulations of the Canadian securities regulators that apply to such funds; and

(xiv) various tax matters.

See "Risk Factors".

**Income Tax Considerations:** A Unitholder will generally be required to include in computing income for a taxation year the amount of the Fund's net income for the taxation year, including the taxable portion of the net realized capital gains of the Fund, paid or payable to the Unitholder in the taxation year (whether in cash or in Units). To the extent that amounts payable to Unitholders are designated as taxable capital gains, those amounts will be treated as taxable capital gains realized by such Unitholders. A Unitholder who disposes of Units held as capital property (on redemption or otherwise) will realize a capital gain (or capital loss) to the extent that the proceeds of disposition of the Units exceed (or are less than) the adjusted cost base of such Units 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 the securities offered hereby by obtaining advice from his or her tax advisor.

See "Income Tax Considerations".

**Redemption of Units:** Units may be redeemed annually on the last business day of August commencing in 2014, subject to the Manager's right to suspend redemptions in certain circumstances. In order to effect such a redemption, the Units must be surrendered on or before the first business day of August in each year commencing in August 2014. Units may also be redeemed monthly. See "Redemption of Units".

**Distribution Policy:** The Fund intends to pay monthly cash distributions on the last day of each month in an amount targeted to be 5.0% per annum on the NAV per Unit. The Fund has determined to base the distributions it pays on the NAV per Unit in order to better facilitate the preservation and enhancement of the Fund's NAV and to enable Unitholders to benefit from any increases in the NAV of the Fund through the resulting increased distributions. The monthly distributions will be determined using the last NAV per Unit prior to the declaration date for the distribution. The first distribution will be for the month of April 2013. If the NAV prior to the declaration date in April 2013 were unchanged from the inception of the Fund, the initial distribution would be approximately $0.0392 representing an annualized rate of 4.7% on the initial $10.00 issue price. The distribution can be expected to vary in each month based on variations in the NAV. It is expected that distributions over the life of the Fund will be derived primarily from net realized capital gains and dividend income. There can be no assurance that the Fund will be able to make distributions at its targeted rate. The distribution policy of the Fund, including the targeted distribution rate, will be reviewed by the Manager on an annual basis. In certain circumstances, the Fund may declare and pay a special distribution. See “Distribution Policy”.

Based on the composition of the Investment Universe, the Fund is expected to generate dividend income of approximately ●% per annum which, after the deduction of expenses, will be distributed to Unitholders. The Fund would be required to generate an additional return of approximately ●% per annum, including from dividend growth, realized capital appreciation and option premiums, in order for the Fund to maintain its targeted distributions and a stable NAV. Based on (i) the average current volatility of the issuers included in the Investment Universe and (ii) the other assumptions set forth under “Investment Strategies – Covered Option Writing – Income from Covered Call Option Writing”, the Fund would be expected to generate cash flow in excess of the above mentioned required additional return. The ability of the Fund to generate such returns will depend on the extent to which these assumptions turn out to be accurate.

See “Distribution Policy”.

**Termination:** The Fund does not have a fixed termination date but may be terminated upon not less than 90 days’ written notice to the Manager from the Trustee with the approval of Unitholders by a two-thirds majority vote passed at a duly convened meeting of Unitholders called for the purpose of considering such termination, provided that Unitholders holding at least 10% of the Units outstanding on the record date of the meeting vote in favour of such termination.

The Manager may in its discretion terminate the Fund without the approval of Unitholders if, in the opinion of the Manager after consulting with the Fund’s Advisory Board, the NAV of the Fund has been reduced as a result of redemptions or otherwise such that it is no longer economically feasible to continue the Fund and it would be in the best interests of Unitholders to terminate the Fund.

See “Termination of the Fund”.

**Taxation of Registered Plans:** Provided that the Fund qualifies and continues to qualify at all times as a mutual fund trust within the meaning of the Tax Act, the Units will be qualified investments for trusts governed by Registered Plans. However, the holder of a tax-free savings account that governs a trust or an annuitant of a registered retirement savings plan or registered retirement income fund will be subject to a penalty tax if the holder or annuitant does not deal at arm’s length with the Fund for purposes of the Tax Act or if the holder or annuitant has a significant interest (within the meaning of the Tax Act) in the Fund or in a corporation, partnership or trust with which the Fund does not deal at arm’s length for purposes of the Tax Act. Prospective purchasers should consult with their own tax advisors with respect to the prohibited investment rules (including having regard to any relevant amendments that may be made as a result of a recent comfort letter issued by the Department of Finance).

See "Investments by Registered Plans".

**Organization and Management of the Fund:**

*Manager, Investment Manager and Promoter*

Strathbridge, an experienced Canadian closed-end fund manager, is responsible for the management and administration of the Fund and will also implement the Fund's investment strategies. The principal office of Strathbridge is located at 121 King Street West, Standard Life Centre, P.O. Box 113, Suite 2600, Toronto, Ontario, M5H 3T9. See "Organization and Management Details of the Fund".

Strathbridge may be considered a promoter of the Fund within the meaning of the securities legislation of certain provinces of Canada by reason of its initiative in organizing the Fund. See "Organization and Management Details of the Fund – Promoter".

*Trustee and Custodian*

RBC Investor Services, located in Toronto, Ontario, is the trustee of the Fund. The Trustee also acts as custodian of the assets of the Fund and is responsible for certain aspects of the day-to-day administration of the Fund. See "Organization and Management Details of the Fund – The Trustee" and "Organization and Management Details of the Fund – The Custodian".

*Auditor*

The auditor of the Fund is Deloitte & Touche LLP, Chartered Accountants, Licensed Public Accountants, Toronto, Ontario.

*Registrar and Transfer Agent*

Computershare Investor Services Inc. will provide the Fund with registrar, transfer and distribution agency services in respect of the Units from its principal offices in Toronto, Ontario.

**Agents:**

RBC Dominion Securities Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc., Canaccord Genuity Corp., Desjardins Securities Inc., GMP Securities L.P., Macquarie Private Wealth Inc., Raymond James Ltd. and Mackie Research Capital Corporation conditionally offer the Units on a best efforts basis, subject to prior sale, 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 Osler, Hoskin & Harcourt LLP, on behalf of the Fund, and Davies Ward Phillips & Vineberg LLP, on behalf of the Agents.

The Fund has granted the Agents an Over-Allotment Option exercisable until 30 days after the Closing Date, to purchase up to 15% of the aggregate number of Units issued on the Closing Date on the same terms set forth above. This prospectus qualifies the distribution of the Over-Allotment Option and the Units issuable on the exercise thereof. If the Over-Allotment Option is exercised in full, the total price to the public under the maximum offering of Units will be $●, the Agents' fees will be $● and the net proceeds to the Fund will be $●. A purchaser who acquires Units forming part of the Agents' over-allotment position acquires such Units under this prospectus regardless of whether the over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

| **Agents' Position** | **Maximum Size** | **Exercise Period** | **Exercise Price** |
|---|---|---|---|
| Over-Allotment Option | ● Units | Within 30 days following the Closing Date | $10.00 per Unit |

## INFORMATION FROM THIRD PARTY SOURCES

Certain information contained in this prospectus is taken from third party sources. None of the Fund, Strathbridge or the Agents has independently verified the accuracy or completeness of any such information or assumes any responsibility for the completeness or accuracy of such information.

## FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus are forward-looking statements, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend” and similar expressions to the extent they relate to the Fund or the Manager. Forward-looking statements are not historical facts but reflect the current expectations of the Fund and the Manager regarding future results or events. Such forward-looking statements reflect the Fund’s and the Manager’s current beliefs and are based on information currently available to them. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results or events to differ materially from current expectations. Some of these risks, uncertainties and other factors are described in this prospectus under the heading “Risk Factors”. Although the forward-looking statements contained in this prospectus are based upon assumptions that the Fund and the Manager believe to be reasonable, none of the Fund or the Manager can assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained herein were prepared for the purpose of providing prospective investors with information about the Fund and may not be appropriate for other purposes. None of the Fund or the Manager assumes any obligation to update or revise them to reflect new events or circumstances, except as required by law.

## SUMMARY OF FEES AND EXPENSES

The following table lists the fees and expenses payable by the Fund. The Fund will have to pay some of these fees and expenses, which will therefore reduce the value of a Unitholder's investment in the Fund. For further particulars, see "Fees and Expenses".

| Type of Fee | Amount and Description |
|---|---|
| **Fees payable to the Agents for selling Units:** | $0.525 per Unit (5.25%). See "Fees and Expenses – Fees Payable by the Fund – Agents' Fee". |
| **Expenses of issue:** | The Fund will pay the expenses incurred in connection with the Offering of Units by the Fund (estimated to be $●) subject to a maximum of 1.5% of the gross proceeds of the Offering. See "Fees and Expenses – Fees and Expenses Payable by the Fund – Expense of Issue". |
| **Fee payable to Strathbridge for acting as manager and investment manager of the Fund:** | Annual rate of 1.0% of the Fund's NAV calculated and payable monthly, plus applicable taxes. See "Fees and Expenses – Fees and Expenses Payable by the Fund – Management and Investment Management Fee". |
| **Operating expenses:** | The Fund will pay all ordinary expenses incurred in connection with its operation and administration, estimated to be $● per annum. The Fund will also be responsible for commissions and other costs of securities transactions and any extraordinary expenses which may be incurred by it from time to time. See "Fees and Expenses – Fees and Expenses Payable by the Fund – Operating Expenses". |
| **Service Fee:** | The Fund will pay a Service Fee to each dealer whose clients hold Units. The Service Fee will be calculated and paid at the end of each calendar quarter and will be equal to 0.40% annually of the NAV of the Units held by clients of the dealer. The Fund may, from time to time, pay the Service Fee more frequently than quarterly, in which event the Service Fee will be *pro rated* for the period to which it relates. See "Fees and Expenses – Fees and Expenses Payable by the Fund – Service Fee". |

## GLOSSARY

| | |
|---|---|
| **Advisory Board** | the advisory board appointed by the Manager to assist the Manager in performing its services under the Trust Agreement. |
| **Agency Agreement** | an agency agreement dated as of ●, 2013 between the Agents, Strathbridge and the Fund. |
| **Agents** | RBC Dominion Securities Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc., Canaccord Genuity Corp., Desjardins Securities Inc., GMP Securities L.P., Macquarie Private Wealth Inc., Raymond James Ltd. and Mackie Research Capital Corporation. |
| **Annual Redemption Date** | the last business day of August of any year commencing in 2014 on which Units may be redeemed. |
| **Annual Redemption Deadline** | on or before the first business day of August of any year commencing in 2014 on which Units may be surrendered annually for redemption. |
| **at-the-money** | in relation to a call or put option, means an option with a strike price equal to the current market price of the underlying security. |
| **Auditor** | Deloitte & Touche LLP. |
| **Black-Scholes Model** | a widely used option pricing model developed by Fischer Black and Myron Scholes in 1973. The model can be used to calculate the theoretical value of an option based on the current price of the underlying security, the strike price and term of the option, prevailing interest rates and the volatility of the price of the underlying security. |
| **Beta** | a financial term used as a measure of the return of a security or a portfolio in relation to the market, in this case the S&P 100 Index. |
| **business day** | any day on which the TSX or the NYSE is open for business. |
| **call option** | the right, but not the obligation, of the option holder to buy a security from the seller of the option at a specified price at any time during a specified time period or at expiry. |
| **CAGR** | compound annual growth rate. |
| **cash-covered put option** | a put option entered into in circumstances where the seller of the put option holds cash equivalents or other acceptable cash cover (as defined in NI 81-102) sufficient to acquire the securities underlying the option at the strike price throughout the term of the option. |
| **cash equivalents** | means, and for the purposes of “cash cover” and “cash-covered put option”, “cash” as used therein means: |

(a) cash on deposit with the Custodian;

(b) an evidence of indebtedness that has a remaining term to maturity of 365 days or less and that is issued, or fully and unconditionally guaranteed as to principal and interest, by:

(i) any of the Federal or Provincial Governments of Canada;

(ii) the Government of the United States; or

(iii) a Canadian financial institution;

provided that, in the case of (ii) and (iii), such evidence of indebtedness has a rating of at least R-1 (mid) by DBRS Limited or the equivalent rating from another approved rating organization; or

(c) other cash cover as defined in NI 81-102.

**CDS** CDS Clearing and Depository Services Inc.

**CDS Participant** a participant in CDS.

**CICA Handbook** means the Canadian Institute of Chartered Accountants Handbook.

**Closing Date** on or before ●, 2013 but no later than ●, 2013.

**Closing Market Price** the closing price of the Units on the principal stock exchange on which the Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) or, if there was no trade on the relevant date, the average of the last bid and the last asking prices of the Units on the principal stock exchange on which the Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading).

**covered call option** a call option entered into in circumstances where the seller of the call option holds the underlying security throughout the term of the option.

**CRA** Canada Revenue Agency.

**Custodian** RBC Investor Services.

**EBITDA** earnings before interest, taxes, depreciation and amortization.

**Fund** Low Volatility U.S. Equity Income Fund.

**in-the-money** in relation to a call option, means a call option with a strike price less than the current market price of the underlying security and, in relation to a put option, means a put option with a strike price greater than the current market price of the underlying security.

**inverse exchange-traded fund** an exchange-traded fund, traded on a public stock market, which is designed to perform as the inverse of the index or benchmark it is designed to track.

| | |
|---|---|
| **Investment Universe** | issuers from which the securities to be included in the Portfolio are selected, such universe being issuers listed in the S&P 100 Index which have a Beta less than 1.0 relative to the S&P 100 Index. |
| **IRC** | independent review committee. |
| **Manager** | Strathbridge in its capacity as manager and investment manager of the Fund. |
| **Market Price** | the weighted average trading price of the Units on the principal stock exchange on which the Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) for the ten trading days immediately preceding the applicable Redemption Date. |
| **Monthly Redemption Date** | the last day in any month other than August on which Units may be redeemed. |
| **Monthly Redemption Deadline** | the date that is at least ten business days prior to a Monthly Redemption Date other than August (commencing in 2014) on which Units may be surrendered monthly for redemption. |
| **NAV per Unit** | in general, the NAV of the Fund divided by the number of Units then outstanding. See "Calculation of Net Asset Value – Calculation of Net Asset Value and NAV per Unit". |
| **Net Asset Value or NAV** | the net asset value of the Fund which, on any date, will be equal to the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities of the Fund on that date. See "Calculation of Net Asset Value – Calculation of Net Asset Value and NAV per Unit". |
| **NYSE** | the New York Stock Exchange. |
| **NI 81-102** | National Instrument 81-102 – *Mutual Funds* (or any successor policy, rule or national instrument), as it may be amended from time to time. |
| **NI 81-107** | National Instrument 81-107 – *Independent Review Committee for Investment Funds* (or any successor policy, rule or national instrument), as it may be amended from time to time. |
| **Offering** | the offering of Units of the Fund pursuant to the final long form prospectus of the Fund. |
| **option premium** | the purchase price of an option. |
| **out-of-the-money** | in relation to a call option, means a call option with a strike price greater than the current market price of the underlying security and, in relation to a put option, means a put option with a strike price less than the current market price of the underlying security. |
| **Over-Allotment Option** | the option granted to the Agents by the Fund exercisable until 30 days after the Closing Date to purchase up to 15% of the aggregate number of Units issued on the Closing Date. |
| **Portfolio** | the securities held by the Fund from time to time which are selected from the Investment Universe. |

| | |
|---|---|
| **put option** | the right, but not the obligation, of the option holder to sell a security to the seller of the option at a specified price at any time during a specified time period or at expiry. |
| **RBC Investor Services** | RBC Investor Services Trust. |
| **Recirculation Agent** | RBC Dominion Securities Inc. |
| **Recirculation Agreement** | the recirculation agreement made between the Fund and RBC Dominion Securities Inc. to be dated the Closing Date whereby purchasers may be identified to purchase Units that have been tendered for redemption. |
| **Redemption Date** | an Annual Redemption Date or a Monthly Redemption Date. |
| **Redemption Deadline** | an Annual Redemption Deadline or a Monthly Redemption Deadline. |
| **Redemption Notice** | notice provided by a Unitholder to a CDS Participant indicating that such Unitholder wishes to exercise a redemption privilege. |
| **Redemption Payment Date** | on or before the fifteenth day following a Redemption Date. |
| **Registered Plan** | any one of a registered retirement savings plan, registered retirement income fund, deferred profit sharing plan, registered disability savings plan, registered education savings plan or a tax-free savings account. |
| **Registrar and Transfer Agency Agreement** | the registrar and transfer agency agreement made between the Transfer Agent and the Fund pursuant to which the Transfer Agent provides the Fund with registrar, transfer and distribution agency services in respect of the Units. |
| **Service Fee** | the service fee payable to each dealer whose clients hold Units. |
| **Strathbridge** | Strathbridge Asset Management Inc. |
| **strike price** | in relation to a call option, means the price specified in the option that must be paid by the option holder to acquire the underlying security or, in relation to a put option, the price at which the option holder may sell the underlying security. |
| **Tax Act** | means the *Income Tax Act* (Canada) and the regulations made thereunder. |
| **Termination Date** | the date on which the Fund is terminated. |
| **Transfer Agent** | Computershare Investor Services Inc. in its capacity as registrar and transfer agent of the Fund. |
| **Trust Agreement** | the trust agreement made between the Manager and the Trustee dated ●, 2013 establishing the Fund. |
| **Trustee** | RBC Investor Services. |
| **TSX** | the Toronto Stock Exchange. |
| **Units** | trust units of the Fund. |

| | |
|---|---|
| **Unitholders** | holders of Units of the Fund. |
| **volatility** | in respect of the price of a security, the numerical measure of the tendency of the price to vary over time. |
| **$** | Canadian dollars, unless otherwise indicated. |

## OVERVIEW OF THE LEGAL STRUCTURE OF THE FUND

The Low Volatility U.S. Equity Income Fund is an investment trust established under the laws of the Province of Ontario pursuant to the Trust Agreement between Strathbridge, as manager and investment manager, and RBC Investor Services, as trustee. See "Organization and Management Details of the Fund".

The principal office of the Fund and Strathbridge is located at 121 King Street West, Standard Life Centre, P.O. Box 113, Suite 2600, Toronto, Ontario, M5H 3T9.

### Status of the Fund

The Fund is not a "mutual fund" for Canadian securities law purposes. As a result, some of the protections provided to investors in mutual funds under such laws will not be available to investors in Units of the Fund.

## INVESTMENT OBJECTIVES

The Fund's investment objectives are:

(i) to maximize risk adjusted returns for Unitholders; and

(ii) to pay Unitholders monthly cash distributions in an amount targeted to be 5.0% per annum on the NAV per Unit.

It is expected that distributions over the life of the Fund will be derived primarily from net realized capital gains and dividend income. The first distribution will be for the month of April 2013 and is expected to be approximately $● per Unit.

## INVESTMENT STRATEGIES

The Portfolio will generally consist of 20 to 30 securities of issuers selected from the Investment Universe. The Investment Universe will consist of issuers included in the S&P 100 Index, the 100 largest issuers by market capitalization in the S&P 500 Index, and will be screened for those equities with a Beta of less than 1.0 relative to the S&P 100 Index. Beta is a financial term used as a measure of the return of a security or a portfolio in relation to the market. A beta of less than 1.0 indicates that the price of a security will generally vary to a lesser extent than the movement of the market and a beta of greater than 1.0 indicates that the price of a security will generally vary to a greater extent than the movement of the market. For example, a beta of 0.70 would mean that one might expect the security to experience 70% of the market's movement upwards and only 70% of any market downturn. The Investment Universe will be reconstituted annually. As at November 27, 2012, the securities included in the S&P 100 Index had an average market capitalization of $85.2 billion, compared to $14.5 billion for the 100 largest stocks listed on the TSX. The 20-day average dollar value traded, for these same securities was $129 million for the S&P 100 Index compared to $28 million for the 100 largest TSX listed issuers.

The Manager believes that the resulting portfolio will benefit from the following characteristics:

(i) exposure to U.S. domiciled large capitalization multinational corporations;

(ii) broad industry diversification relative to the TSX; and

(iii) lower volatility portfolio relative to the S&P 100 Index.

**Investment Universe**

If established on December 3, 2012 the Investment Universe would include 44 issuers with a total market capitalization of US$4.3 trillion and an average market capitalization of US$97 billion, a dividend yield of 2.87% and a ten-year total return CAGR of 10.1%. The Portfolio would also have consisted of 20 to 30 equity securities of the issuers set forth below. The table below indicates the ticker symbol, Beta relative to the S&P 100 Index, market capitalization, dividend yield, 5 year dividend CAGR and ten year total return CAGR.

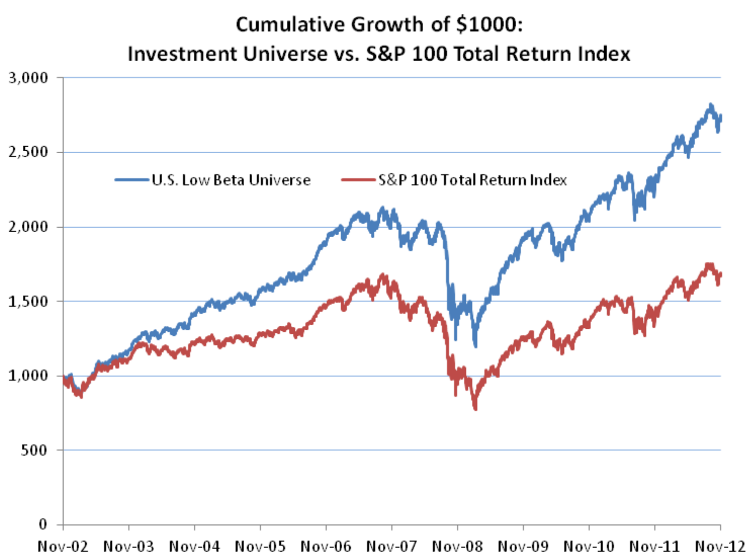
| Ticker | Company Name | Beta vs S&P 100 Index | Market Capitalization (US B) | Dividend Yield(1) | 5 Year Dividend CAGR(2) | 10 Year Total Return CAGR(2) |
|---|---|---|---|---|---|---|
| SO | The Southern Company | 0.25 | $38 | 4.54% | 4.0% | 10.1% |
| EXC | Exelon Corporation | 0.32 | $25 | 7.16% | -2.2% | 5.3% |
| AEP | American Electric Power Company | 0.43 | $21 | 4.45% | 3.5% | 9.0% |
| HNZ | HJ Heinz Company | 0.43 | $19 | 3.53% | 6.4% | 10.3% |
| ETR | Entergy Corp. | 0.43 | $11 | 5.24% | 5.2% | 7.3% |
| WMT | Wal-Mart Stores, Inc. | 0.45 | $240 | 2.23% | 13.5% | 4.6% |
| PEP | Pepsico Inc | 0.47 | $108 | 3.08% | 9.3% | 7.5% |
| PG | The Procter & Gamble Company | 0.47 | $190 | 3.23% | 10.2% | 7.8% |
| MO | Altria Group Inc. | 0.48 | $68 | 5.23% | -12.0% | 20.8% |
| TGT | Target Corporation | 0.49 | $41 | 2.31% | 20.5% | 7.4% |
| JNJ | Johnson & Johnson | 0.50 | $193 | 3.50% | 8.2% | 5.1% |
| MCD | McDonald's Corporation | 0.51 | $87 | 3.54% | 13.9% | 20.0% |
| VZ | Verizon Communications Inc | 0.56 | $126 | 4.67% | 4.1% | 7.1% |
| PFE | Pfizer Inc. | 0.57 | $185 | 3.51% | -5.4% | 1.7% |
| CL | Colgate-Palmolive Co. | 0.57 | $51 | 2.29% | 11.8% | 10.1% |
| ABT | Abbott Laboratories | 0.58 | $102 | 3.17% | 9.6% | 8.0% |
| MDLZ | Mondelez International, Inc. - Cl A | 0.60 | $46 | 2.03% | 2.6% | 3.6% |
| BMY | Bristol-Myers Squibb Company | 0.60 | $54 | 4.16% | 4.0% | 7.0% |
| MRK | Merck & Co. Inc. | 0.62 | $135 | 3.87% | 2.0% | 1.9% |
| T | AT&T Inc. | 0.62 | $194 | 5.27% | 4.4% | 8.0% |
| COST | Costco Wholesale Corporation | 0.64 | $45 | 1.05% | 13.5% | 13.4% |
| KO | The Coca-Cola Company | 0.65 | $168 | 2.73% | 8.4% | 8.1% |
| NKE | Nike Inc. - Cl B | 0.68 | $44 | 1.72% | 14.2% | 17.1% |
| PM | Philip Morris International(3) | 0.70 | $151 | 3.79% | 0.0% | 18.4% |
| UPS | United Parcel Service, Inc. - Cl B | 0.70 | $69 | 3.15% | 6.3% | 3.7% |
| WAG | Walgreen Co. | 0.74 | $32 | 3.21% | 23.7% | 3.1% |
| UNH | UnitedHealth Group Inc. | 0.75 | $55 | 1.58% | 90.4% | 11.0% |
| BAX | Baxter International Inc. | 0.77 | $36 | 2.74% | 16.8% | 9.8% |
| LMT | Lockheed Martin Corporation | 0.78 | $30 | 5.02% | 23.1% | 8.7% |
| CVS | CVS Caremark Corporation | 0.78 | $58 | 1.40% | 23.2% | 14.4% |

| | | | | | | |
|---|---|---|---|---|---|---|
| GILD | Gilead Sciences, Inc. | 0.80 | $57 | 0.00% | 0.0% | 23.3% |
| AMGN | Amgen Inc. | 0.82 | $68 | 1.63% | 0.0% | 6.8% |
| BRK/B | Berkshire Hathaway Inc. - Cl B | 0.82 | $219 | 0.00% | 0.0% | 6.3% |
| RTN | Raytheon Co. | 0.84 | $19 | 3.55% | 13.9% | 9.8% |
| IBM | International Business Machines Corporation | 0.86 | $214 | 1.79% | 17.1% | 9.9% |
| GOOG | Google Inc. - Cl A (4) | 0.87 | $228 | 0.00% | 0.0% | 28.8% |
| HD | Home Depot Inc. | 0.90 | $97 | 1.79% | 5.2% | 12.1% |
| V | Visa Inc. - Class A Shares(5) | 0.91 | $101 | 0.89% | 0.0% | 30.4% |
| TWX | Time Warner Inc. | 0.91 | $44 | 2.22% | 8.1% | 6.5% |
| ALL | Allstate Corporation | 0.91 | $20 | 2.17% | -10.4% | 3.3% |
| LOW | Lowe's Companies, Inc. | 0.92 | $40 | 1.78% | 18.2% | 7.2% |
| CMCSA | Comcast Corporation - Cl A | 0.93 | $98 | 1.75% | 0.0% | 9.9% |
| XOM | Exxon Mobil Corporation | 0.96 | $399 | 2.60% | 9.7% | 12.1% |
| MMM | 3M Company | 0.98 | $62 | 2.61% | 4.2% | 6.0% |
| | **Average** | **0.67** | **$97** | **2.87%** | **9.1%** | **10.1%** |

Notes:
(1) Before withholding tax.
(2) Compound Annual Growth Rate.
(3) PM Total Return CAGR from March 17, 2008.
(4) GOOG total Return CAGR from August 18, 2004.
(5) V Total Return CAGR from March 18, 2008.
Source: Bloomberg

**The information set forth above is historical and is not intended to be, nor should it be construed as, an indication as to future market capitalizations, Betas, volatility levels, dividend yields, or annual growth rates of the securities in the Portfolio.**

The following chart shows the performance of the Investment Universe on an equal weight basis if it were invested on November 30, 2002 and reconstituted annually.




Notes:
(1) Through November 30, 2012.
(2) Calculated on a total return basis including reinvested distributions.
Source: Strathbridge Asset Management, Bloomberg

The table below shows the one, three, five and ten-year performance for the Investment Universe as if the Investment Universe was invested on November 30, 2002 and reconstituted annually.

| | 1 Year | | 3 Years | | 5 Years | | 10 Years | |
|---|---|---|---|---|---|---|---|---|
| | Total Return | Volatility | Total Return | Volatility | Total Return | Volatility | Total Return | Volatility |
| Investment Universe | **17.7%** | **10.3%** | **13.0%** | **13.8%** | **5.7%** | **21.0%** | **10.7%** | **16.9%** |
| S&P 100 Index | 17.8% | 13.7% | 10.7% | 17.7% | 1.1% | 25.4% | 5.4% | 20.2% |
| Outperformance | (0.1)% | | 2.3% | | 4.6% | | 5.3% | |

Notes:
(1) Through November 30, 2012.
(2) Calculated on a total return basis including reinvested distributions.
(3) Volatility as measured by annualized standard deviation of monthly returns since inception.
Source: Strathbridge Asset Management, Bloomberg

## Diversification

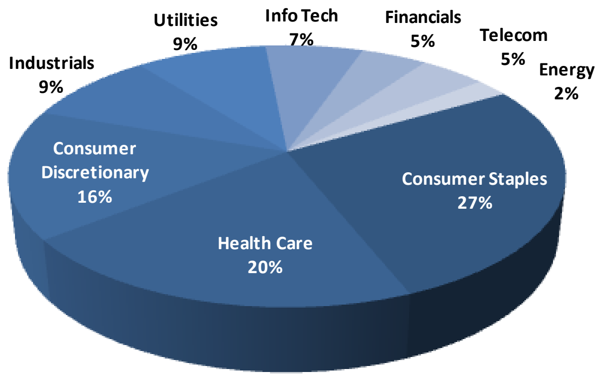
The U.S. market includes many industry sectors that are not widely available in Canada, such as health care, information technology, consumer staples and consumer discretionary as demonstrated in the table below. In general, industry sectors in the U.S. include a greater number of issuers which typically have a larger market capitalization, greater trading liquidity and often have multinational operations.

**S&P 100 Index Versus TSX Composite Sector Breakdown**

| Industry | S&P 100 Index | TSX |
|---|---|---|
| Financials | 13% | 32% |
| Energy | 12% | 26% |
| Materials | 2% | 19% |
| Industrials | 9% | 6% |
| Telecommunications | 4% | 5% |
| Consumer Discretionary | 9% | 4% |
| Consumer Staples | 14% | 3% |
| Utilities | 1% | 2% |
| Health Care | 12% | 2% |
| Information Technology | 24% | 1% |
| | **100%** | **100%** |

Source: Bloomberg

The Investment Universe includes a cross section of large capitalization issuers from these sectors as noted in the chart below.




Source: Bloomberg

**Covered Option Writing**

The Fund intends to strategically write covered call options on a portion of the securities in the Portfolio from time to time in order to:

(i) enhance the Fund's total returns;

(ii) enhance the dividend yield on the Portfolio securities; and

(iii) lower the overall volatility of the Portfolio.

Strathbridge believes its covered call writing strategy can improve overall total returns by selectively choosing periods to write or not write call options on Portfolio securities versus a strategy of systematically rolling (or rewriting) call options continuously regardless of market movements. The Portfolio benefits by generating cash flow from option premium in down markets and seeking to remain unwritten during periods of rising markets. If call options are not written during a period of rising markets, the Fund will benefit from all the potential capital appreciation compared to limiting the upside when covered call options are written on a portion of the Portfolio.

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

The composition of the Portfolio, the securities that may be subject to call options and the terms of such options will vary from time to time, depending on market conditions. The Manager believes that in a flat or downward trending market, a portfolio that is subject to covered option writing will generally provide higher relative returns and lower volatility than one on which no options are written. However, in a rising market, the use of options may have the effect of limiting or reducing the total returns of the Fund since the premiums associated with writing covered options may be outweighed by the foregone opportunity of remaining fully invested in the securities comprising the Portfolio.

*General*

The writing of call options by the Fund will involve the selling of call options in respect of a portion of the securities in the Portfolio. Such call options may be either exchange-traded options or over-the-counter options. Because call options will be written only in respect of securities that are in the Portfolio and because the investment restrictions of the Fund prohibit the sale of securities subject to an outstanding option, the call options will be covered at all times.

The holder of a call option purchased from the Fund will have the option, exercisable during a specific time period or at expiry, to purchase the securities underlying the option from the Fund at the strike price per security. By selling call options, the Fund will receive option premiums, which are generally paid within one business day of the writing of the option. If at any time during the term of a call option or at expiry, the market price of the underlying securities is above the strike price, the holder of the option may exercise the option and the Fund will be obligated to sell the securities to the holder at the strike price per security. Alternatively, the Fund may repurchase a call option which is in-the-money by paying the market value of the call option. If, however, the option is out-of-the-money at expiration of the call option, the holder of the option will likely not exercise the option and the option will expire. In each case, the Fund will retain the option premium. See "Call Option Pricing" below.

The amount of option premium depends upon, among other factors, the expected volatility of the price of the underlying security. The higher the volatility, the higher the option premium. In addition, the amount of the option premium will depend upon the difference between the strike price of the option and the market price of the underlying security at the time the option is written. The smaller the positive difference (or the larger the negative difference), the more likely it is that the option will become in-the-money during the term and, accordingly, the greater the option premium. See "Call Option Pricing" below.

**If a call option is written on a security in the Portfolio, the amounts that the Fund will be able to realize on the security during the term of the call option will be limited to the distributions received during such period plus an amount equal to the sum of the strike price and the premium received from writing the option. In essence, the Fund will forego potential returns resulting from any price appreciation of the security underlying the option above the strike price in favour of the certainty of receiving the option premium.**

*Call Option Pricing*

Many investors and financial market professionals price call options based on the Black-Scholes Model. In practice, however, actual option premiums are determined in the marketplace and there can be no assurance that the values generated by the Black-Scholes Model can be attained in the market.

Under the Black-Scholes Model (modified to include dividends), the primary factors that affect the option premium received by the seller of a call option are the following:

| | |
|---|---|
| *The volatility of the price of the underlying security* | the volatility of the price of a security measures the tendency of the price of the security to vary during a specified period. The higher the price volatility, the more likely that the price of that security will fluctuate (either positively or negatively) and the greater the option premium. Price volatility is generally measured in percentage terms on an annualized basis, based on price changes during a |

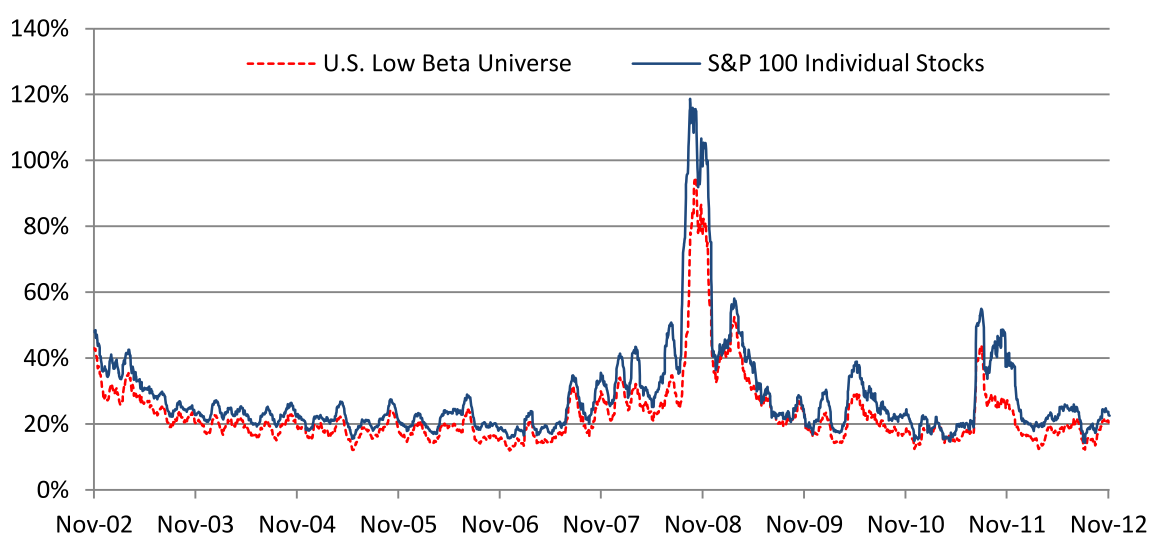
| | |
|---|---|
| | period of time immediately prior to or "trailing" the date of calculation. |
| *The difference between the strike price and the market price of the underlying security at the time the option is written* | the smaller the positive difference (or the larger the negative difference), the greater the option premium. |
| *The term of the option* | the longer the term, the greater the call option premium. |
| *The "risk-free" or benchmark interest rate in the market in which the option is issued* | the higher the risk-free interest rate, the greater the call option premium. |
| *The dividends expected to be paid on the underlying security during the relevant term.* | the greater the dividends, the lower the call option premium. |

***Volatility History***

The historical average, low, high and current values of the trailing 30-day volatility (expressed in percentages on an annualized basis) for the securities in the Investment Universe and the S&P 100 Index for the ten years ended November 30, 2012 are as follows:

| | Ten-Year Price Volatility | | | |
|---|---|---|---|---|
| **30-day volatility** | **Average** | **Low** | **High** | **Current** |
| S&P 100 Individual Stocks | 28.33% | 14.29% | 118.69% | 22.51% |
| Investment Universe | 23.02% | 11.94% | 94.60% | 19.83% |

**Average 30-Day Price Volatility**




Source: Bloomberg

**The information set forth above is historical and is not intended to be, nor should it be construed as, an indication as to future volatility levels of the securities in Fund's Portfolio.**

***Income from Covered Call Option Writing***

The following table represents the percentage of the Portfolio against which at-the-money covered call options would need to be written at different volatility levels to pay the target distribution of 5.0% of NAV per annum net of fees and expenses.

The percentages of the Portfolio shown below do not take into account the potential price impact on the value of the Portfolio resulting from writing covered call options. Securities on which the Fund has written covered calls have the full downside risk associated with a regular security holding but are limited in upside return to the amount out of the money at which the call is written. In the case of covered calls written at-the-money, the investor forgoes any upside on the security position, but retains all of the downside risk. In exchange for forgoing the upside return, the investor receives the premium payment.

**Required Call Writing at Various Volatility Levels to Achieve Target Distribution**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Average Volatility of Stocks in Portfolio | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% |
| Percentage of Portfolio Required to be Written | 34.9 | 22.6 | 16.7 | 13.2 | 11.0 | 9.3 | 8.2 | 7.2% |

The table was generated using a modified Black-Scholes Model and is based on the following assumptions:

(i) the gross proceeds from the Offering are $100 million and the net proceeds are fully invested in the Investment Universe;

(ii) the range of volatility shown in the table approximates the range of the historical average volatility of securities in the S&P 100 Index;

(iii) all call options are exercisable only at maturity and are written at-the-money;

(iv) all securities on which call options may be written are subject to 30-day call options throughout the relevant period (for illustrative purposes only - this assumption is not indicative of the extent to which covered call options are expected to be written by the Fund);

(v) the Canadian risk-free or benchmark interest rate equals ●% per annum;

(vi) the average net return from the distributions paid on securities in the Portfolio is 2.87% per annum, assuming an equal weighting among the issuers included in the Investment Universe;

(vii) there are no realized capital gains or losses on securities in the Portfolio for the period during which the call options are outstanding (for illustrative purposes only - the Fund expects that there will be capital gains and losses that may have a positive or negative effect on the value of the Fund); and

(viii) annual expenses (ordinary and extraordinary) of the Fund are $●, plus currency hedging costs of nil and fees payable to Strathbridge of 1.0% of the total assets of the Fund, plus the annual service fee of 0.40% of the value of the Units held by clients of a dealer and payable to each dealer whose clients hold Units.

**U.S. Currency Hedging**

The Fund will have significant U.S. currency exposure. The Fund intends to hedge substantially all of its U.S. currency exposure back to the Canadian dollar.

**Hedging to Protect Portfolio Assets**

The Fund may purchase put options on individual securities in the Portfolio, indexed put options or inverse exchange-traded funds in order to protect the Fund from declines in the market prices of the individual securities in its Portfolio or in the value of its Portfolio as a whole. In addition to writing covered call options and cash-covered put options, and to the extent permitted by Canadian securities regulators from time to time, the Fund may purchase call options and put options with the effect of closing out existing call options and put options written by the Fund.

**Utilization of Cash Equivalents**

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

**No Leverage**

The Fund will not employ leverage.

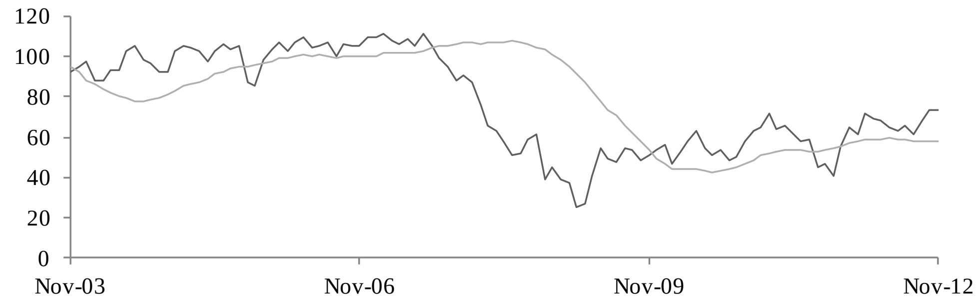
## OVERVIEW OF THE SECTORS IN WHICH THE FUND INVESTS

The Manager believes that the U.S. market represents an attractive investment opportunity for Canadian investors. As at November 27, 2012, the securities included in the S&P 100 Index had an average market capitalization of $85.2 billion, compared to $14.5 billion for the 100 largest stocks listed on the TSX. The 20-day average dollar value traded, for these same securities was $129 million for the S&P 100 Index compared to $28 million for the 100 largest TSX listed issuers. The Manager believes that a number of economic indicators demonstrate that the U.S. economy is currently expanding. Cash on corporate balance sheets is at an all time high and valuations remain attractive. In addition, the U.S. market offers much greater diversification in sectors that are not well represented in Canada such as information technology and healthcare.

**Improving U.S. Economy**

Many U.S. economic statistics are improving and are now in expansion territory. Consumer confidence has grown steadily since bottoming in early 2009 and recently reached its highest level in 4 years. The Manager believes consumer confidence may continue to advance as housing and employment data continue to improve which is expected to lead to higher consumer spending.

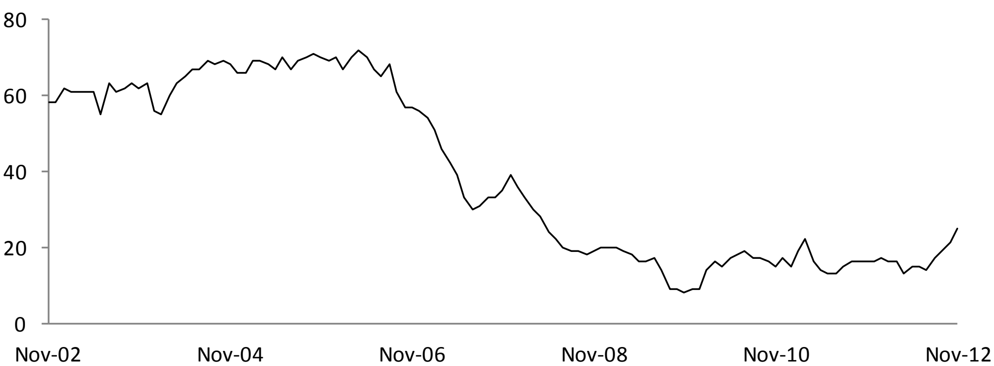
**Conference Board Consumer Confidence**




*Source: Bloomberg*

In November 2012, the National Association of Home Builders ("NAHB") Index reached its highest reading since March 2006. The NAHB Index has historically been a leading indicator for housing and economic growth.

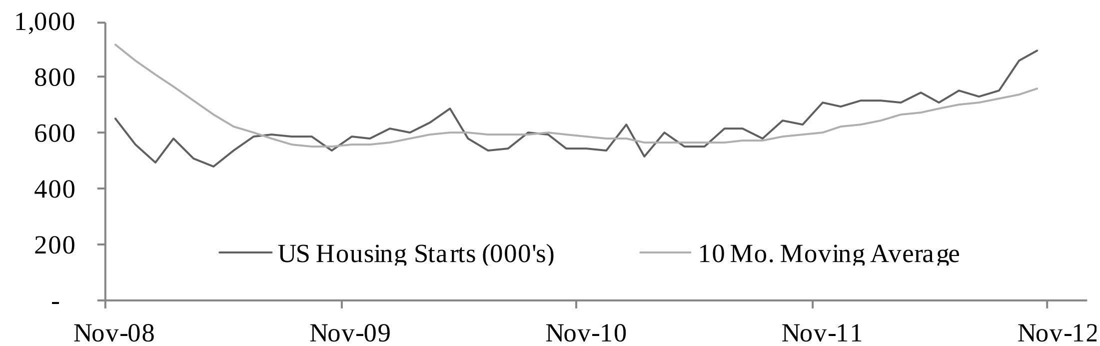
**National Association of Homebuilders (NAHB) Market Index**




*Source: Bloomberg*

The economy also appears to be embarking on a more traditional consumer led recovery with early cycle indicators such as housing starts, retail sales and job growth all showing positive signs. U.S. housing starts have also been in an uptrend since early 2011. The Manager believes the significant rise in the NAHB Index is indicative of substantial increase in housing starts going forward.

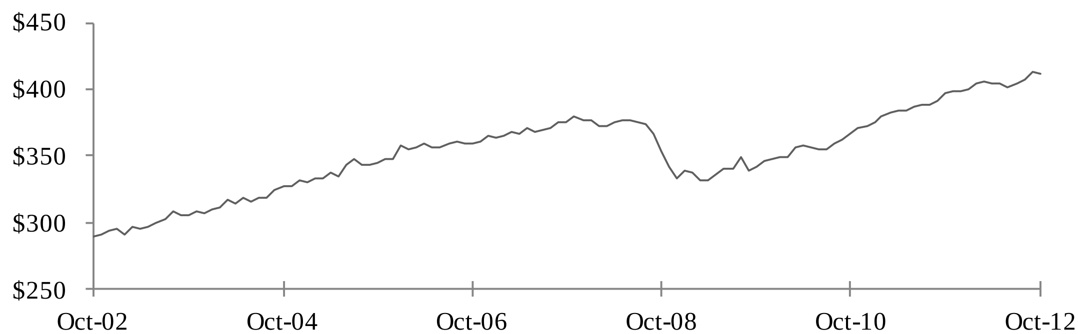
**U.S. Housing Starts**




*Source: Bloomberg*

Better consumer confidence and a stronger housing market have led to more consumer spending. As illustrated in the chart below, retail sales have been expanding considerably since the global financial crisis and are at all time highs.

**Retail Sales ($B)**

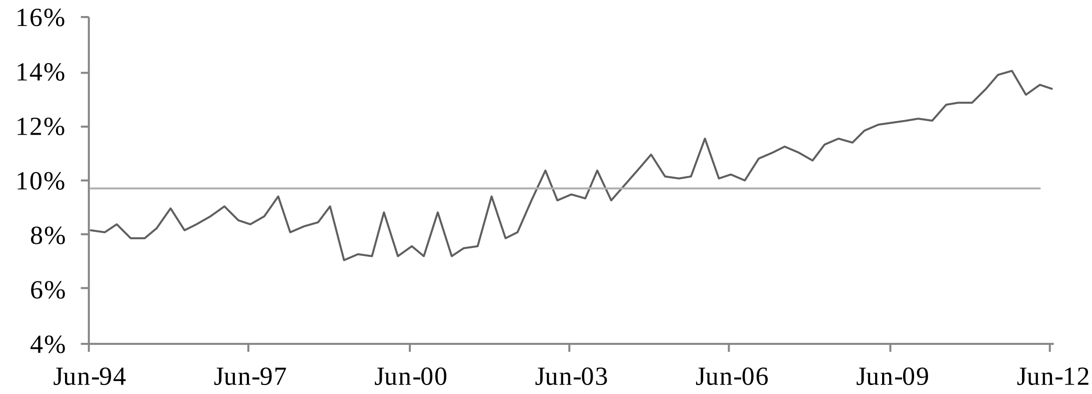



*Source: Bloomberg*

**Strong Corporate Balance Sheets**

U.S. corporate balance sheets are very strong with an estimated $1.4 trillion of cash being held, which the Manager expects will start to be deployed once fiscal certainty becomes clearer. As shown in the following chart, cash as a percentage of assets for S&P 500 companies is near record highs and considerably greater than the average since 1994.

**Cash on Balance Sheets As % of Total Assets**

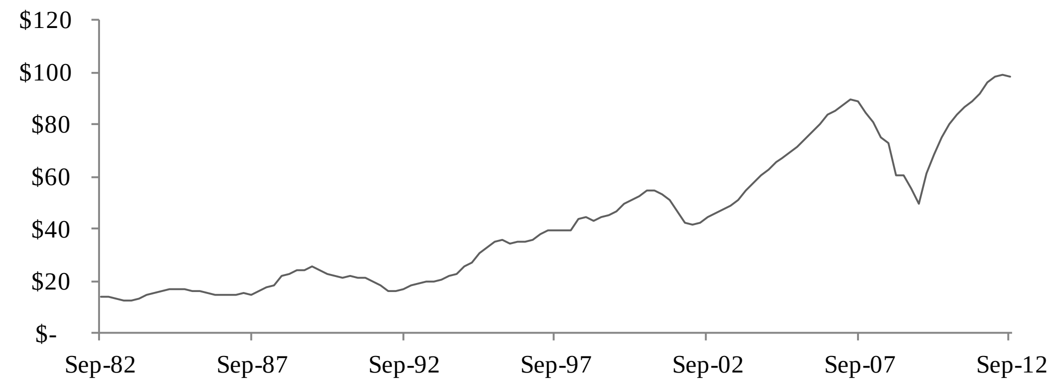



*Source: Strategas Research Partners, LLC*

## Attractive Valuations

As shown in the following chart, S&P 500 trailing earnings per share have been increasing and reached a record high level in June 2012. The most recent reading for September is almost double the level reached in September, 2009.

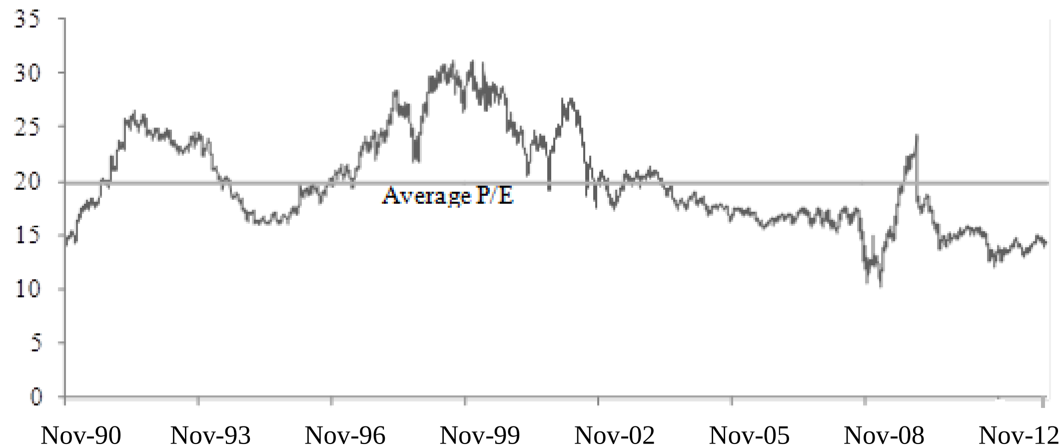
**S&P 500 Trailing 12 Month Earnings per Share**




*Source: Bloomberg*

While U.S. companies have generated record earnings per share, price to earnings (P/E) ratios are back to levels not seen since the early 1990's. As shown in the following chart, valuations are currently very attractive with the S&P 500 P/E ratio at 14.3 versus an average P/E ratio of 19.8 since 1990.

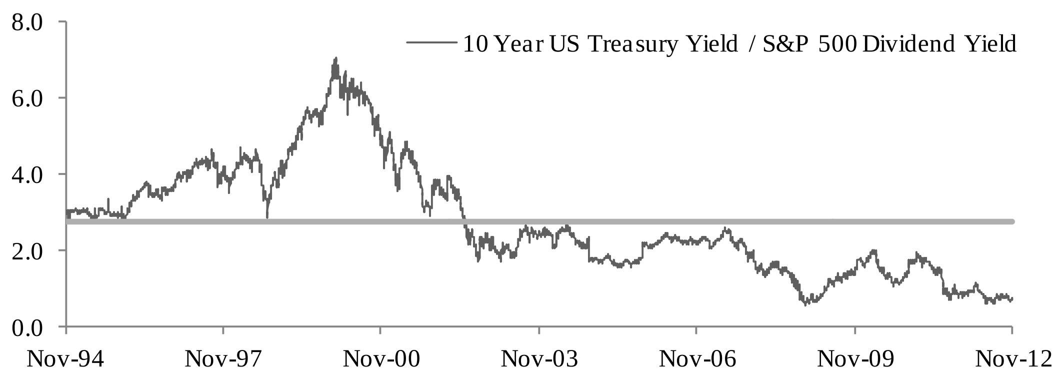
**S&P 500 P/E Ratio**




*Source: Bloomberg*

The following chart depicts the 10-Year U.S. Treasury Yield relative to the S&P 500 Dividend Yield which is at the low end of its historical range. The current ratio of only 0.74 is well below the historical average of 2.76. In the Manager's view equities are attractively valued relative to bonds at these levels.

**Relative Treasury Yield**




*Source: Bloomberg*

The Fund intends to write covered call options on a portion of the securities in the Portfolio from time to time in order to mitigate downside risk for its Unitholders and to generate additional income above the distribution income earned on the Portfolio.

## INVESTMENT RESTRICTIONS

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

(i) purchase securities of an issuer only if (a) such issuer is included in the S&P 100 Index and (b) such issuer has a trailing 12 month Beta relative to the S&P 100 Index of less than 1.0 as of the date on which the securities are purchased;

(ii) not invest more than 10% of the net assets of the Fund in securities of any single issuer, other than securities issued or guaranteed by the Government of Canada or a province or territory thereof or of the Government of the United States or other cash equivalents;

(iii) not purchase equity securities of issuers other than those permitted under paragraph (i) and may only purchase debt securities if such securities are cash equivalents;

(iv) write a call option in respect of any security only if such security is actually held by the Fund in the Portfolio at the time the option is written;

(v) not dispose of any security that is subject to a call option written by the Fund unless such option has either terminated or expired;

(vi) write put options in respect of any security only if (a) the Fund is permitted to invest in such security in the Portfolio, and (b) so long as the options are exercisable, the Fund continues to hold cash equivalents sufficient to acquire the securities underlying the options at the aggregate strike prices of such options;

(vii) reduce the total amount of cash equivalents held by the Fund only if the total amount of cash equivalents held by the Fund remains an amount not less than the aggregate strike price of all outstanding put options written by the Fund;

(viii) purchase call options and put options with the effect of closing out existing call options and put options written by the Fund;

(ix) purchase put options on individual securities in the Portfolio, indexed put options, and, notwithstanding paragraphs (i) and (iii), inverse exchange-traded funds that provide exposure to the S&P 100 Index;

(x) purchase derivatives or enter into derivatives or other transactions to facilitate achieving the investment objectives of the Fund;

(xi) not undertake any activity, take any action, omit to take any action or make or hold any investment that would result in the Fund failing to qualify as a "mutual fund trust" within the meaning of the Tax Act;

(xii) not make or hold any investment that would result in the Fund becoming a "SIFT trust" within the meaning of subsection 122.1(1) of the Tax Act;

(xiii) not invest in: (i) any security that is an offshore investment fund property that would require the Fund to include significant amounts in the Fund's income pursuant to section 94.1 of the Tax Act or proposed section 94.1 of the Tax Act as set forth in draft legislation to amend the Tax Act contained in Bill C-48, which received first reading in the House of Commons on November 21, 2012 ("Bill C-48"); or (ii) any interest in a non-resident trust that would require the Fund to include amounts in income in connection with such interest pursuant to sections 91 or 94 of the Tax Act or proposed sections 94 or 94.2 of the Tax Act as set forth in draft legislation to amend the Tax Act contained in Bill C-48 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto);

(xiv) not invest in any security that would be a "tax shelter investment" within the meaning of the Tax Act; and

(xv) not invest in any security of an issuer that would be a foreign affiliate of the Fund for purposes of the Tax Act.

## FEES AND EXPENSES

### Fees and Expenses Payable by the Fund

*Initial Expenses*

The expenses of the Offering (including the costs of creating and organizing the Fund, the costs of printing and preparing this prospectus, legal expenses of the Fund, marketing expenses and legal 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 and Investment Management Fees*

Strathbridge is entitled to a fee at an annual rate of 1.0% of the NAV of the Fund for its services as manager and investment manager of the Fund. Fees payable to Strathbridge will be calculated and payable monthly based on the NAV as at the Redemption Date of each month.

*Service Fee*

The Fund will pay a Service Fee to each dealer whose clients hold Units. The Service Fee will be calculated and paid at the end of each calendar quarter and will be equal to 0.40% annually of the NAV of the Units held by clients of the dealer. The Fund may, from time to time, pay the Service Fee more frequently than quarterly, in which event the Service Fee will be *pro rated* for the period to which it relates.

*Operating Expenses*

The Fund will pay for all expenses incurred in connection with the operation and administration of the Fund. It is expected that these expenses will include, without limitation: (i) mailing and printing expenses for periodic reports to Unitholders; (ii) fees payable to the Trustee for acting as trustee and custodian of the assets of the Fund and performing certain administrative services under the Trust Agreement; (iii) fees payable to the Transfer Agent with respect to the Units; (iv) fees payable to members of the Advisory Board and the IRC of the Fund; (v) fees payable to the auditor and legal advisors of the Fund; (vi) regulatory filing, stock exchange and licensing fees; (vii) website maintenance costs; and (viii) expenditures incurred upon the termination of the Fund. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which Strathbridge is entitled to an indemnity by the Fund. See "Organization and Management Details of the Fund". The Fund will also be responsible for all commissions and other costs of securities transactions and any extraordinary expenses which may be incurred by it from time to time. All such expenses will be subject to an independent audit and report thereon to the Trustee and Strathbridge will provide reasonable access to its books and records for such purpose.

## RISK FACTORS

The following are certain considerations relating to an investment in Units of the Fund which prospective investors should consider before purchasing such securities.

### Concentration Risk

The Fund was created to invest in the securities of large capitalization issuers listed in the U.S. and is not expected to have significant exposure to any other investments or assets. The Fund will invest 100% of its assets in 20 to 30 equity securities of issuers selected from the S&P 100 Index that have a Beta of less than 1.0.

### Portfolio Securities

The NAV per Unit will vary as the value of the securities in the Portfolio varies. At any time, the issuers in the Portfolio may decide to decrease or discontinue the payment of distributions on their securities. The Fund has no control over the factors that affect the issuers in its Portfolio, such as fluctuations in interest rates, changes in management or strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures and changes in dividend and distribution policies. An investment in the Units does not constitute an investment in the securities of the issuers in the Portfolio. Holders of the Units will not own the securities held by the Fund and will not have any voting or other rights with respect to such securities.

### Global Financial Developments

Global financial markets have experienced significant volatility in recent 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. Some of these economies have experienced significantly diminished growth and some are experiencing or may experience a recession. There is a general concern amongst market participants regarding the potential for sovereign defaults in Europe and other continents and the resulting impact on global financial institutions. The circumstances surrounding matters related to the U.S. government debt limit and a reduction in the U.S. government's credit rating may adversely impact global equity markets and contribute to further volatility in the global capital markets. These market conditions and further volatility or illiquidity in the capital markets may adversely affect the value of securities held by the Fund. A substantial reduction in the value of the markets in which the Fund invests could be expected to have a negative effect on the Fund.

### No Assurances of Achieving Investment Objectives

There is no assurance that the Fund will be able to achieve its distribution or capital preservation objectives. There is no assurance that the Fund will be able to pay distributions. The funds available for distribution to Unitholders will vary according to, among other things, the dividends and distributions paid on the securities in the Portfolio, the level of option premiums received and the value of the securities comprising the Portfolio. Since the dividends and distributions received by the Fund will not be sufficient to meet the objectives of the Fund in respect of the payment of distributions, the Fund will depend on the receipt of option premiums and the realization of capital gains to meet those objectives. Although many investors and financial market professionals price options based on the Black-Scholes

Model, in practice actual option premiums are determined in the marketplace and there is no assurance that the premiums predicted by such a pricing model can be attained.

**Use of Options and Other Derivative Instruments**

The Fund is subject to the full risk of its investment position in the securities comprising its Portfolio, including those securities that are subject to outstanding call options and those securities underlying put options written by the Fund, should the market price of such securities decline. In addition, the Fund will not participate in any gain on securities that are subject to outstanding call options above the strike price of the options.

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

There can be no assurance that a liquid exchange or over-the-counter market will exist to permit the Fund to write covered call options or cash-covered put options on desired terms or to close out option positions should it desire to do so. The ability of the Fund to close out its positions may also be affected by exchange-imposed daily trading limits on options or the lack of a liquid over-the-counter market. If the Fund is unable to repurchase a call option that is in-the-money, it will be unable to realize its profits or limit its losses until such time as the option becomes exercisable or expires. In addition, upon the exercise of a put option, the Fund will be obligated to acquire a security at the strike price that may exceed the then current market value of such security.

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

**Currency Hedging**

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

**Reliance on the Manager**

Strathbridge will manage the Portfolio of the Fund in a manner consistent with the investment objectives, the investment strategies and the investment restrictions of the Fund. The officers of Strathbridge who will be primarily responsible for the management of the Portfolio have extensive experience in managing investment portfolios, but there is no certainty that they will continue to be employees of Strathbridge throughout the term of the Fund.

### Interest Rate Fluctuations

It is anticipated that the market price of the Units will be affected by the prevailing level of interest rates. A rise in interest rates may have a negative effect on the market price of the Units.

### Trading at a Discount

The Fund cannot predict whether the Units will trade above, at or below their NAV per Unit.

### Significant Redemptions

Units are redeemable monthly based on market price and, commencing in August 2014, annually for a price based on NAV per Unit (which represents the value that the Fund is able to obtain in the market when it sells Portfolio securities to fund the redemption). The purpose of the annual redemption right is to prevent the Units from trading at a substantial discount to the NAV per Unit and to provide Unitholders with the right to realize their investment once per year without any trading discount to such value. While the annual redemption right provides Unitholders the option of annual liquidity, there can be no assurance that it will reduce trading discounts. If a significant number of Units is redeemed, the trading liquidity of the Units could be significantly reduced. In addition, the expenses of the Fund would be spread among fewer Units potentially resulting in a lower NAV per Unit. Other closed-end funds with annual redemption rights similar to the redemption rights in respect of the Units have experienced significant redemptions on annual redemption dates in the past.

### 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 in respect of the Units will develop or be sustained after completion of the Offering.

### Withholding Tax

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

### Status of the Fund for Securities Law Purposes

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

### Tax Changes

There can be no assurance that changes will not be made to the tax rules affecting the taxation of the Fund or the Fund's investments, or that such tax rules will not be administered in a way that is less advantageous to the Fund or its Unitholders.

**Taxation of the Fund**

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

On October 31, 2003 the Department of Finance announced a Tax Proposal (as defined below) 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 capital gains or capital losses. If such Tax Proposal were to apply to the Fund, deductions that would otherwise reduce the Fund's taxable income could effectively be denied, with after-tax returns to Unitholders reduced as a result. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace such Tax Proposal would be released for comment. This proposal has not been released as of the date hereof. There can be no assurance that such alternative proposal will not adversely affect the Fund.

If the Fund ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading "Income Tax Considerations" would be materially and adversely different in certain respects.

The Fund will use derivative instruments for converting non-Canadian currency exposure to the Canadian dollar. In accordance with the published administrative practice of the CRA, gains or losses realized on derivatives by virtue of the fluctuation of foreign currencies against the Canadian dollar will, where such derivatives are sufficiently linked with and hedge currency exposure in respect of, underlying securities, be treated and reported for purposes of the Tax Act on capital or income account depending on the nature of the securities to which the hedge is linked and designations with respect to its income and capital gains will be made and reported to Unitholders on this basis.

In determining its income for tax purposes, the Fund will treat option premiums received on the writing of covered call options and cash-covered put options and any losses sustained on closing out options as capital gains and capital losses in accordance with CRA's published administrative practice. CRA's practice is not to grant advance income tax rulings on the characterization of items as capital or income and no advance income tax ruling has been applied for or received from CRA.

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

The Fund is formed to provide investors with exposure to Portfolio investments and is subject to investment restrictions intended to ensure that it will not be a SIFT trust (as defined in the Tax Act). If the Fund were to qualify as a SIFT trust within the meaning of the Tax Act, the income tax considerations described under the heading "Income Tax Considerations" would be materially and adversely different in certain respects.

## DISTRIBUTION POLICY

The Fund will endeavour to make monthly cash distributions to Unitholders on the last day of each month in an amount targeted to be 5.0% per annum of the NAV per Unit. The Fund has determined to base the distributions it pays on the NAV per Unit in order to better facilitate the preservation and enhancement of the Fund's NAV and to enable Unitholders to benefit from any increases in the NAV of the Fund through the resulting increased distributions. The monthly distributions will be determined using the last NAV per Unit prior to the declaration date for the distribution. The first distribution will be for the month of April 2013. If the NAV prior to the declaration date in April 2013 were unchanged from the inception of the Fund, the initial distribution would be approximately $0.0392 representing an annualized rate of 4.7% on the initial $10.00 issue price. The distribution can be expected to vary in each month based on variations in the NAV. It is expected that distributions over the life of the Fund will be derived primarily from net realized capital gains and dividend income. There can be no assurance that the Fund will be able to make distributions at its targeted rate. The distribution policy of the Fund, including the targeted distribution rate, will be reviewed by the Manager on an annual basis.

Based on the composition of the Investment Universe, the Fund is expected to generate dividend income of approximately ●% per annum which, after the deduction of expenses, will be distributed to Unitholders. The Fund would be required to generate an additional return of approximately ●% per annum, including from dividend growth, realized capital appreciation and option premiums, in order for the Fund to maintain its targeted distributions and a stable NAV. Based on (i) the average current volatility of the issuers included in the Investment Universe and (ii) the other assumptions set forth under "Investment Strategies – Covered Option Writing – Income from Covered Call Option Writing", the Fund would be expected to generate cash flow in excess of the above mentioned required additional return. The ability of the Fund to generate such returns will depend on the extent to which these assumptions turn out to be accurate.

If, in any year after making its targeted monthly cash distributions, there would otherwise remain in the Fund, as a consequence of dividend growth, realized capital appreciation, the receipt of option premiums or the settlement of currency contracts, net income or net realized capital gains that are unsheltered by any loss carryforwards from prior years, the Fund intends to make, on December 31 of that year, a special distribution of such remaining net income and net realized capital gains in order to ensure that the Fund will not be liable for income tax thereon under the Tax Act. Such distributions will be made in Units that may at the discretion of the Fund be automatically consolidated. Income or taxable capital gains distributed to a Unitholder in Units are required to be included in the Unitholder's income even though no cash will be distributed to fund any resulting tax payment.

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

Each Unitholder will be mailed (by the dealer who holds Units on their client's behalf) annually, no later than the 90th day following the tax year-end of the Fund, information necessary to enable such Unitholder to complete an income tax return with respect to amounts paid or payable by the Fund in respect of the preceding taxation year of the Fund. See "Income Tax Considerations".

The Fund may, in its discretion, determine what portion, if any, of the redemption amount paid to a Unitholder on a redemption of Units is a distribution to the Unitholder out of the income or net realized capital gains of the Fund.

## REDEMPTION OF UNITS

Units may be surrendered at any time for redemption to the Transfer Agent, but will be redeemed only on a Redemption Date. Units surrendered for redemption on or before an Annual Redemption Deadline will be redeemed on the Annual Redemption Date corresponding to such Annual Redemption Deadline. Units surrendered for redemption on or before a Monthly Redemption Deadline will be redeemed on the Monthly Redemption Date corresponding to such Monthly Redemption Deadline. Unitholders will receive payment for the Units on or before the Redemption Payment Date. If a Unitholder surrenders Units after 5:00 p.m. (Toronto time) on the applicable cut-off date, the Units will be redeemed on the following Redemption Date.

Commencing in 2014, Unitholders whose Units are redeemed on an Annual Redemption Date will be entitled to receive a redemption price per Unit equal to the NAV per Unit determined as of such date.

For Unitholders whose Units are redeemed on a Monthly Redemption Date, the redemption price per Unit will be equal to the lesser of:

(i) 95% of the Market Price; and

(ii) 100% of the Closing Market Price of the Units on the applicable Redemption Date, minus an amount equal to the aggregate of all brokerage fees, commissions and other costs incurred by the Fund in connection with such payment, including, but not limited to, costs incurred in liquidating securities held in the Portfolio.

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

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

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

### Exercise of Redemption Right

An owner of Units who desires to exercise redemption privileges thereunder must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto) on behalf of the owner a Redemption Notice, no later than 5:00 p.m. (Toronto time) on the relevant notice date. An owner who desires to redeem Units should ensure that the CDS Participant is provided with the Redemption Notice sufficiently in advance of the Redemption Deadline so as to permit the CDS Participant to deliver such Redemption Notice to CDS by the required time. The Redemption Notice will be available from a CDS Participant or the Transfer Agent. Any expense associated with the preparation and delivery of Redemption Notices will be for the account of the owner exercising the redemption privilege.

By causing a CDS Participant to deliver to CDS a Redemption Notice, an owner shall be deemed to have irrevocably surrendered the owner's Units for redemption and appointed such CDS Participant to act as the owner's exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any Redemption Notice which CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised 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 to the CDS Participant or to the owner.

**Resale of Units Tendered for Redemption**

The Fund has entered into the Recirculation Agreement with the Recirculation Agent whereby the Recirculation Agent has agreed to use commercially reasonable efforts to find purchasers for any Units tendered for redemption prior to the relevant Redemption Date, provided that the holder of the Units so tendered has not withheld consent thereto. The Fund may, but is not obligated to, require the Recirculation Agent to seek such purchasers and, in such event, the amount to be paid to the Unitholder on the applicable Redemption Payment Date will be an amount equal to the proceeds of the sale of the Units less any applicable commission, provided that such amount will not be less than the applicable redemption price described above.

Subject to the Fund's right to require the Recirculation Agent to use commercially reasonable efforts to find purchasers for any Units tendered for redemption prior to the relevant Redemption Date, any and all Units which have been surrendered to the Fund for redemption are deemed to be outstanding until (but not after) the close of business on the relevant Redemption Date, unless not redeemed thereon, in which event such Units will remain outstanding.

**Suspension of Redemptions**

Strathbridge may direct the Trustee to suspend the redemption of Units or payment of redemption proceeds: (i) during any period when normal trading is suspended on a stock exchange on which securities of the Fund are traded, if those securities represent more than 50% by value, or underlying market exposure, of the total assets of the Fund without allowance for liabilities and if those securities are not traded on any other exchange that represents a reasonably practical alternative for the Fund; or (ii) with the prior permission of the securities regulatory authorities (if required), for any period not exceeding 120 days during which Strathbridge determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Trustee 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 Strathbridge of the suspension and that the redemption will be effected at a price determined on the first applicable Redemption Date following the termination of the suspension. All such Unitholders shall have, and shall be advised that they have, the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by Strathbridge shall be conclusive.

## Purchase for Cancellation

Subject to applicable law, the Fund may at any time or times purchase Units for cancellation at prices not exceeding the NAV per Unit immediately prior to such purchase.

# INCOME TAX CONSIDERATIONS

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Fund, and Davies Ward Phillips & Vineberg LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally relevant to investors who acquire Units pursuant to this prospectus.

This summary is applicable to a holder of Units who is an individual (other than a trust) and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length with the Fund and holds such Units, as capital property. Generally, Units will be considered to be capital property to a holder provided the holder does not hold the Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain holders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have their Units and all other "Canadian securities" owned or subsequently owned by them, treated as capital property by making an irrevocable election in accordance with the Tax Act.

This summary is also based on the assumption that the Fund will at all times comply with its investment restrictions. This summary assumes that the Fund will at no time be a SIFT trust as defined in the Tax Act. This summary is also based on the advice of the Manager and of the Agents respecting certain factual matters.

This summary is based on the current provisions of the Tax Act and the regulations thereunder, counsel's understanding of the current published administrative policies of CRA and all specific proposals to amend the Tax Act and regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (such proposals being referred to as the "Tax Proposals"). This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action; nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

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

## Status of the Fund

This summary is based on the assumptions that the Fund will qualify at all times as a "mutual fund trust" within the meaning of the Tax Act and that the Fund will validly elect under the Tax Act to be a mutual fund trust from the date it was established. To qualify as a mutual fund trust, (i) the Fund must be a Canadian resident "unit trust" for purposes of the Tax Act; (ii) the only undertaking of the Fund must be the investing of its funds in property (other than certain real property or interests in certain real property);

and (iii) the Fund must comply with certain minimum requirements respecting the ownership and dispersal of Units. The Manager has advised counsel that the Fund will qualify as and will elect to be deemed to be a mutual fund trust throughout its first taxation year.

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

**Taxation of the Fund**

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

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

The Manager has informed counsel that, generally, the Fund will include gains and deduct losses on income account in connection with investments made through derivative securities, except where such derivatives are used to hedge Portfolio securities held on capital account, and will recognize such gains and losses for tax purposes at the time they are realized.

Gains or losses realized upon dispositions of Portfolio securities of the Fund will constitute capital gains or capital losses of the Fund in the year realized unless the Fund is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the securities in a transaction or transactions considered to be an adventure in the nature of trade. Accordingly, the Fund will treat gains (or losses) as a result of any disposition of Portfolio securities as capital gains (or capital losses) or, depending on the circumstances, may include the full amount of such gains in (or deduct the full amount from) income.

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

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

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

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

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

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

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

**Taxation of Unitholders**

***Units***

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

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

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

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

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

## INVESTMENTS BY REGISTERED PLANS

Provided that the Fund qualifies and continues to qualify at all times as a mutual fund trust within the meaning of the Tax Act the Units will be qualified investments for trusts governed by Registered Plans. However, the holder of a tax-free savings account that governs a trust or an annuitant of a registered retirement savings plan or registered retirement income fund will be subject to a penalty tax if the holder or annuitant does not deal at arm’s length with the Fund for purposes of the Tax Act or if the holder or annuitant has a significant interest (within the meaning of the Tax Act) in the Fund or in a corporation, partnership or trust with which the Fund does not deal at arm’s length for purposes of the Tax Act. Prospective purchasers should consult with their own tax advisors with respect to the prohibited investment rules (including having regard to any relevant amendments that may be made as a result of a recent comfort letter issued by the Department of Finance).

## ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND

### The Manager

Strathbridge, as the Fund’s manager, is responsible for providing or arranging for the provision of administrative services required by the Fund and, as the Fund’s investment manager, is responsible for implementing the investment strategies of the Fund. The principal office of Strathbridge is located at 121 King Street West, Suite 2600, Standard Life Centre, P.O. Box 113, Toronto, Ontario, M5H 3T9.

Strathbridge was incorporated in 1984 by The Canada Trust Company under the name CT Investment Counsel Inc. ("CTIC") to manage the institutional pension fund business of The Canada Trust Company. In 1985, The Canada Trust Company and The Canada Permanent Trust Company amalgamated resulting in all of the pension assets managed by The Canada Permanent Trust Company being transferred to CTIC management. In addition, the investment professionals of The Canada Permanent Trust Company joined the CTIC team.

In February 1995, John P. Mulvihill purchased 100% of CTIC from The Canada Trust Company and changed CTIC's name to Mulvihill Capital Management Inc. On September 14, 2011, Mulvihill Capital Management Inc. changed its name to Strathbridge Asset Management Inc. Strathbridge is controlled by John P. Mulvihill.

All the individuals on the team responsible for investment management at Strathbridge have significant experience in managing investment portfolios. The officers of Strathbridge who will be primarily responsible for the management of the Portfolio are John P. Mulvihill and John Germain. Also assisting in the management of the Portfolio are Dylan D'Costa, Jeff Dobson, Peggy Shiu, Jack Way, Jeff Thompson and John P. Mulvihill Jr.

**John P. Mulvihill**, Chairman, President, Chief Executive Officer, Secretary and Director of Strathbridge, is the senior portfolio manager of Strathbridge and has over 40 years of investment management experience. Prior to purchasing CTIC from The Canada Trust Company in 1995, Mr. Mulvihill had been Chairman of CTIC since 1988. At CTIC he had primary responsibility for the asset allocation and portfolio management of CTIC's pension and mutual fund assets.

**John Germain**, Senior Vice-President and Chief Financial Officer, has been with Strathbridge since March 1997. Prior to joining Strathbridge, he had been employed at Merrill Lynch Canada Inc. since 1992. For the last two years of his employment at Merrill Lynch Canada Inc., he was a member of the Fixed Income Trading Group.

**Dylan D'Costa**, Portfolio Manager, has been with Strathbridge since January 2001 where he has worked extensively on valuing, pricing and trading equity options. Prior to joining Strathbridge, he had been employed at CIBC Mellon where he worked with the valuations group.

**Jeff Dobson**, Vice-President, joined Strathbridge in April 2001 after nearly 16 years at Scotia Capital. He brings extensive experience in portfolio management, especially in the use of equity options. His most recent position prior to joining Strathbridge involved managing a portfolio comprised of equity options, their underlying stocks, as well as equity index derivatives.

**Peggy Shiu**, Vice-President, has been with Strathbridge since April 1995. She is a member of the investment management team and has extensive experience in the Canadian, U.S. and ADR equity markets.

**Jack Way**, Vice-President, has been with Strathbridge since August 1998 and brings an extensive background in asset management with over 25 years of experience as an investment manager during which he spent considerable time working in the U.S. market.

**Jeff Thompson**, Portfolio Manager, has been with Strathbridge since 1990 primarily working in the Fixed Income group. Since 2008 he has worked extensively on trading equity options and foreign currency hedging.

**John P. Mulvihill Jr.**, Associate Portfolio Manager, has been with Strathbridge since 2008 working with the portfolio management group, specializing in metals and mining companies.

***Officers and Directors of the Manager***

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

| **Name and** **<u>Municipality of Residence</u>** | **Office or Position** **<u>with the Manager</u>** |
|---|---|
| John P. Mulvihill<br>Toronto, Ontario | Chairman, President, Chief Executive Officer, Secretary and Director |
| David E. Roode<br>Toronto, Ontario | President, Fund Services and Director |
| John D. Germain<br>Toronto, Ontario | Senior Vice-President, Chief Financial Officer and Director |
| Jeff Dobson<br>Milton, Ontario | Vice-President |
| Peggy Shiu<br>Toronto, Ontario | Vice-President |
| Jack Way<br>Toronto, Ontario | Vice-President |

Each of the foregoing individuals has held his or her current office or has held a similar office with Strathbridge or an affiliate during the five years preceding the date hereof, other than David E. Roode. In May 2010, Mr. Roode joined Strathbridge from the Brompton Group where he had been since 2002, most recently as Senior Vice-President of Brompton Funds since 2005.

***Duties and Services to be Provided by the Manager***

Pursuant to the Trust Agreement, the Manager is responsible for providing or arranging for the provision of required administrative services to the Fund including, without limitation: authorizing the payment of operating expenses incurred on behalf of the Fund; preparing financial statements and financial and accounting information as required by the Fund; ensuring that Unitholders are provided with financial statements (including interim and annual financial statements) and other reports as are required by applicable law from time to time; ensuring that the Fund complies with regulatory requirements and applicable stock exchange listing requirements; preparing the Fund's reports to Unitholders and the Canadian securities regulatory authorities; providing the Trustee with the information and reports necessary for it to fulfil its fiduciary responsibilities; determining the amount of distributions to be made by the Fund; and negotiating contractual agreements with third-party providers of services, including registrars, transfer agents, auditor and printers.

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

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

The Manager may resign as manager of the Fund upon 60 days' notice in writing to the Trustee and to Unitholders or upon such lesser notice period as the Trustee may accept. If the Manager resigns it may appoint its successor but its successor must be approved by a two-thirds majority vote of the Unitholders. However, such notice and Unitholder approval are not required if the successor manager is an affiliate of the Manager. If the Manager has committed certain events of bankruptcy or insolvency or is in material default of its obligations under the Trust Agreement and such default has not been cured within 30 days after notice of the same has been given to the Manager, the Trustee shall give notice thereof to the Unitholders and the Unitholders may direct the Trustee to remove the Manager and appoint a successor manager.

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

**The Advisory Board**

The Fund has established the Advisory Board currently consisting of five members appointed by the Manager to assist it in performing its services under the Trust Agreement. The names, municipalities of residence and principal occupations of the members of the Advisory Board are as follows:

| Name and Municipality of Residence | Principal Occupation |
|---|---|
| John P. Mulvihill<br>Toronto, Ontario | Chairman, President and Chief Executive Officer, Strathbridge |
| Michael M. Koerner(1)<br>Toronto, Ontario | President, Canada Overseas Investments, Ltd. (private investment company) |
| Robert W. Korthals(1)<br>Toronto, Ontario | Corporate Director |

| Name and<br>**Municipality of Residence** | **Principal Occupation** |
|---|---|
| Robert G. Bertram[(1)]<br>Aurora, Ontario | Corporate Director |
| John D. Germain<br>Toronto, Ontario | Senior Vice-President and Chief Financial Officer, Strathbridge |

Notes:
(1) Independent of the Manager.

During the past five years all of the Advisory Board members have held the principal occupations noted opposite their respective names, or other occupations with their current employer or a predecessor company with the exception of Robert G. Bertram, who served as Executive Vice-President of the Ontario Teachers Pension Plan Board from 1990 until 2008. Each member of the Advisory Board has been appointed by the Manager and will serve until his or her successor is appointed. The independent Advisory Board members are paid an annual fee of $5,000 and a fee for each Advisory Board meeting attended of $300. All fees and expenses of the Advisory Board are paid by the Fund.

## Conflicts of Interest

The management services of Strathbridge under the Trust Agreement are not exclusive and nothing in the Trust Agreement prevents Strathbridge from providing similar management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities.

Strathbridge is engaged in a wide range of investment management, investment advisory and other business activities. The investment management services of Strathbridge are not exclusive and nothing prevents Strathbridge or any of its affiliates from providing similar services to other investment funds and other clients (whether or not their investment objectives, strategies and policies are similar to those of the Fund) or from engaging in other activities. Strathbridge's investment decisions for the Fund will be made independently of those made for its other clients and independently of its own investments. On occasion, however, Strathbridge may make the same investment for the Fund and for one or more of its other clients. If the Fund and one or more of the other clients of Strathbridge are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

## Independent Review Committee

NI 81-107 requires all publicly-offered investment funds, including the Fund, to establish an IRC. The IRC is 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 Canadian 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 relating to 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. The IRC has adopted a written charter which it will follow when performing its functions and is subject to requirements to conduct regular assessments. 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. In addition, each member of the IRC will be indemnified by the Fund for all costs and expenses reasonably incurred by the member in respect of any civil, administrative, investigative or other proceeding in which the member is involved because of being or having been a member, subject to the restrictions contained in NI 81-107. The IRC will report annually to Unitholders. Such reports will be available on Strathbridge's website at www.strathbridge.com or on request, at no cost, by contacting the Manager at info@strathbridge.com.

Each member of the IRC receives $25,000 per annum as a general retainer for acting as a member of the IRC of the Fund and the other funds managed by Strathbridge and $300 for each IRC meeting attended. Members are also reimbursed for any reasonable costs incurred in connection with the performance of their duties as members of the IRC. The Manager allocates these costs among the funds it manages on an equitable and reasonable basis.

The members of the IRC of the Fund and the other funds managed by Strathbridge are Michael M. Koerner, Robert W. Korthals and Robert G. Bertram.

**Michael M. Koerner** is President of Canada Overseas Investments, Ltd.and Sylva Investments Limited. Mr. Koerner is a Trustee of the Art Gallery of Ontario and served as President from 1982-84. He is Treasurer of the Ontario Arts Council Foundation and of the Ontario Cultural Attractions Fund. A patron of many performing and visual arts organizations, Mr. Koerner was instrumental in the creation of the Canadian Encyclopaedia of Music. In 2006, Mr. Koerner received The Edmund C. Bovey Award for outstanding leadership support of the arts. Mr. Koerner is a member of the Order of Canada and has served or is serving as a director on numerous corporate boards including CAE Inc., Pratt & Whitney, Co-Steel Inc., Finning International Inc., J.P. Morgan Bank of Canada, Central Wire Industries Ltd., Helix Investments Limited and Inuvialuit Investment Corporation and he was the Chairman of Suncor Energy Inc. for six years. He is also a Life Member of the Massachusetts Institute of Technology Corporation and past Chairman of the Investment Committee, Massachusetts Institute of Technology and a member of the Council of Advisors of the Canadian Institute for Advanced Research. Mr. Koerner received a Bachelor of Science from the Massachusetts Institute of Technology and a Master of Business Administration from Harvard Business School.

**Robert W. Korthals** is a former President of The Toronto-Dominion Bank and served as a director on the Ontario Teachers' Pension Plan Board from 1996 to 2000 and as the Chairperson from 2000 to 2006. Mr. Korthals has served as a director of numerous companies including Suncor Energy Inc., Rogers Communications Inc. and Cognos Inc. and is currently a director of The Cadillac Fairview Corporation, Jannock Properties Ltd. and a member of the Board of Trustees of the Canadian Parks and Wilderness Foundation. Mr. Korthals received a Bachelor of Science degree from University of Toronto and a Master of Business Administration from Harvard Business School.

**Robert G. Bertram** is the former Executive Vice-President, Investments, of Ontario Teachers' Pension Plan Board from 1990 to 2008. He led the Ontario Teachers' Pension Plan Board's investment program and had oversight of its growth to $108.5 billion from $19 billion when it was established in 1990. Prior to that, Mr. Bertram spent 18 years at Telus Corporation, lastly as Assistant Vice-President and Treasurer. Mr. Bertram is the Chair of the Strategic Committee of Glass Lewis LLC and a director of The Cadillac Fairview Corporation, Nexen Inc. and Maple Leaf Sports and Entertainment Ltd. Mr. Bertram has a Bachelor of Arts degree in History from the University of Calgary and a Master of Business Administration from the University of Alberta. He is a Chartered Financial Analyst (CFA) charter holder and a holder of an ICD.D designation (Institute of Corporate Directors and the Rotman School of Business) and also a director of the ICD Endowment Fund.

## The Trustee

RBC Investor Services Trust is the trustee of the Fund under the Trust Agreement. It acts as custodian of the assets of the Fund and is responsible for certain aspects of the day-to-day administration of the Fund as described in the Trust Agreement, including calculating the NAV, net income and net realized capital gains of the Fund and maintaining the books and records of the Fund in relation to the Portfolio.

The Trustee may resign upon 60 days' notice to Unitholders and Strathbridge. The Trustee may be removed with the approval of a two-thirds majority vote cast at a meeting of Unitholders of the Fund called for such purpose or by Strathbridge in the event the Trustee has committed certain events of bankruptcy or insolvency or is in material default of its obligations under the Trust Agreement and such default continues for 30 days from the date the Trustee receives notice of such material default from Strathbridge. Any such resignation or removal shall become effective only upon the acceptance of appointment by a successor. If the Trustee resigns or is removed by Strathbridge, its successor may be appointed by Strathbridge. The successor must be approved by Unitholders if the Trustee is removed by Unitholders. If no successor has been appointed within 60 days from the date of written notice of such resignation or removal, the Trust Agreement and the Fund will be terminated.

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

The address of the Trustee is 155 Wellington Street West, 7th Floor, Toronto, Ontario, M5V 3L3.

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

## The Custodian

The Trustee is the custodian of the Fund and has the power to appoint sub-custodians.

## Auditor

The Auditor of the Fund is Deloitte & Touche LLP, located at Bay Wellington Tower - Brookfield Place, 181 Bay Street, Suite 1400, Toronto, Ontario, M5J 2V1.

## Registrar and Transfer Agent

Pursuant to the Registrar and Transfer Agency Agreement, the Transfer Agent will provide the Fund with registrar, transfer and distribution agency services in respect of the Units from its principal office in Toronto, Ontario.

## Promoter

Strathbridge has taken the initiative in organizing the Fund and accordingly may be considered to be a "promoter" of the Fund within the meaning of the securities legislation of certain provinces of Canada.

Strathbridge will receive fees from the Fund and will be entitled to reimbursement of expenses incurred in relation to the Fund as described under "Fees and Expenses".

## CALCULATION OF NET ASSET VALUE

### Calculation of Net Asset Value and NAV per Unit

The NAV of the Fund on a particular date will be equal to the aggregate value of the assets of the Fund less the aggregate value of the liabilities of the Fund, including any income, net realized capital gains or other amounts payable to Unitholders on or before such date expressed in Canadian dollars at the applicable exchange rate on such date.

The 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. In general, the NAV per Unit will be calculated as of 4 p.m. (Toronto time) each day. If a valuation date is not a business day, then the securities comprising the Fund property will be valued as if such valuation date were the preceding business day.

### Valuation Policies and Procedures

In determining the NAV per Unit of the Fund at any time:

(i) the value of any security, index futures or index options thereon that is listed on any recognized exchange shall be determined by the closing sale price at the valuation time or, if there is no closing sale price, the average between the closing bid and the closing asked price on the day on which the NAV is being determined, all as reported by any report in common use or authorized as official by a recognized stock exchange; provided that if such stock exchange is not open for trading on that date, then on the last previous date on which such stock exchange was open for trading;

(ii) where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by the Fund shall be reflected as a deferred credit that shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation of such options shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the NAV. The securities, if any, which are the subject of a written clearing corporation option, or over-the-counter option shall be valued at their then current market value;

(iii) purchased or written clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants shall be valued at the current market value thereof;

(iv) the value of any cash on hand, on deposit or on call, prepaid expenses, cash dividends declared and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless the Trustee determines that any such deposit or call loan is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Trustee determines to be the reasonable value thereof;

(v) the value of a futures contract or a forward contract shall be the gain or loss with respect thereto that would be realized if, at the valuation time, the position in the futures contract or the forward contract were to be closed out unless daily limits are in effect in which case fair value shall be based on the current market value of the underlying interest;

(vi) margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;

(vii) any bonds, debentures, and other debt obligations shall be valued by taking the average of the bid and ask prices on the valuation date at such times as the Trustee, in its discretion, deems appropriate. Short term investments including notes and money market instruments shall be valued at cost plus accrued interest;

(viii) the value of any security, the resale of which is restricted or limited, shall be the lesser of the value thereof based on reported quotations in common use and that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage that the Fund's acquisition cost was of the market value of such securities at the time of acquisition; provided that a gradual taking into account of the actual value of the securities may be made where the date on which the restriction will be lifted is known;

(ix) all Fund property valued in a foreign currency and all liabilities and obligations of the Fund payable by the Fund in foreign currency shall be converted into Canadian dollars by applying the rate of exchange obtained from the best available sources to the Trustee; and

(x) the value of any security or property to which, in the opinion of the Trustee, the above valuation principles cannot be applied shall be the fair value thereof determined in such manner as the Trustee from time to time provides.

The above principles are used to calculate NAV for all purposes other than financial statement reporting. With respect to financial reporting, the *Canadian Institute of Chartered Accountants Handbook* requires that portfolio securities in an active market be valued using the latest available bid price. The primary differences between the valuation policy of the Fund and the approach in the CICA Handbook is that the Fund will generally determine the fair value of its equity securities traded on a stock exchange by using the closing price on the exchange. For bonds, debentures and other debt obligations (excluding money-market instruments), the Fund will generally use the average of the bid and ask prices to determine the fair value.

**Reporting of Net Asset Value**

The NAV of the Fund and the NAV per Unit will be provided by Strathbridge to Unitholders at no cost on a daily basis at www.strathbridge.com or on request by contacting the Manager at info@strathbridge.com.

## ATTRIBUTES OF THE UNITS

**Description of the Securities Distributed**

The Fund is authorized to issue an unlimited number of transferable, redeemable trust units of an unlimited number of classes. The Fund is offering Units hereunder, each of which represents an equal, undivided interest in the net assets of the Fund. The Fund proposes to offer the Units at a price of $10.00 per Unit.

All Units have equal rights and privileges. As set forth under "Unitholder Matters – Matters Requiring Unitholder Approval", each whole Unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains and distributions upon the termination of the Fund. Units are issued only as fully paid and are non-assessable. Fractions of Units are proportionately entitled to all of these rights except voting rights. Holders of Units will have no voting rights in respect of the securities in the Portfolio. Such securities will be voted in accordance with the proxy voting guidelines of the Fund. See "Proxy Voting Disclosure for Portfolio Securities Held".

The provisions or rights attaching to the Units may only be modified, amended or varied with the consent of Unitholders given in accordance with provisions contained in the Trust Agreement as described herein under the heading "Unitholder Matters – Matters Requiring Unitholder Approval".

On December 16, 2004, the *Trust Beneficiaries' Liability Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises, (i) the trust is a reporting issuer under the *Securities Act* (Ontario), and (ii) the trust is governed by the laws of the Province of Ontario. The Fund is a reporting issuer under the *Securities Act* (Ontario) and it is governed by the laws of the Province of Ontario by virtue of the provisions of the Trust Agreement.

The Fund may not issue additional Units, or securities convertible into Units, following completion of the Offering except (i) by way of private placement or public offering where the net proceeds per Unit to be received by the Fund are not less than the most recently calculated NAV per Unit prior to the date of the setting of the subscription price by the Fund; (ii) on a distribution of Units or on an automatic reinvestment of distributions of net income or net realized capital gains; or (iii) with the approval of Unitholders.

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

Registrations of interests in, and transfers of, the Units will be made only through the book-entry-only system or the book-based system of CDS. Units may be purchased, transferred or surrendered for redemption only through a CDS Participant. All rights of an owner of Units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Units. Upon purchase of any Units, the owner will receive only the customary confirmation. References in this prospectus to a Unitholder means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

The Fund, the Manager or the Agents will not have any liability for (i) the records maintained by CDS or CDS Participants relating to the beneficial interests in the Units or the book-entry or book-based accounts maintained by CDS in respect thereof; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS or CDS Participants, including with respect to the rules and regulations of CDS or any action taken by CDS, its participants or at the direction of those participants.

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

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

## UNITHOLDER MATTERS

### Meetings of Unitholders

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

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

### Matters Requiring Unitholder Approval

Pursuant to the Trust Agreement, the following matters require the approval of Unitholders by a two-thirds majority vote (other than items (iii), (vi) and (vii) which require approval by a simple majority vote) at a meeting called and held for such purpose:

(i) a change in the fundamental investment objectives of the Fund as described under "Investment Objectives";

(ii) a change in the investment restrictions of the Fund as described under "Investment Restrictions";

(iii) 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;

(iv) a change of the manager of the Fund, other than a change resulting in an affiliate of such person assuming such position or, except as described herein, a change in the investment manager or trustee of the Fund, other than a change resulting in an affiliate of such person assuming such position;

(v) a decrease in the frequency of calculating the NAV per Unit or of redeeming Units;

(vi) any issue of Units for net proceeds per Unit less than the most recently calculated NAV per Unit prior to the date of setting of the subscription price by the Fund;

(vii) a reorganization with, or transfer of assets to, a mutual fund, if

  (a) the Fund ceases to continue after the reorganization or transfer of assets;

  (b) the transaction results in Unitholders becoming security holders in the other investment fund;

(viii) a reorganization with, or acquisition of assets of, a mutual fund, if

(a) the Fund continues after the reorganization or acquisition of assets;

(b) the transaction results in the securityholders of the other investment fund becoming Unitholders of the Fund, and

(c) the transaction would be a material change to the Fund;

(ix) except as described under "Termination of the Fund", the termination of the Fund; or

(x) an amendment, modification or variation in the provisions or rights attaching to the Units.

Notwithstanding the foregoing, a reorganization of the Fund or transfer of assets described in paragraph (vi) may be carried out without the prior approval of Unitholders provided that the IRC of the Fund approves the transaction pursuant to NI 81-107, the reorganization or transfer complies with certain requirements of NI 81-102 and NI 81-107 and Unitholders are sent a written notice at least 60 days before the effective date of the change.

The auditor of the Fund may be changed without the prior approval of Unitholders provided that the IRC of the Fund approves the change and Unitholders are sent a written notice at least 60 days before the effective date of the change.

***Amendments to the Trust Agreement***

The Manager and the Trustee may, without the approval of or notice to Unitholders, amend the Trust Agreement for certain limited purposes specified therein, including to:

(i) remove any conflicts or other inconsistencies which may exist between any terms of the Trust Agreement and any provisions of any law or regulation applicable to or affecting the Fund;

(ii) make any change or correction in the Trust Agreement which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;

(iii) bring the Trust Agreement into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities industry, provided that any such amendment does not adversely affect the pecuniary value of the interest of any Unitholder;

(iv) maintain the status of the Fund as a "mutual fund trust" for the purposes of the Tax Act; or

(v) provide added protection to Unitholders.

Except for changes to the Trust Agreement which require the approval of Unitholders or changes described above which do not require approval or prior notice to Unitholders, the Trust Agreement may be amended from time to time by Strathbridge and the Trustee upon not less than 30 days' prior written notice to Unitholders.

**Reporting to Unitholders**

The Fund will furnish to Unitholders such financial statements (including interim unaudited and annual audited financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

## TERMINATION OF THE FUND

The Fund will be terminated at any time upon not less than 90 days' written notice to the Manager from the Trustee, with the approval of a two-thirds majority of Unitholders, such approval to have been received at a duly convened meeting of Unitholders called for the purpose of considering such termination, provided that Unitholders holding at least 10% of the Units outstanding on the record date of the meeting vote in favour of such termination.

The Manager, may, in its discretion, terminate the Fund without the approval of Unitholders if, in the opinion of the Manager after consulting with the Advisory Board, the NAV of the Fund has been reduced as a result of redemptions or otherwise such that it is no longer economically feasible to continue the Fund and it would be in the best interests of the Unitholders to terminate the Fund. In such circumstances, the Manager will provide at least 30 and no more than 60 days' notice to Unitholders of the Termination Date and will issue a press release at least ten days in advance thereof.

Immediately prior to the Termination Date, Strathbridge will, to the extent possible, convert the assets of the Fund to cash and the Trustee shall, after paying or making adequate provision for all of the Fund's liabilities, distribute the net assets of the Fund to Unitholders on a *pro rata* basis as soon as practicable after the Termination Date.

## USE OF PROCEEDS

The Fund will use the proceeds from the sale of Units as follows:

| | Maximum Offering | Minimum Offering |
|---|---|---|
| Gross proceeds to the Fund.......................... | $● | $● |
| Agents' fees ................................................ | ● | ● |
| Expenses of issue......................................... | ● | ● |
| Net proceeds to the Fund ............................. | $● | $● |

The net proceeds from the issue of Units offered hereby assuming the maximum offering (after payment of the Agents' fees and expenses of the issue) are estimated to be $● and will be used to purchase securities for the Portfolio following the Closing Date. See "Overview of the Sectors in which the Fund Invests".

## PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement between the Agents, Strathbridge and the Fund, the Agents have agreed to offer the Units for sale, as agents of the Fund, on a best efforts basis, if, as and when issued by the Fund. The Agents will receive a fee equal to $0.525 for each Unit sold and will be reimbursed for 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 which are not sold.

The Fund has granted the Agents an Over-Allotment Option to offer up to ● additional Units on the same terms set forth above. This prospectus 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 thirtieth day following the Closing Date. To the extent that the Over-Allotment Option is exercised, the additional Units will be offered at the offering prices hereunder and the Agents will be entitled to a fee of $0.525 per Unit purchased.

The offering price was established by negotiation between the Agents and the Manager.

If subscriptions for a minimum of ● Units have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the Offering may not continue without the consent of those who have subscribed on or before such date. 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 of the Offering 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. The right is reserved to close the subscription books at any time without notice. Closing will take place on ●, 2013 or such later date as may be agreed upon by the Fund and the Agents that is on or before ●, 2013.

The Units will be offered in each of the provinces of Canada. The Units have not been and will not be registered under the *United States Securities Act of 1933*, as amended, or any state securities laws and may not be offered or sold in the U.S. or to U.S. persons.

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

**Non-Resident Unitholders**

At no time may (i) non-residents of Canada, (ii) partnerships that are not Canadian partnerships, or (iii) a combination of non-residents of Canada and such partnerships (all as defined in the Tax Act) be the beneficial owners of a majority of the Units, and the Manager shall inform the Transfer Agent of the Fund of this restriction. The Manager may require declarations as to the jurisdictions in which a beneficial owner of Units is resident and, if a partnership, its status as a Canadian partnership. If the Manager becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units then outstanding are, or may be, non-residents and/or partnerships that are not Canadian partnerships, or that such a situation is imminent, the Manager may make a public announcement thereof. If the Manager determines that more than 40% of the Units are beneficially held by non-residents and/or partnerships that are not Canadian partnerships, the Manager may send a notice to such non-resident Unitholders and partnerships, chosen in inverse order to the order of acquisition or in such manner as the Manager may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 30 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Manager with satisfactory evidence that they are not non-residents or partnerships other than Canadian partnerships within such period, the Manager may on behalf of such Unitholders sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be beneficial holders of Units and their rights shall be limited to receiving the net proceeds of sale of such Units.

Notwithstanding the foregoing, the Manager may determine not to take any of the actions described above if the Manager has been advised by legal counsel that the failure to take any of such actions would not adversely impact the status of the Fund as a mutual fund trust for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of the Fund as a mutual fund trust for purposes of the Tax Act.

## INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Strathbridge and the Trustee will receive the fees described under "Fees and Expenses" for their respective services to the Fund and will be reimbursed by the Fund for all expenses incurred in connection with the operation and administration of the Fund.

## PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD

The Fund has adopted the following proxy guidelines (the "Proxy Guidelines") with respect to the voting of proxies received by it relating to voting securities held by the Fund. The Proxy Guidelines establish standing policies and procedures for dealing with routine matters, as well as the circumstances under which deviations may occur from such standing policies. A general description of certain such policies is outlined below.

(a) *Auditor:* The Fund will generally vote for proposals to ratify the auditor except where non-audit-related fees paid to such auditor exceed audit-related fees.

(b) *Board of Directors:* The Fund will vote for nominees of management on a case-by-case basis, examining the following factors: independence of the board and key board committees, attendance at board meetings, corporate governance positions, takeover activity, long-term company performance, excessive executive compensation, responsiveness to shareholder proposals and any egregious board actions. The Fund will generally withhold votes from any nominee who is an insider and sits on the audit committee or the compensation committee. The Fund will also withhold support from those individual nominees who have attended fewer than 75% of the board meetings held within the past year without a valid excuse for these absences.

(c) *Compensation Plans:* The Fund will vote on matters dealing with share-based compensation plans on a case-by-case basis. The Fund will review share-based compensation plans with a primary focus on the transfer of shareholder wealth. The Fund will generally vote for compensation plans only where the cost is within the industry maximum except where (i) participation by outsiders is discretionary or excessive or the plan does not include reasonable limits on participation or (ii) the plan provides for option re-pricing without shareholder approval. The Fund will generally also vote against any proposals to re-price options, unless such re-pricing is part of a broader plan amendment that substantially improves the plan and provided that (i) a value-for-value exchange is proposed; (ii) the top five paid officers are excluded; and (iii) exercised options do not go back into the plan or the company commits to an annual burn rate cap.

(d) *Management Compensation:* The Fund will vote on employee stock purchase plans ("ESPPs") on a case-by-case basis. The Fund will generally vote for broadly based ESPPs where all of the following apply: (i) there is a limit on employee contribution; (ii) the purchase price is at least 80% of fair market value; (iii) there is no discount purchase price with maximum employer contribution of up to 20% of employee contribution; (iv) the offering period is 27 months or less; and (v) potential dilution is 10% of outstanding securities or less. The Fund will also vote on a case-by-case basis for shareholder proposals targeting executive and director pay, taking into account the issuer's performance, absolute and relative pay levels as well as the wording of the proposal itself. The Fund will generally vote for shareholder proposals requesting that the issuer expense options or that the exercise of some, but not all options be tied to the achievement of performance hurdles.

(e) *Capital Structure:* The Fund will vote on proposals to increase the number of securities of an issuer authorized for issuance on a case-by-case basis. The Fund will generally vote for proposals to approve increases where the issuer's securities are in danger of being de-listed or if the issuer's ability to continue to operate is uncertain. The Fund will generally vote against proposals to approve unlimited capital authorization.

(f) *Constating Documents:* The Fund will generally vote for changes to constating documents that are necessary and can be classified as "housekeeping". The following amendments will be opposed:

(i) the quorum for a meeting of shareholders is set below two persons holding 25% of the eligible vote (this may be reduced in the case of a small organization where it clearly has difficulty achieving quorum at a higher level, but the Fund will oppose any quorum below 10%);

(ii) the quorum for a meeting of the board of directors should not be less than 50% of the number of directors; and

(iii) the chair of the board has a casting vote in the event of a deadlock at a meeting of directors if that chair is not an independent director.

The Proxy Guidelines also include policies and procedures pursuant to which the Fund will determine how to cause proxies to be voted on non-routine matters including shareholder rights plans, proxy contests, mergers and restructurings and social and environmental issues. The Proxy Guidelines apply to proxy votes that present a conflict between the interests of Strathbridge or an entity related thereto, on the one hand, and the interests of Unitholders, on the other.

The Fund will retain ISS Governance Services, a subsidiary of RiskMetrics Group, to administer and implement the Proxy Guidelines for the Fund.

## MATERIAL CONTRACTS

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

(i) the Trust Agreement described under "Organization and Management Details of the Fund"; and

(ii) the Agency Agreement described under "Plan of Distribution".

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

## EXPERTS

The matters referred to under "Income Tax Considerations" and certain other legal matters relating to the securities offered hereby will be passed upon by Osler, Hoskin & Harcourt LLP, on behalf of the Fund, and Davies Ward Phillips & Vineberg LLP, on behalf of the Agents.

The auditor of the Fund is Deloitte & Touche LLP, Chartered Accountants, Licensed Public Accountants, Toronto, Ontario. Deloitte & Touche LLP has advised that they are 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 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, 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. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

## INDEPENDENT AUDITOR'S CONSENT

We have read the prospectus of Low Volatility U.S. Equity Income Fund (the "Fund") dated ●, 2013 relating to the issue and sale of Units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the Unitholder of the Fund on the statement of financial position of the Fund as of ●, 2013. Our report is dated ●, 2013.

Toronto, Ontario
●, 2013

(Signed) ●
Chartered Accountants

Licensed Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Unitholder of the Low Volatility U.S. Equity Income Fund

We have audited the accompanying financial statement of Low Volatility U.S. Equity Income Fund (the "Fund"), which comprise the statement of financial position as at ●, 2013 and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the financial statement**

Management is responsible for the preparation and fair presentation of 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 an audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Fund as at ●, 2013 in accordance with Canadian generally accepted accounting principles.

(Signed) ●

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario

●, 2013

**LOW VOLATILITY U.S. EQUITY INCOME FUND**
**STATEMENT OF FINANCIAL POSITION**

●, 2013

**ASSETS**

| | |
|---|---|
| Cash | $10.00 |
| Total | $10.00 |

**UNITHOLDER'S EQUITY**

| | |
|---|---|
| Unitholder's Equity (1 Unit) (Note 1) | $10.00 |

Approved by the Manager,

STRATHBRIDGE ASSET MANAGEMENT INC.

(Signed) John P. Mulvihill
Director

(Signed) John D. Germain
Director

*See accompanying notes to financial statements.*

**LOW VOLATILITY U.S. EQUITY INCOME FUND**
**NOTES TO THE STATEMENT OF FINANCIAL POSITION**

1. **Units Authorized and Outstanding**

*Establishment of the Fund and Authorized Units*

Low Volatility U.S. Equity Income Fund (the “Fund”) was established under the laws of the Province of Ontario on ●, 2013 by a trust agreement (the “Trust Agreement”) made between RBC Investor Services Trust and Strathbridge Asset Management Inc. (“Strathbridge”). The Fund’s authorized capital includes an unlimited number of units (“Units”). On ●, 2013, the Fund issued one Unit for $10.00 cash.

The Fund proposes to offer units of the Fund (“Units”) at a price of $10.00 per Unit.

2. **Agency Agreement and Custodian**

The Fund has engaged RBC Dominion Securities Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc., Canaccord Genuity Corp., Desjardins Securities Inc., GMP Securities L.P., Macquarie Private Wealth Inc., Raymond James Ltd. and Mackie Research Capital Corporation (collectively, the “Agents”) as agents to offer (the “Offering”) Units for sale to the public pursuant to a prospectus dated ●, 2013 and pursuant to which the Fund has agreed to create, issue and sell a minimum of ● Units at a price of $10.00 per Unit. The expenses of the Offering, estimated at $● subject to a maximum of 1.5% of the gross proceeds of the Offering together with the Agents’ fees of $0.525 per Unit, will be paid from the proceeds of the Offering. As set forth in the prospectus, the Fund has granted to the Agents an over-allotment option exercisable, in whole or in part, and from time to time for a period of 30 days following the closing of the Offering, at a price of $10.00 per Unit.

Pursuant to the Trust Agreement, RBC Investor Services Trust acts as trustee and custodian of the assets of the Fund and is also responsible for certain aspects of the Fund’s day-to-day operations. In consideration for the services provided by RBC Investor Services Trust, the Fund will pay a monthly fee to be agreed upon between RBC Investor Services Trust and Strathbridge.

3. **Commitments**

Strathbridge acts as manager and investment manager under the Trust Agreement. Strathbridge is entitled to fees at an annual rate of 1.0%. Such fees are calculated and payable monthly. The Fund will pay a service fee (the “Service Fee”) to each dealer whose clients hold Units. The Service Fee will be calculated and paid at the end of each calendar quarter and will be equal to 0.40% annually of the NAV of the Units held by clients of the dealer. The Fund may, from time to time, pay the Service Fee more frequently than quarterly, in which event the Service Fee will be *pro rated* for the period to which it relates. The Fund will pay for all expenses incurred in connection with its operation and administration.

4. **Accounting Policies**

The statement of financial position has been prepared in accordance with Canadian generally accepted accounting principles in connection with the prospectus filing requirements of the Canadian securities regulatory authorities to qualify Units of the Fund for public distribution.

5. **Calculation of Net Asset Value and NAV per Unit**

The NAV of the Fund on a particular date will be equal to the aggregate value of the assets of the Fund less the aggregate value of the liabilities of the Fund, including any income, net realized capital gains or other amounts payable to Unitholders on or before such date expressed in Canadian dollars at the applicable exchange rate on such date.

The 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.

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

Dated: December 19, 2012

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 British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland and Labrador.

**STRATHBRIDGE ASSET MANAGEMENT INC.**
(as manager on behalf of Low Volatility U.S. Equity Income Fund)

| | |
|---|---|
| (Signed) JOHN P. MULVIHILL<br>Chief Executive Officer | (Signed) JOHN D. GERMAIN<br>Chief Financial Officer |

**On behalf of the Board of Directors of**
**Strathbridge Asset Management Inc.**

| | |
|---|---|
| (Signed) JOHN P. MULVIHILL<br>Director | (Signed) JOHN D. GERMAIN<br>Director |

(Signed) DAVID E. ROODE
Director

**STRATHBRIDGE ASSET MANAGEMENT INC.**
(as promoter)

(Signed) JOHN P. MULVIHILL
Chief Executive Officer

## CERTIFICATE OF THE AGENTS

Dated: December 19, 2012

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 British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland and Labrador.

| RBC Dominion Securities Inc. | CIBC World Markets Inc. |
| --- | --- |
| By: (Signed) CHRISTOPHER BEAN | By: (Signed) MICHAEL D. SHUH |

| BMO Nesbitt Burns Inc. | National Bank Financial Inc. | Scotia Capital Inc. | TD Securities Inc. |
| --- | --- | --- | --- |
| By: (Signed) ROBIN TESSIER | By: (Signed) TIMOTHY EVANS | By: (Signed) BRIAN D. MCCHESNEY | By: (Signed) CAMERON GOODNOUGH |

| Canaccord Genuity Corp. | Desjardins Securities Inc. | GMP Securities L.P. | Macquarie Private Wealth Inc. | Raymond James Ltd. |
| --- | --- | --- | --- | --- |
| By: (Signed) RON SEDRAN | By: (Signed) BETH SHAW | By: (Signed) NEIL SELFE | By: (Signed) BRENT LARKAN | By: (Signed) J. GRAHAM FELL |

Mackie Research Capital Corporation

By: (Signed) DAVID J. KEATING

Low Volatility U.S. Equity

INCOME FUND