



**PORTLAND SELECT SPECIALTY MANAGERS FUNDS**  
**(the “Funds”)**

**OFFERING MEMORANDUM**  
**December 5, 2017**

This Offering Memorandum is not a prospectus, within the meaning of applicable securities legislation, relating to a distribution of the Units of each of the Funds described herein. No securities commission or similar regulatory authority has in any way passed upon the merits of the Units offered hereunder nor has it reviewed this Offering Memorandum and any representation to the contrary is an offence. **The value of Units of each of the Funds will fluctuate with changes in the market value of the portfolio of the Funds. See “Risk Factors”.** Unless otherwise specifically stated, all dollar amounts in this Offering Memorandum are stated in Canadian dollars.

This Offering Memorandum has been prepared by Portland Investment Counsel Inc., as manager of the Funds, and is being furnished solely for use by prospective investors. This is a confidential document. By their acceptance hereof, prospective investors agree that they will not transmit, or otherwise make available to anyone, this Offering Memorandum or any information contained herein.

## **DIRECTORY**

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### **Trustee**

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## SUMMARY

*This summary is qualified by the more detailed information appearing elsewhere in this Offering Memorandum. Capitalized terms used but not defined in this summary are defined elsewhere in this Offering Memorandum.*

*This Offering Memorandum is divided into two parts. The first part provides general information about all of the Funds. The second part, starting on page 59 provides specific information about each Fund. A Glossary of terms is provided on page 57.*

**The Funds:** The funds offered pursuant to this Offering Memorandum (collectively, the “**Funds**” and each a “**Fund**”) currently are:

- i. Portland Special Opportunities Fund (the “**Portland Special Opportunities Fund**”).

The Funds are subject to a master declaration of trust first dated October 1, 2012, and as amended and restated on December 13, 2013 (the “**Declaration of Trust**”), as entered into by Portland Investment Counsel Inc. (the “**Trustee**”), as trustee, as may be amended and restated or supplemented from time to time

**The Offering:** The offering consists of the series of Units of each of the Funds as set out in the Schedules that form part of this Offering Memorandum. The securities are only being distributed pursuant to available exemptions from the prospectus requirement.

**Investment Objectives and Investment Strategies of the Funds:** Each of the Funds has its own investment objectives, investment strategies and investment restrictions (the “**Investment Guidelines**”). The Investment Guidelines for each Fund are established pursuant to the Declaration of Trust and are set out in the schedule of each Fund that form part of this Offering Memorandum (the “**Schedules**”, and each a “**Schedule**”).

Unless otherwise indicated, quantitative investment strategies and restrictions in the Investment Guidelines are measured at the time of purchase of the relevant security and rebalanced on an ongoing basis as needed at the discretion of the Manager.

**Trustee:** Portland Investment Counsel Inc. is the trustee of the Funds. See “Management of the Funds – the Trustee”.

**The Manager:** Portland Investment Counsel Inc. (the “**Manager**”) was appointed to serve as manager to the Funds on December 5, 2017 and is responsible for the day-to-day business and operations of the Funds, including portfolio management. The Manager receives fees for its services as set out in this Offering Memorandum. See “Management of the Funds – the Manager”.

**Specialty Investment Manager** Specialty investment managers (each a “**Specialty Investment Manager**”) will be selected by the Manager from time to time for their perceived: (i) investment skills; (ii) ability to identify and execute

investments suitable for the Funds; and (iii) ability to determine the appropriate time and terms upon which to exit the investments. See “Specialty Investment Managers”.

**External Portfolio Manager:**

The Manager may retain an external portfolio manager to manage all or a portion of a Fund’s portfolio (each, an “**External Portfolio Manager**”). Please refer to the Schedules for information on any External Portfolio Manager for a particular Fund. The External Portfolio Manager receives a portfolio management fee for the portfolio management services. See “Fees and Expenses – Management Fee”.

**The Sub-Adviser**

The Manager has appointed Mandeville Private Client Inc. as sub-adviser (the “**Sub-Adviser**”) to provide preparatory research towards the search for Specialty Investment Managers for one or more of the Funds. See “Management of the Funds – the Sub-Adviser”. The Manager and Sub-Adviser are controlled, directly or indirectly, by Michael Lee-Chin. The Sub-Adviser receives a fee for its services from the Manager.

**Custodian:**

Each Fund will appoint a custodian (the “**Custodian**”) to act as the custodian of the assets of the Funds. See “Management of the Funds – the Custodian”.

**Administrator:**

Each Fund will appoint an administrator (the “**Administrator**”). The Administrator, among other things, administers the Funds’ affairs on a day-to-day basis in coordination with the Manager, calculates the net asset value (“**NAV**”) of each of the Funds and the NAV per Unit of each series of Units; maintains the records of the Unitholders; and processes the issuance and redemption of Units in accordance with this Offering Memorandum and the Declaration of Trust. See “Management of the Funds – the Administrator”.

**Price:**

On the first date on which Units of a series are issued, Units of that series will be issued at an opening NAV. Please refer to the Schedules for the opening NAV applicable to each Fund. On each successive date on which Units of that series are issued, the subscription price per Unit of a particular Fund will be NAV per Unit of the applicable series determined on the effective Valuation Date for the subscription order. For a subscription order to be effective on a Valuation Date, the subscription order must be validly completed and received by the Administrator by 4:00 p.m. (Toronto Time) on the Valuation Date or such other time as the Manager may determine in its sole discretion.

The Manager may at its sole discretion accept or reject part or all of any subscription.

See “Purchase of Units”.

**Minimum Investment:**

All investors must meet minimum investment criteria as outlined under “Who Should Invest”. Please refer to the Schedules for information regarding the minimum investment requirements applicable to each Fund.

**Distributions:**

The net income and net realized capital gains of each of the Funds, calculated in accordance with the provisions of the *Income Tax Act* (Canada) (the “**Tax Act**”) will be distributed to the extent required for such fund not to be subject to tax under Part I of the Tax Act. Distributions of income or capital gains will generally be payable on the last Business Day of each Fund’s taxation year, or such other times and such other frequencies as the Manager may determine (each, a “**Distribution Date**”) for purposes of income or capital gains distributions from the relevant fund to holders of record as determined on the Valuation Date immediately preceding the Distribution Date. Please refer to the Schedules for information on distribution frequency by a particular Fund.

Additional distributions may be made in such amounts per Unit as the Manager from time to time directs.

See “Distributions”.

**Redemption:**

Unitholders may redeem Units on each Redemption Date by providing written notice to the Administrator within the notice period required by each Fund to submit a redemption request for a Redemption Date as set out in the Schedules (“**Redemption Notice Period**”). Units will be redeemed at a price equal to the NAV of such Units on the effective Redemption Date for the redemption order. The Manager shall determine whether the redemption proceeds will be paid in cash or in-kind. Furthermore, the redemption price for such Units may be paid through the issuance of promissory notes (“**Redemption Notes**”) as noted in the Schedules of each Fund. Redemption Notes likely will not be a qualified investment for tax-exempt Unitholders. See “Eligibility for Investment”. For the redemption request to be effective on a Redemption Date, it must be received in good order by the Manager within the Redemption Notice Period or such other time as the Manager may determine in its sole discretion. Payment will be made to the redeeming Unitholders within ten (10) Business Days following the effective Redemption Date or at the Manager’s discretion may be paid within 30 calendar days following the effective Redemption Date. For certain Funds, redemptions will only be permitted for Redemption Dates occurring after the period beginning on the date that Units of a Fund are first issued to the first investor and ending 180 days after such date with respect to such Fund (the “**Redemption Lock-Up Period**”). Investors should note that the Trustee may suspend redemptions at such times it deems appropriate as described more fully under “Redemptions of Units – Suspension of Redemptions”. Redemption fees may apply. Please

refer to the Schedules for information on redemptions for a particular Fund.

See “Redemption of Units”.

**Transfer or Resale:** It is expected that Unitholders will rely on the redemption feature of the Units in order to provide liquidity for their investment. Unitholders may not transfer or sell their Units. The transfer or resale of Units (which does not include a redemption of Units) is also subject to applicable securities legislation.

See “Resale Restrictions”.

**Valuation:** The NAV of each Fund is calculated as the value of the Fund’s assets, less its liabilities, computed at the closing time on each Valuation Date in accordance with the Declaration of Trust. The NAV per Unit of each series is calculated as the value of all of the assets of a Fund on a Valuation Date attributable to the series less all of the expenses and liabilities of the Fund on such Valuation Date attributable to the series, in each instance computed at the closing time on such Valuation Date in accordance with the Declaration of Trust, and then dividing the NAV of the series by the number of Units of such series outstanding as at the relevant Valuation Date.

See “Determination of NAV”.

**Management Fees:** For each of the series of Units of the Funds that pays a management fee, the management fee may have up to two components: (a) a management fee payable for the services of the Manager and the Sub-Adviser (the “**Base Fees**”); and (b) if the Manager has retained an External Portfolio Manager, a portfolio management fee for the portfolio management services (the “**EPM Fees**”). The Base Fees are calculated as a percentage of the NAV of the relevant series of Units. The Base Fees are calculated and accrued on each Valuation Date based on an annualized rate using the number of calendar days since the last calculation and are paid following each Valuation Date in accordance with the Declaration of Trust. The EPM Fees may be charged on a different basis than the Base Fees. GST/HST is payable on the management fees payable by the Funds. Please refer to the Schedules for information on the applicable management fee rate payable by a particular Fund.

See “Fees and Expenses - Management Fee”.

**Operating Expenses:** Each Fund will be responsible for all fees and expenses relating to its operation (“**Operating Expenses**”) including, without limitation, expenses relating to preparation, translation, printing, dissemination by mail or electronically of offering documents, notices and communications, in each case as applicable, third party fees and administrative expenses of the Funds, systems and storage costs,

auditing, legal, tax, accounting, trustee and other professional advisory fees (other than management fees), registrar and transfer agency fees, insurance costs, fund accounting, reporting and record-keeping costs, bank charges, brokerage commissions and other charges or costs associated with portfolio transactions including, interest and currency conversion charges or spreads, borrowing costs, safekeeping and custodian charges, fees and expenses for consulting, research, data and statistical services, portfolio valuation costs or other fees, fees and expenses (including filing and other governmental fees) relating to distributions or exempt trades, fees and expenses (including filing fees and printing costs) relating to the continuous disclosure obligations of the fund under applicable legislation or relating to the provision of other information services deemed beneficial to investors, notices to and meetings of holders as permitted or required under the Declaration of Trust, and any expenses incurred upon termination of the Fund.

GST/HST is payable on most expenses of the Funds including management fees payable by the Funds.

See “Fees and Expenses - Operating Expenses”.

**Organizational Expenses**

Each Fund is responsible for, and the Manager is entitled to reimbursement from the Fund for, all costs associated with the creation and organization of each Fund (“**Organizational Expenses**”). Please refer to the Schedules for information on the applicable Organizational Expense payable by a particular Fund.

See “Fees and Expenses - Organizational Expenses”

**Other Fees and Expenses**

The Funds may invest in other investment funds, private equity funds, exchange traded funds and mutual funds that may be charged additional fees. Please refer to the Schedules for information on additional fees payable by a particular Fund. The Manager may select an external investment manager to manage all or a portion of a Fund’s portfolio. The EPM Fees paid to the external portfolio manager may be charged on a different basis than the Base Fee. Please refer to the Schedules for information on fees and expenses payable by a particular Fund.

See “Fees and Expenses – Other Fees and Expenses”.

**Fiscal Year End:**

Please refer to the Schedules for information on the applicable Fiscal Year End for a particular Fund.

**Financial Reporting:**

Financial statements for each Fund will be prepared and provided to investors as required by applicable securities laws for each fiscal year. Any information required to be sent to investors for income tax purposes not otherwise contained in the audited financial statements shall also be sent to investors in accordance with applicable tax legislation.

See “Management of the Funds - Financial Reporting”.

- Tax Considerations:** Investors are urged to consult with their tax advisors to determine the tax consequences to them of an investment in the Funds.  
See “Canadian Federal Income Tax Considerations” for general information.
- Eligibility for Investment:** Provided that a Fund is registered as a “registered investment” under the Tax Act, or qualifies as a “mutual fund trust”, units of the Fund will be qualified investments under the Tax Act for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans and registered disability savings plans (each, a “**Registered Plan**”) and tax-free savings accounts. See “Canadian Federal Income Tax Considerations”.  
Notwithstanding the foregoing, if the Units are “prohibited investments” for a tax-free savings account, a registered retirement savings plan or a registered retirement income fund, a holder of the tax-free savings account, or an annuitant of the registered retirement savings plan or the registered retirement income fund, as the case may be, will be subject to a penalty tax as set out in the Tax Act. In addition, on September 8, 2017, the Department of Finance released draft income tax legislative proposals relating to certain measures announced in the March 22, 2017 federal budget, including amendments to the Tax Act that would extend the application of the prohibited investment rules to a holder of a registered education savings plan or a registered disability savings plan.  
See “Eligibility for Investment”.
- Risk Factors:** Investors should consider a number of factors in assessing the risks associated with investing in the Funds.  
See “Risk Factors”.
- Auditors:** Please refer to the Schedules for information on the applicable auditor for a particular Fund.
- Glossary:** Capitalized terms used but not defined in this summary or elsewhere in this Offering Memorandum have the meanings given to them in the Glossary.

## THE FUNDS

Each of the Funds is an investment trust and is governed by the laws of the Province of Ontario and is subject to the Declaration of Trust. Portland Investment Counsel Inc. (the “**Trustee**”) is the trustee of the Funds.

The registered office of the Funds is located at 1375 Kerns Road, Suite 100, Burlington, ON, L7P 4V7.

### *Investment Objectives and Strategies*

Each of the Funds has its own investment objectives, investment strategies and investment restrictions (the “**Investment Guidelines**”). The Investment Guidelines for each fund are established pursuant to the Declaration of Trust and are set out in the Schedules that form part of this Offering Memorandum.

Unless otherwise indicated, quantitative investment strategies and restrictions in the Investment Guidelines are measured at the time of purchase of the relevant security and rebalanced on an ongoing basis as needed at the discretion of the Manager.

The Manager may engage in securities lending transactions in order to earn additional income for the Funds, provided that the use of such derivative instruments and such securities lending transactions is in compliance with applicable Canadian securities legislation and is consistent with the investment objective and investment strategies of the applicable Fund.

Notwithstanding the Investment Guidelines set out with respect to each Fund, each Fund may invest in any security or other asset as the Manager, having regard to the prevailing economic or market conditions, deems appropriate in order to protect the capital of such Fund.

**INVESTORS SHOULD NOTE THAT THERE CAN BE NO GUARANTEE THAT EACH OF THE FUNDS WILL ACHIEVE ITS OBJECTIVES. THE VALUE OF THE UNITS CAN GO DOWN AS WELL AS UP, AND AN INVESTOR MAY NOT REALIZE THE AMOUNT INVESTED.**

**NO INVESTMENT IS FREE FROM RISK OF LOSS. EACH OF THE FUNDS WILL CONTINUE TO EXPLORE AND PURSUE NEW INVESTMENT OPPORTUNITIES AS THEY ARISE, CONSISTENT WITH ITS INVESTMENT GUIDELINES.**

## MANAGEMENT OF THE FUNDS

### *The Trustee*

The Trustee has ultimate responsibility for the business and undertaking of the Funds in accordance with the terms of the Declaration of Trust. The Trustee has engaged the Manager to manage the Funds on a day-to-day basis, including management of the Funds’ portfolio and distribution of the Units of the Funds. The Trustee is a corporation amalgamated under the laws of Ontario.

## ***The Manager***

The Trustee has engaged Portland Investment Counsel Inc. (the “**Manager**”) as the manager of the Funds, pursuant to a master management agreement amended and restated December 13, 2013, as it may be amended from time to time (the “**Management Agreement**”) and is responsible for the management and administration of each Fund, including management of the Funds’ portfolio on a discretionary basis and distribution of the Units of the Funds. The Manager may delegate certain of these duties from time to time. The Manager is a corporation amalgamated under the laws of Ontario.

For its services to the Funds, the Manager receives management fees which are unique to each series of Units for each Fund. See “Fees and Expenses – Management Fees”.

The Manager is entitled to reimbursement for any expenses of the Funds incurred by the Manager, but may choose to bear some of the Fund’s expenses from time to time.

The Management Agreement may be terminated by either the Fund or the Manager on 30 days’ notice to the other parties, or immediately in the event of the dissolution or insolvency or bankruptcy of the other party or the termination of the Declaration of Trust.

Certain senior officers and directors of the Manager and/or its affiliates and associates may purchase and hold Units of a Fund and the securities of related issuers and underlying funds from time to time. These Units may represent a material proportion of a Fund.

Christopher Wain-Lowe is the individual with the Manager who is principally responsible for making investment decisions for the Funds.

### **Christopher Wain-Lowe**

Mr. Wain-Lowe has 35 years of business management and global financial services experience – living and working in four continents: Europe, Asia, Africa, North America as well as the Caribbean, which also embraced corporate experience in the energy, natural resources and utility industries. As Head of Utilities team, Barclays’ Large Corporate Banking (1989-1992), Mr. Wain-Lowe’s team tendered and won most of the syndicated finance, large value leasing and project finance mandates during the UK’s water and electricity privatizations – with Barclays’ syndications consequently being awarded by Euromoney magazine as ‘Best European Syndicate Bank’ in 1991 and again in 1992.

As Chief Executive Officer he led Barclays’ business in Greece, transitioning it to becoming more corporate focused and successfully selling its island retail network to The Bank of Nova Scotia (1995). As Chief Executive Officer he led Barclays’ South African operations in Botswana to best in the region from 1997 to 2000. The Banker magazine ranked Barclays as the ‘Best Bank’ in Botswana and the ‘Best Bank’ in Africa in 2000. During Mr. Wain-Lowe’s three years with the bank, its market capitalization rose to US\$300 million from US\$80 million – a compound annual growth rate of more than 55%.

As Chief Executive Officer of National Commercial Bank Jamaica Limited (“NCB”) he led the bank, from 2000 to 2002, to recognition as the world’s 14th highest profits growth performer in 2002. In Mr. Wain-Lowe’s two years with NCB, its market capitalization rose to US\$400 million from US\$100 million - a compound annual growth rate of 100%.

Upon acquisition of NCB indirectly by Portland Holdings Inc., he joined the Manager and its affiliates in October 2002. As Executive Vice President he promoted the launch and listing on the Toronto Stock Exchange of ten closed-end funds during 2004 to 2007. He is currently the Chief Investment Officer and lead portfolio manager of three mutual funds and three private / alternative funds, namely Portland Private Income Fund, Portland Global Energy Efficiency and Renewable Energy Fund LP and Portland Global Aristocrats Plus Fund. Mr. Wain-Lowe has a BA degree from University of North Wales and a MBA from University of Exeter. He is an Associate of the Chartered Institute of Bankers and holds their Financial Services Diploma, having placed first in his year (1989) of completion.

### ***Specialty Investment Manager***

The Manager may select Specialty Investment Managers from time to time for their perceived: (i) investment skills; (ii) ability to identify and execute investments suitable for the Funds; and (iii) ability to determine the appropriate time and terms upon which to exit the investments. Please refer to the Schedules for information on any Specialty Investment Manager for a particular Fund.

### ***External Portfolio Manager***

The Manager may retain an external portfolio manager to manage all or a portion of a Fund's portfolio (each, an "**External Portfolio Manager**"). Please refer to the Schedules for information on any External Portfolio Manager for a particular Fund. The External Portfolio Manager receives a portfolio management fee for the portfolio management services. See "Fees and Expenses – Management Fee".

### ***The Administrator***

Each Fund will appoint an administrator (the "**Administrator**"). The Administrator, among other things, administers the Funds' affairs on a day-to-day basis in coordination with the Manager. Please refer to the Schedules for the Administrator appointed by a particular Fund.

### ***The Custodian***

Each Fund will appoint a custodian (the "**Custodian**") to act as the custodian of the assets of the Funds. Please refer to the Schedules for the Custodian appointed by a particular Fund.

The Manager has entered into a Custodian Agreement (the "**Custodian Agreement**") with the Custodian pursuant to which the Custodian has agreed to perform certain administrative custodian services for the Funds. The Custodian Agreement provides that the Funds (and to the extent not paid by such Funds, the Manager) shall indemnify and hold harmless the Custodian and its officers, directors, employees and agents from any loss, including reasonable legal and expert's fees and expenses arising in connection with the services performed under the terms of the Custodian Agreement, except to the extent caused by any breach of the standard of care (as defined in the Custodian Agreement), wilful misconduct or fraud of the Custodian. The Custodian Agreement may be terminated upon 60 days' prior written notice by the Manager or 120 days' prior written notice by the Custodian.

### ***Prime Broker and/or Custodian***

Each Fund may appoint a prime broker and/or custodian in respect of the Fund's portfolio transactions (the "**Prime Broker**"). Please refer to the Schedules for the Prime Broker appointed by a particular Fund. All margin borrowings must be from arm's length financial institutions and must be on normal commercial terms. The Prime Broker will provide borrowing and/or prime brokerage services to a Fund under the terms of an account agreement (the "**Prime Broker Agreement**"). These services may include the provision to a Fund of trade execution, settlement, reporting, securities financing, stock borrowing, stock lending, options, foreign exchange and banking facilities, and are provided solely at the discretion of the Prime Broker. The Funds may also utilise other brokers and dealers for the purposes of executing transactions for the Fund. The Prime Broker assumes possession of, and a security interest in, the assets in accordance with the terms of the Prime Broker Agreement. Assets not required as margin on borrowings are required to be segregated (from the Prime Broker's own assets) but each Fund's assets may be commingled with the assets of other clients of the Prime Broker. Furthermore, each Fund's cash and free credit balances on account with the Prime Broker are not segregated and may be used by the Prime Broker in the ordinary conduct of its business, and each Fund is an unsecured creditor in respect of those assets. Each Fund may request delivery of any assets not required by the Prime Broker for margin or borrowing purposes.

### ***Loan Facility***

The Funds may borrow for the purposes of making investments, paying redemptions, working capital purposes and to maintain liquidity in accordance with its investment objective and investment strategies and to pledge its assets to secure the borrowings. The Manager, on behalf of a Fund, may from time to time enter into a loan facility. The interest rate, fees, and expenses under a loan facility are expected to be typical of similar credit facilities and prime brokerage accounts of this nature. The Funds may borrow from the Manager or its affiliates at commercial terms and if there is no commercial comparison, the Manager will look for terms that are reasonable for the Funds.

### ***Financial Reporting***

Financial statements for each Fund will be prepared and provided to investors as required by applicable securities laws for each fiscal year. Any information required to be sent to investors for income tax purposes not otherwise contained in the audited financial statements shall also be sent to investors in accordance with applicable tax legislation.

## **THE SUB-ADVISER**

The Manager has appointed Mandeville Private Client Inc. as sub-adviser (the "**Sub-Adviser**") to provide preparatory research towards the search for Specialty Investment Managers for one or more of the Funds pursuant to a sub-adviser agreement dated December 5, 2017, as it may be amended from time to time (the "**Sub-Adviser Agreement**"). The Manager and Sub-Adviser are controlled, directly or indirectly, by Michael Lee-Chin.

As it relates to each Fund and the preparatory research in connection therewith, the Sub-Adviser shall exercise its powers and authorities granted under the Sub-Adviser Agreement honestly, in good faith and in the best interests of each Fund and, in connection therewith, shall exercise that

degree of care, diligence and skill that would be expected of a prudent professional portfolio adviser in similar circumstances. Pursuant to the Sub-Adviser Agreement, the Manager may terminate the Sub-Adviser, or the Sub-Adviser may resign, upon 60 days' written notice to the other party.

### **Mandeville Private Client Inc.**

Mandeville Private Client Inc. (“**Mandeville**”) is a full service financial advisory business established in 2010 providing wealth creation services and solutions to individuals, institutions, foundations, and not-for-profit organizations. Mandeville is an IIROC registered member and is registered in all provinces and one territory.

Raymond Sawicki is the individual with the Sub-Adviser who is principally responsible for providing preparatory research of the Specialty Investment Manager EnTrustPermal Ltd. or its affiliates to the Manager, which is the Specialty Investment Manager for Portland Select Opportunities Fund.

### **Raymond Sawicki**

Mr. Sawicki is Senior Vice-President and Chief Investment Officer (CIO) of Mandeville. He heads Mandeville's discretionary and managed asset platforms and oversees all products and programs for Mandeville. Mr. Sawicki manages Mandeville's Canadian and U.S. equity strategies and provides leadership for private and alternative investing and portfolio construction and risk management.

Previously, Mr. Sawicki was Chief Investment Officer for Macquarie Private Wealth and predecessor Blackmont Capital, and Director & Senior Portfolio Manager for RBC Global Asset Management's institutional asset management business in Canada.

Mr. Sawicki has over 22 years' experience in the investment industry with prior roles in portfolio management, trading, and private market investing. Mr. Sawicki has held senior positions in both retail wealth management and institutional asset management, as well as corporate finance and investment banking.

Mr. Sawicki holds an Honours Bachelor of Commerce & Finance degree from the University of Toronto, an MBA from the Schulich School of Business at York University, and is a Chartered Financial Analyst and registered Portfolio Manager.

## **FEES AND EXPENSES**

Each of the Funds is responsible for the administrative and operating expenses relating to the Fund and the carrying on of its business. The Manager may bear some of the Funds' expenses from time to time, at its option.

### ***Operating Expenses***

Each of the Funds will be responsible for the payment of all fees and expenses relating to its operation (“**Operating Expenses**”) including, without limitation, expenses relating to preparation, translation, printing, dissemination by mail or electronically of offering documents, notices and communications, in each case as applicable, third party fees and administrative expenses of the Funds, systems and storage costs, auditing, legal, independent review committee, tax, accounting,

trustee and other professional advisory fees (other than management fees), registrar and transfer agency fees, insurance costs, fund accounting, reporting and record-keeping costs, bank charges, brokerage commissions and other charges or costs associated with portfolio transactions including, fees and expenses charged by Underlying Funds, interest and currency conversion charges or spreads, borrowing costs, safekeeping and custodian charges, fees and expenses for consulting, research, data and statistical services, portfolio valuation costs or other fees, fees and expenses (including filing and other governmental fees) relating to distributions or exempt trades, fees and expenses (including filing fees and printing costs) relating to the continuous disclosure obligations of the fund under applicable legislation or relating to the provision of other information services deemed beneficial to investors, notices to and meetings of holders as permitted or required under the Declaration of Trust, any expenses incurred upon termination of the Fund and applicable GST or HST.

Each Fund is responsible for the Operating Expenses specifically related to the business and operations of that Fund and a proportionate share of the Operating Expenses that are common to all Funds. The Manager will allocate the Operating Expenses to each Fund in its sole discretion, as it deems fair and reasonable in the circumstances.

The Manager may allocate and charge to the Funds time spent by its personnel or the personnel of its affiliates for functions that pertain to the operating activities outlined above. Such amounts will be determined based on fully allocated costs without a markup. The Manager may bear some of the Funds' expenses from time to time, at its option.

### ***Organizational Expenses***

The Manager may pay the costs associated with the formation and creation of each Fund and applicable GST or HST and the offering of Units and is entitled to reimbursement for such costs from each Fund. Please refer to the Schedules for information on the Organizational Expenses applied to each Fund.

### ***Management Fee***

For each of the series of Units of the Funds that pays a management fee, the management fee may have up to two components: (a) a management fee payable for the services of the Manager and the Sub-Adviser (the “**Base Fees**”); and (b) if the Manager has retained an External Portfolio Manager to manage all or a portion of a Fund's portfolio, a portfolio management fee for the portfolio management services (the “**EPM Fees**”). The Base Fees are calculated as a percentage of the NAV of the relevant series of Units. The Base Fees are calculated and accrued on each Valuation Date based on an annualized rate using the number of calendar days since the last calculation and are paid following each Valuation Date in accordance with the Declaration of Trust. The EPM Fees may be charged on a different basis than the Base Fees. GST/HST is payable on the management fees payable by the Funds. Please refer to the Schedules for information on the applicable management fee payable by a particular Fund.

A portion of the management fee will be paid to the Sub-Adviser pursuant to the Sub-Adviser Agreement.

### ***Redemption Fees***

Redemption fees may be charged by the Manager in its discretion. Redemption fees will be deducted from the redemption proceeds and retained by the Fund. Please refer to the Schedules for information on the applicable redemption fee payable by a particular Fund.

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

The Funds may invest in other investment funds, private equity funds, exchange traded funds (“ETFs”) and mutual funds (collectively referred to as “**Underlying Funds**”). The Underlying Funds may be charged management fees, performance fees, carried interest, trailing commission, fund expenses, organizational expenses and other expenses including applicable GST or HST. Where possible, the Manager will negotiate for a reduced fee or a rebate of same on its investment in Underlying Funds. In addition, the Funds will not pay fees on investments in securities of any Underlying Fund that is a fund managed by Portland, or that, to a reasonable person, would duplicate a fee payable by an investor in the Fund.

The Manager may select an External Portfolio Manager to manage all or a portion of a Funds’ portfolio. The EPM fees paid to the External Portfolio Manager may be charged on a different basis than the Base Fees.

Please refer to the Schedules for information on fees and expenses payable by a particular Fund.

## **DEALER COMPENSATION**

When investors purchase Units, their registered dealers receive two primary types of compensation - initial sales commission and trailing commission. Initially, registered dealers may be paid a negotiable sales commission by investors in a Fund. Thereafter and on behalf of the Funds, the Manager will arrange to pay a monthly trailing commission to participating registered dealers.

There is no commission payable by a purchaser to the Manager upon the purchase of the Units, except where the Manager acts as a registered dealer. Subscribers may pay negotiated initial sales commissions to their registered dealers (minimum investment requirements are net of any such fees).

### ***Initial Sales Commission***

For Series A, the registered dealer which distributes such Units may charge investors an initial sales commission of up to 10% (e.g., up to \$100 for each \$1,000 investment) of the value of the Units purchased. No initial sales commission is paid in respect of Series F or Series O Units.

### ***Trailing Commission***

The Manager may pay registered dealers a portion of the management fee to assist them in providing unitholders with continuing advice and service. The Manager may, at its discretion, negotiate, change the terms and conditions of, including the frequency of the payment of the trailing commission, or discontinue the trailing commission with registered dealers. The Manager also pays trailing commission to the discount broker for securities purchased through a discount brokerage account.

For Series A Units, the Manager will pay a trailing commission to registered dealers equal to 1.00% per annum of the NAV of the Series A Units held in each registered dealer's client accounts on the Subscription Date.

No trailing commission is paid in respect of Series F and Series O Units.

The trailing commission is paid by the Manager and is calculated and paid to registered dealers monthly. It is expected that registered dealers will pay a portion of the trailing commission to dealing representatives as compensation for providing ongoing investment advice and service to their clients.

### ***Sales Incentives***

In addition to the initial sales commission and Trailing Commission listed above, the Manager may share the costs of local advertising, dealer training seminars or other marketing or sales-related expenses with registered dealers to better serve their clients. The Manager may also provide dealers non-monetary benefits of a promotional nature and of minimal value and may engage in business promotion activities that result in dealers' sales representatives receiving non-monetary benefits. The cost of these activities incurred by them will be paid by the Manager and not the Funds. The Manager may change the terms and conditions of these programs, or may stop them, at any time.

## **CONFLICTS OF INTEREST**

The Manager has the authority to manage and direct the business, operations and affairs of the Funds, subject to applicable law and the Management Agreement. The Manager has established appropriate policies, procedures and guidelines to ensure the proper management of the Funds. The systems implemented monitor and manage the business and sales practices, risks and internal conflicts of interest relating to the Funds while ensuring compliance with regulatory and corporate requirements.

The Manager will not be devoting its time exclusively to the affairs of the Funds. In addition, the Manager will perform similar or different services for others and may sponsor or establish other funds during the same period that it acts in relation to the Funds. The Manager, therefore, will have conflicts of interest in allocating management time, services and functions amongst the Funds and such other persons for which it provides services. However, the Manager will undertake to act in a fair and equitable manner as between the Funds and its other clients and at all times the Manager will ensure a fair and equitable allocation of its management time, services, functions and any other such persons it provides services to. Also, the Administrator or other service provider engaged to calculate the NAV of the Funds may consult from time to time with the Manager, and defer to the Manager's expertise, when valuing a specific security to which the general valuation rules cannot or should not be applied (see "Determination of NAV"). This can create a conflict of interest for the Manager, as the Manager's remuneration is dependent upon the NAV of the Fund. However, the Manager must discharge its duties according to a standard of care that requires it to act in the best interests of the Funds. The Manager has been engaged to direct the business, operations and affairs of the Funds and will be paid fees for its services as set out herein.

In addition, the Manager and Sub-Adviser are registered dealers participating in the offering of the Units to its clients for which they may receive an initial sales commission with respect to Series A

Units and will receive a trailing commission with respect to Series A Units and may receive sales incentives. The Funds and any related issuers that are managed by the Manager from time to time may be considered to be “connected issuers” and “related issuers” of the Manager under applicable securities legislation. The Manager and Sub-Adviser are controlled, directly or indirectly, by Michael Lee-Chin.

### ***Brokerage Arrangements***

Allocation of business to brokers of the Funds is made on the basis of coverage, trading ability and fundamental research expertise in accordance with the Manager’s policy. The Manager may choose to effect portfolio transactions with dealers and brokers who provide research, statistical and other similar services (hereby referred to as “**Research**”) to the Funds or to the Manager at prices which reflect such services.

Research is deemed acceptable if it is used in a manner that provides material assistance to the Manager in the investment decision-making process and not in the management of the Manager. Examples of acceptable Research include:

- advice as to the value of securities and the advisability of effecting transactions in securities; and
- analyses and reports concerning securities, portfolio strategy or performance, issuers, industries, or economic or political factors and trends.

Such Research may be received in various mediums including conference calls, meetings as well as oral and written research reports.

The Manager participates in soft dollars only for the purposes of receiving Research for the benefit of the Manager’s clients. In other words, portfolio managers direct order flow to brokers in exchange for brokers’ “in house” proprietary research and/or third party research which is both acceptable as defined by the Manager and benefits only the Manager’s clients.

Executing brokers that provide “in house” proprietary Research do not provide the Manager with an estimate of the cost of the research, statistical and other similar services. The Manager makes a good faith determination that the amount of the commission paid is reasonable in relation to the value of the brokerage and research services provided by the broker and that the Manager’s clients have received fair and reasonable benefit from such. Third party research is generally also available on a subscription basis, the value of which will be used to approximate the value of research and other similar services received from third parties through commission sharing arrangements with executing brokers. The Manager makes all required disclosures to clients.

## **INDEPENDENT REVIEW COMMITTEE**

The Manager has appointed an Independent Review Committee (“**IRC**”) for the Funds. Although not required to do so, the Manager has voluntarily appointed the IRC to act as an independent review committee for conflict of interest purposes for the Funds.

The members of the IRC are independent of the Manager, the Sub-Adviser, the Funds, and entities related to the Manager. The IRC will review conflicts of interest matters relating to the operations of each Fund. The cost associated with the IRC will form part of the operating expenses of each

Fund. Each member of the IRC will receive an annual retainer and may receive a fee for each meeting of the IRC attended by the member, and may be reimbursed for reasonable expenses incurred.

The current members of the IRC are David Sharpless, Richard M. White and Simon Lewis and their biographies are as follows:

**David Sharpless** is the Chairman and CEO of Maverick Inc., a private consulting and investment firm and the CEO of New Carbon Economy Venture Management Inc., a private company which manages a number of investments in “green” technology companies. He is also the Interim CEO and a Director of Verdant Power, Inc., a company developing marine kinetic power technology and a Director and Chairman of the Audit Committee of Micromem Technologies Inc. a CNSX listed company. He was the Chairman of Hunter Keilty Muntz & Beatty Limited, a firm of international insurance brokers based in Toronto and the Vice Chairman of its successor, HKMB Hub International Ltd. Prior to joining Hunter Keilty Muntz & Beatty Limited in 2000, his career spanned more than 25 years as a business lawyer with Blake, Cassels & Graydon and as a senior leader in international finance. Mr. Sharpless also acts as an advisor or sits on the Board of a number of other companies.

**Richard M. White** is the external advisor to the Boards of Grason International Sourcing Inc. and Soleil Foodservice Limited, distributors of foodservice products throughout Europe, Russia and Asia. He is also a director and CFO of New Carbon Economy Fund1 LP, a private fund investing in “green” technology companies, in Canada. At the time of his retirement, in 2009, he was Senior Vice President, CFO and a Shareholder Partner of Hunter Keilty Muntz & Beatty Limited, Canada’s largest privately owned commercial insurance brokerage offering high-level risk management services throughout Canada. Mr. White still serves as a member of HKMB/Hub International’s Industry Council. Prior to joining HKMB in 2001, his career included 30 years’ experience in senior roles in telecommunications, manufacturing, server based computing, coin-operated laundry systems and as a Partner at KPMG.

**Simon Lewis** is a partner in a private investment firm. Previously, he was President & CEO of Royal Mutual Funds (1994-2000), the mutual fund arm of Royal Bank. Mr. Lewis joined Royal Bank when it acquired Royal Trust in 1993 where he had been Vice President and part owner of the firm’s mutual fund business. Mr. Lewis played a leadership role in the mutual fund industry as a Board Member of IFIC for several years during the 1990s. Mr. Lewis began his career in the advertising business after studying economics at Queen's University. From 1994-2000 Mr. Lewis was also a member of the Queen's Business School Advisory Board.

## **RISK FACTORS**

Prospective investors should note that the value of their investment in Units of the Funds and any income derived from them can go down as well as up and the value of an investor’s investment may be subject to a substantial decline. An investor may not be able to get back the full amount invested and the loss on realization may be high and could result in a substantial loss of the investment. In addition, an investor who redeems Units after a short period may, in addition, not realise the amount originally invested as a result of sales and other charges made on the issue and/or redemption of the Units. Where a Fund invests in an Underlying Fund, the Fund will also be subject to the risks of that Underlying Fund which have not been fully reproduced below. Also,

some of the risks noted below may apply to the Fund indirectly as a result of an investment in an Underlying Fund. Please refer to the Schedules as there may be additional risks with respect to certain Funds. The risks below appear in alphabetical order.

### **Ability to Borrow**

Each of the Funds may, from time to time, exercise their powers to borrow. The use of leverage increases the risk to the Funds and subjects the Funds to higher current expenses. Also, if the Fund's portfolio value drops to the loan value or less, investors could sustain a total loss of their investment as potential returns are amplified both to the benefit and detriment of the investors. An investment in the Funds is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

In the event that the amount borrowed exceeds the permitted amount as detailed in the Schedules of each Fund, assets of the Funds will be sold and the amount borrowed reduced. Such sales may be required to be done at prices which may adversely affect the value of the portfolio and the return to the Funds. The interest expense, banking fees and withholding taxes incurred in respect of the loan facility may exceed any incremental capital gains and income generated by the incremental investment of portfolio securities. In addition, the Funds may not be able to negotiate a loan facility on acceptable terms. There can be no assurance that the borrowing strategy employed by the Funds will enhance returns.

There is a possibility that some of the interest paid on an amount borrowed may not be deductible by the Funds for tax purposes.

### **Absence of Regulatory Oversight**

While the Funds are similar to public mutual funds, they have not been qualified by prospectus for distribution to the public in Canada and are not subject to the investment restrictions and other investment protection requirements applicable to publicly-offered investment funds in Canada. The offering and sale of Units will be exempt from the prospectus requirement and Units may be purchased only by persons who are Accredited Investors as defined under applicable Canadian securities laws. This Offering Memorandum has not been filed with, or reviewed by, any Canadian securities regulatory authority. However, the Manager is regulated as, among other things, a portfolio manager, exempt market dealer and investment fund manager in Ontario and, therefore, the services provided by the Manager to the Fund are subject to regulatory oversight and must comply with certain requirements applicable to registered firms under Canadian securities laws. Similarly, the Sub-Adviser is regulated in several Canadian jurisdictions as an investment dealer, and is qualified as an advisor with IIROC.

### **Allocation Risk**

The Fund's ability to achieve its investment goals depends upon the Manager's skill in determining the Fund's asset class allocation and in selecting the best mix of investments. The value of an investment may decrease if the Manager's judgement about the attractiveness, value or market trends affecting a particular asset class, investment style, underlying fund or other issuer is incorrect.

## **Bankruptcy of Custodian or Prime Broker**

The bankruptcy of the custodian or a prime broker may deny the Funds access to some or all of their assets in certain circumstances. Assets maintained with a custodian or a prime broker may not be maintained in a segregated account and there may be difficulties associated with enforcing the Funds' rights to their assets in the case of the insolvency of the custodian or a prime broker.

## **Canadian Tax Risk**

There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the Canada Revenue Agency ("CRA") respecting the treatment of unit trusts will not be changed in a manner which adversely affects Unitholders.

For example, changes to tax legislation or the administration thereof could affect the taxation of a Fund or the issuers in which it invests.

In determining its income for tax purposes, each Fund will treat gains or losses realized on the disposition of securities held by it as capital gains and losses. Generally, each Fund will include gains and deduct losses on income account in connection with investments made through certain derivatives, except where such derivatives are used to hedge portfolio securities held on capital account provided there is sufficient linkage, and will recognize such gains or losses for tax purposes at the time they are realized by the Fund. Each Fund also intends to take the position that gains or losses in respect of foreign currency hedges entered into in respect of amounts invested in its portfolio will constitute capital gains and capital losses if the relevant portfolio securities are capital property to the Fund and there is sufficient linkage. Designations with respect to the Fund's income and capital gains will be made and reported to Unitholders on the foregoing basis. The CRA's practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained. If these foregoing dispositions or transactions of a Fund are determined not to be on capital account, the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders could increase. Any such redetermination by the CRA may result in the Fund being liable for unremitted withholding taxes on prior distributions made to Unitholders who were not resident in Canada for purposes of the Tax Act at the time of the distribution. Such potential liability may reduce the NAV of the Fund or the NAV per Unit.

The Tax Act contains tax loss restriction rules that apply to trusts such as the Funds. These loss restriction rules generally apply at any time when any person, together with other persons with whom that person is affiliated within the meaning of the Tax Act, or any group of persons acting in concert, acquires Units of the Funds having a fair market value that is greater than 50% of the fair market value of all the Units of the Funds (a "loss restriction event"). If such circumstances occur, the Funds will have a deemed taxation year end and any undistributed income and realized capital gains (net of any applicable losses) would be expected to be made payable to all Unitholders of the Funds as a distribution on their Units (or tax thereon paid by the Funds in respect of such year). Accordingly, in such event, distributions on the Units in the form of Units (which will be automatically consolidated) and/or cash may be declared and paid to Unitholders. In addition, accrued capital losses and certain other realized losses of the Funds would be unavailable for use by the Funds in future years. Given the manner in which Units are distributed, there will be or may have been circumstances in which it will not be possible to control or identify whether the Funds has become subject to the loss restriction event rules. As a result, there can be no assurance that

the Funds have not or will not in the future be subject to the loss restriction event rules and no assurance as to when and to whom any such distributions will be made, or that the Funds will not be required to pay tax on such undistributed income and taxable capital gains. The Tax Act will generally provide relief from the potential application of the loss restriction event rules to a fund that is an “investment fund” as defined therein.

### **Changes in Investment Strategies**

The Manager may alter its investment strategies without prior approval by the Unitholders if the Manager determines that such change is in the best interest of the Fund.

### **Changes in Legislation**

There can be no assurance that tax, securities and other laws will not be changed in a manner which adversely affects the returns of the Funds or the Unitholders’ investment in the Funds.

### **Charges to the Fund**

The Fund is obligated to pay administration fees, brokerage commissions and legal, accounting, filing and other expenses regardless of whether the Fund realizes profits.

### **Co-Investments and One Off Investment Opportunities**

A significant portion of an Underlying Fund’s capital may be invested in co-investment and one off investment opportunities. In making investment decisions the adviser or manager of the Underlying Fund will rely in large part upon the diligence and investment analysis performed by their investment professionals. In addition, by deploying capital in this manner, the Underlying Fund will be less diversified than would be the case if the Underlying Fund invested in a group of diversified investments or an underlying fund.

### **Concentration Risk**

The Underlying Funds may hold substantial positions in a relatively small number of portfolios. Additionally, portfolios may be often relatively concentrated as to investments. Limitations as to strategy, amount of capital or analytical resources can lead to significant concentration practices among managers as a group. Concentration of investments in a limited number of issuers or securities, industries or industry groups, or countries or regions, particularly in the context of event-related investing, can increase investment risk and portfolio volatility. Accordingly, the Underlying Fund’s assets may be subject to greater risk of loss than if they were more widely diversified, and the failure or poor performance of any one portfolio could have a material adverse effect on the Underlying Fund.

### **Counterparty and Settlement Risk**

Some of the markets in which a Fund will effect its transactions may be “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange based” markets. This exposes the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Funds to suffer a loss. In addition, in the case of a default, the Funds could become subject to adverse market movements while replacement transactions are executed. Such “counterparty risk” is accentuated for contracts with longer

maturities where events may intervene to prevent settlement, or where a Fund has concentrated its transactions with a single or small group of counterparties. The Funds are not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, the Funds do not have an internal credit function which evaluates the creditworthiness of its counterparties. The ability of the Funds to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds.

### **Credit Risk**

Credit risk is the risk that the government or company issuing a fixed income security will be unable to make interest payments or pay back the original investment. Securities that have a low credit rating generally have high credit risk. Lower-rated debt securities issued by companies or governments in emerging markets often have higher credit risk. Securities issued by well-established companies or by governments of developed countries tend to have lower credit risk. Investments in companies or markets with high credit risk tend to be more volatile in the short term. However, they may offer the potential of higher returns over the long-term.

### **Currency Risks**

A Fund may purchase securities denominated in a currency other than the Canadian dollar and would then be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

### **Cyber Security Risk**

As the use of technology is pervasive and increasingly relied upon in the course of business, the Funds face the risk of cyber security incidents. A cyber security incident is an adverse intentional or unintentional event that threatens the integrity, confidentiality or availability of the Funds' information resources. A cyber security incident may involve gaining unauthorized access (e.g. through hacking or malicious software) to the Funds' electronic systems to corrupt data, disrupt business operations or steal confidential information, or may involve denial of service attacks which may cause system failures and disrupt business operations. Failures or breaches of the systems of the Funds, the Manager, other service providers (e.g. the Administrator, Sub-Adviser, External Portfolio Manager, FundSERV) or the issuers of securities in which the Funds invest have the ability to cause disruptions and negatively impact the Funds' business operations, potentially resulting in financial losses to the Funds and their Unitholders. The primary risks to the Funds that could result from the occurrence of a cyber security incident include disruption in operations, reputational damage, disclosure of confidential information, the incurrence of regulatory penalties, additional compliance costs associated with corrective measures, and/or financial loss. While the Manager has established business continuity plans and risk management systems, there are inherent limitations in such plans and systems and there is no guarantee that such efforts will succeed. Furthermore, the Manager and the Funds cannot control the cyber security plans and systems of the Funds' service providers or issuers of securities in which a Fund invests which may cause the Funds' investments in such issue to lose value.

## **Dependence on Manager, External Portfolio Manager, Key Personnel and Counterparties**

Each of the Funds is dependent upon the Manager and the Funds may be dependent upon certain managers or portfolio advisers with respect to the investment and reinvestment of the assets of each of the Funds and, as a result, success of each of the Funds will depend on its abilities and, in particular, the abilities of the individual portfolio advisers who act on behalf of the Manager. The loss of the services of any such portfolio advisers may adversely affect the performance of the Funds.

The Funds have a relatively short operating or performing history upon which prospective investors can evaluate the Funds' likely performance. The Funds may rely on delegates/counterparties to perform significant functions, for instance administration, custody and investment management, as such poor performance by a delegate may negatively impact the Funds. Each such delegate may in turn rely on key individuals and in the event of the death, incapacity or departure of any of these individuals, the operations, business and performance of the Funds may be adversely affected.

## **Derivative Instruments Risks**

The Funds may invest in or use derivative instruments, provided that the use of such derivative instruments is consistent with the investment objective and investment strategy of each of the Funds. The Funds will invest in and use derivative instruments for hedging and non-hedging purposes to the extent considered appropriate by the Manager. Derivatives are types of investments the value of which is based on, or derived from, the value or performance of another investment, such as a security, a currency, a commodity or a market index. There are many types of derivatives, including options, futures and forward contracts.

Investment funds often invest in derivatives to reduce the risks associated with other investments or to help offset losses on other investments. The use of derivatives in this way is referred to as "hedging". Investment funds may also use derivatives for other reasons, including helping to achieve their investment objectives, increasing returns, reducing the transaction costs associated with direct investments and positioning the Funds to profit from declining markets. Although the use of derivatives for hedging or other purposes can be effective, derivatives also have certain risks. Some of the most common risks are:

- There is no guarantee that the use of derivatives for hedging will be effective.
- Hedging does not prevent changes in the market value of the investments in a Fund's portfolio or prevent losses if the market value of the investments falls.
- Hedging can prevent the Fund from making a gain if the value of the underlying security, currency, commodity or market index rises, or if interest rates fall.
- The Fund might not be able to place a hedge if other investors are expecting the same change.
- There is no guarantee that the Fund will be able to buy or sell a derivative to make a profit or limit a loss.
- There is no guarantee that the other party to a derivative contract will meet its obligations.
- Derivatives traded on foreign markets may be less liquid and have greater credit risk than similar derivatives traded on North American markets.

- Exchanges set daily trading limits on options and futures contracts, and these limits could prevent the Fund from completing a contract.
- The cost of a particular derivatives contract may increase.
- The price of a derivative may not accurately reflect the value of the underlying security or index.
- The Tax Act, or its interpretation, may change in respect of the tax treatment of derivatives.
- Some of the assets of the Fund may be placed on deposit with one or more counterparties which would expose the Fund to the credit risk of those counterparties.

### **Debt Securities Risk**

The Funds may invest in bonds or other debt securities including, without limitation, bonds, notes and debentures issued by corporations. Debt securities pay fixed, variable or floating rates of interest. The value of debt securities in which the Funds may invest will change in response to fluctuations in interest rates. In addition, the value of certain debt securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk). If debt securities are not held to maturity, the Funds may suffer a loss at the time of sale of such securities.

### **Diversification**

The Funds' portfolios will not necessarily be widely diversified. As a consequence, the portfolio of a Fund may be subject to more rapid change in value than if the Fund were required to maintain a wide diversification among companies, securities and types of securities. In addition, by reason of the Fund's investment strategies, a significant portion of the Fund's portfolio may include securities that are not actively and widely traded or which are subject to transfer restrictions or for which there is no market. Consequently, it may be relatively difficult for the Funds to dispose of investments rapidly at favourable prices in connection with adverse market developments or other factors. The sale of such investments may also be subject to delays and additional costs and may only be possible at substantial discounts. The securities of small or medium-sized companies in which the Funds may invest may involve greater risks than the securities of larger, better known companies. The Funds' investment strategies permit certain investment techniques, such as concentration of investments in a small number of companies or sectors, borrowing funds for investment purposes, which may entail increased risks. Only persons who are willing to bear such risks should consider an investment in the Funds.

### **Emerging Market Securities Risk**

Investments in the securities of issuers in emerging market countries involve risks not associated with investments in the securities of issuers in developed countries. Emerging markets are subject to greater market volatility, lower trading volume, political and economic instability, uncertainty regarding the existence of trading markets and more governmental limitations on foreign investment than more developed markets. In addition, securities in emerging markets may be subject to greater price fluctuations than securities in more developed markets. There may be less

information publicly available with regard to emerging market issuers and such issuers are not subject to the uniform accounting, auditing and financial reporting standards applicable to Canadian issuers. There may be no single centralized securities exchange on which securities are traded in emerging market countries and the systems of corporate governance to which companies in emerging markets are subject may be less advanced than that to which Canadian issuers are subject, and therefore, shareholders in such companies may not receive many of the protections available to shareholders in Canadian issuers. Securities law in many emerging markets countries is relatively new and unsettled. Therefore, laws regarding foreign investment in emerging market securities, securities regulation, title to securities and shareholder rights may change quickly and unpredictably. In addition, the enforcement of systems of taxation at federal, regional and local levels in emerging market countries may be inconsistent, and subject to sudden change. In addition, the enforcement of systems of taxation at federal, regional and local levels in emerging market countries may be inconsistent, and subject to sudden change. In addition, some markets in which certain Funds invest, directly or indirectly, are located in parts of the world that have historically been prone to natural disasters such as earthquakes, volcanoes, drought or tsunamis and may be more economically sensitive to environmental events than developed markets. Any such event could result in a significant adverse impact on the economies of these countries and investments made in these countries.

### **Exchange Traded Notes Risk**

The value of exchange traded notes (“**ETNs**”), which combine features of ETFs and bonds, depends on the performance of the index underlying the ETN and the credit rating of the ETN’s issuer. Unlike, ETFs, ETNs are not structured as investment companies and, unlike bonds, they have no periodic interest payments and principal is not protected.

### **Exchange Traded Funds**

Certain Funds may invest in ETFs that seek to provide returns similar to an underlying benchmark such as particular market index or industry sector index. These ETFs may not achieve the same return as a benchmark index due to differences in the actual weightings of securities held in the ETF versus the weightings in the relevant index, and due to the operating and administrative expenses of the ETF.

ETFs that are traded on an exchange are subject to the following additional risks: (i) an ETF’s securities often trade on the exchange at a discount to net asset value of such securities; (ii) an active trading market for an ETF’s securities may not develop or be maintained; and (iii) there is no assurance that the ETF will continue to meet the listing requirements of the exchange.

### **Equity Market Risk**

The value of most securities, in particular equity securities, fluctuates with market conditions and the general economic environment.

### **Foreign Investment Risk**

The Funds may invest in securities issued by corporations in, or governments of, countries other than Canada. Investing in foreign securities can be beneficial in expanding investment opportunities and increasing portfolio diversification, but there are risks associated with foreign investments, including:

- companies outside of Canada may be subject to different regulations, standards, reporting practices and disclosure requirements than those that apply in Canada;
- the legal systems of some foreign countries may not adequately protect investor rights;
- political, social or economic instability may affect the value of foreign securities;
- foreign governments may make significant changes to tax policies, which could affect the value of foreign securities; and
- foreign governments may impose currency exchange controls that may prevent a Fund from taking money out of the country.

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

The success of the Funds' activities may be affected by general economic and market conditions such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Funds' investments. Unexpected volatility or illiquidity could impair the Funds' profitability or result in losses.

### **Hedge Funds Risks**

The Funds may invest in Underlying Funds that are not registered as investment companies or public investment funds. As a result, the Funds as an investor in these Underlying Funds would not have the benefit of certain protections afforded to investors in registered investment companies or public investment funds. Investments in hedge funds generally will be illiquid and generally may not be transferred without the consent of the Underlying Fund. The Funds may be unable to liquidate its investment in an underlying unregistered or private fund when desired (and incur losses as a result), or may be required to sell such investment regardless of whether it desires to do so. Upon its withdrawal of all or a portion of its interest in an unregistered or private fund, the Funds may receive securities that are illiquid or difficult to value. The Funds may not be able to withdraw from an underlying unregistered or private fund except at certain designated times, thereby limiting the ability of the Manager to withdraw assets from an underlying unregistered or private fund due to poor performance or other reasons. The fees paid by unregistered or private funds to their advisers and general partners or managing members often are significantly higher than those paid by registered and/or public funds and generally include a percentage of gains.

The Funds, both directly and through the Underlying Funds, may employ investment strategies that involve greater risks than the strategies used by typical mutual funds, including increased use of short sales, leverage and derivative transactions and hedging strategies. The Funds may invest in Underlying Funds employing proprietary investment strategies that are not fully disclosed, which may involve risks that are not anticipated.

### **Highly Volatile Markets**

The prices of investments held by the Funds may be highly volatile. Price movements of Fund investments are influenced by, among other things, liquidity, interest rates, housing price changes, unemployment, wage growth, availability and cost of credit, complexity of the assets and their associated legal documentation, changing supply and demand relationships, level of available leverage, trade, fiscal, monetary, regulatory 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 the capital markets. Such intervention often is intended directly to influence prices and may, together with other factors, materially impact asset prices in unpredictable ways or in a direction harmful to the performance of the Funds.

### **Income Trust Investments Risks**

Income trust securities may be purchased by certain Funds. The value of income trusts and the stability of distributions from income trusts may fluctuate in accordance with changes in the financial conditions of those income trusts, the condition of equity markets generally, economic conditions, interest rates and other factors.

Generally, the declaration of trust or trust agreement under which an income trust is governed provides that no unitholder of such income trust shall be subject to any liability whatsoever to any person in connection with a holding of units. In addition, legislation in force in the Provinces of Ontario, Alberta, British Columbia, Manitoba, Saskatchewan and Quebec provides that the holders of units of an income trust that is (i) governed under the laws of such province and (ii) a reporting issuer under the securities laws of such province are not, as beneficiaries, liable for any act, default, obligation or liability of the income trust. However, there remains a risk that a Fund that holds units in an income trust that is governed under the laws of a jurisdiction other than the Provinces of Ontario, Alberta, British Columbia, Manitoba, Saskatchewan or Quebec could be held liable for the obligations of such income trust to the extent that claims are not satisfied out of the assets of the income trust. Generally, income trusts publicly disclose that the risk of such liability is remote and undertake to manage their affairs to seek to minimize such risk wherever possible.

### **Industry Risk**

To the extent that the investments of the Funds are concentrated within any one industry or group of related industries, any factors detrimental to the performance of such industry will disproportionately impact the NAV of each of the Funds. These detrimental factors may include additional governmental regulation, including the increased cost of compliance, inflation, an increase in the cost of raw materials, an increase in interest rates and technological advances. Investments focused in a particular industry are subject to greater risk, and are more greatly impacted by market volatility, than more diversified investments.

### **Inflation-Indexed Securities**

The value of inflation-indexed fixed income securities generally fluctuates in response to changes in real interest rates, which are in turn tied to the relationship between nominal interest rates and the rate of inflation. If nominal interest rates increase at a faster rate than inflation, real interest rates might rise, leading to a decrease in value of inflation-indexed securities. The Funds may also experience a loss on an inflation-indexed security if there is deflation. If inflation is lower than expected during the period the Funds hold an inflation-indexed security, the Funds may earn less on the security than on a conventional bond.

### **Interest Rate Changes**

The value of the Fund's investments may fall if market interest rates for government, corporate or high yield credit rise. The value of the Fund that holds fixed income securities will rise and fall

as interest rates change. When interest rates fall, the value of an existing bond tends to rise. When interest rates rise, the value of an existing bond tends to fall. The value of debt securities that pay a variable (or floating) rate of interest is generally less sensitive to interest rate changes. The Manager's ability to replace matured variable debt securities at the same or better yield will be impacted by interest rate changes.

### **Investment and Trading Risks in General**

All investments made by the Manager risk the loss of capital. The Manager may utilize investment techniques or instruments which can, in certain circumstances, increase the adverse impact to which the Funds' account may be subject. No guarantee or representation is made that the Funds' investment program will be successful and investment results may vary substantially over time. Many unforeseeable events, including actions by various government agencies and domestic and international economic and political developments may cause sharp market fluctuations which could adversely affect the Funds' portfolio and performance.

### **Issuer-Specific Changes**

The value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole. The value of securities of smaller issuers can be more volatile than that of larger issuers.

### **Knowledge of and Dependence on Key Personnel Managing an Underlying Fund**

The Funds may be dependent on the knowledge and expertise of an external portfolio manager in connection with the investment products, Underlying Funds or co-investment opportunities in which the Funds invest or will invest. There is no certainty that the persons who are currently officers and directors will continue to be officers and directors of the external portfolio manager of the Underlying Fund for an indefinite period of time.

### **Lack of Independent Experts Representing Investors**

The Funds and the Manager have consulted with a single legal counsel regarding the formation and terms of the Funds and the offering of Units. The investors have not, however, been independently represented. Therefore, to the extent that the Funds, the investors or this offering could benefit by further independent review, such benefit will not be available. Each prospective investor should consult his or her own legal, tax and financial advisors regarding the desirability of purchasing Units and the suitability of investing in the Funds.

### **Liability of Unitholders**

The Declaration of Trust provides that no Unitholder shall be held to have any personal liability as such, and no resort shall be had to a Unitholder's private property, for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the Funds or of the Trustee or any obligation which a Unitholder would otherwise have to indemnify the Trustee for any liability incurred by the Trustee as such. The Declaration of Trust further provides that the property of the Funds is only intended to be liable and subject to levy or execution for such satisfaction. There is a risk, which is considered by the Manager to be remote in the circumstances, that a Unitholder could be held personally liable, notwithstanding the foregoing statement in the Declaration of Trust, for obligations of the Funds to the extent that claims are not satisfied out of

the assets of the Funds. It is intended that the operations of the Funds will be conducted in such manner so as to minimize such risk.

### **Liquidity Risk**

The Manager does not anticipate that an active secondary market will develop in the Units. Accordingly, Unitholders may only be able to liquidate their investment through redemption of their Units subject to any applicable Redemption Lock-Up Period and Redemption Notes. See "Redemption of Units". In certain circumstances, the Manager may suspend redemption rights. See "Redemption of Units – Suspension of Redemptions". Consequently, holders of Units may not be able to liquidate their investment in a timely manner. Accordingly, Units may not be appropriate for investors seeking greater liquidity.

### **Licensing, Custody and Settlement Risk**

Approval of governmental authorities may be required prior to investing in the securities of companies based in certain foreign countries. Delays in obtaining such an approval would delay investments in the particular country, and, as a consequence, the Funds may not be able to invest in all of the securities included in a benchmark while an approval is pending. Certain banks in foreign countries that are eligible foreign sub-custodians may be recently organized or otherwise lack extensive operating experience. In addition, in certain countries there may be legal restrictions or limitations on the ability of the Funds to recover assets held in custody by a foreign sub-custodian in the event of the bankruptcy of the sub-custodian. Settlement systems in emerging markets may be less well organized than in developed markets. Thus there may be a risk that settlement may be delayed and that cash or securities of the Funds may be in jeopardy because of failures of or defects in the systems. Under the laws of certain countries in which the Funds invest, the Funds may be required to release local shares before receiving cash payment or may be required to make cash payment prior to receiving local shares.

### **Market Risk**

The Units are subject to fluctuations in the market price of securities held by the Funds. Such fluctuations are caused by factors such as economic, political, regulatory or market developments, changes in interest rates and perceived trends in stock prices. Overall stock values could decline generally or could under perform other investments.

### **Marketability and Transferability of Units**

There is no market for the Units. The Units are not transferable except by operation of law. Redemptions may be deferred or suspended in certain circumstances and may be subject to a Redemption Lock-Up Period. Consequently, holders of Units may not be able to liquidate their investment in a timely manner and the Units may not be readily accepted as collateral for a loan.

### **Master Limited Partnership Risk**

The Funds, both directly and through Underlying Funds, may invest in master limited partnership ("MLP") units. Holders of MLP units have limited control and voting rights on matters affecting the partnership. In addition, there are certain tax risks associated with an investment in MLP units and the potential for conflicts of interest exist between common unitholders and the general partner, including those arising from incentive distribution payments. The benefit the Funds derives from direct and indirect investment in MLP units is largely dependent on the MLPs being

treated as partnerships and not as corporations for U.S. federal income tax purposes. If an MLP were classified as a corporation for U.S. federal income tax purposes, there would be reduction in the after-tax return to the Funds of distributions from the MLP, likely causing a reduction in the value of the Funds' shares. MLP entities are typically focused in the energy, natural resources and real estate sectors of the economy. The Funds may also invest in MLPs that operate in the asset management industry. A downturn in the energy, natural resources or real estate sectors of the economy could have an adverse impact on the Funds. At times, the performance of securities of companies in the energy, natural resources and real estate sectors of the economy may lag the performance of other sectors or the broader market as a whole. MLPs are generally considered interest rate sensitive investments, and during periods of interest rate volatility, may not provide attractive returns.

### **Mortgage-Backed and Asset-Backed Securities Risk**

When market interest rates increase, the market values of mortgage-backed securities decline. At the same time, however, mortgage refinancings and prepayments slow, which lengthens the effective duration of these securities. As a result, the negative effect of the interest rate increase on the market value of mortgage-backed securities is usually more pronounced than it is for other types of fixed income securities, potentially increasing the volatility of the Funds. Conversely, when market interest rates decline, while the value of mortgage-backed securities may increase, the rate of prepayment of the underlying mortgages also tends to increase, which shortens the effective duration of these securities. Mortgage-backed securities are also subject to the risk that underlying borrowers will be unable to meet their obligations and the value of property that secures the mortgage may decline in value and be insufficient, upon foreclosure, to repay the associated loan. Investments in asset-backed securities are subject to similar risks.

### **Unit Trust and Mutual Fund Trust Status**

It is intended that each of the Funds qualify as a "unit trust" and a "mutual fund trust" for the purposes of the Tax Act effective from the date of its creation and at all times thereafter. However, there can be no assurance that the Canadian federal income tax laws and administrative policies of the CRA respecting the treatment of "mutual fund trusts" and "unit trusts" will not be changed in a manner which adversely affects the holders of Units. If a Fund does not qualify as a "unit trust" within the meaning of the Tax Act on the day that is 21 years after the date of its creation (or on each 21 year anniversary day thereafter) the Fund will be deemed at that time to have disposed of, and reacquired, certain capital property for fair market value for the purposes of the Tax Act. Accordingly, the Fund would be subject to tax under Part I of the Tax Act on the net taxable capital gain (if any) arising from such deemed disposition, less the portion thereof that it claims in respect of amounts paid or payable to its Unitholders in the taxation year. If a Fund fails to meet one or more conditions to qualify as a "mutual fund trust" (including the condition that it qualify as a "unit trust"), the income tax considerations described under "Canadian Income Tax Considerations" and "Eligibility for Investment", would, in some respects, be materially different. In particular, if the Fund does not qualify, or ceases to qualify, as a mutual fund trust or a registered investment, Units may cease to be qualified investments for Registered Plans. This could result in Registered Plans which hold Units becoming liable for a penalty tax under the Tax Act.

### **No Assurance of Return**

Although the Manager will use its best efforts to achieve above average rates of return for the Fund, no assurance can be given in this regard. An investment in the Funds is not intended as a complete investment program. A subscription for Units should be considered only by persons financially able to maintain their investment and who can bear the risk of loss associated with an investment in the Funds. Investors should review closely the investment objectives and investment strategies to be utilized by the Funds as outlined herein to familiarize themselves with the risks associated with an investment in the Funds.

### **No Involvement of Unaffiliated Selling Agent**

The Trustee, Manager and Sub-Adviser are under common control and ownership. Consequently, no outside selling agent unaffiliated with such parties has made any review or investigation of the terms of this offering, the structure of the Funds or the background of the Trustee, Manager or Sub-Adviser.

### **Non-Correlation Risk**

Where a benchmark is selected, the Funds' returns may not match the return of the relevant benchmarks for a number of reasons. The Funds may not be fully invested at all times, either as a result of cash flows into the Funds or reserves of cash held by the Funds to meet redemptions and expenses.

### **Not a Public Mutual Fund**

The Funds are not subject to the restrictions placed on public mutual funds by National Instrument 81-102 *Investment Funds* ("NI 81-102").

### **Performance-Based Fee Risk**

The performance-based fees or allocations to portfolio managers of certain Underlying Funds may create an incentive for those portfolio managers to make investments that are riskier or more speculative than those that might have been made in the absence of a performance-based fee or allocation.

### **Potential Conflicts of Interest**

The business of the Manager is the investment of accounts for its clients. The orders of the Funds may be executed at the same time as other accounts managed or administered by the Manager. Since the Manager may manage common interests for accounts on different financial terms, there may be an incentive to favour certain accounts over others. The Manager has a fairness policy to ensure the fair and reasonable treatment of all clients based upon the clients' investment objectives and strategies and to avoid favouritism or discrimination among clients.

### **Potential Indemnification Obligations**

Under certain circumstances, a Fund might be subject to significant indemnification obligations in favour of the Trustee, the Manager, the Sub-Adviser, the External Portfolio Manager or certain parties related to them. The Funds will not carry any insurance to cover such potential obligations and, to the Manager's knowledge, none of the foregoing parties will be insured for losses for which the Fund has agreed to indemnify them. It is possible that insurance carried by the Funds will not

cover such potential obligations. Any indemnification paid by a Fund would reduce the NAV of such Fund and, by extension, the NAV per Unit.

### **Preferred Share Investments**

Unlike interest payments on debt securities, dividend payments on preferred shares typically must be declared by the issuer's board of directors. An issuer's board of directors is generally not under any obligation to pay dividends (even if such dividends have accrued), and may suspend payment of dividends on preferred shares at any time. In the event an issuer of preferred shares experiences economic difficulties, the issuer's preferred shares may lose substantial value due to the reduced likelihood that the issuer's board of directors will declare a dividend and the fact that the preferred shares may be subordinated to other securities of the same issuer. Certain additional risks associated with preferred shares could adversely affect investments in certain Funds:

- *Default Risk.* There is a chance that the issuer of any preferred shares held by certain Funds will have its ability to pay dividends deteriorate or will default (fail to make scheduled dividend payments on the preferred shares or scheduled interest payments on other obligations of the issuer not held by certain Funds), which would negatively affect the value of any such holding.
- *Interest Rate Risk.* Because many preferred shares pay dividends at a fixed rate, their market price can be sensitive to changes in interest rates in a manner similar to bonds – that is, as interest rates rise, the value of the preferred shares held by certain Funds are likely to decline. To the extent that certain Funds invests a substantial portion of its assets in fixed rate preferred shares, rising interest rates may cause the value of certain Funds' investments to decline significantly.
- *Issuer Risk.* Because many preferred shares allow holders to convert preferred shares into common shares of the issuer, their market price can be sensitive to changes in the value of the issuer's common shares. To the extent that certain Funds invests a substantial portion of its assets in convertible preferred shares, declining common share values may also cause the value of certain Funds' investments to decline.

### **Real Estate Investment Trusts Risk**

Investments in Real Estate Investment Trusts (“**REITs**”) expose the Funds to risks similar to investing directly in real estate, such as changes in the value of the underlying real estate, the quality of the property management, the creditworthiness of the issuer of the investments, and changes in property taxes, interest rates and the real estate regulatory environment. REITs may be leveraged, which increases risk. Certain REITs charge management fees, which may result in layering the management fee paid by the Funds.

### **Real Return Bonds Investments Risk**

Certain Funds may invest in real return bonds. Changes in levels of inflation may affect the value of certain Funds because the value of real return bonds is directly affected by inflation. The value of real return bonds tends to increase when inflation increases and tends to decrease when inflation decreases. This is the case even if the general level of interest rates is unchanged.

## **Redemptions**

Redemptions are permitted primarily on a monthly basis (subject to any applicable Redemption Lock-Up Period), are subject to Redemption Notes and there are circumstances in which the Funds may suspend redemptions. See “Redemption of Units”. Accordingly, Units may not be appropriate for investors seeking greater liquidity. Substantial redemptions of Units could require the Fund to liquidate positions more rapidly than otherwise desirable to raise the necessary cash or require the Fund to fail to meet commitments in order to fund redemptions and achieve a market position appropriately reflecting a smaller asset base. Such factors could adversely affect the value of the Units redeemed and of the Units remaining outstanding.

## **Risk of Not Meeting Capital Calls**

The Funds may make a commitment for securities of an Underlying Fund. An Underlying Fund will notify the Funds of capital call amounts from time to time which if not met would adversely impact the performance of the Funds. Failure to meet a capital call may subject the Funds to penalties such as interest penalties, suspension of rights to distribution payments, suspension of rights to participate in the economic benefits of the Underlying Fund or the Funds may be forced to redeem or transfer its units at an unfavourable price. Such factors could adversely affect the value of the Funds.

The Manager may only have one (or limited) opportunities to make a commitment for units of an Underlying Fund. In these instances, and in anticipation of receiving more subscriptions into the Funds on a continuous basis, the Manager may choose to commit the Fund to a larger investment in units of the Underlying Fund than the Fund itself has received in subscriptions at the time of making the commitment. If subsequent subscriptions to the Fund, or distributions from other investments in the Fund, are insufficient to meet subsequent capital calls or ongoing working capital requirements, the Funds may seek to borrow to fund the shortfall. If a shortfall continues to exist despite these efforts, the Funds will be subject to the risks of not meeting capital calls of the Underlying Fund. Please refer to the Schedules for costs and risks of investments in an Underlying Fund.

## **Risks of Private Investments in Public Entities**

Certain Funds may invest in private investments in public entities, or “**PIPEs**”. PIPEs present certain risks in addition to the risks that would otherwise be associated with an investment in the underlying public entity, including (i) limited liquidity due to legal or contractual restrictions on resales of PIPEs; (ii) lack of a public market for PIPEs; (iii) dependence on an exit strategy, such as a registered secondary market offering or a sale of the public entity or sale of a portion of the investment; and (iv) dependence on managerial assistance provided by other investors and the willingness of other investors or third parties to provide additional financial support to the underlying public entity.

## **Risk Relating to Significant Investors**

A significant proportion of the Units of a Fund may be held by a single investor, including by another Fund. If a significant investor were to buy or sell a substantial portion of Units of a Fund, the Fund may incur transaction costs that could reduce the value of Units held by the remaining Unitholders.

## **Securities Lending Risks**

Each of the Funds may lend its portfolio securities to securities borrowers acceptable to them pursuant to the terms of a securities lending agreement between the Funds and any such borrower under which: (i) the borrower will pay to the Funds a negotiated securities lending fee and will make compensation payments to the Funds equal to any distributions received by the borrower on the securities borrowed; and (ii) the Funds will receive collateral security. If a securities lending agent is appointed for the Funds, such agent will be responsible for the ongoing administration of the securities loans, including the obligation to mark-to-market the collateral on a daily basis.

There is the risk that the borrower may default under the agreement or go bankrupt. If that happens, the Funds may suffer a loss if the value of the security it sold or loaned has increased more than the value of the cash or collateral the Funds hold.

## **Series Risk**

Each series of Units has its own fees and expenses which are tracked separately. If for any reason, a Fund is unable to pay the expenses of one series of Units using that series' proportionate share of that Fund's assets, the Fund will be required to pay those expenses out of the other series' proportionate share of that Fund's assets. This could effectively lower the investment returns of the other series even though the value of the investments of the Fund might have increased.

## **Shorting**

Selling a security short ("**shorting**") involves borrowing a security from an existing holder and selling the security in the market with a promise to return it at a later date. Should the security increase in value during the shorting period, losses will be incurred by the Funds. There is in theory no upper limit to how high the price of a security may go. The Funds will also be responsible to pay dividends or other distributions on securities sold short. Another risk involved in shorting is the loss of a borrow, a situation where the lender of the security requests its return. In such cases, the Funds must either find securities to replace those borrowed or repurchase the securities. Depending on the liquidity of the security shorted, if there are insufficient securities available at current market prices, the Funds may have to bid up the price of the security in order to cover the short position, resulting in losses to the Funds. In connection with shorting, the Manager will follow the requirements under NI 81-102.

## **Small and Medium-Sized Company Risk**

Investing in securities of small and medium-sized companies involves greater risk than is customarily associated with investing in more established companies. These companies' stocks may be more volatile and less liquid than those of more established companies. These stocks may have returns that vary, sometimes significantly, from the overall stock market. Often small and medium capitalization companies and the industries in which they are focused are still evolving and this may make them more sensitive to changing market conditions.

## **Suspension of Trading**

Securities exchanges typically have the right to suspend or limit trading in any instrument traded on the exchange. A suspension of trading of securities held by the Fund would render it impossible to liquidate positions and could thereby expose the Funds to losses.

## **Underlying Fund Risk**

Your cost of investing in the Funds, when investing in Underlying Funds, may be higher than the cost of investing in a fund that only invests directly in individual equities and fixed income securities. An Underlying Fund may change its investment objective or policies without the approval of the Funds, which could result in the Funds withdrawing its investment from such Underlying Fund at a time that is unfavorable to the Funds. In addition, one Underlying Fund may buy the same securities that another Underlying Fund sells. Therefore, the Funds would indirectly bear the costs of these trades without accomplishing any investment purpose. While the Underlying Funds invest principally in the securities constituting their asset class (*e.g.*, equity or fixed income), under normal market conditions an Underlying Fund may vary the percentage of its assets in these securities (subject to any applicable regulatory requirements). As a result, depending upon the percentage of securities in a particular asset class held by the Underlying Funds at any given time, and the percentage of the assets of the Funds invested in various Underlying Funds, the Funds' actual exposure to the securities in a particular asset class may vary substantially from its intended allocation for that asset class.

## **Unidentified Investments**

The Funds may not have identified all of the investments in Underlying Funds in which it intends to invest its capital. The adviser or manager of the Underlying Fund will make investments on the basis of opportunities as they may arise. Therefore, prospective investors must rely on the ability of the adviser or manager in making investments consistent with the Underlying Fund's objectives. Investors will not have the opportunity to evaluate the relevant economic, financial and other information, which will be utilized by the adviser or manager in deciding whether or not to make a particular investment. The Underlying Fund's articles or offering documents may not restrict the type of investments the Underlying Fund may make. This approach may exclude managers from consideration who are more effective managing a particular investment strategy.

## **Units are Not Insured**

The Funds are not member institutions of the Canada Deposit Insurance Fund and the Units offered pursuant to this Offering Memorandum are not insured against loss through the Canada Deposit Insurance Fund. The Units are redeemable at the option of the holder, but only under certain circumstances.

## **Valuation of Investments**

Valuation of a Fund's securities and other investments may involve uncertainties and judgmental determinations and, if such valuations should prove to be incorrect, the NAV of a Fund could be adversely affected. Independent pricing information may not be available regarding certain of a Fund's securities and other investments. Valuation determinations will be made in good faith in accordance with the Declaration of Trust.

A Fund may from time to time have some of its assets in investments which by their very nature may be extremely difficult to value accurately. To the extent that the value assigned by a Fund to any such investment differs from the actual value, the NAV per Unit may be understated or overstated, as the case may be. In light of the foregoing, there is a risk that a Unitholder who redeems all or part of its Units while a Fund holds such investments will be paid an amount less than such Unitholder would otherwise be paid if the actual value of such investments is higher

than the value designated by the Fund. Similarly, there is a risk that such Unitholder might, in effect, be overpaid if the actual value of such investments is lower than the value designated by the Manager in respect of a redemption. In addition, there is risk that an investment in a Fund by a new Unitholder (or an additional investment by an existing Unitholder) could dilute the value of such investments for the other Unitholders if the actual value of such investments is higher than the value designated by the Manager. Further, there is risk that a new Unitholder (or an existing Unitholder that makes an additional investment) could pay more than it might otherwise if the actual value of such investments is lower than the value designated by the Manager. A Fund does not intend to adjust the NAV of the Fund retroactively in such circumstances.

Valuations of some or all of a Fund's investments, including those from Underlying Funds, may require input from the relevant manager or other third parties. Valuations requiring input from a manager or other third parties may be based on subjective inputs of the manager or such third parties. In some cases, valuation of certain investments may be based upon models, indicative quotes or estimates of value and not actual executed historical trades. There can be no assurances that illiquid investments can be disposed of or liquidated at the valuations established by the manager or other third parties.

The Funds will have limited or no ability to assess the accuracy of valuations received from the managers of Underlying Funds. Positions held by the Underlying Funds may not be traded on an exchange or organized market. Hence, valuation is dependent upon accurate dealer quotes. In some cases, values are based on pricing models and will be subject to the judgment and discretion of the managers. No assurance can be given that such positions can be sold for the amounts at which they are valued. Moreover, the managers may receive performance-based compensation with respect to such positions based upon unrealized gains. No assurance can be given that such unrealized gains will ultimately be realized.

In some cases, managers may not endeavor to assess the value of each position held by an Underlying Fund, but will instead carry such positions at cost. Where an investment is carried at cost by an underlying investment vehicle, and a participating investor, such as the Fund, withdraws from the investment vehicle prior to the time that such investment has been sold or a "fair value" has otherwise been established, the investor will generally not receive the actual value of its interest in that investment. Furthermore, the NAVs received by the Underlying Fund from managers may be estimates only, subject to revision at any time until each investment held by the Underlying Fund completes its annual audit, if applicable. Investors should be aware that situations involving uncertainties as to the valuation of the investments of the Underlying Fund could have an adverse effect on the NAV of the Fund if the judgments of the managers of Underlying Funds regarding appropriate valuations should prove incorrect.

### **Volatility Risk**

The value of securities in a Fund's portfolio may fluctuate, sometimes rapidly and unpredictably. The value of a security may fluctuate due to factors affecting markets generally or particular industries. The value of a security may also be more volatile than the market as a whole. This volatility may affect a Fund's NAV. There is a risk that a Fund may experience more than minimum volatility. Securities in a Fund's portfolio may be subject to price volatility and the prices may not be any less volatile than the market as a whole and could be more volatile. Events or

financial circumstances affecting individual securities or sectors may increase the volatility of a Fund.

**The foregoing risk factors do not purport to be a complete explanation of all risks involved in purchasing Units. Potential investors should read this entire Offering Memorandum, including the Schedules, and consult with their legal and other professional advisors before determining to invest in Units.**

## WHO SHOULD INVEST

Units are being offered on a continuous basis to investors resident in the provinces and territories of Canada who (a) are accredited investors under National Instrument 45-106 – *Prospectus Exemptions* (“**NI 45-106**”) or, in Ontario, section 73.3(1) of the *Securities Act* (Ontario), in each case, as may be amended from time to time (an “**Accredited Investor**”), (b) are not individuals and that invest a minimum of \$150,000 in a Fund, and (c) to whom Units may otherwise be sold ((a), (b) and (c) will be referred to as the “**Minimum Investment Criteria**”). In the event applicable securities legislation, regulations or rules change in the future such that one or more of the exemptions described above are no longer available, a Fund will cease offering Units pursuant to such exemptions, but may continue offering Units to investors pursuant to other exemptions which are or remain available.

A list of criteria to qualify as an Accredited Investor is set out in the subscription agreement (“**Subscription Agreement**”) delivered with this Offering Memorandum and generally includes individuals who have net assets of at least \$5,000,000, or financial assets of at least \$1,000,000, or personal income of at least \$200,000, or combined spousal income of at least \$300,000 in the previous two years with reasonable prospects of same in the current year, or an individual registered under the securities legislation of a jurisdiction of Canada as a representative of a registered adviser or dealer. NI 45-106 requires that individuals who invest on the basis that they are Accredited Investors (other than certain ultra high net worth individuals) must sign a Risk Acknowledgement Form, which is included in the Subscription Agreement.

Unless an investor can establish to the Manager’s satisfaction that another exemption is available, this will generally require that each investor is investing as principal (and not for or on behalf of any other persons) and is either an Accredited Investor or is not an individual and is investing a minimum amount of \$150,000. This minimum amount is net of any initial sales commissions paid by an investor to his or her registered dealer. An investor (other than an individual) that is not an Accredited Investor, or is an Accredited Investor solely on the basis that they have net assets of at least \$5,000,000, must also represent to the Manager (and may be required to provide additional evidence at the request of the Manager to establish) that such investor was not formed solely in order to make private placement investments which may not have otherwise been available to any persons holding an interest in such investor. Purchasers will be required to make certain representations in the Subscription Agreement and the Manager will rely on such representations to establish the availability of the exemptions. No subscription will be accepted unless the Manager is satisfied that the subscription is in compliance with applicable securities laws.

Irrespective of the foregoing, the minimum initial investment in Units is indicated in the Schedule of the Fund.

## DESCRIPTION OF UNITS

Each of the Funds is authorized to issue an unlimited number of Units in an unlimited number of series. The Manager, shall, in its sole discretion, determine the number of series of Units and establish the attributes of each series. The Manager may establish additional series of Units at any time without prior notice to or approval of Unitholders. Each Unit of each Series represents an equal, undivided interest in the net assets of that Fund. All Units of a Fund, irrespective of Series, will have equal rights and privileges except that the management fees will vary based on Series. Please refer to the Schedules for series of Units being offered of each Fund.

Each Unit of each Series is entitled to participate equally in the distribution of net income and net realized capital gains and, on liquidation, to participate equally in the distribution of assets of each of the Funds remaining after satisfaction of outstanding liabilities. Fractions of Units may be issued. A fractional Unit carries the rights and privileges, and is subject to the restrictions and conditions applicable to, whole Units in the proportion it bears to one whole Unit. Units are fully paid and non-assessable when issued. Units may be redeemed by the unitholder in accordance with the redemption provisions of the Declaration of Trust (see “Redemption of Units”). The Manager may, at any time and without the consent of, or notice to unitholders, determine to consolidate or subdivide the Units.

The Manager may, in its sole discretion, reclassify or switch all or part of a Unitholder’s investment in a Fund from one series of Units to another. Upon a reclassification or switch from one series of Units to another series, the number of Units held by the Unitholder will change since each series of Units has a different NAV per Unit.

Generally, reclassifications or switches between series of Units are not dispositions for tax purposes. However, Unitholders should consult with their own tax advisors regarding the tax implications, if any, of a reclassification or switch between series of Units.

## DETERMINATION OF NAV

The NAV of each Fund is calculated as the value of the fund’s assets, less its liabilities, computed as at 4:00 p.m. (Toronto Time) on each Valuation Date by the Administrator in accordance with the Declaration of Trust. The NAV per Unit of each series of the Funds shall be determined in respect of each Valuation Date at the closing time by determining the NAV of the Fund attributable to the relevant series of Units, being the value of the assets attributable to such series of Units less the liabilities attributable to such series and dividing the NAV of such series by the number of Units of such series outstanding as at the relevant Valuation Date.

The assets of each of the Funds shall include:

- all investments;
- all cash on hand or on deposit, including any interest accrued thereon adjusted for accrual arising from trades executed but not yet settled;
- all bills, demand notes and other evidence of indebtedness and accounts receivable and other receivables;
- all dividends, whether in the form of cash, rights or other securities, and cash distributions declared on the property of the Funds but not yet received when the NAV is being determined,

so long as, in the case of cash dividends and cash distributions declared on such property but not yet received when the NAV is being determined, the shares are trading ex-dividend;

- all interest accrued on any interest bearing securities owned by the Funds other than interest the payment of which is in default; and
- all other property of every kind and nature, including prepaid expenses.

The liabilities of each Fund shall be deemed to include:

- all bills, notes and accounts payable;
- all expenses incurred or payable by the Fund;
- all contractual obligations for the payment of money or property, including the amount of any declared but unpaid distributions;
- all allowances authorized or approved by the Manager for taxes or contingencies; and
- all other liabilities of the Fund or series of the Fund of whatsoever kind and nature, except liabilities represented by outstanding Units and the balance of any undistributed net income or capital gains.

The assets and liabilities in the Funds will be carried at fair value which is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties under no compulsion to act. In determining the fair value of the assets of the Funds, the following rules shall be applied:

- the value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest, declared or accrued and not yet received, shall be deemed to be the full amount thereof, unless the Manager has determined that any such deposit, bill, demand note or account receivable is not worth the full amount thereof, in which event the value thereof shall be deemed to be such value as the Manager, or third party engaged by the Manager, determines to be the reasonable value thereof;
- the value of short-term income securities shall be that which, in the opinion of the Manager, or third party engaged by the Manager, reflects their fair value;
- the value of any share, subscription right, warrant, option, future or other equity security which is listed or dealt upon a stock exchange shall be determined by taking the exchange specific closing or the latest available sale price (or lacking any sales or any record thereof, a price not higher than the latest available asked price and not lower than the latest available bid price as the Manager, or third party engaged by the Manager, may from time to time determine) on the day as of which the NAV or NAV per Unit is being determined;
- the value of inter-listed securities shall be computed in a manner which in the opinion of the Manager, or third party engaged by the Manager, most accurately reflects their fair value;
- the value of any bond, time note, debt-like security, share, unit, subscription right, clearing corporation options, options on futures, over-the-counter options or other security or other property which is not listed or dealt on a stock exchange shall be determined on the basis of such price quotations which, in the opinion of the Manager, or third party engaged by the

Manager, best reflect its fair value. If no quotations exist for such securities, the value shall be the fair value thereof as determined from time to time in such manner as the Manager, or third party engaged by the Manager, may determine;

- the value of any restricted securities, as defined in NI 81-102, shall be that which, in the opinion of the Manager, or third party engaged by the Manager, best reflects their fair value;
- the value of any Underlying Funds which are not listed or dealt upon an exchange shall be the most recently available NAV or such estimates as are readily available from the issuer, which in the case of an Underlying Fund, such estimates may only be provided quarterly and may be delayed by one month or more;
- forward contracts shall be valued according to the gain or loss with respect thereto that would be realized if, on the Valuation Date, the position in the forward contract was to be closed out unless daily limits are in effect, in which case fair value shall be based on the current market value of the underlying interest;
- all assets of the Fund valued in terms of foreign currency, funds on deposit and contractual obligations payable to the Fund in foreign currency and liabilities and contractual obligations payable by the Fund in foreign currency shall be taken at the current rate of exchange obtained from the best available sources by the Administrator in consultation with the Manager, or third party engaged by the Manager. “Foreign currency” for the purpose of this section is currency other than Canadian currency; and
- if, in the opinion of the Manager, or third party engaged by the Manager, the above valuations do not properly reflect the prices which would be received by the Fund upon the disposal of shares or securities necessary to effect any redemption or redemptions, the Manager, or third party engaged by the Manager, may place such value upon such shares or securities as appears to it to most closely reflect the fair value of such shares or securities.

The Manager has the discretion to deviate from the Funds’ valuation principles set out above if the Manager, or third party engaged by the Manager, believes these principles do not result in a fair value of the assets and liabilities of the Funds.

### **Differences from International Financial Reporting Standards**

The Manager may determine such other rules as they deem necessary from time to time, which rules may deviate from International Financial Reporting Standards (“IFRS”), provided that such deviations are in the best interest of the Funds and are consistent with industry practices for investment funds similar to the Funds.

The NAV calculated in the foregoing manner will be used for the purpose of calculating the Manager’s (and other service providers’) fees and will be published net of all paid and payable fees. Such NAV will be used to determine the subscription price and redemption value of Units. To the extent that such calculations are not in accordance with IFRS, the financial statements of the Funds will present net assets that deviate from NAV and if applicable, will include a reconciliation note explaining any difference between such published NAV and net assets for financial statement reporting purposes (which must be calculated in accordance with IFRS).

## PURCHASE OF UNITS

### *Minimum Initial and Additional Subscriptions*

The minimum initial subscription for an investor is as described in the Schedules of each Fund.

Each additional investment must be in an amount that is not less than \$500 or such other amount as the Manager may determine in its discretion. For investors who are not Accredited Investors, the additional investment must be in an amount that is not less than \$500 if the investor initially acquired Units for an acquisition cost of not less than \$150,000 and, at the time of the additional investment, the Units then held by the investor have an acquisition cost or a net asset value equal to at least \$150,000, or another exemption is available.

These minimums are net of any initial sales commissions paid by an investor to his or her registered dealer.

### *Subscription Procedures*

Units may be purchased on a Valuation Date and such other Business Day or days as the Manager may in its discretion designate. Interim subscription units may be issued as described below. The purchase price per Unit will be the NAV per Unit determined on the effective Valuation Date for the subscription order. For a subscription order to be effective on a Valuation Date, the Subscription Agreement must be validly completed and received by the Administrator by 4:00 p.m. (Toronto Time) on the Valuation Date or such other time as the Manager may determine in its sole discretion. Subscription Agreements received after 4:00 p.m. will be processed on the following Valuation Date.

In order for an investor to subscribe for Units, subscribers for Units will be required to complete a subscription agreement with the Manager unless otherwise determined by the Manager. Units of each Fund can be purchased directly through an authorized registered dealer including the Manager in its capacity as an exempt market dealer. An investor may purchase Units by sending the purchase amount to his or her registered dealer. The price of a Unit is the NAV per Unit of the applicable series determined on the Valuation Date.

Payment for Units in immediately available funds must be received by the Administrator no later than one (1) Business Day following the effective Valuation Date for the subscription order. Where payment is received for a subscription that has been held over to the next Valuation Date, payment will also be held over, without interest and applied to the subscription on the Valuation Date on which the application form becomes effective.

A subscription for Units of a series will be made at the series NAV per Unit of that series on the first Valuation Date following acceptance of that subscription. The number of Units of the applicable series will be the amount paid for the Units (less any sales commissions) divided by the applicable series NAV per Unit determined as at the Valuation Date following acceptance of that subscription. A purchase confirmation will be issued once payment is received to confirm the number of Units that were issued where the subscription is accepted.

Subscriptions for Units may be made through the purchase of interim subscription units at a fixed NAV per Unit. Subject to the foregoing and following the calculation of the NAV of each series of Units on the applicable Valuation Date, the interim subscription units will be automatically

switched into the appropriate number of Units of the applicable series of Units as per each Unitholder's Subscription Agreement. The number of Units of the applicable series will be the amount paid for the Units (less any sales commissions) divided by the applicable series NAV per Unit determined as at the applicable Valuation Date following which the subscription is accepted. An initial purchase confirmation will be issued once payment is received confirming receipt of the interim subscription while a subsequent confirmation will confirm the final number of Units issued upon acceptance as a Unitholder. The number of interim subscription units will be different from the final number of Units purchased. These interim subscription units are not redeemable.

Please see the Schedules for fixed NAV per Unit of the interim subscription units of each Fund, if applicable.

Although the application form may be sent electronically, subscribers should be aware of the risks associated with sending documents in this manner.

Subscription funds provided prior to a Valuation Date will remain at the investor's dealer until the Valuation Date. Subscriptions for Units are subject to acceptance or rejection in whole or in part by the Manager in its sole discretion. In the event a subscription is rejected, any subscription funds received by the Administrator will be returned without interest or deduction. The Manager will not be responsible in the event any application form is not received. The acceptance or non-acceptance of any subscription is solely at the discretion of the Manager and no reason need be given for the non-acceptance of any subscription. Any subscription amounts not accepted by the Manager will be promptly returned without deduction or interest.

No certificate will be issued for Units purchased.

**By subscribing to purchase Units, each investor agrees to indemnify and hold harmless the Funds and the Manager (and any of their respective directors, officers, employees and agents) for any losses, costs or expenses incurred by them as a result of the failure or default of the investor to transmit payment for Units in immediately available funds to the account of the Funds by close of Business Day after the effective Valuation Date for the subscription order.**

The Manager reserves the right to suspend offerings entirely and to refuse to accept any subscription application for Units. At no time will the Funds issue Units at less than the respective NAV per Unit as of the relevant Valuation Date.

Units of the Funds are available for sale and redemption through the mutual fund order entry system Fundserv. Please refer to the Schedules for Fundserv codes of each Fund.

### ***Pre-authorized Chequing Plan***

Units of a Fund can be purchased by making monthly investments through a pre-authorized chequing plan ("**PAC Plan**"). The Manager may stop an investor's PAC Plan if a payment is not made when due and may change or discontinue this service at any time. A PAC Plan can be cancelled at any time upon five (5) Business Days' notice to the Manager.

## **SWITCHES OF UNITS**

Subject to the consent of the Manager, Unitholders may switch all or part of their investment in a Fund from one series of Units to another series in the same Fund if the Unitholder is eligible to

purchase that series of Units. Upon a switch from one series of Units to another series, the number of Units held by the Unitholder will change since each series of Units has a different NAV per Unit.

Generally, switches between series of Units of the same Fund are not dispositions for tax purposes. However, Unitholders should consult with their own tax advisors regarding any tax implications of switching between series of Units.

## REDEMPTION OF UNITS

Unitholders may redeem their Units at their Redemption Price upon request within the Redemption Notice Period on each Redemption Date by providing a redemption request to the Administrator in a form acceptable to the Administrator through their registered dealer or directly to the Administrator. For certain Funds, redemptions will only be permitted for Redemption Dates occurring after the period beginning on the date that Units of a Fund are first issued to the first investor and ending 180 days after such date (with respect to such Fund, the “**Redemption Lock-Up Period**”). Please refer to the Schedules for redemption features of each Fund.

For a redemption order to be effective on a Redemption Date, the redemption order must be received in good order by the Administrator prior to 4:00 p.m. (Toronto Time) within the Redemption Notice Period for the Redemption Date in order for the redemption to be accepted as at that Redemption Date, or such other time as the Manager may determine in its sole discretion. Redemption requests not received in good order by the Administrator by such time will be processed on the following Redemption Date.

Although redemption requests may be sent electronically, Unitholders should be aware of the risks associated with sending documents in this manner.

The Manager will not be responsible in the event any redemption request is not received.

The Manager shall determine whether the redemption proceeds will be paid in cash or in-kind. However, the redemption price for such Units may be paid through the issuance of Redemption Notes by a certain Fund, as noted in the Schedules of each Fund. Redemption Notes likely will not be a qualified investment for tax-exempt Unitholders. See “Eligibility for Investment”. Payment will be made to the redeeming Unitholders within ten (10) Business Days following the effective Redemption Date or at the Manager’s discretion, may be paid within 30 calendar days following the effective Redemption Date. Upon a redemption of Units, investors may be charged a transaction charge representing actual or estimated transaction costs incurred by a Fund including brokerage commissions, bid-offer spreads, accrued interest for fixed income securities or other related costs or expenses which are incurred or expected to be incurred in effecting securities transactions on the market or with the issuer of securities held by the Funds in connection with such redemption. In addition, the Manager may charge Unitholders a redemption fee. See “Fees and Expenses – Redemption Fees” and the Schedules for details on a particular Fund. Investors should consult their registered dealer as the registered dealer may have redemption procedures different from those described above.

The Manager has the right to require a Unitholder to redeem some or all of the Units owned by such Unitholder on a Valuation Date at the NAV per Unit thereof, by notice in writing to the

Unitholder given at least ten (10) Business Days before the designated Valuation Date, which right may be exercised by the Manager in its absolute discretion.

### ***Suspension of Redemptions***

The Trustee may suspend the right of Unitholders to redeem Units of all or a specific Series held by them and the calculation of the Series NAV per Unit for each such Series at such times as it deems appropriate, provided that such suspension is permitted by applicable securities regulation or under any exemptive relief granted by securities regulator authorities therefrom. Such circumstance may include if the Manager believes facilitating such redemptions, in whole or part, would prejudice the ongoing management of the Funds and meeting the Investment Guidelines of a Fund or best interest of existing unitholders. Suspensions may occur for an indefinite period of time if deemed appropriate by the Trustee.

Any suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. In the event of a suspension, a Unitholder who has delivered a redemption request for which the redemption price has not yet been calculated may withdraw such redemption request prior to the end of the suspension period, otherwise all such redemption requests shall receive payment based on the Series NAV per Unit of the applicable Series on the next Redemption Date following the end of the suspension period.

## **DISTRIBUTIONS**

The net income and net realized capital gains of each of the Funds, calculated in accordance with the provisions of the Tax Act will be distributed to the extent required for such fund not to be subject to tax under the Tax Act. Such distributions will generally be payable on the last Business Day of each year or such other time and such other frequency as the Manager may determine but in any event not less than annually (each a “**Distribution Date**”) and will become payable on that day to Unitholders of each fund who were Unitholders of record on the Valuation Date immediately prior to the Distribution Date.

Unless the Manager has received from a Unitholder, at least five (5) Business Days prior to the Distribution Date, that it wishes to receive all or part of any distribution in cash, each Unitholder will be deemed to have given notice that it wishes to reinvest all distributions of net income or net taxable capital gains by way of acquisition of additional Units to be issued at the close of business on the relevant Distribution Date at the NAV of such Units on such date if it is a Valuation Date, otherwise on the last preceding Valuation Date. The Unitholder will be required to include in computing income for the year the reinvested amount in respect of the additional Units.

Distributions from the Funds may be treated as returns of capital. A distribution to Unitholders will generally be treated as a return of capital if distributions to Unitholders in the year exceed the share of the Fund’s net income and net realized capital gains. A return of capital distribution is not included in income for income tax purposes, but will reduce the adjusted cost base (“ACB”) of the Unitholder’s Units on which it was paid. Where net reductions to the ACB of Units would result in an ACB becoming a negative amount, such amount will be treated as a capital gain realized by the Unitholder and the ACB of those Units will then be adjusted to nil.

## **UNITHOLDER MATTERS**

The rights and obligations of the Manager and the Unitholders of the Funds are governed by the Declaration of Trust (as amended from time to time). The Declaration of Trust sets out the rights, duties and obligations of the Trustee and the rights and restrictions that are attached to each Unit of the Funds.

The following is a summary of the Declaration of Trust not otherwise summarized in this Offering Memorandum. This summary is not intended to be complete and each investor should review the Declaration of Trust for full details of its terms. A copy of the Declaration of Trust may be requested by contacting the Manager at the address, numbers or email address set out in the “The Directory of Service Providers”).

### ***The Units***

The Trustee will determine whether the capital of the Fund is divided into additional Series of Units, the attributes that shall attach to each Series of Units and whether any Series of Units should be redesignated as a different Series of Units from time to time.

Each Unit of a Series is without nominal or par value and entitles the holder thereof to one vote for each one full dollar of value of all units owned by such Unitholder as based on the Series NAV per Unit at the close of business on the record date for voting at all meetings of Unitholders of the Fund where all Series vote together and to one vote at meetings where that particular Series votes separately as a Series.

Each Unit of a particular Series generally entitles the holder thereof to participate pro rata with respect to all distributions made to that Series (except special distributions) and, upon liquidation of the Fund, to participate pro rata with the other Unitholders of that same Series in the Series NAV remaining after the satisfaction of outstanding liabilities of the Fund and the Series.

### ***Unitholder Meetings***

Meetings of Unitholders may be convened by the Trustee or the Manager as either of them may deem advisable from time to time for the administration of the Fund.

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

The Trustee may amend the Declaration of Trust, without the approval of or prior notice to the Unitholders where the Trustee reasonably believes that the proposed amendment does not have the potential to materially adversely impact the financial interests or rights of Unitholders of the Fund or where the proposed amendment is necessary to:

- a) ensure compliance with applicable laws, regulations or policies of any governmental authority having jurisdiction over the Fund or the distribution of its Units;
- b) remove any conflicts or other inconsistencies that may exist between any of the terms of the Declaration of Trust and any provisions of any applicable laws, regulations or policies affecting the Trust, the Trustee or their agents;

- c) make any change or correction in the Declaration of Trust that is a typographical correction or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission or error contained therein;
- d) facilitate the administration of the Fund as applicable or make amendments or adjustments in response to any existing or proposed amendments to the Tax Act or its administration which might otherwise adversely affect the tax status of the Fund or its Unitholders; or
- e) for the purposes of protecting the Unitholders of the Fund.

Where securities legislation requires that written notice be given to Unitholders before the change takes effect and where the Trustee reasonably believe that the proposed amendment has the potential to materially adversely impact the financial interests or rights of the Unitholders, so that it is equitable to give Unitholders advance notice of the proposed change, the Trustee may amend the Declaration of Trust on 30 days' notice to Unitholders.

### ***Use of Personal Information***

The name and other specified information of each Unitholder, including the number of Units it has purchased and the purchase price, will be disclosed to Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable laws. When subscribing for Units, Unitholders are required to consent to the use and disclosure of that information.

## **TRANSFER OR RESALE RESTRICTIONS**

It is expected that Unitholders will rely on the redemption feature of the Units in order to provide liquidity for their investment. The transfer or resale of Units (which does not include redemption of Units) is also subject to applicable securities legislation. A Unitholder may, with the consent of the Manager, transfer all or any of the Units owned by him or her by delivering to the Administrator a request for transfer in a form acceptable to the registrar and transfer agent of the Fund, together with such evidence of the genuineness of each such endorsement execution and authorization and of such other matters (including that the transfer is being made in compliance with all applicable securities legislation) as may be reasonably required by such registrar and transfer agent. See "Management of the Funds – The Administrator". A transfer will not be effective unless and until it is recorded on the register of Unitholders. Unitholders should consult with their own tax advisors regarding any tax implications in connection with transferring Units.

Subscribers are advised to consult with their advisers concerning restrictions on resale and are further advised against reselling their Units until they have determined that any such resale is in compliance with the requirements of applicable legislation and the Declaration of Trust.

## **CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Funds, the following is a brief summary of the principal Canadian federal income tax considerations generally relevant to Unitholders who, for purposes of the Tax Act, are individuals (other than trusts), resident in Canada who deal at arm's length and are not affiliated with the Funds, the Trustee, the Manager and the Sub-Adviser, and hold Units as capital property. Generally, Units will be considered to be capital

property to a Unitholder provided that the Unitholder does not hold the Units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. This summary assumes that no Unitholder has entered or will enter into with respect to Units a “derivative forward agreement” as that term is defined in the Tax Act.

This summary is based on the current provisions of the Tax Act and the regulations thereunder and an understanding of the current administrative practices of the CRA. This summary is also based on a certificate of the Manager regarding certain factual matters. This summary also takes into account proposed amendments (the “**Proposed Amendments**”) to the Tax Act and the regulations thereunder announced by the Minister of Finance (Canada) prior to the date hereof. No assurances can be given that the Proposed Amendments will become law as proposed or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations, does not take into account provincial or foreign income tax legislation or considerations, which might differ from the Canadian federal considerations and, except for the Proposed Amendments, does not take into account or anticipate any changes in the law, whether by legislative, governmental or judicial action.

This summary also assumes that each Fund will comply with its investment restrictions at all relevant times, that none of the issuers of securities held by a Fund will be foreign affiliates of the Fund or of any Unitholder and that none of the securities held by a Fund will be a “tax shelter investment” within the meaning of section 143.2 of the Tax Act.

Further, this summary assumes that none of the securities held by a Fund will be an “offshore investment fund property” (or an interest in a partnership that holds such property) that would require the Fund (or the partnership) to include significant amounts in income pursuant to section 94.1 of the Tax Act, or an interest in a trust (or a partnership which holds such an interest) which would require the Fund (or the partnership) to report significant amounts of income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act, or an interest in a non-resident trust (or a partnership which holds such an interest) other than an “exempt foreign trust” as defined in section 94 of the Tax Act.

This summary is of a general nature only and is not intended to be, nor should it be construed as, legal or tax advice to any particular investor. EACH PROSPECTIVE INVESTOR SHOULD SEEK INDEPENDENT ADVICE REGARDING THE TAX CONSEQUENCES OF INVESTING IN UNITS OF THE FUNDS BASED UPON THE INVESTOR’S OWN PARTICULAR CIRCUMSTANCES.

### ***Taxation of the Funds***

This summary is based on the assumptions that each Fund will qualify at all times as a “unit trust” within the meaning of the Tax Act. The Manager intends to apply to the CRA for each Fund to be a “registered investment”. The Manager expects each Fund to be a mutual fund trust once it has met the requirements of having 150 qualified unitholders. During such time as a Fund is not a mutual fund trust, it will not be entitled to the capital gains refund mechanism, and may be subject to minimum tax, Part X.2 tax and Part XII.2 tax.

Generally, if more than 50% (calculated on a fair market value basis) of the Units of a Fund which does not become or ceases to be a mutual fund trust are held by one or more Unitholders that are

considered to be “financial institutions” for the purposes of certain “mark-to-market” rules in the Tax Act, then that Fund will be treated as a financial institution. Under the mark-to-market rules, the Fund will be required to recognize at least annually any gains and losses accruing on shares and certain types of debt obligations that it holds. Any income arising from such treatment will be included in amounts considered to be distributed to Unitholders. If financial institutions subsequently cease to hold more than 50% of the units of the Fund at any time during a taxation year of the Fund, the Fund’s taxation year will be deemed to end immediately before that time and any gains and losses accrued to that time will similarly be recognized and included in amounts distributed to Unitholders. A new taxation year for the Fund will then begin and for that and subsequent taxation years, for so long as not more than 50% of the units of the Fund are held by financial institutions, the Fund will not be subject to the mark-to-market rules.

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

In computing its income for tax purposes, each Fund is required to include in its income for each taxation year any dividends received (or deemed to be received) by it in such year on a security held in its portfolio.

With respect to indebtedness, each Fund is required to include in its income for a taxation year all interest thereon that accrues (or is deemed to accrue) to it to the end of that year (or until the disposition of the indebtedness in the year) or that has become receivable or is received by the Fund before the end of that year, including on a conversion, redemption or repayment on maturity, except to the extent that such interest was included in computing the Fund’s income for a preceding year and excluding any interest that accrued prior to the time of the acquisition of the indebtedness by the Fund.

Each Fund is entitled to deduct an amount equal to the reasonable expenses that it incurs in the course of issuing Units. Such issue expenses paid by a Fund and not reimbursed are deductible by the Fund rateably over a five-year period subject to a proportionate reduction of the annual expense deductible in any taxation year which is less than 365 days. Generally, each Fund is also entitled to deduct reasonable administrative expenses and interest payable by it on money borrowed to purchase portfolio securities. Any losses incurred by a Fund may not be allocated to Unitholders but may generally be carried forward and back and deducted in computing the taxable income of the Fund in accordance with the detailed rules in the Tax Act.

Upon the actual or deemed disposition of a security held by a Fund, the Fund will realize a capital gain (or capital loss) to the extent the proceeds of disposition net of any amounts included as interest on the disposition of the security and any reasonable costs of disposition exceed (or are less than) the adjusted cost base of such security unless the Fund were considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the security in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Manager has advised counsel that some of the Funds will purchase portfolio securities with the objective of receiving distributions and income thereon and

will take the position that gains and losses realized on the disposition thereof are capital gains and capital losses.

Generally, each Fund will include gains and deduct losses on income account in connection with investments made through certain derivatives, except where such derivatives are not “derivative forward agreements” (as defined in the Tax Act) and are used to hedge portfolio securities held on capital account provided there is sufficient linkage, and will recognize such gains or losses for tax purposes at the time they are realized by the Fund.

One-half of the amount of any capital gain (a “taxable capital gain”) realized by a Fund in a taxation year on the disposition of portfolio securities that are capital property of the Fund must be included in computing the Fund’s income for the year, and one-half of the amount of any capital loss (an “allowable capital loss”) realized by the Fund in a taxation year must be deducted against any taxable capital gains realized by the Fund in the year.

Allowable capital losses for a taxation year in excess of taxable capital gains for that year may be carried forward and deducted in any subsequent taxation year against net realized taxable capital gains in accordance with the provisions of the Tax Act. A loss realized on a disposition of capital property is considered to be a suspended loss when a fund acquires a property (a substituted property) that is the same or identical to the property sold, within 30 days before and 30 days after the disposition and the fund owns the substituted property 30 days after the original disposition. If a loss is suspended, the applicable Fund cannot deduct the loss from the Fund’s capital gains until the substituted property is sold and is not reacquired within 30 days before and after the sale. If a Fund experiences a “loss restriction event” (i) the Fund will be deemed to have a year-end for tax purposes, and (ii) the Fund will become subject to the loss restriction rules generally applicable to corporations that experience an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on their ability to carry forward losses. Generally, a Fund will be subject to a loss restriction event when a person becomes a “majority-interest beneficiary” of the Fund, or a group of persons becomes a “majority-interest group of beneficiaries” of the Fund, as those terms are defined in the affiliated persons rules contained in the Tax Act, with appropriate modifications. Generally, a majority-interest beneficiary of a Fund will be a beneficiary who, together with persons and partnerships with whom the beneficiary is affiliated, owns interests in the Fund with a fair market value that is greater than 50% of the fair market value of all the interests in the income or capital, respectively, in the Fund. The Tax Act will generally provide relief from the potential application of the loss restriction event rules to a fund that is an “investment fund” as defined therein.

Each of the Funds is required to compute its net income and net realized capital gains in Canadian dollars for the purposes of the Tax Act and may, as a consequence, realize income or capital gains by virtue of changes in the value of foreign currency relative to the Canadian dollar.

The Funds may derive income or gains from investments in countries other than Canada and, as a result, may be liable to pay income or profits tax to such countries. To the extent that such foreign tax that is characterized as “non-business income tax” under the Tax Act paid by a Fund exceeds 15% of the amount included in the Fund’s income from such investments, such excess may generally be deducted by the Fund in computing its net income for the purposes of the Tax Act. To the extent that such foreign tax does not exceed 15% of such non-business income tax and has not been deducted in computing the Fund’s income, the Fund may designate in respect of a

Unitholder a portion of its foreign source income that can reasonably be considered to be part of the Fund's income distributed to such Unitholder so that such income and a portion of the foreign tax paid by the Fund may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Tax Act.

## ***Taxation of the Unitholders***

### **Distributions**

A Unitholder will generally be required to include in computing income for a taxation year the amount of a Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder (whether in cash or in Units or reinvested in additional Units of the Fund) in the taxation year. Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund, the foreign source income of the Fund and the taxable dividends received or deemed to be received by the Fund on shares of taxable Canadian corporations as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. Amounts designated as taxable dividends from taxable Canadian corporations will be subject to the gross-up and dividend tax credit rules, including the enhanced gross-up and tax credit applicable to designated eligible dividends.

At the time a Unitholder acquires Units, the NAV of the applicable Fund and therefore the price paid by the Unitholder may reflect accrued income and realized capital gains which have not been distributed and accrued capital gains which have not been realized. When and if such income and realized capital gains are distributed by the Funds and when and if such accrued capital gains are realized and distributed by the Funds to a Unitholders, a Unitholder will become taxable on such amounts notwithstanding that such amounts may have been reflected in the price paid by the Unitholder for the Units. However, if such distributions are re-invested in additional Units of a Fund, the Unitholder's adjusted cost base will be increased by such reinvested amount which will reduce any capital gain realized by the Unitholder on a later disposition of the Units.

The Manager has advised counsel that it will designate, to the extent permitted by the Tax Act, the portion of the net income distributed or considered to be distributed to Unitholders as may reasonably be considered to consist of, respectively, (i) net taxable capital gains and (ii) taxable dividends received by it on shares of taxable Canadian corporations. Any such designated amount will be deemed for tax purposes to be (i) a taxable capital gain realized by Unitholders in the year and (ii) a taxable dividend from a taxable Canadian corporation received by Unitholders in the year, respectively. Similarly, designations will be made so that Unitholders may be entitled to the benefit, if any, of a foreign tax credit referable to foreign source income of the Funds distributed to Unitholders.

### **Dispositions and Redemptions**

On any redemption or other disposition of Units, a Unitholder may realize a capital gain (or capital loss) in the amount by which the proceeds of disposition or redemption of the Units, net of any portion thereof considered to be paid out of the income or capital gains of the Fund, exceed (or are less than) the Unitholder's adjusted cost base of the Units and any costs of disposition.

A Unitholder's adjusted cost base of Units of a Fund will reflect the average cost per Unit of all Units of such Fund held by the Unitholder. One-half of a capital gain will be included in computing income as a taxable capital gain and one-half of a capital loss will be an allowable capital loss that may be deducted against taxable capital gains subject to the detailed rules in the Tax Act.

### **Payment in Kind**

If a taxable Unitholder transfers or receives securities to or from the Funds in payment of the purchase or redemption price of Units, the taxable Unitholder may realize income or capital gains on such securities that will be taken into account in computing the income of the taxable Unitholder for the taxation year in which the securities are transferred to or from the Funds.

## **ELIGIBILITY FOR INVESTMENT**

Provided that a Fund is registered as a "registered investment" under the Tax Act, or qualifies as a "mutual fund trust", units of that Fund will be qualified investments under the Tax Act for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans and registered disability savings plans (each, a "**Registered Plan**") and tax-free savings accounts. There can be no certainty that a Fund's registered investment status will be maintained, or that the Fund will meet the requirements to be a mutual fund trust, or continue to meet those requirements at any particular time after the Fund becomes a mutual fund trust. See also "Risk Factors – Canadian Tax Risk"

Notwithstanding the foregoing, if the Units are "prohibited investments" for a tax-free savings account, a registered retirement savings plan or a registered retirement income fund, a holder of the tax-free savings account, or an annuitant of the registered retirement savings plan or the registered retirement income fund, as the case may be, will be subject to a penalty tax equal to 50% of the fair market value of their Units as set out in the Tax Act. In general, Units would be a prohibited investment if the value of the Units you hold, together with the value of Units held by those people and partnerships who do not deal at arm's length with you, exceed 10% of the net asset value of that Fund. On September 8, 2017, the Department of Finance released draft income tax legislative proposals relating to certain measures announced in the March 22, 2017 federal budget, including amendments to the Tax Act that would extend the application of the prohibited investment rules to a holder of a registered education savings plan or a registered disability savings plan. Registered Plans are, generally, not subject to tax on income earned on, and proceeds realized on the disposition of, Units of the Fund as long as the income and proceeds remain in the Registered Plan.

If a Registered Plan requests the redemption of Units, property including Redemption Notes received in payment may not be qualified investments, with the result that the Registered Plan may become liable for a penalty tax under the Tax Act. Registered Plans that own Units should consult their own tax advisors before deciding to exercise their right to redeem Units.

## **INTERNATIONAL INFORMATION REPORTING**

Pursuant to the Intergovernmental Agreement for the Enhanced Exchange of Tax Information under the Canada-U.S. Tax Convention entered into by Canada and the U.S. on February 5, 2014 and related Canadian legislation found in Part XVIII of the Tax Act, Unitholders will be required

to provide their dealer with information related to their citizenship or residence for tax purposes and, if applicable, a U.S. federal tax identification number. If a Unitholder does not provide the information or is identified as a U.S. citizen or U.S. resident, details of the Unitholder's investment in a Fund will generally be reported to the Canada Revenue Agency, unless the investment is held within a Registered Plan. The Canada Revenue Agency will then provide the information to the U.S. Internal Revenue Service.

In addition, pursuant to Part XIX of the Tax Act implementing the Organization for Economic Co-operation and Development Common Reporting Standard (the “**CRS Rules**”), Canadian financial institutions are required to have procedures in place to identify accounts held by residents of foreign countries (other than the United States) or by certain entities any of whose “controlling persons” are residents of foreign countries (other than the United States). The CRS Rules provide that, beginning in 2018, Canadian financial institutions must report required information to the Canada Revenue Agency annually. Such information would then be available for sharing with the jurisdictions in which the account holders or such controlling persons reside for tax purposes under the provisions and safeguards of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters or the relevant bilateral tax treaty. Under the CRS Rules, Unitholders will be required to provide required information regarding their investment in a Fund to their dealer for the purpose of such information exchange, unless the investment is held within a Registered Plan.

## **STATUTORY RIGHTS OF ACTION**

Securities legislation in certain of the provinces of Canada provides subscribers with, in addition to any other right they may have at law, rights of rescission or damages, or both, where an offering memorandum and any amendment to it contains a misrepresentation. A purchaser of Units has a statutory right of action in the following offering jurisdictions: Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island and Saskatchewan. Such rights must be exercised by the subscriber within the time limits prescribed by the applicable securities legislation. **Subscribers should refer to the applicable provisions of the securities legislation of their respective provinces for the complete text of these rights or consult with a legal advisor.**

The rights of action described below are in addition to and without derogation from any other right or remedy available at law to the purchaser and are intended to correspond to the rights against an issuer of securities provided in the relevant securities legislation and are subject to the defences contained therein.

As required by applicable securities laws, a purchaser's statutory rights of action in Ontario, Saskatchewan, Nova Scotia and New Brunswick are summarized below. The following summaries are subject to the express provisions of the securities laws of the provinces of Canada and the regulations, rules, policies and blanket orders thereunder.

### ***Ontario***

Ontario Securities Commission Rule 45-501 provides that when an offering memorandum, such as this Offering Memorandum, is delivered to an investor to whom securities are distributed in reliance upon the “accredited investor” or the “minimum amount investment” prospectus

exemption in Section 73.3 of the *Securities Act* (Ontario) (the “**OSA**”) (or a predecessor exemption to section 73.3 of the OSA) or Section 2.10 of NI 45-106 *Prospectus Exemptions* (“**NI 45-106**”), respectively, the right of action referred to in Section 130.1 of the OSA (“**Section 130.1**”) is applicable unless the prospective purchaser is:

- a) a Canadian financial institution, meaning either:
  - i. an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act;
  - ii. a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction in Canada;
- b) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);
- c) The Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or
- d) a subsidiary of any person referred to in paragraphs (a), (b) or (c), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of the subsidiary.

Section 130.1 provides purchasers who purchase securities offered by an offering memorandum with a statutory right of action against the issuer of securities and any selling securityholder for rescission or damages in the event that the offering memorandum or any amendment to it contains a “misrepresentation”, without regard to whether the purchaser relied on the “misrepresentation”. “Misrepresentation” means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made.

In the event that this Offering Memorandum, together with any amendment, is delivered to a prospective purchaser of securities in connection with a trade made in reliance on Section 73.3 of the OSA or 2.10 of NI 45-106, and this Offering Memorandum contains a misrepresentation which was a misrepresentation at the time of purchase of the securities, the purchaser will have a statutory right of action against the fund and the selling securityholder(s), if any, for damages or, while still the owner of the securities, for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages, provided that:

- a) no action shall be commenced more than, in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or in the case of any other action, the earlier of (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the transaction that gave rise to the cause of action;
- b) the defendant will not be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;

- c) the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon;
- d) in no case will the amount recoverable exceed the price at which the securities were offered to the purchaser; and
- e) the statutory right of action for rescission or damages is in addition to and does not derogate from any other rights or remedies the purchaser may have at law.

This summary is subject to the express provisions of the *Securities Act* (Ontario) and the regulations and rules made under it, and you should refer to the complete text of those provisions.

### ***Saskatchewan***

Section 138 of *The Securities Act, 1988* (Saskatchewan), as amended (the “**Saskatchewan Act**”) provides that where an offering memorandum (such as this Offering Memorandum) or any amendment to it is sent or delivered to a purchaser and it contains a misrepresentation (as defined in the Saskatchewan Act), a purchaser who purchases a security covered by the offering memorandum or any amendment to it is deemed to have relied upon that misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for rescission against the issuer or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

- a) the issuer or a selling security holder on whose behalf the distribution is made;
- b) every promoter and director of the issuer or the selling security holder, as the case may be, at the time the offering memorandum or any amendment to it was sent or delivered;
- c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;
- d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or the amendment to the offering memorandum; and
- e) every person who or company that sells securities on behalf of the issuer or selling security holder under the offering memorandum or amendment to the offering memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

- a) if the purchaser elects to exercise its right of rescission against the issuer or selling security holder, it shall have no right of action for damages against that party;
- b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the securities resulting from the misrepresentation relied on;
- c) no person or company, other than the issuer or a selling security holder, will be liable for any part of the offering memorandum or any amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a

reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation;

- d) in no case shall the amount recoverable exceed the price at which the securities were offered; and
- e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation.

In addition, no person or company, other than the issuer or selling security holder, will be liable if the person or company proves that:

- a) the offering memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered; or
- b) with respect to any part of the offering memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, the part of the offering memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Not all defences upon which we or others may rely are described herein. Please refer to the full text of the Saskatchewan Act for a complete listing.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the Saskatchewan Act also provides that where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser is deemed to have relied on the misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for damages against the individual who made the verbal statement.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Saskatchewan Financial Services Commission.

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by Section 80.1 of the Saskatchewan Act.

The rights of action for damages or rescission under the Saskatchewan Act are in addition to and do not derogate from any other right which a purchaser may have at law.

Section 147 of the Saskatchewan Act provides that no action shall be commenced to enforce any of the foregoing rights more than:

- a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- b) in the case of any other action, other than an action for rescission, the earlier of:
  - i. one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or
  - ii. six years after the date of the transaction that gave rise to the cause of action.

The Saskatchewan Act also provides a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act has a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two Business Days of receiving the amended offering memorandum.

### ***New Brunswick***

Section 150(1) of *Securities Act* (New Brunswick) provides that where any information relating to the offering provided to the purchaser of the securities contains a misrepresentation, a purchaser who purchases the securities shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase, and

- a) the purchaser has a right of action for damages against the issuer and a selling security holder on whose behalf the distribution is made; or
- b) where the purchaser purchased the securities from a person referred to in paragraph (a), the purchaser may elect to exercise a right of rescission against the person, in which case the purchaser shall have no right of action for damages against the person.

This right of action is not available if the purchaser purchased the securities with knowledge of the misrepresentation, and a defendant is not liable for all or any portion of the damages that the defendant proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied on.

An issuer shall not be liable where it is not receiving any proceeds from the distribution of the securities being distributed and the misrepresentation was not based on information provided by the issuer unless the misrepresentation:

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

In no case shall the amount recoverable under these rights of action exceed the price at which the securities were offered.

These rights are in addition to and without derogation from any other right the purchaser may have at law.

### ***Nova Scotia***

Where an offering memorandum or any amendment thereto or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)) contains a misrepresentation, a purchaser to whom the offering memorandum has been delivered and who purchases a security referred to therein shall be deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and the purchaser has the right of action for damages against the issuer or other seller and, subject to certain additional defences, against directors of the seller and persons who have signed the offering memorandum, but may elect to exercise a right of rescission against the seller, in which case he shall have no right of action for damages against the seller, directors of the seller or persons who have signed the offering memorandum, provided that, among other limitations:

- a) in an action for rescission or damages, the defendant will not be liable if it proves that the purchaser purchased the security with knowledge of the misrepresentation;
- b) in an action for damages, the defendant is not liable for all or any portion of the damages that it proves do not represent the depreciation in value of the security as a result of the misrepresentation relied upon; and
- c) in no case shall the amount recoverable under the right of action described herein exceed the price at which the security was offered.

In addition no person or company other than the issuer is liable if the person or company proves that:

- a) the offering memorandum or the amendment to the offering memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;
- b) after delivery of the offering memorandum or the amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the offering memorandum, or amendment to the offering memorandum, the person or company withdrew the person's or company's consent to the offering memorandum, or amendment to the offering memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or

with respect to any part of the offering memorandum or amendment to the offering memorandum purporting: (i) to be made on the authority of an expert; or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (A) there had been a misrepresentation or (B) the relevant part of the offering memorandum or amendment to the offering memorandum (1) did not fairly represent the report, opinion or statement of the expert or (2) was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Furthermore, no person or company other than the issuer is liable with respect to any part of the offering memorandum or amendment to the offering memorandum not purporting: (a) to be made on the authority of an expert; or (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation.

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

Pursuant to section 146 of the *Securities Act* (Nova Scotia), no action shall be commenced to enforce the right of action conferred by section 138 thereof unless an action is commenced to enforce that right not later than 120 days after the date on which payment was made for the security or after the date on which the initial payment for the security was made where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment.

The right of action for rescission or damages described herein is conferred by section 138 of the *Securities Act* (Nova Scotia) and is in addition to and without derogation from any right the purchaser may have at law.

For the purposes of the *Securities Act* (Nova Scotia) “misrepresentation” means:

- a) an untrue statement of material fact; or
- b) an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

## Glossary

The following definitions apply throughout this Offering Memorandum unless the context otherwise requires:

“**Business Day**” means any day on which the banks in Toronto are open for normal business;

“**CRA**” has the meaning set out in “Canadian Federal Income Tax Considerations”;

“**Distribution Date**” has the meaning set out in “Distributions”;

“**Fund**” or “**Funds**” means, Portland Special Opportunities Fund, as established by the Declaration of Trust;

“**Manager**” means Portland Investment Counsel Inc.;

“**External Portfolio Manager**” has the meaning set out in “External Portfolio Manager”;

“**NAV**” means the net asset value of a Fund and “**NAV per Unit**” means the net asset value of a series of Units of the Fund;

“**NI 45-106**” has the meaning set out in “Statutory and Contractual Rights of Action – Ontario”;

“**Offering Memorandum**” means this offering memorandum of the Funds, together with the Schedules attached to this offering memorandum.

“**Operating Expenses**” has the meaning set out in “Fees and Expenses – Operating Expenses”;

“**OSA**” has the meaning set out in “Statutory and Contractual Rights of Action – Ontario”;

“**Proposed Amendments**” has the meaning set out in “Canadian Federal Income Tax Considerations”;

“**Redemption Date**” means the last Business Day of each month, unless otherwise indicated in the Schedule of a Fund;

“**Redemption Lock-Up Period**” means, with respect to a Fund, the period beginning on the date that Units of a Fund are first issued to an investor and ending 180 days after such date;

“**Redemption Notes**” means the promissory notes of a Fund that may be distributed by such Fund to satisfy the Redemption Price, with such Redemption Notes having terms as set out in the Schedules;

“**Redemption Price**” means the price at which the Units shall be redeemed in accordance with the Declaration of Trust;

“**Redemption Notice Period**” means the notice period required by each Fund to submit a redemption request as set out in the Schedules;

“**Saskatchewan Act**” has the meaning set out in “Statutory and Contractual Rights of Action – Saskatchewan”;

“**Section 130.1**” has the meaning set out in “Statutory and Contractual Rights of Action – Ontario”;

“**Schedule**” means the schedule of each Fund which is attached to and forms a part of this Offering Memorandum;

“**Specialty Investment Manager**” has the meaning set out in “Specialty Investment Manager”;

“**Sub-Adviser**” means Mandeville Private Client Inc.;

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

“**Declaration of Trust**” means the Master Declaration of Trust amended and restated December 13, 2013, and as amended from time to time, as entered into by Portland Investment Counsel Inc., as trustee, and Portland Investment Counsel Inc., as Manager;

“**Trustee**” means Portland Investment Counsel Inc., together with its successors and permitted assigns;

“**Underlying Funds**” means investment funds, private equity funds, exchange traded funds and mutual funds;

“**Unitholders**” means holders of the Units;

“**Units**” means, collectively, the units of the Funds; and

“**Valuation Date**” means the last Business Day of each month on which the Manager determines the NAV is required to be calculated for any purpose; including: (i) the last Business Day of each year; (ii) the last Business Day in each month; and (iii) each Redemption Date; and (iv) unless otherwise set out in the Schedule of a Fund.

## Schedule A

### PORTLAND SPECIAL OPPORTUNITIES FUND

#### *Key Terms*

Formation Date	December 5, 2017
Initial NAV Date	On or about December 14, 2017
Opening NAV	\$50.00
Price of Interim Subscription Units	\$50.00
Series Offered	<ul style="list-style-type: none"> <li>• Series A Units are available to all investors</li> <li>• Series F Units are generally available to investors who purchase their Units through a fee-based account with their registered dealer</li> <li>• Series O Units may be issued to certain institutional or other investors</li> </ul>
Minimum Investment	<ul style="list-style-type: none"> <li>• Series A Units - \$10,000</li> <li>• Series F Units - \$10,000</li> <li>• Series O Units - \$500,000</li> </ul>
Valuation Date	Generally the last Business Day of each month and such other Business Day or days as the Manager may in its discretion designate.
Redemption Date	Generally the last Business Day of each month and such other Business Day or days as the Manager may in its discretion designate.
Redemption Notice Period	Redemption order must be received in good order by the Administrator by 4:00 p.m. (Toronto Time) 60 calendar days prior to the Redemption Date.
Redemption Price	The NAV of the applicable series on the Redemption Date. Redemption fees may apply.
Redemption Lock Up Period	180 days after the period beginning on the date that Units of the Fund are first issued to the first investor.
Distribution Date	Annually on the last Business Day of the taxation year.
Registered Plan Eligible	Yes
Fiscal Year End	June 30
Specialty Investment Manager	EnTrustPermal Ltd. or its affiliates
External Portfolio Manager	EnTrust Partners LLC or its investment advisory affiliate
Auditor	PricewaterhouseCoopers LLP, Toronto, Ontario
Administrator	CIBC Mellon Global Securities Services Company, Toronto, Ontario
Custodian	CIBC Mellon Trust Company, Toronto, Ontario
Prime Broker	RBC Dominion Securities Inc., Toronto, Ontario
Legal Counsel	Osler, Hoskin & Harcourt LLP

## *Fundserv Codes*

<b>Fund</b>	<b>Series</b>	<b>Code</b>
Portland Special Opportunities Fund – Subscription Code	A	PTL775
	F	PTL785
	O	PTL735
Portland Special Opportunities Fund – Live Code	A	PTL780
	F	PTL790
	O	PTL740

These securities are speculative. A subscription for Units should be considered only by persons financially able to maintain their investment and who can bear the risk of loss of part or all of their investment. There are additional risk factors associated with investing in the Units. Please see “Risk Factors”. Subscribers are urged to consult with independent legal, tax and/or investment advisers and to carefully review the Declaration of Trust (available upon request from the Manager) prior to signing the subscription agreement for the Units.

**The investor acknowledges that the disclosures in this Schedule A relating to EnTrustPermal, EPSO4, EPSO4LP and EPACF, each as defined below, have been provided by such persons (or their representatives) and has not been prepared by the Fund, the Manager or the Sub-Adviser and such information is being provided for informational purposes only to the investor. By investing in the Fund, the investor agrees that none of the Fund, the Manager or the Sub-Adviser is responsible, in any way, for any misrepresentations with respect to such disclosures.**

## *Investment Objective and Strategies*

### **Investment Objective**

The investment objective of the Portland Special Opportunities Fund (the “**Fund**”) is to provide above average risk-adjusted returns over the long term by investing directly or indirectly, in strategies managed by EnTrustPermal Ltd. or its affiliates (“**EnTrustPermal**”).

### **Investment Strategies**

In order to achieve the investment objective of the Fund, the Manager intends to invest in alternative strategies through pooled investment vehicles and/or separately managed accounts managed by EnTrustPermal.

The Fund initially intends to invest in the EnTrustPermal Special Opportunities Fund IV Ltd. (“**EPSO4**”), a Cayman Islands exempted company. EPSO4 will invest all or substantially all of its assets in EnTrustPermal Special Opportunities Master Fund IV LP (“**EPSO4LP**”), an exempted limited partnership organized under the laws of the Cayman Islands, which will pursue the investment strategy of EPSO4. See the sections called “EnTrustPermal Ltd. - EnTrustPermal” and “EnTrustPermal Ltd. - EnTrustPermal Special Opportunities Fund IV Ltd.”.

When EPSO4 and EPSO4LP become closed to new commitments, the Fund may commit to subsequent products and services offered or managed by EnTrustPermal on a direct or indirect basis.

When the Fund subscribes for units of EPSO4, it will be required to commit to investing a fixed amount of capital to EPSO4 over time. The first commitment is anticipated to close in early 2018. Pending the full investment of the Fund's commitments, which may take several months or years, and to facilitate available capital to meet commitments and maintain liquidity for working capital purposes, or at any time deemed appropriate by the Manager, the Fund may invest in other investments as described below. It is expected that subsequent investments in alternative strategies managed by EnTrustPermal may also require capital commitments that will be called over a period of time.

In addition, the Fund may hold cash or cash equivalents prior to a capital call and may hold other funds and/or separate accounts managed by EnTrustPermal. The intention is to provide liquidity for the Fund to meet potential redemptions as may be necessary and to invest fund proceeds prior to capital calls. It is intended, in part, for the Fund to invest in a separately managed account managed by EnTrustPermal that has an investment strategy substantially similar to the EnTrustPermal Alternative Core Fund ("EPACF") subject to any regulatory or tax restrictions. See the section called "EnTrustPermal Ltd. – EnTrustPermal Alternative Core Separately Managed Account".

The Fund may hold cash in short-term debt instruments, money market funds or similar temporary instruments, pending full investment of the Fund's capital and at any time deemed appropriate by the Manager.

To a lesser extent, derivatives may also be used on an opportunistic basis in order to meet the Fund's investment objective. The Fund may hedge part or all of the non-Canadian dollar exposure back to the Canadian dollar from time to time, where eligible and at the sole discretion of the Manager.

The Fund has no geographic, industry sector, asset class or market capitalization restrictions. There is no restriction on the percentage of the NAV of the Fund which may be invested in the securities of a single issuer.

The Fund may employ leverage for working capital purposes, including to meet capital calls, up to 20% of the total assets of the Fund after giving effect to the borrowing.

The Fund is designed to attract investment capital which is surplus to an investor's basic financial requirements. The Fund is best suited to investors with a medium to long term investment time horizon. The above-described investment strategies which may be pursued by the Fund are not intended to be exhaustive and other strategies may also be employed. The actual strategies utilized by the Manager will depend upon its assessment of market conditions and the relative attractiveness of the available opportunities. Although not currently contemplated, the Manager may, in its sole and absolute discretion, use strategies other than those described above or discontinue the use of any strategy without advance notice to the Fund. Changes to the investment objective and strategies of the Fund can be made without prior approval of the Unitholders. Additionally, the Fund may invest in securities with which the Manager or its affiliates have a current or previous affiliation.

There can be no assurances that the Fund will achieve its investment objectives.

## ***EnTrustPermal Ltd.***

### **EnTrustPermal**

The Manager has selected EnTrustPermal as a Specialty Investment Manager. EnTrustPermal is one of the largest (top 5) hedge fund investors globally<sup>1</sup> managing over USD\$23 billion as at August 1, 2017, in alternative investment strategies for high net worth individuals, corporations, sovereign wealth funds, public pension plans and pooled investment vehicles<sup>2</sup>.

EnTrustPermal has cultivated relationships with over 100 active hedge fund managers across the globe and in every major alternative investment strategy, providing an experience set and access to a breadth of alternative investment opportunities that is unique. Through these strategic manager relationships, EnTrustPermal has been able to provide access for its clients to many established, well performing, and exclusive managers globally, including those whose strategies are no longer open to new capital, or whose relationships are limited by size, and/or only to existing investors. In these instances, EnTrustPermal has leveraged its longstanding relationships to facilitate client participation in existing funds, new funds, and co-investment opportunities. With its significant size, scope and reach, EnTrustPermal has also been able to negotiate lower fees and better terms with underlying managers on behalf of its investor clients. This power of aggregation results in greater access, lower costs, and an ability to select and configure alternative strategy allocations that seek to maximize investment opportunities and return potential for its clients.

With histories dating back to 1997 and 1973 respectively, EnTrust and Permal (an affiliate of Legg Mason) combined their deep industry knowledge and expertise in 2016 in an effort to lead the way forward in alternative investing, creating the global alternative investment strategies firm, EnTrustPermal. With 11 offices in major financial centers around the world and a combined history and experience in alternative investments dating back over 40 years, EnTrustPermal emphasizes a commitment to personal service, a high level of communication, extensive due diligence and risk management. EnTrustPermal implements a top down alternative strategies construction process that distills the thousands of global alternative strategies managers into a narrower group of just over 100 of whom it believes to have the best abilities and potential to deliver the risk-return objectives of its clients.

EnTrustPermal's investment approach can be summarized as three broad steps:

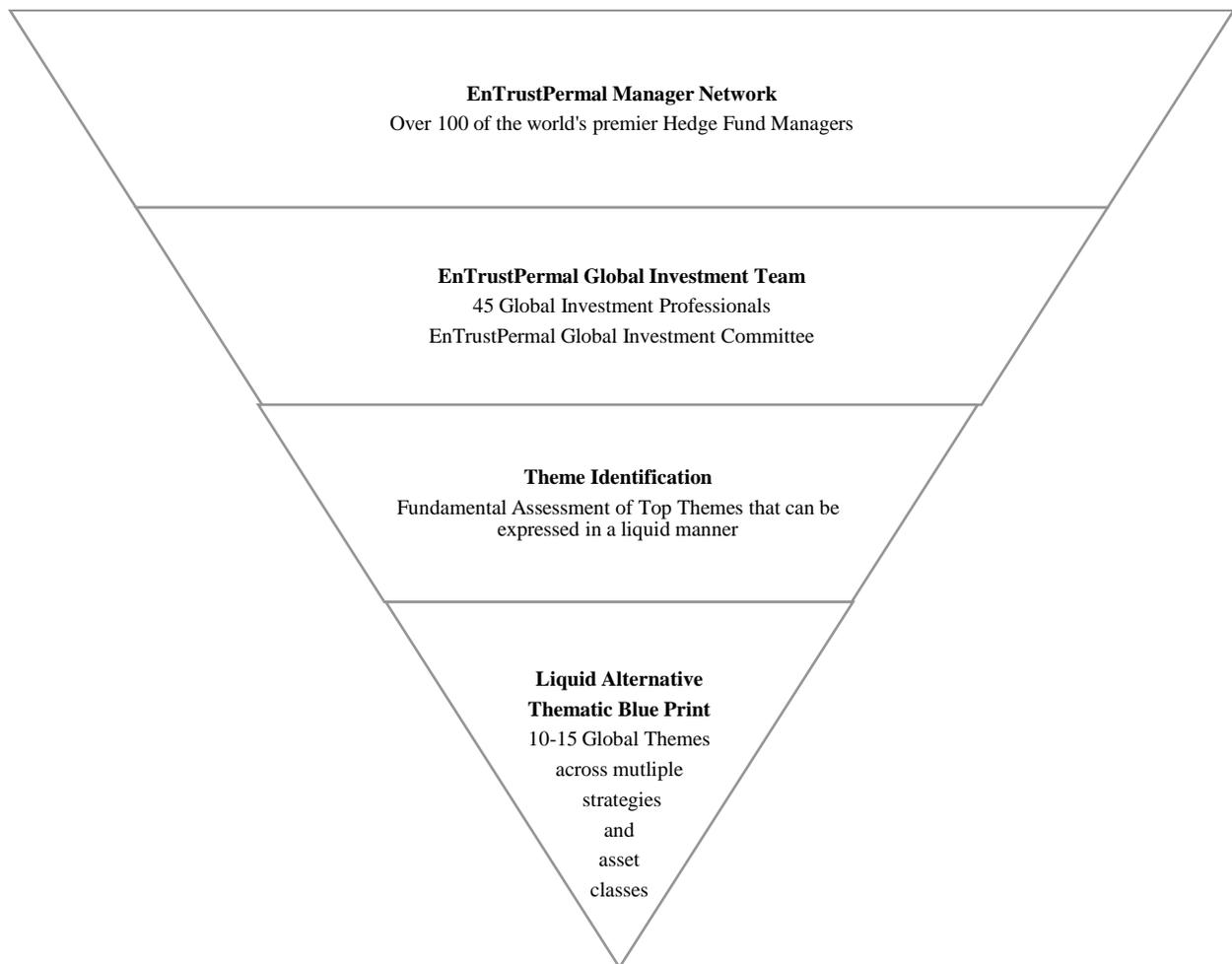
1. **Manager Search and Due Diligence** – conduct qualitative and quantitative manager assessments;
2. **Portfolio Construction and Asset Allocation** – assemble mix of portfolio managers and alternative investment strategies, using top – down and bottom - up analysis; and
3. **Risk Management and Performance Monitoring** – monitor portfolio, portfolio manager, and business risks.

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<sup>1</sup> EPACF Presentation Book - Preqin Quarterly Update Q1 2016. Totals remove overlap in managers and strategies. As of December 31, 2016.

<sup>2</sup> EnTrustPermal, as of August 1, 2017

## EnTrustPermal Top - Down Construction:



EnTrustPermal's Global Investment Committee (the "**GIC**") oversees the firm's investment process with the goal of fostering collaboration, communication and information flows across the entire investment team. The GIC makes investment decisions for all EnTrustPermal's funds and separately managed accounts. In addition, it approves new managers, allocations and co-investments, as well as deciding on manager terminations. The GIC has regular formal meetings and members of the GIC communicate informally on a daily basis. As a compliment to the GIC, EnTrustPermal has a Risk Committee ("**RC**") which has the power to veto any new investment or additional allocation decision made by the GIC.

EnTrustPermal has also established a Compliance and Conflicts Committee ("**CCC**") to enhance the independence of oversight and controls relating to EnTrustPermal's compliance policies and procedures and to identify, address and resolve existing and potential conflicts of interest that may arise across EnTrustPermal's business practices. The CCC consists of senior members of the Legal and Compliance Team and John H. Walsh (former Associate Director-Chief Counsel for the SEC's Office of Compliance Inspections and Examinations, and a current Partner at the law firm of Eversheds Sutherland (US) LLP) as Independent Legal/Compliance Advisor to the CCC. Issues may be identified for consideration by the CCC through senior management's daily interaction

with employees, as well as the regular meetings of the RC and the GIC. The CCC discusses on an ongoing basis the firm's business practices and relationships and discusses how to mitigate and monitor the inventory of identified and anticipated risks.

### **EnTrustPermal Special Opportunities Fund IV Ltd.**

The investment objective of EPSO4 is to invest in highly attractive, select investment opportunities by maintaining investments through private investment entities and/or separately managed accounts (each, an “**Investment**” or “**Portfolio**” and collectively, the “**Investments**” or “**Portfolios**”) with investment management professionals (individually, an “**EnTrust Manager**”, or collectively, the “**EnTrust Managers**”), specializing in various alternative strategies. EnTrust Partners LLC, a Delaware limited liability company and an U.S. Securities and Exchange Commission (“**SEC**”) registered investment advisory firm, is the general partner of EPSO4LP (the “**EPSO4LP General Partner**”). EnTrustPermal Partners Offshore LP, a Delaware limited partnership (the “**EnTrust Adviser**”) sources the investment ideas from the EnTrust Managers.

The EnTrust Managers have broad investment experience and the ability to leverage their existing relationships with corporate management teams, investment banks and other institutions to gain access to certain investment opportunities. As such, the EnTrust Adviser is presented with the “best idea” investment opportunities, typically in asset classes where market dislocations or other events have created attractive investment opportunities. Since EPSO4 will seek to invest in the “best ideas” of the EnTrust Managers (rather than in a diversified fund), EPSO4's results can be expected to be more idiosyncratic. The past performance of an EnTrust Manager may be less relevant to the potential success of a new investment idea presented to the EnTrust Adviser. EPSO4 can be expected to be more concentrated than a diversified fund and the success or failure of any one investment may have a more material impact on results than a more diversified portfolio. Additionally, EPSO4 may (i) participate in an Investment as a co-investor along with other funds and accounts managed by an EnTrust Manager, including to generate capital necessary to fund a large investment, and (ii) where possible, invest in a customized vehicle established by an EnTrust Manager in which permitted investors are limited to EPSO4 and other funds and accounts managed by EnTrust Adviser and its affiliates.

EPSO4 intends to invest in a broad range of Investments, including, but not limited to, global distressed corporate securities, activist equities, municipal bonds, high yield bonds, leveraged loans, unsecured debt, collateralized debt obligations, mortgage backed securities, direct lending and sovereign debt, real estate, venture capital and private equity-type structures. EnTrust Managers are not restricted in the investment strategies that they may employ across different asset classes and regions. The EnTrust Adviser anticipates that any number of strategies will be eligible for consideration for investments by EPSO4 and EPSO4 reserves the right to invest in any particular strategy or asset class it deems appropriate. EPSO4 may invest outside of EPSO4LP by making investments directly or through other intermediate entities in EnTrustPermal's portfolio of managers and may also create one or more alternative investment vehicles through which investors will access particular investments opportunities if it is beneficial to do so for tax or regulatory reasons. Due to the timing considerations and limitations on available information for certain Investments, the EnTrust Adviser may rely in large part upon the diligence and investment analysis performance by the investment professionals of the relevant EnTrust Managers.

EPSO4 may purchase equity securities issued in initial public offerings registered under the U.S. Securities Act of 1933, as amended (“**new issues**”). As these purchases are subject to Financial Industry Regulatory Authority (“**FINRA**”) rules 5130 and 5131 (“**FINRA rules**”), the Fund may be considered a restricted person as defined by the FINRA rules. If EPSO4 invests in new issue securities, the EnTrust Adviser will separately allocate those investments only to those shareholders that are not restricted persons or within limits prescribed under FINRA rule. To accomplish this, each class of shares in EPSO4 will be further divided into two sub-classes – Sub-class I Shares of each class will be issued to investors who are not restricted from participating in new issues pursuant to FINRA rules and Sub-class II Shares of each class will be issued to investors who are considered restricted persons. The Fund will be issued Sub-class II shares.

The EnTrust Adviser is registered with the SEC as an investment adviser. The EnTrust Adviser is under common ownership and control with EnTrust Partners LLC, an SEC-registered investment adviser and EPSO4LP General Partner, and is part of the EnTrustPermal group.

The EnTrust Adviser may, as it identifies appropriate investment opportunities, draw down capital by requesting a capital contribution from each shareholder in EPSO4 during the commitment period. Each capital commitment in EPSO4 is subject to a commitment period of three (3) years (the “**Commitment Period**”) during which capital may be drawn down and no redemptions are permitted. At the end of the Commitment Period, the EnTrust Adviser will have the discretion to extend the Commitment Period for one (1) year. Each Investment made by EPSO4 will be allocated among all shareholders who have available capital at the time. The Fund shall participate in Investments made on or after the date of its admission to EPSO4 but generally may not participate in any Investment made or committed to by EPSO4 prior to its date of admission.

Following the expiration of the relevant Commitment Period, (including a one (1) year extension period), shareholders may redeem all or a portion of their *pro rata* share of available liquidity in underlying investment vehicles. EPSO4 will not invest in any fund or investment vehicle that has an initial lock-up period or term or more than five (5) years and total lock up period or term, including applicable extensions, of more than 8 years. Redemption requests of greater than 90% or more of a shareholder's shares may be subject to a 10% holdback, payable generally 30 days after the completion of EPSO4's year end audit. Following the initial capital contributions, EPSO4 will charge a management fee equal to 1.25% per annum of the NAV of the shares held by a shareholder as of the close of business on the last business day of the immediately preceding quarter, taking into consideration only capital actually drawn down from the shareholder and invested with an EnTrust Manager. The EPSO4LP General Partner receives an incentive allocation generally on an annual basis equal to 10% of the net increase in an adjusted NAV, subject to an annual 7.5% hurdle rate and subject to a loss carry forward provision and clawback. In addition to incentive allocation and management fee, EPSO4 bears all of the fees and expenses relation to the organization, offering and operations of the EPSO4. EPSO4 is also subject to advisory, management and/or incentive fees to respective EnTrust Managers of the Portfolios and bears a pro rata portion of the expenses of each Portfolio.

### **EnTrustPermal Alternative Core Separately Managed Account**

EnTrust Partners LLC or its investment advisory affiliate (“**EnTrust Partners**”) will be engaged by the Manager as an External Portfolio Manager to manage an account with an investment policy to invest the Fund's assets substantially similar to EPACF subject to investment restrictions such

as ineligible investment for the Fund due to securities laws in local or foreign jurisdictions or tax rules that would result in adverse tax consequences for the Fund (the “EPACF SMA”). The following is a description of the investment objectives and strategies of EPACF.

The investment objective of EPACF is total returns. EPACF typically will invest, directly, or indirectly in:

- alternative investments, including commodities, real estate assets, infrastructure assets, foreign currencies and hedge fund strategies;
- equity-related instruments;
- fixed-income related instruments; and
- cash and cash equivalents.

Hedge fund strategies may seek both long and short exposures to equities, fixed income, structured credit, currencies, commodities, real estate assets, infrastructure assets and other real assets. EPACF will typically invest in multiple discrete styles of hedge fund investing, including, but not limited to, global macro strategies (including discretionary and systematic macro), managed futures, equity long-short, fixed income long-short, distressed debt and event driven. EPACF may also employ various portfolio hedging strategies, including short-biased, volatility and tail-risk products that are expected to produce positive returns in adverse market environments. For purposes of this restriction, all investments in hedge funds will be considered alternative investments.

The composition of EPACF’s investment portfolio will vary over time, based on, among other things, quantitative and qualitative techniques and risk management guidelines. EPACF may employ an asset allocation strategy to exploit perceived inefficiencies or imbalances in equity, fixed income or other asset classes in any region or country. The adviser will allocate assets to securities and other instruments, various underlying funds and ETNs which, in its opinion, are consistent with its guidelines and invest in the markets and strategies as identified by its asset allocation process. In allocating assets to underlying funds, the adviser may consider, among other factors, the general type of strategy employed, depth of experience, fee levels, value, growth potential, reputation in the industry, consistency, volatility, ability to perform in up and down markets and returns over time.

EPACF may obtain exposure to investment strategies (including hedge fund strategies) through the use of one or more total return swaps through which the fund makes payments to a counterparty (at either a fixed or variable rate) in exchange for receiving from the counterparty payments that reflect the return of a “basket” of securities, derivatives or commodity interests actively managed by a third-party investment manager identified by the adviser. EPACF may not invest more than 10% of its total assets either directly or through swaps in any one investment considered by the adviser to be an alternative investment.

EPACF and certain underlying funds may engage in active and frequent trading to achieve their principal investment strategies, resulting in high portfolio turnover.

In consideration of portfolio management services, it is anticipated that EnTrust Partners will be entitled to receive from the Manager an annual management fee of 0.65%, calculated and payable

monthly on the month end fair market value of the total net assets managed under the EPACF SMA. The annual management fee may increase or reduce from time to time.

## Market Opportunities

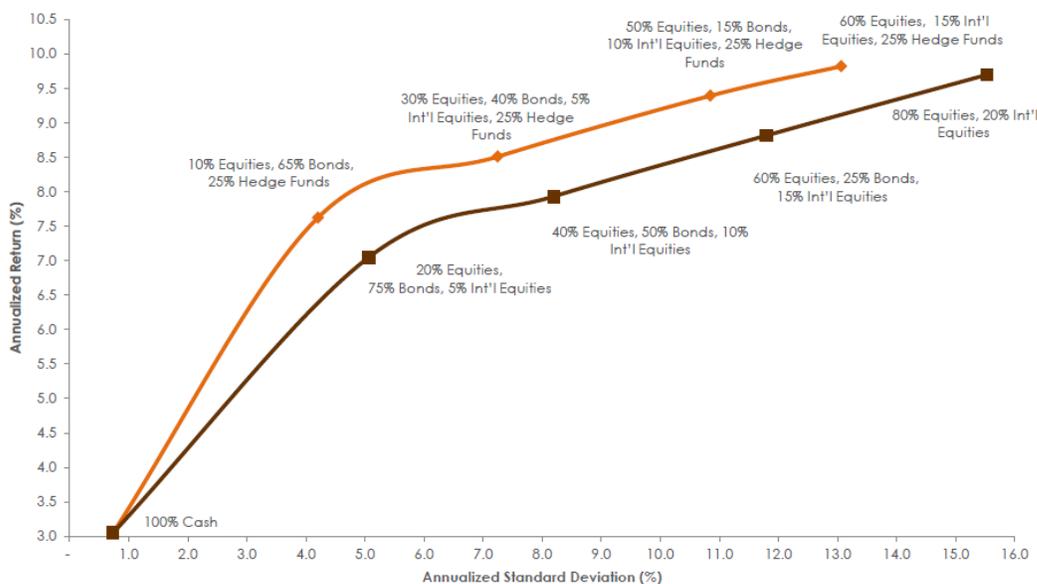
### Alternative Investments

The Manager believe that investing in alternative investment strategies provides investors with multiple benefits that compliment a diversified investment portfolio and improve the potential to earn better risk adjusted returns versus investing in traditional assets alone.

Alternative investments expand the investable universe and offer investors access to a wider breadth of underlying assets classes and strategies compared to only investing in traditional long-only asset classes. This expansion of the investment opportunity set increases the potential to identify and take advantage of market dislocation events and perceived mispricings among financial and real assets, and implement investments among a greater number of potentially diverse options.

Alternative investment strategies are often less correlated and potentially even negatively correlated to traditional long-only investment strategies, and therefore, may serve to reduce overall risk and volatility when incorporated in a portfolio context. The added diversification that may be achieved by including an allocation to alternative assets may help to lower overall portfolio risk and improve the potential to earn higher risk-adjusted total returns.

Historical Benefits of Adding Hedge Funds to a Diversified Asset Allocation (January 1990 – March 2017)



U.S. Equity = Russell 3000 TR USD, U.S. Bonds = Barclays U.S. Aggregate Bond TR USD, Non-U.S. Equity = MSCI EAFE NR USD, Hedge Funds = HFRI Fund Weighted Composite Index  
Past performance is no guarantee of future results. There is no guarantee that any particular asset allocation will produce attractive investment returns or that investment losses will not occur.

Source: EnTrustPermal, EnTrustPermal Alternative Core Fund Presentation March 31, 2017

## ***Fees and Expenses***

### **Management Fee**

The Manager will receive a fee for portfolio advisory services and for management of the day-to-day business and operations of the Fund. A portion of this fee will be allocated to the Sub-Adviser. The portfolio advisory services include but are not limited to: monitoring investments in EPSO4, EPCAF SMA and other Underlying Funds; research, selection and on-going monitoring of co-investment opportunities; research, selection and monitoring investments for uncommitted assets; and ongoing research for other investment opportunities.

The management fee charged to the Fund will have two components: (a) a management fee equal to (i) 1.85% per annum of the NAV of the Fund for the Series A Units; or (ii) 0.85% per annum of the NAV of the Fund for the Series F Units; and (b) a portfolio management fee in consideration of portfolio management services to be provided by EnTrust Partners in respect of the EPACF SMA, which will be collected by the Manager and paid to Entrust Partners, equal to 0.65% per annum, calculated and payable monthly on the month end fair market value of the total net assets managed under the EPACF SMA. The management fee relating to the EPACF SMA may be increased or reduced from time to time. The management fee payable by holders of Series O Units shall be negotiated between the investors and Manager and shall be paid directly by the investor to the Manager.

### **Organizational Expenses**

Organizational Expenses will be charged to the Fund as an expense in equal installments over 60 months commencing on the next Valuation date after the NAV reaches \$2.5 million, or at such other time or amount as the Manager in its sole discretion shall determine.

### **Redemption Fees**

If an investor redeems within the first 60 months from each purchase, the Manager may, in its discretion, charge a redemption penalty equal to 5% of the NAV of such Units redeemed which will be deducted from the redemption proceeds and retained by the Fund.

### ***Redemption Notes***

Redemption Notes may be distributed in satisfaction of the Redemption Price and such Redemption Notes will have an interest rate that is equal to the Bank of Canada overnight rate, reset each year as at January 1, simple interest per annum, calculated from the day the Redemption Note is issued and such other commercially reasonable terms as the Trustee may prescribe, subject to a maximum term of five (5) years from the date of issue, may be prepaid in part or full at any time at the option of the issuer prior to maturity, without notice, bonus or penalty, as determined in the sole discretion of the Trustee, provided that the applicable interest shall be paid at the end of the term of the Redemption Note.

## ***Risk Factors***

### **Risks Associated with Fund's Investments in EPSO4**

#### **Consequences of Failure to Satisfy Capital Calls**

If EPSO4, or an Underlying Fund of which the EPSO4 invests in, does not timely meet its obligations to make capital contributions in respect of any of its Investments, for any reason, EPSO4 may be subject to significant penalties under the terms of the Investment, which could have a material adverse effect on the value of the EPSO4's investment in such Portfolio.

If the Fund fails to make a required capital contribution, the EnTrust Adviser may declare the Fund in default and may be subject to (a) interest of equal to the ninety day London Interbank Offering Rate ("**LIBOR**") plus 3% per annum, (b) not be entitled to make any further capital contributions to EPSO4 and (c) may continue to be responsible for payment of its pro rata share of expenses of EPSO4, including organizational expenses, operating expenses and management fees.

#### **Recontributing Obligations**

Portfolios in which EPSO4 invests may recall distributions made to any shareholder to the extent that distributions are recalled from the Underlying Fund by an investment to which such distributions were attributable or to meet certain other obligations of the Underlying Fund.

#### **Residential Mortgage-Backed Securities ("RMBS")**

Portfolios in which EPSO4 invests may invest in RMBS. An RMBS is a form of asset-backed security and is a general obligation of the issuer, which is typically secured by residential mortgages or residential mortgage-backed collateral. Mortgage-backed securities may be issued or guaranteed by U.S. government agencies or instrumentalities or by private entities such as banks, savings and loans, mortgage bankers and other nongovernmental issuers. The risks include:

- *Prepayment Risk.* Portfolios may invest, directly or indirectly, in mortgage-backed securities and receive payments, generally, from the payments that are made on mortgage loans securing the RMBS. The yield and payment characteristics of RMBS differ from traditional debt securities. Interest and principal prepayments are made more frequently, usually monthly, over the life of the mortgage loans and principal may be prepaid at any time because the underlying mortgage loans generally may be prepaid at any time. Faster or slower prepayments than expected on underlying mortgage loans can dramatically alter the yield to maturity of an RMBS, thus affecting the EPSO4's profitability. Prepayment rates generally increase when interest rates fall and decrease when interest rates rise, but changes in prepayment rates are difficult to predict. Prepayment rates also may be affected by conditions in the housing and financial markets, general economic conditions and the relative interest rates on fixed-rate and adjustable-rate mortgage loans.
- *Interest Rate Changes.* The value of most RMBS, like traditional debt securities, tends to vary inversely with changes in interest rates (i.e., as interest rates increase, the value of such securities decrease). RMBS, however, may benefit less than traditional debt securities from declining interest rates because prepayment of mortgages tends to accelerate during periods of declining interest rates. Prepayments shorten the life of the security and the time over which the Portfolio receives income at the higher interest rate. Additionally, when mortgage loans underlying RMBS are prepaid, the prepaid amounts are re-invested in other income yielding

securities which will reflect the lower interest rates prevailing at the time. Alternatively, during periods of rising interest rates, RMBS are often more susceptible to extension risk than traditional debt securities (i.e., rising interest rates could cause property owners to prepay their mortgages more slowly than expected when the security was purchased, which may further reduce the market value of such security and lengthen the duration of the security).

- *Valuation.* RMBS are not traded on an organized exchange and may, therefore, be difficult to value.
- *Credit Risk.* Investment in RMBS is subject to credit risk, i.e., the risk that an issuer of an RMBS will be unable to pay principal and interest when due, or that the value of the security will suffer because investors believe the issuer is less able to pay. A default, downgrade or credit impairment of any of the EPSO4's investments could result in a significant or even total loss of the investment.

### **Commercial Mortgage-Back Securities ("CMBS")**

Portfolios in which EPSO4 invests may invest in CMBS. A CMBS is a form of mortgage-backed security which is typically secured by commercial mortgages or commercial mortgage-backed collateral. Commercial mortgage loans underlying commercial mortgage-backed securities are generally secured by income producing property, such as offices, malls, stores, industrial properties, multifamily housing or other commercial property, and may entail risks of delinquency and foreclosure. In general, incremental risks of delinquency, foreclosure and loss with respect to an underlying commercial mortgage loan pool may be greater than those associated with residential mortgage loan pools. In part, this is caused by lack of diversity.

CMBS are often backed by an underlying mortgage pool of only a few mortgage loans. A failure in performance of any one commercial mortgage loan in the underlying mortgage pool will have a much greater impact on the performance of the related CMBS. Credit risk relating to commercial mortgage-backed transactions is, as a result, property-specific. In this respect, commercial mortgage backed transactions resemble traditional non-recourse secured loans.

Rates of defaults and losses on commercial mortgage loans, and the value of any commercial property, may be adversely affected by risks generally incident to interests in real property, including various events which the related borrower and/or manager of the commercial property, may be unable to predict or control, such as: changes in general or local economic conditions and/or specific industry segments; declines in real estate values; declines in rental or occupancy rates; increases in interest rates, real estate tax rates and other operating expenses; changes in governmental rules, regulations and fiscal policies, including environmental legislation; acts of God; environmental hazards; and social unrest and civil disturbances. If a commercial mortgage loan is in default, foreclosure of such commercial mortgage loan may be a lengthy and difficult process, and may involve significant expenses and potential liabilities.

Prepayments on the underlying commercial mortgage loans in an issue of CMBS will be influenced by the prepayment provisions of the related mortgage notes and may also be affected by a variety of economic, geographic and other factors, including the difference between the interest rates on the underlying mortgage loans (giving consideration to the cost of refinancing) and prevailing mortgage rates and the availability of refinancing. In general, if prevailing interest rates fall significantly below the interest rates on the related mortgage loans, the rate of prepayment

on the underlying mortgage loans would be expected to increase. Conversely, if prevailing interest rates rise to a level significantly above the interest rates on the related mortgages, the rate of prepayment would be expected to decrease. Prepayments could reduce the yield received on the related CMBS issue.

Concentrations of CMBS of a particular type, as well as concentrations of CMBS issued or guaranteed by affiliated obligors, serviced by the same servicer or backed by underlying collateral located in a specific geographic region, may subject the CMBS to additional risk. CMBS issues may be subordinate in right of payment and rank junior to other securities that are secured by or represent an ownership interest in the same pool of assets. In general, subordinate classes are more sensitive to risk of loss and writedowns than senior classes of such securities.

### **High Risk Investments**

Portfolios in which EPSO4 invests may acquire assets secured by real property interests, including distressed residential mortgages, liens on high-risk collateral, or notes or pledges made by high-risk borrowers, including sub-prime and nonperforming loans. Such assets generally carry below-investment grade credit ratings, or lack credit ratings altogether. These assets and/or the loans underlying these types of assets may be in default or may have a greater than normal risk of future defaults, delinquencies, bankruptcies or fraud losses. There can be no assurance that the assets will perform, the borrowers will pay as expected, or, if defaulted, that the underlying assets will be able to be foreclosed upon and liquidated in a cost effective manner. In addition to the risks of borrower default, the portfolio will be subject to a variety of risks in connection with such debt instruments, including risks arising from mismanagement or a decline in the value of collateral, contested foreclosures, bankruptcy of the debtor, claims for lender liability, violations of usury laws and the imposition of common law or statutory restrictions on the portfolio's exercise of contractual remedies for defaults on such investments.

### **Collateralized Debt Obligations**

Portfolios in which EPSO4 invests may invest in collateralized debt obligations (including without limitation collateralized loan obligations and collateralized bond obligations, collectively, "CDOs"). CDOs may be fixed pools or may be "market value" or managed pools of collateral which entitle the holders thereof to receive payments that depend primarily on the cash flow from the pool of assets, which may include commercial loans, high yield and investment grade debt, Structured Securities (as defined below) and derivative instruments relating to debt. Holders of CDOs bear various risks, including credit risk, liquidity risk, interest rate risk, market risk, operations risk, structural risk and legal risk. The pools of assets of CDOs are typically separated into tranches representing different degrees of credit quality, with lower rated tranches being subordinate to senior tranches. The senior tranches of CDOs, which represent the highest credit quality in the pool, have the greatest collateralization and pay the lowest spreads over the LIBOR. Lower rated CDO tranches represent lower degrees of credit quality and pay higher spreads over LIBOR to compensate for the attendant risks. The bottom tranches specifically receive the residual interest payments (i.e., money that is left over after the higher tiers have been paid) rather than a fixed interest rate. The returns on the junior tranches of CDOs are especially sensitive to the rate of defaults in the collateral pool. In addition, the exercise of redemption rights, if any, by more senior CDO tranches and certain other events could result in an elimination, deferral or reduction in the funds available to make interest or principal payments to the junior tranches. In particular,

the failure of the CDO to satisfy asset coverage or interest coverage ratios, or certain other covenants may shut off all distributions to subordinate tranches of notes until the deficiency is eliminated. The portfolios may acquire mezzanine or equity tranches of CDOs which are the most susceptible to these risks.

### **Structured Securities Generally**

Portfolios in which EPSO4 invests may invest in interests in securitization vehicles organized and operated solely for the purpose of restructuring the investment characteristics of other debt securities, MBSs, CDOs etc. (collectively, “**Structured Securities**”). This type of restructuring generally involves the deposit with or purchase by an entity, such as a corporation or trust, of specified instruments and the issuance by that entity of one or more classes of securities backed by, or representing interests in, the underlying instruments. The cash flow on the underlying instruments may be apportioned among the newly issued security to create securities with different investment characteristics such as varying maturities, payment priorities and interest rate provisions, and the extent of the payments made with respect to such securities is dependent on the extent of the cash flow on the underlying instruments. Certain classes of such securities may be subordinated to the right of payment of another class. Subordinated structured investments typically have higher yields and present greater risks than unsubordinated structured investments.

Many Structured Securities are highly complex instruments and may be sensitive to changes in interest rates, prepayment rates or both. There is no guarantee that a liquid market will exist for any Structured Security that a Portfolio may wish to sell.

Structured Securities generally are limited or non-recourse obligations payable solely from underlying assets or collateral securities or the proceeds thereof. Consequently, holders of Structured Securities must rely solely on distributions on the underlying assets or collateral securities or proceeds thereof for payment in respect of the Structured Securities. The underlying assets are subject to, among other things, credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks and legal risks and may fluctuate with the financial condition of the underlying issuers and obligors. In the event that issuers of the underlying collateral securities or obligors on the underlying assets default on their obligations, or distributions on the underlying assets or collateral securities are insufficient to make payments in respect of the Structured Securities, no other assets will be available for the payment of the deficiency. There is no guarantee that liquidation of underlying assets and collateral securities will be sufficient to repay investors for their investment in such Structured Securities.

In addition, Structured Securities may involve risks different from those of the assets or securities underlying or backing such Structured Securities. The failure by a servicer, sponsor or manager of a Structured Security to perform adequate credit review scrutiny of underlying assets or collateral securities or to otherwise fulfill its obligations with respect to a Structured Security may lead to the liquidation of, or default on, such Structured Security. Such failures and defaults may have a negative impact on the return of the Structured Security and the performance of the portfolio.

### **Credit Default Swaps**

Certain managers of Underlying Funds may enter into credit default swap agreements. The “buyer” in a credit default swap contract is obligated to pay the “seller” a periodic stream of payments over the term of the contract provided that no event of default on an underlying reference obligation has occurred (a “**credit event**”), in return for a contingent payment upon the occurrence of a credit

event with respect to the underlying reference obligation. Generally, a credit event means bankruptcy, failure to pay, obligation acceleration or modified restructuring.

A manager may be either the buyer or the seller in the transaction. As a seller, the manager receives a fixed rate of income throughout the term of the contract, which typically is between one month and five years, provided that no credit event occurs. If a credit event occurs, the manager, as seller, typically must pay the contingent payment to the buyer, which is typically the “par value” (full notional value) of the reference obligation. The contingent payment may be either a cash settlement or physical delivery of the reference obligation in return for payment of the face amount of the obligation. If a manager is a buyer and no credit event occurs, the manager will lose its investment and recover nothing. However, if a credit event occurs, the manager, as buyer, will receive the full notional value of the reference obligation that may have little or no value.

Credit default swap agreements may involve greater risks than those associated with a direct investment by the manager in the reference obligation. Credit default swap agreements are subject to general market risk, liquidity risk and credit risk. As noted above, if a manager is a buyer and no credit event occurs, it will lose its investment. In addition, the value of the reference obligation received by a manager as a seller if a credit event occurs, coupled with the periodic payments previously received, may be less than the full notional value paid to the buyer, resulting in a loss of value to the manager and the Underlying Fund.

### **Subordination Risk**

Certain debt investments acquired by the portfolios in Underlying Funds will be subject to certain additional risks. Such investments may be unsecured and structurally or contractually subordinated to substantial amounts of senior indebtedness, all or significant portion of which may be secured. Moreover, such investments may not be protected by financial covenants or limitations upon additional indebtedness.

### **Purchases of Securities of other Obligations of Financially Distressed Companies**

Portfolios may purchase securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy, or other reorganization and liquidation proceedings. Acquired investments may include senior or subordinated debt securities, bank loans, promissory notes and other evidences of indebtedness, as well as payables to trade creditors. Although such purchases may result in significant returns to EPSO4, they involve a substantial degree of risk and may not show any return for a considerable period of time. In fact, many of these securities and investments ordinarily remain unpaid while the company is in bankruptcy and may not ultimately be paid unless and until the company reorganizes and/or emerges from bankruptcy proceedings. As a result, such securities may have to be held for an extended period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial distress is high. There is no assurance that the managers will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action.

Such investments also may be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court’s power to disallow, reduce, subordinate or disenfranchise particular claims. The market prices of such securities are also subject to abrupt and erratic market movements and above-

average price volatility, and the spread between the bid and asked prices of such securities may be greater than those prevailing in other securities markets. It may take a number of years for the market price of such securities to reflect their intrinsic value.

The administrative costs in connection with a bankruptcy or reorganization or liquidation proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors (other than out of assets or proceeds thereof, which are subject to valid and enforceable liens and other security interests) and equity holders. In addition, certain claims that have priority by law over the claims of certain creditors (for example, claims for taxes) may be quite high. In any reorganization or liquidation proceeding relating to a company in which a Portfolio invests, EPSO4 may lose its entire investment or may be required to accept cash or securities with a value less than the EPSO4's original investment.

### **Bank Debt**

Certain managers may invest in bank loans and participations. Risks associated with these obligations include, but are not limited to: inadequate perfection of the security interest granted under the loan documents; the possible invalidation or compromise of a loan transaction as a fraudulent conveyance or preference under relevant creditors' rights laws; the validity and seniority of bank claims and guarantees; environmental liability that may arise with respect to collateral securing the obligations; loss of value in any collateral; delays and costs associated with enforcing liens and/or foreclosing on collateral; bankruptcy risks, including delays, costs, subordination or invalidation of liens; adverse consequences resulting from participating in such instruments with other institutions with lower credit quality; long and less certain settlement periods; limitations on the ability of the manager to directly enforce its rights with respect to participations and illiquidity in the market for the resale of such loans.

### **Ratings**

Credit ratings are only the opinions of the agencies issuing them, may change less quickly than relevant circumstances and are not absolute guarantees of the quality of the securities. Furthermore, EPSO4's investments may not be rated by any rating agency or may be rated below investment grade. EPSO4 will be more dependent upon the judgment of the managers as to the credit quality of such unrated securities. A default, downgrade or credit impairment of any of its investments could result in a significant or even total loss of the investment.

### **Lower-Rated Securities**

The managers may invest and transact in lower-rated or unrated fixed income securities and other instruments, sometimes referred to as "high yield" or "junk" bonds (collectively for purposes of the section, "lower-rated securities"). Lower-rated securities may include securities that have the lowest rating or are in default. Investing in lower-rated securities involves special risks in addition to the risks associated with investments in higher-rated fixed income securities, including a high degree of credit risk. Lower-rated securities may be regarded as predominantly speculative with respect to the issuer's continuing ability to meet principal and interest payments. Analysis of the creditworthiness of issuers/issues of lower-rated securities may be more complex than for issuers/issues of higher quality debt securities. Lower-rated securities may be more susceptible to losses and real or perceived adverse economic and competitive industry conditions than higher-grade securities. Securities that are in the lowest rating category are considered to have extremely poor prospects of ever attaining any real investment standing, to have a current identifiable

vulnerability to default and to be unlikely to have the capacity to pay interest and repay principal. The secondary markets on which lower-rated securities are traded may be less liquid than the market for higher-grade securities. Less liquidity in the secondary trading markets could adversely affect and cause large fluctuations in the value of such investments. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the values and liquidity of lower-rated securities, especially in a thinly traded market. Furthermore, with respect to certain residential and commercial mortgage-backed securities, it is difficult to obtain current reliable information regarding delinquency rates, prepayment rates, servicing records, as well as updated cash flows. The use of credit ratings as the sole method of evaluating lower-rated securities can involve certain risks. For example, credit ratings evaluate the safety of principal and interest payments, not the market value risk of lower-rated securities. In addition, credit rating agencies may fail to change credit ratings in a timely fashion to reflect events since the security was rated. Lower rated securities may be unsecured, and even if secured may be subordinated to more senior indebtedness.

### **Municipal Market Securities Risk**

Various factors may adversely affect the value and yield of municipal securities. These factors include imbalances in demand, potential legislative changes as well as uncertainties related to the tax status of municipal bonds or the rights of others holding these securities. Any of these factors could cause losses for EPSO4. In addition, unlike other financial markets, the municipal bond market has no centralized exchange and suffers from inconsistent disclosure. As liquidity becomes scarce, these factors put downward pressure on prices (upward pressure on yields) as buyers seek to obtain the necessary data to understand and evaluate the bond's current credit fundamentals and performance.

### **Recent Market Conditions; Rating Agencies; Bond Insurers**

EPSO4 is subject to the risk that the issuers of, as well as the insurers of, municipal bonds or other instruments in which the managers invest may default on their obligations under such instruments, or that the credit quality of those issuers or insurers may decline significantly. This risk has been further magnified in light of recent events in the credit market. The market's perception of the creditworthiness of the monoline bond insurers affects the pricing of municipal bonds. Monoline insurers guarantee the timely repayment of principal and interest by municipal bond issuers. The major monoline insurance companies regularly reviewed by one or more of the Nationally Recognized Statistical Rating Organizations ("NRSROs") for possible downgrades. Downgrades and other adverse ratings actions with respect to these monolines would likely exacerbate current market conditions and further increase illiquidity and negatively impact pricing in the municipal bond market. For example, due to a lack of confidence in the creditworthiness of the monoline insurers in early 2008, many municipal bonds were trading at prices as if they were uninsured, effectively discounting the monoline insurance completely.

Changes in the NRSROs' capital models and rating methodology with respect to the monoline insurers may lead to a requirement of increased capital reserves for specified credit risks in the monolines' insured portfolio. The current market has already precipitated changes in capital models and rating methodology, causing the monoline insurers to raise additional capital from the market. There can be no assurance that capital will be available to the monoline insurers in the future on favorable terms and conditions, or if capital will be available at all, and the failure to

raise such capital could have a material adverse impact on their business, results of operations and financial condition, possibly creating a further devaluation of, and increased credit risk in, the municipal bond issuances that they insure.

Additionally, credit ratings of debt securities such as municipal bonds and other instruments in which the managers may invest represent the opinions of the applicable NRSRO only and are not a guarantee of quality. NRSROs may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be worse than a particular credit rating indicates.

### **Municipal Bonds Are Not General Government Obligations**

Even though municipal bonds are issued by state and local governments or their agencies and authorities, none of the municipal bonds will constitute a general obligation of any of the municipalities issuing such bonds nor is the general taxing power of any government pledged to the payment of principal or interest on the municipal bonds, unless otherwise stated in the bond documents.

### **Non-U.S. Debt Securities**

The returns on debt securities of non-U.S. issuers reflect interest rates and other market conditions prevailing in those countries. If such non-U.S. debt securities are denominated in currencies other than the U.S. Dollar, the effect of gains and losses in the non-U.S.-Dollar currencies against the U.S. Dollar may have a substantial impact on the value of such non-U.S.-Dollar-denominated debt securities. The relative performance of various countries' fixed income markets historically has reflected wide variations relating to the unique characteristics of each country's economy. Year-to-year fluctuations in certain markets have been significant, and negative returns have been experienced in various markets from time to time.

The non-U.S. government securities in which the managers may invest include, among other things, obligations issued or backed by national, state or provincial governments or similar political subdivisions or central banks in non-U.S. countries, debt obligations of supranational entities including international organizations designated, or backed, by governmental entities to promote economic reconstruction or development, international banking institutions and related government agencies, debt securities of "quasi-governmental agencies", and debt securities denominated in multinational currency units of an issuer (including supranational issuers). Debt securities of quasi-governmental agencies are issued by entities owned by either a national, state or equivalent government or are obligations of a political unit that is not backed by the national government's full faith and credit and general taxing powers.

Investment in sovereign debt can involve a high degree of risk. The governmental entity that controls the repayment of sovereign debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of the debt. A governmental entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the governmental entity's policy toward the International Monetary Fund, and the political constraints to which a governmental entity may be subject. Governmental entities may also depend on expected disbursements from foreign governments, multilateral agencies and others to reduce principal and interest arrearages on their debt. The

commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a governmental entity's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the governmental entity, which may further impair such debtor's ability or willingness to service its debts in a timely manner. Consequently, governmental entities may default on their sovereign debt. Holders of sovereign debt (including EPSO4) may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. There is no bankruptcy proceeding by which sovereign debt on which governmental entities have defaulted may be collected in whole or in part.

### **Risks of Activist Investing**

Some Portfolios may invest in activist strategies. Activist managers are subject to a variety of risks, including the following:

- *Concentration Risk.* Activist managers are likely to invest in a limited number of portfolio companies. Effectively managing an investment as an activist investor requires the accumulation of a significant position in the target company and the commitment of significant managerial resources. As a result of this limited diversification, EPSO4's results may be significantly impacted by the gain or loss on any one investment. Moreover, a manager may acquire a significant percentage of a target company's outstanding shares. If the manager were to determine to dispose of its position in the target company, the Portfolio's stake in such company would likely be significant in relation to the daily volume in the particular stock. As a result, the disposition may affect the price of the stock and a large amount of time may be required to order to fully unwind the position.
- *Holding Period.* Many of the investments made by managers may require a long term holding period in order to fully implement the strategy proposed by the manager. Managers will invest in companies believed to be undervalued. Until a catalyst event occurs or the changes proposed by the manager are implemented, it may be difficult to unlock the value believed to exist and as a result, it may take time for investors to realize the gains that are anticipated. In order to avoid a forced liquidation of an investment at an inopportune time, managers may impose long lock ups on investments made in the applicable Portfolio. This will result in less liquidity for EPSO4 and its shareholders.
- *Event Driven Risks.* The success of an investment will be highly dependent upon the manager's ability to cause a portfolio company's management to implement certain changes in the company's structure, operations or business plan. If the anticipated event fails to occur or it does not have the effect foreseen, losses can result. For example, the adoption of new business strategies or completion of asset dispositions or debt reduction programs by a company may not be valued as highly by the market as the manager had anticipated, resulting in losses. In addition, a company may announce a plan of restructuring which promises to enhance value and fail to implement it, resulting in losses to investors. In liquidations and other forms of corporate reorganization, the risk exists that the reorganization either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the applicable fund of

the security in respect of which such distribution was made. The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including (i) opposition of the management or stockholders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention by a federal or state regulatory agency; (iii) efforts by the target company to pursue a “defensive strategy”, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) in the case of a merger, failure to obtain the necessary stockholder approvals; (v) market conditions resulting in material changes in securities prices; (vi) compliance with any applicable federal or state securities laws; and (vii) inability to obtain adequate financing.

- *Activist Strategy Risks.* The Portfolios in which EPSO4 invests may invest a material portion of their capital in publicly traded equity and debt securities of companies that the applicable manager believes are undervalued by the marketplace and are likely to appreciate, including as a result of a change in ownership, corporate direction or management, or as a result of operational improvements. In making such investment, the applicable fund may act alone or together with one or more other investors or investment managers acting as a group. In order to implement any actions deemed necessary to maximize value, the manager, or other members of the investing group, may work with the management team of the target company to design an alternate strategic plan and assist them in its execution and may secure the appointment of persons selected by the manager or other members of the group to the company’s management team or board of directors. If necessary, the manager either alone or as part of a group, may also initiate shareholder actions (including those that may be opposed by company management) seeking to maximize value. Such shareholder actions may include, among other things, re-orienting management’s operational focus, initiating the sale of the company (or one or more of its divisions) to a third party, or an acquisition by the fund or other members of the investing group. Such an acquisition may be accomplished either by the fund (or the members of the investing group) acting alone, or acting in conjunction with management through a leveraged buyout. In order to accomplish the foregoing, the manager may cause EPSO4, either alone or together with other members of a group, to acquire a “control” position in the company’s securities.

This activist investment strategy may require, among other things: (i) that the manager properly identify portfolio companies whose securities prices can be improved through corporate and/or strategic action; (ii) that the fund acquire sufficient securities of such portfolio companies at a sufficiently attractive price; (iii) that the fund avoid triggering anti-takeover and regulatory obstacles while aggregating its position; (iv) that management of portfolio companies and other security holders respond positively to the manager’s proposals; and (v) that the market price of a portfolio company’s securities increases in response to any actions taken by portfolio companies. There can be no assurance that any of the foregoing will succeed.

Corporate governance strategies may prove ineffective for a variety of reasons, including: (i) opposition by the management or shareholders of the subject company, which may result in litigation and may erode, rather than increase, shareholder value; (ii) intervention of a governmental agency; (iii) efforts by the subject company to pursue a “defensive” strategy, including a merger with, or a friendly tender offer by, a company other than the

offeror; (iv) market conditions resulting in material changes in securities prices; (v) the presence of corporate governance mechanisms such as staggered boards, poison pills and classes of stock with increased voting rights; and (vi) the necessity for compliance with applicable securities laws. In addition, opponents of a proposed corporate governance change may seek to involve regulatory agencies in investigating the transaction or the fund and such regulatory agencies may independently investigate the participants in a transaction as to compliance with securities or other law. Furthermore, successful execution of a corporate governance strategy may depend on the active cooperation of shareholders and others with an interest in the subject company. Some shareholders may have interests which diverge significantly from those of the applicable Portfolio, and some of those parties may be indifferent to the proposed changes. Moreover, securities that the manager believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the timeframe the manager anticipates, even if a corporate governance strategy is successfully implemented. Even if the prices for a portfolio company's securities have increased, no guarantee can be made that there will be sufficient liquidity in the markets to allow the applicable Portfolio to dispose of all or any of its holdings therein or to realize any increase in the price of such securities.

- *Service on Boards of Directors.* A manager or its affiliates or designees may serve as directors of, or in a similar capacity with, portfolio companies, the securities of which are purchased or sold on behalf of the fund advised by such manager. In the event that material non-public information is obtained with respect to such companies or the fund becomes subject to trading restrictions pursuant to the internal trading policies of such companies or as a result of applicable law or regulations, the fund may be prohibited for a period of time from purchasing or selling the securities of such company at a time when a purchase or sale might otherwise be desirable.
- *Proxy Contests and Litigation.* A Portfolio may purchase securities of a company which is the subject of a proxy contest in the expectation that new management will be able to improve the company's performance or effect a sale or liquidation of its assets so that the price of the company's securities will increase. If the incumbent management of the company is not defeated or if new management is unable to improve the company's performance or sell or liquidate the company, the market price of the company's securities will typically fall, which may cause the fund to suffer a loss. In addition, where an acquisition or restructuring transaction or proxy fight is opposed by the subject company's management, the transaction often becomes the subject of litigation. Such litigation involves substantial uncertainties and may impose substantial costs and expenses on the fund engaged in such contest.

### **Hedging Limitations**

Although the EnTrust Adviser may seek one or more managers who employ various hedging techniques or may implement various hedging techniques directly through the EPCAF SMA portfolio, the extent and effectiveness of such hedging strategies may vary substantially. Moreover, it will not be a goal of the EnTrust Adviser to retain managers who necessarily employ fully hedged or "market-neutral" strategies. Most hedging techniques of managers will be directed primarily toward general market risks or certain issuer risks. Typically, there are numerous investment risks which will not be hedged or necessarily capable of being hedged as a practical matter. To the extent unhedged, investment positions of managers will, in general, be fully exposed to market and

investment risks. Hedging techniques have a variety of limitations. Hedging against a decline in the value of a portfolio position by selling short, for example, does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the overall portfolio positions' value. Hedging through market index options may only protect against an overall market downturn, as compared with price declines in specific securities.

Hedging transactions generally also limit the opportunity for gain if the value of the portfolio position should increase, due to the hedging cost or price decline in the hedging position. For a variety of reasons, a manager may not seek or be able to establish a sufficiently accurate correlation between hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent a Portfolio from achieving the intended hedge or may expose EPSO4 to risk of loss. Such losses can include losses on the hedged position, the attempted hedge position, or both, and could be substantial. There can be no assurance, therefore, that investment positions of Portfolios will be significantly hedged against investment risks or that such hedging strategies, if any, will in fact prove successful.

### **Illiquid Portfolio Securities**

To the extent that a Portfolio or manager invests in private securities or restricted securities, the valuation of such securities will be determined by the applicable manager, subject to compliance with the Employee Retirement Income Security Act of 1974 (“**ERISA**”), where applicable, whose determination, despite the conflict to which the manager is subject when establishing such values, will be final and conclusive as to all parties. The value established may not reflect accurately the amount that could be realized if the securities were sold. Due to the lack of an established trading market it could take a significant amount of time to find a buyer for such securities, and such sale may be at a significant discount to the perceived value of the security.

### **Limited Liquidity of Investment in Shares**

EPSO4 has not listed and does not intend to list its shares on any securities exchange. In addition, there will not be any established over-the-counter market for sale or transfer of the Shares and it is not anticipated that a trading market will develop. EPSO4 shares are subject to additional restrictions on redemption, transfer and assignment.

### **Futures Contracts**

Commodity futures prices and commodity options can be highly volatile. Price movements of futures contracts and options are influenced by, among other things, changing supply and demand relationships, domestic and foreign governmental programs and policies and national and international political and economic events. Moreover, commodity exchanges generally limit fluctuations in commodity futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” During a single trading day, no trades may be executed at prices beyond the daily limit. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Commodity futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent EPSO4's managers from promptly liquidating unfavorable positions and subject the EPSO4 to substantial losses.

## **Foreign Securities**

Portfolios may invest in non-U.S. companies where the protections afforded by the laws of the U.S. do not apply. The Portfolio may be subject to various risks inherent in investing in foreign companies, including fluctuations in currency exchange rates, exchange controls, expropriation, burdensome or confiscatory taxation, moratoria, or political or economic events, all of which could have an adverse effect on the EPSO4's ability to generate gains. As the Portfolio determines its gains or losses in U.S. dollars, it will be subject to the risk of fluctuations in currency exchange rates between the local currency and dollars and to foreign exchange controls. There can be no assurance that the Portfolio would not incur losses as a result of adverse changes in currency exchange rates and foreign exchange controls. The Portfolio is unable to predict the nature of future exchange controls. The imposition of significant increases in the level of exchange controls or other restrictions could have an adverse effect on the Portfolio.

## **Foreign Exchange Risk**

Certain of the Portfolios and managers utilized by EPSO4 have reserved the right to invest in the securities of non-U.S. issuers. A portion of any such underlying fund's assets may be invested in equity securities denominated in currencies other than the U.S. dollar and in other financial instruments, the price of which is determined with reference to currencies other than the U.S. dollar. Any such fund, however, would likely value its securities and other assets in U.S. dollars. To the extent unhedged, the value of the fund's assets will fluctuate with U.S. dollar exchange rates as well as with price changes of the fund's investments in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which the assets of the fund are invested would reduce the effect of increases and magnify the U.S. dollar equivalent of the effect of decreases in the prices of the securities invested in by a fund in non-U.S. markets. Conversely, a decrease in the value of the U.S. dollar would have the opposite effect; it would magnify the effect of increases and reduce the effect of decreases in the prices of the non-U.S. dollar securities invested in by EPSO4.

A Portfolio or manager may utilize currency forward contracts and options to hedge against currency fluctuations. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals that deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. In respect of such trading, a fund is subject to the risk of counterparty failure or the inability or refusal by a counterparty to perform with respect to such contracts. Market illiquidity or disruption could result in major losses to a fund.

## **Systemic Risk – OTC and Derivative Counterparty Risk**

World events and/or the activities of one or more large participants in the financial markets and/or other events or activities of others could result in a temporary systemic breakdown in

the normal operation of financial markets. Such events could result in the Portfolios and managers selected by the EnTrust Adviser losing substantial value caused predominantly by liquidity and counterparty issues, which could result in the Fund incurring substantial losses.

There is the possibility that the institutions, including prime brokers, other brokerage firms and banks, with whom managers do business, or with whom securities may be entrusted for custodial purposes, will encounter financial difficulties that may impair the operational capabilities or the capital position of such brokerage firms or banks and that could adversely affect the underlying funds and by extension EPSO4. Brokers may trade with an exchange as a principal on behalf of managers, in a “debtor-creditor” relationship, unlike other clearing broker relationships where the broker is merely a facilitator of the transaction. Such broker could, therefore, have title to all of the assets of the related underlying funds (for example, the transactions which the broker has entered into on behalf of the underlying funds as principal as well as the margin payments which the underlying funds provide). In the event of such broker’s insolvency, the transactions which the broker has entered into as principal could default and the underlying funds’ assets could become part of the insolvent broker’s estate, to the detriment of the underlying funds and EPSO4. In this regard, underlying funds’ assets may be held in “street name” such that a default by the broker may cause the underlying fund’s rights to be limited to those of an unsecured creditor.

### **Purchasing Initial Public Offerings**

The Portfolios and managers utilized by EPSO4 may purchase securities of companies in initial public offerings of any equity security (“**new issues**”) or shortly thereafter. Special risk associated with these securities may include a limited number of interests available for trading, unseasoned trading, lack of investor knowledge of the company, and limited operating history. These factors may contribute to substantial price volatility for the interests of these companies and, thus, EPSO4’s Shares. The limited number of interests available for trading in some initial public offerings may make it more difficult for a Portfolio or manager to buy or sell significant amounts of interests without an unfavorable impact on prevailing market prices. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

### **Risk of Fraud**

Although the EnTrust Adviser intends to employ reasonable diligence in evaluating and monitoring Portfolios and managers, no amount of diligence can eliminate the possibility that one or more Portfolios or managers may engage in improper or fraudulent conduct, including unauthorized changes in investment strategy, misappropriation of assets and unsupportable valuations of portfolio securities.

### **Limited Liquidity of Underlying Funds and Investments**

Many, if not all, of the Portfolios and managers with whom EPSO4 invests its assets have not listed and do not intend to list the beneficial ownership interests in such Portfolios on any securities exchange. In addition, there will not be any established over-the-counter market for sale or transfer of the beneficial ownership interests in such Portfolios and it is not anticipated that a trading market will develop. Interests in such Portfolios are subject to additional

restrictions on redemption, transfer and assignment. Accordingly, EPSO4 may be required to wait a significant amount of time before liquidating interests in such Portfolios or may bear substantial expenses related to redemption in the event that the manager of such Portfolios permit redemption of interests in such Portfolios before the expiration of any applicable lock-up period.

### **Risk Management**

The sophistication of the risk management techniques employed by managers varies from manager to manager. However, even the most sophisticated risk management techniques cannot protect a Portfolio against loss in all circumstances. All risk management models are premised upon assumptions with respect to economic and political conditions, market sentiment and other factors. The occurrence of an aberrational event not anticipated by a model can cause a Portfolio to sustain a significant loss. Such events may include volatility in energy prices, sharp swings in interest rates or other factors.

### **Risk of Mandatory Redemption**

EPSO4 has the right, in its sole and absolute discretion, to require a shareholder to redeem its shares at any time with at least 30 days prior notice. However, in the event EPSO4 deems it necessary in order for EPSO4 to remain in compliance with applicable laws, such redemption may be required at any time without prior notice.

### **Effects of Substantial Redemptions**

Substantial redemptions at any one time could require EPSO4 to liquidate its positions more rapidly than otherwise would be desirable, which could adversely affect the value of both the shares being redeemed and the remaining shares. In addition, the resulting reduction in the EPSO4's NAV could make it more difficult for EPSO4 to generate profits or recoup losses, and could even cause EPSO4 to liquidate its positions prematurely.

### **Absence of Governmental Regulation**

Although the EnTrust Adviser and the EnTrust General Partner are registered as investment advisers under the Investment Advisers Act of 1940, as amended, EPSO4 is not required to be, and is not, registered as an investment company under the Investment Company Act. Investors, therefore, are not afforded the protective measures provided by the Investment Company Act. If EPSO4 was deemed to be subject to the Investment Company Act and the regulations promulgated thereunder, the burdens of compliance could require the EnTrust Adviser to discontinue the conduct of EPSO4's business.

EPSO4 will require U.S. investors to be qualified purchasers in order to qualify for exemptions from the requirement of registering as an investment company under the Investment Company Act. As a result, certain protections of the Investment Company Act will not be afforded to EPSO4 or its shareholders. Among other provisions, the Investment Company Act requires investment companies to have at least 40% of its directors qualify as "disinterested", regulates the relationship between the investment company and its adviser, requires investor approval before fundamental investment policies can be changed, and imposes certain requirements relating to the custody of securities. It is anticipated that managers generally will maintain accounts at brokerage firms and will not separately segregate EPSO4's securities, as would be required in the case of registered investment companies.

Regulation of securities markets has undergone substantial change in recent years, and is expected to continue to change. There can be no assurance that the EnTrust Adviser will be able, for financial reasons or otherwise, to comply with future laws and regulations.

### **Substantial Fees, Expenses and Incentive Compensation**

An investor will, in effect, incur the costs of two forms of investment management services, namely, the services provided by the EnTrust Adviser in identifying managers and the services provided by the managers in selecting investments on behalf of their Portfolios, for which the EnTrust Adviser and the managers will each receive compensation. The EnTrust General Partner will be entitled to receive an incentive allocation and managers will likely receive incentive based compensation or allocations from or with respect to EPSO4's investment in their Portfolios. Both the EnTrust Adviser and the managers will also receive management fees. It is possible that, in any accounting period, one or more managers may receive incentive compensation even though EPSO4 as a whole suffers a loss.

Additionally, the fees and expenses of operating EPSO4 may be substantial. The Portfolios and EPSO4 may incur fees and expenses including, without limitation, fees and expenses for accounting and legal services, financial consulting, borrowing charges, custodial fees and bank service fees and premiums for insurance.

### **Reserve for Contingent Liabilities**

Under certain circumstances, the EnTrust Adviser may find it necessary upon redemption by a shareholder to set up a reserve for contingent liabilities and to withhold a certain portion of the redemption proceeds. Similar provisions may be contained in the charter documents of the underlying funds in which EPSO4 may invest. These provisions could be activated if EPSO4 or one of the underlying funds in which it invests were involved in litigation or became subject to an audit by the United States Internal Revenue Service. While there can be no assurance, the Board of Directors believes that the type of business conducted by EPSO4 would not ordinarily result in the need for such reserves.

**The foregoing risk factors do not purport to be a complete explanation of all risks involved in purchasing Units. Potential investors should read this entire Offering Memorandum, including the Schedules, and consult with their legal and other professional advisors before determining to invest in Units. Potential investors should be aware that as EPSO4's investment portfolio develops and changes over time, EPSO4 and EnTrustPermal may be subject to additional and different risks and conflicts.**