

**CITADEL INCOME FUND**

**ANNUAL INFORMATION FORM**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

**March 28, 2016**

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## FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual information form constitute forward-looking statements. The use of any of the words “anticipated”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Manager (as defined below) believes the expectations reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this annual information form should not be unduly relied upon. These statements speak only as of the date of this annual information form.

In particular, this annual information form may contain forward-looking statements pertaining to distributable cash and distributions. The actual results could differ materially from those anticipated in these forward-looking statements as a result of, among other things, the risk factors set out in this annual information form. The Manager does not undertake any obligation to publicly update or revise any forward-looking statements, except as otherwise required by applicable law.

### ITEM 1 NAME, FORMATION AND HISTORY OF THE TRUST

Citadel Income Fund (the “**Trust**”) is a closed-end investment fund established as a trust under the laws of Ontario. The Trust was originally established under the name Crown Hill Fund pursuant to a declaration of trust dated January 28, 2005 (the “**Original Declaration of Trust**”). The Original Declaration of Trust was since: (i) amended and restated as of each of June 12, 2006, June 4, 2008, June 6, 2008, September 26, 2008, December 31, 2008, December 2, 2009 and December 2, 2010; (ii) amended as of August 7, 2012; (iii) amended and restated as of August 9, 2012; (iv) amended as of January 16, 2013, when Artemis Investment Management Limited (the “**Manager**” or the “**Trustee**”) took over the manager and trustee function for the Trust from Crown Hill Capital Corporation; and (v) amended and restated by the Manager as of March 7, 2014 in order to, among other things, incorporate certain updates relating to the *Income Tax Act* (Canada) (the “**Tax Act**”). The Original Declaration of Trust as so amended and restated is hereinafter referred to as the “**Declaration of Trust**”.

The Trust’s principal office is the registered office of the Manager located at 1325 Lawrence Avenue East, Suite 200, Toronto, Ontario M3A 1C6. The fiscal year end of the Trust is December 31. The Trust has no employees or subsidiaries.

### Predecessor Funds

Citadel Income Fund is the name of the combined fund resulting from the merger on December 2, 2009 (the “**Merger**”) of Crown Hill Fund (“**CHF**”) and Citadel Premium Income Fund (“**Premium**”), Citadel HYTES Fund (“**Hytes**”), Citadel S-1 Income Trust Fund (“**Citadel S-1**”), Citadel Stable S-1 Income Fund (“**Stable**”) and Equal Weight Plus Fund (“**Equal Weight**”) (collectively the “**Previous Citadel Funds**”). The Trust acquired the investment portfolios and other assets of the Previous Citadel Funds on December 2, 2009, but did not assume any liabilities of the Previous Citadel Funds. Since the merger was an acquisition, it was done on a taxable basis. The Previous Citadel Funds unitholders received the following number of units of the Trust for each unit held prior to the merger: Premium unitholders received 1.1581 units; Hytes unitholders received 1.7545 units; Citadel S-1 unitholders received 1.8629 units; Stable unitholders received 1.0765 units; and Equal Weight unitholders received 0.8028 units.

In connection with the Merger, the investment objectives, strategies and investment restrictions of the Trust were changed such that they are now those set out under Item 2 below.

The Trust's previous investment objectives were:

- (a) to provide unitholders of the Trust with a stable stream of monthly distributions; and
- (b) to potentially enhance the net asset value of the Trust such that the net asset value per unit exceeds \$10.

The Trust's previous investment strategy was that the Trust's property would be invested in a diversified portfolio of income producing securities. At least 80% of such portfolio would contain:

- (a) equity securities of an issuer whose market capitalization exceeds \$1 billion;
- (b) debt securities considered investment grade at the time of investment;
- (c) income funds each of which has, at the date of investment by the Trust, a market capitalization, excluding any control positions, of \$400 million.

Crown Hill Dividend Fund was an investment trust established under the laws of the Province of Ontario on May 19, 2004. On May 31, 2004, Crown Hill Dividend Fund ("CHDF") completed an initial public offering of 2,500,000 units at \$10 per unit. Subsequently an option granted to the agents was exercised for 193,473 units at \$10 per unit. CHDF's units were listed on the Toronto Stock Exchange under the symbol PBK.UN. CHDF began operations on May 31, 2004 when it completed its initial public offering. The manager of CHDF was Crown Hill Capital Corporation. Effective June 24, 2005, the name of CHDF changed from Profit Booking Blue Chip Trust to Crown Hill Dividend Fund.

MACCs Sustainable Yield Trust ("MACCs") was an investment fund established under the laws of the Province of Ontario on January 28, 2005. On February 18, 2005, MACCs completed an initial public offering of 3,250,000 units at \$10 per unit. Subsequently an option granted to the agents was exercised for 280,000 units at \$10 per unit. The units were listed on the Toronto Stock Exchange under the symbol MYT.UN. MACCs began operations on February 18, 2005 when it completed its initial public offering. The original manager of MACCs was MACCs Administrator Inc. On February 1, 2008, Crown Hill Capital Corporation became the manager.

On December 29, 2008, Crown Hill Fund was the new name of the combined fund resulting from the merger of CHDF and MACCs. CHDF was deemed to be the acquirer fund given the continuation of the CHDF investment objectives and ongoing management of CHF. The merger was recorded as a reverse acquisition, since MACCs was the continuing fund. All of the assets of CHDF were transferred to MACCs in exchange for units of MACCs and the assumption by MACCs of all of the liabilities of CHDF. The CHDF unitholders then received 1.1742 units of MACCs for each CHDF unit held. The merger was done on a tax-free basis.

On January 23, 2009, CHF merged with Fairway Diversified Income and Growth Trust ("Fairway"). CHF was the acquirer fund given the continuation of CHF's investment objectives and ongoing management of CHF. All of the assets of Fairway were transferred to CHF in exchange for units of CHF and the assumption by CHF of all of the liabilities of Fairway. The Fairway unitholders then received 1.30587 units of CHF for each Fairway unit held. The merger was done on a tax-free basis.

Fairway Diversified Income and Growth Trust was an investment trust established under the laws of the Province of Ontario on February 26, 2004 and amended and restated as of June 21, 2007. The units were listed on The Toronto Stock Exchange under the ticker symbol FDT.UN. On June 29, 2007, Fairway merged with Fairway Investment Grade Income Fund and Global Preferred Securities Trust; at that time, all three were managed by Fairway Advisors Inc., which became JovFunds Management Inc. on September 1, 2007. On January 20, 2009, Crown Hill Capital Corporation became the manager of Fairway.

Citadel Premium Income Fund was a closed-end investment trust established under the laws of Alberta pursuant to a declaration of trust dated as of June 6, 2006 and amended and restated July 13, 2006. Premium commenced operations on July 20, 2006, when it completed a merger of three Citadel Funds – MYDAS Fund, Citadel Multi-Sector Income Fund and Citadel Income & Growth Income Fund (“**MMI&G Merging Funds**”). On June 3, 2009, Citadel Fund Administrator LP, an entity in which CHF held a beneficial interest, became the administrator of Premium.

At special meetings of the unitholders of the MMI&G Merging Funds held on September 14, 2005 and October 12, 2005, unitholders approved a special resolution authorizing the board of directors of such funds to merge with other similar Citadel Funds. Subsequently, the board of directors determined that each of the MMI&G Merging Funds had similar investment objectives and that such merger would result in lower general and administration expenses on a combined basis.

Effective the close of business on July 19, 2006, MYDAS Fund, Citadel Multi-Sector Income Fund and Citadel Income & Growth Fund were merged into a new fund, Citadel Premium Income Fund, with unitholders of the MMI&G Merging Funds receiving units of Premium on a relative net asset value basis. The merger was recorded using the purchase method of accounting for business combinations with Premium issuing 61,000,000 units in exchange for the net assets of each of the MMI&G Merging Funds on July 19, 2006.

Citadel HYTES Fund was a closed-end investment trust established under the laws of Alberta pursuant to a declaration of trust dated as of February 27, 2001 and amended and restated as of September 14, 2005. The Trust commenced operations upon completion of its initial public offering on April 11, 2001. On June 3, 2009, Citadel Fund Administrator LP became the administrator of Hytes.

Citadel S-1 Income Trust Fund was closed-end investment trust established under the laws of Alberta pursuant to a declaration of trust dated as of August 11, 2000 and amended and restated as of September 14, 2005. Citadel S-1 commenced operations upon completion of its initial public offering on October 6, 2000. On June 3, 2009, Citadel Fund Administrator LP became the administrator of Citadel S-1.

Citadel Stable S-1 Income Fund was a closed-end investment trust established under the laws of Alberta pursuant to a declaration of trust dated as of December 6, 2004. Stable commenced operations upon completion of its initial public offering on February 15, 2005. On June 3, 2009, Citadel Fund Administrator LP became the administrator of Stable.

Equal Weight Plus Fund was a closed-end investment trust established under the laws of Alberta pursuant to a declaration of trust dated as of December 22, 2005 and amended and restated January 23, 2006. Equal Weight commenced operations upon completion of its initial public offering on February 28, 2006. On June 3, 2009, Citadel Fund Administrator LP became the administrator of Equal Weight.

## Change in Investment Manager

Vestcap Investment Management Inc. (“**Vestcap**” or the “**Investment Manager**”) is the investment manager of the Trust effective April 25, 2013, replacing Jarislowsky Fraser Limited. Founded in 1988, Vestcap is a Toronto-based portfolio management firm whose principals have extensive experience in managing both equity and fixed income portfolios. See “Responsibility for Trust Operations – The Investment Manager” below.

## ITEM 2 INVESTMENT OBJECTIVES, STRATEGY AND RESTRICTIONS

### GENERAL

The Trust is not a “mutual fund” for securities law purposes. As a result, some of the protections provided to investors in mutual funds under such laws are not available to investors in the units of the Trust (“**Units**”). The Trust differs from conventional mutual funds in a number of respects, most notably as follows: (a) while the Units may be surrendered at any time for redemption, the redemption price is payable monthly whereas the securities of most conventional mutual funds are redeemable daily; (b) the Units have a stock exchange listing whereas the securities of most conventional mutual funds do not; and (c) unlike most conventional mutual funds, the Units are not offered on a continuous basis.

### INVESTMENT OBJECTIVES

The investment objectives of the Trust are:

- (a) to provide unitholders of the Trust with a stable stream of monthly distributions; and
- (b) to preserve and potentially enhance the net asset value (the “**Net Asset Value**” or “**NAV**”) of the Trust.

### INVESTMENT STRATEGY

The investment strategy of the Trust is to invest the property of the Trust in a diversified portfolio of securities with the focus on income generation consisting of:

- (a) equity securities, of principally larger capitalization companies traded on a recognized stock exchange;
- (b) debt securities with a focus on yield enhancement, with a minimum of 80% of debt securities invested in investment grade debt rated BBB or higher; and
- (c) Income Funds, each of which has, at the date of investment by the Trust, a market capitalization, excluding control positions, of \$400 million, used to enhance yield in the portfolio. “**Income Fund**” means a trust, limited partnership or other entity structured to own debt and/or equity of an underlying operating company or other entity which carries on an active business, or structured to own real estate assets, or a royalty in revenues generated by the assets of an underlying company or other entity.

### INVESTMENT RESTRICTIONS

#### General

Except as otherwise provided in the Declaration of Trust, the Trust will not:

- (a) borrow money, except that the Trust may borrow in accordance with “Power to Borrow” described below;
- (b) make any investment that would result in the Trust failing to qualify as a “unit trust” within the meaning of the Tax Act;
- (c) enter into agreements that could give rise to tax liability under section 207.1(5) of Part XI.I of the Tax Act;
- (d) hold securities of any non-resident entity that would be subject to the application of the non-resident trust rules in section 94 of the Tax Act;
- (e) make or hold any investment that would result in the Trust failing to qualify as a “mutual fund trust” within the meaning of the Tax Act;
- (f) purchase real estate or real estate mortgage loans, other than through the ownership of securities issued by issuers that invest in real estate; or
- (g) act as an underwriter except to the extent that the Trust may be deemed to be an underwriter in connection with the sale of securities issued by the Trust or securities in its portfolio.

If any regulatory authority having jurisdiction over the Trust or any of the Trust’s property enacts any law, regulation, or requirement that is in conflict with any investment restriction of the Trust then in force, such investment restriction in conflict will, if the Trustee on the advice of counsel to the Trust so resolves, be deemed to have been amended to the extent necessary to resolve any such conflict, and any such amendment will not require the approval of or notice to the unitholders of the Trust, whether or not such amendment is material.

#### **Power to Borrow**

(1) Subject to the investment objectives, investment strategy, investment restrictions of the Trust and (2) and (3) below, the Trustee has the power to:

- (a) borrow money and incur indebtedness (which for these purposes includes, without limitation, borrowing on margin, issuing notes or other securities, and entering into agreements and arrangements, including trust indentures and incurring indebtedness for various purposes including purchasing securities in accordance with the investment strategy of the Trust and subject to its investment restrictions, effecting market purchases and retractions of Units, paying fees and expenses of the Trust, and for working capital purposes); and
- (b) charge, mortgage, hypothecate, pledge, and/or grant security interests in, free and clear from any and all trusts, all or any of the then currently owned or subsequently acquired property of the Trust, to secure such borrowed funds, indebtedness or guarantee or the performance of any obligation of the Trust under any contract or agreement of the Trust,

which powers specifically include the power to enter into, draw upon and comply with the terms and conditions of a loan facility for the purposes set out in (2) immediately below (the “**Loan Facility**”).



(2) Notwithstanding (1) above, the Trust may not borrow in excess of 20% of the total assets of the Trust for the purpose of purchasing securities to be included in the portfolio, effecting market purchases and retractions of Units, and paying fees and expenses of the Trust and, in the event that the total amount borrowed by the Trust at any time exceeds 20% of the total assets of the Trust, the Manager and/or the Investment Manager will sell investments in an orderly manner and use the proceeds therefrom to reduce the outstanding indebtedness so that the amount borrowed by the Trust for such purposes does not exceed 20% of the total assets of the Trust.

(3) The Trust may refinance the Loan Facility through borrowings or through the issuance of other debt or debt-like instruments.

### ITEM 3 DESCRIPTION OF SECURITIES OFFERED BY THE TRUST

#### Description of Units

The Trust is authorized to issue an unlimited number of transferable retractable and redeemable units (each, a “Unit”) of beneficial interest, each of which represents an equal, fractional undivided interest in the net assets of the Trust. Fractions of Units may be issued which will have the same rights, restrictions, conditions, and limitations attaching to whole Units in the proportion which they bear to a whole Unit, except fractional Units will not have the right to vote. Each Unit entitles the unitholder to the same rights and obligations as any other unitholder and no unitholder is entitled to any privilege, priority, or preference in relation to any other unitholder. Each unitholder is entitled to one vote for each Unit held and is entitled to participate equally with respect to any and all distributions made by the Trust, including distributions of net income and net realized capital gains, if any. On termination or liquidation of the Trust, unitholders of record are entitled to receive on a *pro rata* basis all of the assets of the Trust remaining after payment of all debts, liabilities and liquidation expenses of the Trust.

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 default occurs or the liability arises: (i) the trust is a reporting issuer under the *Securities Act* (Ontario); and (ii) the trust is governed by the laws of Ontario. The Trust is a reporting issuer under the *Securities Act* (Ontario) and is governed by the laws of Ontario by virtue of the provisions of the Declaration of Trust.

#### Distributions

The Trust will make distributions in such amounts and at such times as the Manager may determine. The Trust, consistent with its investment objectives, will endeavour to make monthly cash distributions to unitholders. The Trust may also, in the discretion of the Manager, make additional distributions at any time if it considers such additional distributions appropriate.

Having regard to the intention of the Trustee to allocate, distribute and make payable to unitholders all of the amounts necessary to ensure that the Trust will not be liable to pay income tax under Part I of the Tax Act for any year, after taking into account any entitlement to a capital gains refund (such amount being known, in respect of any year, as the “taxation distribution amount”), unless the Trustee, in its absolute discretion, has otherwise determined to not distribute such taxation distribution amount, the amount which is sufficient to ensure that the taxation distribution amount is so distributed shall be deemed to be declared by the Trustee as a distribution, and to be due and payable, on the last business day of the year, to persons who are unitholders on the record date in respect of such distribution. For greater certainty, if the Trustee has exercised its absolute discretion to not distribute the taxation distribution amount in respect of any year, the difference between any amounts actually declared as distributions and

the taxation distribution amount in respect of such year shall not be payable to unitholders. Moreover, the Trustee, in its absolute discretion, may at any time refute the intention referred to above to distribute taxation distribution amounts in respect of any year or future year.

The Trust has adopted a distribution reinvestment purchase plan and optional Unit purchase plan (the “**Plan**”) pursuant to which distributions paid to unitholders may be reinvested automatically on each unitholder’s behalf at the option of such unitholder to purchase additional Units in accordance with the Plan. Subject to the terms and conditions of the Plan and applicable securities laws, unitholders may also apply additional cash payments towards the purchase of additional Units under the Plan. Notwithstanding the availability of the Plan, all distributions to non-resident unitholders are paid in cash and may not be reinvested. The Manager has a registrar, transfer agency, and disbursing agent agreement in respect of the Plan. Effective February 3, 2014, the Trust instituted a change to the Plan such that Units issued under the Plan are issued at a 5% discount to the applicable 5-day volume-weighted average trading price of the Units on the TSX. A copy of the Plan is available on the Trust’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

### **Non-Resident Ownership**

At no time may persons who are non-residents of Canada for the purposes of the Tax Act (“**Non-Residents**”) be the beneficial owners of more than 50% of the Units and the Manager will inform the transfer agent of the Trust of this restriction. If at any time the Manager becomes aware that the beneficial holders of 45% or more of the Units then outstanding are, or may be, Non-Residents, or that such a situation is imminent, the Manager shall not accept a subscription for Units from, or issue or register a transfer of Units to, a person unless the person provides a declaration that the person is not a Non-Resident. If the Manager determines that a majority of the Units are beneficially held by persons who are Non-Residents, the Manager may send, or cause to be sent, a notice to such Non-Resident unitholders, 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 beneficial holders receiving such notice have not sold the specified number of Units or have not provided the Manager with satisfactory evidence that they are not Non-Residents 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 of Units will cease to be the registered or beneficial holders of such Units and their rights as regards those Units will be limited to receiving the net proceeds of sale of such Units.

### **Repurchase of Units**

The Declaration of Trust provides that, subject to applicable law, the Trust has the right (but not the obligation), exercisable in its sole discretion, from time to time, to purchase for cancellation any Units.

### **Modification of Declaration of Trust and Meetings of Unitholders**

Except as provided below, the following may be undertaken only with the approval of the unitholders by a resolution passed by the affirmative vote of at least 66 2/3% of the votes cast representing beneficial unitholders (other than those beneficial unitholders who are interested parties (as defined in the Declaration of Trust)), either in person or by proxy, at a meeting of unitholders called for the purpose of approving such resolution (an “**Extraordinary Resolution**”):

- (a) a change in the investment objectives of the Trust;

- (b) a change in the investment restrictions of the Trust unless such changes are necessary to ensure compliance with applicable laws, regulations, or other requirements imposed by applicable regulatory authorities from time to time;
- (c) any change in the basis of calculating fees or other expenses that are charged to the Trust which could result in an increase in charges to the Trust, other than a fee or expense charged by a person that is at arm's length to the Trust and for which unitholders are sent a written notice of such change at least 60 days before the effective date of such change;
- (d) a change of the Manager of the Trust, other than a change resulting in an affiliate of such person, the Investment Manager or an affiliate of the Investment Manager assuming such position or, a removal of the trustee of the Trust;
- (e) a reorganization with, or transfer of assets to, a mutual fund trust, if
  - (i) the Trust ceases to continue after the reorganization or transfer of assets; and
  - (ii) the transaction results in unitholders becoming securityholders in the mutual fund trust;
- (f) the sale of all or substantially all of the assets of the Trust;
- (g) the merger of the Trust with one or more mutual fund trusts;
- (h) a termination of the Trust in circumstances other than those described in certain circumstances described in the Declaration of Trust involving the retraction of Units such that it is economically unfeasible for the Trust to continue and the resignation of the Manager with no successor appointed for a period of 120 days; and
- (i) an amendment, modification, or variation in the provisions or rights attaching to the Units.

A declaration by the chairman of a duly constituted meeting of unitholders as to the results of any vote of unitholders, by ballot or otherwise, will be deemed to be the decision of the unitholders.

Every resolution passed in accordance with the provisions of the Declaration of Trust at a meeting of unitholders will be binding on all unitholders, whether present at or absent from such meeting, and each unitholder will be bound to give effect accordingly to every such resolution.

The Trustee may execute and deliver indentures or instruments supplemental to the Declaration of Trust which thereafter will form part of the Declaration of Trust for any one or more of the following purposes:

- (1) modifying or amending any provisions of the Declaration of Trust without notice to or approval of unitholders in the following circumstances:
  - (a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law or regulation applicable to or affecting the Trust;

- (b) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake, or manifest error contained in the Declaration of Trust;
  - (c) bring the Declaration of Trust 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 rights, privileges, or interests of the unitholders;
  - (d) maintain, or permit the Trustee to take such steps as may be desirable or necessary to maintain, the status of the Trust as a “mutual fund trust” and a “registered investment” for the purposes of the Tax Act; or
  - (e) provide added protection to unitholders;
- (2) modifying or amending any provision of the Declaration of Trust where the modification or amendment has been approved by the unitholders as required under the provisions of the Declaration of Trust.

Other than amendments permitted by unitholder approval or as set out immediately above and subject to the specific provisions of the Declaration of Trust, the Declaration of Trust may be amended from time to time by the Manager upon not less than 30 days' prior written notice to unitholders.

At a special meeting held on June 10, 2010 for the Trust, an extraordinary resolution was approved by the unitholders at such meeting to amend the Declaration of Trust in order to allow for meetings of the unitholders at the discretion of the Manager.

At a special meeting held on August 7, 2012 for the Trust, an extraordinary resolution was approved by the unitholders at such meeting to amend the Declaration of Trust in order to provide for a special retraction on a date to be set from time to time at 100% of net asset value per Unit of the Trust on the special retraction date less retraction costs plus any applicable taxes.

The Declaration of Trust was also amended on January 16, 2013 by Artemis Investment Management Limited to clarify that Units retracted under the special redemption of January 17, 2013 were deemed Units purchased for cancellation by the Trust for the purposes of determining the Maximum Redemption Amount for the twelve month period ending November 30, 2013 pursuant to the resolutions passed.

The Manager subsequently amended and restated the Declaration of Trust as of March 7, 2014 in order to, among other things, incorporate certain updates relating to the Tax Act.

### **Termination of the Trust**

- (1) The Trust may be terminated and be wound up by the Manager with the approval of unitholders by an Extraordinary Resolution passed at a duly convened meeting of unitholders called for the purpose of considering such Extraordinary Resolution.
- (2) The Manager may, in its discretion, terminate the Trust without the approval of unitholders if, in the opinion of the Manager, the Net Asset Value is reduced as a result of retractions or otherwise so that it is no longer economically feasible to continue the Trust and it would be in the best interests of the unitholders to terminate the Trust.

(3) Notwithstanding any other provisions of the Declaration of Trust, in the event that the Manager resigns as Manager of the Trust and no successor Manager is appointed within 120 days of the Manager giving notice of such resignation, the Trust will automatically terminate on the date which is 60 days following the end of such 120 day period.

(4) Prior to any date on which the Trust is to be terminated, the Manager will instruct the Investment Manager to convert the investments in the portfolio to cash to the extent practicable and will proceed to wind up the affairs of the Trust and may fulfil or discharge the contracts of the Trust, collect the Trust's assets, sell, convey, assign, exchange, transfer or otherwise dispose of all or any part of the remaining property of the Trust to one or more persons at public or private sale for consideration which may consist in whole or in part of cash, securities or other property of any kind, discharge or pay its liabilities, and do all other acts appropriate to liquidate its affairs. The Trustee will sell and convert into money the property of the Trust and after paying, retiring or providing for the payment of all known liabilities and obligations of the Trust, and providing for indemnity against any other outstanding liabilities and obligations, the Trustee will divide the proceeds of sale, and any portion of the property of the Trust not sold in connection with such termination, among the unitholders rateably according to the respective number of Units held by them. In making any such sale, the Trustee will have the power to sell by public auction or by private contract and to buy in or rescind or vary any contract of sale and to resell without being answerable for loss and, for said purposes, to do all things, including the execution and delivery of documents, as may be shown to be in its judgement necessary or desirable in connection therewith. The powers of sale and all other powers given to the Trustee (in the Declaration of Trust) will continue as to all property at any time remaining in its hands or ownership, even though the time fixed for distribution of property of the Trust may have passed. Any securities or other property of the Trust the liquidation of which is not practicable or in respect of which the Investment Manager considers liquidation not to be appropriate prior to the date of the termination of the Trust will be distributed to unitholders in specie, subject to compliance with any securities or other laws applicable to such distributions. The Manager may, in its discretion and upon not less than 30 days' notice to the unitholders, extend the date of the termination of the Trust by a period of up to 180 days if the Manager is unable to convert all of the Trust's investments to cash prior to the original the date of the termination of the Trust and the Manager determines that it would be in the best interests of the unitholders to do so. Following such distribution, the Trust will be terminated.

(5) To the extent that the affairs of the Trust have not been completely wound up and all of the property of the Trust distributed to unitholders on or prior to the date of the termination of the Trust, the Declaration of Trust will continue in force and effect to the extent necessary or desirable to permit the Trustee to complete the winding up of the affairs of the Trust and distribute the remaining property of the Trust to unitholders as soon as practicable and, in such event, the Trustee will carry on no activities on behalf of the Trust except for the purpose of winding up the affairs of the Trust.

#### **ITEM 4 VALUATION OF PORTFOLIO SECURITIES AND CALCULATION OF NET ASSET VALUE**

##### **Valuation of Assets**

The Net Asset Value per Unit on any valuation date is calculated by RBC Investor Services Trust, as set forth below. The Manager reviews and, if the valuation is satisfactory, approves the valuation and, from time to time, considers the appropriateness of the valuation policies adopted by the Trust, as modified in the discretion of the Manager, acting reasonably, and in the best interests of unitholders.

### Net Asset Value of the Trust

(1) The net asset value per Unit on any valuation date is an amount equal to the number obtained by dividing (i) the Net Asset Value on such valuation date, by (ii) the total number of Units outstanding on such valuation date (before giving effect to any issue or retraction of Units issued or retracted on that date) (the “**Net Asset Value per Unit**” or “**NAV per Unit**”).

(2) The Net Asset Value per Unit will be calculated as of the Valuation Time on each valuation date by the Manager or by an agent retained by the Manager (in either case, the “**Valuation Agent**”, which is currently RBC Investor Services Trust) in accordance with the provisions of the Declaration of Trust. “**Valuation Time**” means the time of closing (Toronto time) of the TSX on each valuation date or such other time as the Valuation Agent, in its discretion deems appropriate to determine the Net Asset Value per Unit and the Net Asset Value of the Trust.

(3) The Net Asset Value per Unit calculated as of the Valuation Time on any valuation date will remain in effect until the Valuation Time on the next following valuation date unless the Net Asset Value per Unit is calculated more than once on any valuation date in which case the Net Asset Value per Unit will remain in effect until the next Valuation Time on such valuation date.

(4) The Net Asset Value per Unit will be expressed in Canadian dollars.

(5) In calculating the Net Asset Value and the Net Asset Value per Unit, the Total Assets will be determined as follows:

- (a) the value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, distributions, dividends or other amounts received (or declared to holders of record of securities owned by the Trust on a date before the Valuation Time as of which the Total Assets are being determined, and to be received) and interest accrued and not yet received, shall be deemed to be the full amount thereof provided that if the Valuation Agent has determined that any such deposit, bill, demand note, accounts receivable, prepaid expense, distribution, dividend or other amount received (or declared to holders of record of securities owned by the Trust on a date before the Valuation Time as of which the Total Assets are being determined, and to be received) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof shall be deemed to be such value as the Valuation Agent determines to be the fair market value thereof;
- (b) on any day other than a Retraction Date, the value of any security, index future or index option which is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Valuation Agent) shall be determined by taking (i) the latest available sale price of recent date (unless in the opinion of the Valuation Agent such value does not reflect the value thereof and in which case the latest offer price or bid price shall be used), (ii) lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price or (iii) such other value as Canadian generally accepted accounting principles or the Canadian Securities Administrators may require or permit, as at the time of valuation on which the Total Assets are being determined, all as reported by any means in common use;
- (c) on a Retraction Date, the value of any security, index future or index option which is listed or traded upon a stock exchange (or if more than one, on the principal exchange for

the security, as determined by the Valuation Agent) will be determined by taking the lesser of (i) the volume weighted average trading price of the security on that day; and (ii) the volume weighted average trading price over the last five business days of the month in which the Retraction Date occurs, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Valuation Agent such value does not reflect the value thereof and in which case the latest offer price or bid price will be used), as at the time of valuation on which the Total Assets are being determined, all as reported by any means in common use;

- (d) the value of any security which is traded over-the-counter will be priced at the average of the last bid and asked prices quoted by a major dealer in such securities or as the Valuation Agent determines to be the fair market value;
- (e) the value of any purchased or written clearing corporation options, options on futures or over-the-counter options, debt like securities and listed warrants shall be the current market value thereof;
- (f) the value of any security or other asset for which a market quotation is not readily available will be its fair market value at the time of valuation on which the Total Assets are being determined as determined by the Valuation Agent (generally the Valuation Agent will value such asset at cost until there is a clear indication of an increase or decrease in value);
- (g) any market price reported in currency other than Canadian dollars shall be converted into Canadian funds by applying the rate of exchange obtained from the best available sources to the Valuation Agent, including, but not limited to, the Valuation Agent or any of its affiliates;
- (h) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Valuation Agent and investments in private companies and other assets for which no published market exists will be valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the Valuation Agent; and
- (i) the value of any security or property to which, in the opinion of the Valuation Agent, in consultation with the Manager, the above principles cannot be applied or are inappropriate (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair market value thereof determined in good faith in such manner as the Valuation Agent, in consultation with the Manager, from time to time adopts.

Such information is provided by the Manager to unitholders on request by calling (416) 934-7455 or the Manager's website at [www.artemisfunds.ca](http://www.artemisfunds.ca).

## ITEM 5 PURCHASES OF UNITS

### General

The Units are listed for trading on the TSX under the symbol CTF.UN and may generally be purchased or traded only through the facilities of the TSX, as the Trust does not continuously distribute its Units.

Registration of interests in and transfers of the Units is made only through the book-entry only system operated by the CDS. Units must be purchased and transferred through a CDS Participant. All rights of unitholders must be exercised through, and all payments or other property to which such unitholders are entitled is made or delivered by, CDS or the CDS Participant through which the unitholder holds such Units. Upon purchase of any Units, unitholders receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Units are purchased. Units may also be purchased by unitholders under the Plan as described above under “Description of Securities Offered by the Trust – Distributions”.

### Market Purchases

The Declaration of Trust provides that, subject to applicable law and stock exchange requirements, the Trust may, in its sole discretion, from time to time purchase Units in the open market for cancellation.

## ITEM 6 RETRACTION AND REDEMPTION OF SECURITIES

Subject to the Trust’s right to suspend redemptions, as described below, Units may be surrendered for redemption monthly (“**Monthly Redemption**”) and annually (“**Annual Redemption**”) at any time to the principal office of the Trust’s transfer agent in Toronto, Ontario at least fifteen (15) business days prior to the second last business day (unless it is an Annual Redemption Date or a special retraction date) of each month for a monthly redemption (a “**Monthly Redemption Date**”) or the second last business day of each November (the “**Annual Redemption Date**”). The entitlement of a redeeming unitholder will be determined on the relevant Redemption Date.

A unitholder that properly surrenders a Unit for redemption:

- (a) on a Monthly Redemption Date will be entitled to receive a redemption price per Unit equal to the monthly redemption price (the “**Monthly Redemption Price**”) which means the amount, if any, equal to (a) the lesser of (i) 90% of the weighted average trading price of a Unit on the TSX during the 15 trading days preceding the applicable Monthly Redemption Date, and (ii) the “closing market price” of a Unit on the principal market on the TSX on the applicable Monthly Redemption Date, less (b) any costs determined by the Manager to be associated with the applicable Monthly Redemption including, without limitation, if the Manager determines that it is not practicable or necessary for the Trust to sell portfolio securities to fund such Monthly Redemption, the aggregate of all brokerage fees, commissions and other transaction costs that the Manager estimates would have resulted from such a sale as well as a *pro rata* share of the net present value of any contracts (such as a forward purchase agreement) that would otherwise be borne by the other unitholders following such Monthly Redemption of Units. The “closing market price” means an amount equal to (a) the closing price of a Unit if there was a trade on the applicable Monthly Redemption Date and the TSX provides a closing price; (b) the average of the highest and lowest prices of a Unit if there was trading on the applicable Monthly Redemption Date and the TSX provides only the highest and lowest



prices of a Unit traded on a particular day; or (c) the last bid for a Unit if there was no trading on the applicable Monthly Redemption Date;

- (b) on an Annual Redemption Date will be entitled to receive a redemption price per Unit equal to the annual redemption price (the “**Annual Redemption Price**”) which means the amount equal to 100% of the Net Asset Value per Unit determined as of an Annual Redemption Date less any costs determined by the Manager to be associated with the applicable Annual Redemption, including without limitation, if the Manager determines that it is not practicable or necessary for the Trust to sell portfolio securities to fund such Annual Redemption, the aggregate of all brokerage fees, commissions and other transaction costs that the Manager estimates would have resulted from such a sale as well as a *pro rata* share of any amounts relating to any contractual obligations to which the Trust is a party (the “**Retraction Costs**”).

For redemptions made subsequent to the amendment and restatement of the Declaration of Trust as of August 9, 2012, the Manager is entitled to receive a fee per Unit of 5% of the Net Asset Value per Unit plus applicable taxes.

In addition to the Monthly Redemption Date and Annual Redemption Date, the Manager may set other special dates on which the Units may be retracted.

On December 18, 2012, the Trust announced that 1,000,000 Units could be redeemed on January 18, 2013 for an amount equal to 100% of the Net Asset Value per Unit less Retraction Costs. A total of 1,000,000 Units were redeemed pursuant to such right.

On September 18, 2013, the Trust announced a further special retraction of up to 1,500,000 Units to be dated November 15, 2013. As requests for redemptions exceeded 1.5 million Units, the Units were redeemed on a *pro rata* basis.

On September 19, 2014, the Trust announced that unitholders would have the opportunity to redeem up to 2,503,792 Units on November 27, 2014. As requests for redemptions exceeded such amount, the Units were redeemed on a *pro rata* basis.

On September 17, 2015, the Trust announced that unitholders would have the opportunity to redeem up to 2,278,486 Units on November 27, 2015. As requests for redemptions exceeded such amount, the Units were redeemed on a *pro rata* basis.

Payment of the applicable Monthly Redemption Price or Annual Redemption Price (the “**Redemption Amount**”) will be made by the Trust to the unitholder on or before the 15th business day in the month following the applicable Monthly Redemption Date or Annual Redemption Date (the “**Redemption Payment Date**”). All redemption payments shall be made by cheque, drawn on a Canadian chartered bank or a trust company in lawful money in Canada payable at par to or to the order of the unitholder who has surrendered Units for redemption. Payments made by the Trust of the Redemption Amount are conclusively deemed to have been made upon the mailing of a cheque in a postage prepaid envelope addressed to the unitholder unless such cheque is dishonoured upon presentment. Upon such payment, the Trust shall be discharged from all liability to the former unitholder in respect of the Units so redeemed.

The Manager may suspend the redemption of Units or payment of redemption proceeds: (a) for the whole or any part of a period during which normal trading is suspended on one or more stock exchanges, options exchanges or futures exchanges on which more than 50% of the portfolio securities (by value) included in the portfolio are listed and traded; or (b) with the prior permission of the applicable securities regulatory authorities, for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Trust or which impair the ability of the Manager to determine the value of the assets of the Trust. The suspension may apply to

all requests for redemption received prior to the suspension for which payment has not been made, as well as to all requests received while the suspension is in effect. All 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 business 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.

Subject to the conditions described above, from and after the date the Units are surrendered for redemption, the unitholder thereof shall not be entitled to exercise any of the rights of holders of Units in respect thereof other than the right to be paid the Redemption Amount or Special Retraction Price in respect of such Units and to receive the amount of all unpaid distributions in respect of such Units which were payable on or before the applicable Redemption Date.

Any and all Units which have been surrendered for redemption shall be deemed to be outstanding until but not after, the close of business on the applicable Monthly Redemption Date, Annual Redemption Date or Special Retraction Date (the “**Redemption Dates**”). Thereafter, the unitholder who surrendered such Units for redemption shall cease to have any rights as a unitholder in respect of such Units other than the right to be paid the Redemption Amount in respect of such Units and to receive the amount of all unpaid distributions in respect of such Units which were payable on or before the applicable Redemption Date.

On an annual basis, the maximum number of Units redeemable in a year pursuant to the Annual Redemption will be 10% of the issued and outstanding Units listed on the TSX, held by public unitholders (the “**Public Float**”) as determined on the last business day of November in the preceding year less the number of Units purchased for cancellation by the Trust during the preceding twelve (12) month period (the “**Maximum Redemption Amount**”).

On an annual basis, for every calendar year, if the number of Units submitted for redemption in accordance with the Annual Redemption exceeds the Maximum Redemption Amount, the Manager may, in its sole discretion, reduce the number of Units to be redeemed on such Annual Redemption Date on a *pro rata* basis, so that the aggregated number of Units redeemed on such Annual Redemption Date does not exceed the Maximum Redemption Amount.

In order to redeem Units, a beneficial unitholder must deliver a redemption notice (the “**Redemption Notice**”) to the CDS Participant through which it holds its Units sufficiently in advance to allow: (i) such CDS Participant to deliver the Redemption Notice to CDS within the time limitations prescribed by CDS at its office in the City of Toronto on behalf of the beneficial holder; and (ii) CDS to deliver such Redemption Notice to the Transfer Agent by no later than 5:00 p.m. (Toronto time) on the date which is 15 business days prior to the applicable Redemption Date.

By causing a CDS Participant to deliver to CDS a Redemption Notice, a beneficial holder shall be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise, provided that the Manager may from time to time prior to a Redemption Date permit the withdrawal of a Redemption Notice on such terms and conditions as the Manager may determine, in its sole discretion, provided that in the opinion of the Manager such withdrawal will not adversely affect the Trust. Any expense associated with the preparation and delivery of the Redemption Notice or its withdrawal will be for the account of the beneficial holder exercising the redemption privilege.

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 beneficial holder’s instructions will not give rise to any obligations or liabilities on the part of the Trust, the Trustee

or the Manager to the CDS Participant or beneficial holder.

## **ITEM 7 RESPONSIBILITY FOR TRUST OPERATIONS**

### **THE MANAGER AND TRUSTEE**

The Manager and Trustee was incorporated federally under the laws of Canada on June 3, 2004. The Manager and Trustee was subsequently continued under the laws of the Province of Ontario on August 29, 2008 under the name Artemis Investment Management Limited. The Manager has as its business the provision of administrative, management and trustee services to investment funds. The head and principal office of the Manager is located at 1325 Lawrence Avenue East, Suite 200, Toronto, Ontario M3A 1C6; telephone: (416) 934-7455; e-mail: info@artemisfunds.ca; website: www.artemisfunds.ca.

Pursuant to the Declaration of Trust, the Manager, in its capacity as manager of the Trust, has exclusive authority to manage the operations and affairs of the Trust, to make all decisions regarding the business of the Trust and to bind the Trust. The Manager may delegate certain of its powers to third parties where, in the discretion of the Manager, it would be in the best interests of the Trust to do so. Among other restrictions imposed on the Manager, the Manager may not dissolve the Trust or wind up the Trust's affairs except in accordance with the provisions of the Declaration of Trust.

The Manager's duties include maintaining accounting records for the Trust; authorizing the payment of operating expenses incurred on behalf of the Trust; calculating the amount and determining the frequency of distributions by the Trust; preparing financial statements, income tax returns and financial and accounting information as required by the Trust; ensuring that unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the Trust complies with regulatory requirements; preparing the Trust's reports to unitholders and to the Canadian securities regulators; providing the Trustee with information and reports necessary for it to fulfill its fiduciary responsibilities; administering the retraction and redemption of Units; dealing and communicating with unitholders and negotiating contracts with third-party providers of services, including, but not limited to, custodians, transfer agents, auditors, and printers. The Manager provides facilities and personnel to carry out these services, together with clerical services which are not furnished by the custodian, valuation agent, or transfer agent of the Trust.

The Manager monitors the Trust's portfolio to ensure compliance with the Trust's investment objectives, strategies and restrictions.

The Manager has entered into a custodial agreement, a valuation services agreement, and a registrar, transfer agent and disbursing agent agreement. Such agreements do not in any way release the Manager from compliance with its obligations to the Trust under the Declaration of Trust. The Manager may terminate each of the foregoing agreements upon written notice.

The Manager is required to exercise its powers and discharge its duties honestly, in good faith, and in the best interests of the Trust and the unitholders and exercise a degree of care, diligence, and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that the Manager will not be liable in any way for any default, failure, or defect in any of the portfolio securities if it has satisfied the duties and the standard of care, diligence, and skill set forth above. The Manager will incur liability, however, in cases of wilful misconduct, negligence, or wilful breach of the standard of care to the Trust in relation to the matter in respect of which indemnification is claimed.

Unless the Manager resigns or is removed as described below, the Manager will continue as manager until the termination of the Trust. The Manager may resign as manager and be discharged from all further duties and liabilities under the Declaration of Trust by giving 45 days' prior written notice to the Trust. The Manager shall be automatically removed if the Manager has been declared bankrupt or insolvent or has entered into liquidation or winding-up, whether compulsory or voluntary (and not merely a voluntary liquidation for the purposes of amalgamation or reorganization); or the Manager makes a general assignment for the benefit of creditors or otherwise acknowledges its insolvency. Any such resignation or removal will be effective only on the appointment of a successor manager.

The Manager and each of its directors, officers, and employees are indemnified by the Trust for all liabilities and expenses reasonably incurred in connection with any action, suit, or proceeding that is proposed or commenced or other claim that is made against the Manager or any of its officers, directors, or employees in the exercise of its duties as manager, except those resulting from such person's wilful misconduct, negligence, or wilful breach of the standard of care to the Trust in relation to the matter in respect of which indemnification is claimed.

The Manager is responsible for the exclusive management of the Trust and for providing or arranging for management and administrative services and facilities required by the Trust including, without limitation:

- (1) managing relationships with the trustee, investment manager, custodian, registrar and transfer agent, valuation agent, distribution agent, auditors, legal counsel, and other organizations or professionals serving the Trust;
- (2) monitoring the suitability of the investment objectives and investment restrictions of the Trust and preparing for adoption any amendments to such investment objectives and investment restrictions which the Manager believes are in the best interests of the Trust and unitholders;
- (3) the authorization and payment on behalf of the Trust of fees and expenses incurred on behalf of the Trust and the negotiations of contracts with third party providers of services (including, but not limited to, custodians, registrar and transfer agents, valuation agents, distribution agents, legal counsel, auditors, and printers) and the monitoring thereof;
- (4) the provision of office space, telephone service, office equipment, facilities, supplies, and executive, secretarial, and clerical services;
- (5) the preparation of accounting, management, and other reports, including annual reports to unitholders, interim and annual financial statements, tax reporting to unitholders, and income tax returns;
- (6) keeping and maintaining the books and records of the Trust and the supervision of compliance by the Trust with record keeping requirements under applicable regulatory regimes;
- (7) the calculation of the amount, and the determination of the frequency, of distributions by the Trust;
- (8) communications and correspondence with unitholders and the preparation of notices of distributions to unitholders;
- (9) administering the retraction of Units;
- (10) ensuring that the Net Asset Value per Unit is calculated and published;

- (11) general investor relations and responding to investors' inquiries in respect of the Trust;
- (12) dealing with banks and custodians, including the maintenance of bank records and the negotiation and securing of bank financing or refinancing;
- (13) obtaining such insurance as the Manager considers appropriate for the Trust;
- (14) arranging for the provision of services by CDS for the administration of the book-entry only system with respect to the Units;
- (15) ensuring that the Trust complies with all regulatory requirements and applicable stock exchange listing requirements;
- (16) preparing and delivering the Trust's reports to, and dealing with, the relevant securities regulatory authorities and any similar organization of any government or any stock exchange to which the Trust is obligated to report;
- (17) organizing meetings of unitholders;
- (18) appointing and monitoring the activities of any investment manager retained by the Trust; and
- (19) providing such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Trust.

In consideration for its services as manager of the Trust, the Manager is entitled to receive the management fee ("**Management Fee**"), calculated daily and payable monthly in arrears. The Management Fee means the fee payable by the Trust to the Manager for its services as manager of the Trust, being up to 1.00% per annum of the average Net Asset Value plus applicable taxes. In addition to the payment of the Management Fee, the Trust shall reimburse the Manager for all reasonable costs and expenses incurred by the Manager in performing its duties as the manager of the Trust.

The Manager may resign as trustee and be discharged from all further duties and liabilities as trustee under the Declaration of Trust by giving 90 days' prior written notice to the Trust. If the trustee is also the manager of the Trust at the time a successor manager is appointed in accordance with the provisions of the Declaration of Trust, the successor manager may assume the responsibilities of Trustee without the approval of the unitholders.

### **Ongoing Expenses**

In addition to the payment of the Management Fee, the Trust reimburses the Manager for all reasonable costs and expenses incurred in connection with its duties as Manager, including the Trustee's fees (other than if the Manager is also the Trustee), custodial fees, legal, audit, and valuation fees and expenses, expenses (including fees) of the directors of the Manager, premiums for directors' and officers' insurance coverage for the directors and officers of the Manager, any fees and expenses of the Independent Review Committee, unitholder reporting costs, registrar, transfer, and distribution agency costs, printing and mailing costs, listing fees and expenses and other administrative expenses and costs incurred in connection with the Trust's continuous disclosure and public filing requirements, investor relations costs, taxes, brokerage commissions, costs and expenses relating to the issue of the Units, costs and expenses of preparing financial statements and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies, and all amounts paid on account of the indebtedness of the Trust (including any amounts outstanding under the Loan Facility). Such expenses

will also include expenses of any action, suit, or other proceeding in which, or in relation to which, the Manager, the Investment Manager, the Custodian, the Valuation Agent, the Independent Review Committee, the Transfer Agent, or the Trustee or any of their respective officers, directors, employees or agents is entitled to indemnity by the Trust.

### **Additional Services**

The Manager may provide services to the Trust in other capacities, provided that the terms of any such arrangements are no less favourable to the Trust than those which would be obtained from parties which are at arm's length for comparable services, and the Trust shall pay all expenses associated with such additional services.

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

The board of directors of the Manager currently consists of three members. The name, municipality of residence and office with the Manager of each director and senior officer of the Manager is set out below. The Chief Executive Officer of the Manager or, in his absence, the Chief Financial Officer of the Manager will act as the chairman of the board of directors. The directors do not have a fixed term of office.

<b><u>Name and Municipality of Residence</u></b>	<b><u>Office with the Manager</u></b>	<b><u>Principal Occupation</u></b>
ROBERT T. KIDD Toronto, Ontario	Director, President and Chief Executive Officer	Director, President and Chief Executive Officer of the Manager
TREVOR W. MAUNDER Toronto, Ontario	Director, Chief Financial Officer and Secretary	Director, Chief Financial Officer and Secretary of the Manager and its affiliates
GAVIN SWARTZMAN Toronto, Ontario	Director	Chief Executive Officer of Peerage Realty Partners Inc. (an affiliate of the Manager)
SEAN LAWLESS Verona, New Jersey	Chief Compliance Officer and Advising Representative	Chief Compliance Officer and Advising Representative of the Manager; Managing Director, Artemis Wealth LLC (an affiliate of the Manager)
MICHAEL J. KILLEEN Toronto, Ontario	Senior Vice President and General Counsel	Senior Vice President and General Counsel of the Manager

Each of the foregoing individuals has held his current office or has held a similar office with the Manager or an affiliate during the five years preceding the date hereof, except for Robert Kidd who prior to joining the Manager in June 2014 was Chief Executive Officer of Gradient Power Ltd.; Gavin Swartzman who prior to joining the Manager in November 2014 was managing director of MDC Partners Inc.; Sean Lawless who prior to joining the Manager in July 2011 was managing director of Modern Asset Management LLC; Michael J. Killeen who prior to joining the Manager in January 2016 was an independent consultant (from October 2014 to December 2015) and prior to October 2014, was the Chief Operating Officer of Aston Hill Financial Inc. The Trust does not have directors and officers.

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

*Robert T. Kidd*

Robert Kidd is a director and the President and Chief Executive Officer of the Manager and has been with the Manager since June 2014. From January 2009 to May 2014, he was the CEO of Gradient Power Ltd., a private renewable energy developer based in Ontario. Prior to founding Gradient Power, he was Chairman, Chief Executive Officer, President and a Director of Gatehouse Capital Inc., a manager of closed-end investment trusts from July 2004 to December 2008. From March 1997 to June 2004, Mr. Kidd was a Managing Director of Brenton Reef Capital Inc. and the President, Chief Executive Officer and a Director of Connor, Clark & Lunn Capital Markets Inc. from April 2001 to June 2004. Prior to such time, Mr. Kidd was a Vice-President, Investments of Triax Investment Management Inc., now First Asset Investment Management Inc., from May 1999 to March 2001. Mr. Kidd attended Queen's University in Kingston, Ontario.

*Trevor W. Maunder*

Trevor Maunder is a director, Chief Financial Officer and Secretary of the Manager and has been with the Manager since April 2008. Prior thereto, Mr. Maunder worked at MDC Partners Inc. within its Corporate Development group since early 2002. Prior to joining MDC Partners Inc., Mr. Maunder was a Manager at PricewaterhouseCoopers LLP, where his focus was telecom and media, primarily in transaction support. Mr. Maunder is a graduate of Queen's University.

*Gavin Swartzman*

Gavin Swartzman is a director of the Manager and has been with the Manager since November 2014. Mr. Swartzman is the Chief Executive Officer of Peerage Realty Partners Inc., a Toronto based firm composed of a number of leading residential real estate brokerage companies. From 2004 to 2013, he was a Managing Director at MDC Partners Inc. Prior to joining MDC Partners Inc., Mr. Swartzman held various senior positions with responsibility for mergers and acquisitions, finance, and operations for retail and service companies in the United States, Canada and the United Kingdom. Mr. Swartzman is a Chartered Accountant and obtained his Bachelor of Arts, and Masters, Accounting and Finance at the University of Waterloo.

*Sean Lawless*

Sean Lawless is the Managing Director of Artemis Wealth LLC (an affiliate of the Manager) based in New York, NY and has over 25 years of industry experience, primarily specializing in investment manager selection and due diligence. Mr. Lawless is a portfolio manager responsible for developing customized portfolios based on each client's specific needs. Previously, he was Head of Multimanager – Americas for HSBC ("HSBC") and a voting member of the Global Multimanager Investment Committee that was responsible for setting policy and manager selection for HSBC's global subadvisory businesses. Mr. Lawless received his BS in Economics from Southern Connecticut State University. He is a CFA charter holder, a member of the CFA Institute and the New York Society of Security Analysts.

*Michael J. Killeen*

Michael Killeen is the Senior Vice President and General Counsel of the Manager and has been with the Manager since January 2016. Prior to joining the Manager, he was an independent consultant from October 2014 to December 2015 and, prior thereto, he was Chief Operating Officer of Aston Hill Financial Inc., a publicly listed asset management company. Mr. Killeen was called to the Ontario Bar in

1992. He holds a Bachelor of Science and a Bachelor of Laws degree from Western University and is a recent graduate of the Advanced Management Program at Harvard Business School.

## THE INVESTMENT MANAGER

Vestcap replaced Jarislowsky Fraser Limited as Investment Manager of the Trust effective as of April 25, 2013. Founded in 1988, Vestcap is a Toronto-based portfolio management firm whose principals have extensive experience in managing both equity and fixed income portfolios with a particular focus on large-capitalization North American securities and balanced portfolios. The principal office of the Investment Manager is located at Commerce Court West, 199 Bay Street, Suite 2902, Toronto, Ontario M5L 1G5.

The Investment Manager provides investment advisory and portfolio management services to the Trust, and is responsible for implementing the Trust's investment strategy, subject to the Trust's investment restrictions. The Investment Manager continually reviews the portfolio securities to determine the appropriate composition thereof and to ensure the Trust is meeting its investment objectives. In making these determinations, the Investment Manager uses a continuing review process which includes assessment and analysis of business conditions, asset quality, commodity prices, market conditions for assets underlying the portfolio securities, the interest rate environment, credit risk, currency risk, and the liquidity and volatility of the investments.

Decisions as to the purchase and sale of portfolio securities and decisions as to the execution of portfolio transactions are made by the Investment Manager, subject to the Trust's investment restrictions. In the purchase and sale of portfolio securities for the Trust, the Investment Manager seeks to obtain overall services and prompt execution of orders on favourable terms.

For its services to the Trust, the Investment Manager is paid an investment management fee pursuant to an investment management agreement between the Manager and the Investment Manager dated April 25, 2013 (the "**Investment Management Agreement**"), which fee is the responsibility of the Trust.

### **The Investment Management Agreement**

The duties of the Investment Manager under the Investment Management Agreement include identifying business opportunities, performing all acts as may be in its judgment necessary or appropriate to the management of the investment portfolio in accordance with, among other things, the investment objectives, investment strategies and investment restrictions of the Trust, entering into agreements and executing any documents required to make investments for the investment portfolio, renewing or extending or participating in the renewal or extension of any securities in the investment portfolio, issuing such orders and directions to the Custodian as may be necessary or appropriate with respect to the disposition and application of monies or securities of the investment portfolio from time to time held by the Custodian, and providing such other investment advisory, portfolio management, and related services to the Trust as the Manager may reasonably request from time to time.

These and other services of the Investment Manager are not exclusive to the Manager or the Trust. The Investment Manager may provide services of a similar nature to other clients. However, the Investment Manager is held under a standard of care whereby it must execute its duties to the Trust on a basis which is fair and reasonable to the Trust, and must act honestly, in good faith, with a view to the best interests of the Trust, and in connection therewith, shall exercise the degree of care, diligence, and skill that a reasonably prudent investment manager would exercise in the circumstances.



The term of the Investment Management Agreement will continue until the date of the termination of the Manager as manager of the Trust or the date of termination of the Trust, unless terminated earlier in accordance with the termination provisions of the Declaration of Trust.

The Manager may terminate the Investment Management Agreement: (a) upon 60 days' prior notice to the Investment Manager without cause; (b) if the Investment Manager is in material breach of the provisions of the Investment Management Agreement and such breach has not been cured within 20 business days after written notice thereof has been given to the Investment Manager by the Manager, subject to other provisions of the Investment Management Agreement; (c) if for any reason, the ability of the Investment Manager to fulfill its duties is materially impaired; (d) if there is a dissolution and commencement of winding-up of the Investment Manager; (e) if the Investment Manager becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors or a receiver is appointed in respect of the Investment Manager or substantial portion of its assets; (f) if the assets of the Investment Manager have become subject to seizure or confiscation by any public or governmental organization; (g) if the Investment Manager has lost any registration, license, or other authorization under applicable securities legislation or other applicable laws required by it to perform the services delegated to it under the Investment Management Agreement; or (h) if the Investment Manager has acted with wilful misconduct, fraud or negligence and as a result of such action there has been a material adverse effect on the Trust. The Investment Management Agreement will not be subject to termination by the Manager if (i) a material breach cannot be cured within 20 business days' written notice thereof but the Investment Manager commences the cure within the 20 business day period and completes the cure within 45 days of such notice, or (ii) the Investment Manager purchases or sells a portfolio investment or takes any other action with respect to the Trust property that violates any of the Trust's investment objectives, strategies or restrictions and the violation has or will have a material adverse effect on the Trust but the Investment Manager takes action that returns the Trust to compliance with such investment objectives, strategies and restrictions within the 20 business day cure period, as the same may be extended with consent of the Manager.

The Investment Manager may terminate the Investment Management Agreement without payment of any penalty: (a) upon 60 days' prior written notice to the Manager without cause; (b) if the Manager is in material breach of the provisions of the Investment Management Agreement and such breach has not been cured within 20 business days after written notice thereof has been given to the Manager, subject to other terms in the Investment Management Agreement; (c) if there is a material change in the investment guidelines as set forth in the Investment Management Agreement to which the Investment Manager, acting reasonably, has not agreed; (d) if there is a dissolution and commencement of winding-up of the Trust; (e) if the Trust becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors or a receiver is appointed in respect of the Trust or a substantial portion of its assets; or (f) if the Manager has acted with wilful misconduct, fraud or negligence and as a result of such action there has been a material adverse effect on the Trust. The Investment Management Agreement will not be subject to termination by the Investment Manager if a material breach cannot be cured within 20 business days' written notice thereof but the Manager commences the cure within the 20 business day period and completes the cure within 45 days of such notice.

Since the Investment Manager will continue to manage the investments of its other clients, the Investment Manager may acquire or dispose of the same investment for the Trust and one or more of its other clients. However, because of different investment policies, the Investment Manager may be selling an investment for one client and buying the same investment for another client. Under the Investment Management Agreement, the Investment Manager has agreed to allocate opportunities to acquire and dispose of investments fairly among the Trust and its other clients that have similar investment objectives. The Investment Manager is an affiliate of the Manager.

## Principal Advisors of the Investment Manager

The name, municipality of residence, and position held by those individuals employed by the Investment Manager and who are principally responsible for the day-to-day management of a material portion of the portfolio securities are as follows:

Name and Municipality of Residence	Position with the Investment Manager	Length of Service with the Investment Manager
M. Nugent Schneider Toronto, Ontario	Investment Manager, Founder and Chair of the Board	28 years
Roger S. Glassco Toronto, Ontario	Investment Manager, President & CEO	27 years
Leo S. Frank Toronto, Ontario	Chair, Investment Committee	24 years

M. Nugent Schneider was formerly Vice Chairman of the investment subsidiary of a large Canadian trust company, at which time he was responsible for approximately \$400 million of personal clients' assets. Prior to that time, he was Resident Officer of M.K. Wong and Associates, a highly respected national investment counseling firm. He was responsible for establishing their office in Toronto to service and develop the Ontario clientele. His career in the investment industry began in the brokerage business and has included professional trading, all aspects of retail and institutional marketing, and portfolio management. Nugent has almost 50 years of investment experience and has held senior positions with several major brokerage and investment counseling firms for more than 35 years.

Roger S. Glassco began his investment career as an account executive with a large national brokerage firm in Vancouver, B.C. There, he became the company's top producer and rose to become the manager of its Manitoba operations. His over 40 year career includes serving institutional clients in England and continental Europe. He became a founding officer of the investment counseling subsidiary of a large financial institution, responsible for individual clients, trusts, estates, benefit plans and small pension funds. In 1989, he joined Vestcap and is currently a Principal, a Senior Investment Manager, a member of the board of directors and a member of the Investment Management Committee.

Leo S. Frank entered the investment business with Manufacturers Life Insurance Company (now known as Manulife Financial). He then joined North American Life in the bond portfolio management department and became involved with stock research and trading. He was later named Director Pension Investment Services for North American Life. In 1982, he became Vice-President of Elliott and Page, the investment counseling subsidiary of North American Life, responsible for the management of Elliott and Page's largest equity portfolios, in addition to supervising the equity trading department. He joined Vestcap in 1992 and is a Principal, a Senior Investment Manager, Chairman of the Investment Management Committee and member of the board of directors.

## THE CUSTODIAN

Pursuant to a custodian agreement between the Manager and RBC Investor Services Trust dated March 21, 2011, as amended (the "**Custodian Agreement**"), RBC Investor Services Trust acts as custodian of the Trust (the "**Custodian**"). The Custodian may employ sub-custodians as considered appropriate in the circumstances. The address of the Custodian is 155 Wellington Street West, 5<sup>th</sup> floor, Toronto, Ontario M5W 1P9.

## AUDITOR

The auditor of the Trust is KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants located at Bay Adelaide Centre, 333 Bay Street, Suite 4600, Toronto, Ontario M5H 2S5. Prior to November 22, 2013, the auditor of the Trust was Ernst & Young LLP, Chartered Professional Accountants, Ernst & Young Tower, 222 Bay Street, P.O. Box 251, Toronto, Ontario M5K 1J7.

## TRANSFER AGENT AND REGISTRAR

Equity Financial Trust Company is the registrar, transfer agent, and disbursing agent for the Trust (the “**Transfer Agent**”). The register and transfer ledger will be kept by Transfer Agent at its principal offices located at 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1. Prior to January 17, 2014, the registrar, transfer agent, and disbursing agent of the Trust was Valiant Trust Company.

## ITEM 8 CONFLICTS OF INTEREST

### Principal Holders of Securities

The Manager is a wholly-owned subsidiary of Artemis Investment Management Corporation, a company wholly-owned by Miles S. Nadal.

As of the date hereof, to the knowledge of the Trust and the Manager, no person or company owns more than 10% of the outstanding Units.

As of the date hereof, to the knowledge of the Trust and the Manager, the directors and officers of the Manager, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Units.

As of the date hereof, the members of the IRC (as defined below) do not hold any securities of the Trust, the Manager or any service provider of the Trust or the Manager.

The services of the Manager and its officers and directors are not exclusive to the Trust. The Manager or any of its affiliates and associates may, at any time, engage in the promotion, management, or investment management of any other fund or trust which invests primarily in securities in the Trust, and provide similar services to other investment funds and other clients and engage in other activities. Investment decisions for the Trust are made independently of those made for other clients and independently of investments of the Manager. On occasion, however, the Manager may make the same investment for the Trust and for one or more of their other clients. If the Trust and one or more of the other clients of the Manager are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

### Affiliated Entities

Vestcap, the Investment Manager, is a corporation under common control with the Manager. Vestcap is paid a fee by the Trust for advisory services provided to the Trust. Gavin Swartzman, a director of the Manager and Trevor Maunder, a director and officer of the Manager, are also directors of Vestcap.

## ITEM 9 TRUST GOVERNANCE

The Manager is primarily responsible for the governance of the Trust. Details regarding the names, tenure with the Manager, and principal occupations of the individual members of the board of directors of the Manager are set out under the heading “Responsibility for Trust Operations – The Manager and Trustee – Directors and Officers of the Manager.”

### Independent Review Committee

In accordance with National Instrument 81-107 – *Independent Review Committee for Investment Funds*, the Manager has appointed an independent review committee comprised of three members (the “**IRC**”), each of whom is independent of the Manager, entities related to the Manager, and the Trust. The mandate of the IRC is to review and provide its decisions to the Manager on conflict of interest matters that the Manager has referred to the IRC for review. The Manager is required to identify conflict of interest matters inherent in its management of the Trust 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 follows 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 Trust and to exercise the degree of care, diligence, and skill that a reasonably prudent person would exercise in comparable circumstances.

The IRC reports annually to unitholders of the Trust which report will be available free of charge upon request to the Manager and will also be posted on the Manager’s website at [www.artemisfunds.ca](http://www.artemisfunds.ca) and on the Trust’s SEDAR profile at [www.sedar.com](http://www.sedar.com). Information contained on the Manager’s website is not part of this annual information form and is not incorporated herein by reference.

The members of the IRC are Peter Chodos, John Mills and Michael Newman. Mr. Chodos is the chairman of the IRC. The IRC acts as a review committee for a number of other investment funds managed by the Manager. The following is a brief description of the backgrounds of the members of the IRC.

Peter Chodos is the Executive Vice President, Corporate Development of Chieftain Metals Corp. He has over 30 years’ experience in the financial markets primarily in Canada but also in the United States and the United Kingdom. He has completed many merger and acquisition transactions as well as private and public financings and restructurings. In 2004, Mr. Chodos co-founded Mt. Auburn Capital Corp., a structured products firm. From July 2006 to February 2009, he was a Managing Director of BluMont Capital Corporation, a provider of alternative investment products to retail investors in Canada. He is a director of Route1 Inc. (ROI-TSXV) and Portex Minerals Inc. (PAX-CSE). Mr. Chodos has a B.Comm. from McGill University and a Masters of Business Administration from Harvard University. He is a Chartered Accountant and a Chartered Business Valuator. He is also a member of the independent review committee of each of European Strategic Balanced Fund (EBF.UN-TSX) and Energy Income Fund (ENI.UN-TSX), each being a fund managed by the Manager.

John Mills has been a director of Park Lawn Company Limited since November 2001. Mr. Mills has also been Chair of the Lone Star Texas Grill Ltd. advisory board since September 2007 and a Trustee for Centurion Apartment REIT since May 2007. He is the founder and President of The Mills Group Inc., a private company specializing in strategic planning and the design and implementation of business plans for retail and manufacturing companies. Mr. Mills obtained his MBA from Richard Ivey School of Business and earned his ICD.D designation. He is also a member of the independent review committee of each of European Strategic Balanced Fund (EBF.UN-TSX) and Energy Income Fund (ENI.UN-TSX),

each being a fund managed by the Manager

Michael Newman is the founder and, from 1997 to 2009, was the President and CEO of InterRent Real Estate Investment Trust (IIP.UN-TSX). He is the Managing Director of two family-owned merchant banks, Boardwalk Capital Inc. and Adevam Investments Inc., and currently serves as the Chairman of the Board of Augustine Ventures Inc. (WAW-CSE), and is on the boards of directors of Leo Acquisitions Corp. (LEQ.H-NEX), Quinsam Capital Corporation (QCA-CSE) and Distinct Infrastructure Group Inc. (DUG-TSXV), and on the Advisory Boards of The Succession Fund and AgriFood Capital Inc., two private equity funds. He is also a member of the independent review committee of each of European Strategic Balanced Fund (EBF.UN-TSX) and Energy Income Fund (ENI.UN-TSX), each being a fund managed by the Manager.

Effective March 2015, the annual retainer received by each member of the IRC was increased from \$20,000 to \$30,000. See “Remuneration of Directors, Officers and IRC” below for further information about IRC compensation.

### **Business Practice, Risk Management and Internal Conflict of Interest Policies**

The board of directors of the Manager has established certain policies relating to business practices, risk management controls and internal conflicts of interest, including such policies as described herein.

### **Use of Derivatives**

The Trust does not presently use derivatives. Prior to doing so, the Manager would establish written policies and procedures governing their use.

### **Securities Lending**

The Trust may engage in securities lending and may purchase and hold debt obligations (including bonds, debentures, or other obligations and certificates of deposit, bankers’ acceptances, and fixed term deposits) in accordance with the Trust’s investment strategy.

In particular, in order to generate additional returns, the Trust may lend portfolio securities to borrowers acceptable to the Trust pursuant to the terms of a securities lending agreement between the Trust and each borrower. Under a securities lending agreement: (i) the borrower will pay to the Trust a negotiated securities lending fee and will make compensation payments to the Trust equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as “securities lending arrangements” for the purposes of the Tax Act; and (iii) the Trust will receive collateral securities.

The Trust has adopted written policies and procedures that set out the objectives and goals for securities lending and the risk management procedures applicable to the entering of the Trust into the securities lending transactions. Under such policies, the Chief Executive Officer and Chief Financial Officer of the Manager are responsible for overseeing all lending and risk management practices undertaken by the Trust, as well as authorizing these transactions, which includes setting and reviewing the securities lending agreement. The board of directors reviews and approves the policies and procedures relating to the lending and risk management practices carried out by the Trust, and the policies are reviewed annually.

## Proxy Voting Policies and Procedures

The Trust has adopted written policies on how its securities are voted. Generally, these policies prescribe that voting rights should be exercised with a view to the best interests of the Trust and its unitholders. The Investment Manager will implement such policies on behalf of the Trust. The following is a summary of such policies.

The proxy voting policies that have been developed by the Trust are general in nature and cannot contemplate all possible proposals with which the Trust may be presented. When exercising voting rights, the Trust generally will vote with management of the issuers on matters that are routine in nature, and for non-routine matters will vote in a manner that, in its view, will maximize the value of the Trust's investment in the issuer. In order to carry out the proxy voting policies, the Investment Manager will review research on management performance, corporate governance, and any other factors it considers relevant. Where appropriate in the circumstances, including with respect to any situations in which the Investment Manager is in a conflict of interest position, the Investment Manager will seek the advice of the Manager prior to casting its vote.

The policies and procedures that the Trust follows when voting proxies relating to portfolio securities are available on request, at no cost, by calling (416) 934-7455 or by writing to the Manager at 1325 Lawrence Avenue East, Suite 200, Toronto, Ontario M3A 1C6.

The Trust's proxy voting record for the most recent period ended June 30 of each year is available free of charge to any unitholder upon request at any time after August 31 of that year. The Manager has made the Trust's proxy voting record available on its website at [www.artemisfunds.ca](http://www.artemisfunds.ca).

## Policy on Short Term Trades

The Trust has no policies or procedures relating to the monitoring, detection and deterrence of short-term trades of Units by investors.

## ITEM 10 INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally relevant to investors who hold Units. 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 Trust, and holds Units as capital property. Generally, Units will be considered to be capital property to a holder provided the holder does not hold the Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have their Units, and all other "Canadian securities" owned or subsequently owned by such unitholders, treated as capital property by making an irrevocable election in accordance with the Tax Act.

This summary assumes that none of the issuers of securities held by the Trust will be a foreign affiliate of the Trust or any unitholder, or a non-resident trust that is not an "exempt foreign trust" as defined in section 94 of the Tax Act, and that none of the securities in the portfolio will be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act. This summary also assumes that the Trust will not be required to include any amount in income pursuant to section 94.1 or section 94.2 of the Tax Act.

This summary is based on the current provisions of the Tax Act and the regulations thereunder, the Trust's understanding of the current published administrative policies and assessing practices of the

Canada Revenue Agency (the “**CRA**”) and all specific proposals to amend the Tax Act and regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) (“**Finance**”) prior to the date hereof (such proposals referred to hereafter 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. Moreover, the income and other tax consequences of acquiring, holding, or disposing of Units will vary depending on an investor’s particular circumstances including the province or territory in which the investor resides or carries on business. No views are expressed herein in respect of the deductibility of interest on any funds borrowed to purchase Units. This summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their particular circumstances.

### **Status of the Trust**

Under the Tax Act, certain trusts or partnerships (defined as “SIFT trusts” and “SIFT partnerships” respectively), the securities of which are listed or traded on a stock exchange or other public market, and that hold “non-portfolio properties” (as defined in the Tax Act), are effectively taxed on income and capital gains in respect of such non-portfolio properties at combined rates comparable to the rates that apply to income earned and distributed by taxable Canadian corporations. Distributions of such income received by unit holders of SIFT trusts (and allocations of such income made to members of SIFT partnerships) are treated as eligible dividends from a taxable Canadian corporation. This summary assumes that the Trust will at no time be a SIFT trust. If the Trust were to become a SIFT trust, the income tax considerations discussed herein could be materially and adversely different.

This summary is based on the assumptions that the Trust will qualify at all relevant times as a “mutual fund trust” within the meaning of the Tax Act. To qualify as a mutual fund trust, among other requirements: (a) the Trust must be a Canadian resident “unit trust” for purposes of the Tax Act; (b) the only undertaking of the Trust must be (i) the investing of its funds in property (other than real property or an interest in real property or an immovable or a real right in an immovable); (ii) the acquiring, holding, maintaining, improving, leasing, or managing of any real property (or interest in real property) or of any immovable (or real right in immovables) that is capital property of the trust, or (iii) any combination of the activities described in (i) and (ii); and (c) the Trust must comply with certain minimum requirements respecting the ownership and dispersal of Units.

The Trust intends to ensure that it will meet these requirements at all relevant times. If the Trust 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 Trust**

The Trust will be subject to tax under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of amounts that are paid or payable to unitholders in the year. Provided the Trust makes distributions in each year of its net income for tax purposes and net realized capital gains, and provided the Trust deducts in computing its income the full amount available for deduction in each year, the Trust will not generally be liable for any material amount of income tax under Part I of the Tax Act.

The Trust will be required to include in its income for a taxation year all dividends received (or deemed to have been received) in the year on shares of corporations.

Where securities of an issuer that is a trust resident in Canada that is not at any time in the relevant taxation year a “SIFT trust” for the purposes of the Tax Act are included in the portfolio, the Trust will be required to include in the calculation of its income the net income including net taxable capital gains, paid or payable to the Trust in the year, notwithstanding that certain of such amounts may be reinvested in additional portfolio securities of the issuer. Provided appropriate designations are made by the issuer, any net taxable capital gains realized by the issuer and taxable dividends received by the issuer from taxable Canadian corporations that are paid or become payable to the Trust and are designated by the issuer will effectively retain their character as such in the hands of the Trust. The Trust will be required to reduce the adjusted cost base of the portfolio securities of such issuer to the extent that all amounts paid or payable by the issuer to the Trust exceed the amounts included in the income of the Trust plus the Trust’s designated share of the non-taxable portion of capital gains of such issuer. If the adjusted cost base to the Trust of the portfolio securities of such an issuer becomes at any time a negative amount, that negative amount will be deemed to be a capital gain realized by the Trust in that taxation year and the Trust’s adjusted cost base of such portfolio securities will then be increased by the amount of such deemed capital gain.

Where securities of an issuer that is a limited partnership that is not at any time in the relevant taxation year a “SIFT partnership” for the purposes of the Tax Act are included in the portfolio, the Trust will be required to include or will, subject to certain restrictions contained in the Tax Act, be entitled to deduct, in computing its income, its share of the net income or loss for tax purposes of the issuer allocated to the Trust for the fiscal period of the issuer ending in the Trust’s taxation year, whether or not a distribution is received. In general, the adjusted cost base to the Trust of the portfolio securities of such an issuer at a particular time will be equal to the actual cost of such portfolio securities plus the share of the income of the issuer allocated to the Trust for fiscal years of the issuer ending before the particular time less the share of losses of the issuer allocated to the Trust for fiscal years of the issuer ending before the particular time and the Trust’s share of any distributions received from the issuer before the particular time. If the adjusted cost base to the Trust of the portfolio securities of such an issuer is negative at the end of a fiscal period of the issuer, the amount by which it is negative will be deemed to be a capital gain realized by the Trust in the taxation year of the Trust in which that fiscal period of the issuer ends, and the Trust’s adjusted cost base of such portfolio securities will be increased by the amount of such deemed capital gain.

Where the Trust invests in securities of an issuer that is a SIFT trust (which will generally include income trusts, other than certain real estate investment trusts, the units of which are listed or traded on a stock exchange or other public market) or a SIFT partnership, such issuer will be subject to the tax consequences discussed above under “Status of the Trust”. Distributions or, in the case of a SIFT partnership, allocations of non-portfolio income to the Trust will be treated, for purposes of the Tax Act, as eligible dividends paid by a taxable Canadian corporation.

Upon the actual or deemed disposition of portfolio securities of an issuer held by the Trust, the Trust generally will realize a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are exceeded by) the adjusted cost base of such portfolio securities and any reasonable costs of disposition, provided such portfolio securities are capital property to the Trust.

The Trust will also be required to include in its income for each taxation year all interest that accrues to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year.

In computing its income for tax purposes for a taxation year, the Trust may deduct reasonable administrative, interest and other expenses incurred in that year to earn income.



## Taxation of Unitholders

A unitholder will generally be required to include in computing income for a particular taxation year of the unitholder such portion of the net income of the Trust for a taxation year, including net realized taxable capital gains, as is paid or becomes payable to the unitholder in that particular taxation year, whether received in cash or reinvested in additional Units. Provided that appropriate designations are made by the Trust, such portion of (a) the net realized taxable capital gains of the Trust (including taxable capital gains of issuers that are designated as such to the Trust), and (b), the taxable dividends received by the Trust on shares of taxable Canadian corporations (or amounts that are deemed to be such dividends) as is paid or becomes payable to a unitholder will effectively retain their character and be treated as such in the hands of the unitholder. All other income of the Trust will be considered income from property, irrespective of its source. Any loss of the Trust for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, the unitholders.

It is expected that most of the net income of the Trust (other than taxable capital gains from dispositions of portfolio securities) will be considered, for the purposes of the Tax Act, to be eligible dividends received from taxable Canadian corporations, which will (provided appropriate designations are made) retain their character as such when distributed to unitholders. Unitholders will be subject to “gross-up” treatment and dividend tax credit rules on such distributions.

The non-taxable portion of net realized capital gains of the Trust that is paid or becomes payable to a unitholder in a year will not be included in computing the unitholder’s income for the year and will not reduce the adjusted cost base of the unitholder’s Units. Any amount in excess of the net income of the Trust and the non-taxable portion of net realized capital gains designated to a unitholder for a taxation year that is paid or becomes payable to the unitholder in such year will not generally be included in computing the unitholder’s income for the year. However, the payment by the Trust of such excess amount in respect of a Unit will generally reduce the adjusted cost base of such Unit to the unitholder. To the extent that the adjusted cost base of a Unit to a unitholder would otherwise be less than zero, the unitholder will be deemed to have realized a capital gain equal to that negative amount in the year the negative amount arises and the adjusted cost base of the Unit will thereafter be reset to nil.

The Net Asset Value will reflect any income and gains of the Trust that have accrued or been realized but have not been made payable at the time Units are acquired. Accordingly, a unitholder who acquires additional Units, including on the reinvestment of distributions, may become taxable on the unitholder’s share of such income and gains of the Trust.

Any additional Units acquired by a unitholder on a reinvestment of distributions from the Trust will have an initial cost to the unitholder equal to the amount of the distributions so reinvested. The cost of such Units will be averaged with the adjusted cost base of all other Units then held by the unitholder as capital property to determine the adjusted cost base of each Unit held by the unitholder.

Upon the disposition or deemed disposition by a unitholder of a Unit, whether on a purchase by the Trust or otherwise, a capital gain (or capital loss) will be realized by the unitholder to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Unit to the unitholder immediately before the disposition.

Generally, one half of any capital gain (a “**taxable capital gain**”) realized by, or designated by the Trust in respect of, a unitholder in a taxation year must be included in computing the income of the unitholder for that year and one half of any capital loss (an “**allowable capital loss**”) realized by a unitholder in a taxation year must be deducted from taxable capital gains realized by the unitholder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally

may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains realized in such year, to the extent and under the circumstances described in the Tax Act. Capital gains realized on the disposition of Units or amounts designated by the Trust to the unitholder as net realized capital gains or taxable dividends from Canadian corporations may give rise to a liability for alternative minimum tax.

### **Eligibility for Investment**

Provided that the Trust qualifies and continues to qualify at all times as a “mutual fund trust” for the purposes of the Tax Act, Units will be qualified investments under the Tax Act for trusts governed by a registered retirement savings plan (“RRSP”), registered retirement income fund (“RRIF”), deferred profit sharing plan, registered disability savings plan, registered education savings plan (“RESP”), and tax-free saving account (“TFSA”) (each, a “Registered Plan”). In addition, a Unit that is listed on a stock exchange that, for purposes of the Tax Act, is a designated stock exchange (which includes the TSX) will be a qualified investment for Registered Plans.

Notwithstanding the foregoing, if Units are “prohibited investments” for the purposes of a TFSA or an RRSP or RRIF, a holder of the account will be subject to a penalty tax as set out in the Tax Act. A “prohibited investment” includes a Unit of a trust which does not deal at arm’s length with the holder, or in which the holder has a “significant interest”, which, in general terms, means the ownership of 10% or more of the value of the trust’s outstanding Units by the holder, either alone or together with persons with whom the holder does not deal at arm’s length. A Unit will generally not be a “prohibited investment” if the Unit is “excluded property” (as defined in the Tax Act). Holders are advised to consult their own tax advisors as to whether Units are a “prohibited investment” in their particular circumstances, including as to whether the Units would be “excluded property”.

### **ITEM 11 REMUNERATION OF DIRECTORS, OFFICERS AND IRC**

The Manager has exclusive authority to manage the operations and affairs of the Trust and to make all decisions regarding the business of the Trust, and has authority to bind the Trust, including in relation to those specific matters set forth above under “Responsibility for Trust Operations – The Manager and Trustee”. In consideration for these services, the Trust pays to the Manager the Management Fee. The Trust pays, in addition to the Management Fee, all of the Manager’s expenses incurred in connection with its duties as the Manager. Further, the directors of the Manager are entitled to certain compensation from the Trust. For the year ended December 31, 2015, the Trust recorded an expense of \$nil (2014 - \$nil) related to this. The officers of the Manager are paid from the Management Fee received by the Manager.

The Manager is entitled to an annual fee of 1.00% of the NAV of the Trust, calculated daily and payable monthly. This amount totalled \$1,066,640 for the year ended December 31, 2015 (2014 - \$1,261,943).

In 2015, all other expenses of the Trust were initially paid by the Manager, which was then reimbursed by the Trust. Included in these expenses were items such as administrative costs, legal fees and unitholder servicing costs. Administrative costs for the year totaled \$497,670 (2014 - \$548,868) and included a monthly general overhead cost to cover related administrative salaries, employee benefits, general overhead and office supplies.

The Investment Manager provides investment advisory and portfolio management services to the Trust, and is responsible for implementing the Trust’s investment strategy, as set forth in greater detail

above under “Responsibility for Trust Operations – The Investment Manager”. In consideration for these services, the Investment Manager is paid the investment management fee by the Trust.

Effective March 2015, the annual retainer received by each member of the IRC was increased from \$20,000 to \$30,000. The fees payable to the members of the IRC are allocated *pro rata* among the Trust and the other funds managed by the Manager for which the IRC serves as the independent review committee. The aggregate compensation paid to the members of the IRC for the year ended December 31, 2015 was \$75,000.

## **ITEM 12 LEGAL AND ADMINISTRATIVE PROCEEDINGS**

Neither the Trust nor the Manager is currently the subject of any legal or administrative proceedings material to the Trust.

## **ITEM 13 MATERIAL CONTRACTS**

The following represent all contracts and agreements that can reasonably be regarded as material to an investor in the Units:

- (a) the Declaration of Trust;
- (b) the Investment Management Agreement; and
- (c) the Custodian Agreement.

Copies of the foregoing material contracts may be accessed by prospective or existing unitholders at [www.sedar.com](http://www.sedar.com) under the Trust’s profile. Details regarding each of these contracts are provided above under the heading “Responsibility for Trust Operations”.

## **ITEM 14 OTHER MATERIAL INFORMATION**

### **RISK FACTORS**

Certain risk factors relating to the Trust and the Units are described below. Additional risks and uncertainties not currently known to the Manager, or that are currently considered immaterial, may also impair the operations of the Trust. If any such risk actually occurs, the business, financial condition, liquidity, or results of operations of the Trust, and the ability of the Trust to make distributions on the Units, could be materially adversely affected.

#### **Fluctuation in Value of Trust Investments**

The value of the Units will vary according to the value of the securities acquired by the Trust (“**Trust Investments**”), and in some cases the value of Trust Investments may be affected by factors beyond the control of the Investment Manager, the Manager or the Trust. There is no assurance that an adequate market exists for Trust Investments acquired by the Trust. Trust Investments issued by issuers which are not reporting issuers in all provinces may be subject to an indefinite hold period under certain provincial securities legislation. In some circumstances, the issuers of Trust Investments which the Trust may acquire have limited operating histories. The amounts which such issuers have been distributing may not be sustainable and the forecast distributions of such issuers may not be realized. The value of the Trust Investments will be influenced by factors which are not within the control of the Trust, including the financial performance of the respective issuers, operational risks relating to the specific business

activities of respective issuers, quality of assets owned by respective issuers, commodity prices, exchange rates, interest rates, environmental risks, political risks, issues relating to government regulation, and other financial market conditions.

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

There can be no assurance that Units will trade at a price equal to Net Asset Value per Unit and Units may trade in the market at a discount to Net Asset Value per Unit.

### **Interest Rate Fluctuations**

It is anticipated that the market price for the Units at any given time will be affected by the level of interest rates prevailing at such time. A rise in interest rates may have a negative effect on the market price of the Units. Unitholders of the Trust who wish to redeem or sell their Units may, therefore, be exposed to the risk that the redemption price or sale price of the Units will be negatively affected by interest rate fluctuations.

### **No Assurance of Achieving Investment Objectives or Monthly Distributions**

There is no assurance that the Trust will be able to achieve its investment objectives. Furthermore, there is no assurance that the Trust will be able to pay distributions in the short or long term, nor is there any assurance that the Net Asset Value will be preserved. Changes in the relative weightings between the various types of investment vehicles making up the portfolio can affect the overall yield to unitholders of the Trust. The distributions received by the Trust from issuers whose securities are held as investments may vary from month to month and certain of these issuers may pay distributions less frequently than monthly, with the result that revenue generated by the portfolio and available for distribution to unitholders of the Trust could vary substantially. To the extent necessary, the Trust Investments will be sold in order that distributions can be paid to unitholders of the Trust at the distribution rate then in effect.

### **Composition of Trust Investments**

The composition of the Trust Investments taken as a whole may vary widely from time to time and may be concentrated by type of security, commodity, industry or geography, resulting in the Trust Investments being less diversified than anticipated. Overweighting investments in certain sectors or industries involves risk that the Trust will suffer a loss because of declines in the prices of securities in those sectors or industries.

### **Use of Leverage**

The Trust may utilize leverage in order to enhance returns for unitholders of the Trust. The use of leverage may result in capital losses or a decrease in distributions to unitholders of the Trust. The interest expense and banking fees incurred in respect of the loan facility may exceed the incremental capital gains, if any, and income generated by the incremental investment in income producing securities to be purchased in the portfolio with the borrowed funds. There can be no assurance that the borrowing strategy employed by the Trust will enhance returns. In addition, the Trust may not be able to renew the loan facility on acceptable terms. The level of leverage actually employed may be affected by credit markets and the availability of credit at the relevant time.

## **Illiquid Securities**

There is no assurance that an adequate market will exist for Trust Investments. The Trust cannot predict whether the Trust Investments held by it will trade at a discount to, a premium to, or at their respective net asset values. In addition, if the Investment Manager is unable, or determines that it is inappropriate to dispose of some or all of the Trust Investments held by the Trust prior to a termination of the Trust, unitholders of the Trust may, subject to applicable laws, receive distributions of securities *in specie* upon the termination of the Trust, for which there may be an illiquid market or which may be subject to resale restrictions of indefinite duration.

## **Taxation of the Trust**

While the Trust has been structured so that it will generally not be liable to pay any material amount of income tax, the information available to the Trust and the Manager relating to the characterization, for tax purposes, of the distributions received by the Trust in any year may be insufficient as at December 31 at that year to ensure that the Trust will not be liable to pay any material amount of income tax in respect of that year.

The CRA has expressed a view that, in certain circumstances, the interest on money borrowed to invest in an income fund that may be deducted may be reduced on a *pro rata* basis in respect of distributions from the income fund that are a return of capital and which are not reinvested for an income earning purpose. While the ability to deduct interest depends on the facts, based on the jurisprudence, the CRA's view should not affect the Trust's ability to deduct interest on money borrowed to acquire units of income funds included in the portfolio. If the CRA's view were to apply to the Trust, part of the interest payable by the Trust in connection with money borrowed to acquire certain securities held in the portfolio could be non-deductible, increasing the net income of the Trust for tax purposes and the taxable component of distributions to unitholders. Income of the Trust which is not distributed to Unitholders would be subject to non-refundable income tax in the Trust.

## **Mutual Fund Trust Status under the Tax Act**

If the Trust ceases to qualify as a "mutual fund trust" under the Tax Act, the income tax considerations would be materially and adversely different in certain respects. There can be no assurance that Canadian federal and provincial income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders.

A trust will be deemed not to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents, unless all or substantially all of its property is property other than "taxable Canadian property" as defined in the Tax Act.

## **SIFT Rules**

The Tax Act includes special rules which impose income tax on certain mutual fund trusts that are "SIFT trusts" for purposes of the Tax Act. Based on the composition of the portfolio, it is not expected that the Trust itself would be considered a "SIFT trust" as defined in the Tax Act, and therefore it is expected that the Trust will not be directly liable for any material amount of income tax pursuant to the rules applicable to SIFT trusts. However, if the Trust were to become a SIFT trust, the income tax considerations could be materially and adversely different than those described herein.

**Changes in Legislation**

There can be no assurance that certain laws applicable to the Trust, including income tax laws, government incentive programs and the treatment of mutual fund trusts under the Tax Act will not be changed in a manner which adversely affects the distributions received by the Trust or by the Unitholders.

**Loss of Investment**

An investment in the Trust is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

**Securities Lending**

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

**Conflicts of Interest**

The Manager and the Investment Manager and their directors and officers may from time to time engage in the promotion, management, or investment management of one or more funds or trusts with similar investment objectives to those of the Trust.

Although none of the directors or officers of the Manager or the Investment Manager will devote his or her full time to the business and affairs of the Trust, each director and officer of the Manager or the Investment Manager will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Trust, the Manager, and the Investment Manager, as applicable.

**Status of the Trust**

As the Trust is not a “mutual fund” as defined under Canadian securities laws, the Trust is not subject to the Canadian policies and regulations that apply to open-end mutual funds. It is intended that the Trust will be a mutual fund trust for purposes of the Tax Act.

**Significant Redemptions**

If a significant number of Units are redeemed, trading in Units could be significantly reduced. In addition, the expenses of the Trust would be spread among fewer Units resulting in higher operating expenses per Unit and lower distributions per Unit. The Manager has the ability to terminate the Trust if, in its opinion, it would be in the best interest of Unitholders to do so.

**Valuation of the Trust**

While the Trust is independently audited by its auditors on an annual basis, valuation of the Trust may involve uncertainties and judgment determinations, and, if such valuations should prove to be incorrect, the NAV of the Trust could be adversely affected.

The Manager may face a conflict of interest in valuing securities held by the Trust because the values assigned will affect the calculation of the Management Fee payable by the Trust to it.

## **Interest Rate and Foreign Exchange Hedging**

Interest rate and foreign exchange hedges may be used by the Trust to the extent that the Investment Manager considers appropriate. The use of hedges involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Investment Manager's assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if the hedging had not been used.

## **Use of Derivatives**

The Trust may invest in and use derivative instruments for hedging purposes to the extent considered appropriate by the Manager or the Investment Manager, as the case may be, taking into account factors including transaction costs. There can be no assurance that the Trust's hedging strategies will be effective. The Trust is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange-traded instruments or another third party in the case of over-the-counter instruments) may be unable to meet its obligations. In addition, there is a risk of loss by the Trust of margin deposits in the event of the bankruptcy of the dealer with whom the Trust has an open position in an option or futures or forward contract. Derivative instruments traded in foreign markets may offer less liquidity and greater credit risk than comparable instruments traded in North American markets. The ability of the Trust to close out its positions may also be affected by exchange imposed daily trading limits on options and futures contracts. If the Trust is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires or the futures or forward contract terminates, as the case may be. The inability to close out options, futures, and forward positions could also have an adverse impact on the Trust's ability to use derivative instruments to effectively hedge its portfolio or implement its investment strategy. The buyer of a put option assumes the risk of losing his or her entire investment in the put option. If the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

## **Reliance on the Investment Manager and the Manager**

Unitholders will be dependent on the abilities of (i) Vestcap in managing the Trust Investments; and (ii) the Manager in effectively managing the Trust's other operations, conducting the Trust's currency hedging activities and overseeing Vestcap. There is no certainty that any of the individuals who are principally responsible for providing administration and portfolio management services to the Trust will continue to be employed by these entities throughout the life of the Trust.

In particular, the success of the Trust is significantly dependent upon the expertise of Vestcap and its employees. If Vestcap were to lose the services of any of its key employees, the financial condition and operations of the Trust could be materially adversely affected. Subjective decisions made by Vestcap's portfolio managers may cause the Trust to incur losses or to miss profit opportunities on which it would have otherwise capitalized.

## **Investments in Equities**

Equities such as common and preferred shares give the holder part ownership in the issuer of such securities. The value of an equity security changes with the fortunes of such issuer. General market conditions and the health of the economy as a whole can also affect equity prices. Securities that provide indirect exposure to the equity securities of an issuer, such as convertible debentures, can also be affected by equity risk. Present economic conditions may adversely affect global companies and the pricing of their securities. Further, continued volatility or illiquidity could impair materially the profitability of these issuers.

## **Fixed Income Securities**

The Trust may invest in bonds or other fixed income securities, including, without limitation, commercial paper and “higher yielding” (and therefore higher risk) debt securities, including government-issued and non-government issued, when Vestcap believes that such securities offer opportunities for capital growth. Such securities may be below “investment grade” and face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer’s inability to meet timely interest and principal payments. The market values of certain of these lower rated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions (and, if foreign-issued, to actual or perceived geo-political risk factors and developments) than higher rated securities. Companies that issue such securities often are highly leveraged and may not have available to them more traditional methods of financing. It is likely that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

## **Highly Volatile Markets**

The prices of all derivative instruments, including futures and option prices, can be highly volatile. Price movements of forward, futures and other derivative contracts in which the Trust’s assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instrument futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Trust also is subject to the risk of the failure of any exchanges on which its positions trade or of their clearinghouses.

## **Other Investment Considerations**

The termination of either the Manager or the Investment Manager may result in additional fees being paid to the Manager or the Investment Manager, as the case may be, at the time of termination.

## **General Market Developments and Recent Economic Conditions**

The recent economic downturn, recession, credit crisis, and European sovereign debt crisis have dramatically affected investment funds. While Vestcap believes that its investment strategy can be successful in the current economic situation, there can be no assurance that the Trust will be profitable. A prolonged economic downturn could have a material adverse impact on the Trust and, consequently, its Unitholders.

Changes in economic conditions including, for example, interest rates, inflation rates, industry conditions, government regulation, competition, technological developments, political and diplomatic events and trends, tax laws and innumerable other factors, can affect substantially and adversely the investments and prospects of the Trust. None of these conditions is within the control of the Trust, the Manager or Vestcap.



## Foreign Currency Exposure

As a portion of the Trust Investments may be comprised of securities denominated in U.S. dollars or other foreign currencies or securities whose value may be linked, in part, with the value of the U.S. dollar or other foreign currencies, the Net Asset Value per Unit and the value of distributions received by the Trust, when measured in Canadian dollars, will be affected by fluctuations in the value of the U.S. dollar or other foreign currencies relative to the Canadian dollar.

## The Financial Performance of the Portfolio and Market and Economic Conditions affecting the Equity Markets

The Trust has no control over the factors that affect the value of the Trust Investments, including factors that affect the debt and equity markets generally such as general economic and political conditions, including changes in taxation and monetary and fiscal policies and changes in regulatory requirements, fluctuations in interest rates, and factors unique to each issuer whose securities are included in the Trust Investments, such as commodity prices, consumer demand, the performance of emerging market economies generally, changes in management, changes in strategic direction, technological innovation, achievement of strategic goals, mergers, acquisitions and divestitures, changes in distribution policies and other events that may affect the value of its securities. In addition, volatility caused by directional movements in the broad equity markets may also impact the value of the Trust Investments.

## FUTURE ACCOUNTING CHANGES

The International Accounting Standards Board (“IASB”) has issued the following new standard and amendments to existing standards that are not yet effective. The Trust has not yet begun the process of assessing the impact the new and amended standards will have on its financial statements or whether to early adopt any of the new standards.

In November 2009, IFRS 9, Financial Instruments (“IFRS 9”), was issued and subsequently amended October 2010. This is the first phase of the project on classification and measurement of financial assets and liabilities. IFRS 9 will replace International Accounting Standard 39, Financial Instruments – Recognition and Measurement (“IAS 39”) and will be completed in three phases, which include limited amendments to classification and measurement of financial assets and liabilities, impairment of financial assets, and general hedge accounting. Accounting for macro hedging was removed from IFRS 9 and is expected to be issued as a separate standard. IFRS 9 is effective for fiscal years beginning on or after January 1, 2018. The standard on general hedge accounting was issued and included as part of IFRS 9 in November 2013. The Manager continues to evaluate the impact of IFRS 9 on its financial statements.

## **ANNUAL INFORMATION FORM FOR CITADEL INCOME FUND**

**Manager:** Artemis Investment Management Limited  
**Address:** 1325 Lawrence Avenue East, Suite 200, Toronto, Ontario M3A 1C6  
**Tel. Number:** (416) 934-7455

### **ADDITIONAL INFORMATION:**

Additional information about the Trust is available in the Trust's management reports of fund performance and financial statements. Copies of these documents may be obtained at no cost:

- by calling collect at (416) 934-7455;
- directly from your dealer; or
- by e-mail at [info@artemisfunds.ca](mailto:info@artemisfunds.ca).

Copies of these documents and other information about the Trust, such as information circulars and material contracts, are also available on the Manager's website at [www.artemisfunds.ca](http://www.artemisfunds.ca) or on the Trust's SEDAR profile at [www.sedar.com](http://www.sedar.com).